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The Strategic Value of Africa as the New Market and Korea's Economic Cooperation with Africa

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ABSTRACT. *Africa is rising as the new market in the 21st century. Before the 2000s Africa was regarded as a "continent of crisis" plastered with poverty and war. However, it is now being spotlighted as the 'last new market on Earth' due to its development potential. Its value is being reevaluated because it presents new opportunities as an unexplored market. It present opportunities across a wide range of industries: from consumer goods to manufacturing, agriculture, natural resource development and infrastructure. Korea has been ignorant of Africa's development potential till the mid-2000s but is now looking at Africa as a new opportunity market or cooperation partner. It is taking diverse measures such as through state visits and increase of development aid to strengthen cooperation. Korea perceives Africa's potential from a future oriented perspective and is expanding economic cooperation from a long-term standpoint. Consequently, Korea is working towards establishing a future oriented partnership with Africa based on mutual trust by identifying core partnership projects that meet the needs of Africa. Korea seeks substantiality of its economic partnership with Africa by identifying priority countries of cooperation.*

KEY WORDS: *Korea, Africa, international relations, economic cooperation, diplomacy, partnership*

1. Introduction

Before the 2000s, Africa was a 'continent of crises' through decades of war and poverty. The social and economic conditions of Africa, Korea and much of Asia was similar in the 1960s when many African countries gained independence from their western colonizers. However, their paths diverged as while the economies of Korea and Taiwan gained speed, Africa was accompanied by the resource curse, civil wars and weak governance. Consequently, Africa was termed 'the hopeless continent' by the Economist in 2000 [The Hopeless Continent 2000].

10 years on, the Economist has changed its tone on Africa by describing it as 'the hopeful continent,' partly due to the high economic average growth rates of over 5% during the past few years [Africa Rising 2011]. A combination of favorable external conditions and political sta-

bility arising from the decline of civil wars has turned Africa into a land of opportunity. This change of attitude from Afro-pessimism to Afro-optimism is supported by Goldman Sachs, the World Bank and other economic institutions who suggest that once Africa takes off (in terms of Rostow's five stages of economic development), savings and investment will increase, leading to full-scale economic development as was the case in East Asia and India.

The reassessment of Africa's potentials as the last new market in the 21st century has also been noticed by Korea whose interests of economic cooperation in the region has remained relatively low till the mid-2000s. Since, Korea has sought to engage with Africa in various fields using various means including head of state visits, expansion of ODA and business partnerships. Although risks and limitations such as poor infrastructure, corruption and Chinese market dominance are prevalent, there is still plenty of potential in Africa as a partner for economic cooperation. One aspect of Africa's potential is the growth of the urban population with increasing purchasing power. The urban consumers of Africa are a blue ocean for Korean home appliance manufacturing companies looking for new markets amidst fierce competition with Chinese and Japanese companies. The infrastructure boom and development potentials of the manufacturing sector, mainly through light-manufacturing are also opportunities for investment and cooperation. The abundance of natural resources has been a conventional factor for investment in Africa despite discussions on the effects of the rent-seeking behaviors of resource abundant countries. This article seeks to present Korea's policy directions for economic cooperation with Africa by analyzing its strategic values.

2. Africa's strategic value

2.1. A MARKET OF 1 BILLION CONSUMERS

The abundance of natural resources has been a key strategic value of Africa for many years. However, recent years of rapid economic growth has strengthened the purchasing power of African consumers, especially for the growing urban population. Africa has maintained its economic growth rate at an average of over 5% since the early 2000s while Africa's national income (GDP per capita) has grown almost threefold between 2003–2016.

Africa is also witnessing rapid urbanization and population growth with its total population already at 1 billion. Although Africa's urban population is yet small compared to other regions at 40% of the total population, global urban growth will be led by Africa in the future as a consequence of high birth rates and rural migration[1]. By 2030, the African urban population will be at 50% of the total population which will expand to 60% by 2050. It is projected that more than 80 cities in sub-Saharan Africa will have a population of over 1 million people in 2025. Cairo (Egypt) and Lagos (Nigeria) are already megacities of more than 10 million people. Kinshasa (DRC) is expected to become the largest city in sub-Saharan Africa, outpacing Cairo and Lagos while many more megacities are expected to emerge [*Toesland* 2016, p. 16].

