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Emergence and structural transformation: Experience from South Korea's transformation process

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I. Overview

(1) Historical Review

- ◇ 1960s: Outward looking industrialization
- ◇ 1970s: Big push to promote heavy and chemical industries
- ◇ 1980s: Structural adjustment & liberalization, the IT industries
- ◇ 1990s: financial crisis in 1997 (IMF Bail out policies)
- ◇ 1998 ~ 2000: Economic reform
- ◇ 2000s: Slow growth, 2008: World Financial Crisis, Recovery
- ◇ 2014: Still Progressing
 - Population: 51.3 million (2015) Pop. growth rate:1.02%(2012)
 - Area: 99,720 sq.km
 - World Rank: 6th Trading country(\$1,052bil)
13th largest economy(\$1,449bil.)
 - GDP per capita: \$28,739.(IMF, 2014)

I. Overview

(2) Trade and Balance

< Korea's Annual Trade Growth in 2002-14(US\$ billion)>

Year	Export	Import	Balance
2000	172.2	160.5	+11.8
2004	254.2	224.5	+29.7
2008	363.5	323.1	+22.0
2012	547.9	519.6	+28.3
2014	572.7	525.5	+47.2

Source: Korea Statistics Office (2015)

- In 2014, the following 5 commodities' export exceeded US \$365.2billion(63.8% of the total export)

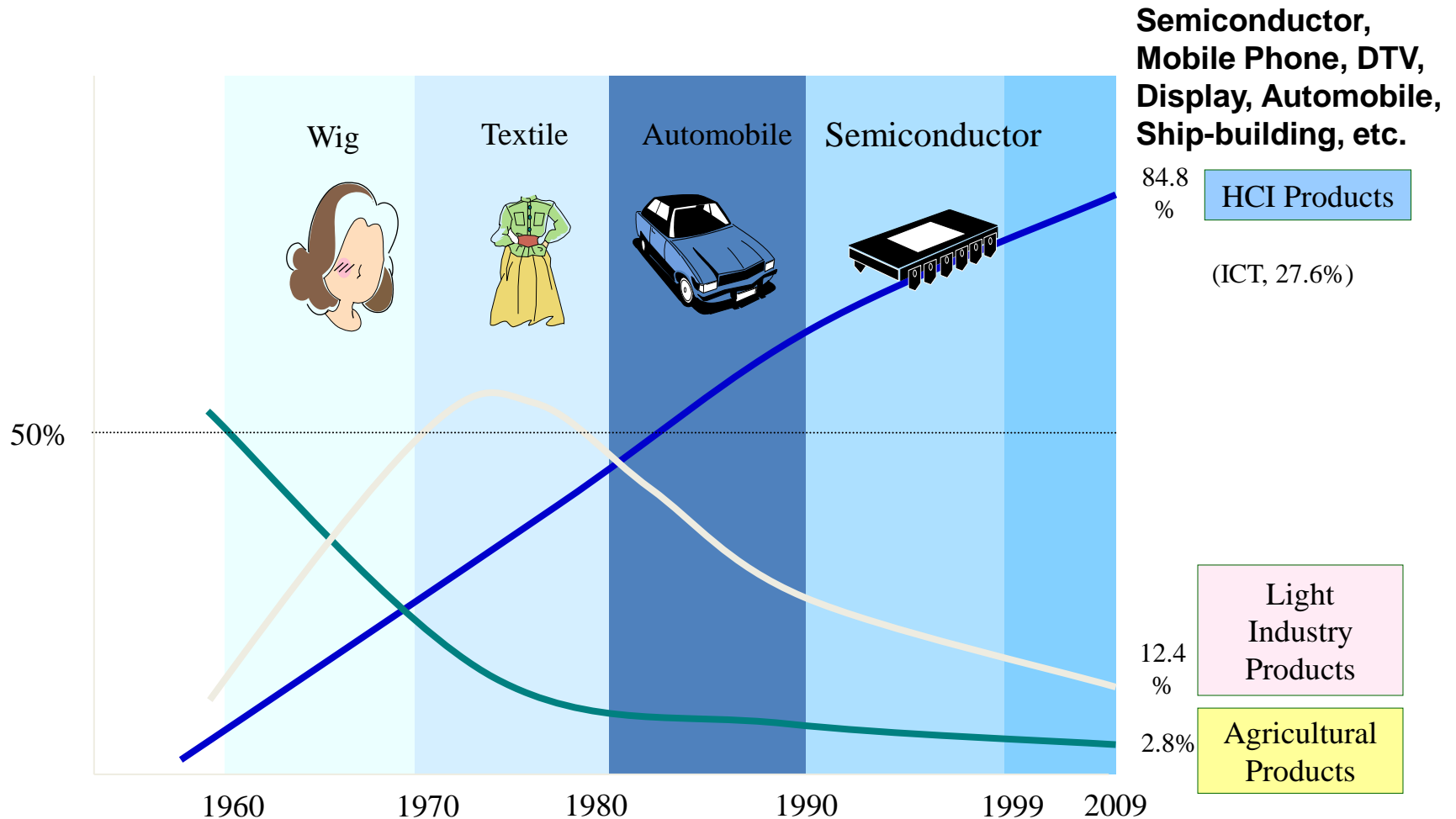
<Korea's 5 Major Export Commodities in 2014(US\$ billion)>

