
Korean Diaspora in the Making: Its Current Status and Impact on the Korean Economy

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Does the Korean Diaspora Exist?

Today, the notion of a diaspora is often used casually in a way of describing a dispersion of people of a common national origin. However, is it correct to say that there is a Korean diaspora just because there are many Koreans living outside the Korean peninsula? The concept and definition of a diaspora have changed over the years and are still being studied and debated by many scholars and experts. It is helpful to examine the concept and definition of a diaspora before discussing the Korean diaspora and its impact on the Korean and world economies.

What Is a Diaspora?

“Diaspora” is not an everyday English word, and many people may not understand its exact meaning. Of course, those who have studied religion, sociology, demography, history, political science, or economics would probably know its meaning. Historically, there are three concepts of a diaspora: original, classical, and contemporary.

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The word “diaspora” originates from the Greek verb *speiro*, meaning “to sow,” and the preposition *dia*, meaning “over.” The ancient Greeks used this word to mean migration and colonization.¹ For the Greeks, diaspora essentially had a positive connotation. Expansion through military conquest, colonization, and migration were the predominant features of the Greek diaspora. This original concept of a diaspora, signifying expansion and settler colonization, can loosely be applied to the late European (especially British, Portuguese, and Spanish) expansionist settlements of the mercantile and colonial periods.

Eventually, however, the meaning of a diaspora changed to become quite negative, to describe a forced dispersion of people out of their homeland to their countries of exile. And for some groups, such as Africans, Armenians, Jews, and Palestinians, the expression acquired an even more negative and brutal meaning. For them, the word “diaspora” signified a collective trauma and banishment to live in exile against their will. The most famous such trauma, of course, is that of Jews. In fact, so closely did the word “diaspora” become associated with the fate of Jews and the biblical use that usually when it is written with a capital “D,” the Diaspora means, as the *Oxford English Dictionary* states, “the settling of scattered colonies of Jews outside of Palestine after the Babylonian exile, or Jews living outside Palestine or modern Israel.” This is a very narrow definition of a diaspora. A little broader meaning is the dispersion of Christians isolated from their own communion and scattered across the Roman Empire before it adopted Christianity as the state religion.² These definitions associated with Jews and early Christians form the classical concept of a diaspora.

The contemporary concept of a diaspora is a way of understanding migration, cultural differences, identity politics, and so on. Thus, this broader definition of “diaspora” refers to a dispersion of people of a common national origin or of common beliefs living in exile. An even broader definition would simply refer to people of one country dispersed into other countries. These contemporary definitions of a diaspora especially refer to one particular phenomenon: cross-border migration.

Over the years, many social scientists have tried to provide a more specific definition of this broad concept of a diaspora. In fact, for decades, social scientists studying the issue of the diaspora have tried to tighten its definition, which today often is used as a synonym for “overseas,” “ethnic,” “exile,” “minority,” “refugee,” “expatriate,” “migrant,” and so on. Depending on how restrictively the term “diaspora” is defined, these experts offer vary-

1. The Greeks colonized Asia Minor and the Mediterranean in the Archaic period (800-600 BC).

2. Originally, the Hebrew word *galut* (Deuteronomy 28:25) was employed to refer to the forced exile of the Jews in Babylon (586 BC). The word “diaspora” was later used in the sense of the forced dispersion of Jews and Christians.

ing characteristics or features of a diaspora.³ In general, however, they seem to be focusing on five key criteria for the existence of a diaspora:

- dispersal of a large number of individuals from an original homeland to two or more foreign regions;
- an involuntary and compelling element in the motivation for people to leave their home country due to severe political, economic, or other constraints;
- a group's conscious and active efforts to maintain its collective identity, cultural beliefs and practices, language, or religion;
- people's sense of empathy and solidarity with members of the same ethnic group in other countries of settlement, leading to efforts to institutionalize transnational networks of exchange and communication; and
- people's collective commitment to preserve and maintain a variety of explicit and implicit ties with their original home country, provided it is still in existence.

Depending on how strictly one applies these criteria to identify a diaspora, there can be a wide range of diasporas. For example, if one argues that all five criteria should be met for a community to be identified as a diaspora, then we would have a rather narrow definition of a diaspora. Conversely, if one argues that only a couple of these criteria would be enough to identify a diaspora, then we have a rather broad concept of a diaspora.

Different Types of Diasporas

By comparing various diasporas in terms of their motivation to move out of their homeland to other countries, we can categorize different types of diasporas. Following the method used by Cohen, various diasporas can be grouped into five categories: victim or refugee, imperial or colonial, labor or service, and trade or commerce.⁴

3. For example, Connor (1986) defines "diaspora" very loosely as any segment of a people living outside its homeland. Conversely, Safran (1991) offers a very limited definition of diaspora, which applies to very specific cases and would prevent, for instance, the Greek, Chinese, or Lebanese transnational communities from being considered diasporas. See Dorais (2001).

4. Cohen (1997) also considers one more type of diaspora: a cultural or hybrid diaspora. He gives an example of the Caribbean people abroad. Caribbean people are not native to the area and are from a mixture of African slaves, indentured workers from India, and European settlers. Today, those Caribbean people living outside the region form a loose diaspora centered on their common culture.