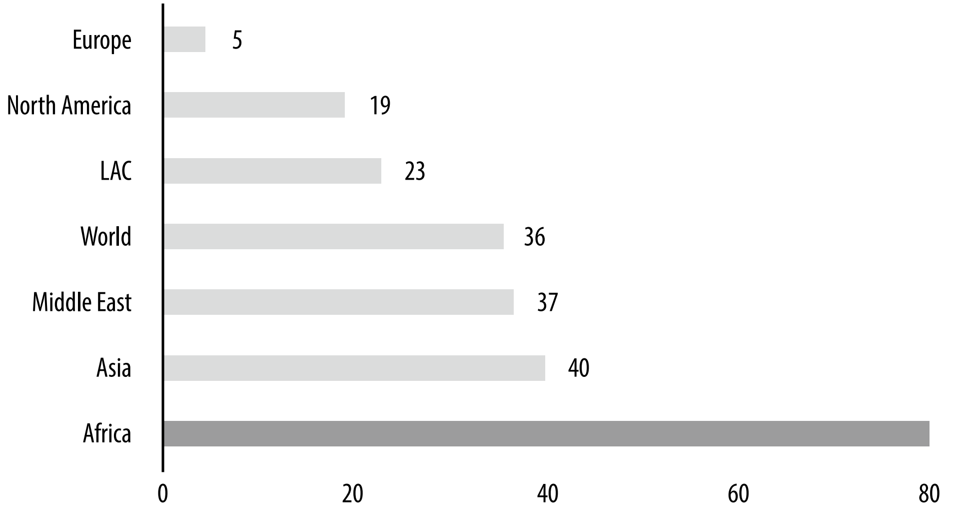
It is true that many in Africa still live below the poverty line and that the impact of the middle class, who can be defined as those with sufficient purchasing power, is still limited. The African Development Bank's argument that approximately a third of the African population can be considered as a middle class was too broadly defined as its definition of

1 The percentage of the urban population as of the total population for other regions are North America 81.5%, Latin America and the Caribbean 79.5%, Europe 73.4%, and Asia 47.5%.

a middle class was those who spend between 2–20 dollars a day. Yet, one cannot deny that Africa is rising as the last global frontier consumer market as a middle income class, who has a certain level of purchasing power, emerges around major cities. There are estimations that by 2025, around two thirds of sub-Saharan African households will have discretionary income, indicating the growth of a rising consumer group [*Roxburgh, Norbert, Leke, Taziriffi, Van Wamelen, Lund, Chironga, Alatovik, Atkins, Terfous, Zeino-Mahmalat* 2010, p. 1].

Consequently, urban cultures are changing to reflect such growing consumer power. Western styled shopping malls and department stores are being constructed one after another, especially in East Africa to meet the needs of the younger generation in particular [Shop Africa 2016]. This 'shopping mall culture' is also spreading across new towns as the demand for white goods steadily increase with the influx of people. Various consumer goods such as washing machines, refrigerators and air conditioners are popularly sold in the urban markets of Africa. According to a survey of 1,000 middle income urban residents in Nigeria, more than half responded that they prioritize the purchase of a washing machine, refrigerator, micro-oven and dishwasher within 5 years [*Park Young Ho, Jae Wook Jung, Yejin Kim* 2017, p. 38]. The demand for durable goods such as mobile phones and computers is also growing rapidly in cities as the younger consumer class, who have a higher propensity to consume, grows. 1.7 million mobile phones were sold in 2015, but this is expected to reach 3.9 million in 2021 [*Park Young Ho, Jae Wook Jung, Yejin Kim* 2017, p. 56]. Korean brands such as Samsung and LG have been able to position themselves as leading electronic brands within the African market (Table 1). They have performed particularly well in the mobile phone sector with Samsung recording a 35% market share for smartphone sales in

Figure 1. Prospected growth rate of urban populations by region (2012–2030)



Source: [Bright Continent 2016, p. 15].