Year	Electronics goods	Automobile	Computers and Machinery	Chemical products	Shipbuilding
2014	138.2	73.3	63.0	52.4	46.7
2010	110.8	53.4	52.0	32.6	38.3

Source: Korea Statistics Office (2015)

I. Overview

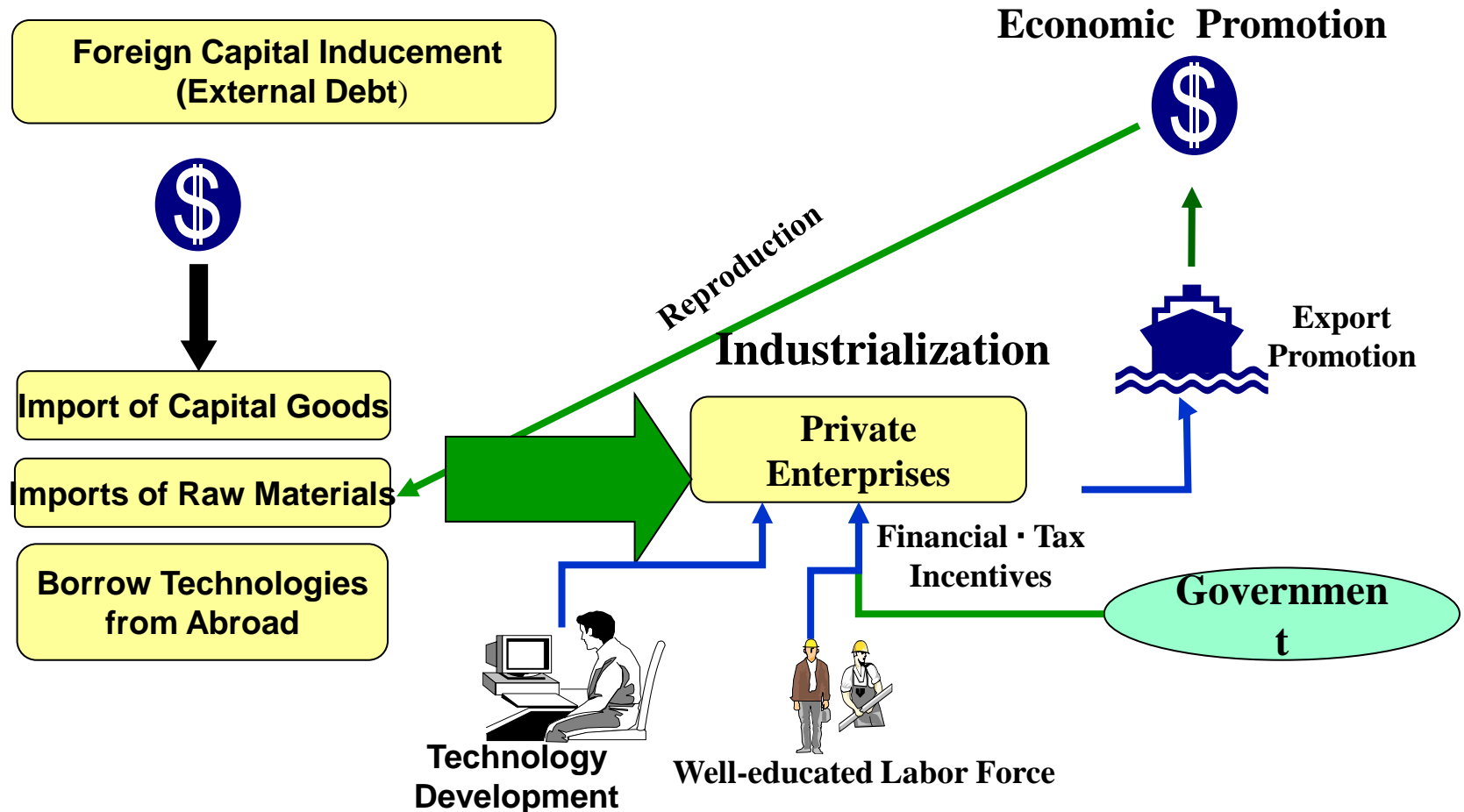
(3) Economic Transformation



Source: MOSF, 2009

I. Overview

(4) Industrial Strategies (Export-oriented)



II. Structural Transformation

(1) 1960s- 1970s : Big Push for HCs

- ◇ In the 1960s promoted light industries(labor intensive)
- ◇ Change the direction of industrialization to HCs
- ◇ Many Industries were succeeded: Iron & steel, shipbuilding, automobile, electronics, chemicals, etc.
 - Linkages between the government and enterprises
 - Priority industries were supported by the government
 - Favorable interest rates available for investment
 - SMEs were not fairly treated by the government
- ◇ Created large conglomerate, called “Chaebol”

II. Structural Transformation

(2) 1980s : New Step for Further Development

- ◇ Imbalanced growth : focused on large scale industries
- ◇ Regional Imbalance:
- ◇ Structural imbalance: “Chaebol problems”
- ◇ Over capacities among the HCLs
- ◇ Shifted to high tech industries: ICT industries
- ◇ Political changes and more liberalized government intervention
- ◇ Relaxed labor policies: Trade Union movement

II. Structural Transformation

(3) 1990s-2000s: More advanced (Emergence)

- ◆ Globalization: WTO, FTAs and a new era for the world economy
- ◆ The Asian Financial Crisis in 1997: Many failed like 'DAEWOO' – 'Too big to fail' (?)
- ◆ New economy with science and technology: IT, BT, NT
- ◆ Science, technology and innovation: human capital
 - R&D activities: in terms of 4.03% of GDP(2013, 2nd in the world after Israel)
- ◆ E-government system: efficiency of the society

III. Key Success Factors

(1) Government Policies

