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South Korea and Central Europe: Geopolitics, Security, and Economy

Edited by
Tomasz Stępniewski

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Executive summary: Global challenges as opportunities for partnership between Korea and Central Europe

- The strategic partnership between the Republic of Korea (ROK) and Central Europe (CE) has been strengthened by global challenges such as climate change and Russia's invasion of Ukraine.
- South Korea sees Central European countries as part of the European Union. EU policy plays a significant role in shaping the direction of cooperation with Central Europe. EU membership also increases the region's attractiveness, which Koreans perceive as a production base in the EU and a gateway to the European single market.
- Central Europe is identified with the Visegrad Group (V4). Although the V4+ROK format has the potential to expand cooperation, it is limited by the lack of a common strategy and competition between

individual countries for Korean investments. South Korea's collaboration with Central Europe is primarily bilateral.

- North Korea-related issues have gone from a factor limiting cooperation to becoming a platform for potential cooperation between Central Europe and South Korea based on shared values.
- Regional rivalry with Japan and China and the conflict between the US and China can be seen as opportunities to strengthen South Korea's relations with Central Europe.
- It should be assumed that cooperation between South Korea and Central European countries will increase, both in economic and strategic terms; and for countries such as Poland, South Korea will become one of the most important non-European partners.

South Korea and Central Europe – a natural and strategic partnership

- Korea's economic success was achieved thanks to the skilful use of available production factors, high investment expenditures, and industrialisation as well as support for the production and export of technologically advanced goods. The involvement of the public sector in creating favourable investment conditions and protecting the domestic industry against foreign competition has turned out to be crucial for the development strategy.
- Korea's growing interest in the region of Central Europe fits both its industrial policy and its export policy. These countries are absorptive markets for Korean

products. Stable macroeconomic conditions and the quality of the institutional environment speak in favour of investing in this region, which has so far been a battlefield involving a clash of American and Chinese-Russian interests.

- The relatively lower level of affluence (compared to Western European countries) resulting from the rapid demographic aging process may, in the long run, cause Koreans to lose interest in this area of Europe as the sales market will be less absorbent for their products.

South Korea and Central Europe – challenges and opportunities for security and military cooperation

- The conflict in Ukraine has had an impact on both South Korean security and the relations between South Korea and Central Europe. While not directly impacted, South Korea now worries about the challenge to rules and norms in international politics as well as a greater possibility of armed conflict over contested borders.
- China remains the most important factor for South Korea when it comes to both strengthening its international position and the ongoing war. The Chinese position of continued support for the government in Moscow has been a source of insecurity for the whole region of North and Southeast Asia
- The Republic of Korea has been able to build a large, modern and internationally competitive defence industry, largely thanks to a deliberate long-term policy with consistent implementation.

- The South Korean defence industry has been able to secure record orders in Poland, mainly thanks to the former's ability to quickly deliver weapon systems suitable for large-scale conventional warfare (compatible with US/NATO standards) in significant numbers. These factors remain the key competitive advantages of ROK defence companies in the global arms market.

South Korea grounds its position in the Central and East European defence market

- The South Korean defence industry has undergone significant growth and overseas economic expansion which has also covered Central and Eastern Europe.
- The war in Ukraine, along with the increased militarisation of NATO's eastern frontiers, and the post-pandemic trend to regionalise production have become the main driving forces behind South Korean involvement in the region.
- Poland's large-scale military purchases have acted as a regional anchor point for South Korean industry, potentially leading to the acquisition of technology and further military assistance for war-torn Ukraine.
- There are foreign direct investments and cooperation in other sectors that follow the South Korean defence industry's engagement in the region.



Tomasz Stępniewski

South Korea and Central Europe, geopolitics, security, and economy: Introduction

In a world marked by ceaseless change and evolving global dynamics, strategic partnerships emerge as the cornerstones of international diplomacy. The relationship between the Republic of Korea (also South Korea and Korea) and Central Europe, as explored in this policy paper, exemplifies one such partnership that has grown in strength and relevance over time. Authored by Joanna Beczkowska, this paper delves into the profound transformation of the alliance, illustrating how global challenges have inadvertently catalysed deeper collaboration between South Korea (also Korea) and Central European nations.

Climate change and Russia's invasion of Ukraine, among other global challenges, have unwittingly become pivotal drivers for the strengthening of ties between these two regions. South Korea, recognizing the Central European countries as integral components of the European Union, has strategically aligned itself with the European Union's

policies, effectively influencing the direction of its cooperation with Central Europe. The allure of EU membership further elevates the region's attractiveness, as Koreans perceive it not only as a production base within the EU but also as a gateway to the coveted European single market.

Nonetheless, it is essential to acknowledge that Central Europe is often associated with the Visegrad Group, comprising the Czech Republic, Hungary, Poland, and Slovakia. While the V4+ROK framework holds significant potential for expanded collaboration, its growth is hampered by the absence of a unified strategy and the competition among individual countries for Korean investments. Consequently, South Korea's engagement with Central Europe predominantly retains a bilateral character.

What is perhaps most remarkable is the transformation of North Korea-related issues, which once acted as a constraining factor, into a platform for prospective cooperation. This transformation is underpinned by shared values and interests, thus fuelling new avenues for dialogue and partnership.

Intriguingly, regional rivalry with Japan and China as well as the ongoing frictions between the United States and China have emerged as fresh prospects to fortify South Korea's relations with Central Europe, making it a truly multidimensional and adaptive partnership.

In the intricate tapestry of international relations, the partnership between South Korea and Central Europe, explored in this policy paper authored by Mateusz Guzikowski, emerges as a natural and strategic convergence of interests. The story of South Korea's economic triumph, characterised by astute utilisation of production factors, substantial

investments, and technological innovation, underscores the nation's remarkable growth. This tale is further enriched by the essential role of public sector involvement in fostering favourable investment conditions and safeguarding domestic industries against foreign competition. South Korea's burgeoning interest in Central Europe not only aligns with its industrial and export policies but also positions these nations as highly receptive markets for Korean goods. Moreover, stable macroeconomic conditions and a robust institutional environment serve as compelling incentives for Korean investments in a region historically embroiled in the competitive spheres of American and Chinese-Russian interests. However, as demographics shift and affluence levels lag behind Western European counterparts, the paper prompts contemplation on how the future dynamics of this partnership will evolve.

Within the intricate landscape of international security and military cooperation, the dynamic interplay between South Korea and Central Europe, as presented in this policy paper by Barbara Kratiuk and Rafał Wiśniewski, encapsulates both the challenges and opportunities that have arisen in the wake of the Ukrainian conflict. While South Korea may not be directly impacted, the repercussions of the conflict reverberate through the prism of international politics, raising concerns about the integrity of global norms and the escalating prospects of armed conflicts along contested borders. China, a paramount factor in South Korea's quest to bolster its international position, looms large, with its continued support for the Moscow government casting a shadow of insecurity across North and Southeast Asia. Against this backdrop, the Republic of Korea's resolute

long-term policy and the resultant establishment of a modern, internationally competitive defence industry are pivotal in this partnership. Particularly noteworthy is South Korea's adeptness in securing substantial defence orders in Poland, rooted in its ability to swiftly provide weapon systems compatible with US/NATO standards for large-scale conventional warfighting – an advantage that distinguishes ROK defence companies in the global arms market. In this intricate blend of security and military dynamics, the policy paper seeks to untangle the multifaceted threads of challenges and opportunities that define the partnership between South Korea and Central Europe in the contemporary global security landscape.

The convergence of South Korea and Central Europe within the realm of defence and military industries emerges as a compelling case study, articulated in this policy paper by Jakub Bornio. The resounding growth and overseas economic expansion of the South Korean defence industry, which now extends its influence over Central and Eastern Europe, underscore the transformation of this sector. Within this context, the Ukrainian conflict, along with the escalating militarisation of NATO's eastern frontiers, and the post-pandemic trend toward regionalising production, have emerged as the key catalysts driving South Korean involvement in the region. Poland, in particular, stands as a regional anchor point, propelling large-scale military acquisitions that could potentially pave the way for technology transfer and further military assistance to the embattled Ukraine. The ramifications extend beyond defence, as foreign direct investments and collaboration in other sectors trail the South Korean defence industry's engagement in the region. In this

intricate tapestry of international defence and economic cooperation, this policy paper embarks on a comprehensive journey to dissect the multifaceted implications and opportunities that define South Korea's growing presence in the Central and East European defence market.

This edition of IEŚ Policy Papers is the latest addition to a series focusing on Asia-Central Europe affairs. In 2022, we published two Policy Papers: *China towards Eastern Europe: Between Plague and War* edited by Michał Słowikowski and Tomasz Stępniewski, "IEŚ Policy Papers", no. 5/2022, and *The Many Faces of Chinese Engagement in Serbia* by Bartosz Kowalski et al., "IEŚ Policy Papers", no. 6/2022. In 2023 we also published *Japan and Central Europe: Geopolitics, Security, and Economy* edited by Tomasz Stępniewski and Adrianna Śniadowska, "IEŚ Policy Papers", no. 8/2023.

We extend our gratitude to the authors for their contributions, which have offered invaluable analysis and insights pertaining to the dynamics of the Korea-Central Europe relationship within the context of the Russia-Ukraine conflict. These analytical contributions offer substantial recommendations and findings of great relevance to policymakers, academics, and stakeholders seeking a nuanced comprehension of, and avenues for optimizing, this consequential relationship within the framework of the contemporary global landscape.

Tomasz Stępniewski
Lublin, October 2023



Joanna Beczkowska

Global challenges as opportunities for partnership between Korea and Central Europe

Introduction

Despite the geographical distance, the Republic of Korea (ROK) and the countries of Central Europe (CE) have been developing bilateral relations since the end of the Cold War. Over the last decade, South Korea has become a strategic partner of the region: through cooperation in sectors such as defence industry and nuclear power as well as through foreign direct investment. An analysis of external factors, which, together with internal factors, shape foreign policy, allows us to capture the dynamics of the development of relations between South Korea and Central Europe. Global challenges, such as climate change, the COVID-19 pandemic and Russia's invasion of Ukraine have paradoxically become an opportunity to strengthen the strategic partnership. An analysis of the factors that have brought ROK and CE closer

in recent years allows us to identify areas of further cooperation in the face of global challenges.

North Korea and the Cold War

In the past, cooperation between South Korea and Central Europe was limited by the Cold War confrontation. The inability to conduct a fully sovereign foreign policy was reflected in bilateral relations. A crucial dividing factor was North Korea (DPRK), which opposed attempts to establish diplomatic relations in the field of culture, sport and education between ROK and CE, as well as ideological differences. However, with the end of the Cold War, the ideological approach was replaced by pragmatism, putting the economy first, which has influenced the formation of relations between ROK and Central Europe – South Korea has become primarily an economic partner for all countries in the region over the last 30 years.

