

Korean Economy

- Based on the Japanese model of state involvement and regulation.
- Government recognizes that its interference has deterred potential importers--they have tried to adopt more liberal trading policies as set by the General Agreement on Tariffs and Trade (GATT).
- Recovered strongly after Asian economic crash of 1997 and 1998.

Korean Economy—Numbers

- GDP (purchasing power parity in 2008): \$1.278 trillion (NK: \$26.2 million (estimate) ; US: \$13.84 trillion; IN: \$209.90 billion)
- Natural resources: Coal, tungsten, graphite, lead, hydropower potential
- Agriculture products: Rice, vegetables, fruit, root crops, barley, cattle, pigs, chickens, milk, eggs, fish
- Farmable land: 16.58% of land area (as compared to 19% for US)

Korean Exports & Imports

- Exports: electronic products (semiconductors, cell phones and equipment, computers), cars, machinery and equipment, steel, ships, petrochemicals
- Imports: crude oil, food, machinery and transportation equipment, chemicals and chemical products, base metals and articles
- Major markets: China (21.7%), US (11%), Japan (6.7%), Hong Kong (4.7%)
- Major suppliers: China (17.7%), Japan (14%), US (8.8%), Saudi Arabia (7.8%), UAE (4.4%)

History of Korean Economy

- Early 60s: Park Chung Hee's government made sweeping economic policy changes emphasizing exports and labor-intensive light industries, which led to rapid debt-financed industrial expansion. Brought on currency reform, financial institution strengthening, and flexible economic planning.

History of Korean Economy

- 70s: Directed fiscal and financial policies toward promoting heavy and chemical industries, consumer electronics, and automobiles.
- Manufacturing continued to rapidly growth in the 80s and early 90s.

History of Korean Economy

- Recent years: economy moved away from centrally-planned, government-directed investment model toward a more market-oriented one.
- Survived and bounced back from Asian financial crisis in 1997 and 1998, with some International Monetary Fund (IMF) assistance, but largely based on extensive financial reforms that restored stability to markets.
- These reforms (pushed by President Kim Dae-jung), helped Korea to return to growth, with growth rates of 10% in 1999 and 9% in 2000.

History of Korean Economy

- Slowing global economy in 2001 slowed rates down to 3.3%, prompting consumer stimulus measures that led to 7% growth in 2002.
- Consumer over-shopping and rising household debt, with external factors, slowed growth to around 3% again in 2003.
- Increase in imports in 2004 led to a rise in growth rate again (to 4.6%), and it stayed at or above 4% from 2005-2007. With onset of global financial and economic crisis in 3rd quarter of 2008, rate slowed to 2.2%.

Korean Economy—Now

- Exceptional economic growth since 60s. Per capita GNP was \$100 in 1963, now is close to \$20,000 (comparison: NK per capita GNP was \$1,800 in 2008)
- Now the US's 7th-largest trading partner and is the 13th-largest economy in the world

Korean Economy—Now

- Economists are now concerned that Korea's economic growth potential has fallen because of a rapidly aging population and increasingly apparent structural problems (rigidity of labor regulations, need for more constructive relations between management and workers, underdeveloped financial markets in Korea, and general lack of financial transparency).

Korean Economy—Now

- Korean policy makers increasingly worried about diversion of corporate investment to China and other lower-wage countries, and by Korea's falling foreign direct investment (FDI).
- President Lee Myung-bak was elected in Dec. 2007 on a platform that promised to boost Korea's economic growth rate through deregulation, tax reform, increased FDI, labor reform, and free trade agreements with major markets. This shifted in final months of 2008 to deal with global economic crisis.

Korean Economy

- Member of the Organization for Economic Cooperation and Development (OECD) since 96.
- Founding member of the Asia-Pacific Economic Cooperation (APEC) forum.
- Diplomatic relations with more than 170 countries. US and Korea are allied by 1953 Mutual Defense Treaty. Korea and Japan coordinate closely on numerous issues, like consulting with US on NK policy.

North-South Korea Economics

- Two-way trade between North and South Korea was legalized in 1988 and hit almost \$1.82 billion in 2008, due to out-processing or assembly undertaken by SK firms in the Kaesong Industrial Complex (KIC).
- Since June 2000 North-South summit, NK and SK have reconnected their east and west coast railroads and roads where they cross the DMZ and have improved these transportation routes.