

GERMANY-SOUTH KOREA RELATIONS: AN EXCEPTIONAL RELATIONSHIP BASED ON STRONG ECONOMIC AND ACADEMIC COOPERATION

Maximilian Ernst, Institute for European Studies

1 INTRODUCTION

Germany and South Korea are connected by a common historical experience of national division, close economic ties, and intensive cooperation in education, science, and technology. The relationship between the two nations officially started on 26 November 1883 in the form of a trade-, shipping-, and friendship treaty. The Republic of Korea (henceforth South Korea) and the Federal Republic of Germany, henceforth Germany, established consular relations in 1954 and full diplomatic relations in 1957. Since then the bilateral relationship has grown to become a framework that guarantees commercial activities and investments and promotes people-to-people exchanges, to which South Korean guest workers in Germany since the 1960s and the hundreds of German companies invested in South Korea have made meaningful contributions. Today around 40,000 Koreans, including the descendants of South Korean guest workers, live in Germany. By total trade volume, South Korea is Germany's third most important trading partner in Asia, and Germany is South Korea's most important trading partner in Europe. In addition to official visits by chancellors and presidents (Angela Merkel in 2010 and Frank-Walter Steinmeier in 2018 to South Korea; Park Geun-hye in 2014 and Moon Jae-in in 2017 to Germany), heads of state and ministers of both countries have regular encounters and cooperate within the G20.

Economic relations are the strongest dimension of the bilateral relationship and both trade volumes and FDI stocks underwent an upward trend over the past decade, followed by cooperation in science and technology; 168 German universities have established partnerships with South Korean universities, and there are currently 537 research cooperation projects between the two countries. With regards to security cooperation, South Korea has a paramount position, as all arms deals over the past decades have been approved despite strong German legal barriers. North Korea remains an issue on which Germany traditionally supports UN sanctions, but also the Moon government's policy of reconciliation on the Korean Peninsula is a topic that matters to the German public and its government. Top diplomats of both countries furthermore have engaged in a bilateral strategic dialogue since 2018.

2 ECONOMIC RELATIONS

South Korea and Germany have strong economic ties, which is the foundation of today's close bilateral relationship. Globally, South Korea ranked 23rd for imports and 19th for exports among Germany's trading partners in 2018 (GTAI 2019). In East Asia, South Korea is Germany's third largest export destination, after China and Japan, and Germany is South Korea's most important export market in Europe. The bilateral trade volume in 2018 was about 30 billion euros and 273 German companies employ around 34,000 South Koreans. This is remarkable, since production costs in South Korea are higher than elsewhere in Asia, and it shows that there are pull factors for FDI other than low wages and taxes, such as a high level of education, political stability and the rule of law including protection of intellectual property rights, as well as the quality of life for expats. Likewise, Germany is an attractive FDI destination for South Korean enterprises, and many South Korean conglomerates such as Hyundai, LG, and Samsung have their European headquarters in Germany. The two countries have signed an investment promotion and protection agreement (in 1967) and a double taxation treaty (in 2003) (Burghart 2017, 260).

In 2015, German-South Korean economic relations were adversely affected by the aftermath of the 2015 Diesel-Gate where Volkswagen had used emissions cheating software in 11 million diesel-powered cars worldwide. In response, the South Korean government fined Volkswagen with penalties of around 45 million euros and banned 80 of its models from the Korean market. This resulted in Volkswagen's almost complete discontinuation of business operations in South Korea, including brands such as Audi, Porsche, and Bentley (Choe 2016; Burghart 2017, 271).

