

PRIVATE SECTOR STRENGTHENING AS PILLAR OF SOUTH KOREA'S DEVELOPMENT ASSISTANCE TOWARD CAMEROON

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Summary:

This paper questions the mixed impact of official development assistance (ODA) within African countries over the past 50 years; and projects the prospects for improvement over the next 50 years, with reference to South Korea, which moved from being a recipient to a donor country between 1969 and 2009. It appears that ODA has more systemic impact when it accompanies the structural transformation of the economy, notably through production infrastructures, technical and vocational training of human resources and the cult of entrepreneurship. Hence the obvious interest in Korea's approach to development assistance, which is based on its own experience and which is effectively in line with the development vision now being pursued by all African countries, via the African Union. In the specific case of Cameroon, a sectoral approach to ODA is strongly recommended to the Korean Government for the implementation of the development assistance policy focused on industrialization. It allows better control of the two major constraints here, namely: financial and ecological constraints.

Official development assistance (ODA) is defined as government aid designed to promote the economic development and welfare of developing countries. Loans and credits for military purposes are excluded. Aid may be provided bilaterally, from donor to recipient, or channeled through a multilateral development agency such as the United Nations or the World Bank. Aid includes grants, "soft" loans (where the grant element is at least 25% of the total) and the provision of technical assistance. A long-standing United Nations target is that developed countries should devote 0.7% of their gross national income to ODA.¹

In 2017, overall net ODA flows from Development Assistance Committee (DAC) members decreased and preliminary data show they also fell in 2018, standing at USD 147.2 billion and USD 143.2 billion respectively compared to USD 147.6 billion in 2016 (2017 prices). Although ODA excluding in-donor refugee costs and debt relief is steady, current levels of ODA do not match the collective ambition of the 2030 Agenda for Sustainable Development or the international commitments set out in the Addis Ababa Action Agenda.²

South Korea has continuously increased its budget for ODA during the past ten years, risen from USD 816.04 million in 2009 to USD 2,417.14 million in 2018. Despite this performance, the country is sometimes accused by the international community of only pursuing its own economic interests. According to Dr. Kwak Sungil, this unwelcome reputation may stem from the following three characteristics of Korea's ODA: first, Korean aid focuses on building economic infrastructure and production capacity including industrial development; second, relatively large project-type interventions were preferred; third, the share of tied aid is relatively high compared to other donors.

This Korean dynamic approach of ODA can certainly be ameliorated regarding some specific points like tied aid, but it appears most effective for the industrial development of African economies than the traditional approach. However, it is criticized and not fully recognized by advanced donors. For those latter, ODA is historically focused on helping poorer countries through humanitarian, social, economic and infrastructural concerted programs, which keep recipient countries in a weak position and divert them from their economic structural transformation goal by putting emphasis on administrative processes instead of business or industrial processes.

This paper questions the historical foundations of ODA in Sub-Saharan Africa and projects some prospects of Korean's development assistance through the strengthening of the private sector in Cameroon. To this end, we will refer in a first part to two divergent and opposing currents of thought concerning the economic development policy of African countries. In the second part, we will discuss the possible prospects for the industrial development of African economies through the Korean model and its dynamic approach to development assistance. Finally, we will draw from it, in a third part, the implications in terms of economic cooperation between Cameroon and South Korea.

¹ OECD <https://data.oecd.org/oda/net-oda.htm>, consulted on December 8, 2019

² OECD Report on "Development Co-operation Profiles 2019"

I. The structural transformation of African Economies: a long-term vision

Since the 1960s, Africa has suffered a diktat of economic thinking based on a misinterpretation of Adam Smith's theory of the international division of labor.³ This one postulates the specialization of particular countries in distinct branches of production, whether this be in certain products, or in selected parts of the production process. The concept suggests that the spread of markets and production processes world-wide creates a growing differentiation of economic activity.

The traditional approach to development aid has therefore dedicated African countries as suppliers of raw materials to industrialized countries, with obvious consequences in terms of societal governance, education, priority infrastructure, vocational training, etc. This primary vision of the specialization of African economies has excluded them from the real sources of economic growth, namely specialization in the industrial process itself.

At present, two main currents of thought clash regarding Africa's development vision. The former, represented especially by the European Union and the Bretton Woods Institutions (World Bank and International Monetary Fund), aims to promote a vision of Africa's openness to the rest of the world, in particular by removing trade barriers; while the latter, represented by the African Union (AU) and the development agencies of the United Nations system, promotes the integration of the continent's economies so that they can participate more fully in the global economy and regional opportunities. This requires, in particular, the industrialization of Africa and the development of regional trade.