Table 1. Status of Korean electronic brands in Africa (2015)

Country	Brand Awareness (highest to lowest)
Nigeria	Samsung, LG
Angola	Samsung, Sony, Apple
Cote d'Ivoire	Samsung, Nokia, LG, Sony
Ethiopia	Samsung, Apple, Sony
Ghana	Samsung, LG, Binatone(UK), Nokia, Philips, Apple
Kenya	Samsung, Nokia
Senegal	Samsung, Nokia, LG, Apple
South Africa	Samsung, Apple
Tanzania	Samsung, Apple
Uganda	Nokia, Samsung, Huawei(China)
DRC	Samsung, LG, Nokia

Source: [*Jacobs* 2015, p. 68].

Africa in 2014 and outpacing its competitors such as Apple and Nokia in Africa [*Jacobs* 2015, p. 68].

Car ownership has also doubled in the past 10 years as a result of the increase in income and urbanization. Similar trends can be seen with cement, steel and other construction materials as the demand for urban housing has increased rapidly, which is at times referred to as 'the quiet revolution' [*Bughin, Chironga, Desvaux, Ermias, Jacobson, Kassiri, Leke, Lund, Van Wamelen, Zouaoui* 2016, p. 73].

One fact to note is that almost all industrial products consumed in Africa are yet imported mostly from other countries and partly from its regional due to the weak manufacturing base of many African countries, with the exception of South Africa. This provides opportunities for industrial development within Africa in the long run but remains a limitation in the short term as it is liable to foreign exchange volatilities and influences urban inflation rates.

2.2. NATURAL RESOURCE AND INFRASTRUCTURE DEVELOPMENT

Vast amounts of natural resource buried in Africa, whose territorial size amounts to a fifth of the total global land, has been of strategic importance in attracting investment in Africa. Areas affected by conflict, poor infrastructure, and lack of skills and technology are especially underdeveloped in regards to natural resource development [*Park Young Ho, Ji Sun Jeong, Hyun Ju Park, Yejin Kim* 2015].

The distribution of Africa's resource can be divided into three regions. Much of its oil resource lies in the Northern (Algeria, Libya, Egypt) and Western areas (Nigeria, Angola, Ghana, Equatorial Guinea). Identified oil reserves are estimated to be around 10% of global reserves but many oil fields have yet to be discovered and developed, indicating that with sufficient investment the resource boom is likely to continue. Metallic minerals are mostly concentrated in South Africa and the Democratic Republic of Congo. Reserves of diamond, cobalt and chrome are unrivaled while uranium, nickel and bituminous coal are plentiful. South Africa in particular is endowed with many resources ranging from minerals to nonferrous metals and leads Africa in terms of natural resource development. It is home to the largest reserves of platinum, manganese, chrome and gold. It is also rich in titanium, vanadium and vermiculite. The DRC is also rich in diamond, gold, cobalt, copper, coltan, zinc, cadmium and other high value commodities. Coltan is in particularly high demand as a key component in the manufacturing of electronic car batteries and other electronic products like cellphones and laptops. Around 80% of the global coltan reserve is presumed to be in the DRC. Apart from South Africa and the DRC, the southeastern corridor covering Botswana – Zambia – Zimbabwe – Madagascar is known as the largest mineral belt. This region has large reserves of diamond, gold, uranium, copper, cobalt, bituminous coal, nickel and other valuable resources [*Park Young Ho, Ho Kyoung Bang, Jaewan Cheong, Yejin Kim, Boyan Lee* 2016].

Natural resource is not the only source of growth in Africa. Political stability gained by several African countries after years of conflict is attracting investment in roads, railways, ports and power plants. The demand for urban infrastructure has grown recently in particular through the expansion of cities. Ethiopia and Nigeria are constructing modernized public transportation methods such as trams and transit buses to counter traffic congestion in the cities. Much of Africa's current transport infrastructure was built during the colonial periods for the purpose of shipping resources. As a result, infrastructure development was mostly limited to areas that connect cities with ports and thus, inland transportation infrastructure remains poorly developed. This lack of inland infrastructure remains as the utmost barrier for regional integration in Africa. The trans-Saharan infrastructure development plan that seeks to connect Africa's focal cities as well as build a development corridor that connects focal trade areas with major markets is underway to overcome this barrier [AfDB·OECD·UNDP, 2016, p. 214]. Large scale infrastructure development is