The year 1989 in Central Europe was a breakthrough, not only due to the fall of the Berlin Wall and the beginning of political transformation but also the establishment of official diplomatic relations between Hungary and South Korea¹. According to Budapest, this event holds historic significance as it marked a violation of the Cold War order: Hungary, at that time was theoretically an ally of the DPRK. The desire to normalise diplomatic relations with North

¹ For more information about the establishment of relations between Hungary and ROK, see: J. Y. Kim, H. Y. Yoo, *Hanguggwa heong-galiui oegyogwangye sulibgwa bughan-ui daeeung: pyeong-yangjujae heong-gali daesagwan-ui bimil-oegyomunseo daehan bunseog-eul jungsim-eulo* (Establishment of diplomatic relations between South Korea and Hungary, and North Korea's response: An analysis of secret diplomatic documents from Hungary's embassy in Pyongyang), "Journal of North Korea Studies" 2018, vol. 4, no. 1, pp. 141-171.

Korea's traditional allies was reflected in President Roh Tae-woo's new policy, called Nordpolitik. As a result, South Korea established diplomatic and economic relations with Central and Eastern Europe. A significant event leading to the development of Nordpolitik was South Korea's being selected to host the Summer Olympic Games. In 1984, DPRK leader Kim Il Sung personally visited European allies to persuade them to boycott the Games, which ultimately failed. According to Hungarian diplomatic archives, Budapest was already critical of North Korea and the general idea of solidarity in the socialist bloc at that time. In the context of the DPRK, Hungary was critical of the cult of personality (similarly, in Poland the North Korean cult of personality became an obstacle to cultural cooperation)² and refused to prepare a ceremonial welcome for Kim Il Sung at the railway station on the border with Czechoslovakia.

South Korea considered Hungary the most "flexible" among the Soviet satellite states, and therefore the possibility of normalising diplomatic relations with Central and Eastern Europe was sought, starting with Budapest. This was influenced by the abovementioned factors: both Hungary's critical stance towards solidarity with the DPRK and interest in Hungarian popular culture present in South Korea³. In the mid-1980s, informal diplomatic exchanges began. The

² For more information about the establishment of relations between Poland and ROK, see: M. Hańderek, *Between Pyongyang and Seoul – a rocky road to establishing diplomatic relations between Poland and the Republic of Korea*, "Remembrance and Justice" 2020, no. 2(36), pp. 483-508.

³ Moo-sung Lee, *Hanguggwa heong-gali gwangye: gwageo, hyeonjae, milae (Korea-Hungary relations: past, present, future)*, EMERICs, 2019, https://www.emerics.org:446/issueDetail.es?brdctNo=270107&mid=a10200000000&search_option=&search_keyword=&search_year=&search_month=&search_tagkeyword=&systemcode=07&search_region=&search_area=¤tPage=27&pageCnt=10 [30.07.2023].

Hungarian side was also interested in establishing cooperation, primarily economic: Hungary was looking for new export markets and wanted to attract foreign investments. In 1987, a South Korean Trade Representative (KOTRA) office was opened in Budapest, with a corresponding office opening in Seoul the following year. Efforts have also been initiated to build a positive image of Hungary among Koreans. In 1988, when Nordpolitik was officially announced, a South Korean delegation arrived in Budapest to begin secret talks on further steps towards developing bilateral relations. The Hungarian side had to be careful in the negotiations due to pressure from other socialist countries, particularly the DPRK. North Korean Foreign Minister Kim Young-na asked Budapest to avoid establishing diplomatic relations with Seoul. However, in the same year, a Hungarian economic delegation travelled to Seoul, where the two sides agreed to establish consular relations before the start of the Olympic Games. Nevertheless, the official agreement between the two sides was published only after the return of the Hungarian delegation from Pyongyang, where celebrations of the 40th anniversary of the establishment of the DPRK took place.

Despite North Korea's outrage, Hungary participated in the Olympic Games, and an agreement was signed at the beginning of the following year, establishing full diplomatic relations. From that moment, diplomacy between Seoul and Budapest began to develop, and other Central European countries followed suit – ROK became the leading partner, downgrading relations with DPRK.

It is worth noting that North Korea has now become a connecting factor between ROK and CE: North Korean

nuclear armaments are considered a threat, and countries such as Poland, Hungary, Slovakia and the Czech Republic have expressed support for the Six-Party Talks and other initiatives aimed at the denuclearisation of the DPRK. The issue of international support for inter-Korean dialogue was high on the foreign policy agenda and was raised during high-level meetings with representatives of Central European countries, especially during the administration of President Moon Jae-in. Regardless of whether states can have a tangible impact on persuading the DPRK to abandon its armaments, for South Korea, support for such initiatives has an important symbolic dimension – solidarity on a significant regional issue. In addition, North Korean armaments are perceived as a global problem, related not only to the expression of support for Seoul's policy towards Pyongyang (which South Korea sees as support for itself) but also to the agenda of international organisations such as the UN Security Council. The visit of Polish President Andrzej Duda in 2018 to the demilitarised zone, when Poland was a non-permanent member of the Security Council, should be read through such a prism. The countries of Central Europe are involved in the conflict on the Korean Peninsula mainly through international organisations, especially the United Nations. Through sanctions by the Security Council, they can pressure the regime in Pyongyang. And so the DPRK has changed from a factor limiting cooperation to a platform for cooperation, albeit limited due to the actual impact on solving the problem. Among the Central European countries, Poland may play the most significant role in maintaining peace on the Korean Peninsula due to its practical experience (participation in the Neutral Nations

Supervisory Commission) and its maintenance of diplomatic relations with Pyongyang despite tightening relations with ROK and joining the EU and NATO.

European Union, NATO, and V4+Korea

Analyses of various Korean recommendations of political and economic institutions (such as KIEP and KOTRA) indicate that membership in the European Union plays a crucial role in South Korea's engagement with Central European countries. South Korea sees this region as attractive, for example, for foreign direct investment, due to being part of the EU single market. For ROK, Central Europe has become a gateway to the EU market. In addition to this perspective, Central Europe is also perceived as a region that requires transformation (e.g. in the energy sector) in accordance with EU policy – which is to be addressed through collaboration with South Korea as a trusted partner that meets EU requirements. Interestingly, the Visegrad Group is also perceived through the prism of EU membership. As a result, over the last decade, the V4 has evolved into a production base for Korean companies in the EU, and such investments are expected to grow.

NATO can be seen as a similar case – although South Korea and Central European countries are not part of this alliance together, it is a platform for bringing them closer. By cooperating with Poland in the security sector, South Korea reads this as supporting NATO activities (and thus the activities of its most important ally, the USA). The presence of Central European countries in the EU or NATO is an influential factor because of the shared values represented by these organisations and South Korea, such as obeying

international law (which is important in relation to the DPRK problem), the fight against climate change, and the promotion of democratic values.

Cooperation in the V4+ROK format is important for Seoul, which categorises it in terms of multilateralism. Cooperation in broader formats than bilateral is part of South Korea's ambitions to pursue a "middle power" foreign policy. The first V4+South Korea summit in 2015 was supposed to be a new beginning of multilateral cooperation, complementing the partnerships being built with individual countries of the group. For this reason, Seoul expects members of the Visegrad Group to develop and implement a common agenda that will translate into tangible results of multilateral cooperation. It should be noted that, contrary to the declarations of South Korea and the V4 countries on multilateral cooperation in the face of global challenges, it is more about economics than politics, as evidenced by the insignificant number of high-level meetings. Both sides care primarily about bilateral trade, scientific and know-how exchange in the face of challenges such as climate change, migration policy, geopolitics and the COVID-19 pandemic. In political matters, the most important thing for South Korea is support for the denuclearisation of the DPRK and the official end to the Korean War.

Although the political cooperation of South Korea and the Visegrad Group is not developed, their economic cooperation is a significant success. However, it was not the format itself that contributed to the extraordinary achievements in the field of trade and investment, but completely different factors: the policies of the European Union, competition with Japan and China in Europe, and Korean ambitions to

be a global leader in high-tech industries. Electromobility and green technologies are areas of cooperation developing the most dynamically in recent years between South Korea, Poland, Hungary, the Czech Republic and Slovakia. Thus, South Korea sees Central Europe (which it identifies as the Visegrad Group) as a gateway to the markets of the European Union. In response to the EU climate policy, it sees the investment potential in green and R&D sectors, supported by EU funds. Another issue is competition with other Asian countries – due to investments in recent years, South Korea has managed to become the largest Asian investor in Poland, the Czech Republic and Hungary.

Being an attractive partner for cooperation is also essential for CE, especially within the context of being part of the EU. The CE countries are interested in exchanging experiences, academic cooperation and attracting South Korean investments to bridge the differences between them and more developed countries in the region. In order to attract South Korea, CE countries use both the initiatives of the European Union and the Visegrad Group as well as their own national programmes. Cooperation in these areas with South Korea should be expected to increase both at the level of the European Union and also individual countries and even regions.

It is worth noting that cooperation between ROK and Central European countries is primarily bilateral, based on economic cooperation. However, the multilateral aspect is an essential point of reference, especially with regard to the European Union. Although, to a large extent, the discussed factors are conducive to cooperation, they carry certain limitations. In the case of the V4+ROK format, the biggest

limitation is the lack of a common policy towards South Korea and reliance primarily on economic cooperation. It is worth noting that the V4+ROK summits are also accompanied by bilateral meetings – and Poland, Hungary, the Czech Republic and Slovakia compete for Korean investments, which makes it challenging to develop a common strategy.

On the other hand, belonging to the European Union may create limitations in bilateral cooperation when the EU policy creates barriers for partners from outside the community. Such an example is the European Strategy on Critical Raw Materials, which has raised concerns in South Korea. The European Union is looking for a legal solution that will allow it to secure and diversify the supply chains of critical raw materials, primarily reducing dependence on China. Seoul, however, fears that EU regulations will hit Korean businesses similarly to the US Inflation Reduction Act. Both initiatives are designed to support local producers by imposing additional tariffs on products such as semiconductors imported from abroad. In the case of the European Union, the project is in the consultation phase and the South Korean side does not want to miss the opportunity to present its concerns. American and European protectionism is perceived in South Korea very negatively – especially in relation to the growing pressure to cut off from China, its largest economic partner. Interestingly, in the context of the protectionist policy of the European Union, the negative perception of Western Europe is strengthening, while Central and Eastern Europe appear to be an even more desirable partner – as the region the most willing to invite Korean investors instead of competing with Korea.

