

Multilayered World Order and

South Korea's Middle Power Diplomacy:

The Case of Development Cooperation Policy

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October 2014

EAI MPDI Working Paper

Knowledge-Net for a Better World

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ISBN 978-89-92395-93-9 95340

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I. Introduction: Middle Power Diplomacy in Development Cooperation

With the era of Millennium Development Goals (MDGs) being scheduled to be phased out in 2015, major players of development cooperation came to share a growing consensus that a new world order is absolutely necessary. However, in contrast to the late 1990s where traditional donors exerted an overwhelming dominance in shaping the new agenda for the MDGs, the global landscape of development cooperation has become much more complex in the 21st century. The transition into the new era does not play out in a political vacuum, as a diverse range of players and stakeholders with varying views and shifting roles actively participate in the global discussion on development.

I argue that three factors are clearly at work in creating the new world order of development cooperation in the 21st century: power shift, the complex nature of the global governance in development cooperation, and national strategies of development cooperation policy. First, underlying this dynamic of cooperation and competition is the power shift that is symbolized by the rise of China and the relative decline of the United States, as both countries work hard to forge a global architecture that can systematically better reflect their interests in the new era. In this regard, the U.S. and China have entered into architectural rivalry, setting a fundamental contour in establishing the new order of development cooperation.

Second, the international environment heading into the post-2015 era is quite different from that of the time when the MDGs were formulated, as the number of emerging donors, both state and non-state, has rapidly increased in the twenty-first century. In terms of state actors, non-Development Assistance Committee countries, such as BRICs and Arabic



countries, have emerged as new donors. Non-state donors have also increased not just in numbers but in influence. Both international-governmental organizations (IGOs) and non-governmental organizations (NGOs), ranging from GAVI, the Global Fund to Fight AIDS, Global Environment Facility to the Bill & Melinda Gates Foundation have flour-ished. As demonstrated by the fact that the Gates Foundation ranks third in aid for the health sector after the U.S. and the Global Fund in 2009, non-state donors have already firmly established their status and roles in development cooperation.

Issue complexity has dramatically increased also, as issues that were separated in the past are now intertwined with each other, calling for new thinking in development cooperation. Most importantly, it is necessary to seek collective wisdom that can sort out intertwined issues, identify the linkages between them, and offer constructive solutions to the problems. Climate change, natural disasters, diseases, and economic crises are just a few examples in which such collective wisdom is absolutely needed. In addition, there is a widely-shared consensus among the community of development cooperation that one actor, either state or non-state, cannot deal with emerging issues single-handedly (Manning 2006). These new developments signify that it is indeed time to think of "a global answer to global problems" (Martin 2005).

Third, although the majority of countries cooperate to pursue the intrinsic goals of development cooperation, it is difficult to completely detach development cooperation policy from individual countries' interests. In reality, major players in development cooperation have displayed a dual dynamic of cooperation and competition in constructing the new order. On the one hand, they share a common view that it is of paramount importance to find a new global governance framework for the sake of sustainable development. On the other hand, they compete against each other to realign the coming global order of development cooperation toward their interests.

The rapidly shifting nature of development cooperation in the 21st century presents middle powers with a noble opportunity. First, as John Ravenhill succinctly argues, changing contexts, not changes in material conditions, are crucial for middle powers to enhance their influence in global politics (Ravenhill 1998).¹ Aware of their material constraints, middle powers are likely to seek niche diplomacy where middle powers concentrate resources on specific issue areas (Evans and Grant 1991). Development cooperation is a natural candidate for niche diplomacy.

Second, the sheer fact that various players of development cooperation reveal potentially conflicting interests gives ample room for middle powers to maneuver. Assuming that today's global politics is organized in a networked fashion rather than hierarchically (Kahler 2009),² middle powers will be able to increase their visibility and influence, even if



they are not equipped with material power that can dictate the world order.³ Middle powers are better positioned between various players of development cooperation: developed and developing countries, traditional and emerging donors, state and non-state actors. Taking advantage of their positions within the complex network, middle powers will be able to execute positional power (Kim 2009).

Third, of course, the possession of favorable positions within the network does not guarantee middle powers influence and prestige. In order to enjoy the material benefits that accrue from such positions, middle powers should be able to become an "entrepreneurial leader" in global politics (Young 1991). In contrast to traditional middle powers that were largely content with the "first followership" (Cooper 1989), middle powers in the 21st century in the realm of development cooperation, tend to seek a more activist role. The role of middle powers' is extremely important under the current architecture of development cooperation. The global discussions on 21st development cooperation have been had by various fora such as the Organization of Economic Cooperation and Development (OECD), United Nations (UN), World Bank, the Group of Twenty (G20) Summit, indicating that there is a greater need for systematic linkages among them. However, major players of development cooperation have yet to find a way as to how to establish linkages. Going beyond narrowly defined national interests, middle powers are likely to accommodate other players' interests to organize the global governance of development cooperation by linking multiple fora.

In short, the current landscape of development cooperation needs middle powers to take more initiative and embrace an expanded role. This change also coincides with South Korea's ambitious launch of its middle power diplomacy strategy. Under the banner of "contribution diplomacy," the Lee Myung-bak government identified development cooperation as a crucial means to elevate South Korea's diplomacy to the next level. The Lee government claimed that it is time for South Korea to join international efforts to address global issues. Upon its inauguration, the subsequent Park Geun-hye government ambitiously launched its "middle power diplomacy" in conjunction with the Peace Process of the Korean Peninsula and the Northeast Asia Peace and Cooperation Initiative as its diplomatic goals. Development cooperation emerged as one of the promising areas for middle power diplomacy.⁴ That is, development cooperation and middle power diplomacy were combined to form an important pillar of South Korea's diplomacy.

This paper is organized in the following way. Section two examines the way in which complexity has dramatically increased in development cooperation in the past decade. Section three explores the transition process into the Post-2015 era from the MDG period. Section four identifies contending issues among major stakeholders to probe the possibilities for



South Korea's middle power diplomacy. Section five examines how South Korea has executed middle power diplomacy in the area of development cooperation, particularly since its accession into the OECD DAC. Section six draws theoretical and practical implications.

II. Power Shift and Changing Global Architecture in Development Cooperation

The competition between the U.S. and China has intensified in development cooperation. It is not just because they are attempting to take more favorable positions in shaping the new global architecture of development cooperation, but because they tend to take advantage of foreign aid as a means to expand their global influence (Lum et. al. 2008). The rivalry between the two great powers poses imminent pressures to the current global order of development cooperation underpinned by the OECD DAC members that share global goals and norms.

