

Analysis of Current Stage and Future Perspectives of Kazakhstan-South Korea Cooperation

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Introduction

The Diplomatic relations between Kazakhstan and South Korea have been lasting for 30 years from the date of its establishing on January 28, 1992. The Embassy of the Republic of Korea in the Republic of Kazakhstan was opened in 1993. The Embassy of the Republic of Kazakhstan in the Republic of Korea was opened in 1996. The results achieved in the socio-economic, political, cultural and educational spheres testify to the development of bilateral relations over the years.

The two countries established friendly ties based on the Declaration of basic principles of relations and cooperation between Korea and Kazakhstan, signed on May 16, 2005. In particular, on the occasion of the meeting of the heads of the two states in 2009, bilateral relations were upgraded to the level of strategic partnership.

Cultural and Humanitarian Cooperation

There are exceptionally strong cultural and humanitarian ties between Kazakhstan and South Korea. The Korean diaspora¹ (known as Koryo-Saram) in Kazakhstan is of great importance, which plays the role of a kind of bridge between peoples. There are departments of Kazakh studies in a number of South Korean universities, as well as South Korean schools are developed in Kazakhstan and the population of the Republic of Kazakhstan is actively involved in the study of the Korean language. For instance, there has been a department of Kazakh studies at the University of Gangnam (Yongin) since 2006, the Kazakh language is taught at the Hankuk Foreign Languages University at the department Central Asian Studies. 2010 year was declared as the Year of Kazakhstan in the Republic of Korea and 2011 year was declared as the Year of the Republic of Korea in the Republic of Kazakhstan.

From November 27, 2018, to February 28, 2019, the National Museum of the Republic of Korea hosted two exhibitions from the collection of the National Museum of the Republic of Kazakhstan: "The Great Steppe Legacy: Masterpieces of Jewelry Art" and "Kazakhstan as the Cradle of the Golden Man".

¹ Koreans in Kazakhstan - one of the ethnic diasporas in Kazakhstan number 108 thousand. This puts them in 9th place. The first 220 Koreans arrived in Kazakhstan on Soviet orders in 1929 as part of a voluntary program to expand rice production. Although the first Korean settlers came to the Republic at the end of the 19th century, most modern Koreans in Kazakhstan are descendants of the Korean Far East community deported by Stalin. Thus, in 1937, Koreans became the first ethnic diaspora to be deported en-masse to Kazakhstan (along with Kurds evicted from the Transcaucasia).

In addition, both countries even celebrate each other's national holidays. On April 22-28, 2019, Nauryz festival week was celebrated in Seoul.

On August 17, 2021, a monument to A. Kunanbayev was solemnly opened in Seoul within the framework of the state visit of K. Tokayev, the President of the Republic of Kazakhstan, to the Republic of Korea [GOV.KZ, 2022].

The parties agreed to strengthen interpersonal exchanges by proclaiming 2022 as the Year of Korean-Kazakh Cultural Exchange.

Multilateral Cooperation

Kazakhstan participates in the Forum "Central Asia – the Republic of Korea". Forum Secretariat was established in 2016. The Forum 14th meeting was held in Dushanbe on October 30, 2021, at the foreign ministerial level.

In addition, the countries are actively cooperating within the framework of such international organizations as the UN, WTO, IAEA, CICA, etc. [GOV.KZ, 2022]

The horizons of interaction between the two countries have significantly been expanded thanks to the new Fresh Wind Industrial and Innovative Cooperation Program for 2019-2022, which was signed in April 2019 during the state visit of Moon Jae In, the President of the Republic of Korea, into Kazakhstan [Akorda, 2019].

The program is aimed at implementing 58 projects in 10 areas, such as transport and logistics, construction, industry, infrastructure development, mining and metallurgical industry, subsoil use, trade and economic cooperation, energy, innovation and Information and Communication Technologies (ICT), agriculture, finance, healthcare [The Korea Post, 2019].

Trade and Economic Cooperation

In economic terms, Kazakhstan is the one of the main trading partners of South Korea in Central Asia; about 51% of Korean exports go to Kazakhstan, while 48% Korean exports go to Uzbekistan [The Oxus Society, 2021].

According to the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan, the trade turnover between Kazakhstan and the Republic of Korea amounted to 2.64 billion dollars (-55%) at the end of 2021, where the export of Kazakhstan to Korea was 1.87 billion dollars (+87%), Korean imports to the Republic of Kazakhstan were 766 million dollars (-84.4%).

The main Kazakhstan exports are crude oil, ferrous metals, unalloyed steel, and iron. The main Kazakhstan imports are boilers, machinery, equipment, vehicles, instruments and apparatus.

Kazakhstan and Korean Trade, Economic, Scientific and Technical Cooperation Intergovernmental Commission is important mechanism for bilateral trade and economic cooperation. The Business Council also operates.

The territorial location is the main problem in trade and economic cooperation. There are more than one thousand kilometers between the two countries and no direct land route. All cargoes are forced to go through the seaports of China, Iran, Russia and other countries, which affects the final cost of imported goods.