Rivalry with China and Japan

Interest in the Central and Eastern Europe (CEE) region should also be seen in the context of competition between China and Japan to become the most important Asian partner for countries in this area. In this context, the 16+1 format was stimulating, contributing to renewed interest in CEE. It is worth noting that South Korea learned from Chinese mistakes by focusing on bilateral cooperation (or within the V4+ROK format) rather than trying to create a format comparable to 16+1.

One of the competition sectors for South Korea, China and Japan in CEE is the automotive market. In recent years, South Korean companies have been particularly interested in expanding the production of batteries for electric cars in Central and Eastern Europe, which is part of the government's actions and which creates the image of South Korea as a leader in innovation, also in the field of environmental protection and the automotive industry. It should be noted that cooperation in the automotive market is not just a unilateral South Korean initiative. The Visegrad Group countries, for whom this market is an essential branch of industry, are looking for opportunities to modernise production in line with the most important global trends: sustainable development and carbon neutrality. It is very important for Asian investors to find a niche that they can dominate, especially in the race with China and Japan. In the case of South Korea, the choice fell on the electromobility sector, which currently attracts the largest Korean investments in the region of CEE. The investment strategy of the Koreans is to create production chains, where Korean companies remain suppliers of parts for larger companies. This strategy

can be seen in CEE, where the presence of SK Innovation and Samsung SDI has attracted more Korean subcontractors, producing various battery components for electric cars.

With rising conflict between the USA and China in high-tech industries (mainly semiconductors), cooperation between South Korea and Europe can increase as an alternative to the Korean production base located in China.

Pandemic COVID-19

The pandemic coincided with a critical period of transformation of economic cooperation. When South Korea became the most important investor in innovative sectors in Poland, Hungary, and the Czech Republic, it promoted its nuclear energy technology. Restrictions related to the pandemic (closing borders) could have limited this cooperation – they were therefore a test of how vital ROK as a partner is for CEE countries. South Korea, whose economy is based mainly on exports, called for maintaining business contacts. Seoul also observed pandemic policies introduced by European governments and included them in recommendations for investment.

Looking at the case of Hungary, it can be seen that the COVID-19 pandemic did not slow down the growth rate of Korean investments, thus strengthening the bilateral partnership. According to KOTRA data, in 2015, the number of Korean investments in Hungary amounted to USD 8 million – in 2019, a record USD 740 million was recorded, and in 2020, the number of Korean investments was more than from Germany, Japan or China. This is partly due to the policy of the Hungarian government, which favours foreign investment, as well as the response to Korean appeals:

leaving the borders open to Korean businessmen. On the other hand, these investments were related to the rapidly developing electromobility sector, a trend that was not changed by the pandemic.

The experience of the global COVID-19 pandemic also influenced the awareness of the threats of interrupting global supply chains – which also became a motivating factor for strengthening economic relations between South Korea and CEE. The restructuring of supply chains has strengthened the importance of the regional European market and the presence of Korean companies.

Russian aggression towards Ukraine

The security and energy crises caused by the Russian aggression against Ukraine paradoxically contributed to sealing the strategic partnership between Poland and South Korea. Previously, South Korea had unsuccessfully taken steps to develop strategic cooperation in the nuclear energy and defence sectors. In 2020, in response to the Polish “Wolf” program, the Korean company Hyundai Rotem presented a K2 tank model adapted to Polish needs – the K2PL tank. The offer of the Koreans included partial financing, technology transfer to Poland, and opening a production plant. Even then, there was a need to modernise the Polish armament, and South Korea wanted to meet it. The Koreans competed with American and German tanks, realising that these countries had an advantage because of their recognition in the arms industry and their closer relations with Poland. In addition, the preparation of K2PL tanks would take several years. Ultimately, American tanks were purchased, reducing the chances of success for Polish-Korean

cooperation. However, the situation changed with the Russian invasion. NATO became involved in helping Ukraine, and there was a need to replenish the armament as soon as possible. This was an opportunity for South Korea, which, although it provided humanitarian support to Ukraine, refused to hand over weapons. Korean weapons suddenly became very attractive – in addition to the existing advantages, such as excellent performance, there was the ability to deliver at least part of the order quickly. In addition, Korean tanks, even without major modifications, are suitable for Polish terrain, and the K9 howitzers are well known – their chassis were used in producing Polish “Krab” self-propelled howitzers. The light FA-50 aircraft were created with the technical support of the American concern Lockheed Martin, which produced, for example, the F-16 aircraft. Availability, compatibility and similarity to American equipment allowed the Koreans to enter the European market, thanks to contracts with Poland. Although South Korea has become one of the world’s largest exporters of arms in recent years, entering European markets would have taken years if not for the factor of Russian aggression in Ukraine. On the other hand, contracts with Poland have a snowball effect, and more and more Central and Eastern European countries are expressing interest in purchasing Korean weapons. What’s more, cooperation in one strategic area is conducive to its development in others – as evidenced by the Polish interest in building a commercial nuclear power plant with a Korean partner, despite the fact that the United States had previously been selected to implement the state project.

Energy

The factors mentioned above overlap, which is visible in the case of the energy sector. External factors include climate change (and the EU climate policy) and the Russian invasion of Ukraine, which led to an energy crisis. Furthermore, the internal factors of the CEE countries have produced a need for a modern energy transformation and derussification of the energy sector⁴. In the case of South Korea, an essential domestic factor was, first, President Moon Jae-in's policy of moving away from nuclear energy in the country – which increased the need to export this type of energy – and now the policy of Yoon Suk-yeol, who considers nuclear energy as an important sector of cooperation and creating a Korean brand. Moreover, South Korea is ambitious to become a global leader in green technologies and entering the European market would be proof of that position.

The war in Ukraine has intensified the energy crisis, forcing the acceleration of the energy transformation process in countries where this sector is based on coal and gas. The choice of a partner for implementing projects related to nuclear power plants also has a political dimension – for this reason, countries such as the Czech Republic have excluded Russian or Chinese companies from tenders. This has increased the chances of South Korea, being perceived not only as a cheaper alternative to American or French proposals but also as a trusted partner due to agreements with Poland regarding the purchase of weapons. However, Korean hopes

⁴ For more about this topic, see: J. Beczkowska, *FocusOSA #258: Korea Południowa w EŚW (FocusOSA #258: South Korea in CEE)*, <https://www.osa.uni.lodz.pl/focus-osa/szczegoly/focusosa-258-korea-poludniowa-w-esw> [30.07.2023].

related to entering European markets with a nuclear power plant were overshadowed by a dispute with the American Westinghouse over the export rights of APR 1400 reactors. However, in the Polish case, business disputes seem to have less dissuasive power as South Korea emerges as a security partner. Hence Warsaw's decision to cooperate simultaneously with Washington and Seoul (instead of building just one nuclear plant) has helped to deepen cooperation with two key partners.

Conclusions

Although official diplomatic relations between South Korea and Central European countries have been developing relatively recently, they are dynamic despite the geographical distance. The end of the ideological war brought economic pragmatism, in which trade was supposed to strengthen international peace and bring distant regions closer together. Although there were earlier declarations about raising the importance of cooperation between individual countries and Korea to a strategic partnership (in 2010 between the EU and ROK), only global challenges, such as climate change and the war in Ukraine have opened up opportunities for strategic cooperation beyond economic cooperation. Furthermore, this opens up opportunities for further development, especially since Central European and Korean interests are compatible. South Korea wants to become a global leader in green and new technologies, a global exporter of weapons and nuclear energy – to revitalise its own economy. Central Europe wants to catch up with the West, undergo energy and military transformation, and strengthen its innovative sector. CE countries want to strengthen

their capabilities within the EU and NATO, and South Korea wants to cooperate more closely with these organisations to gain their support for the DPRK issue. Global challenges and internal motivations bring these two regions closer together, and the dynamics of the development of relations have not been weakened, even by the COVID-19 pandemic. There is potential for further strengthening of cooperation, for example in the V4+ROK format, by developing joint mechanisms and strategies. It should be assumed that the partnership will continue to strengthen with the extension of cooperation to strategic sectors and the building of a Korean production base in the CE region.



Mateusz Guzikowski

South Korea and Central Europe: A natural and strategic partnership

Introduction

South Korea (hereinafter: Korea), starting from the 1950s, underwent a deep metamorphosis, which is referred to in the literature as the Korean economic miracle¹, a man-made miracle or a rags-to-riches history². The structural transformation of the Korean economy consisted in transforming it from a typically agrarian economy, struggling with the lack of natural resources and a low level of human capital, into an economy based on the creation of knowledge, heavily industrialised, and with a society characterised by a high level of human capital. Over three decades, Korea has undoubtedly become not only an Asian, but also a global

¹ D. Acemoglu, J. Robinson, *Why Nations Fail?*, Crown Business, New York 2012.

² K. S. Kim, *The Korean Miracle (1962–1908) Revisited: Myths and Realities in Strategy and Development*, “Kellogg Institute Working Paper Series”, WP No. 166 – November 1991.

economic power, and the economic model adopted there is an inspiring reference point for countries attempting to enter the path of rapid growth. For comparison, it took almost a hundred years for modern industrialised countries to make such comparable progress.

Sources of Korea's economic success

The theory of economics indicates several key factors responsible for a high rate of economic growth. These include: capital and labour inputs, human capital, technical progress and institutional factors. Korea owes its economic success to a well-thought-out and long-term strategy, as well as to a skilful use of available production factors. In addition to the above, when discussing Korea's economic success, one may also refer to the concept of the so-called Big Push³. Korea's development strategy could not have been initiated if – in the initial phase of dynamic development – there had not been sufficiently strong support from the public sector, which initially supplemented the shortage of domestic factors of production (e.g. by means of imports, taking out foreign loans, educational and infrastructural investments) and coordinated the economic activity of the private sector, preventing the occurrence of a coordination failure⁴.

Labour and human capital

Korea is a country experiencing the negative effects of demographic changes that affect the wealthy societies of highly

³ P. Rosenstein-Rodan, *Problems of Industrialization of Eastern and South-Eastern Europe*, "Economic Journal" 1943, vol. 53, no. 210/211, pp. 202–211.