In the aftermath of the global financial crisis, in 2010, the Obama government announced the Quadrennial Diplomacy and Development Review (QDDR) that specified the unification of defense, diplomacy, and development (U.S. State Department and USAID 2010). In this report, the U.S. government made it clear that while maintaining a cooperative stance to the existing global governance model led by the OECD DAC, it would still design and implement an independent development cooperation strategy. Specifically, the Obama government identified six core areas that build on U.S. strengths: sustainable economic growth, food security, global health, climate change, democracy and governance, and humanitarian assistance (U.S. State Department and USAID 2010: x). The Obama government also ascertained that the U.S. should construct an encompassing network and partnerships to advance its development cooperation diplomacy.

Under the banner of civilian power, the report suggests that the U.S. government unify the expertise of various civilian organizations involved in U.S. diplomacy. Diplomacy in the 21st century continues to bare witness to the rise of emerging actors such as governmental agencies, transnational networks, companies, foundations, non-governmental organizations (NGOs), religious organizations, and civilians. To adapt to this changing reality, the U.S. government should utilize and coordinate civilian power, strengthen regional and global linkages, and create networks with NGOs. Development cooperation should create a new partnership with the civilian sector to adapt to this changing environment rather than



solely relying on the USAID or the State Department. In doing so, the report argues that the U.S. government could take a leadership role in reconstructing the global architecture of development cooperation into one that "could help nations come together as partners to solve shared problems" (U.S. State Department and USAID 2010: 19). This signifies that the U.S. government seeks to usher in a meaningful change in the existing global architecture of development cooperation without fundamentally negating its very foundations, primarily guided by the OECD DAC members. However, the mere fact that the U.S., the biggest donor, is pursuing a new development cooperation policy puts a strain on the current order of development cooperation.

China also displays a similar strategic nature in its foreign aid policy. Equipped with its enormous financial resources, China has attempted to increase its contribution of foreign aid, commensurate with its economic status as the second largest economy in the world. The rise of China in development cooperation is in stark contrast to Japan that has been in relative decline in the 21st century. The OECD DAC estimates that China spent US\$ 2.85 billion of concessional financial assistance in 2012. China would rank 13th on the list of OECD DAC countries (OECD CRS database). However, given that China takes a broader definition of foreign aid to include concessional loans, debt relief, and investment, the amount of China's foreign aid substantially increases under this definition. Within these circumstances, one study estimates that the amount of Chinese foreign aid actually reached about US\$30 billion in 2007, demonstrating that China has already emerged as a major donor in development cooperation (Lum et. al. 2008).⁵ In addition, the scope of China's foreign aid is global as it offers foreign aid to 123 countries (Information Office of the State Council 2011). This reflects the fact that China utilizes foreign aid to deepen diplomatic relationship as well as secure its energy supplies. An illustration of this is how China concentrates 45.7 percent of its foreign aid to African countries (Information Office of the State Council 2011).

Like the U.S., tightly linking foreign aid to its national interests, China attempts to use it to increase its global influence. Despite mounting criticism against China's foreign aid, however, China somewhat successfully utilized foreign aid to enhance its soft power (Kurlantzick 2007). Furthermore, promoting quite a different goal of foreign aid from that of other advanced donors, China has quite effectively strengthened its position in development cooperation (Lum et. al. 2008).

China seeks a fundamental restructuring of the global architecture of development cooperation in that it believes in systematically incorporating the interests of traditional donors. In contrast to the U.S., China promotes counter-paradigms of development cooperation while staying outside the existing global governance framework that is likely to be a serious source of strain for the established system. China takes a broader definition of aid



to include concessionary loans, debt relief, and investment. In practice, the main goals and principles of China's foreign aid policy is quite distinctive. The Chinese government made clear that its foreign aid policy is a way to consolidate the South-South cooperation between China and other developing countries. In this vein, in implementing foreign aid, the Chinese government supporting the recipient's autonomous development, does not attach any political conditionality, observes the principles of peace and reciprocity, and considers the practical constraints (Information Office of the State Council 2011).⁶ These principles contain the nature of national strategy because it is commensurate with the "Beijing Consensus" that claims to advocate individual countries' sovereignty and autonomy in economic development. All-in-all, the principles of Chinese foreign aid are counter-paradigmatic in that they contradict the existing paradigms of development cooperation stressing "good governance," or the "spread of democracy."

Given the unique nature of China's foreign aid, it appears a daunting task to incorporate China and other emerging donor countries into the existing order of development cooperation. But this situation offers an opportunity for middle powers like South Korea to play the role of mediator in encouraging China to become a player within the global governance framework.

III. Increasing Complexity of the Global Governance Framework and the Transition to the Post-2015 Era

The entire development cooperation community is about to face an epochal change as the Millennium Development Goals (MDGs), which have underpinned fundamental shifts in development cooperation since 2001, are scheduled to be completed by 2015. The overall assessment of the MDGs is double-sided. On the one hand, the MDGs have elevated development cooperation to a higher level in many ways. They offered a practical basis of global consensus for poverty reduction. They have also made a significant effort to establish measurable goals for development cooperation, thereby introducing various kinds of quantitative criteria on a global scale. These criteria have greatly helped recipient countries set up specific targets and indicators of aid effectiveness. For example, the 'Poverty Reduction Strategy Paper' that recipient governments draw up to secure aid from donors is based up-on the goals and indicators of the MDGs.⁷ In this regard, the MDGs have profoundly contributed to the standardization of development cooperation for the last decade.



On the other hand, it is questionable whether despite these accomplishments, the MDGs have indeed achieved their initial goals. It is projected that out of 21 goals set by the MDGs, only four goals are likely to be achieved. Experts point out that the other goals can be accomplished only when they are backed by economic growth. The relationship between aid and a recipient country's ownership is dubious. It is extremely challenging to evaluate aid effectiveness when poverty reduction is achieved in combination with a recipient country's autonomous economic development plans. Experts also criticize the narrow focus of the MDGs on poverty, that it is time to shift focus from absolute poverty reduction of the bottom to relative poverty reduction of the 'new bottom billion' in the low-middle income countries. Consequently, the world of development cooperation is vigorously engaged in discussing and debating what to inherit and what to discard from the MDGs.

