



# KOREA COMPASS

## A NEW HORIZON IN SOUTH KOREA-CENTRAL ASIA RELATIONS: THE ROK JOINS THE “GREAT GAME”

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Two thousand years ago, the “Silk Road” linked the Chinese and Roman empires, moving goods, people, and ideas between Asia and Europe. For centuries thereafter Central Asia remained the focus of great powers’ strategic interests, for control of the region meant crucial access into and out of surrounding empires and civilizations, including those of Russia, China, India, Persia and the Ottomans. Largely neglected during the Cold War, the region has reemerged in the 21st century as an area of intense interest primarily for the vast natural and mineral resources that lie beneath the challenging terrain; yet the region’s value as a crucial axis geographically connecting East and West is once again drawing acute attraction.

Central Asia is typically defined as the area that stretches west from the Caspian Sea to China in the east, and from Afghanistan in the south to Russia in the north. It includes the five Republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, with a total population of 64.7 million. The year 2012 marks 21 years of independence from the Soviet Union for these young Republics, and during the last two decades they have experienced dramatic changes in their political and economic strategies. The region’s surrounding countries and cultures – Iran, Afghanistan, Pakistan, Mongolia, Xinjiang and Tibet in western China, and southern Siberia in eastern Russia – are within its periphery and greatly influence the region today, competing with Russia’s traditional supremacy.

Thus, it is no surprise that the region has attracted other powers, including China, the United States, western Europe, and now South Korea. In July 2012, the 20th anniversary of diplomatic relations between South Korea and the five Central Asian states was celebrated, marking an extraordinary expansion of political, economic, and social exchanges between South Korea and the region. Activities include cooperation on energy and natural resources construction and infrastructure, science and technologies, medicine and health-care, finances, textile, and agriculture.

This paper examines the nature and scope of South Korea’s expanded activities in Central Asia. It also analyzes the logic driving Korean engagement within the context of strategic dynamics within the region. Finally, it addresses the implications of growing South Korean influence for the nation, and for its alliance with the United States.

### ROK-CENTRAL ASIAN RELATIONS

When the Republic of Korea’s (ROK, or South Korea) Lee Myung-bak was inaugurated President in 2008, his vision of a “Global Korea” became the hallmark of his leadership. Indeed, the “Korea” brand has achieved remarkable success globally, riding on the crest of the powerful “Korea Wave” or *hallyu* that has swept Korean fads and trends into popular frenzy throughout the world, including Central Asia. Lee seized the initiative for playing a greater global role by hosting the G20 Leaders’ Summit in Seoul in November 2010, and the Nuclear Security Summit in March 2012. The ROK’s unique position as a newly developed economy with a robust democracy, makes it singularly qualified to serve as the natural “bridge” between the two divergent halves of the member countries that make up the G-20. With an approximate GDP per capita of \$28,000, South Korea is the only G-20 member that occupies the mid-point between the rich, advanced G-7 economies (each with per capitas over \$30,000), and the remaining developing economies (each with per capitas well below \$20,000).<sup>1</sup>

President Lee further cemented the ROK as a globally responsible and proactive actor in the international arena by initiating a speedy and significant response to the earthquake in Haiti (January 2010); joining the Proliferation Security Initiative (PSI), an international cooperative effort to combat proliferation of weapons of mass destruction; sending ships to join in multi-national efforts to battle pirates in the Gulf of Aden; and expanding ROK contributions to peace-keeping operations (PKO) around the world. These actions show that even “middle powers” can make a significant contribution to the global community.

South Korea has achieved its middle power status by raising its relative regional stature through rapid economic development and modernization. However, it is important to note that the ROK remains relatively small compared to China and Japan given their respective economic sizes; nevertheless South Korea’s absolute economic development firmly establishes it within the realm of a global middle power. Possessing the capabilities of a middle power alone, however, is insufficient to project influence beyond the Peninsula, just as an aspirational vision without commensurate

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capacities is not sufficient to achieve global impact. Recognizing this reality, Lee launched several bold strategies to implement South Korea's new found international activism. One of the most significant was the launch of the “New Asia Initiative (NAI)” in March 2009, which aimed to “enhance substantial cooperation with all the countries of Asia.”<sup>2</sup> Although it emphasized Southeast Asia, the Initiative contained an expansive definition of “Asia” to include the regions of Central and South Asia.

At the core of the NAI is South Korea's belief that it can play a “bridging” role between large and small powers, as well as between the developed and developing economies. This premise is based on South Korea's successful development experience that while unique in some ways, can provide demonstrative lessons for emulation by many underdeveloped economies in Asia. Lee underscored this point by asserting that South Korea can play a central role in representing the interests of Asian nations in the international arena. Such a role is more plausible for South Korea than for China or western powers such as Russia, the United States or Europe, whose occasional overbearing attitudes and historical roles have often tainted political goodwill in the region. Indeed, as a small power that due to its geographic fate of being located at the nexus of great powers often fell victim to the exigencies of their rivalries, Korea's historical experience carries great resonance with many countries in Central Asia who have similarly been dominated culturally, politically, and economically by neighboring empires. Perhaps even more pertinent, South Korea's more recent history of civil war, destruction and reconstruction, and successful political democratization from authoritarian rule, has much to offer many countries in Central Asia.