Table 2. Major urban corridors of Africa

Corridor	Cities	**Length** (km)
Cairo (Egypt) – Dakar (Senegal)	Cairo – Tripoli – Tunis – Algiers – Rabat – Nouakchott – Dakar	8,636
Algiers (Algeria – Lagos (Nigeria)	Algiers – Tamanrasset – Agadez – Tamanrasset – Kano – Lagos	4,504
Tripoli (Libya) – Cape Town (South Africa)	Tripoli – N'Djamena – Kinshasa – Windhoek – Cape Town	10,808
Cairo (Egypt) – Cape Town (South Africa)	Cairo – Khartoum – Addis Ababa – Nairobi – Dodoma – Lusaka – Gaborone – Cape Town	10,228
Dakar (Senegal) – N'Djamena (Chad)	Dakar – Bamako – Ouagadougou – Niamey – Kano – N'Djamena	4,496
N'Djamena (Chad) – Djibouti (Djibouti)	N'Djamena – Djibouti	4,219
Dakar (Senegal) – Lagos (Nigeria)	Dakar – Banjul – Bissau – Conakry – Free Town – Monrovia – Abidjan – Accra – Lome – Cotonou – Lagos	4,010
Lagos (Nigeria) – Mombasa (Kenya)	Lagos – Yaounde – Bangui – Kisangani – Kampala – Nairobi – Mombasa	6,259
Lobito (Angola) – Beira (Mozambique)	Lobito – Lubumbashi – Lusaka – Harare	3,523

Source: [AfDB·OECD·UNDP 2016, p. 214].

further anticipated through a pan-African project that seeks to connect Africa's urban centers. This is part of Africa's efforts towards regional integration and is yet to commence. Improving transportation is not the only focus of urban infrastructure development. The blueprint for urban infrastructure development includes water and sewage facilities, sanitation, housing, and even industrial complexes that form the production base of a city.

2.3. AGRICULTURAL DEVELOPMENT

Agriculture is an important part of the African economy with 24% of Africa's GDP coming from agricultural production while that of agriculture related industries (such as processing, distribution and retailing) comprises another 20% [*Diop* 2013, p. 73]. The agriculture sector of Africa is critically underdeveloped but its potential is greater than any other region in the world. According to the World Bank, Africa's agribusiness is expected to grow from 313 billion USD in 2010 to 1 trillion USD in 2030 [*Diop* 2013, p. 78]. Agribusiness is expected to materialize as a crucial industry for Africa's economic development and transformation as 200 million hectares of uncultivated land, equal to over half of globally uncultivated land, remains in Africa[2]. Current productivity levels also falter greatly below its potential. Research and development into better production means would provide greater opportunities for surplus production: the production level of corn is at 20% levels while that of palm oil and soybean are at 30% [*Park Young Ho, Ho Kyoung Bang, Jaewan Cheong, Yejin Kim, Boyan Lee* 2016, p. 82].

The development potential of water for agricultural use is also abundant in Africa. There are 13 large rivers that currently run across borders but only 3% of agricultural water is secured through rivers, which raises the issue of the need to develop river sources for agricultural use. For this reason, many investors have taken an interest in areas such as Sudan, South Sudan, Mozambique, Tanzania, Ethiopia, Madagascar, Liberia, DRC and Zambia where the potential for water resource development is high [Agricultural Value Chains 2014, p. 15]. However, because the distribution of water resources leans heavily towards certain areas, the development of infrastructure to facilitate distribution of water resources is also necessary.

Although there are some factors that hinder agricultural development in Africa, such as the lack of agricultural inputs and market accessibility, Africa has the potentials to become a global agricultural production hub if it can increase production and improve distribution networks. If Africa can achieve a green revolution through

Table 3. Yield of major crops as to potential production levels

	Maize	Palm oil	Soy bean	Sugar cane
SSA	0.20	0.32	0.32	0.54
Asia	0.62	0.74	0.47	0.68
South America	0.65	0.87	0.67	0.93

Source: [AfDB·World Economic Forum·World Bank 2017, p. 17].