⁴ M. Kightley, *Polityka i reformy Park Chung Hee jako źródło gospodarczego skoku Korei Południowej*, Oficyna Wydawnicza SGH, Warszawa 2013.

developed countries. Low fertility rate, demographic aging and the increase in the demographic and economic dependency ratios are challenges that, if overcome, make it possible to maintain high growth dynamics in the long run. One of the countermeasures is to prevent a permanent reduction in labour supply. This can be achieved by increasing the influx of immigrants or raising the retirement age. The second tool is to increase labour productivity by gradually transforming the labour force from low-skilled to high-skilled, eventually dominating the employment structure. The key role here is played by human capital, thanks to which new technologies are created faster and breakthrough technologies that increase productivity to a large extent appear more often.

Korea, until the beginning of the 1980s, was characterised by low labour costs and high labour productivity. On average, a representative Korean worked about 50–53 hours per week, which exceeded the average values for Western Europe or the USA by several to a dozen or so hours per week. However, what made it possible to increase labour productivity was the relocation of the labour force from the agricultural to the industrial sector, and thus increasing the role of this sector in creating high added value in the structure of GDP.

Technology

Korea is one of the most technologically advanced countries in the world. In practice, this means that the Korean R&D sector is one of the innovation leaders around the world. It is comprehensive in nature – it includes innovations in the field of biomedical, transportation and armaments. However, innovative activity could not be carried out if the enterprises

that undertake it did not use government support in the field of legal and financial solutions. Korea's development is driven by the engines of growth, which are large industrial enterprises (chaebols). Originally small enterprises dealing with production for the domestic market, under the second five-year plan of General Park Chung Hee (1967–1971) became potentates on the international market. Initiating the development of these enterprises, mainly from the industrial, chemical and advanced technology industries, took place in the second half of the 1960s. The import of American technology and its adaptation to the conditions of the Korean economy, as well as its creative modification, enabled a relatively rapid development of the industrial sector. Around the chaebols, companies were established, which provided them with a production and organisational base. An informal technological-industrial-production network organised in this way works on the principle of synergy. Therefore, it is not surprising that smaller enterprises follow the investments made by chaebols abroad by opening up branches.

Savings

Regardless of the scale, innovative activity would not take place if there were no savings, which are the basic source of their financing. The greater the volume of savings, the lower the interest rate, and thus, a larger number of enterprises can apply for financing, and only those that intend to implement the most promising projects will receive it. Investments can be financed only by savings – their source, whether domestic or foreign including funds from the capital market or from the issue of bonds, is irrelevant. A stable inflow of savings to the financial system, i.e. a stable level of investment

demand, makes it possible to reduce the investment risk for domestic entrepreneurs, and this – especially in industries using or creating modern technologies – is high.

In the case of the still poor Korean society of the 1950s, the key initial sources of the increase in the level of savings turned out to be war reparations paid by Japan and access to preferential crediting by Japanese banks and access to American crediting and defence technologies which was a result of participation in the Vietnam War. In the initial period of development, the Korean economy was focused on foreign direct investment. Over time, however, this strategy has been modified to place more emphasis on the creation of joint ventures with foreign financing and technology.

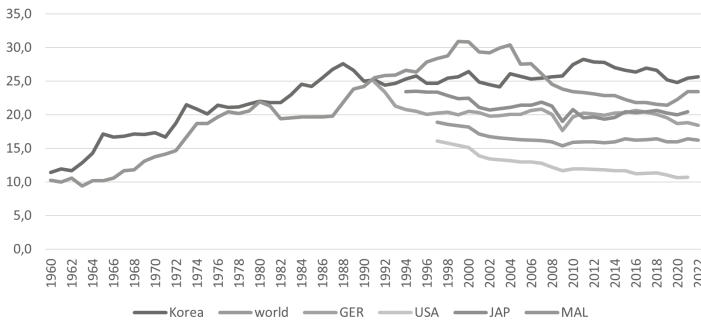
Industry

One of the cornerstones of a strong and independent economy is the industrial sector. In the case of Korea, the industrial sector has been developing for decades based on chaebols, which were specific Korean development engines. Thanks to them, it was possible to implement technological solutions and to launch a mass production of high-quality goods (from the domestic and foreign buyers' point of view).

Korea is an interesting country for resisting the process of deindustrialisation (Fig. 1). While society is getting richer, there is also a change in the structure of GDP (agriculture is giving way to industry, which over time is replaced by services). This phenomenon is visible in economically developed countries; however, the Korean economy has not experienced this process. In the years 1988–2003, the share of industry in creating added value slightly decreased, but it managed to increase after 2004 and still fluctuates in the

range of 25–30% of GDP⁵. It seems that the success of the Korean economic model is also due to maintaining the potential of the industry, where labour productivity is much higher than in services. In addition, working in the industrial sector (as well as in the R&D sector) requires a high level of qualifications, while working in services is associated with lower qualification requirements. The development of the industrial sector and the change in the demand for qualifications, which took place in the Korean labour market over several decades, only confirm what is known in economic theory – technologies on a large scale can be developed only in those societies where there is a high level of human capital. This means that the probability of inventing and implementing innovations is higher there⁶.

**Fig. 1. Different patterns of industrialisation (1960–2022)
– Manufacturing, value added (% of GDP)**



Source: World Bank.

⁵ Deindustrialisation is experienced by another country with a high economic growth rate – Malaysia.

⁶ P. Romer, *Endogenous Technological Change*, "Journal of Political Economy" 1990, no. 98(5), pp. S71–S102; P. Aghion, P. Howitt, *A Model of Growth Through Creative Destruction*, "Econometrica" 1992, vol. 60, no. 2, pp. 323–351; R. E. Lucas Jr, *Wykłady z teorii wzrostu gospodarczego*, C.H. Beck, Warszawa 2010.

Production and its pro-export orientation

Stimulating economic development with high investment expenditures results in an increase in production volume. However, in order to be profitable, investment activity must guarantee coverage of fixed costs. The absorptivity of the sales market is not without significance for lowering the prices of manufactured products⁷. In the event of saturation of domestic demand, both the policy of selling surpluses abroad and the pro-export orientation of production adopted by some chaebols come into play⁸. This strategy is supported by the temporary limitation of imports of certain goods (e.g. Japanese cars, valid until 1999), known from the theory of economics, as well as by supporting infant industries⁹.

Control of the exchange rate can help to increase the volume of exports by making them cheaper for foreign buyers in conditions of limited domestic demand. The strategy of trade liberalisation (mainly in the field of imports) and the introduction of export targets and quotas (by commodity and destination) also turned out to be a success in Korea in the late 1980s. The compulsion of export quotas was conducive to the implementation of innovations. K. S. Kim states that between 1956 and 1960, i.e. before Gen. Park Chung

⁷ K. M. Murphy, A. Shleifer, R. W. Vishny, *Industrialization and the Big Push*, "Journal of Political Economy" 1989, vol. 97, pp. 1003–1026; K. Matsuyama, *The market size, Entrepreneurship, and the Big Push*, Stanford University Press, Redwood City 1992.

⁸ Mass production of goods allows them to be exported abroad. The key question, however, is what kind of goods they are – low-quality or high-quality. The Koreans, unlike the Chinese, based their development on investments in the production of high-quality goods. Korean products are not as cheap as Chinese ones but they are superior in quality, for which foreign customers are willing to pay a higher price.

⁹ J. Lee, *The maturation and growth of infant industries: The case of Korea*, "World Development" 1997, vol. 25, issue 8, pp. 1271–1281.

Hee came to power, Korea pursued a policy of import substitution, while between 1962 and 1980, a policy of export promotion¹⁰. Kim describes this strategy in trade policy as the Korean version of neo-mercantilism¹¹.

Political stability and institutional factors

The final factor of the Korean economic success is political stability. Korea, after World War II and the experiences of the war on the Korean Peninsula, found itself in the sphere of influence of the United States. Thanks to this, Korea was able to develop relatively quickly in peaceful conditions, which was also supported by foreign aid and the involvement of foreign investors. This served to develop the conviction among businesses that high investment expenditures are justified, which – resulting in an increase in production and an absorptive sales market – would make it possible to cover high fixed costs. Based on the Korean experience, it can be concluded that political stability was the initial condition for the implementation of an ambitious economic program because it was conducive to reducing the risk among businesses and reduced the likelihood of a coordination failure. In the following years, the government focused on stimulating an increase in the level of human capital inputs and creating an institutional system that was conducive to private initiative. In the late 1980s and 1990s, the government gradually withdrew from involvement in the economy, including a reduction of financial support for large enterprises, and it took measures to protect the private sector against

¹⁰ K. S. Kim, *op. cit.*

¹¹ Kim (1991) calls the period 1962–1980 export-driven industrialisation.

the monopolisation of markets by chaebols and excessive use of public support by them, limiting the competitiveness of the private sector.

Political stability – despite the authoritarian rule of Gen. Park Chung Hee (1961–1979) and his successor, Gen. Chun Doo-hwan (1980–1988) – was the hallmark of Korea, and the consistently implemented development policy (four five-year plans – 1962–1981) was conducive to rapid growth. Mason et al. indicate that consistency in the implementation of reforms and the credibility of the government in its actions were crucial for foreign investors and domestic industry¹². Each government has shown far-sightedness, and the change of power was not related to a paradigmatic change in economic policy. Moreover, as pointed out by Acemoglu and Robinson, inclusive institutions have developed in Korea, limiting the role of elites in favour of the participation and representation of broad social strata¹³. This is facilitated by a more egalitarian distribution of income.

Korea's growing interest in Central European countries (especially Poland)

Korea's emergence as a development leader has led to its steady rise in significance as a trade partner. The main subject of interest of foreign partners has become technologically advanced goods – precision and utility mechanics, armaments production, and the automotive industry. An

¹² E. S. Mason et al., *The Economic and Social Modernization of the Republic of Korea*, series: Harvard East Asian Monographs, vol. 92, Harvard University Press, Cambridge 1980.

¹³ D. Acemoglu, J. Robinson, *Why Nations Fail?*, Crown Business, New York 2012.

increase in the export of high-precision goods began around the beginning of the 1990s.

The increase in interest of Koreans in the area of Central Europe can be noticed after 2004, i.e. after the accession of these countries to the EU¹⁴. The growth of Korean interest in this region was stimulated by the establishment in 2014 of the joint V4+South Korea format. This group was focused on the development of economic cooperation. Cooperation at the cultural, academic and transport level was developed to a much lesser extent (one might say marginal). The intensification and strengthening of contacts did not lead to more frequent multilateral meetings. Meetings of heads of government took place in 2015 and 2021, while meetings of foreign ministers occurred only in 2019. In October 2020, on Korea's initiative, the Korea-V4+ Economic Forum was established.