The ROK has engaged the region steadily since the early 1990s, soon after these republics gained their independence from the Soviet Union. But it was President Lee's 2011 extended trip to the region, including stops in Mongolia, Uzbekistan, and Kazakhstan, that launched his administration's prioritization of ties with Central Asia. Today, the ROK is the fourth largest commercial partner of Uzbekistan, with total bilateral trade in 2011 exceeding \$1.6 billion, and is one of Kazakhstan's largest, exceeding \$1 billion in trade in 2011.<sup>3</sup> The ROK is now acknowledged as a rising regional power, with Seoul continuing to invest heavily in strategic sectors such as uranium, transportation, and infrastructure development.<sup>4</sup> Notably, South Korea is not just offering investments in the oil, gas and minerals extraction sectors, but is also investing more broadly in the power generation and petrochemical sectors.<sup>5</sup>

Deepening ties between South Korea and Central Asia is well received by both sides which recognize mutual economic benefits. The ROK and the region have complementary economic structures: South Korea has abundant capital and technology which the region desperately needs for industrial diversification and building infrastructure, while Central Asian countries can offer energy and natural resources, and cheap labor, which South Korea sorely lacks.<sup>6</sup>

South Korea offers more than economic advantages, however. South Korean cooperation carries few geopolitical “strings” unlike

those offered by the larger powers, China and Russia. Countries such as Kazakhstan and Uzbekistan use their enhanced relations with South Korea to increase their leverage with their powerful neighbors, without having to go as far as creating a strategic alliance. This also serves the optimal purpose for both the Central Asian states and the ROK of softly hedging against Sino-Russian influence without open defiance.<sup>7</sup>

Indeed, while economic interests primarily drive South Korean interest in the region, its engagement strategy is based on utilizing a broad range of tools such as cultural and social interaction, which has consequences for a region that has been heavily influenced by Russia and China in the last century. For example, the Korea-Central Asia Cooperation Forum was launched in November 2007, with participation by all five Central Asian countries. This forum, along with other regional ones Seoul has launched in recent years, is designed to broaden networks and operate regular dialogue and cooperation channels.<sup>8</sup> According to one ROK government official:

“although [the ROK] is emerging as a leader of the world community, Korea's foreign policy has been concentrated on the four big powers [United States, Russia, China and Japan] and tended to neglect other emerging regions. Given that the country can hardly look after every individual nation, these regional forums play the role of broadening our diplomatic horizon.”<sup>9</sup>

Another notable aspect of the ROK's engagement with Central Asia is South Korea's recent modernization experience. Beyond the obvious lessons of its rapid state-led economic growth which are well known, how the country shed itself of a brutal authoritarian system that arguably played a crucial role in its development can provide important guidance for the region. Indeed, perhaps even more impressive than its world-class technologies and modern industrialization is the transformation of South Korea into one of the most vibrant democracies in all of Asia. The wildly popular appeal of Korean pop culture to the international audience cannot be divorced from its reflection of a prosperous, open, politically free society that promotes creative expression. This lesson may yet be too sensitive and unpalatable for Central Asian authorities who are themselves authoritarian or rule as a one-party state, but are still eager to follow South Korea's development path.<sup>10</sup> South Korea's ability to tout its democratization as a crucial part of its modernization experience is precisely what distinguishes it from other powers – namely Russia and China – trying to assert their influence in the region. It is also one of the most significant areas of coinciding interests with the United States, and serves a crucial long-term objective in the region: to promote stability through the shared values of democracy, open markets, and free societies.

Admittedly, the idea of South Korea as an aspirational model of economic success is not new, and has carried particular resonance in the rest of Asia where a hierarchical Confucian model that emphasizes social relationships is more palatable than western models that promote individualism and deference to written law and institutions. What is new about the NAI, however, is the ROK's active promotion of its successes, and its willingness to support the initiative with tangible funds and activities. The ROK became an official member of the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) in 2009. As part of this new responsibility, the ROK spent \$1.3 billion in 2011

(equivalent to 0.12 percent of Gross National Income or GNI), and has planned to expand it to 0.15 percent of GNI by 2012, and to 0.25 percent by 2015, with South and Central Asia receiving the largest portion of the budget.<sup>11</sup>

Beyond ODA and climate change, the ROK has established several organizations and programs designed to develop ties with Central Asian countries. The Korea Development Institute (KDI) has established programs to attract graduate students from around the world to not only emphasize what to do with development assistance, but to facilitate the sharing of these development experiences. In recent years, many students at KDI now come from the Central Asian Republics, in particular Uzbekistan, Kazakhstan and Kyrgyzstan.<sup>12</sup> The ROK's official aid agency, Korea International Cooperation Agency (KOICA), also sponsors training programs bringing bureaucrats and other government officials to Seoul for technical training.

## UZBEKISTAN

Although often overshadowed by its larger neighbor Kazakhstan, Uzbekistan's engagement with South Korea is the largest in the region, in part because it has been the central focus of the ROK's engagement since the early 1990s. By 1992, the ROK was the leading foreign investor in the Uzbek economy with over a billion dollars worth of investments, mainly in the automobile manufacturing joint venture Uz-Daewoo based in Andijan, the telecommunications project by Daewoo Unitel, and in Kabool Textiles Ltd.<sup>13</sup> By 2009, the two countries agreed to an additional sixteen MOUs for cooperation on a variety of projects on automobiles, textiles, agriculture, Information Technologies (IT) and the environment, with Seoul pledging \$120 million in economic aid to Tashkent, as well as providing support in improving medical facilities and residential areas in Uzbekistan.<sup>14</sup>