Discussions about establishing the post-2015 era zooms in on how to create global governance where various players can effectively address complicated issues at stake in a globalized world. It is against this backdrop that discussions of the post-2015 era are geared toward sustainable development. For this goal, the three major pillars of poverty reduction, the environment, and social integration should be integrated with each other in a coherent way. In order to deal with this objective effectively, a "new geometry," fundamentally different from the previous MDGs, is required. While the MDGs placed an emphasis on multilateral cooperation mainly between state actors, the post-2015 era should elicit 'multidimensional cooperation' not just between state actors, but between state and non-state actors. And the gist of multidimensional cooperation hinges on whether the world of development cooperation can establish an institutional architecture that can govern collective action among numerous players, form networks, and enhance cooperation and solidarity among them. In order to address this issue, we need to examine the increasing complexity of development cooperation in the twenty-first century demonstrated by the rise of emerging donors.

UN Secretary General Ban Ki-moon, in July 2012, established the High-level Panel of Eminent Persons on the Post-2015 Development Agenda (HLP) to set out a new agenda for the post-2015 era. In addition, the Sustainable Development Solutions Networks (SDSN) led by Jeffrey Sachs was created to provide the technical assistance for the HLP (UN 2013). When it released its report, "A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development," in May 2013, the HLP called for new post-2015 objectives. Setting the poverty eradication by 2030 as the ultimate goal, the HLP urged that based on the MDGs, the Post-2015 framework should be able to incorporate the changing environment of development such as population, urban and environmental issues, and science and technology. Against this backdrop, the report suggested five transformative goals that the world could rally around: 1) Leave no one behind; 2) Put sustaina-



ble development at the core; 3) Transform economies for jobs and inclusive growth; 4) Build peace and effective, open and accountable institutions for all; 5) Forge a new global partnership (HLP Report 2013: 29).

Seen from this perspective, the post-2015 agenda aims for an inclusive approach to development cooperation that consists of sustainability, human rights, peace and security, and equal opportunity. The fact that the post-2015 agenda blends comprehensive goals of social progress, equitable growth, and environmental management calls attention to its clear priorities. Thus, the HLP recommended that goals should be adopted in accordance with the principle of SMART: specific, measurable, attainable, relevant and time-bound.

Following on from this, a variety of stakeholders in development cooperation, ranging from traditional and emerging donor countries to civil society and private foundations, are intensely debating the future direction of the "Post-2015 Development Agenda." The post-2015 regime, if successfully launched, will be a cornerstone for the next stage of development cooperation.

IV. Multiple Cleavages among Stakeholders: An Opportunity for Middle Power Diplomacy?

1. Emerging Donors and Pressure for Change

The rise of emerging donors has put a great deal of pressure on current governments involved in development cooperation. For example, Non-DAC countries have strengthened their presence in development cooperation as they rapidly increased the amount of foreign aid. In 2012, Turkey, Saudi Arabia, and the UAE provided US\$ 2.53 billion, US\$1.3 billion, US\$1.07 billion, respectively (OECD 2014). With this amount of ODA, Turkey, if acceded, will rank 13th out of the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) members (OECD CRS database).

The global governance of development cooperation has entered into a transition period, departing from its long-standing governance model. The increasing diversity of donors have generated pressures for the global governance framework as emerging state donors pursue divergent goals and norms in development cooperation, and non-state actors such as NGOs, and private foundations firmly established their presence in specific issue areas.



Aspiring to remain as a hub of expertise, experience, and innovative ideas, the OECD DAC, centered around traditional donors, has attempted to adapt to these changes.⁸ In December 2011, the OECD DAC released the Global Relations Strategy (GRS), which aimed to enhance the quality of OECD DAC activities, embrace non-members, and improve international influence. It is particularly noteworthy that the OECD DAC has begun to embrace emerging donors. In 2013, Poland, Czech Republic, Slovak Republic, Slovenia, and Iceland joined the OECD DAC as new members.⁹ With their accession, the number of the OECD DAC is attempting to lay the foundations for a more effective global architecture of development cooperation by facilitating policy dialogues and knowledge sharing among multiple stakeholders. The challenge for the OECD DAC is incorporating other strategic partners such as non-DAC EU countries, countries involved in South-South cooperation, various international organizations, private sector, and NGOs. And it remains to be seen whether and how traditional and emerging donors reach a general consensus for the Post-2015 framework.

This increasing complexity is also reflected in the Post-2015 process. Unlike the MDGs, the discussion of the Post-2015 agenda is highly decentralized. Although the UN is leading the process to develop a Post-2015 framework to address the shortcomings of the MDGs, the discussions and examinations have been carried out at multiple tracks. The process led by the UN takes a multi-stakeholder approach to reflect the changing environment. By identifying key groups and convening stakeholders, the UN attempts to facilitate an inclusive consultation process.

Foremost, under the theme of "universal goals, national targets," the HLP report suggested twelve goals, indicators, and targets that can "unify global goals with national plans for development." They are: 1) End poverty; 2) Empower girls and women and achieve gender equality; 3) Provide quality education and lifelong learning; 4) Ensure healthy lives; 5) Ensure food security and good nutrition; 6) Achieve universal access to water and sanitation; 7) Secure sustainable energy; 8) Create jobs, sustainable livelihoods, and equitable growth; 9) Manage natural resource assets sustainability; 10) Ensure good governance and effective institutions; 11) Ensure stable and peaceful societies; 12) Create a global-enabling environment and catalyze long-term finance (HLP Report 2013: 30-31).

The UN System Task Team (UNTT) also publicized reports to guide the basic direction of the global partnership such relating to the vision, core principles, and major issues of the Post-2015 agenda. In keeping with the major principles of the MDGs, the UNTT suggested that the Post-2015 development framework based on human rights, equality, and sustainability, should consist of four core pillars such as inclusive social development, environmental sustainability, inclusive economic development, and peace and security.



First, inclusive social development suggests that it is necessary to help developing countries reduce gaps in human resources and effectively deal with starvation and food security, achieved by securing universal access to good quality of medical and education services. Second, for the goal of environmental sustainability, stakeholders of development cooperation should make concerted efforts to address various issues such as climate change, biodiversity, and resilience of fragile groups. Third, inclusive economic development places high priority on a transition to sustainable production and consumption and the establishment of macro and trade policies to spur stable and equal economic growth. Fourth, peace and security aims to establish capacity building of fragile governments and effective governance for sustainable development such as institutions and laws.

