

Cross-Cultural Business Tips



Author Daniel Tschudy

Winning on the Cross Cultural Battlefields.

Soon an FTA between South Korea and China?

From a European long-haul perspective, South Korea appears not too often in the media and we still know little about that country. And two of the recent news, the razor blade attack on US-Ambassador Mark Lippert and the "nut-case" against Korean Air's Cho Hyun Ah, did not really trigger our curiosity. What is interesting though is the working-relation between South Korea and China; since they share a difficult history with some skeletons in the cellar.

The Korean War (1950-1953) was when China sent their 'Volunteer Army' to North Korea to fight the South and their Allies. Following that conflict, South Korea remained long one of the poorest countries in the world. And there was hardly any relation with China until May 1983, when a hijacked Chinese civilian airline landed in Seoul. But formal relations were only established in 1992 when family members divided between the two countries were able to visit each other. Now, nearly 800'000 PRC-citizens live in South Korea (most of them are ethnic Koreans) and 430'000 South Koreans (2009) reside in China. Yet, significant barriers to good relations still persist, since Beijing politically stands closer to North Korea. Nevertheless, trade between the two countries now increases continuously.

South Korea, of course, is a success story. In 1960, its GDP per capita was \$79, meaning lower than some sub-Saharan African countries. Then, parallel to Japan's economic rise, growth started powerfully and all the way until the Asian Financial crisis in 1997; with the subsequent shutdown of a third of all Korean banks. Business has never been the same since.

Confucius in the way

For South Korea, good relations to the USA are important, since the country has more than enough unsolved issues with neighbouring Japan and North Korea. And 'North Korea' means, of course, China. Yet, since 4 years now, the Ministry of Foreign Affairs and Trade is working on a Free Trade Agreement with China, which would formalise at least the export/ import matters. It is a very difficult and slow process, because so emotional. Both countries have their limitations in open communication abilities. Confucius is still calling his values.

But, both sides talk, and that's good. Yet complicated. Korea established teams of China experts in an effort to strengthen diplomacy. An analytical team will report on political, economic and foreign affairs developments in China, and a monitoring team will report on public sentiment in China. The Institute of Foreign Affairs and National Security also launched a centre dedicated to China affairs, which will collate research on China.

Complicated indeed

And every word and gesture on both sides is measured carefully and widely analysed in the public. For example: in July 2014 Xi Jinping, the President of the People's Republic of China, visited both Korean nations, but he did stop in Seoul first.



Analysts from Tokyo to Washington then tried to understand the importance of that gesture and did their interpretations. To make matters more complicated, both leaders expressed their concerns over the values and behaviours of Japan's Prime Minister Shinzō Abe; i.e. about Art. 9 of the Japanese Constitution (re-interpretation of the powers of the Self-Defence Army). Or about other hot issues such as the Yasukuni Shrine, the so-called comfort women issue, and the Japanese history textbook controversies. So, there are enough reasons for South Korea to look north and to establish best-possible business relations with China. And their common interest against Japan is a helping tool.

So, finally, the leaders of China and South Korea have reached a basic understanding about an FTA that would allow Korean firms enhanced access to China's huge markets. Xi and South Korean's President Park Geun-hye signed the outlines of a deal and plan to reach a final agreement this year. Funny enough, or so very typical, the Chinese officials and state media called it "the conclusion of negotiations" rather than a final agreement. Presumably, it will take a bit more time until the ink on the paper will be dry.

But Xi also said that the agreement was evidence of their countries' strategic partnership and that it "will promote the integration of the Asia-Pacific region." Not something the US particularly enjoys hearing. And it will further guarantee the Americans strong "involvement" in Japan, in order to have at least one secure ally in the Far East.

In that region, it sometimes looks like a Monopoly game with, as amazing this might sound, North Korea as the balancing element in the middle. Complicated indeed.

About the Author



Daniel Tschudy is coach, speaker and consultant about cross-cultural issues and competences in the global business environment. He focuses mainly on the emerging markets in Africa and Asia; and he often features China and Japan.

info@tschudy.com
www.tschudy.com

daniel tschudy