A crucial turning point in the bilateral relationship came in March 2006 during a state visit to the ROK by Uzbek President Islam Karmov, when the Joint Declaration on Strategic Partnership was signed, paving the way for a fresh round of investment activity moving beyond industrial development into the energy resources sectors.<sup>15</sup> That year, the Korea National Oil Corporation (KNOC), Korea Gas Corporation, and Uzbekneftegaz – the national Uzbeki gas company – signed an MOU giving Korean companies exclusive exploration and exploitation rights for two oil and gas deposits, Chust-Pap and Namangan-Terachi.<sup>16</sup> And in 2008, the Korean gas company KOGAS and Uzbekneftegaz agreed on the joint exploration and exploitation of the Surgil gas site on the Ustyurt Plateau, for a total estimated cost of \$1.84 billion.<sup>17</sup> Daewoo International also signed on to explore and develop Kushkuduk and Ashibulok, two other blocks on the Plateau.<sup>18</sup>

Driving the ROK's desire to gain access to the region's abundant natural resources is its almost complete dependence – 97 percent – on foreign imports for domestic energy needs. Moreover, South Korea's growing dependence on nuclear energy – currently 40 percent of domestic energy – with twenty reactors operating and plans to construct six more, has meant increased interest in securing sources of uranium. In 2008, the Korea Electric Power Corporation (KEPCO) signed an agreement with the Uzbek government for the purchase of 2,600 tons of uranium worth \$400 million (equal to nine percent of South Korea's total annual consumption). The Korea Resources Corporation is developing the Uzbek deposit of Zhantuar in partnership with the Uzbek State Committee for Mineral Resources.<sup>19</sup>

Perhaps the most ambitious South Korean project in terms of opening up the entire region, however, is the creation of a transportation hub in Navoi. In 2008, a MOU was signed granting South Korean companies to convert the Navoi airport in southwestern Uzbekistan into a regional logistical hub and to build a free economic zone there. Navoi is centrally located near immense mining facilities which process and treat gold and uranium extracted from domestic mines, lowering transportation costs and facilitating the export of minerals.<sup>20</sup> But Navoi is already producing greater transformative effects by becoming a critical transportation hub for the entire region, not just Uzbekistan. South Korea's Hanjin Group is in charge of the logistical operations and is working on broadening airport operations into a hub for land transport. Since South Korea's arrival in 2009, the airport now operates eighteen international passenger flights per week from Europe and Asia. And the airport today houses the largest air cargo terminal in Central Asia which can handle 100,000 tons of cargo annually using the latest modern equipment.<sup>21</sup>

For Uzbekistan, the project is much greater than simply creating a logistical center: over the long-term the objective is to transform Navoi into a Free Industrial-Economic Zone (FIEZ). And for the ROK, the consequence of success at Navoi is significant beyond creating a transportation hub for cargo freight as Seoul will have shown the capacity to assist a Central Asian state to open up without any overt global geopolitical ambitions.<sup>22</sup>

Yet, the ROK may have to tread carefully as it continues its expansion of cooperation with Uzbekistan. The country is home to a repressive and arbitrary regime, and its track record with foreign investors does not inspire much confidence as the country has a reputation for being risky to foreigners.<sup>23</sup> This is reflected in falling foreign direct investment (FDI) which declined 50 percent (from \$481 million) in the first quarter of 2012 alone, after falling 27 percent in 2011 from the previous year.<sup>24</sup> Indeed, failed South Korean investments and joint ventures, including Uz-DaewooAuto, Kabool Textiles, and Daewoo Unitel are instructive. Corruption and administrative arbitrariness, and more practical issues, such as the inconvertibility of the Uzbek currency will undoubtedly dampen South Korean profits.<sup>25</sup> Nevertheless, Seoul seems intent on deepening engagement, recently signing an agreement worth \$4.16 billion to jointly build the UzKorGasChemical complex at the Surgil field, as well as an agreement to transfer information technology to Uzbekistan and help modernize its stock exchange system.<sup>26</sup> Bilateral trade in 2011 exceeded \$1.6 billion.<sup>27</sup>

One reason for the ROK's continued focus on Uzbekistan may not just be for strategic economic reasons but the depth of cultural and social ties. The overwhelming popularity of the "Korean Wave" has swept the country but perhaps most notably, Uzbekistan is astonishingly home to the fourth largest population of Korean diaspora (after China, the United States, and Japan), with more than 173,000 ethnic Koreans now living there.<sup>28</sup> And remittances to Uzbekistan from ethnic Koreans or *Koryo Saram* who moved to South Korea to work were estimated to exceed \$100 million in 2010.<sup>29</sup>

## KAZAKHSTAN

Kazakhstan has been the other anchor in the ROK's engagement of Central Asia, primarily because it is the largest and richest of the five regional republics and offers the greatest strategic resources

of oil and natural gas. In addition, a historical and cultural affinity may also play a sentimental role in South Korea's interest in developing relations with Kazakhstan: in October 1937 – in one of the first mass transfers of an entire ethnic group – the Soviet Union forcibly moved its entire population of ethnic Koreans (171,781 persons) from the Russian Far East to an unpopulated area of the Kazakh Soviet Socialist Republic. Left to fend for themselves in a desolate and inhospitable environment with no supplies, these hearty Koreans foraged housing dug by hand into the hillsides somehow managing to survive the harsh winter. These *Koryo Saram* which number over 107,000, are today integrated into Kazakh society and have earned a respected reputation as industrious and hard working, certainly contributing to modern Kazakh admiration and respect for Korean culture.