The UN Development Group (UNDG) has actively promoted consultations in at least fifty countries to offer constructive inputs into the guiding visions suggested in the UNTT's "The Future We Want."¹⁰ The UNDG guidelines for country consultations for the Post-2015 agenda that were drawn up to facilitate inclusive consultations not just with government representatives but with various stakeholders aim to provide UN Country Teams (UNTC) with useful guidelines reflecting local conditions and realities.¹¹

The Open Working Group on Sustainable Development Goals (OWG) also proposed the list of the SDGs that should be achieved by 2030: (1) End poverty in all its forms everywhere; (2) End hunger, achieve food security and adequate nutrition for all, and promote sustainable agriculture; (3) Attain healthy life for all at all ages; (4) Provide equitable and inclusive quality education and life-long learning opportunities for all; (5) Attain gender equality, empower women and girls everywhere; (6) Secure water and sanitation for all for a sustainable world; (7) Ensure access to affordable, sustainable, and reliable modern energy services for all; (8) Promote strong, inclusive and sustainable economic growth and decent work for all; (9) Promote sustainable industrialization; (10) Reduce inequality within and among countries' (11) Build inclusive, safe and sustainable cities and human settlements; (12) Promote sustainable consumption and production patterns; (13) Promote actions at all levels to address climate change; (14) Attain conservation and sustainable use of marine resources, oceans and seas; (15) Protect and restore terrestrial ecosystems and halt all biodiversity loss; (16) Achieve peaceful and inclusive societies, rule of law, effective and capable institutions; (17) Strengthen and enhance the means of implementation and global partnership for sustainable development. The OWG is expected to submit to the 68th UN General Assembly the report into which incorporates various countries views. The report will be utilized as a basic framework of country consultation for the Post-2015 process.

In short, the rise of emerging actors dramatically increased the complexity in development cooperation. Although the OECD DAC representing traditional donors has attempted



to address the changing environments by expanding membership to include some emerging donors, it has thus far failed to incorporate the interests of emerging big donors such as China. These new donors seek distinctive goals and principles of aid. Therefore, it is likely to strain the relationship between traditional and emerging donors, destabilizing the existing order and governance of development cooperation.

Reflecting these changing realities, the UN, which leads the Post-2015 process, takes a multi-stakeholder approach to incorporate relevant stakeholders as much as possible. It is vividly demonstrated by the fact that consultations and discussions are implemented via multiple tracks such as the HLP, the UNTT, the UNDG, and the OWG. While such an approach substantially enhances transparency of the process, it is not clear how the multiple tracks will be harmonized leading into the Post-2015 era.

2. Incorporating Sustainable Development into the Post-2015 Agenda

The sustainable development goals emerged as an overarching concept encompassing economic growth, environmental protection, and sustainable society. In the face of the demanding question of how Rio+20 can transform development cooperation, the OECD DAC began to probe the possibility of incorporating SDGs into development cooperation in the Post-2015 regime. Environmental degradation and climate change are likely to wield an enormous impact on the economic growth of low and middle-income countries. Recognizing this dire situation, donor countries play a leading role in unifying green economy and green growth.

Despite this rosy picture, the transition into the post-2015 era is likely to get bogged down unless the global community skillfully deals with multiple challenges that can be contradictory in the long term. A key question centers on how the global community can pave the way for sustainable development. Of course, sustainable development has been one of the most crucial principles, even in the MDGs era. Climate change, diminishing natural resources, and the subsequent economic downturn profoundly threaten the long-term viability of developing economies. Environmental degradation and the devastating impact of climate change are causing greater damage on developing countries.

At the same time, departing from an exclusive focus on the environment, the concept of sustainable development has stretched to include human rights and democracy. This new thinking was spurred by shifting perceptions that not just climate change, but deteriorating human rights and democracy can potentially damage economic growth in developing countries and polarize the global economy between the rich and the poor.

In this regard, world leaders at the 2012 Rio+20 Summit wholeheartedly urged the promotion of human rights and democracy in developing countries. The gist of this agreement



is that it is necessary to internalize the principle of sustainable development into social and economic issues in a systematic way. The Rio+20 decided to establish an Open Working Group to develop a set of sustainable development goals (SDGs), suggesting that the SDGs should be coherent with and integrated into the Post-2015 agenda. The Rio+20 Summit also reached a consensus on the idea that sustainable development goals (SDGs) should reflect individual countries' capacity, priorities, and level of development.

Under these circumstances, it is time to contemplate how the world can take advantage of the Rio+20 in order to transform development cooperation. Against this backdrop, members of the OECD DAC took the lead in integrating concepts of green economy and green growth, while agreeing to mainstream green growth for the sustainable future. A vital challenge ahead is how to incorporate the SDGs into the newly-emerging post-2015 system.

3. Targeting vs. Implementation

On the whole, the Post-2015 framework will maintain the effectiveness measuring system, which consists of goal, target, and indicator. However, the Post-2015 process is quite distinctive from that of the MDGs as it stresses the implementation mechanisms and global partnership as much as agenda and goal-setting. However, subtle tensions exist on this issue between do-nors and recipients. Advanced countries tend to stress that goal targeting is of utmost priority to the Post-2015 process. In a sense, traditional donors' position reflects their assessment of the MDGs. It is undeniable that the MDGs contributed to development cooperation by clarifying the priorities and directions. However, some traditional donors took the position that the MDGs somewhat excessively emphasized human and social development such as education and health, compared to economic development and environmental management.

From this perspective, the Post-2015 agenda should incorporate emerging challenges such as climate change and income inequality, while seeking balanced growth among the economy, society, and environment. Thus far, the Post-2015 agenda is expected to include encompassing issues such as inclusive economic development, sustainable environment, inclusive social development, and peace and security. These agendas will serve as a unified framework that will be geared to contribute to the goals of human rights, equality, and sustainability.

Developing countries, by contrast, put high priority on the implementation mechanism, because rather ambitious targets are likely to put inordinate responsibility on developing countries, when goals are not met in the Post-2015 agenda. In this view, it is of paramount importance to establish specific implementation mechanisms that help developing countries achieve the targets.



For the sake of poverty eradication and sustainable development, concrete implementation mechanisms and cross-country cooperation is absolutely necessary. Major players of development cooperation feel that it necessary to establish a cooperative mechanism between traditional and emerging donors. The UNTT in its report "A Renewed Global Partnership for Development" stressed that it is crucial to create an environment that can help realize the new development goals. It is true that the MDGs system highlighted cooperative mechanisms between donor and recipient countries, focusing on global partnerships by way of ODA.

