



Original Article

Korea's Partnership for Africa's Industrial Promotion: Focusing on K-Entrepreneurship

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Abstract

Africa's industrialization has been slow and has achieved very limited success despite abundant production factors in many African countries. Industrialization is crucial for Africa, especially with the potential momentum from the African Continental Free Trade Area (AfCFTA) to boost intra-regional trade. African governments need to create an enabling business environment by developing infrastructure and supporting entrepreneurs. Korea, a densely populated country with scarce natural resources, embarked on industrial promotion in the 1960s. The government prioritized human resource development and made significant progress in industrial promotion. Over the past three decades, Korea has become one of the most industrialized countries

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focusing on high-technology industries, thanks to the emergence of Korean entrepreneurs. There are valuable lessons for African countries regarding Korea's successful industrial promotion, which was induced by the development of entrepreneurship. Sharing Korea's development experience with Africa can foster its industrial promotion and entrepreneurial development. Although the African continent is diverse in its socio-political environment, there are commonalities in industrial promotion and entrepreneurship development. Hence, it is worthwhile situate Korea's experiences into an African context. This study explores the basic concept of entrepreneurship required for innovation and its impact on industrial promotion. Korea's partnership with Africa may aid Africa's industrial promotion, with a special focus on K-entrepreneurship.

Key Words: Partnership, Africa, Industrialization, Entrepreneurship

I. INTRODUCTION

During the last several decades, Africa's industrialization has been slow and achieved very limited success despite of the abundant factors of production in many African countries. Africa needs to industrialize for several reasons.¹⁾ It is believed that the African Continental Free Trade Area (AfCFTA) can provide a significant momentum for industrialization on the continent by creating opportunities to increase intra-regional trade.²⁾ African governments need to create an enabling business environment by developing infrastructure and support entrepreneurs.

Korea, a densely populated country with few natural resources, embarked on industrial promotion in the 1960s. At that time, Korea lacked both capital and technology but abundant labour that could be educated and trained. The government prioritized human resource development and made significant progress in industrial promotion. Within three decades, Korea became one of the most industrialized countries, focusing on high-technology industries, thanks to the emergence of Korean entrepreneurs.

The methodology of this study is literature-based research, incorporating case studies of Korea's industrialization and the role of entrepreneurship. Most sources for this paper are obtained from relevant books, journal articles, policy reports, etc.

This study explores the basic concept of entrepreneurship needed for innovation and its impact on industrial promotion. We briefly examine the importance of entrepreneurship and its role in African industries. The study also investigates Korea's experience with the development of K-entrepreneurship during its industrialization phase. We emphasize that Korea's partnership with Africa could benefit Africa's industrial promotion, with a special focus on K-entrepreneurship.

1) Africa badly need to create jobs. There are about 8 million and 11 million African youth enter the labour market yearly (WEF, 2024).

2) AfCFTA was officially launched in January 2022.

II. LITERATURE REVIEW OF ENTREPRENEURSHIP AND INDUSTRIALIZATION

The production function comprises of land, labour, technology, enterprise, etc. Entrepreneurs play a critical role in promoting industries and their economic development. Other factors also affect industrial activities and economic development. For instance, the provision of infrastructure is a critical factor in improving the business environment. The quality of human resources, health, and social well-beings also affect business activities. Governments can catalyze investment activities by implementing favorable policies, giving entrepreneurs a better chance to succeed. Entrepreneurs emerge through education and training.

Schumpeter (1934) emphasized innovation as the critical ingredient of entrepreneurship. An innovative culture can be fostered through effective education and training systems. Innovative ideas involve developing new products, new way of production, creating new market with new business ideas. Kuada (2015) insists that societies cultivate an innovative culture for entrepreneurs (See, Bandura, 1986; Lundvall & Johnson, 1994; Shapero, 1984; Steyaert, 2007). This implies that factors such as financial resources are necessary to materialize entrepreneurial ideas into practice. Therefore, countries with strong financial markets will support entrepreneurs. African countries lag behind in providing finance to entrepreneurs and offering sufficient educational opportunities. Consequently, African entrepreneurs have low levels of motivation and enthusiasm in business. Reynolds et al. (2003) distinguished the motivation of entrepreneurship into growth-oriented/opportunity-based and survival, and African entrepreneurs were less motivated.

III. REVIEWS OF KOREA'S ENTREPRENEURSHIP DEVELOPMENT

Korea's successful industrial promotion over the last six decades was associated with the development of entrepreneurship. It was a government-led development, and the country was often referred to as a 'developmental state' (Chibber, 1999; Pirie, 2008). Korean entrepreneurs followed government policies and guide lines to seize business opportunities.

In the 1960s, Korea had very limited natural resources and low levels of technologies but abundant labour. The government provided various benefits to entrepreneurs to promote target industries. For instance, industrialists received concessional loans for their capital investments. Korea's industrialization and entrepreneurial development were guided by the government. Korea has a strong emphasis on education, which improved workers' skills. Many of them formed large conglomerates, leading to a form of 'crony capitalism'.