Indeed, Kazakh President Nursultan Nazarbaev personally views South Korean participation as an important driver for his Central Asian country's industrial development; soon after its independence in 1991, Nazarbaev invoked South Korea as a potential model for Kazakhstan's development.<sup>30</sup> Nazarbaev even commissioned South Korean economist Chan Young Bang to draft the original concept paper for Kazakhstan's privatization program in the early 1990s, although the final draft that was implemented contained elements totally foreign to Bang's concept.<sup>31</sup>

The ROK's economic ties with Kazakhstan have steadily grown over the years. In 2008, South Korea's Kookmin Bank bought a 30 percent stake in Kazakhstan's Center Credit Bank for \$634 million, its first major cross-border acquisition in nearly half a decade. Kookmin is South Korea's largest bank and has been trying to expand overseas and reduce its reliance on sluggish interest income at home.<sup>32</sup> In the same year, the ROK government reached an agreement with Kazakhstan to import more than 2000 tons of uranium between 2011 and 2017.<sup>33</sup> Kazakhstan has become the world's top uranium producer, shifting from fifth in the world in 2004 to first in 2011, although this is a worrisome trend for some experts who are uneasy with the government's proximity to and political friendship with countries such as Iran.<sup>34</sup>

South Korean President Lee Myung-bak's trip to the region in 2011 spurred a fresh round of large-scale investments, including two construction deals worth \$4 billion each, the largest agreement since the two countries established diplomatic relations in 1992. LG Chem, South Korea's largest chemical firm, and the state-run Kazakhstan Petrochemical Industries will build a large-scale petrochemical complex in Atyrau on the northern banks of the Caspian Sea, and a 1,320 megawatt coal-powered plant in the southern city of Balkhash. When completed in 2016, the complex hopes to generate \$1.4 billion in sales. In another thermal power plant project in Balkhash, KEPCO and Samsung C&T will be guaranteed a 70 percent stake in the project, which is expected to produce about seven percent of Kazakhstan's total electricity.<sup>35</sup> These projects make South Korea the top foreign investor in Kazakhstan's state-led industrial development.

## KYRGYZSTAN, TAJIKISTAN, AND TURKMENISTAN

ROK engagement in Kyrgyzstan, the poorest of the five Central Asian Republics – its GDP in 2011 was a meager \$5.9 billion – has

been limited until recently to small scale projects, such as cooperating in the field of medicine, with South Korea agreeing to build medical facilities in the Kyrgyz Republic.<sup>36</sup> In 2008, bilateral trade was a mere \$3 million, yet by 2011 had exploded to \$142 million.<sup>37</sup> One important reason was the sudden interest in establishing new sources for rare earths minerals in 2010. Spurred by China's unexpected decision to dramatically curtail its exports of the minerals – it produced 90 percent of the world's supply – caused a near panic among countries such as the United States, Japan, Germany, and South Korea, whose high-tech companies are highly dependent on rare earths.<sup>38</sup> Thus in January 2011, the ROK announced that it had authorized a new program to prospect for rare earths in Kyrgyzstan, which is believed to hold the largest rare earth deposits outside of China. Mining for these minerals was largely neglected since Soviet operations several decades ago, and the sudden preoccupation with rare earths has been an unforeseen boon for the small republic, perhaps beyond the immediate discovery of this coveted resource. In addition to rare earths, Kyrgyzstan is believed to possess large reserves of gold and uranium, spurring a rush for metallurgical development, and attracting much-needed foreign investment.<sup>39</sup>

South Korean ties with Tajikistan, the smallest (by landmass) of the five republics, have deepened in recent years with the opening of the first ROK Embassy in Dushanbe in 2008. Seoul continues to provide assistance primarily through KOICA in the fields of education, health, technology cooperation, industry and energy, and environmental protection. But trade has grown significantly, growing more than tenfold since 2000; in 2011, bilateral trade reached \$140 million. While the ROK currently imports more than \$100 million of Tajik goods, primarily cotton and aluminum, and exports approximately \$40 million in products including automobiles, machinery, and electronics, its primary interest is in Tajikistan's natural resources and energy markets.<sup>40</sup> Such a focus is mutually beneficial to both countries as the republic is seeking to diversify its economy focusing on its rich deposits of gold, silver, antimony, and uranium, which would in turn help satiate the ROK's booming nuclear industry.

Breaking into the Tajik mining industry will be challenging, however, given historical Russian dominance, but South Korean creative diplomacy and aggressive business savvy proven successful in Uzbekistan and Kazakhstan may give the ROK a competitive advantage. And despite its potential benefits, increased engagement of Tajikistan comes with risks, given that country's uncertain political leadership and unstable security situation. Emomali Rahmon, president since 1992, has been described as a corrupt kleptocrat and has ruthlessly cracked down on Islamist militant groups. Because of Tajikistan's strategic location bordering both Afghanistan and Pakistan, however, Rahmon is able to evade the worst of international condemnation in exchange for security cooperation with key powers. Seoul will therefore need to tread carefully in its engagement with Tajikistan if it wants to avoid criticism for supporting a questionable regime.<sup>41</sup>

Turkmenistan, the smallest in population of the Central Asian countries (5.1 million people), nevertheless has ambitious plans to develop its oil and gas sectors. Although official data is notoriously unavailable in perhaps the most secretive of the five republics, the country is believed to have the world's fourth largest natural gas reserves, as well as large quantities of oil. The government has an ambitious target of building three new refineries, and increasing

refining capacity threefold to 30 million tons by 2030 at its two existing ones. It also plans to boost crude output nearly sixfold to approximately 67 million tons by the same date.<sup>42</sup>