Recent studies on growth all converge on the point that the pace of growth in a given country is largely determined by: (i) its ability to integrate into the world economy through trade and investment; (ii) its ability to preserve the balance of public finances and the stability of its currency; and (iii) its ability to create an institutional environment that guarantees contract performance and respect for property rights. The divergence between the currents of thought on Africa's development lies mainly in the implementation of the continent's integration mechanism into the world economy; the first group supporting the thesis of the total opening of trade borders while the second supports the idea of industrialization of the continent accompanied by the strengthening of regional trade, before full opening to the rest of the world.

Indeed, as part of the implementation of this vision, the heads of state and government of the African Union adopted Agenda 2063 in January 2015, a strategic framework for inclusive growth and sustainable development in Africa, and a strategy to optimize the use of the continent's resources for the benefit of all Africans. In September of the same year, they also endorsed the Agenda for Sustainable Development to 2030, a global framework that aims to "achieve sustainable development in its three dimensions – economic, social and environmental – in a balanced manner." These two major events mark a two-pronged transition: a global transition from the Millennium Development Goals (MDGs) to the Sustainable Development Agenda by 2030 and a continental transition to Agenda 2063, a framework that consolidates existing and new regional initiatives, such as the New Partnership for Africa's Development (NEPAD),

³ Adam Smith, "An Enquiry into the Nature and Causes of Wealth of Nations" (1976). According to Adam Smith, growth is rooted in the division of labor, which in turn goes hand in hand with the mechanization of tasks, and therefore industrialization. Growth measures the increase in a country's wealth. It corresponds to the rate of change in a country's wealth, measured by Gross Domestic Product (GDP) or Gross National Product (GNP). The search for growth is therefore a search for ways to increase production.

African Continental Free Trade Agreement (AfCFTA), within a framework of prospective transformation for Africa.

In this new development dynamic promoted by African leaders, economic cooperation has become a major geopolitical issue, as it involves diversifying economic partners in terms of both trade and investment. Over the past decade, there has been a profound shift in trade and financial flows between sub-Saharan Africa and the rest of the world, particularly to China, without reversing the structural trends in the economic growth of the countries concerned. Hence the obvious interest in the Korean approach to development assistance, which targets in particular the construction of economic infrastructure and productive capacities, including industrialization.

Countries like Cameroon are looking forward to solutions which can help solving the economic growth issue and have adopted economic policy focused on industrialization and SMEs' development, aiming by that way the economic structural transformation. But the results are not following since 2009⁴ and hopefully, Korean experience in that field can be a serious track to dig for a long-term economic cooperation.

Table 1: Comparative data on Private Sector Employment in Cameroon and Korea

Country Name	Total (A)		Working Population (B)		SMEs (C)		Ratio (C/A)	
	No. of Firms (A')	No. of Employees (A'')	No. Working P.	Ratio (A''/B)	No. of Firms	No. of Employees	No. of Firms	No. of Employees
Cameroon Private sector Employees in 2008	87 597	280 101	8 627 867	3,2%	87 422	196 071	99.8	69.0
Korea Private sector Employees in 2008	3 046 958	13 070 424	24 924 804	52,4%	3 044 169	11 467 713	99.9	87.7
Cameroon Private sector Employees in 2015	203 387	666 364	10 098 411	6,6%	202 980	479 782	99.8	72.0
Korea Private sector Employees in 2015	3 604 773	16 774 948	27 472 977	61,1%	3 600 882	15 127 047	99.9	90.2

Sources : National Statistics Institutes of Cameroon and Korea (A&C) World Bank (B)

II. Prospects for the development of African economies through the Korean model

South Korea has established itself in the eyes of the international community and scientific researchers as a model of successful industrial development, from the status of a poor country receiving development assistance in the 1950s and 1960s to that of an industrialized country providing development assistance in the 2000s. This performance gives it today, proportionally speaking, an audible voice in the concert of nations and a certain influence in modern economic thought. However, African countries' interest in the Korean model would be less in the industrialization process itself than in South Korea's ability to use ODA to ensure its structural transformation, as a former recipient.