As can be seen in table 2.1, a particular diaspora can be categorized into more than one type because the history of a diaspora often shows different motivations for people to leave their home country at various times. Thus, in a way, it is almost impossible to come up with a categorization of perfect matches between a particular ethnic group and a specific type of diaspora. In fact, it is quite the contrary. For example, Jews were not only a victim diaspora, but also one that was periodically successful in trade and commerce. Likewise, the Chinese were indentured laborers—therefore classified as a labor diaspora—as well as a successful trading diaspora. This type of categorization of diasporas may not be the best, and in fact many sociologists might use other methods. But in this way, we can at least compare major motivations for diasporas.

The victim or refugee diaspora is of course the result of a terrible experience of forced migration. The most important element here is the catastrophic origin of the diaspora. The best known case is, as noted above, that of Jews. However, there are other cases of victim groups with profiles not much different from that of Jews. The horrific African slave trade and the brutal treatment of Armenians by Turks⁵ resulted in victims and refugees who formed diasporas of their own. Sometimes, even the Irish diaspora propelled by the potato famine in Ireland in the mid-19th century is identified as a victim diaspora.⁶ A more recent case is the Palestinian diaspora. When the United Kingdom withdrew from Palestine in May 1948, the Israeli army occupied the vacuum and the ethnically based state of Israel was proclaimed. It has been estimated that two-thirds of the Arab population of Palestine left their homes and became refugees. Ironically and tragically, the Palestinian diaspora had been created by the homecoming of the Jewish diaspora.

The expansion of the powerful nations in Europe led to the development of their own imperial diasporas in their colonies abroad. British, Dutch, French, German, Portuguese, and Spanish colonists moved outward to most parts of the world. The British were particularly successful in establishing overseas settlements. However, for these settlers in their colonies, the term “diaspora” is not used normally by many sociologists because they emigrated several generations ago and do not continue to

5. Although the origins of the Armenian diaspora were in commerce and trade, the Armenians can be characterized as a victim diaspora because the Turks, following the massacres of the late 19th century, forcibly deported two-thirds of Armenians (estimated to be 1.75 million people) to Syria and Palestine.

6. The huge transatlantic migration of the Irish during the period 1845-52, following the famine, is considered a trauma. Studies have shown that hidden behind a seemingly laissez-faire government policy toward the Irish famine was a deliberate British government policy of population control, modernization of agriculture, and land reform, which ended up propelling the massive and continuous transatlantic migration of the Irish in the 19th century. See Cohen (1997) and Kinealy (1995).

Table 2.1 Different types of diasporas

Type	Examples
Victim or refugee	Jews, Africans, Armenians, Palestinians, Irish
Imperial or colonial	Ancient Greek, British, Spanish, Portuguese, Dutch, French
Labor or service	Indentured Indians, Chinese, Japanese
Trade or commerce	Venetians, Lebanese, Chinese

Source: Cohen (1997).

retain their identity as a collective group or keep ties with their original home countries, which are key features of a diaspora. For example, the term “diaspora” is not normally used when describing the presence of descendants of British people in Australia, Canada, Kenya, New Zealand, South Africa, the United States, and Zimbabwe. Nor is the term applied to the many German colonies established in Central and Eastern Europe and in several Latin American countries.⁷

The labor or service diaspora is the result of migration for the purpose of finding work—mainly involving unskilled labor. Examples of this type of diaspora include Indian workers in the plantation colonies during the period of British colonialism, North African construction workers in France, Chinese railroad workers in the United States, and Japanese workers in sugarcane plantations in Hawaii. These diasporas were, of course, the results of the 19th-century system of indentured labor abroad and therefore were somewhat related to the victim diaspora due to the coercive element of recruitment. However, these are not generally considered as victim diasporas because, in all three Asian cases, the people who were indentured formed a very small fraction of the total migrant population, the migrants had the legal right to return, and the recruitment process and work conditions were legally regulated, however badly.⁸

Stories of trade diasporas have been around for many years—for example, Homer’s *Iliad* and *Odyssey* and Shakespeare’s “The Merchant of Venice.” The best known trade diasporas are those of Venetians, Lebanese, and Chinese. Merchants from one community would live as aliens in a town in another country; learn the language, the customs, and the commercial practices of their hosts; and then start the exchange of goods. Some kept moving back and forth between home and host countries, but many others stayed and settled in their host country.

The result of these activities was an interrelated net of commercial communities forming a trade network and diaspora. In the case of

7. Exceptions would be the Germans in Argentina and Chile, because they retain their identity. This phenomenon is sometimes called “minorities of superiority,” which refers to the wish of these minorities to perpetuate their identity, which they see as culturally superior.

8. See Cohen (1997).

Chinese, at least as many traders as indentured laborers had begun to spill from the Chinese mainland into the rest of Southeast Asia. Moreover, the merchants' long-term influence was far greater than that of indentured laborers. It would be therefore more appropriate to describe the Chinese diaspora primarily as one of trade rather than labor, if one has to choose only a single category.

Globalization is bringing the parts of the world much closer together than ever before, creating more international migration and transnational corporations, and creating global cities with multiethnic, multicultural, multilingual populations. Globalization has enhanced the practical, economic, and affective roles of very adaptive diasporas. As diasporas become more integrated into the globalized world, their power and importance will be enhanced.