While the current level of bilateral trade is relatively low – \$245 million in 2011 – it is expected to grow significantly with South Korean companies aggressively pursuing participation in Turkmenistan’s plans to develop its natural resources sectors.<sup>43</sup> In 2009, LG and Hyundai won tender bids for the construction of a gas treatment factory close to the large Yolotan deposit valued at \$1.48 billion.<sup>44</sup> And in 2012, Hyundai Engineering announced implementation of a \$534 million modernization project at the country’s largest oil refinery, Turkmenbashi near the Caspian Sea, to be completed in May 2015. This facility plant is one of Turkmenistan’s two oil refineries, which jointly process most of the country’s annual crude output of 10-11 million tons (equivalent to 220,000 barrels per day).<sup>45</sup>

## THE GREAT GAME: THE NEXUS OF STRATEGIC INTERESTS

Any analysis of Central Asia is incomplete without an understanding of the strategic value the region holds for the world’s largest powers. Russia’s expansion and influence in the region dates back to the 18th century when Peter the Great first sent an armed trade expedition to the area, and after many failed attempts, complete control of the region had been achieved by 1873.<sup>46</sup> Even after the collapse of the Soviet Union and the republics’ establishment of independence in 1991, Russia continues to view the region as a crucial geo-strategic buffer against extra-regional challenges. Such strategic interest has allowed the Central Asian countries to seek lucrative partnerships with outside powers despite Russian concerns.<sup>47</sup>

One of the most important developments in the region was the creation of the Shanghai Cooperation Organization (SCO) under Chinese initiation in 2001.<sup>48</sup> The disintegration of the USSR in 1991 greatly concerned Beijing that similar secessionist movements would spread to its vast western border of Xinjiang and immediately began to engage the newly independent Central Asian states. Expanding and consolidating these relationships would also allow access to the landlocked region’s vast energy and minerals resources. Thus in 1996, China initiated the signing of the “Treaty on Deepening Military Trust in Border Regions.”<sup>49</sup> In 2001, the group was renamed the SCO, declaring itself as an intergovernmental mutual-security organization with a focus on security, economic, cultural, and military cooperation among member states.<sup>50</sup>

While many of the Central Asian countries continue to have a strong affinity with Russia, they are also eager to move away from its shadow and an increasingly assertive and economically powerful China has made substantial inroads into the region. Beijing has been aggressively promoting bilateral relationships often bypassing the SCO, and has become the region’s principal trading partner and main source of foreign investments. Trade has grown from \$1.52 billion in 2001 to \$16.98 billion in 2011, and Beijing may soon finalize a \$10 billion development loan to the region.<sup>51</sup>

Although influence in the region serves critical strategic and geopolitical goals for China, Beijing also views engagement of the region as an important tool to boost economic development in its western border region of Xinjiang. China’s largest administrative region but also one of its least developed, Xinjiang, is located at the heart of Eurasia, borders eight countries, and has seventeen official

border crossings, making this province valuable for developing trade relations in the region. Indeed, China began construction of the Turkmenistan-Xinjiang gas pipeline in 2009, which connects Turkmenistan (188 km), Uzbekistan (530 km), and Kazakhstan (1,300 km) to the Chinese grid over a total of 8,000 kilometers.<sup>52</sup> For the Central Asian countries, China offers an opportunity to reduce their dependence on Russia; Turkmenistan lost nearly \$5 billion a month in gas revenues when a pipeline to Russia was disrupted and the two countries could not agree on new terms, and the China pipeline is Kazakhstan’s first export route that does not go through Russia.<sup>53</sup> Another strategic development led by Beijing is the construction of a railroad connecting China, Kyrgyzstan, and Uzbekistan.<sup>54</sup> This rail link is seen as crucial to bridging the East and West with the potential to connect London and Beijing via high-speed rail by 2020, but more critically, provide the means of transporting large quantities of goods across an under-served region.<sup>55</sup>

China’s growing investments in infrastructure building and natural resource extraction poses a dilemma for these Central Asian republics, for they have few alternatives to boost their economies and yet remain wary of Beijing’s long-term motives. Central Asia’s long history of being exploited by neighboring empires thus presents a unique opportunity for a middle power such as the ROK which carries no historical baggage and provides a much more tangible and palatable development model than China or Russia. South Korea also offers different if not greater advantages than China: Korean investments tend to be more diverse in sectors beyond infrastructure and resource extraction. Moreover, South Korean firms offer more comprehensive services connecting Central Asia to other markets outside the region.

Moreover, South Korea’s broad engagement of the region poses less of a challenge to the West, especially the United States, than do those of China or Russia. Western companies are largely unable to compete in the region due to their focus on implementing contracts and growing reluctance to operate in politically unstable or uncertain environments.<sup>56</sup> Yet for Washington, Seoul’s presence in the region is far more palatable given the greater coincidence of the two allies’ strategic goals and interests.

U.S. policy towards the Central Asian region has been eclipsed by its preoccupation with Afghanistan. Yet beyond the immediate goal of promoting stability in Afghanistan, the United States has been promoting free markets, energy development, and progress in human rights and democracy. Yet Washington’s relationship with the Central Asian Republics remains uneasy; although the United States has signed trade agreements with all the Central Asian countries, investment treaties are in force only with Kazakhstan and Kyrgyzstan, and overall U.S. trade with the region remains small.<sup>57</sup> Thus, aid and investment by South Korea is viewed both in the region and the United States as strengthening the independence of the Central Asian states and forestalling Chinese and Russian influence.