The pandemic did not fundamentally change the attitude of Koreans when it came to investing in the countries of the region. For years, they have been involved in the production of their flagship goods – Hyundai, Kia, LG, Samsung. Most Korean companies are located in Lower Silesia, which allows Koreans to reduce costs between factories located in Poland, the Czech Republic and Slovakia. The fact that the Koreans did not withdraw from this region of Europe during the pandemic shows how much value they attach to long-term cooperation, how much recognition these countries enjoy in their eyes, and how credible they are themselves. It seems that from the Korean perspective, the increased interest in Central European countries is also due to the fact

¹⁴ In 2004, Poland signed a strategic partnership agreement with Korea (updated in 2013).

that these countries have created favourable institutional solutions, unlike Western European countries¹⁵.

From Korea's point of view, cooperation with the V4 countries is an element of the international architecture in which Korea appears as a medium-sized power,¹⁶ counterbalancing the involvement of China (primarily) and Japan (to a lesser extent) in this area of Europe. For Korea, the V4 group is the main export market in the EU, and this is probably – in light of previous considerations – the essence of the growing interest of Koreans in Central European countries. Among the V4 countries, the main market for Korean goods is Poland, which, after Germany, is Korea's most important trading partner in the EU.

Central Europe is an important, though definitely not the most important, market for manufactured goods for China and the USA. The rivalry between these countries creates a natural place for the expansion of Korean production, which – in terms of quality – is rarely inferior to American (and often unrivalled) and definitely exceeds Chinese. From the Korean perspective, investments in Central European countries are an element of diversifying the portfolio of recipients of Korean production, and at the same time an opportunity to decrease dependence on China (in terms of the sales market or raw material supplies)¹⁷. In turn, from

¹⁵ K.-S. Hwang, *Institutional Reform and Locational Advantages of New EU Member Central and Eastern European Countries for Foreign Direct Investment*, "International Review of Public Administration" 2008, vol. 13, issue 1, pp. 97–116.

¹⁶ V. Józeffiak, O. Pietrewicz, *Rozwój współpracy V4 i Korei Płd.*, "Biuletyn Polskiego Instytutu Spraw Międzynarodowych" 2021, no. 182(2380).

¹⁷ J.-K. Jun, J. H. Hyun, *Anticipation or risk aversion? The effects of the EU enlargement on Korean trade and FDI activities in Central and Eastern Europe*, "Journal of East European Management Studies" 2014, vol. 19, no. 4, pp. 486–503.

the perspective of the countries of this region, Korean investments are a signal for the influx of more foreign investors, the intended result of which is to accelerate the growth rate, increase wages and stop the outflow of qualified workforce. Economic partnership between Korea and Central Europe therefore seems natural (mutually beneficial). Due to the specificity of imported goods and the increasing investment commitment, this partnership can be perceived as a “long run”, i.e. strategic cooperation (especially if we take into account the current armed conflict between Russia and Ukraine, the speed of deliveries and the high quality of Korean military products).

Undoubtedly, Poland is a key partner for Korea in terms of arms purchases. Cooperation in the arms field increased rapidly after the Russian invasion of Ukraine. The contracts signed so far include the delivery of 180 K2 tanks, 48 K9 howitzers and the same number of FA-50 combat and training aircraft. From 2024, 600 howitzers are to be produced in Poland, and from 2026, a tank production line is to be launched in Poland. These actions indicate a change in the orientation of Korean investments in Poland, which would not have been possible if the Russian-Ukrainian war had not broken out in 2022. Undoubtedly, the need to quickly deliver high-quality tactical and combat equipment was dictated by the dynamic geopolitical situation. The European arms market has so far been dominated by France, Germany and the USA. The contract signed between Korea and Poland is conducive to the implementation of the goal of the Korean armaments policy, which is to be among the four countries that are the largest arms exporters (next to the USA, Russia and France).

Korea, however, is involved in more projects in Poland. It bears noting that Korean companies are investing in electromobility (e.g. by launching a battery for electric cars produced in the factory at Dąbrowa Górnicza). Korea is also to engage in the construction of four 1,400 MW nuclear reactors and in the chemical industry. Important initiatives also include the launch of a polypropylene factory in Police in June 2023. In the field of transport cooperation, the appointment of Incheon International Airport Corporation, the company managing Korea's largest airport as a strategic advisor to the CPK, and the implementation by Hyundai Rotem of a large contract for the supply of trams for Warsaw are noteworthy.

Advantages and obstacles to further Central European partnerships

From the Korean perspective, Central European countries are an attractive investment area. There are several arguments for this. Firstly, these countries are located close to Western Europe, which facilitates logistics. Poland and Hungary also have the best-developed transport network. Access to natural resources is also important for Koreans, which is why they recognised Lower Silesia as the most attractive area in Poland in terms of location. Access to copper and nickel, the location at the tripoint of the countries, as well as the proximity to Korean factories located in the Czech Republic and Slovakia, make this region an attractive place for Korean investments in Poland. Following the example of the largest companies, smaller ones are also opening offices. This strategy has been used for decades by Korean companies expanding into foreign markets. Koreans know that where

chaebols appear, the market and the political and economic situation is stable and favourable. The opening of a branch by a chaebol automatically triggers the influx of new (mainly Korean) companies.

Another characteristic of the Korean development strategy is the absorptivity of the sales market. Here, again, Poland and Hungary are considered the most promising economies. To a lesser extent, Koreans are interested in other CEE countries. This is because their economies are not attractive enough for them due to the instability of the demand structure, low number of buyers, low income and low level of foreign investment.

The third factor is lower wages in the industrial and service sectors in Central European countries compared to Western European countries. Although wages are higher than in Ukraine or in the Balkan countries, the political risk, unstable economic situation, low quality of labour force and relatively worse transport infrastructure seem to be the answer to the question as to why Koreans are not interested in Eastern or Southern Europe.

The fourth factor is both historical and geopolitical. From the perspective of the Koreans, Central Europe is an area where there is a clash of American and Chinese influences. Each of these powers is making efforts to subjugate the area by means of investments or other forms of support. The Chinese are playing an aggressive game against underdeveloped or medium developed countries. Hence their presence in Africa and less developed European countries. The US and Korea become a natural counterweight to these neo-imperial aspirations because they defend the same values that were the basis of their economic success. Therefore,

it is not surprising that Poland decided to strengthen its security using a proven US ally (i.e. Korea) for this purpose.

Koreans and Poles do not share a common problematic past. At the same time, Korea uses the doctrinal advantage it has over other Western European countries, which are closer to Poland. The Polish government, in the face of the imminent threat of an armed conflict, does not want to carry out arms purchases in European countries that were even reluctant to provide assistance in the field of supplies to Ukraine, which was defending itself (i.e. the ambiguous attitude of Western European countries towards Russia, the aggressor country, was and still is of key importance). In addition, these countries are characterised by clearly long waiting times for order fulfilment. On the other hand, the Russian aggression against Ukraine has shown that heavy armoured weapons are still important in the event of a potential conflict. The advantage of the Korean defence industry is that it works quickly and offers favourable offset deals. This allows for the transfer of technology to the Polish economy, as a result of which the developmentally backward heavy defence industry may gain a new development impulse. In addition, thanks to such solutions, the cost advantage of Central European countries increases, which may become a starting point for the further expansion of Korea into new markets in Western Europe. Korean investments should be perceived as a factor conducive to wage growth and thus inhibiting the outflow of qualified labour force to other Western European countries.

Korea's cooperation with the countries of Central Europe, however, creates challenges that may prove crucial in the coming years and decades. The first of them,

short- and medium-term, is increased inflation, which may have a negative impact on the demand for goods manufactured by Korean companies (regardless of their location). This phenomenon was caused by the pandemic and the war in Ukraine, but it is temporary. The second potential challenge is the protractedness of the Ukrainian-Russian war, which increases uncertainty and political risk for investors. The threat of an armed conflict spreading beyond the borders of Ukraine may to some extent limit the investment activity of Korean companies in Central European countries. It seems that also this factor is temporary. The third challenge, which has a long-term impact, it is the aging and shrinking of the population. This is important because the size and change in the age structure of the population determines the absorptivity of the sales market and the structure of purchased goods. Although the total fertility rate (TFR) is higher in Central European countries than in Korea and Western European countries, it has been on a downward trend for a long time. It can be assumed that this process will not be reversed. For the countries of Central Europe, there is a risk that these societies will age demographically before they reach the standard of living of the societies of Western Europe. The relatively lower level of affluence (compared to Western European countries) resulting from the rapid demographic aging process may, in the long run, cause Koreans to lose interest in this area of Europe as the sales market will be less absorbent for Korean products.

Conclusions

For decades, Korea's development strategy has been based on the assumption that an absorptive market is a key factor – in addition to investment expenditures and technical progress – for maintaining high growth dynamics. The limited absorptive capacity of the domestic sales market makes it possible to introduce a pro-export strategy relatively quickly, thanks to which the increase in production finds demand abroad. A skilful monetary and trade policy as well as the creation of appropriate institutions have been (and are still) conducive to extending the period of high growth dynamics. In this way – creating lasting foundations of the capitalist economy in a few decades – Korea has become one of the wealthiest countries in the world. No other country of similar size has achieved such rapid success. This is all the more astonishing when considering that it took the industrialised economies of Western Europe and the USA nearly a hundred years to make similar progress.

Relations between Korea and Central European countries are mainly economic; to a lesser extent, these relationships are identifiable on a cultural or educational level. Unsurprisingly, trade with the CEE countries is asymmetric – exports to Central European countries dominate over imports, which is beneficial for the Korean economy from the point of view of maintaining a high economic growth rate. From the perspective of the countries of the region, stimulating economic growth by importing Korean technologies is beneficial only in the short run. Strong dependence on imports of Korean technology and the use of cheap labour force by Koreans in Central European countries cannot be treated as a proper development strategy for the CEE countries.

At this point, a justified fear arises that as a result of adopting this defensive strategy of sustaining growth, these countries will age demographically too fast before their societies have time to enrich themselves.



Barbara Kratiuk, Rafał Wiśniewski

South Korea and Central Europe: Challenges and opportunities for security and military cooperation

Introduction

South Korea's cooperation with Central and Eastern Europe (CEE) has a long-standing tradition. It also has multiple aspects, many of which revolve around security and the desire for medium-sized states to increase their international visibility and capabilities.

As regards the cooperation between CEE and South Korea, the most important issues will be: the impact of the war in Ukraine; the growing importance of China as a world player; and military cooperation and arms sales.