Diasporas Come and Go

Like other historical formations, diasporas form and disappear over time. As was mentioned above, many imperial or colonial diasporas are disappearing because of their weakened collective identity and ties with the original homeland. Some diasporas expand while some others shrink—not only because their dispersion continues or ceases, but also because they keep or lose their collective identity. For example, the Chinese diaspora continues to expand as more Chinese people migrate to other countries looking for jobs and business opportunities. But at the same time, the Chinese diaspora communities continue to maintain their collective ethnic identity—for example, by their continued commitment to teach the Chinese language to their second and third generations.

Conversely, the Japanese diaspora has in fact stopped growing and in a way has begun to disappear. Like Chinese contemporaries, many Japanese left their country in large numbers, initially to Hawaii for jobs on sugar plantations, and after the US annexation of Hawaii mainly to the west coasts of the United States and Canada. However, since the end of World War II, Japanese emigration has effectively ceased. Most Japanese who had settled in East Asia returned to Japan. Although there is still a large Japanese community in Latin America and on the west coasts of the United States and Canada, they have begun to lose their collective identity and cohesiveness, which is a key element of a diaspora. For example, many second- and third-generation Japanese-Americans do not speak Japanese.

Some diaspora communities have a strong enough political will to create nation-states. The best known case is Israel, but others include Cape Verde, Haiti, Liberia, and Singapore. Various other small states, which are often islands, are essentially made up of diaspora communities: Guyana, Mauritius, Suriname, and Trinidad.

The Making of the Korean Diaspora

Koreans are strongly rooted in their homeland. Thus, few people from Korea had left the country before Japanese colonization in 1910. During the period 1910-45, a sizable number of Korean workers left their homeland and settled in Manchuria, on Sakhalin, and in Japan. Korean emigrants during this period can generally be characterized as indentured labor migrants, and thus they could be called a labor diaspora. But many of them were forced to leave their home country under the colonial rule. They could therefore, with some justification, also be described as a victim diaspora because of the coercive element in their emigration or recruitment.

During this period, many Koreans, most of whom were North Koreans, also migrated to China and settled there as a result of their unhappiness with the Japanese colonization of their homeland. After World War II ended in 1945, many of them stayed in China after the Japanese left the Korean peninsula. The postwar Soviet occupation on Sakhalin prevented any possible return movement by the Korean minority there, and others remained in Siberia, on the border with Manchuria. Many Koreans who were living in Japan at the end of World War II also stayed and settled there in pursuit of better economic opportunities.

The character of Korean migration has changed from the 1960s, when the Korean economy began to develop and the government adopted an active emigration policy as part of domestic population control. As a result of this policy, many Koreans left their homeland to find better economic opportunities in other more industrialized countries. Most of these Koreans moved to the United States. After 1975, and increasingly in the 1980s and 1990s, more than half a million South Koreans immigrated to the United States, especially to Los Angeles, according to the US census.

As of 2001, according to South Korean government statistics, there are more than 5.7 million Koreans living outside the Korean peninsula. Does this mean that there is a Korean diaspora? As was discussed above, diasporas have several key characteristics. Most of these features are present in the case of Korean migration.

Chaliand and Rageau (1995) included the Korean diaspora in their atlas of world diasporas, but they raised two questions about the Korean migration being identified as a diaspora: One is the magnitude of migration, and the other is the limited destination. They argued that—though there had been quite an early migration to Japan of about 400,000 Koreans in 1930 and the emigration continued and accelerated after the 1960s—the total number of overseas Koreans lacks the massive proportions of a typical diaspora, such as the Irish case, in which more than half of the population emigrated from their homeland. However, if one can call the Japanese emigration a diaspora, the Korean diaspora certainly qualifies, because the number of Japanese living abroad is not very large. Moreover,

the numbers of overseas Chinese and Indians are not that large relative to the huge populations still living in their home countries.⁹

The other question Chaliand and Rageau raised was that the overseas Koreans are essentially concentrated in three countries—the United States, China, and Japan—though small colonies exist on Sakhalin and in eastern Siberia. The question is whether this is a true dispersion or not. It is true that more than 80 percent of overseas Koreans are concentrated in these three countries. But the Irish also moved to only a couple of countries linguistically similar to their home country—the United States and Canada. Nevertheless, overseas Koreans are scattered all over the world. There are 15 countries with more than 10,000 Koreans and 5 countries with more than 100,000.

Moreover, Korean diaspora communities are very active in forming ethnic Korean community associations. These associations act as a centripetal force, pulling Koreans together, and they make conscious efforts to maintain the Koreans' collective ethnic identity, which again is one of the key elements of a diaspora. In fact, there are more than 2,000 of these ethnic Korean community associations all over the world. One can certainly claim that the Korean diaspora exists.