At present, like any industrialized country, South Korea is also constantly looking for new markets and new economic partners to maintain its growth rate if not increase it substantially. In this perspective, Cameroon and African countries alike represent enormous potential, although current trade statistics with South Korea show a low level of cooperation. This is why Korean economic policy towards African countries must be projected in a long-term vision, focusing on the sustainable development of global value chains and the strengthening of the technical and

⁴In 2009, the Cameroon government formulated the Growth and Employment Strategy Paper (GESp), which was a ten-year planning framework for the 2010 and 2020 period. This strategy aimed to achieve four main objectives which include raising average annual growth to 5.5% over this period; reducing unemployment to less than 50%; reducing the rate of monetary poverty to less than 28.7%; and achieving all Millennium Development Goals.

professional capacities of all actors involved in the economic field (public administration, private sector, civil society, young graduates, students, researchers, etc.).

African countries offer great potential as a massive and growing consumer market for the next fifty years. Total population as of 2017 is estimated at more than 1.25 billion, with a growth rate of more than 2.5% p.a. The total African population is expected to reach 2.5 billion by 2050. But the effects of Africa's projected population growth can be both positive for economic growth, if this labor force is integrated into the industrial production process, and negative if it results in an increase in youth unemployment. Hence the fear of African leaders to accelerate the continent's structural transformation and trade integration process by strengthening their economic cooperation with countries such as South Korea, which have a similar recent history as recipient and a great experience on industrial development.

According to David Ricardo, the increase in production lies in increasing the population and increasing the practical knowledge and efficiency of machines. Ricardo seeks to analyze growth through the distribution of income between the three social classes. The salary is the worker's income, the profit is the capitalist's income and the annuity is the landowner's income⁵. At the same time, price increases have an effect on wage increases. As a result, the price increase is neutral for employees. Wage increases can only be at the expense of profits.

Under these conditions, companies no longer have an interest in increasing their production and growth is then blocked. This is what Ricardo calls the "steady state" and which has gradually led to the globalization of industry through the relocation of production units and its disastrous consequences on employment. This is one of the weaknesses of the development model based on industrialization, and an important limitation to the theory of liberal economics, which the Korean government must face, particularly because of its proximity to China, known as a host country for offshore production units.

The Korean cooperation strategy with African countries must therefore take into account its historical and trade relations with China, which clearly shows its expansionist ambitions on the continent, in a geopolitical balance of power with Western countries. These geopolitical constraints, coupled with a lower financial power, predispose South Korea to adopt a more specialized approach to economic cooperation with African countries. The fact that imports and exports between Africa and Korea did not change in percentage terms, remaining at low single-digits since the beginning of the century, show that South Korea still prioritizes other regions – mainly Asia and especially China – over Africa when it comes to trade.⁶

The current low level of trade between Korea and Africa is also linked to the structural weakness of African economies, whose exports are mainly composed of raw materials, while imports indicate an external dependence on imports to meet primary consumption needs. The development of trade can therefore be conceived in a more constructive and sectoral approach, ranging from the selection of integrated value chains to progressive industrialization, vocational

⁵ David Ricardo, *On the Principles of Political Economy and Taxation* (1817)

⁶ According to Otavio Veras, despite growing in absolute terms, imports from Africa never accounted for more than 2.2% of South Korea's total imports globally. More than ten years later, imports of African goods by South Korea had not substantially increased from the 2006 level. Despite the three-fold increase in the dollar amount of South Korean exports to Africa observed since 2000, Africa's share of South Korean exports did not rise from its unexceptional level at 1.9% of all South Korean exports globally. "Unpacking South Korea's engagement with Africa", <https://www.howwemadeitinafrica.com/unpacking-south-koreas-engagement-with-africa/62140/>, published on 6 September 2018

training, targeted construction of production infrastructure and various support to the private sector. In this perspective, while giving African countries the opportunity to carry out the structural transformation of their economies, South Korea finds in this African market the opportunity to develop exports of industrial equipment in the fields of agroindustry, manufacturing industry, digital, automobile industry, construction, household appliances, electrical energy, etc.

III. Policy implications for Korean development assistance towards Cameroon

Since 2006, South Korea's cooperation with Africa is mainly focused on commercial linkages and development assistance. On the other hand, this cooperation also aims to assist South Korean companies to enter African markets. Successive governments since 2003 have reaffirmed these strategic orientations of Korean economic policy towards Africa and have concretized their interventions through the increase of the budget dedicated to development aid and the construction of certain infrastructures in the field of health, basic education and vocational training. This was also the case in Cameroon, but the dynamics of structural transformation were not particularly affected.