Germany's most important export goods to South Korea are machinery, automotive vehicles and vehicle parts, chemical products, and data processing equipment. The most important import goods are data processing equipment, electric and optical products, other (non-automotive) vehicles, machinery, and chemical products. As can be seen, the total trade volume in goods has been continuously growing throughout the past eight years. Germany has furthermore developed a pronounced trade surplus with South Korea in the years 2010 to 2015. Since then South Korea has halved the deficit down to a little over 5 billion euros in 2018. Germany's export-oriented companies initially benefitted significantly from the 2011 EU-Republic of Korea FTA,

which among others made German cars competitive on the South Korean market. Since 2015, Germany's exports to South Korea are stagnating. Overall, bilateral trade between South Korea and Germany mirrors South Korea's trade with the EU in that the FTA first comparatively benefitted European companies, but South Korea was able to shrink the deficit in the following years (cf. Pacheco Pardo, Desmaele, Ernst 2018). The main business sectors of German invested companies in South Korea were manufacturing in the automotive sector (including both suppliers and OEMs), machinery, and chemical production. The majority of South Korean investments in Germany are conglomerates' production facilities and regional management units, which are largely concentrated in the Rhein-Main industry cluster of the Frankfurt metropolitan area. The overall trend of FDI stocks and business operations of both countries, i.e. number of companies, employees, and annual revenue has been growing, although German FDI activities in South Korea have been stagnating since 2015.

To improve professional skills and reduce youth unemployment, South Korea seeks to partly implement Germany's dual-education system, where students learn specialized skills at vocational schools that closely cooperate with the private sector. Through funding from the Ministry of Economics and Energy of Germany, the Chamber of Industry and Commerce of Germany in Seoul is currently developing a programme for car mechanics (*Kfz Mechatroniker*) in cooperation with Mercedes Korea and BMW. In 2009, Germany and South Korea have furthermore signed a bilateral 'working holiday' agreement (AHK Korea 2017; Deutsche Botschaft Seoul 2018).

Both countries have identified smart factories and Industry 4.0 as a future pathway to foster innovation and improve industrial productivity. The cooperation between the two countries yields synergies, as Germany is leading in industry automation whereas South Korea has been a frontrunner in rolling out 5G infrastructure. Both governments have been actively supporting cooperation in this field (Kagermann et al. 2016 22 f; Burghart 2017, 261; KOTRA Hamburg 2019).

Tourism also plays an important role in the bilateral relationship, both from an economic as well as from a people-to-people relations perspective. Germans made up the largest share of European visitors to South Korea and numbers are growing; German nationals' arrivals at South Korean airports rose from 100,803 in 2013 to 109,860 in 2017 (UNWTO 2019).

Table 1. Germany's trade relations with South Korea, million euros

	2010	2011	2012	2013	2014	2015	2016	2017	2018
<i>Exports</i>	10259	11665	13373	14481	15616	17923	17246	17473	17273
<i>Imports</i>	11102	9555	8355	7992	8013	7668	7705	11316	12179

Source: Statistisches Bundesamt; Außenwirtschaftsportal Bayern

Table 2. Germany's FDI stocks with South Korea, million USD

	2010	2011	2012	2013	2014	2015	2016	2017	2018
<i>Inward</i>	5,504	5,557	6,318	4,521	5,210	3,911	4,979	5,603	5,872
<i>Outward</i>	7,921	7,672	8,566	8,376	8,944	9,209	8,271	10,453	9,838

Source: IMF

3 SECURITY RELATIONS

Germany's security relations with South Korea beyond the EU-level Crisis Management Participation Agreement and through NATO is informed by the two countries' shared values and goals, which entails Germany's support of South Korea as a lively East Asian democracy and its efforts towards a peaceful reunification of the Korean Peninsula. Noteworthy are the two countries' commitment to non-proliferation of nuclear weapons and Germany's support of sanctions against North Korea, which Berlin also displayed during its presidency of the UNSC in 2019 (Auswärtiges Amt 2019). Another area of cooperation is Germany's experience of national division, which it shares with South Korea, and German reunification, which is an important historical reference for South Koreans with both symbolic and practical value. It is not only an example that peaceful unification after decades of systemic political and economic division is possible. Germany also actively supports South Korean policy makers and academics through sharing of government documents and expertise pertaining to the reunification process (Deutscher Bundestag 2013).