The Current Status of the Korean Diaspora

How many Koreans are living outside the Korean peninsula? It is certainly not easy to answer this question—even though, as stated above, the South Korean government estimated in 2001 that there are 5.7 million Koreans living abroad—because it is not easy to collect accurate data on population, particularly of minority populations in foreign countries. Nevertheless, the Korean Ministry of Foreign Affairs and Trade provides official estimates of overseas Koreans.¹⁰

The Ever-Growing Diaspora

As of 2001, again, it is estimated that there are about 5.7 million Koreans living in 151 countries outside the Korean peninsula. This population has grown 17 percent during the past 10 years. The number of overseas Koreans has always shown a positive annual growth rate, meaning that

9. It is estimated that there are 50 million overseas Chinese and 20 million overseas Indians, which are roughly 3.9 percent and 2.0 percent of their homeland populations, respectively. In Korea's case, overseas Koreans take up 8.2 percent of the total population in the Korean peninsula, which means the sum of the South Korean and North Korean populations.

10. See the Web site of the Korean Ministry of Foreign Affairs and Trade, <http://www.mofat.go.kr>.

the Korean diaspora is ever expanding. In particular, the 10-year period 1973-82 showed the highest growth rate of overseas Koreans; the number more than doubled, from about 700,000 in 1972 to 1.7 million in 1982, not counting the ethnic Koreans in China and the countries belonging to the Commonwealth of Independent States (CIS).¹¹

During this period, almost 100,000 Koreans were added to the existing overseas Korean population every year. The year 1991 was particularly important for the Korean diaspora; for the first time, a complete picture of the Korean diaspora was revealed by identifying the numbers of ethnic Koreans in China and the CIS countries—which was about 2.4 million at the time, about 1.9 million in China and about 0.5 million in the CIS countries. Thus, the total number of overseas Koreans was estimated at about 4.8 million in 1991 (table 2.2). Through 2001, as the number grew to 5.7 million, an average of about 82,000 were added each year. It is clear that the Korean diaspora is still growing.

Dispersion of Overseas Koreans

The 5.7 million overseas Koreans are scattered across 151 countries. There are 24 countries with more than 2,000 ethnic Koreans, and 15 countries with more than 10,000. But overseas Koreans are concentrated in 5 countries or commonwealths, each with more than 100,000 ethnic Koreans; as is shown in table 2.3, these are the United States, China, Japan, the CIS, and Canada, which together account for 5.3 million, or 93 percent, of all overseas Koreans.

The United States has a larger number of ethnic Koreans than any other country in the world. There are more than 2 million ethnic Koreans in the United States, which is 38 percent of all overseas Koreans.¹² In the United States, ethnic Korean communities are concentrated in two areas: about 30 percent in the Los Angeles area and about one-quarter in the New York area. In the Los Angeles area alone, there are more than 200 various associations of ethnic Koreans. Seven US metropolitan areas have more than 100,000 ethnic Koreans; in order of Korean population, they are Los Angeles, New York, Chicago, San Francisco, Seattle, Houston, and Washington. In Hawaii, where the first Korean immigrants to the United

11. This number does not include ethnic Koreans in China. Because the South Korean government did not have diplomatic relations with China and the Soviet Union until the late 1980s, it could not provide the estimate of ethnic Koreans in China and the CIS countries until 1991.

12. This estimate by the Korean government is very different from the estimate of the 2000 US census, which puts the number at about 1 million. Because many people, particularly minorities, often do not respond to the census, its data on ethnic groups are likely to be underestimated.

Table 2.2 Expansion of the Korean diaspora, 1991-2001

Year	Number of overseas Koreans
1991	4,832,414
1995	5,228,573
1999	5,644,229
2001	5,653,809

Source: Korean Ministry of Foreign Affairs and Trade Web site, <http://www.mofat.go.kr>.

Table 2.3 The Korean diaspora by country and region of residence, 2001

Country, group, or region	Number	Percentage share
Major country or group		
United States	2,123,167	38
China	1,887,558	33
Japan	640,244	11
CIS	521,694	9
Canada	140,896	2
Region		
Asia	2,670,723	47
North America	2,264,063	40
Europe (including CIS)	595,073	11
Latin America	111,462	2
Middle East	7,200	—
Africa	5,280	—
Total	5,653,809	100

CIS = Commonwealth of Independent States

Source: Korean Ministry of Foreign Affairs and Trade Web site, <http://www.mofat.go.kr>.

States landed in 1903 as sugar plantation workers, now only about 30,000 ethnic Koreans reside. In Canada, most ethnic Koreans live in the Toronto and Vancouver areas.

Closer to home, there are 1.9 million ethnic Koreans in China, followed by 0.6 million ethnic Koreans in Japan and 0.5 million in the CIS countries. In Japan, the largest ethnic Korean community is located in the Osaka area. More than 200,000, or about 34 percent of all ethnic Koreans in Japan, live in the Osaka area. Among the CIS countries, Uzbekistan has the largest number of ethnic Koreans (about 230,000), followed by Russia (about 157,000). Almost half of the ethnic Koreans living in Latin America are in São Paulo, and about a quarter are in Argentina.

The latest hot spot for Korean emigrants is New Zealand. Throughout the 1990s, many Koreans left South Korea for New Zealand. The number of ethnic Koreans in New Zealand was only about 3,000 in 1992, but it grew very fast to about 18,000 in 2001. It is interesting that the motivation

for this new wave of Korean migration to New Zealand is to escape from the poor living environment of Korean society, particularly for the sake of their children's education. The highly competitive South Korean educational system is driving these people from their homeland. They would rather raise their children in easy-going, environmentally cleaner, less expensive New Zealand, with its English-speaking educational system. Unfortunately, many heads of the households cannot find the high-paying jobs they are used to in South Korea, and therefore return to Korea to work, leaving their separated families behind.