The general declaration has been postponed more than once, the main reason was the lack of readiness of information systems and low Internet connectivity in rural areas. There are also serious political reasons for not launching the declaration during the current period. The low level of confidence in the authorities and the unstable income situation with the income of the population can become factors of social upheaval.

FDI in Kazakhstan

The Republic of Korea is one of the leading foreign investors in the economy of the Republic of Kazakhstan. More than 550 legal entities, branches and representative offices with South Korean participation, such as Samsung, Hyundai, Lotte, Posco, KNOC and others, operate in the Republic of Kazakhstan. 24 large projects worth more than 2.5 billion dollars have already been implemented with their participation [Evening Astana, 2022].

The amount of gross inflow of foreign direct investment (FDI) in the Republic of Kazakhstan from investors in South Korea amounted to 805.5 million dollars for 12 months of 2021, which is almost two times more than a year earlier. In 2020, the volume of investments reached 464.9 million dollars, with an annual decrease of 0.4% (see Figure 1 and Figure 2). Since 2005, when the amount of investment was 58 million dollars, the annual gross inflow of foreign investment from South Korea has grown 13.8 times. This growth was due to the implementation of the Fresh Wind Program.

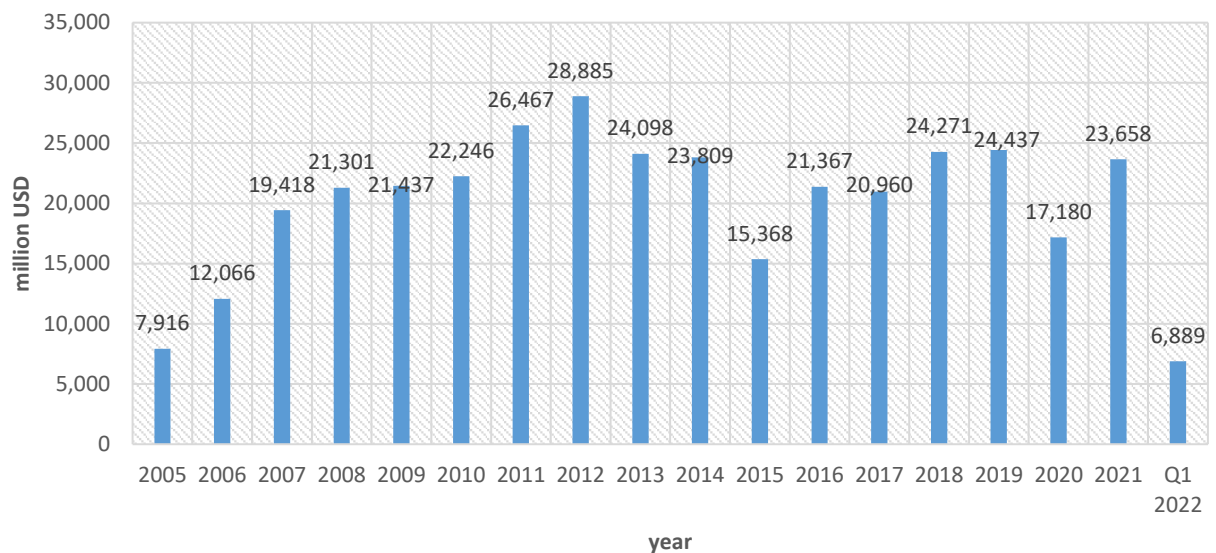


Figure 1. Gross inflow of foreign direct investment into the Republic of Kazakhstan from foreign direct investors (million USD) 2005-2022 years. Source: Website of the National Bank of Kazakhstan <https://nationalbank.kz/ru>

Note: Gross direct investment inflows to Kazakhstan from foreign direct investors include:

- '- increase in equity instruments: acquisition by non-residents from residents of at least 10% of voting shares or stakes in Kazakhstan enterprises, acquisition by non-residents of real estate in Kazakhstan from residents;
- '- reinvested income: share of foreign direct investors in retained earnings (loss) of Kazakh enterprises;
- '- increase in debt instruments: receipt of funds (both in cash and in other forms - in the form of goods, works, services, intangible assets, purchase of securities, etc.) from foreign direct investors, excluding repayment.

Direct investments became the main tool of South Korean investors in 2018, their volume amounted to 1.3 billion dollars (-6.3% year-on-year). Thus, 78.8% of Kazakhstan's obligations to South Korean investors fall on this type of financing. Portfolio investments accounted for only 0.1%, or 1.5 million dollars (-12.4% year-on-year). Other investments accounted for 21.2% or 360.9 million dollars (+93.1% year-on-year) [Finprom, 2019].