2 Concerns have been raised over the narrative of 'uncultivated land' in that it leads to land grabbing and ownership issues. However, the term 'uncultivated land' used in this article refers to land not prepared for farming and does not imply in any way that these lands are unoccupied or without ownership.

technology improvement and mechanization adapted to the farming environment of various regions, it can become a net exporter of agricultural goods as well as achieving self-sufficiency. Goods such as coffee, cocoa, cotton, cashew nuts and horticultural products are key sources of foreign exchange earnings. Some are exclusive to the climatic conditions of Africa and thus are in a better marketing position once production methods and distribution channels are developed. The combination of urbanization, population expansion and income increase has led to higher demands for processed foods, vegetables and meat in addition to that of staple crops, creating a market opportunity to link agriculture with business [AfDB·OECD·UNDP 2017; AfDB·World Economic Forum·World Bank 2017]. The World Bank expects Africa's food market to grow 4 times bigger than its current size by 2030 as the urban population doubles and incomes increase by more than 4% every year [*Diop* 2013, p. 83]. It also predicts that Africa's agricultural trade balance will turn from a 10-billion-dollar deficit into a 20-billion-dollar surplus by 2030. Moreover, although value created from the agricultural value chain is yet small it is strongly linked to the manufacturing sector for it comprises 30–50% of the manufacturing sector's activities in Africa. For example, Ethiopia (60%), Ghana (60%), Madagascar (59%) and Senegal (58%) exceed the average size of the agriculture industry in manufacturing [*Diop* 2013, p. 83].

3. Economic cooperation with Korea

3.1. ENHANCING INCLUSIVE COOPERATION THROUGH A MUTUALLY COOPERATIVE PARTNERSHIP

The backbone of Korea's approach towards Africa is that of a long-term partnership based on mutual trust and reciprocity. This is in consideration of Africa's colonial history where much of its natural and human resources were exploited without compensation or reconciliation. By doing so, Korea intends to foster economic relations that are sustainable and one that reflects the responsibilities of Korea as the tenth largest economic power. To build such a future-oriented, coexistent partnership and to foster economic cooperation policies, understanding and perceiving the challenges and opportunities of Africa is important.

One aspect that differentiates Korea from other donor countries is its unique development experience. The Korean development experience differs from the timespan and way western developed countries experienced industrialization over 100–200 years ago. Korea's industrialization began not even half a century ago and has yet managed to become a global exporter of manufactured goods in just over 50 years.

Its economic and social conditions prior to the late 1960s was like that of other underdeveloped countries: lack of capital stock, low levels of technological development, small private sector, lack of skills, low social trust and heavy dependence on foreign aid. Korea's GDP per capita in the early 1960s was below 100 dollars. There were barely any savings while half of the government finance was funded through foreign aid. The high rate of unemployment threatened social stability and over 40% of the population lived in absolute poverty. The overall situation was not so different from 'the hopeless continent' described of Africa. However, since the 1960s Korea has transformed from an agrarian economy to a sophisticated, industrialized economy. This speed of economic development is beyond compare.

Such an experience distinguishes Korea academically and politically from the development experience of western countries and also from the 'Washington Consensus' route emphasized and pressure by international organizations. Many African leaders, policy makers and economists are interested in the Korean experience because Korea was able to build a middle-income class and develop a democratic government through a different route. Many African countries are still categorized as 'least developed countries' despite enormous amounts of foreign aid which calls for the need of a new development model. Korea's soft power in forming partnerships with Africa lies in its economic development experience which it uses as the principle tool for cooperation. Korea, like most of Africa, was a subject of colonialism (it was colonized by Japan for 36 years and gained independence in 1945) prior to its modern economic development and thus can sympathize with many African countries. As such, there is great interest in learning from and benchmarking Korea in Africa.

3.2. ECONOMIC COOPERATION WITH PRIORITY PARTNER COUNTRIES

China, Europe and other rivalling countries have developed sophisticated economic partnerships with various countries in Africa through large scale funding and historical ties. The most aggressive country recently reaching out to Africa is without doubt China, especially through its belt and road initiative. China's interests in Africa derive from the strategic value of Africa's multidimensional role; supplier of oil and raw materials, customer for infrastructure development, market for the sales of cheap industrial products and partner on the global diplomatic stage. To secure its position in Africa, China is consolidating cooperation across a range of sectors through various means; aid, trade, loans, natural resource development, infrastructure development and so on. Such efforts to engage with Africa has enabled intensification of China's economic relations with Africa.