All of these are interconnected: the war in Ukraine, while not directly impacting the security of South Korea, challenges the status quo and the existing international norms, which favours neither CEE nor ROK. China, as a revisionist state, would like to reshape those same norms in its favour. These

are the main reasons why CEE and South Korea have been increasing cooperation in the security and military spheres.

The impact of war in Ukraine on security

The war in Ukraine has been instrumental in strengthening the Republic of Korea's relations with Central and Eastern European countries, including Poland. This has been influenced not only by economic issues but also by the security concerns of these countries.

Korea has spent years building its position in the region: from strategic partnerships (including with Poland, Italy and Germany) to an FTA (Free Trade Agreement) with the European Union. However the ongoing war has changed the dynamics of not only Europe but also Asia. Hence the need to strengthen cooperation, including the security aspect and military cooperation.

While South Korea and Central Europe do not have many common traditional security concerns, the overall change in the international system and the challenge of Russia's invading Ukraine have made all partners aware of how precarious the situation is. South Korea has its own ongoing conflict to deal with and any possibility of invasion is taken very seriously. The war in Ukraine has set a dangerous precedent: that a territorial claim can be backed by a military invasion. Such a scenario has always been the worst possible case for South Korea, and so it has sought partners to strengthen its international position¹.

¹ A. Rinna, *Two Peripheries: The Ukraine War's Effect on North Korea-Russia Relations*, East-West Center, <https://www.eastwestcenter.org/publications/two-peripheries-ukraine-wars-effect-north-korea-russia-relations> [10.05.2023].

Likewise in Central Europe: states such as Poland and the Baltic republics have found themselves to be in a new reality, where a war can again be waged in Europe. Many of the Central European states maintain a regular dialogue at the deputy ministers of defence and foreign affairs level. Both bilateral and multilateral security dialogue is important for Central European states and for South Korea. A unifying factor in relations between Central Europe and Korea is the common challenges. These can be identified on two levels: first, the current developments in international relations, primarily the war in Ukraine, and second, challenges coming from bilateral ties.

The war in Ukraine and the invasion of that country has reminded both South Korea and Central Europe that they need to strengthen the rules-based international order and support existing structures focused on peace and stability. It also brought the security environment of both partners much closer than it was before. Even though Central Europe has been engaged in peace talks with North Korea, outside of nuclear proliferation, North Korea has never posed a direct threat to the existence of Central European states.

China as a security factor

Within the scope of bilateral relations, the states need to address their economic dependence on China, which is threatening to their own economic security. This can be done by increasing economic cooperation. An interesting component of such economic cooperation is military sales, as they are on the nexus of economic, security and military cooperation. They are also a strong signal of deepening ties between South Korea and its European partners.

The conflict in Ukraine has actually forced most European states to choose closer cooperation with the US as opposed to China. Both Central European states and South Korea face a very similar situation when it comes to economic security, namely that they have very strong economic ties to China, which in turn has supported the Russian side in the war. What is very important is that the war in Ukraine has actually impacted South Korea's security. The traditional dialogue between South and North Korea, which included the United States, China, Russia and Japan is now almost impossible, which means that any peace talks have basically stalled. Central Europe, which has condemned the invasion of Ukraine, also cannot really engage with Russia in any constructive manner regarding the Korean conflict.

The strategic uncertainty of Central Europe and South Korea due to economic overdependence on China remains an issue. South Korea has been engaging more with Europe, including Central Europe, due to the perceived alliance between Beijing and Moscow². In particular, this is the case because the governments of those two states declared that their friendship had no limits. President Yoon said in his article published in *Foreign Affairs* that South Korea is going to actively promote freedom, peace and prosperity through liberal democratic values and substantial cooperation. This statement and the war in Ukraine has shown that Seoul wants to find partners to ensure that the new strengthened relationship between Russia and China will not threaten

² Ji-Young Lee, *The Geopolitics of South Korea–China Relations: Implications for U.S. Policy in the Indo-Pacific*, RAND Corporation, Santa Monica, CA 2020, <https://www.rand.org/pubs/perspectives/PEA524-1.html> [18.05.2023].

liberal values and the existing system more than it already has. Central Europe has become a focal point of that search, with Poland being the contact state for South Korea's cooperation with NATO.

Military cooperation and its many reiterations

An important component of the security dialogue and security cooperation between Central Europe and South Korea remains nuclear non-proliferation and disarmament cooperation. Especially worrying remains North Korea's nuclear program as well as different kinds of proliferation activities in the Middle East. From the European perspective, nuclear activities of states such as North Korea can be a threat to the stability of the international system and economic exchange, which are some of the basic building blocks of the EU block and of Central European states. Since 2016, Central Europe, within the framework of the EU, has cooperated with South Korea on the implementation of PSI – the Proliferation Security Initiative³. This initiative is aiming to build a denuclearisation road map, hoping that eventually states such as Iran and North Korea will abandon their nuclear armaments and only use nuclear technology as a way to obtain energy.

Another important area of ROK-CEE relations (in which Poland plays a leading role) is military-industrial cooperation. The full-scale Russian invasion of Ukraine has greatly accelerated both the modernisation and expansion of Central European NATO members' armed forces. South Korean defence companies (actively supported by the ROK government)

³ Proliferation Security Initiative, <https://www.psi-online.info/> [18.05.2023].

have seized this opportunity to market their products and increase their share of the European arms market. Poland is the leading buyer of South Korean weapon systems, with deals signed in 2022 having a total value of approx. USD 10 billion net (and these are only the first phases of much larger framework agreements for future deliveries and co-production)⁴. Moreover, bilateral agreements envision not only the delivery of “off-the-shelf” products but also licence the production and co-development of future systems to the Polish defence industry. To understand why the South Korean defence industry has been able to seize this opportunity and become a key weapons supplier for Poland, it is important to briefly summarise the history of its emergence and evolution.

Changes in the military industrial complex in South Korea

In the 1970s, when South Korea was undergoing intense industrialisation as part of the so-called “Asian economic miracle”, the authoritarian government of President Park Chung-hee decided to adopt a program of domestic defence production involving the country’s dominant industrial conglomerates – the chaebol. This policy was meant to decrease reliance on US supplies for modernisation of ROK armed forces. Domestic production of arms and weapon systems

⁴ Data per official statements of Polish Armaments Agency: *Umowy wykonawcze na czolgi i haubice z Korei* (Executive Agreements for tanks and howitzers from Korea), <https://www.wojsko-polskie.pl/au/articles/aktualnosci/umowy-wykonawcze-na-czolgi-i-haubice-z-korei/> [24.06.2023]; *Samoloty FA-50 dla polskich Sił Powietrznych* (FA-50 aircraft for Polish Air Force), <https://www.wojsko-polskie.pl/au/articles/aktualnosci/samoloty-fa-50-dla-polskich-sil-powietrznych/> [24.06.2023]; *Pierwsze K239 Chunmoo w przyszłym roku w Polsce* (First K239 Chunmoo next year in Poland), <https://www.wojsko-polskie.pl/au/articles/aktualnosci/pierwsze-k239-chunmoo-w-przyszlym-roku-w-polsce/> [24.06.2023].

can be viewed as something akin to an “insurance policy” in the case of abandonment by the US ally⁵. “Indigenisation” of arms supply chains also provided a stimuli for South Korean manufacturers, which have been able to enter a new market (supported by steady government orders) as well as develop new technologies and know-how. At first, the products of South Korea’s defence industry were essentially based on US designs or co-developed with US partners. An example would be the K1 tank (the first South Korean Main Battle Tank), which shared many similarities with the American M1 Abrams. The leading Korean aerospace company – Korea Aerospace Industries (KAI) – started with the licenced production of F-16 fighter jets. Its current flagship product – T/FA-50 Golden Eagle – has been developed in cooperation with Lockheed Martin. Gradually, South Korean defence companies have mastered ever more complex projects and technologies and built a local supply chain of components and subsystems for their products. As a result, a growing proportion of ROK Armed Forces’ equipment needs is being met through domestic production. This is primarily true for land and naval systems, with the aerospace sector lagging a little⁶. The South Korean shipbuilding sector (renowned also for its civilian production) is now supplying practically all classes of ships operated by the ROK Navy (although still with some foreign technological and component input – e.g.

⁵ P.bB. Kwon, *Beyond Patron and Client: Historicizing the Dialectics of US-ROK Relations amid Park Chung Hee’s Independent Defense Industry Development in South Korea, 1968–1979*, “Seoul Journal of Korean Studies” 2017, vol. 30, no. 2, pp. 185–216.

⁶ Ch.K . Park, *Will Korea Aerospace Industries Be Privatized?*, The Diplomat, 17 March 2023, <https://thediplomat.com/2023/03/will-korea-aerospace-industries-be-privatized> [24.06.2023].

SSK submarines have been developed based on German technology transfer, while air defence destroyers use US Aegis Combat Management System and US anti-air missiles).

South Korea's global position and the global arms market

Due to this steady development, the South Korean defence sector has become an important player in the global arms market. According to the Stockholm International Peace Research Institute, in 2018–2022 ROK was the 9th biggest arms exporter, with a 2.4% share in global arms exports (a 74% increase compared to 2013–2017)⁷. Between 2018 and 2022 the biggest recipients of South Korean arms exports by value were the following: Philippines, India, Thailand, United Kingdom and Indonesia⁸. In 2022, three South Korean defence companies were included in *Defense News*' Top 100 global defence companies list: Hanhwa, Korea Aerospace Industries (KAI) and LIG1 Next⁹.

Such stunning success can be attributed to several factors. The growth of the country's defence industrial sector has been constantly stimulated and supported by long-term state policy. The government in Seoul has invested significant financial resources into indigenous R&D on new weapon systems. What might have been even more significant is that ROK constantly maintains large armed forces, with

⁷ P. D. Wezeman, J. Gadon, S. T. Wezeman, *Trends in International Arms Transfers, 2022*, SIPRI Fact Sheet, March 2023, <https://www.sipri.org/publications/2023/sipri-fact-sheets/trends-international-arms-transfers-2022> [24.06.2023].

⁸ SIPRI Arms Transfers Database, <https://www.sipri.org/databases/armstransfers> [24.06.2023].

⁹ *Top 100 for 2022*, Defense News, <https://people.defensenews.com/top-100/> [24.06.2023].

all their branches organised and equipped for large-scale conventional warfighting. These forces have also been consistently modernised to maintain a technological edge over North Korea as well as ensure at least technological parity with neighbouring Japan and the People's Republic of China. Large standing military forces and correspondingly large defence budgets ensure that South Korean defence companies can count on multi-year orders of very large quantities of their products. ROK Armed Forces need (and procure) hundreds of MBTs, Self-Propelled Howitzers (SPHs) and dozens of combat aircraft. Large production runs make it possible to achieve the effects of scale and lower unit costs. Furthermore, arms makers can safely invest in enhancing their manufacturing capacity and R&D, knowing that their government is committed to long-term military modernisation based on domestic production.