## CONCLUSION

The primary driver of the ROK’s recent and aggressive pursuit of engagement of the resource-rich Central Asian region is the country’s desire to reduce its reliance on oil, particularly from the Middle East. These pressures have increased in recent months and years due to growing international pressure led by the United States to join ever-stricter sanctions against Iran, which used to supply as much

as 40 percent of South Korean oil imports. But economic complementarities are also boosting South Korea-Central Asian relations. Unlike China, which is mostly interested in importing raw materials and exporting finished goods to the region, South Korean *chaebols* can provide a range of services – including providing capital, finding markets, and supplying and financing infrastructure – that can help shift these economies out of relative isolation, as illustrated by the development of the Navoi transportation hub in Uzbekistan.<sup>58</sup> In addition, South Korea’s increased “soft power” boosted by the popularity of the Korean Wave is an effective tool enhancing the region’s embrace of a growing role for the ROK.

Yet the region remains fragile, politically, economically, and socially. Despite impressive growth rates in recent years, all five republics are vulnerable to internal and external shocks due to underlying weaknesses in their governance systems. While patterns differ across the five countries, power and wealth in all remain for the large part disproportionately in the grip of elites. Poverty, lack of social cohesion, growing ethnic schisms and extremism, corruption, and the growing influence of crime syndicates are a combustible mix that challenges the leaderships of these republics to wisely manage their wealth of natural resources.<sup>59</sup>

Located at the nexus of such a crucial strategic region, however, means that the success of these republics is crucial for the entire international system. Multilateral and transnational cooperation will be essential to encourage stable and responsible development of the region. South Korea, despite its middle power status, may be just the country to lead the initiative in Central Asia. Indeed, the purpose of President Lee’s NAI was very much to “expand the scope

of [Korea’s regional] cooperation network to security and cultural matters,” whereas previously Korean diplomatic efforts in the Asia-Pacific had been focused primarily on economic cooperation. Lee’s vision of South Korea as a “multidimensional player” would allow it to be a leading nation not only in promoting economic development but in addressing terrorism, proliferation, and other more traditional security concerns as well.<sup>60</sup> In other words, he views South Korea as a responsible stakeholder in addressing political, economic, security, environmental and other challenges, throughout the region. It remains to be seen whether the region will fully embrace such a Korean role, but thus far there is every indication that the Central Asian republics are eager for an alternative to great power – Russian, Chinese, and even American – influence and leadership.

Critically, such a vision for the ROK’s global role is very much attuned to the Joint Vision Statement issued by Washington and Seoul in June 2009. This Vision Statement, an important milestone in the evolution of the U.S.-ROK alliance, emphasizes the role of the alliance in promoting “common values and mutual trust,” by working together to “tackle challenges facing both our nations on behalf of the next generation.”<sup>61</sup> As such, South Korea’s engagement of Central Asia serves not only to meet the nation’s immediate interests but the broader strategic interests of the U.S.-ROK alliance.

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## ABOUT THE AUTHOR

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## ENDNOTES

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6. Yoon Sung Kak, “Strategic Opportunities for South Korean Development of Energy Resources in Central Asia,” *Working Paper Series*, U.S.-Korea Institute at SAIS, March 2009, p. 4.
7. J. Berkshire Miller, “Korea Courts Central Asia,” *The Diplomat*, September 29, 2011, (<http://thediplomat.com/flashpoints-blog/2011/09/29/korea-courts-central-asia/>).
8. Other regional forums include ones with: Africa (*Korea-Africa Forum*, with senior officials from 15 African countries); Latin America (*Korea-Latin American Forum*, featuring leaders from 12 Central and South American nations); and the *Korea-Arab Society*, launched in 2008.
9. “Korea Expands Diplomacy Through Regional Forums,” *Chosun Ilbo*, December 2, 2009.
10. “South Korea’s Influence in Asia,” *The Economist*, February 18, 2012.
11. “Official ODA Assistance: 2012” Organization for Economic Cooperation and Development, (<http://oecdwash.org/oda2011/>).
12. “South Korea’s Influence in Asia,” *The Economist*, February 18, 2012.
13. Today, these joint ventures no longer have any South Korean capital: Seoul had to cede its shares in the automobile factory in Tashkent after the economic crisis in 1997, as well as those of Kabool, under rather obscure conditions and apparently under pressure from the Uzbek authorities. (Sebastien Peyrouse, “South Korea’s Advances Into Central Asia,” *Issue of the CACI Analyst*, Central Asia-Caucasus Institute, September 1, 2010.).

