

# Potential Risks in South Korea-Myanmar Relations

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\* 이 글에 포함된 의견은 저자 개인의 견해로 제주평화연구원의 공식입장과는 무관합니다.

Myanmar, other than North Korea, is the last large Asian economy to open to the world. And Koreans are participating in this opening in a major way. South Korea's very active involvement in Myanmar does carry some risks, however. Seoul will need to be ready with public and direct diplomacy campaigns in case problems related to arms exports to Myanmar arise or behavior by South Korean expats causes problems.

Korea may never reach the influence of China or Thailand with regard to trade and investment in Myanmar, but it is actively competing with Japan for high-tech, complex engineering and infrastructure projects. In fiscal year 2016-2017 South Korea was the fifth largest investor, after Singapore, China, Thailand, and Vietnam<sup>1)</sup>.

Unlike Japan, South Korean influence also stretches more deeply into other parts of the economy. Koreans seem to be everywhere in Myanmar. Chinese businesses, far more influential overall, seem to keep a low profile, as do Chinese expats. Meanwhile, one can hear Korean spoken all over Yangon, in new restaurants, bun-shik stalls and Korean-style coffee shops. South Korean dramas air at prime time on several major Myanmar TV channels. Social enterprises masking legally dubious missionary work exist, as do genuinely small-scale examples of South Korean entrepreneurship, such as the aforementioned food & beverage ventures.

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1) Directorate of Investment and Company Administration. These statistics are complicated by the fact that many third-parties use Singaporean entities to invest in Myanmar and that DICA presents investment statistics based on "approved" rather than "completed" investments. [http://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/fdi\\_yearly\\_by\\_country\\_0.pdf](http://www.dica.gov.mm/sites/dica.gov.mm/files/document-files/fdi_yearly_by_country_0.pdf)

Global textile manufacturers and exporters are rushing back to the country following the unwinding of US sanctions that (amongst other things) disallowed textile imports from Myanmar. South Koreans never left, however, giving them a leg up against the competition in a growth sector. For example, Korea's Panko Corporation entered into a 50-50 joint venture with a Myanmar company in August 2016 to create a 500-acre free-on-board (FOB) textile production zone. (This project has gone quiet, suggesting a stall out, not uncommon whenever Myanmar's tricky and ethically abstruse bureaucracies get involved.)

In a sense it is the mega-projects that matter, generating wealth, jobs and shared interests between South Korea and Myanmar. And South Korea is competitive in this space, though its reasons for being so are as ethically ambiguous as any Burmese Bureaucracy.

During the early 2000s, rumors and accusations long swirled that Daewoo, POSCO and other South Korean conglomerates were supplying arms and expertise to the Myanmar military, in violation of South Korean rules and international norms at the time.

Finally in December 2006 the President of Daewoo International was indicted for illegal exports of military items to Myanmar, along with 14 executives from seven other companies<sup>2)</sup>. He was convicted and had to endure a 50 million won (Around \$50,000 USD) fine. Down the road, absent the President of Daewoo International, that minimal expenditure has certainly paid off.

POSCO took over Daewoo International in 2010 and in 2016 the newly renamed "POSCO Daewoo" was picked as the single winning bid for a multi-million dollar project to build a power plant in Shwetaung, Myanmar in 2016. Besides being chosen to help Myanmar's ailing electricity infrastructure, POSCO Daewoo will open a massive lakefront hotel complex in Yangon on September 1st as part of the first long-term land-use deal in the city. (The company has a 70-year concession.)

POSCO Daewoo also received important gas exploration and producing concessions in the Bay of Bengal. They began producing in two blocs in 2013 and started exploration of a third last year. Among other projects, they have also been given permission to build a \$10 million factory in Yangon to manufacture buses and a rice-processing complex (RPC) in Twante to process and export Myanmar rice.

South Korea is now a top ten global arms exporter by some measures and weaponry seems set to be the latest sector the country is conquering. Some experts estimate it will overtake China to become Asia's largest arms exporter in the next couple years<sup>3)</sup>.

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2) <http://www.exportlawblog.com/archives/68>

3) Harris, Bryan Global instability drives S Korean war industry Financial Times, December 4, 2016.  
<https://www.ft.com/content/69724520-b85f-11e6-ba85-95d1533d9a62>

Some suggest that Myanmar may still be a customer for South Korean arms and technology, though data is not publically available. South Korea amended its Foreign Trade Act in 2007, tightening its export controls, but lack of transparency remains an issue<sup>4)</sup>.

Moreover, non-profits such as the Stockholm International Peace Research Institute (SIPRI) fail to capture much of Myanmar's arms trade. (SIPRI did not capture Korea-Myanmar data during the early 2000s, when it was already known that arms and technology transfers were taking place.)

Given the increasingly harsh tactics employed by Myanmar's military during the past 12 months in Rakhine State, as well as ongoing conflicts in Shan and Kachin State, Korea could face significant international public backlash if arms exports were to be discovered and made public. South Korea wants to be seen as an arms exporter in line with the norms and standards of first world democracies: the EU and US still maintain an arms embargo on Myanmar, even as other sanctions have been dropped.

The other public opinion that South Korea will have to be attuned to is that of the citizens of Myanmar itself. Myanmar has laws restricting proselytization and liberally interprets laws on blasphemy. Nationalist sentiment in recent years has been intentionally linked to Myanmar's majority Buddhist faith and while much opprobrium and violence is directed against Muslims, Christians are not immune. Given the numbers of Korean missionaries or pseudo-missionaries in the country, it is not unthinkable that some poor judgment could lead to a bilateral incident.

Nationalist Myanmar might be on the lookout for a Korean to make an example of now more than ever. Korea's image took a hit in the last month when in a Korean expat magazine called MYAN KORE, a writer suggested that Myanmar people were like dogs, in that they were relaxed and not hardworking. This became a social-media driven scandal and even made it into nationally distributed magazines.

Koreans have also developed an image as extremely tough bosses at textile factories. There are frequent protests and industrial actions related to wages or conditions in such factories.

While no major issues currently exist regarding the role of South Korean companies and citizens in Myanmar there are potential road bumps in Myanmar.

posted on October 11, 2017

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4) Lee Jaewon South Korea's Export Control System SIPRI background paper, November, 2013 p. 16  
<https://www.sipri.org/sites/default/files/files/misc/SIPRIBP1311.pdf>