However, there is a daunting challenge associated with the establishment of concrete implementation mechanisms. Under the situation where actors and resources for development diversify, traditional partnership led by ODA donors is not effective any more. To create a global partnership would likely involve the fundamental restructuring of the global governance framework in development cooperation. That is, although both traditional and emerging actors may agree to forge a global partnership in principle, they are likely to conflict with each other on the issue of "how." The creation of a new global partnership will be a thorny process as it should incorporate all relevant stakeholders, not just donors but recipients, NGOs, and private foundations.

4. Resource Mobilization

The creation of a global partnership will ultimately lead to the question of the mobilization of financial resources for development. The UN High Level Panel (HLP) in its report indicated the creation of development environment and mobilization of financial resources for longterm development as a core objective of the global partnership (UN 2013).¹² Meanwhile, it is a real challenge to find a way to harmonize recipient countries' self-sufficiency in economic development amid the swiftly-worsening financial constraints of donor countries. It is undeniable that momentum for poverty reduction and humanitarian assistance has been building up for the last decade. As both advanced and developing countries share the need for collaborative handling of global issues, sustainable development has been firmly embraced as a principle. Reflecting this paradigmatic shift, donor countries in the twenty-first century have come to a series of landmark agreements, such as the Monterrey Consensus of the International Conference on Financing for Development (2002), the Paris Declaration (2005), and the Accra Agenda (2008). In line with these agreements, donor countries have effectively turned around the amount of ODA that had declined in the last decade. The total ODA spending of OECD DAC members reached its peak of US\$134.6 billion in 2011. It declined to US\$126.9 billion in 2012, but quickly regained momentum to increase to US\$134.8 billion.



However, the recurrent outbreak of economic crises on regional or global scales, subsequent economic distress of major donor countries, and accelerating difficulties in garnering domestic political support have placed substantial limitations on donor governments' financial capacity for development cooperation. The very fact that the total spending on ODA declined for two consecutive years – US\$134.6 billion in 2011 and US\$126.9 billion in 2012 – signals that the road toward the post-2015 era is likely to be a rocky road.¹³ That is, donors, in particular traditional donors, are under mounting pressures to review their ODA budget. A transition from the MDGs to the post-2015 era centers on the issue of how to strike a balance between the ever-increasing need for development cooperation and the practical financial constraints of donor countries.

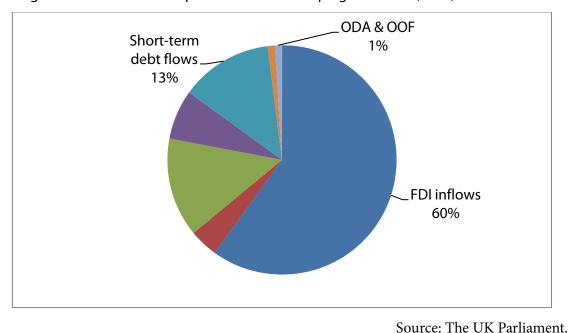
Under this circumstance, mobilization of various resources for development from emerging donors and private sector is absolutely needed. It is in line with the Global Partnership for Effective Development Cooperation adopted at the Busan HLF-4 in 2011. As a forum guiding the future direction of development cooperation together with the Paris Declaration (2005) and the Accra Action Plan (2008), the Busan HLF-4 suggested to transform aid effectiveness to development effectiveness and agreed to create a global partnership where not just donors but recipients, civil society, and private sector participate (Lim 2012).

From the long-term perspective, it becomes clearer why financial mobilization from various sources is necessary. From the 1970s on, ODA served as a main source of financing flowing into many developing countries. However, the share of ODA shrank in relative terms as other sources of finance rapidly increased, particularly for low-middle income countries (Sagasti, 2005).

The pattern of capital flows to developing countries has changed quite rapidly in the 21st century. Other sources of capital flows such as foreign direct investment (FDI), portfolio bond and equity flows, and remittances have increased more rapidly than ODA. For example, FDI accounts for about 60 percent of capital flows into developing countries, while the share of ODA and OOFs is just 1 percent. Furthermore, various capital sources such as short-term debts, bonds, banking, and portfolio equity take a bigger share in capital flows into developing countries (World Bank 2013). That is, developing countries have better access to non-concessional sources of finance.

In addition to ODA, foreign aid began to take a variety of forms such as less concessional loans, climate finance funds, social impact funds. Against this backdrop, the DAC began to consider whether it is necessary to change the definition of ODA. The DAC plans to turn out concrete proposals by 2014. Although it is too early to anticipate the final outcome, it is a profound change for the DAC to decide to even open discussion over the definition of ODA.





<Figure 1> International Capital Flows to Developing Countries (2012)

http://www.publications.parliament.uk/pa/cm201314/cmselect/cmintdev/334/33406.htm

The views on this issue are diametrically divided. Mark Lowcock, permanent secretary of the Department for International Development (DFID) of the UK opened the debate by explaining how it is necessary to examine how to better use ODA to increase private sector flows (The Guardian November 6, 2013). Following on, some argued that it is unavoidable to extend the definition to reflect the changing reality. Some members of OECD DAC argue that the current definition does not count a variety of financial sources as ODA even if these sources do contribute to the development of recipient countries. For example, the current definition does not count guarantees as ODA although public financing is used to mobilize private sector investment. Therefore, if introduced, the immediate effects of the new definition take place that it will make easier for more members of the OECD DAC to meet the 0.7 percent target. Whereas merely five donors such as Norway, Sweden, Luxemburg, Denmark, and the UK achieved the 0.7 percent target in 2013, the new definition is likely to help more donors meet the target ahead of the schedule.

By contrast, others are worried that the redefinition of ODA is likely to water down the tenor of foreign aid, shifting the focus of ODA away from poverty eradication. Criticizing that the substantial portion of ODA does not reach recipients, NGOs argue that the attempts to include new sources of financing as ODA would aggravate the situation. Debates about this issue are likely to continue as a variety of stakeholders are keenly aware of its implications and potential impacts on development cooperation.