Korea's interests in Africa are also recently developed. Only into the 2000s did Korea perceive Africa as a new partner and tried to engage with Africa. The Ministry of Strategy and Finance of Korea, the Export-Import Bank of Korea and the African Development Bank set up the Korea-Africa Economic Cooperation (KOAFEC) Conference to promote economic partnership in 2006. The Korea-Africa Industry Cooperation Forum (KOAFIC) was introduced in 2008 to promote partnership in the industrial sector. The amount and proportion of aid the Korea International Cooperation Agency (KOICA) allocates to Africa has steadily increased to become the second largest beneficiary after Asia. The Ministry of Foreign Affairs established the Korea-Africa Foundation (KAF) this year to conduct research on the socio-economic developments of African countries and to provide support for those willing to do business with Africa.

However, not all efforts have seen success. The 'Package Deal' that sought to connect infrastructure development with natural resource development ended in a failure while the market share of Korean products in Africa remains at a meager 4%. Furthermore, Africa comprises only 1.4% of Korea's total foreign investment. The construction sector, including plant construction, was expected to show better performance but the results did not surface as well as anticipated. One cause for the poor performance is the limited size of aid, loans and business support providable by the Korean government. Africa is home to 54 countries with a surface area larger than the US, China, India, Europe and Japan combined. Hence, Korea's strategy in Africa is to narrow its focus and concentrate its capacity in priority areas. In other words, Korea selects focus markets to build and strengthen partnerships with and expands its cooperation to adjacent countries once partnerships with the priority countries are solid.

Recently, East African countries, like Ethiopia, have received more attention from the Korean government. Unlike the oil rich countries of the West and North, East African countries have more political stability and thus offer better conditions for investment and economic cooperation. East Africa is rising as the new growth engine of Africa as it witnesses an increase of FDI and records high economic growth rates of over 10%. Accordingly, the African Development Bank (AfDB) once stated that the center of Africa's economic gravity is tilting towards the East from the West [*Park Young Ho, Jae Wook Jung, Yejin Kim* 2017, p. 23]. Countries in East Africa such as Ethiopia, Kenya and Uganda are also listed in the PC (Post China)-16, indicating that these countries are considered as promising regions for the relocation of Chinese labor-intensive manufacturing production activities due to the declining price competitiveness of goods made in China as a result of rising labor costs. Development of the manufacturing sector in these regions should be carefully followed. East Africa is also becoming an infrastructure development foothold as projects such as the East African railway network unfold. Various railway construction projects that connect East African countries are gathering momentum owing to political stability and large scale Chinese financial support. The population of East Africa also acts as a merit. Amongst the five areas in Africa (East, West, South, North, Central), East Africa is in the lead with 400 million as of 2015 which is prospected to increase to 500 million by 2025 [AfDB·OECD·UNDP 2015, p. 179].

Korea's cooperation with Ethiopia, amongst the East African countries, is most active. Although Ethiopia is still a least developed country where coffee and oilseeds are a critical source of income, it has recorded an annual growth rate of 10% over the past 10 years. It is the second most populated country in Africa with over 100 million people. Completion of the Addis Ababa-Djibouti railway and the large-scale hydroelectric Renaissance Dam in 2017 is expected to have a significant impact on the Ethiopian GDP. Such developments are at times compared to that of Shanghai in 1987. Wage being one of the most important areas of concern when companies plan to invest, the low wages of Ethiopia also act as a merit. According to a World Bank report, wage for an unskilled laborer in the (light) manufacturing sector in Ethiopia is a fifth of China's, a third of Vietnam's and 30% lower than that of Tanzania [*Newman, Page, Rand, Shimeles, Söderbom, Tarp* 2016, p. 73]. Even for skilled laborers Ethiopia's wage levels are only at 25–33% of Chinese workers and 50–55% of Vietnamese workers. One would think that the average wage of a laborer in the manufacturing sector would be low in Africa considering that Africa is one of the poorest regions in the world. However, its wage levels are higher than expected in proportion to its GDP per capita. This is due to the high level of isolation for African industries. In other words, the low level of competition in the labor market leads to a form of rent seeking activities, increasing labor costs [*Newman, Page, Rand, Shimeles, Söderbom, Tarp* 2016, p. 72]. Some analyses state that in proportion to Africa's national income, wage levels are set 50% higher than average [*Newman, Page, Rand, Shimeles, Söderbom, Tarp* 2016, p. 72]. It is in this sense that Ethiopia's low income is of merit.