Korean entrepreneurs were able to reduce business risks as the government could act as a guarantor. There are some salient features of Korea's entrepreneurial spirits. Steers et al. (1989) pointed out that Korean entrepreneurs had a clear vision. They chose modern and updated production systems and designed products for international markets. K-entrepreneurship was developed with an innovative nature in businesses. Large conglomerates were deemed too big to fail. However, the case of Daewoo was different from other conglomerates in Korea.³⁾

Korean entrepreneurs tend to be risk takers. Korean manufacturers were outward-looking as Korea's domestic market was small. Judd & Lee (2000) insist that government's long-term visions were revised and aligned with scientific and technological progress. Entrepreneurs became more ambitious to become global players. In the 1980s, Korea was able to take leadership in certain industries, namely semiconductors and information communication technology products (ICT) such as mobile phones and related industries.

Korea's economy transformed in two different ways. Firstly, the economic structure changed from an agriculture-based economy to an industrialized one. Secondly, Korean industries shifted from low- tech industries to high-tech ones.

Korea's successful industrial promotion during the last six decades was associated with the development of entrepreneurship. Korean entrepreneurs were following government guide lines to take business opportunities. The Korean government determined target industries to promote in the 1960s and 1970s. Target industries were getting concessional loans and tax incentives. Export-oriented industries were given top priorities to receive loans and tax incentives (Lee, 1992). Korea's strong education zeal and motivation brought positive impacts, fostering and entrepreneurial skills and know-hows.

3) Daewoo was number four in terms of the size in Korea, but failed in 1998 when there was an Asian financial crisis (Lee, 2014).

K-entrepreneurship evolved with the trend of globalization in the 1990s. The wage rate was increasing rapidly, and industries stepped up to apply more industrial robotics and looked for new locations abroad. Korea experienced the international division of labour, shifting factories to developing countries with lower wage rate. Many companies moved into developed countries to expand markets and obtain new technologies. Korea's foreign direct investment (FDI) includes low-technology industries such as cotton textile, garment industries as well as automobiles, petrochemicals, semiconductors, electronics, electrical products, etc.

Since 2007, Korea's annual FDI maintained more than \$20 billion, reaching \$38.2 billion in 2018 just before COVID-19 (Chang, 2020). In 2022, after the coronavirus pandemic, overseas investment by Korean companies reached \$77 billion. By the destination of Korea's FDI, North America received \$30.2 billion, and \$18.2 billion went to Asian countries, whereas Africa received only \$110 million. Recently, Samsung announced that they will invest US\$15 billion which will create about 22,000 jobs in Texas, USA (Samsung, 2024). Hyundai and some other large conglomerates have been investing in America, Europe, in the Middle East and Africa. In recent years, Korea has been number one foreign investor in Vietnam with 10,000 Korean companies (Vietnam Investment Review, 2024). Korea has been number one foreign investor in Vietnam. Chaebols became global power houses as they are grown up to compete in the international markets and scaled up to multinational enterprises (Kim, 2017).

There are some salient features of Korea's entrepreneurial development. Steers et al. (1989) pointed out that Korean entrepreneurs had clear visions which were aligned with government policies. They chose production systems which were modern and most updated. New products were developed and sold in the international markets. K-entrepreneurship made substantial improvements, and Korean industries became very competitive at the global level (Hemmert & Kim, 2021).

Judd & Lee (2000) insisted that government's long-term visions were revised and aligned with scientific and technological progress. Korea was able to change their industrial capacity as technologies were improved resulting its industrialization. By the early year 2000, Korea reached a global leader in some industries namely semi-conductors, ICT, and mobile phones. Even Korea was attracting inbound FDI

so that Korean products became even more competitive with foreign products (Invest Korea, 2024).

IV. ANALYSIS OF AFRICA'S INDUSTRIALIZATION AND ENTREPRENEURSHIP

Most African countries gained independent in the late 1950s and the 1960s but could not make significant progresses in industrial promotion. It was due to insufficient quality labor, a shortage of capital, lack of technology, and a limited number of entrepreneurs. African governments were not able to provide necessary infrastructure due to budget shortages. Many African economies were heavily dependent on former colonial powers. Although African countries endeavored to industrialize for many years, they achieved very limited industrial promotion. The manufacturing sectors in Africa share less than 12% of GDP and employ less than 10% of the world force. African entrepreneurs have a low propensity to innovate or imitate (Kuada, 2015). This is due to a lack of innovative environment and capacity for technology promotion.

The African Union expects that the AfCFTA will increase intra-regional trade from 18% (2023) to 50% by 2035.⁴⁾ However, Africa needs to improve infrastructure such as road, railways, seaports, airports, power supply, water supply, etc. The cost of inland transport is too high, and it takes a long time to reach some countries, especially land-locked ones. This inhibits the growth of intra-regional trade. As intra-regional trade increases, entrepreneurs will seek new opportunities for further expansion.