Successive ROK governments have also encouraged defence companies to pursue export deals (facilitating them with diplomatic support). Currently, South Korean weapons and military equipment enjoy a good reputation on the international market. They offer modern weapons, compatible with US/NATO standards and are often affordable even for not so wealthy customers. The example of the K9 SPH (one of the most widely exported ROK defence products) is instructive of the advantages provided by South Korea's particular strategic circumstances. One of the reasons for the K9's market success is limited Western competition in this product category. After the end of the Cold War, most NATO states significantly limited development of new generation weapons systems suited for large-scale state-on-state war (such as tanks or heavy SPHs), prioritising systems suitable for

counterinsurgency and asymmetrical conflicts. At the same time, South Korea, due to the persistent threat of large-scale war on the Peninsula, has continued its development of such platforms. This has made Korean companies especially well positioned to capitalise on renewed demand for such equipment in the face of war once again breaking out in Europe.

Conclusions

In some respects, the assessments of the international security situation of both ROK and CEE states are overlapping. Both sides are concerned about the weakening of the post-Cold War rules-based international order and the growing assertiveness (or even aggressiveness) of neighbouring great powers (Russia and China). Another similarity is a close alliance relationship with the USA. In consequence, there is a clear space for both bi- and multilateral security cooperation between ROK and CEE NATO member states. It can concern both a strengthening of the rules-based international order (which has proved beneficial for these countries) as well as exploring opportunities for preserving small and middle powers' agency in a world characterised to a growing degree by great power rivalries. Military-industrial cooperation remains one of the promising areas of ROK-CEE cooperation. As NATO members embark on an ambitious rearmament program, the South Korean defence industry is well positioned to secure a significant share of resulting orders. This is evidenced by a recent series of large-scale arms contracts signed with Poland. Korean companies' ability to deliver large numbers of modern (NATO/US compatible) weapon systems at relatively short notice remains a key competitive advantage.



Jakub Bornio

South Korea grounds its position in the Central and East European defence market¹

Introduction

Russia's large-scale war against Ukraine has become a game-changer for the architecture of international security – and not only from a regional perspective. Most recently, it provided a window of opportunity for South Korean security and energy companies to deepen engagement with the countries of Central and Eastern Europe (CEE).

Over the past few years, South Korea has witnessed rapid and spectacular growth in its arms exports. The country, which from 2017–2021 was the eighth-largest arms exporter, accounting for 2.8 per cent of the global share, increased

¹ The article was originally published in January 2023 by the Jamestown Foundation. Available on: <https://jamestown.org/program/south-korea-grounds-its-position-in-the-central-and-east-european-defense-market-part-one/>; <https://jamestown.org/program/south-korea-grounds-its-position-in-the-central-and-east-european-defense-market-part-two/>

the value of its exports by an enormous 177 per cent as compared to 2012-2016². What is more, as reported by the Korean Eximbank, this trend continued throughout 2022 and will most likely increase moving forward³. Yet still, for that period, only one-fourth of South Korea's arms exports reached Europe, with the United Kingdom alone accounting for more than half of those imports⁴. This, however, may very well change as the war in Ukraine has pushed North Atlantic Treaty Organization (NATO) members to significantly and rapidly develop their military potential.

Already in June 2022, this shift began to materialise when Polish Defence Minister Mariusz Błaszczak signed agreements for the purchase of 1,000 K2 main battle tanks, 672 K9 self-propelled howitzers, and 48 FA-50 light combat aircraft from South Korea. The total net value of the contracts signed by Korean companies Hyundai Rotem, Hanwha Defense, and Korea Aerospace Industries amounts to USD 8.77 billion. This bilateral cooperation intensified even further in October 2022, when Poland decided to purchase 218 K239 Chunmoo rocket artillery systems with logistics packages and ammunition supplies worth USD 3.55 billion. All four deals represent the largest arms contracts in the history of the Korean military industry⁵.

² P. D. Wezeman, A. Kuimova, S.T. Wezeman, *Trends in international arms transfers, 2021*, SIPRI Fact Sheet, March 2022, https://www.sipri.org/sites/default/files/2022-03/fs_2203_at_2021.pdf.

³ J. Kobara, *South Korea triples arms exports in 2 years on tailored sales pitches*, Nikkei Asia, 29 September 2022, <https://asia.nikkei.com/Business/Aerospace-Defense-Industries/South-Korea-triples-arms-exports-in-2-years-on-tailored-sales-pitches>.

⁴ SIPRI Trade Register.

⁵ PolskieRadio.pl, *Polish defence minister approves deal to buy tanks, howitzers from South Korea*, 27 August 2022, <https://www.polskieradio.pl/395/7784/arttykul/3026609,polish-defence-minister-approves-deal-to-buy-tanks-howitzers-from-south-korea>.

The scale of arms purchases from South Korea is also unprecedented from the Polish perspective. Their implementation – combined with other deals from American and domestic contractors – would make Poland one of the largest non-nuclear military powers in Europe. This is strategically critical given the ongoing Russian aggression against Ukraine and the necessity to deter Moscow on NATO's eastern flank. What is more, if Warsaw is to continue further arms deliveries to Kyiv, replacements for the donated armaments are essential. Unquestionably, Ukraine needs such assistance as it is unlikely that the war will end soon. Poland should have the ability to sustain this aid as the Technical Modernization Plan announced in 2019 assumes that the Polish military plans to replace the vast number of post-Soviet armaments still in its arsenal, including T-72 tanks and their Polish-developed PT-91 tanks⁶. Around 300 of these tanks are left after Poland donated more than 200 to Ukraine⁷. This shift is even more likely as it is counterproductive to keep four active types of tanks in the Polish arsenal. What could come next, in this context, is the replacement of the post-Soviet BMP-1 infantry fighting vehicle (IFV) with the Korean-manufactured AS-21 Redback. This IFV was already tested by the Polish Armed Forces in late 2022^{8,9}.

⁶ Polska Zbrojna, *Ponad 520 miliardów zł na uzbrojenie Wojska Polskiego*, 10 October 2019, <https://polska-zbrojna.pl/home/articleshow/29461>.

⁷ As of November 2023, the number of donated post-Soviet tanks has reached more than 350.

⁸ PAP.pl, *Testy koreańskiego wozu piechoty AS21 Redback*, 26 October 2022, <https://www.pap.pl/aktualnosci/news%2C1463644%2Ctesty-koreanskiego-wozu-piechoty-as21-redback-wideo.html>.

⁹ Finally, the Polish Ministry of Defence announced the purchase of the Borsuk infantry fighting vehicle. The vehicle is manufactured in Poland by Huta Stalowa Wola.

In Poland, the South Korean offer was seen as favourable for several reasons. To begin with, the Korean industry offers a rapid pace of manufacturing and deliveries. The first batch of 10 K2 tanks and 24 K9 self-propelled howitzers were already delivered to Poland in December 2022. Another “gap-filling” delivery of 180 K2 tanks will be deployed by 2025 and an additional 24 K9 howitzers by the end of 2023¹⁰. Warsaw expected the first batch of 12 FA-50s to be delivered by mid-2023¹¹, which materialised as expected¹².

In truth, the speed of delivery was one of the key arguments for the K239 Chunmoo deal as well. At first, Poland wanted to purchase 500 High Mobility Artillery Rocket Systems (HIMARS), but when it became obvious that such a giant supply would be impossible in such a tight timeframe, Warsaw decided to proceed with the deal for the Korean alternative¹³. The first batch of Chunmoo systems reached Poland in August 2023. Furthermore, such large-scale contracts include beneficial offset agreements. Delivery for the rest of the tanks is planned to start in 2026 and will include modernised and partly “Polonized” equipment in its K2PL version. The K2PL will be largely manufactured in newly established industrial plants in Poland. This will trigger the transfer of know-how and technologies from South Korea,

¹⁰ T. Dmitruk, *Koreańskie zamówienia – Agencja Uzbrojenia ujawnia szczegóły*, *Dziennik Zbrojny*, 26 July 2022, <https://dziennikzbrojny.pl/aktualnosci/news,1,11672,aktualnosci-z-polski,koreanskie-zamowienia-agencja-uzbrojenia-ujawnia-szczegoly>.

¹¹ S. Sang-ho, *KAI signs USD 3 bln deal with Poland to export 48 FA-50s*, *Yonhap News Agency*, 28 July 2022, <https://en.yna.co.kr/view/AEN20220728003151325?section=national/defense>.

¹² M. Szopa, *Pierwsze FA-50 już w Polsce*, *Defence24.pl*, 10 July 2023, <https://defence24.pl/polityka-obronna/pierwsze-fa-50-juz-w-polsce>.

¹³ In September 2023, Minister Błaszczak eventually approved a framework deal to buy 486 HIMARS launchers.

which would improve the production and service capacities of the technically backward and long-neglected heavy military industry in Poland¹⁴. That, in turn, would create logistical facilities that are not only essential for maintenance but could also provide an opportunity to become South Korea's production hub for further arms deliveries to Europe, Africa, and the Middle East. One should bear in mind, however, that the future format of cooperation is still being negotiated. Polish Armaments Group, Military Industrial Automotive (Wojskowe Zakłady Motoryzacyjne), and their South Korean counterpart, Hyundai Rotem, established a consortium only in late March 2023¹⁵.

A great example of joint Polish-Korean arms production is Hanwha Defense's aim to combine its potential with the Polish Armaments Group (Polska Grupa Zbrojeniowa) in the production of the K9 howitzer. To this end, the new K9PL version is expected to be produced in Poland starting in 2026. These two companies have already enjoyed some past cooperation, as Hanwha Defense has supplied the K9 Thunder chassis for the AHS Krab self-propelled howitzer designed in Poland. The Krab's generally successful production, however, cannot meet the urgent requirements of the Polish Armed Forces due to the Polish Armaments Group's

¹⁴ J. Sabak, *Polski przemysł w programie K2. Wyzwania i szanse [ANALIZA]*, Defence24, 23 September 2022, <https://defence24.pl/przemysl/polski-przemysl-w-programie-k2-wyzwania-i-szansy-analiza>. J. Graf, *Korea or Nothing. The Only and Last Chance to Boost the Polish Industry [COMMENTARY]*, Defence24, 9 December 2022, <https://defence24.com/industry/korea-or-nothing-the-only-and-last-chance-to-boost-the-polish-industry-commentary>.