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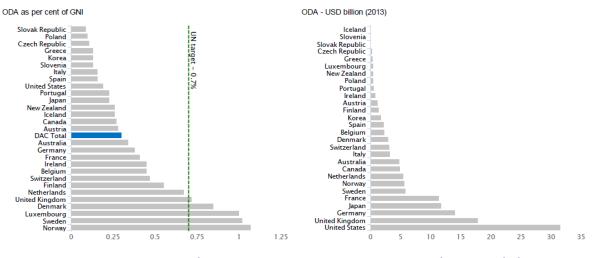
V. Korea's Middle Power Diplomacy in Development Cooperation

1. Harmonizing International Norms and Korean Experiences

In 2009, development cooperation initially emerged as a foreign policy tool in Korea. Under the guise of "contribution diplomacy," the Lee Myung-bak government overtly claimed that it would utilize ODA as a means to "contribute to global peace and development under a broader vision and a more proactive approach to interacting with the international community (Office of the President 2009)." Delegated from the Presidential Office on the planning of development cooperation strategy, the MOFAT quickly identified four key diplomatic tasks for development cooperation: (1) Security diplomacy, particularly on the Korean peninsula; (2) Diplomacy that contributes to global co-prosperity; (3) Diplomacy that secures engines for future growth, particularly through trade and co-operation in the fields of energy and resources; (4) Diplomacy that serves the public, particularly the needs of Koreans abroad (MOFAT 2012).

However, the Lee administration's linkage strategy between development cooperation and foreign policy ignited intense discussions and debates in Korea with regard to the future policy directions of development cooperation. Aware that such tight linkage would bring out a backlash both domestically and internationally, the Lee government shifted to embrace global norms and practices of development cooperation. For example, the Lee government quickly promoted gender equality in global processes championed by the DAC subsidiary body on Gender Equality and Women's Empowerment. It also consistently supported OECD and G20 efforts to diversify the forms of development cooperation to include South-South and triangular co-operation, departing from traditional North-South cooperation.

Domestically, the Lee government drew up the new framework of development cooperation. The five principles of the framework defy the universal and common cause of alleviating poverty and achieving internationally agreed development goals set MDGs (OECD 2012). This dramatic turnaround signifies that the Korea government has made steady efforts to quickly catch up with international norms and principles of development cooperation.



<Figure 2> OECD DAC Members' ODA (2013)



Since its accession to the OECD DAC in 2010, Korea has faithfully fulfilled this policy stance, establishing itself as a fast follower of development cooperation. Korea increased ODA disbursement, actively embraced international norms firmly established in development cooperation, and reinstated policymaking and implementation system domestically. From 2006 to 2013, Korea's ODA budget has more than tripled from USD 0.44 billion to USD 1.67 billion in 2013 (OECD 2014/08/04). Corresponding to this, its ODA/GNI ratio also increased from 0.05 percent to 0.14 percent. Although it is still below the OECD DAC average (0.3 percent), this shows that the Korean government is firmly committed to the goal of 0.25%, which it pledged to the international community (see <Figure 2>).

The Korean government has also made consistent efforts to improve the quality of development cooperation with profound policy and institutional reforms such as an increase in the share of untied loans and the restructuring of ODA governance. With the Framework Act on International Development Cooperation in effect in 2010, the Prime Minister's Office as a coordinating body identified core strategies that include documentation of Korea's development cooperation, strengthening the implementing capacities, and tackling global issues in a proactive manner (Prime Minister's Office 2014). These efforts are well received in the international community as stated in the Peer Review of the OECD DAC that "Korea successfully transformed itself from an aid recipient to an important aid donor in such a short space of time" (OECD 2012).

While aggressively fulfilling its mission as a fast follower, the Korean government quickly made a shift to develop its own model of development cooperation. Korea has become "a source of knowledge and ideas on development drawn from actual experience,



particularly for East Asian countries" (OECD 2012). Having transformed itself from a wartorn country into an industrialized country, Korea is better positioned to share its own development experiences to help developing countries strengthen their capacity-building. Benefitting from its position as a country that executed a successful transition, the Korean government could effectively respond to recipients' needs and demands to distill key elements from Korea's modernization process.

With this backdrop, the Korean government launched two ambitious initiatives such as the Knowledge Sharing Program (KSP) and the Development Experience Exchange Program (DEEP) run by the Korea Development Institute (KDI) and KOICA, respectively. In responding to developing countries' request, the KSP attempts to reflect developmental goals into local conditions of the recipient rather than simply transferring Korean development experiences. The KSP takes a variety of forms such as joint policy research, workshops, training, field trips and dissemination seminars. The KSP also works on the modularization of Korea's development experience. The KSP modularization project was designed to improve development effectiveness, which is differentiated from traditional technical assistance and technical cooperation programs. It compiles innovative elements relevant to Korea's development and conducts empirical research to secure development effectiveness in major areas associated with economic growth such as government reform, industrial and agricultural policies, and social policies. In addition, the Korean government embarked on international collaboration with international organizations as a means to better diffuse and improve the Korean experiences of development. For example, the Korean government co-hosted the Knowledge Sharing Forum with the World Bank to help developing countries share best practices of knowledge sharing in various areas from human resources and technology development to regional development (KDI Center for International Development homepage <u>http://cid.kdi.re.kr/cid_eng/main/main.jsp</u>).

Whereas the KSP largely concentrates on consultations on government policies and growth strategies, the DEEP addresses broader thematic issues that developing countries may run into in the process of economic growth. Fully aware of the constraints that both the internal and external environments involving Korea are quite different from those of recipients, the DEEP attempts to offer a dynamic transition model that depending on their specific needs, individual countries can refer to.¹⁴ The DEEP, differentiated from the KSP, is designed to provide recipients with "country tailored consulting" that closely incorporate recipients' environments and ODA know-how based on KOICA's two-decade ODA activities as well as Korean development experiences.¹⁵ The DEEP is implemented with three core principles: participatory consulting, result-oriented consulting, and comprehensive consulting.



First, with the principle of participatory consulting, KOICA attempts to avoid the unilateral transfer of Korean development experiences to offer consulting where policymakers and relevant stakeholders participate to better reflect individual recipient's situations. Second, KOICA plans to implement result-based consulting not just by building institutions for development but by providing detailed capacity building that can help recipients operate the institutions. Third, KOICA tries to carry out comprehensive consulting that encompass both policy and technical consultations that could be systematically linked to subsequent aid projects (KOICA Press Release 2013/02/19). In short, under the rubric of inclusive development, the DEEP aims to offer consultation to recipients for policy planning and institution building as well as feasibility study for socio-economic infrastructure. It therefore includes comprehensive issues including political transition, democratic governance, civil society, and social order.