The Diaspora's Impact on the Korean Economy

A diaspora could have an impact on the home country's economy in three basic ways. First, it could affect the trade and investment flows of the home country's economy, as can easily be seen with many trade or commerce diasporas. Second, it could affect the balance of payments of the home country through fund transfers between overseas settlers and their remaining families and relatives in the home country. Third, it could affect the home country's human resources and labor market.

Trade and Investment

Trade and investment have a long history of interrelationship with diasporas. Some of the best known diasporas are considered to be trade or commerce diasporas—the Chinese and Indian diasporas. In fact, there have been many academic studies analyzing the positive impact of diasporas on trade and investment flows between the home and host countries. These studies try to focus on informal trade barriers, especially weak enforcement of international contracts and inadequate information about international trading opportunities.¹³

As these studies have shown, business and social networks created by diasporas operate across national borders and thus can help overcome these types of informal trade barriers. For example, Saxenian (1999) shows that a transnational community of Indian engineers has facilitated the outsourcing of software development from California's Silicon Valley to such cities as Bangalore and Hyderabad. In other words, diasporas play the roles of alleviating problems of contract enforcement and providing information about business opportunities in international trade and investment activities.

As one can imagine, it is difficult to enforce contracts in international trade. There is always the risk of facing the failure of the other party's

13. For a complete survey of these studies, see Rauch (2001).

commitment to the contract. By doing international business through the network of a diaspora, one can reduce this risk significantly. For example, within the Armenian community in the 17th and 18th centuries, contracts could be made on a handshake and still avoid the opportunistic behavior of agents involved because of the trust created by the Armenian diaspora's moral community.¹⁴

In the case of the Chinese diaspora, the network has created a system of implicit penalties as a community, which are far greater than the short-term benefits one might gain through opportunism. If a business owner violates an agreement, he or she is blacklisted within the network, which is far worse than being legally sued because the entire network refrains from doing business with the blacklisted owner.¹⁵ The threat of collective punishment of deviant agents by all merchants in the network deters opportunism and creates trust in international transactions, which in turn promotes the expansion of trade and investment.

Diaspora networks can also be used to transmit information about current opportunities for profitable international trade or investment. Transnational networks can facilitate business agent matching through the provision of market information, by informing suppliers about consumers' tastes in a particular country. As a result, suppliers will know what to supply and how to adapt their products to consumer preferences in a given country. One good example is the case of South Korean wig exports to the United States. According to a study,¹⁶ Korean wig manufacturers had to depend entirely on Korean immigrant wig importers for market information about US wig fashions. Wig producers in Korea could obtain information on new styles and market trends from these immigrant wig importers, even though they were not able to develop new styles of their own.

At the same time, transnational diaspora networks can help investors to find joint-venture partners, producers to find appropriate distributors, and manufacturers to find good parts suppliers. The case of the Chinese transnational network is well documented in a study of the bamboo network.¹⁷ Thus, through a network effect, diasporas can have a positive impact on bilateral trade. In addition, diasporas can also create trade through a taste effect, which means that immigrants' taste for goods from their countries of origin can directly create new trade flows to their country of residence. The most common example of this newly created trade through a taste effect is an increase in imported food. Most immigrants have a ten-

14. See Curtin (1984).

15. See Weidenbaum and Hughes (1996).

16. See Chin, Yoon, and Smith (1996) for a case study of the wig business in Los Angeles during the 10-year period starting in 1968.

17. See Weidenbaum and Hughes (1996).

dency to continue to stay with their ethnic dietary patterns and habits, and therefore they need to consume traditional foods and buy the necessary ingredients, which are normally imported from their home country.

The positive impact of a country's ethnic groups or immigrants on its bilateral trade has been studied empirically in the past, using gravity models which analyze the determinants of bilateral trade flows. For example, an empirical study of US bilateral trade during the period 1970-86 confirms the positive impact of immigrants on US trade.¹⁸ A similar study, also done on Canadian bilateral trade, found the same evidence of Canada having more bilateral trade with countries from which it has more immigrants.¹⁹

To assess the impact of the Korean diaspora on South Korea's trade, a gravity model is also used to estimate the impact of the number of overseas Koreans on the country's bilateral trade.²⁰ The estimation uses Korea's bilateral trade with its 171 trading partner countries and the number of ethnic Koreans in those countries for 1999 and 2001.²¹ The estimation result shows that the estimated coefficient on the number of overseas Koreans is positive (+0.18) and highly significant (99 percent confidence level) in the total trade volume equation, confirming the findings of earlier studies.²²

This finding means that South Korea trades more with a country where more ethnic Koreans reside than with a country with a smaller number of ethnic Koreans. When the export equation is estimated separately, the estimated coefficient of the number of overseas Koreans is again positive (+0.16) and highly significant (99 percent confidence level), which means that Korea exports more to a country where more ethnic Koreans reside than to a country with fewer ethnic Koreans. When the import equation is estimated separately, the estimated coefficient of the number of overseas Koreans is again positive (+0.14) and highly significant (99 percent confidence level), which means that Korea imports more from a country where more ethnic Koreans reside than from a country with fewer ethnic Koreans. The fact that the export elasticity is larger than the import elas-

18. See Gould (1994).

19. See Head and Ries (1998).

20. I would like to thank Ben Goodrich for excellent research assistance for this analysis. The gravity model used here is based on one developed by Jeffrey Frankel (1997). The data are mostly drawn from the IMF's *World Economic Outlook* database and its *Direction of Trade Statistics* data.

