



The Strategic Implications of Transformation in the Middle East for Korea

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For much of the past month, the world has sat transfixed as the Arab World has begun to transform before our eyes. Having started in Tunisia, the call for political reforms and elections has rapidly spread through much of the Middle East and North Africa. Similar to the democratic awakening that occurred at the end of the Cold War in Europe, the outcomes in the Middle East following the Jasmine Revolution in Tunisia may turn out to be just as volatile and unpredictable, as new governments, militaries and citizens try to restore stability and build a new political future.

In 1989, Korea's reaction to the fall of the Communist world was timely and appropriate: Nordpolitik created new trade and investment opportunities for Korea and raised the country's international standing.

Today, Korea again faces another uncertain geopolitical future, but the stakes and risks may be even higher with the country's economy so deeply tied to the energy resources of the Middle East. That said, with Korea's own history of democratic development and economic success, there may be opportunities for Korea to take a leadership role. Whether Seoul seizes it, we will need to watch closely.

The Risks

Seoul is undoubtedly concerned about the economic impact of the political instability in the Middle East.

As protests and violence spread, Korea will likely face a drop off in exports to these troubled countries. Although smaller than Korea's export markets in the United States, Europe, or Asia, Korea's footprint in the Middle East has grown more prominent in recent years. In the last decade, Korea's exports have surged by more than 300 percent to many of the countries in the region and by an astounding 828 percent to Libya in the last decade.

The bigger concern for Seoul is energy supplies. Nearly 80 percent of Korea's oil imports and 48 percent of its liquefied natural gas imports come from the region, especially from countries that are

susceptible to unrest. The instability has driven up global energy prices. The recent violence in Libya shutdown half the country's oil supply but also drove up global prices nearly 14 percent, to their highest point since 2008, during the week of February 21. For Korea, the impact of higher energy prices would be felt on multiple fronts. For example, it would likely undermine the weak recoveries in Korea's largest export markets (e.g., United States and Europe), while domestically it would generate inflationary pressures similar to 2008 when energy prices hit record highs.

Another major concern is whether regional unrest will spread to one of Korea's major energy providers and disrupt supplies. For example, although Korea's biggest oil provider, Saudi Arabia, appears relatively quiet, future stability should not be assumed. Protests have occurred in most of the countries surrounding Saudi Arabia. In addition, Saudi Arabia's primary oil producing region is a potential hotbed for sectarian tensions between the Sunni government and Shia minority groups predominant in that area.

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Time to Rethink the Middle East

The current Middle East/North Africa troubles also pose new imperatives and opportunities for South Korea. Korea's economic prosperity, fueled by export oriented growth, could find Seoul increasingly facing the need for a new Middle East policy to assure access to the energy resources its economy needs to continue growing. First and foremost, this will mean pushing ahead more aggressively with policies to diversify away from Middle Eastern oil in the long-term. In the short-term, it may require Korea to be more discriminating in the regimes it deals with. In a region with Sunni/Shia religious divides and insecure governance, a more active assessment of the political risks of countries and reconsideration of investment opportunities may be required.

However, ironically, a new Middle East policy may mean that Korea needs to become more involved in the region as it works to diversify away from Middle Eastern oil. As the nations of Eastern Europe moved through transition, many reforming governments possessed an important advantage in their move toward a free market democracy – the goal of joining the European Union. This provided them with guidance and strict deadlines for political and economic reforms that might not have been achieved otherwise. For the Arab World, there is no obvious role model.

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With Seoul's G-20 effort to become the "bridge" between the developed and developing world, this may be an opportunity for Korea to be an example not only for economic development but also for political reform and progress. Korea is already gaining experience in institution building and governance (such as the establishment of the Afghanistan Civil Service Institute) that has possible application to a Middle Eastern context.

Furthermore, Arab governments may find working with Korea less challenging given the historic and cultural stigma that comes with working on governance and institution-building with the U.S. and other Western countries.

Finally, Korea can build upon an extant foundation of growing foreign assistance to the region. Currently, countries in the Middle East are the recipients of: 14.10% of the Korea International Cooperation Agency (KOICA)'s education program budget; 33.2% of KOICA's health project budget; 31.5% of the governance budget; 26% of the information and communication technology (ICT) budget; and 40.4% of the industry and energy project budget. In addition, Egypt accounts for 48.8% of the KOICA assistance received in Africa. It is likely that these various forms of assistance to these regions will continue to grow.

In short, the instability in the Middle East and North Africa will no doubt create problems for Korea's economy if it continues, but the new push by governments in the region toward electoral democracy may be an occasion for Korea to further its standing as a role model for the developing world.