2. Incorporating Emerging Donors into Global Governance

Its status as a fast follower facilitated South Korea's ability to bridge various players and stakeholders of development cooperation. Actively participating in global discussions, the Korean government took an initiative in probing the possibility of how both donors and recipients should adapt to rapidly changing domestic and international environments. In the Busan HLF-4 in 2011, Korea succeeded in drawing an agreement on the "Global Partnership for Effective Development Cooperation." It was made possible because Korea could serve as a mediator between DAC members and the BRICS countries. As a new donor that just transformed from a recipient, Korea could elicit supports from the BRICS for the governance structure and global monitoring framework of 21st century development cooperation. In addition, the global partnership broadened the existing international framework of development cooperation centered on traditional donors and recipients to attract emerging economies such as China, India, and Brazil as well as new players of development cooperation such as the private sector and civil society in the context of rapidly changing international environments. China and India that have led South-South cooperation endorsed the outcome document which signified meaningful change in terms of representation and effectiveof the ness global partnership (MOFA homepage http://www.mofa.go.kr/trade/development/worldconference/introduction/index.jsp?menu= <u>m 30 130 40&tabmenu=t 2</u>). Korea could pave the way for emerging players to join the new system of the global partnership that was previously worked outside the existing international community of development cooperation.

It is noteworthy that South Korea played a crucial role in incorporating China into the



global process of discussion. Given that China stays outside the current global governance framework and poses a threat to it by espousing a counter-paradigm of foreign aid, South Korea has contributed to expanding the number of players.

3. Linking Multiple Fora as a Convener

Despite its status as a new comer in development cooperation, the Korean government endeavored to play a bridging role between developed and developing countries (MOFA homepage <u>http://www.mofa.go.kr/ENG/policy/oda/index.jsp?menu=m_20_110</u>). The Korean government has actively participated in the global process of development cooperation that was discussed in various international venues. Working closely with various global forums of development cooperation, Korea attempted to play a bridging role among various players with potentially conflicting interests including traditional donors, providers of South-South cooperation, NGOs, CSOs, and private funders. The complex nature of the international architecture of development cooperation made it possible for Korea to play such a role.

Korea's efforts immediately began to produce tangible outcomes as it strove to establish itself as a convener of development cooperation, which was well reflected in the fact that it hosted the Seoul G20 Summit in 2010 and the Fourth High Level Forum on Aid Effectiveness at Busan in 2011, respectively. In doing so, Korea could take the lead in setting the future direction of development cooperation. The Seoul Development Consensus, endorsed by the leaders of the G20 in 2010, suggested that the G20 members work closely with developing countries in order to achieve the MDGs. The G20 members also agreed to establish a multi-year action plan geared toward delivering tangible outcomes. ¹⁶

Korea was able to draw a meaningful change as it introduced "development effectiveness." The Korean government was successful in forging understanding of other countries and that it is crucial to focus on the catalytic role of aid as a means to mobilize other resources for development rather than focusing on the narrowly defined aid effectiveness of individual projects. It is against this backdrop that comprehensive issues of development cooperation such as South-South and triangular cooperation, effective institutions and capacity development, gender equality and women's empowerment, climate finance, and the public-private partnership were re-examined.

With its activist role, Korea could secure opportunities to link various fora of development cooperation that was previously considered separated from each other in the past. Korea could link the G20 and the MDGs by incorporating development issues into the G20 agenda (OECD 2012). Furthermore, the Korean government could enjoy the unintended



benefits as it could arouse the general public's attention to development cooperation, which will substantially strengthen the government capacity for development cooperation.

4. Norm Diffuser

In addition to efforts at harmonizing the complex international aid architecture, Korea has also supported global efforts to incorporate growth and environment into an overarching goal. The idea of sustainable development initially emerged as a major goal in the Rio+20 in 2012 where member countries agreed to form a working group to examine the possibilities of the sustainable development goals (SDGs) as a crucial global framework for protecting global environment for the next two decades (UNEP 2011; UNGA 2012). In particular, The Future We Want, the Rio+20 outcome document, provides the outlines for diffusion of the green economy. It suggests that sustainable development can potentially encompass poverty reduction and development, which is the core objective of development cooperation (OECD 2012: 173).

Quickly picking up this issue, the Korean government took initiative by proposing the "green growth" strategy, which was embraced by many countries, both donors and recipients, as a concept that can harmonize economic growth and environmental protection. OECD DAC members agreed to mainstreaming the goal of sustainable development in development cooperation (OECD 2012: 176). The Lee government creatively presented the way in which growth and environment protection can go hand-in-hand in the context of the green growth. It was in stark contrast to conventional perceptions that environmental protection was simply regarded as added costs. The Korean government stressed that "greening" could be a new source of economic growth for both developed and developing countries, ultimately contributing to the goal of sustainable development.

Also as a country in transition, Korea was in a good position to persuade both developed and developing countries that were diametrically opposed that cast doubt on the other party's intentions. On the one hand, developing countries tend to think that donors are likely to reduce the amount of ODA as they use limited financial resources primarily for environmental protection without increasing the total financial flow into developing countries. On the other hand, developed countries believe that developing countries' demand for additional financing for environmental protection would be problematic given that they face serious financial constraints in the aftermath of the global financial crisis.

Filling in this perception gap, the Lee government actively espoused the concept of "green growth," presenting that long term investment in environmental protection and the development of renewal energies could be a new source of economic growth. Placing high priorities on



environmental sustainability and climate change issues, the Korean government endeavored to find a win-win synergy between the climate and the economy by exploring a new sustainable economy-climate paradigm. In 2008, the Lee government effectively took advantage of the Leaders' Meeting of Major Economies on Energy Security and Climate Change at the G8 Summit in Tokyo to launch the "East Asia Climate Partnership," which aims to identify a regional strategy to support developing countries' efforts to cope with climate change. Under this initiative, the Korean government committed to a USD 200 million package for developing countries that will be used for policy consultations, technology transfer, mobilization of financial resources, and pilot projects for mitigation and adaptation technologies (Green Growth Korea, <u>http://17greengrowth.pa.go.kr/?page_id=42459</u>).¹⁷

Since then, the Korean government made systematic attempts to link international commitments to domestic policies. The Presidential Office took the lead to establish international cooperation for green growth as an integral part of its domestic strategy by drawing up the "First Five-Year Green Growth Strategy" (Presidential Committee on Green Growth 2009). In a similar vein, the Korean government ambitiously set a target to increase "Green ODA" to 30 percent by 2020. Both KOICA and EDCF immediately moved to put these international commitments into practice with various activities such as setting environmental safeguard mechanisms and analysis of climate change adaptation and mitigation.