Berlin sees itself as Seoul's partner in its struggle for a peaceful solution of the inter-Korean conflict and does not shy away from criticizing Pyongyang for violating UN

sanctions. For instance, in 2017, at the height of North Korea's nuclear and ICBM tests, Chancellor Merkel called for stronger sanctions and signalled that Germany was ready to play a more active role to find a diplomatic solution on the Korean Peninsula (Collis 2017). Recently, both countries have increased cooperation on security matters step-by-step through dialogues. In May 2018, the German Federal Academy for Security, the Konrad Adenauer Foundation, and the Korean Research Institute for Security Affairs organized a dialogue on European-Asian nuclear security, which was attended by government representatives and the academic community (Kamp 2018). In July 2018, South Korea and Germany conducted a top-level strategic dialogue, in which Foreign Minister of Germany, Heiko Maas, pledged to support South Korea's reconciliation policy and offered Germany's expertise in negotiating a nuclear-disarmament agreement (Welt 2018).

Another area of cooperation is arms trade. Since South Korea's democratization it is a consistent customer of German defence technology and ranks among the top-five destinations of German arms exports. Recent arms purchases include cruise missiles (Taurus KEPD-350), submarines (Type-214), but also combat ships, missile defence systems, as well as components for many more South Korean domestically produced defence projects (SIPRI 2019). In Germany, arms trade is a highly sensitive political issue, and German law stipulates that arms may only be sold outside of the EU and NATO with the Federal Security Council's approval. However, thanks to South Korea's democratization and accession to most international disarmament treaties, it is treated effectively like an ally and all weapon exports throughout the past decades have been approved (Ebbighausen 2017).

4 NORTH KOREA

When Germany reunified, it inherited East Germany's four-decade relationship with North Korea. The two socialist countries established diplomatic relations soon after their creation, in 1949, five years earlier than West Germany and South Korea did. East Germany and North Korea had signed an agreement on the transport of goods and payments in 1952, and four more agreements followed in the years after, governing the exchange of goods as well as East German support of North Korea's post-war reconstruction (Choi and Lee 2015, 670).

Upon reunification, East Germany's Embassy in Pyongyang became unified Germany's permanent representation until Berlin and Pyongyang officially established diplomatic

relations in 2001, thereby upgrading the premises back to the status of Embassy (Ibid, 672). Following the establishment of official diplomatic relations, the Goethe Institute, Germany's cultural diplomacy institution, opened an information centre in the Chollima House of Culture in 2004, which was the first Western cultural information centre of its kind in North Korea. The venue offered about 8,000 media products, including books, newspapers, VHS and DVDs with an emphasis on engineering and natural science contents and was open to all North Koreans. In 2006, articles of the *Süddeutsche Zeitung* and the *Spiegel* were prohibited by North Korean authorities as they allegedly contained information critical of North Korea. The Goethe Institute saw this as a breach of contract and in 2009 the information centre was closed (Wolters 2004; FAZ 2009; Choi and Lee, 674). The German Academic Exchange Service (DAAD) had funded a chair in German Studies at the Kim-Il-Sung-University between 2001 and 2014 and continues to financially support studies of North Koreans in Germany (Mittelstraß 2014; Siedenhans 2019). The German political foundations, operating out of Seoul, work with North Korean partner organizations and run a number of projects supporting economic and educational development as well as sustainability in energy and agriculture, and also give stipends to North Koreans to study in Germany, albeit only in non-engineering majors.

There is no treaty or agreement between North Korea and Germany that governs economic, financial, or science and technological cooperation. Hence, bilateral commercial relations are weak and sporadic. In 2018, Germany imported goods worth ca. 1,000 euros and exported goods worth 2.89 million euros to North Korea, which ranks Germany seventh among North Korea's trading partners, (KOTRA 2019, 44). A few German companies conduct business inside North Korea despite sanctions, among whom are the 2008 founded German-North Korean joint venture Nosotek, which develops software solutions and computer games for the international market (Schulz 2011; Xiang Zi 2019) and Deutsche Post subsidiary DHL, which operates in North Korea through its China branch, and has an office in Pyongyang (Oh 2017). A North Korean source of revenue in Germany that has gained the media's attention is the lease of North Korean Embassy real estate to a Turkish hotelier, who established the low-budget 'City Hostel Berlin' two blocks from Potsdamer Platz (BBC 2017).