21. The years 1999 and 2001 are the only ones for which the data on the number of overseas Koreans are most completely available. Although the dataset contains 171 trading partners, the actual number of observations for the estimation was 334 because some observations for certain variables are missing data values.

22. A random-effects generalized-least-squares regression estimation method was used.

ticity can be reasonably interpreted as meaning that export elasticity combines a taste effect and a network effect, whereas import elasticity only reflects a network effect.²³

This result could also mean that more overseas ethnic Koreans find prospective business opportunities by importing and selling Korean products in their country of residence than by exporting products of their country of residence to South Korea, perhaps because Korean products are competitive. Thus from this analysis, it can be argued that the overseas diaspora of ethnic Koreans create Korea's trade with those countries where they reside and in fact create more exports than imports. This result could also be loosely interpreted as meaning that a 100 percent increase in the number of overseas Koreans would appear to increase Korea's exports by 16 percent and its imports by 14 percent, with a very small standard error.²⁴

Foreign direct investment (FDI) by overseas ethnic Koreans has not been large, especially in comparison with that of the Chinese diaspora. Traditionally, however, FDI has not been an important part of Korean economic development.²⁵ Nevertheless, there was some FDI from overseas Koreans in the earlier stage of South Korea's economic development. Most of this FDI was from the ethnic Koreans in Japan. One well-known example was the case of the Lotte Group. Lotte chairman Kyuk-ho Shin apparently had accumulated wealth in Japan as an ethnic Korean and decided to invest in his homeland of Korea. Yet the dominant modality of FDI in Korea has been through minority stakes in joint ventures, mostly because of the regulations and restrictions on FDI. However, this pattern has been changing since the recent economic crisis in Korea; the ensuing liberalization of foreign investment rules has led to more FDI inflows to Korea in recent years.

The recent trend in FDI inflows in South Korea is its significant increase into services sectors like information technology and finance. In particular, information technology and other related high-technology industries have attracted FDI from overseas ethnic Koreans. For example, Chairman Son Masayoshi of Japan's Softbank has invested a significant amount in computer software and related industries in the past several years. Some other ethnic Koreans in Silicon Valley have also invested a significant amount in the software industry. Thus, there is a trend of

23. See Rauch (2001) for details of this type of interpretation on this result. Gould (1994) and Head and Ries (1998) show basically similar results for the United States and Canada, respectively.

24. Standard errors for the export and import coefficients are 0.043 and 0.078, respectively. This interpretation is a somewhat loose one because the dataset used in this analysis does not have enough time dimensions. It is difficult to argue that these elasticities are long-run elasticities.

25. See Choi and Schott (2001) for more discussion on FDI in South Korea.

increasing interest in investment by overseas Koreans. This FDI is insignificant, however, when compared with that of the Chinese diaspora in China.

China has drawn upon an enormous ethnic Chinese pool of nearly 50 million people, mostly based in Asia. The economic success of the Chinese in Hong Kong, Singapore, Taiwan, and elsewhere created investment opportunities in mainland China. China offered favorable treatment to overseas compatriots as it gradually opened its economy to FDI during the first reform period of the 1980s. The ethnic network facilitated a massive shift of production, through FDI in export processing as well as in trading activities, into lower-cost China.²⁶ The bulk of FDI into China came from Hong Kong and Taiwan. FDI from ethnic Chinese also provided valuable management skills and access to well-established global business networks. Conversely, until recently, the Indian diaspora's FDI has been limited because the Indian diaspora has had a bigger presence in the professional services sector as opposed to manufacturing and the Indian government has had a restrictive policy against FDI, just as did South Korea.

Fund Transfers

One of the key elements of a diaspora is the fact that overseas ethnic groups maintain, through various means, strong ties with their original homeland. One way of maintaining ties with families, relatives, and friends at home is to send them money. In fact, this phenomenon of overseas ethnic groups transferring funds to their homeland is very common among most diasporas, particularly where the home-country economy is in a poor state. Naturally, people living and working in the higher-wage countries would transfer funds to the lower-wage countries.

A simple indicator of this cross-border fund transfers is the "current transfers" item in a country's balance of payments account. Current transfers comprise general government transfers and other private-sector transfers, including workers' remittances. But for most countries, the amount of government transfers is a very small portion of total current transfers. Thus, many countries with large overseas diaspora communities usually show large inflows of current transfers.

As is shown in table 2.4, India receives huge inflows of funds through current transfers. In 2000, India had \$13.5 billion of current transfers from abroad, which was 2.9 percent of GDP. China also receives a large quantity of current transfers, though their share of its GDP is small be-

26. For a story of the Chinese and Indian diasporas' investment in their home countries, see Joydeep Mukherji, "View from the Silk Road: Comparing Reform in China and India," *Standard & Poor's Credit Week*, February 6, 2002.