VI. Conclusion

The international order of development cooperation has rapidly changed over the last decade as new players have emerged and issues have become increasingly intertwined with each other. Furthermore, as the future is unknown, the post-2015 era is full of uncertainties. But this transition offers opportunities for South Korea as a middle power. Multiple cleavages among various stakeholders imply that it will be quite difficult to reconcile conflicting interests. However, this shifting situation may offer opportunities for middle powers to strengthen their presence in development cooperation. Divisions are not fixed but changing as coalitions tend to form for specific issues rather than forming and maintaining stable conditions. This fluid situation indicates that Korea is likely to receive opportunities to establish itself as a middle power coordinating among various actors.

The Korean government somewhat successfully seized invaluable opportunities to promote its middle power diplomacy. Initially, the Lee government chose development co-



operation in the context of contribution diplomacy. The Lee government tried to go beyond the exclusive focus on narrow-minded national interests to boost South Korea's international status. It was considered one of the rare attempts by the Korean government to take up global issues in its diplomatic agenda. Later, development cooperation was combined with middle power diplomacy under the Park Geun-hye government.

Thus far, the Korean government has quickly fulfilled its mission as a fast follower in development cooperation. South Korea has tripled its ODA budget, undertook the restructuring of domestic governance, and actively joined the international discussion on major issues of development cooperation. South Korea's efforts were well received by the international community of development cooperation as its ODA policy was built on its own experiences of development. Meanwhile, despite its weak presence as a new donor, South Korea was able to seize opportunities to serve as a convener. Taking advantage of these opportunities, South Korea could play a crucial role as demonstrated in the fact that it successfully prompted emerging donors such as China and India to agree to the outcome document of the HLF-4, raising the possibility for emerging donors to join the new governance of development cooperation in the Post-2015 era.

Despite its success, South Korea faces daunting tasks down the road. First, the Korean government should work hard to garner consistent support from the general public. Given that South Korea's ODA budget has rapidly increased, it is time for the Korean government to enhance the transparency and accountability of ODA policy, because the rapid increase of the ODA budget may run counter intuitively to public awareness and sometimes encounter opposition, creating "aid fatigue" in Korea.

Second, while South Korea successfully strengthened its presence in the international community of development cooperation within a relatively short span of time, the Korean government was largely content with serving as a convener to provide a venue. Building on this, it is time for the Korean government to play a more active role in bridging multiple cleavages in development cooperation.

Third, in September 2013, the Korean government played a pivotal role in launching the MIKTA, an informal platform for five countries – Mexico, Indonesia, Korea, Turkey, and Australia – in the context of middle power diplomacy. The Korean government can examine the various possibilities presented to it by using this diplomatic clout as a basis for coalition building in the international arena, particularly in the area of development cooperation. While it is absolutely worthwhile to form such a coalition to elevate South Korea's international presence, the Korean government should be able to find a way to turn it into a like-minded group in the longer term.



Endnotes

- ¹ Ravenhill argues that shifts in agenda in world politics triggered middle power activism in the 1990s. Ravenhill (1998).
- ² For various discussions of organizing principles of international politics, see Schweller 1994; Lake 2004.
- ³ Cooper, Higgott, and Nossal succinctly argue that middle powers should be defined not by their material power but by their behavioral patterns. Cooper, Higgott, and Nossal (1989).
- ⁴ For a concise overview of South Korea' middle power diplomacy, see Lee (2012).
- ⁵ Naim (2007) calls emerging donors such as China "rogue donor" as they tend to provide foreign aid for "rogue states," creating detrimental effects to the existing order of developmental cooperation. Naim (2007).
- ⁶ It is said that these principles are an extension of the "five principles of peaceful coexistence."
- ⁷ Since its introduction in 1999 by the World Bank and the IMF, Poverty Reduction Strategy Papers (PRSPs) serve as a basis for the following tasks: (1) a framework to enhance domestic accountability for poverty reduction reform efforts; (2) a means to enhance the coordination of development assistance between governments and development partners; and a precondition or access to debt relief and concessional financing from both institutions' HIPC Initiative. See <u>http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPRS/0,,contentMDK:</u> <u>22283891~menuPK:384209~pagePK:210058~piPK:210062~theSitePK:384201,00.html</u>.
- ⁸ For the OECD's approach to the Post-2015 agenda, see OECD (2014).
- ⁹ In additions, in July 2014, the United Arab Emirates (UAE) became a participants in the OECD DAC (http://www.oecd.org/dac/dac-global-relations/uae.htm). Non-member countries that are willing to contribute to the DAC's key development issues are eligible to become a participants. The UAE's ODA/GNI ratio reached 1.25 percent in 2013, far exceeding the 0.7 percent goal.



¹⁰ While offering information on available financial and technical resources, the UNDG guidelines provide specific information on who to engage and how to facilitate meetings and communications with key groups.

¹¹ The United Nations Country Team (UNCT) consists of the 180 countries where United Nations programs are carried out. The UNTC that is designed to facilitate inter-agency coordination and decision-making at the country level aims to help individual agencies plan and work together to produce the delivery of tangible outcomes in support of the government's development agenda (United Nations Development Group,

http://www.undg.org/content/un country teams/about un country teams).

¹² In a similar vein, the HLP highlighted fair trade, stability of financial system, long-term increase in private investments, international agreement on climate change, achievement of 0.7 percent target, international cooperation on tax, enhanced access to science and technology (UN 2013).

¹³ The total amount again rose to US\$ 134.8 in 2013. OECD CRS database.

- ¹⁴ In 2012, the Prime Minister's Office (PMO) also ushered in the Action Plan of Korea's Development Experience Sharing. This plan that has 159 modules in four areas was designed to facilitate development cooperation activities between Korea and partner countries.
- ¹⁵ In 2013, approximately USD38.6 million is earmarked for fifty three projects of the DEEP (KOICA Press Release 2013/02/19).
- ¹⁶ The six core principles of the Seoul consensus are as follows: (1) Focus on economic growth; (2) Global development partnership; (3) Global or regional systemic issues; (4) Private sector participation; (5) Complementarity; (6) Outcome orientation (MOFA homepage http://www.mofa.go.kr/countries/regional/g20/results/index.jsp?menu=m_40_70_110&tabmenu=t_2).
- ¹⁷ It is Korea's second largest ODA package (Green Growth Korea, <u>http://17greengrowth.pa.go.kr/?page_id=42459</u>).





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- The contents of this article do not necessarily reflect the views of EAI.
- East Asia Institute acknowledges the MacArthur Foundation for its support to the Middle Power Diplomacy Initiative.



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