German development aid to North Korea is facilitated through a number of projects by humanitarian organizations and NGOs, such as the German Red Cross, the Caritas Association, and Welthungerhilfe. The operations of these organizations are financed through taxes and individual donations. In 2018, German aid amounted to about 900,000

euros (UNOCHA FTS 2018). Germany is a strong supporter of the NPT and all official policy towards North Korea is tied to Pyongyang's willingness to denuclearise (Meier 2018, 46f).

5 CULTURAL RELATIONS

Between 1963 and 1977, 8,000 miners and 10,000 nurses were sent from South Korea to West Germany as part of a bilateral program to financially support South Korea's economic development. These guest workers contributed substantially to the friendship between Germans and South Koreans (Bundestag 2013). In 1986, South Korea and West Germany signed an agreement on academic and technological cooperation. The Ministry for Education and Research of Germany has funded 250 German-Korean projects between 2005 and 2017 (Gate-Germany 2017). Altogether, there are 537 bilateral research cooperation projects, and 168 German universities have established partnerships with South Korean universities as of August 2019 (Kooperation International 2019). The number of German students registered at Korean universities in 2018 was 782, of which 109 were registered as regular students and 583 in exchange programs (Ministry of Education of the Republic of Korea 2018). The number of South Korean students in Germany, in 2016, was 6,087, of which 3,445 studied at regular universities, 1,898 at universities for art and music, and 744 at universities of applied sciences (Gate-Germany 2017).

A number of renowned German research institutes cooperate closely with South Korea. In 2012, the Max-Planck-Gesellschaft established a research centre at POSTECH in Pohang and as of 2018, 201 Korean research fellows worked in projects funded by the society. The research institutes under the Fraunhofer-Gesellschaft maintain close cooperation with South Korean partners from the research and private sector and founded, in cooperation with the Korea Innovation Centre Europe, the K-TC Lab in Dresden. Fraunhofer also has an office in Seoul and a Project Centre for Composites Research in Ulsan. South Korea, too, maintains a foothold in the German academic landscape; in 1996, the Korea Institute of Science and Technology (KIST Europe) was founded in Saarbrücken, and in 2017, the Korea Innovation Center Europe (KIC Europe) was founded in Berlin (Kooperation International 2019). In December 2019, Minister of Economics and Energy of Germany, Peter Altmaier, met his South Korean counterpart Sung Yun-Mo in Berlin, where the two parties agreed to "strategically

expand” cooperation on industrial materials and equipment R&D. At the occasion, the Korea Electronics Technology Institute signed a MOU with Fraunhofer Institute (Kang 2019).

South Korean guest workers and South Koreans who studied in Germany, and increasingly also Germans who studied in South Korea, build the backbone of people-to-people relations between the two countries. Noteworthy is the 2008 founded South Korea-based alumni network ADeKo, in which most South Koreans with personal, professional, or educational ties to Germany are members. The *Deutsch-Koreansiches Forum* (German-Korean Forum) is an important bilateral annual venue for experts from various fields, including government, business, science, arts and culture, to enhance the friendship between the two peoples. It was initiated in 2002 and was attended by then German President Johannes Rau and South Korean Prime Minister Lee Han-dong. The location of the forum changes between Germany and South Korea.

6 CONCLUSION

South Korea is more than a like-minded partner to Germany; the shared experience of national division makes the relationship exceptional. Both West and East Germany had established diplomatic relations and cooperated closely with their ideological counterpart on the Korean Peninsula since the 1950s. The Federal Republic of Germany today is the heir to both Cold War relationships, and there is a feeling of special responsibility to contribute to peaceful Korean reunification among Germans. The 2013 declaration by the German Parliament on the occasion of the 130th anniversary of bilateral relations underlines this historical bond that is strongly felt in Berlin, expresses solidarity with the South Korean people, and calls for further development of the bilateral relationship.

This bilateral relationship transcends official diplomatic ties and permeates various areas of cooperation, most notably trade, investment, and academic research. The 2011 EU-Republic of Korea FTA has further increased economic integration of the two nations and synergies are found in new areas such as smart factories and Industry 4.0. The bedrock of the relationship are people-to-people contacts, and it is no exaggeration to maintain that it is first and foremost the achievement of guest workers, exchange students, scholars, and businesspeople from both countries who make the bilateral relationship exceptional.

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