14. "Korea, Uzbekistan Agree [on] Economic Cooperation Projects," *Chosun Ilbo*, May 12, 2009.
15. "Korea, Uzbekistan Enter New Partnership Era," *Korea Times*, August 30, 2012.
16. KNOC is also part of the international consortium leading the exploration of Aral Sea deposits, alongside Lukoil, Petronas and CNPC. (Peyrouse, "South Korea's Advances Into Central Asia.")
17. The Surgil gas field is projected to contain at least 130 billion cubic meters of natural gas, equivalent to 96 million tons of liquefied natural gas, or 830 million barrels of crude oil. ("Korea, Uzbekistan Agree on Resource Development," *Chosun Ilbo*, August 24, 2011.
18. *Ibid.*
19. "South Korea Scouts for Energy in Central Asia," *World Nuclear News*, May 12, 2008.
20. "Uzbekistan and South Korea Vow Cooperation," *Central Asia Online*, September 20, 2012, ([http://centralasiaonline.com/en\\_GB/articles/caii/news-briefs/2012/09/20/newbrief-04](http://centralasiaonline.com/en_GB/articles/caii/news-briefs/2012/09/20/newbrief-04)).
21. Completed in August 2010, a freighter apron can now accommodate 5 B747-400 planes; 4 additional fuel tanks can now supply a total 1.4 million gallons of aviation fuel and fill up more than 25 B747-400 airplanes. "Korea, Uzbekistan Enter New Partnership Era," *Korea Times*, August 30, 2012, ([http://www.koreatimes.co.kr/www/news/issues/2012/11/211\\_118689.html](http://www.koreatimes.co.kr/www/news/issues/2012/11/211_118689.html))
22. Peyrouse, "South Korea's Advances Into Central Asia."
23. In one high-profile case in 2011, a metallurgist working for the U.K.-based Oxus Gold mining company was sentenced to 12 years in prison for industrial espionage, which the company dismissed as an attempt at intimidation and seizure of its assets. (William Mauldin, "Oxus Gold Manager Given Jail Term in Uzbekistan," *Wall St. Journal*, August 11, 2011; German companies also report harassment and renegeing of contracts in joint ventures, and in an odd incident, Uzbek tax authorities raided the South Korean-run Lakeside Golf Club in Tashkent for unclear reasons ("South Korea Summons Uzbek Ambassador Over Golf Club Raid," *Yonhap News*, October 10, 2012; [http://english.yonhapnews.co.kr/n\\_national/2010/10/11/420100000AEN20101011006000315.html](http://english.yonhapnews.co.kr/n_national/2010/10/11/420100000AEN20101011006000315.html)).
24. Nevertheless, as of 2012, 360 Uzbek enterprises have partnerships with South Korean companies, out of which 59 have 100 percent Korean capital, in the areas of trade, light, mining, chemical and food industries, as well as in machine-building, metal working manufacturing, healthcare, tourism and services. Currently, 84 Korean companies are registered at the Ministry for Foreign Economic, Investment and Trade of Uzbekistan. The aggregate volume of Korean investments exceeds \$5 billion. ("Korea, Uzbekistan Enter New Partnership Era," *Korea Times*, August 30, 2012.).
25. Graubner, "Uzbekistan: South Korea Feeling Lucky," *EurasiaNet.org*, June 5, 2012 (<http://www.eurasianet.org/print/65500>).
26. Robert Cutler, "Korea in Record Uzbek Deal," *Asia Times Online*, May 25, 2012, (<http://www.atimes.com/atimes/Korea/NE25Dg01.html>).
27. "Korea, Uzbekistan Enter New Partnership Era," *Korea Times*, August 30, 2012.
28. The Korean Foreign Ministry counts both ROK citizens and ethnic Koreans of other nationalities as part of the diaspora population. In 2011, Koreans in: China were 2,704,994; the United States were 2,176,998; Japan were 904,806; Canada were 231,492. (from: Overseas Koreans Foundation, <http://www.okf.or.kr/portal/OkfMainView.do> [in Korean only].
29. "Korean Wave Sweeps Uzbekistan," *Chosun Ilbo*, June 12, 2009.
30. It should be noted that at various times, Nazarbaev has also invoked other Asian countries including Singapore, but nevertheless the South Korean connection seems to remain the strongest.
31. In January 1992, Bang established the Kazakhstan Institute of Management, Economics, and Strategic Research (KIMEP), administratively subordinated to the Office of the President. He left in 1993 following an organizational struggle, but KIMEP remains a high-profile and internationally regarded Kazakhstani institution concerned mainly with training new specialists in the various technical economic skills. (Robert Cutler, "South Korea Deepens Role in Central Asia.")
32. Other South Korean banks, including Shinhan Financial Group and Hana Financial Group have also been opening overseas units in Asia looking for new opportunities as they face stalled lending growth and stiff competition at home. (Kim Yeon-hee, "Kookmin to Buy Kazakh Bank Stake for \$634 Million," *Reuters*, March 17, 2008).
33. Zhulduz Baizakova, "Nuclear Fuel Bank or Nuclear Graveyard?" *Asia Times Online*, September 7, 2012, ([http://atimes.com/atimes/Central\\_Asia/NI-07Ag01.html](http://atimes.com/atimes/Central_Asia/NI-07Ag01.html)).
34. In 2011, Kazakhstan produced 19,451 tons of uranium in 2011, more than double the world's second largest producer, Canada, which produced 9,145 tons. (World Nuclear Association, <http://www.world-nuclear.org/info/inf23.html>).
35. "Lee Meets Kazakh Leader," *Chosun Ilbo*, August 26, 2011; "Kazakhstan, South Korea Sign \$7 Billion in Investment Deals," *Central Asia Online*, March 28, 2012. ([http://centralasiaonline.com/en\\_GB/articles/caii/newsbriefs/2012/03/28/newsbrief-04](http://centralasiaonline.com/en_GB/articles/caii/newsbriefs/2012/03/28/newsbrief-04))
36. "Cooperation between South Korea and Kyrgyzstan in the Field of Medicine Discussed," *Kabar News*, December 27, 2011 (<http://kabar.kg/eng/health/full/3020>).
37. [http://www.mofat.go.kr/ENG/countries/europe/countries/20070803/1\\_24647.jsp?menu=m\\_30\\_40](http://www.mofat.go.kr/ENG/countries/europe/countries/20070803/1_24647.jsp?menu=m_30_40).
38. Rare earth prices soared 700 percent on global commodities markets in 2010, after China slashed export quotas by 72 percent; it reduced exports a further 35 percent for the first half of 2011. (Keith Bradsher, "China, Citing Errors, Vows to Overhaul Rare Earth Industry," *New York Times*, June 20, 2012.)
39. Martin Sieff, "South Korea's Rare Earth Needs Are Boon for Kyrgyzstan," *Central Asia News Wire*, January 4, 2011 (<http://www.universalnewswires.com/centralasia/viewstory.aspx?id=2834>).
40. ROK Ministry of Foreign Affairs and Trade, ([http://www.mofat.go.kr/ENG/countries/europe/countries/20070803/1\\_24633.jsp?menu=m\\_30\\_40](http://www.mofat.go.kr/ENG/countries/europe/countries/20070803/1_24633.jsp?menu=m_30_40)).