3.3. EXPANSION OF FINANCIAL SUPPORT THROUGH INTERNATIONAL FINANCIAL INSTITUTIONS

Companies from China, Europe and other regions are well positioned in Africa because they have sufficient means of financial support. As with other regions, the financial muscle is a crucial factor in winning project contracts and engaging in business because Africa lacks internal resources for development. Upon realizing the need to engage with Africa, the Korean government has begun providing financial support through official export credit agencies (ECA) such as the Korean EX-

IM bank. However, Korea is still an underweight amongst rivalling countries. The small size of Korea's financial capacity and the conservative manner in which companies receive financial support for entering Africa causes structural limitations. However, it is realistically difficult for the EXIM bank or the trade insurance corporation to dramatically increase financial support for companies that wish to enter the African market because African countries have low credit ratings and have complex underlying dangers that make it difficult to fund independently.

With these realistic limitations in mind, Korean ECAs such as the EXIM bank are strengthening their capacities through partnership with global financial institutions by means of co-financing. Providing financial support for African countries with low credit ratings comes with many risks and therefore dispersing the dangers through partnership with international financial institutions is essential. The size of the infrastructure market and natural resource development projects in Africa are also too big for domestic financial institutions to handle by themselves. Therefore, Korean ECAs are working with the World Bank, IFC, AfDB, EIB and other MDBs and IBs as well as EACs of developed countries through co-financing to make up for its limited financial capacity. International institutions have plenty of information on projects regarding development in Africa as well as much knowhow and experience. It is important that Korea builds gateways to Africa through financial cooperation with these institutions.

4. Conclusion

Africa is rising as the new market of opportunity in the 21st century. Identifying Africa as an unexplored market with many opportunities is necessary. Opportunities lie not just in consumer goods such as household electronics and mobile phones but also across a range of industries such as manufacturing, agriculture, natural resource development and infrastructure. However, it must be noted that although Africa is a 'market of opportunity' it is also, without doubt, a 'high risk market'. It is regarded as the last new market but a wide range of business risks including exchange rate volatility, governance, limitations of wire transfer, business regulations as well as political instability act as a barrier to companies actually engaging in business in Africa. Consequently, many businesses take the form of venture investment due to Africa's unclear business environment. Inadequate infrastructure development is also a difficulty. Although infrastructure is essential for industrialization, Africa's infrastructure is very much undeveloped which raises logistics costs and reduces company profits. Although the income levels of South Asia and Africa are similar, infrastructure development is clearly lacking in Africa. The ratio of paved roads is at 20–25% while Africa's electricity production capacity is around half of South Asia's [*Eberhard, Gratwick, Morella, Antmann* 2016, p. 3]. Roads are the backbone of a country's economy and currently account for 80–90% of transportation for both people and logistics in Africa. However, the ratio of paved roads is remarkably low even compared to other undeveloped countries. Rail networks are in a similar dire situation as not much maintenance has been conducted since their construction during colonization.

As such, there are both factors of opportunity as well as factors of threat. To objectively understand and evaluate Africa, Korea needs to identify both sides of Africa. China has strengthened its influence in Africa by taking an aggressive approach towards engaging with Africa and this has raised concerns of 'new colonialism.' However, this is far from the cooperation model pursued by Korea. Korea seeks to cooperate with and strengthen its relationship with Africa not on a short-term perspective but from a long-term view. To do so Korea is concentrating on building a forward-looking partnership based on mutual trust by identifying cooperation projects that meet Africa's needs.

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