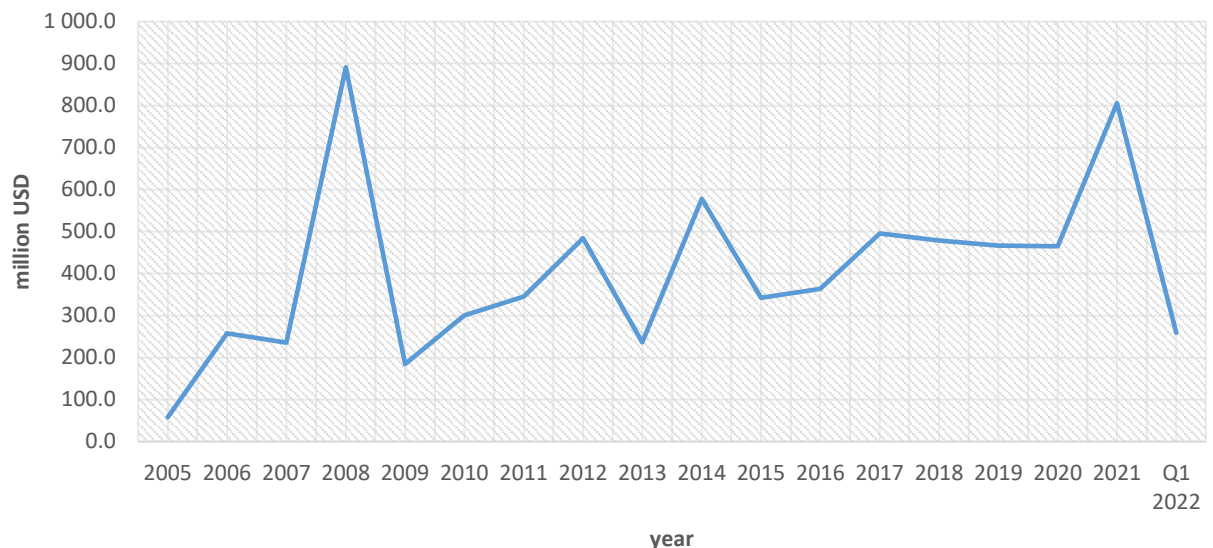


Figure 2. Gross inflow of foreign direct investment into the Republic of Kazakhstan from foreign direct investors in South Korea (million USD) 2005-2022 years. Source: Website of the National Bank of Kazakhstan <https://nationalbank.kz/ru>

There are 3 sectors attractive to South Korean investors at the industry level. In 2018, the share of Kazakhstan's obligations to them in the professional, scientific and technical activities amounted to 43.3% of the total (739.2 million dollars). Construction with a specific weight of 14.2% (241.4 million dollars) ranks No. 2. Education, healthcare, social services, arts, entertainment and recreation with 30.1 million dollars (share is 1.8%) ranks No. 3. The system of bilateral Kazakh-Korean interaction includes a package of 40 industrial and innovative projects worth 7.1 billion dollars:

- 19 projects worth 1.9 billion dollars have been implemented;
- 6 projects worth 2.1 billion dollars are being implemented;
- 15 promising projects totaling 3.2 billion dollars are envisaged by the Fresh Wind Program.

Conclusion

The Korean diaspora in Kazakhstan played a key role in strengthening the cultural and humanitarian ties between the two countries. Currently, the Korean government is conducting various public diplomacy programs to strengthen the cultural relationship of South Korea with not only Korean diaspora but also with other ethnicities living in Kazakhstan. Korean Wave “Hanlyu” gained significant popularity in Kazakhstan among younger generation. We should note that cultural cooperation contributes to economic cooperation, too.

Economic cooperation between Kazakhstan and Korea can only complement each other in the future. This is due to the fact that, despite the rapid development of Kazakhstan, based on natural resources, it is necessary to introduce advanced technologies for industry diversification for the long-term development of the economy as well as investments in industrial and infrastructure sectors are now very important. Undoubtedly, Korea that imports 97% of energy resources, is one of the strategic optimal partners with knowledge in electronics, mechanical engineering, IT, etc., and will be able to meet the needs of Kazakhstan in technology. At the same time, Kazakhstan is in a favorable geographical position in the center between Russia and other CIS republics, as well as between Asia and Europe, fulfilling the connecting bridge between the West and the East. Entering the Kazakh market is a great opportunity to bring economic influence to the wider world stage for Korea. Therefore, on

the one hand, Korean investments in Kazakhstan will continue to increase, and they will only increase the synergy effect from economic cooperation through the transfer of experience and technology necessary for diversifying the industrial structure and close cooperation in various spheres between the two states.

In the regional multilateral cooperation, Korea and Kazakhstan actively cooperate in the framework of Korea-Central Asia Cooperation Forum, which is held annually in a ministerial level to accelerate economic and cultural cooperation.

Kazakhstan, based on its experience of voluntary renunciation of nuclear weapons, can continue to contribute as a strong supporter of South Korea's denuclearization and peace-building efforts on the Korean Peninsula. Kazakhstan is a leader in the anti-nuclear movement and a responsible member of the international community, and its expertise in this area is a valuable asset.

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