41. J. Berkshire Miller, “Korea Woos Tajikistan,” CACI Analyst, August 22, 2012, (<http://www.cacianalyst.org/?q=node/5828>).
42. Dmitry Solovyov “South Korea’s Hyundai in \$534 million Turkmen Refinery Revamp,” Reuters, November 16, 2012.
43. ROK Ministry of Foreign Affairs and Trade, ([http://www.mofat.go.kr/ENG/countries/europe/countries/20070803/1\\_24634.jsp?menu=m\\_30\\_40](http://www.mofat.go.kr/ENG/countries/europe/countries/20070803/1_24634.jsp?menu=m_30_40)).
44. Peyrouse, “South Korea’s Advances Into Central Asia.”
45. Turkmenbashi’s annual capacity is estimated at around 6 million tons. (Solovyov, “South Korea’s Hyundai,” Reuters.
46. In 1717, an imperial Russian expedition of 4000 men was dispatched to the Khanate of Khiva in present day Uzbekistan and Turkmenistan. Unfortunately, it was not a successful mission for Russia: the Khivans ambushed and slaughtered the Russian expedition, leaving only ten men to flee back to Russia. But the mass slaughter was not forgotten and similar missions were undertaken by Tsars Paul I, Nicholas I and Alexander II. (Himar Arjun Singh, “All Central Asian Roads Lead to Muscovy,” *Asia Times Online*, October 27, 2012.)([http://atimes.com/atimes/Central\\_Asia/NJ27Ag01.html](http://atimes.com/atimes/Central_Asia/NJ27Ag01.html)).
47. Ibid.
48. The current *Shanghai Cooperation Organization* members are: China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. Observer States are: Afghanistan, India, Iran, Mongolia, and Pakistan. Dialogue Partners are: Belarus, Sri Lanka and Turkey. Guest Attendees are: ASEAN, CIS (Commonwealth of Independent States) and Turkmenistan.
49. In 1996, the original group, or “*Shanghai Five*,” included Kazakhstan, Kyrgyzstan, Tajikistan, and Russia, which was eager to join hoping to retain some influence in the region. In April 1997, these five countries signed the “Treaty on Reduction of Military Forces in Border Regions,” adding Uzbekistan, (Singh, “All Central Asian Roads Lead to Muscovy”).
50. Andrew Scheineson, “The Shanghai Cooperation Organization,” *Council on Foreign Relations*, March 24, 2009. (<http://www.cfr.org/international-peace-and-security/shanghai-cooperation-organization/p10883>).
51. This loan is part of the “China-Central Asia Economic Cooperation Fund,” and the “Fund on Agricultural Cooperation.” (Zabikhulla Saipov, “China Deepens Central Asia Role,” *Asia Times Online*, September 25, 2012; [http://atimes.com/atimes/China\\_Business/NI25Cb01.html](http://atimes.com/atimes/China_Business/NI25Cb01.html)).
52. Singh, “All Central Asian Roads Lead to Muscovy.”
53. “China President Opens Turkmenistan Gas Pipeline,” BBC News, December 14, 2009. (<http://news.bbc.co.uk/2/hi/asia-pacific/8411204.stm>).
54. Saipov, “China Deepens Central Asia Role.”
55. Matteo Fumagalli, “Global Insider: South Korea-Central Asia Relations,” *World Politics Review*, September 7, 2011.
56. Aleksandra Jarosiewicz, “South Korea’s Expansion in Central Asia,” Center for Eastern Studies, September 7, 2011.
57. Singh, “All Central Asian Roads Lead to Muscovy.”
58. Matteo Fumagalli, “Global Insider: South Korea-Central Asia Relations,” *World Politics Review*, September 7, 2011.
59. Evan Feigenbaum, “Central Asia Contingencies,” *Managing Instability on China’s Periphery*, Council on Foreign Relations and Center for Preventive Action (Washington, D.C.), September 2011; p. 61.
60. “With ‘New Asia Initiative,’ Korea Comes of Age,” *Korea Herald*, March 18, 2009.
61. “Joint Vision for the Alliance of the United States of America and the Republic of Korea,” Washington, D.C., June 16, 2009, The White House Office of the Press Secretary, June 16, 2009, ([http://www.whitehouse.gov/the\\_press\\_office/Joint-vision-for-the-alliance-of-the-United-States-of-America-and-the-Republic-of-Korea/](http://www.whitehouse.gov/the_press_office/Joint-vision-for-the-alliance-of-the-United-States-of-America-and-the-Republic-of-Korea/)).

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