Table 2.4 Trend in current transfers for South Korea, India, and China, 1997-2001 (millions of US dollars)

Country and year	Current transfers		Inflows as a ratio of GDP (percent)
	Inflow	Outflow	
South Korea			
2001	6,548	6,911	1.55
2000	6,500	5,820	1.41
1999	6,421	4,506	1.58
1998	6,737	3,384	2.13
1997	5,288	4,621	1.11
India			
2001	n.a.	n.a.	n.a.
2000	13,504	51	2.94
1999	11,958	35	2.74
1998	10,402	67	2.51
1997	13,975	62	3.48
China			
2001	n.a.	n.a.	n.a.
2000	6,861	550	0.64
1999	5,368	424	0.54
1998	4,661	382	0.49
1997	5,477	333	0.61

n.a. = not available

Source: IMF, *International Financial Statistics*.

cause of its huge GDP. But more important, China and India both have outflows of current transfers that are very small compared with the size of inflows of current transfers, and thereby have a large surplus in current transfers.

However, in the case of South Korea, not only are its inflows of current transfers relatively small (less than 2 percent of GDP) but also its outflows of current transfers are large, partly because of its higher income level. Korea's outflows of current transfers are increasing by more than \$1 billion every year. Korea even had a deficit of current transfers in 2001. Part of the reason for this large outflow of funds in the form of current transfers is that there are many foreign workers in Korea, who send back a large portion of their earnings to their families in home countries. Yet, a large portion of the outflow in current transfers accounts for those funds transferred to Korean families abroad. Some of those funds are sent to Korean students abroad, who are not really part of the Korean diaspora.

Still, a large quantity of funds is transferred to ethnic Koreans living abroad. Perhaps the recent South Korean trend of emigrating to industrial countries (e.g., New Zealand, as mentioned above) could explain some of this outflow, because many heads of families come back to Korea for higher-paying jobs and send money for living expenses to their families abroad. This is a unique phenomenon.

The Labor Market

As a diaspora develops and expands, it affects labor markets both in the home country and abroad. First, because people are leaving the country, there is a loss of human resources from the domestic economy and a gain for their host countries. One problem that a country should be concerned about, when it faces sizable emigration, is brain drain. This is quite a common and serious problem for many developing countries because many skilled, high-quality workers tend to leave the country in pursuit of higher-paying jobs and a better living environment abroad. South Korea had some experience with this problem in the 1950s and 1960s after the Korean War, when many highly educated people left Korea to study in the United States and settled there instead of returning home. But starting in the late 1970s, Korea was able to attract back many of these US-educated scholars and scientists.

At first, the South Korean government provided many financial incentives for them to return. Then, recognizing that research and development activities can contribute significantly to the economy's growth, the government took steps to create institutions for research and development and allocated the necessary funds. As a result, during the late 1960s, key institutions such as the Korea Institute of Science and Technology were created and flourished. Later on, the science town of Daeduk was created to host many research institutes. By offering heavy incentives to these institutes, Korea was able to recruit many ethnic Korean scientists living in industrial countries, especially from the United States. Thus, these ethnic Korean scientists, who moved back to Korea either permanently or temporarily for several years, contributed significantly to the development of Korea's science and technology capacity. Starting in the 1990s, there has been a trend among many overseas ethnic Koreans to wish to return to Korea as the country has developed significantly and become quite an attractive place to live.

In this sense, overseas ethnic Koreans have contributed to the development of the South Korean economy by transferring their knowledge and skills—which they obtained and strengthened in the more advanced countries of their residence—to their homeland. Recently, overseas ethnic Koreans' expertise in service industries (e.g., financial services) has begun to be transferred to Korea. Although one often hears about these transfers, it is of course very difficult to quantify such contributions by the Korean diaspora.

Meanwhile, the rapid economic development has brought high wages and income to South Korea. As a result, by the mid-1990s, Korea began to experience some shortages of labor, particularly in sectors with what are known as "3-D" (dirty, difficult, and dangerous) jobs. Just like most other industrial countries, Korea began to import cheap labor from abroad,

mostly from Southeast and South Asia. But these imported workers' job opportunities were limited to those 3-D jobs because they could not speak the Korean language. As wages in Korea rose very high in the first half of the 1990s, the service industries began to seek cheaper labor from the pool of ethnic Koreans in China, whose biggest advantage was the fact that they could communicate in Korean. This meant that they could work in service industries like the restaurant business.

This labor market matching—demand for cheaper labor in South Korea matched by excess supply of ethnic Korean labor in China—brought a massive influx of ethnic Koreans from China into the Korean labor market. Now, one can easily run into these ethnic Koreans from China in many restaurants, working as waitresses, busboys, and short-order cooks. In this sense, overseas ethnic Koreans are contributing to the Korean economy by providing the home-country labor market with cheaper workers who are equipped with the necessary (language in this case) skills. This is also a very uncommon phenomenon among diasporas. Not one of the many examples of global diasporas listed in table 1.1 can be identified as having this characteristic—an overseas ethnic community that provides cheaper labor to its homeland.