As far as trade is concerned, it must be noted that the flow shares, both in exports and imports, between South Korea and Cameroon have been diluted, to the benefit of China and India in particular. In addition, Cameroon faces stiff competition from other African countries such as Angola, Nigeria, Equatorial Guinea, Gabon, Libya and Algeria on the main product, crude oil, which it exports to Korea, thereby reversing the trade balance in favor of the latter.

In light of the above, it is therefore appropriate to plan South Korea's economic cooperation policy from the perspective of the structural transformation of African economies, supported by the industrial development that it has itself included in its development aid policy. This extroverted approach to Korean economic policy makes it possible to move away from the highly globalizing nature of traditional development aid practices and explore more decentralized, inclusive and systemic mechanisms, involving both the government and the private sector, around well-defined sectoral development programs.

The Cameroon government adopted a new Industrialization Master Plan (IMP) in 2018, after the previous one was abandoned in 1989, at the height of the economic crisis of the 1970s and 1980s. This new plan reflects the government's effective ambition to accelerate Cameroon's industrialization process through a restructuring of the industrial landscape, focusing in particular on:

- Three (03) national industrial sanctuaries: (i) Agroindustry, (ii) Energy and (iii) Digital;
- Five (05) structuring industrial pillars: (i) Forest/Wood; (ii) Textile/Confection/Leather; (iii) Mines/Metallurgy/Steel Industry; (iv) Hydrocarbons/Petrochemistry/Refining; (v) Chemistry/Pharmacy.
- Two (02) bases: Infrastructure and Financing.

This new industrialization master plan has laudable ambitions that are likely to be achievable in the medium to long term, but it remains an expression of political will without a real operational base or a coherent, structured and mobilizing action plan for all stakeholders, recruited outside the economic sphere alone. The new cooperation dynamic suggested to South Korea in such a

case would consist in targeting, within the framework of a specific development assistance program, technical and operational support integrating respectively: a sanctuary (e.g. Energy); a pillar (e.g. hydrocarbon/Petrochemical/Refining); and a base (e.g. Infrastructure).

Such a program could be part of the development prospects of the vehicles' value chain between South Korea and Cameroon, respectively an Autogas producer and a natural gas producer. South Korea's LPG imports are expected to increase drastically in the next decades, due to the recent policy change that will allow Autogas vehicles in the private sector, among other factors. The Korean government's approval aims to implement cleaner fuels in transportation as the country's severe air pollution is caused mainly by vehicle emissions. Cameroon's government is following the same process and is willing to develop the use of Autogas to encourage LPG's local consumption and fight against pollution.

In conclusion, the benefits that Cameroon offers to South Korea in strengthening their economic cooperation through the private sector can be summarized in four main points:

1. **Business potential**: development prospects in sectors such as agroindustry, energy, digital and infrastructure offer significant opportunities for Korean industry to export industrial equipment, technology and know-how, with a rate of return (on credit or equity) increasingly attractive for foreign investors;
2. **Existence of a national and regional market**: Cameroon's geographical position allows it to develop trade throughout Sub-Saharan Africa, from its three ports of Limbe, Douala and Kribi;⁷
3. **Availability of an abundant workforce**: more than 50% of the population under 25 years of age and educated, thus allowing vocational training and rapid adaptation to productivity requirements;
4. **A strong political will** for the development of business and trade at regional and global level, in particular through reforms on the continuous improvement of the business environment, the development of basic infrastructure (transport, electricity, communication), a more attractive tax framework, etc.

The Cameroonian government, although fully relying on the private sector, maintains a central role in this cooperation with South Korea, as it is the government that implements the growth and jobs strategy and assumes responsibility for the related commitments, both at bilateral and multilateral level.

⁷ Cameroon is a lower-middle-income country with a population of over 25 million (2018). Located along the Atlantic Ocean, it shares its borders with Chad, the Central African Republic (CAR), Equatorial Guinea, Gabon, and Nigeria. Two of its border regions with Nigeria (northwest and southwest) are Anglophone, while the rest of the country is Francophone. In 2017, Cameroon had a total export of 6,527,310.84 in thousands of US\$ and total imports of 10,368,581.74 in thousands of US\$ leading to a negative trade balance of -3,841,270.90 in thousands of US\$.