

Network of Global Agenda Councils

Discussion highlights **on the Future of Korea**

at the Summit on the Global Agenda, Dubai, United Arab Emirates 7-9 November 2008

This reflects work that is still in progress. It will continue to be updated and revised.

The views expressed here emerged from the Council meeting and do not necessarily reflect the views of the World Economic Forum or those of all the Council Members.

Economic Crisis Management: Lessons from Korea's Experiences

South Korea underwent three major economic crises (in 1973, 1979, 1997) and was able to translate them into new opportunities and improvements for structural changes. Whereas Korea emerged as a bigger and qualitatively upgraded economy from the first and the second crises, the third crisis offered South Korea new momentum to undertake corporate, banking and financial as well as labour reforms, heralding an outstanding economic comeback.

The recent global financial crisis has accompanied a major credit crunch and a recessionary trend, and is eroding confidence in markets. In order to cope with this crisis, Korea must now move forward on internationalization, liberalization and the development of the financial system, while recognizing the negative consequences of such reforms. Korea also needs to formulate counter-cyclical macroeconomic policies. Internationally, it will actively participate in constructing the new international financial architecture through multilateral cooperation (e.g. G20) and lead regional cooperation that complements the IMF system (e.g. Asian Monetary Fund). The private sector (banks and firms) needs to have a global mindset to proactively adjust to the changing global environment and hence maintain the legacy of multinational corporations.

From High-Carbon Industrialization to the Green Growth Initiative

Korea's economic growth has evolved as a high carbon input economy, deteriorating the environment. To solve the global as well as Korea's environmental problems, Korea has recently adopted an innovative approach integrating somewhat antithetical concepts of environmental protection and economic growth: the Green Growth Initiative.

Korea needs to lead global society in protecting the global commons by developing and sharing green technologies and by showing real examples. Particularly, Korea needs collaborative innovation between government and companies to improve and contribute to global environmental protection and expanding global carrying capacity. It is also important to develop energy efficient technologies and social systems while providing education on the green growth paradigm.

Opening New Technological Frontiers: IT, BT, NT, CT and Future Leading Sectors

Korea now needs new growth engines and frontiers. IT (Information Technology), BT (Biotechnology), NT (Nanotechnology) and CT (Culture Technology), and the convergence of these 4 Ts, will provide ample ground for new frontiers. For Korea's fourth industrial revolution, Korea must combine R&D investment with responsible administrative support and management skills.

The future of Korea and its growth engines will depend upon the convergence of the 4 Ts (hardware) and 2 Ts (software: administrative technology, management technology), accompanied by Korea's expanded efforts for international cooperation.

Demographic Changes and Human Resource Development

Korea's economic miracle was mainly derived from its high quality human resources. But too much emphasis on equality in education has retarded Korea's further economic and social development by lowering the overall competitiveness of its human resources.

The basic approach to solve the education and competitiveness problem ought to be opening the education market and promoting more competition. However, to prevent the polarization of the rich and the poor as regards access to high quality education, the government needs to discern an innovative policy to produce winners in diverse fields. Moreover, in acquiring talent, Korea can make use of global human resources, including overseas Koreans, particularly as Korea is rapidly ageing. In addition, as labour market flexibility is vital for Korea's competitiveness, the government must apply greater effort to strengthening life-time vocational education. Developing female human resources and helping the female labour force participate actively in the economy by providing them with social infrastructure including childcare is equally important.

Democracy, Corporate Social Responsibility and the Global Compact

Departing from previous practices, South Korean firms have shown good performance in improving social responsibility, especially measured in terms of the financial contribution made to society. However, improvement is needed in the ethical attitude, trust, transparency and integrity of South Korean firms, since corporate social responsibility is not fully incorporated in their corporate strategy.

Even if Korean society now bears more social responsibility as Korea modernizes and democratizes, in order to upgrade its status and position even further, it needs to create a "social trust ecology" surrounding people, companies and the society as a whole. This will lead to a low-transaction cost and high-trust based economy.

Enhancing South Korea's International Brand Value

A significant gap between South Korea's economic strength and its national brand value has been noted. Given its industrial and cultural competitiveness, South Korea's brand value is underestimated.

Two strategies have been suggested to improve South Korea's national brand value. One is a public sector strategy which is based on enhancement of its global responsibility through an increase in official development assistance and the strengthening of peacekeeping operations. The other is a private sector strategy founded on translating corporate and cultural assets into the national brand, and promoting international understanding and cooperation in the civic minds of the Korean people.

Newly Emerging Order and the Future of the Korean Peninsula

With the election of Obama as the new president of the United States, the overall milieu surrounding the Korean peninsula is expected to be substantially improved. Taking advantage of this new change, the North and South Koreas should resume inter-Korean exchange and cooperation.

As part of such efforts, the Koreas should pursue common projects such as the trans-Siberian railroad system, joint development of resources in North Korea and other economic projects. Such cooperation will eventually reduce tension, ensure peace and promote common prosperity on the Korean peninsula. A suggested action plan is the establishment of a North Korean Development Council in collaboration with other international organizations and NGOs.