¹⁵ K. Wilewski, *Polska Zbrojna*, 31 March 2023, <https://www.polska-zbrojna.pl/home/articleshow/39344?t=Produkcja-K2PL-zajmie-sie-konsorcjum>.

low production capacity, which is only now being boosted¹⁶. Nevertheless, the Polish Ministry of Defence continues to expand the purchase of home-grown howitzers¹⁷. In this context, it is interesting that the K9 and Krab systems may be merged into one project, starting with development work in 2025–2026¹⁸.

Additionally, in striking these deals with Poland, South Korea had a “doctrinal” predominance that resulted from the Law and Justice-led government’s decision to resign from any major military purchases with its European partners. This policy has only recently been reversed as Poland acquired two observation satellites and a receiving station from French Airbus¹⁹. We should not exclude, however, that such a deal may have been a one-off.

Several factors underpin such reasoning; Poland’s policy of not buying Western European weapons was politically motivated and most likely resulted from Warsaw’s distrust of some Western European states, including France and Germany. This distrust was caused by Western Europe’s decades-long ambiguous policy toward Russia, which has only started to dissipate following Russia’s re-invasion of Ukraine. Furthermore, given the Polish policy of putting all its eggs in the American basket, South Korea is a political beneficiary of its close ties with the United States.

¹⁶ J. Reszczyński, *Stalowa Wola: Historia zatoczyła podwójne koło*, Defence24.pl, 3 October 2023, <https://defence24.pl/przemysl/stalowa-wola-historia-zatoczyła-podwojne-kolo>.

¹⁷ Defence24, *Kraby zamówione w Kielcach*, 05 September 2022, <https://defence24.pl/przemysl/kraby-zamowione-w-kielcach>.

¹⁸ T. Dmitruk, op. cit.

¹⁹ A. Ptak, *Poland buys military satellites from France*, Notes from Poland, 28 December 2022, <https://notesfrompoland.com/2022/12/28/poland-buys-military-satellites-from-france/>.

Finally, these arms purchases were in fact a “package deal”. On 31 October 2022, the Polish Energy Group (Polska Grupa Energetyczna) signed a deal to develop a nuclear plant with South Korean state-owned Korea Hydro & Nuclear Power (KHNP). What is more, KHNP’s vice director added that the offer included additional investments in the semiconductor, battery, and hydrogen industries²⁰. Additionally, the Korean offer was much cheaper than its, for example, German equivalent²¹.

The recently established military relationship between South Korea and Poland is a multidimensional phenomenon, reaching beyond security in its traditional meaning. In fact, large-scale arms contracts are almost always politicized and followed or accompanied by intensified economic ties. Certainly, in the current circumstances, this view is shared by Warsaw and Seoul.

As a result of the COVID-19 pandemic and growing tensions between the United States and China, South Korean companies are following the global trend of shortening supply chains. In recent years, these entities accounted for the greatest foreign investment flows into the Polish market, ranked fourth in 2019²² and rising to first in 2021²³. From

²⁰ J. Wiech, *Wszystko, co może nam dać Korea. Atom, paliwo, broń, przemysł 4.0 [ANALIZA]*, Energetyka24, 22 July 2022, <https://energetyka24.com/atom/analizy-i-komentarze/wszystko-co-moze-nam-dac-korea-atom-paliwo-bron-przemysl-40-analiza>.

²¹ J. Kastner, *South Korean arms find interest in Europe amid Ukraine war*, Nikkei Asia, 9 September 2022, <https://asia.nikkei.com/Business/Business-Spotlight/South-Korean-arms-find-interest-in-Europe-amid-Ukraine-war>.

²² OECD, *International Direct Investment Statistics 2021, Poland: Foreign direct investment flows by country*, https://read.oecd-ilibrary.org/finance-and-investment/oecd-international-direct-investment-statistics-2021_981db434-en#page247.

²³ S. Kumar, *Poland ready to accommodate more Korean investments: charge d'affaires*, The Korea Herald, 17 May 2022, <http://www.koreaherald.com/view.php?ud=20220516000860>.

the South Korean perspective, Poland is an attractive and sought-after partner because it grants access to the European market as well as a skilled and still relatively cheap labour force. Not to mention Warsaw is well-situated within the EU's economic and defence architecture. Economically speaking, these factors partly apply to other Central and East European (CEE) markets as well. That is why Seoul is already widely present in countries such as the Czech Republic and Hungary to leverage opportunities for increased foreign direct investment²⁴.

The competitive advantage of deepening cooperation with South Korea is rooted in the fact that Korean companies simply have no domestic competition in some sectors of these markets. Nevertheless, Poland is the only country in the region capable of and willing to become a Korean defence production hub due to its objectively strong potential as a regional leader (as demonstrated by Warsaw's unwavering support of Ukraine) and the proper production facilities to be able to absorb the transfer of Korean technology.

Geographically, Poland's location is also advantageous. Located in the heart of Europe, the country provides alternative trade routes for Korean defence products manufactured by Poland. Nearby Turkey, Finland, Norway, and Estonia have already bought K9 howitzers – South Korea's most popular military export – and one should expect that similar regional contracts will intensify. Indeed, Norway was considering the Korean-made K2 tank to become its new main

²⁴ Korea EximBank, *Statistics of Foreign Direct Investment*, <https://stats.koreaexim.go.kr/en/enMain.do>; The National Atlas of Korea, *Foreign Direct Investment*, <https://stats.koreaexim.go.kr/en/enMain.do>.

battle tank²⁵ but eventually decided to purchase more than 50 German Leopard 2's. Logistical facilities located in the region also support the notion of increased defence negotiations with Seoul. After the Russian heavy weapon-centred land invasion of Ukraine, upgrades to the land forces of the North Atlantic Treaty Organization's (NATO) eastern front are now more likely to occur than in the past three decades. Moreover, Poland's Baltic coastal line makes the African and Middle East markets accessible too, which is critical given the potential take-up of Korean arms throughout Africa²⁶. Finally, proximity to Germany's giant motor industry makes Poland its natural economic hinterland. Hence, any investments in related sectors, including the battery industry, seem reasonable.

The Korean military industry has been determined to enter the Polish and CEE markets for some time. Hyundai Rotem had already presented its offer of K2PL battle tanks in 2018, during the International Defence Industry Exhibition in Kielce, Poland²⁷. Nevertheless, only Russia's large-scale invasion of Ukraine finally triggered this state-to-state cooperation. Strengthening bonds with a crucial NATO member not only benefits South Korea's defence industry in a financial sense but, perhaps more importantly, also builds confidence in the quality of Korean equipment and increases the competitiveness of Korean defence companies.

²⁵ Asian Military Review, *South Korea continues to push K2 MBT for Norwegian tank requirement*, 6 June 2022, <https://www.asianmilitaryreview.com/2022/05/south-korea-continues-to-push-k2-mbt-for-norwegian-tank-requirement/>.

²⁶ K. Seung-woo, *Egypt emerges as a new market for Korean arms exports*, 9 August 2022, The Korea Times, https://www.koreatimes.co.kr/www/nation/2023/01/113_333963.html.

²⁷ AltairTV, *MSPO 2018: wspó/praca Hyundai Rotem i HCP*, YouTube, 10 September 2018, <https://www.youtube.com/watch?v=6plA2yXyhg>.

It should be kept in mind that South Korea is a latecomer in the global defence market. Hence, Seoul certainly desires an elevated standing as it hopes to penetrate other markets. “Poland is where our journey for the export of 1,000 FA-50 fighters begins” Korea Aerospace Industries CEO Ahn Hyun-Ho declared, adding that Poland is a potential buyer of KF-21 “4.5th-generation” fighter aircraft, which is currently under development²⁸. Accordingly, the recently signed deals in Central and Eastern Europe might serve as a steppingstone into other industries, including shipbuilding. In December 2022, PKN Orlen, Poland’s leading energy group, co-organized a christening ceremony for two liquefied natural gas carriers at Hyundai Heavy Industries’ facilities in Ulsan, South Korea. The Polish company has chartered these for ten years from the Norwegian energy entity, Knutsen Group.

Neither China nor Russia – as the two major regional adversaries for Seoul and Warsaw in their respective areas – have commented on the recently intensified Korean-Polish defence relationship. Even so, it is clear these developments run against Beijing’s and Moscow’s interests, if only from a military perspective. The large purchases of new weaponry and the creation of new logistical facilities in Central and Eastern Europe require both Russia and China to adjust to the new operational framework. If Korean defence production capacities are temporarily disabled – in the worst-case scenario as the result of a strike or act of sabotage – it might be possible to replace them with elements delivered

²⁸ S. Sang-ho, *op. cit.*

from Poland, a circumstance that any potential aggressor must reckon with.

As Russia's war against Ukraine moves into a more protracted phase, the Korean-Polish deal represents only the tip of the iceberg for the overall impact South Korea's arms exports could have on defence and security in Central and Eastern Europe. The Polish-Korean defence relationship has every reason to become a win-win situation, with Warsaw boosting its military potential and reviving its heavy military industry on the one hand, and Seoul solidifying its position in the European and global defence markets on the other. Furthermore, strong political and military ties have already given rise to increased economic cooperation between the two sides, especially in the energy sector. Much will depend, however, on economic and political factors, as Poland is struggling with high inflation and held parliamentary elections in October 2023. Nevertheless, this burgeoning bilateral relationship should serve as another steppingstone for South Korea's deeper economic and military engagement in the CEE region.



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In a world marked by ceaseless change and evolving global dynamics, strategic partnerships emerge as the cornerstones of international diplomacy. The relationship between the Republic of Korea and Central Europe, as explored in this policy paper, exemplifies one such partnership that has grown in strength and relevance over time. Climate change and Russia's invasion of Ukraine, among other global challenges, have unwittingly become pivotal drivers for the strengthening of ties between these two regions. South Korea, recognizing the Central European countries as integral components of the European Union, has strategically aligned itself with the European Union's policies, effectively influencing the direction of its cooperation with Central Europe. The allure of EU membership further elevates the region's attractiveness, as Koreans perceive it not only as a production base within the EU but also as a gateway to the coveted European single market. Nonetheless, it is essential to acknowledge that Central Europe is often associated with the Visegrad Group, comprising the Czech Republic, Hungary, Poland, and Slovakia. While the V4+ROK framework holds significant potential for expanded collaboration, its growth is hampered by the absence of a unified strategy and the competition among individual countries for Korean investments. Consequently, South Korea's engagement with Central Europe predominantly retains a bilateral character.

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