Summary and Conclusion

The Korean diaspora is alive, expanding, and still in the making. It has more than a century of history. The diaspora's 5.7 million ethnic Koreans are scattered all over the world in 151 countries. Some have left South Korea involuntarily, and others voluntarily. But all of them actively try to maintain their collective identity and culture as Koreans. Overseas ethnic Korean communities seem to have an ethic of empathy and solidarity. But most of all, they try to maintain their ties with their homeland, Korea. These characteristics of overseas ethnic Koreans, again, are the key elements of a diaspora.

The Korean diaspora is concentrated in five countries or commonwealths, with more than 100,000 ethnic Koreans in each, which together account for 5.3 million or 93 percent of all overseas ethnic Koreans. The United States and China have the largest numbers of these Koreans, with respectively 2.1 million and 1.9 million, or 38 and 33 percent, of them.

Diaspora networks contribute to the creation of trade through the taste effect and the network effect. The above analysis shows that the Korean diaspora does have a positive impact on trade by creating more exports than imports. It is estimated that a doubling of the number of overseas Koreans appears to increase South Korea's exports by 16 percent and Korea's imports by 14 percent. Foreign direct investment by the Korean diaspora has not been very significant for the development of the Korean economy, unlike in the case of the Chinese diaspora.

South Korea's pattern of current transfers in its balance of payments account is indicative of an interesting and unique aspect of the fund transfers by the Korean diaspora. In contrast to the other diasporas, such as those of the Chinese and Indians, the Korean diaspora seems to be taking money out of the homeland rather than sending it to Korea.

The Korean diaspora did not really cause a brain drain but instead contributed to the development of South Korea by transferring back home the knowledge and skills they obtained in more advanced countries. And most interesting, ethnic Koreans from China are providing a low-wage labor resource for the homeland.

It is important to study the many aspects of the Korean diaspora because it concerns not only overseas ethnic Koreans but Koreans at home as well. One area where more research needs to be done is in building a statistical database for many variables related to the Korean diaspora, particularly trade and investment data. It is recommended that an organization like the Overseas Koreans Foundation should pay more attention to building this database in the future.

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Comments on Chapter 2

TAEHO BARK

I have learned much from Inbom Choi's chapter. I had never encountered the word "diaspora" until I read his chapter, despite the fact that I lived in the United States for more than 10 years. Thus, reading the chapter was a particularly good opportunity for me to learn about the Korean diaspora.

The motivation for and main characteristics of the Korean diaspora seem to vary according to the time period. For example, there seems to be a clear difference between the periods before and after the 1960s. In the future, I expect the Korean diaspora to follow the trend of the more recent period, especially in seeking better opportunities. However, in this case, the migration will be temporary rather than permanent. It will be an interesting exercise to look at the changes according to the time period and major destinations. Political, commercial, and social motivations may well explain the migrations.

In chapter 2's section on the Korean diaspora's impact on South Korea's economy (p. 19), it was pointed out that the ethnic Koreans' investment in Korea has not been significant. This finding seems to be related to the Korean foreign direct investment policy, which has not welcomed investment from abroad so as to protect domestic firms from foreign competition. In the future, however, I think ethnic Koreans' role in Korea's economic development will increase. For example, ethnic Koreans from Asia can make huge contributions to the low-skilled workforce in Korea, whereas ethnic Koreans from the United States can strengthen the Korean economy in the services sectors and high-technology businesses.

One thing the chapter did not mention is the fact that ethnic Koreans can play an important role in mediating trade and investment disputes between South Korea and the United States. I am not saying that ethnic Koreans should become lobbyists. Rather, it is important to emphasize that they can diversify their business interests between the two countries,

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which might be helpful in eventually mitigating possible conflicts in the future.

In the coming years, more ethnic Koreans from all over the world will likely return to or visit South Korea for various reasons. In this context, it will be very important to investigate other countries' experiences, particularly with regard to the efforts home-country governments have made to facilitate the interaction between ethnic nationals living abroad and the homeland.

As for government policy, it needs to be emphasized that Korean nationals living abroad might not want any special favors from their home country. Instead, they might want to be treated equally with their fellow Koreans living in South Korea. In particular, the home-country government should not intervene on behalf of ethnic Koreans in other countries. If the home-country government would like to help Koreans abroad, it can best do so by promoting programs initiated by the private sector, such as cultural and educational events.

Because I work at Seoul National University, it is useful to share some of my own experiences. Recently, the number of ethnic Koreans visiting South Korean universities has been increasing. They may come to Korea either to learn the Korean language and culture for a semester or two or to seek a formal degree. However, at my university, most of the lectures, especially for the undergraduate courses, are conducted in Korean. This really discourages those ethnic Koreans who do not speak Korean. We need to make more efforts to invite these young Koreans born and living abroad to visit South Korea in a more accessible linguistic context so that they can come to know and understand more about their origins.

In response to this need, Seoul National University is about to launch a new program, Learning Contemporary Korea: Gateway to East Asia, in the spring semester of 2003. This program will offer a package consisting of three components: learning the Korean language and culture, taking a couple of courses to be conducted in English, and working at an outside organization as an intern. I hope that this program will create a good momentum for introducing contemporary South Korea to both ethnic Korean students and to students from other countries around the world.