- ❖ Macroeconomic Policies
 - Five-year economic development plans
 - Industrial policies (target industries) and soft loans
 - Monetary and fiscal policies
 - EPZs and industrial zones
- ❖ SOEs
 - Good governance; authoritarian, civil servants
 - Effective long-term vision and forward looking
 - On merit system
- ❖ Social Overhead Capital
 - Provision of SOCs
 - Emergence of PPPs

III. Key Success Factors

(2) Private Sector and Human Capital

- ❖ Capacity building of the private sector
- ❖ Education system
 - Cultural background, Motivation (A dragon rises from the ditch.)
 - Science & Technology
- ❖ TVET
 - Skills and support program
 - Increasing demand for skilled workers
 - Effective technical and vocational training system
- ❖ Entrepreneurship development
 - Collude with the government
- ❖ *To be or not to be that is the question'* (Shakespeare) common attitude among Korean entrepreneurs

VI. Implications to Africa

(1) The Public Sector

- ◇ Political stability
- ◇ Provide conducive business environment
- ◇ Support equality of education: TVET and business related courses, science and technology
- ◇ Social infrastructure: network system
- ◇ Trade Union movement
- ◇ Health care, welfare, etc.
- ◇ Environmental protection

VI. Implications to Africa

(2) The Private Sector Development

- ◇ Promote entrepreneurship
- ◇ Patriotism
- ◇ Vision and Strategies: forward looking
- ◇ Self-esteem, confidence
- ◇ Align with government policies
- ◇ Dissemination of best practices
- ◇ Sustainable development

V. Conclusion

African countries can take lessons from Korean experience.

- ◇ The Public Sector:
 - Macroeconomic policies, monetary and fiscal policies, industrial policies, governance, provision of SOCs, transformation etc.
- ◇ The Private Sector: Entrepreneurship,
- ◇ Social Factors: Human capital,

Q & A

Thank you!