African countries have economic advantages with abundant factors of production, globalization, enhanced collaboration with developed countries, and digital convergence. With growing economies in Africa, technologies will be more easily disseminated to neighboring countries on the continent. Kuada (2015) analyzed that the degree of capacity and innovation can be either necessity-triggered or growth-oriented, and presented four different case studies in Africa. In this regard, Africa needs good partnerships which can bring significant benefits to

4) The intra-regional trade in the European Union is more than 68% which is the highest in the world (UNCTAD, 2024). The intra-regional trade among ASEAN countries reached 50% in 2023 (UNCTAD, 2024).

its industrial promotion.

In the case of Ethiopia, ‘Agricultural Development-led Industrialization’ was launched in the early 1990s to increase agricultural outputs and promote industries. The strategy aimed to foster agricultural processing industries that could stimulate other manufacturing industries. The Growth and Transformation Plan was launched in 2005. Since 2018, the country transitioned to an advanced industrialization strategy by creating Integrated-Agro Industrial Parks (IAIP, 2024). It is not yet easy to find successful cases from the IAIP. Meanwhile, several large-scale industrial complexes have been established in several regions of Ethiopia, attracting foreign investment in textile, garment, footwear, light engineering, etc. However, there are only a few Ethiopian entrepreneurs in these industrial parks. Most of large industries are mainly owned and operated by foreign investors.

Industrialization requires skilled labour and well-educated people for further development. Africa needs to enhance STEM education for an innovative culture and build up capacity in the manufacturing sector, which will pave the way to promote entrepreneurship. Elouaourti & Ibourk (2024) studied the empowerment of African entrepreneurs and found that a willingness to engage in business activities and access to finance were the pivotal for entrepreneurial promotion. In Africa, finance for entrepreneurial activities depends on financial resources from abroad (Abdallah et al., 2020; Ajide, 2020; Koloma, 2021).

Nevertheless, there are 54 countries in Africa, and the continent is often divided into five different regions notably North, South, East, West and Central. Each region has its own characters in terms of economic, social and political environments. Consequently, the continent is highly diversified, which necessitates different approaches to encourage business activities.

V. FINDINGS FOR KOREA’S PARTNERSHIP WITH AFRICAN COUNTRIES

Korea’s partnership with African countries includes the volume of trade, the amount of investment, and the size of official development assistant (ODA), people’s visits, exchange programs, etc. The total volume of trade between Korea and Africa

was US\$20.45 billion which was less than 1.5% of Korea's total trade in 2022, and investment to Africa recorded US\$ 700 million which was less than 1% of Korea's FDI in the same year (KITA, 2024). Korea's ODA to Africa was 26% of the Korea's total ODA in 2023. Considering trade and investment. Korea has been negligent in business linkages with Africa. This is partly because African economies are mainly primary based and commodities. Africa exports raw materials or primary goods and imports manufactured goods from various countries.

Several African economies are growing fast, and there will be opportunities to promote industries. The continent moves to enhance economic partnerships by bringing industrial cooperation in various forms which require strong, more close linkages in industrial promotion. This is because Africa badly needs to achieve industrialization so that their economies can create jobs.

By sharing Korea's entrepreneurial spirits with African countries can strengthen Africa's industrial capacities. ODA activities include technical vocational education and training, and various capacity buildings for industries like technology promotion, even technical supports for industrial policies.

It is necessary to enhance partnerships between Africa and Korea by brining all stage holders in both sides such as academia, industry and government agencies together. One of the most effective ways of Africa's industrialization will be working closely with stakeholders. There are three key components to develop the entrepreneurial capacity in Africa. African countries should provide sound industrial policies on businesses. In order to promote African industries, the role of government can be an important issue for development. The provision of infrastructure is necessary. The infrastructure includes road, seaport, railway, power supply, telecommunication, etc., which directly affect the movement of goods and services and some indirect infrastructure such as education, health, good governance, so on and so forth.

VI. CONCLUSION

As shown earlier, Africa can gain significant momentum for industrialization through the AfCFTA, and some countries have attempted to promote industries with various policies. African countries can foster closer linkages for industrial promotion by attracting Korean companies through innovative direct investment

policies. Korean companies can enter the African market for direct investment not only labor-intensive industries such as textiles and garment, but also in diverse industries such as electronics, automobiles, petrochemicals, shipbuilding, machinery, and aviation. If Korean companies become more active in Africa, it could serve as a catalyst for the continent's industrialization.

The African continent has a lot of potential and is often referred to as the last resort of the world economy. Africans need good partners for their development. The partnership between Korea and Africa can be enhanced through a holistic approach, involving stake holders from the public sector, academia, and the private sector. The main objective is to stimulate the partnership between Korea and Africa in entrepreneurship and industrial promotion, creating a win-win strategy.

However, there are some limits to this study, as it used secondary sources of data and information for the analysis of Africa's entrepreneurship and industrialization. Field surveys could provide compelling insights and should be included in future research. Further research is necessary to achieve better results on industrialization and entrepreneurship in the African context. Nonetheless, this paper aims to draw attention to Africa's industrial promotion by sharing Korea's experience in entrepreneurship development, i.e. K-entrepreneurship.

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