**University of International Business**

**Economy in South Korea**

**Almaty, 2011**

**South Korea**, officially the **Republic of Korea (ROK). Currency** South Korean Won (W)

**Geography**

Area: 98,480 sq. km. (38,023 sq. mi.); slightly larger than Indiana.

Cities (2010): Capital-Seoul (10.5 million). Other major cities-Busan (3.6 million), Daegu (2.5 million), Incheon (2.7 million), Gwangju (1.4 million), Daejeon (1.4 million), Ulsan (1.1 million).

**People**

Nationality: Korean(s).

Population (2010): 48,636,068.

Annual population growth rate (2010): 0.258%.

Ethnic groups: Korean; small Chinese minority (about 20,000).

Religions: Christianity, Buddhism, Shamanism, Confucianism, Chondogyo.

Language: Korean; English widely taught in junior high and high school.

Education: Years compulsory-9. Enrollment-11.5 million. Attendance-middle school 99%, high school 95%. Literacy-98%.

Health (2010): Infant mortality rate-4.24/1,000. Life expectancy-78.81 yrs. (men 75.56 yrs.; women 82.28 yrs).

Total labor force (2010): 24.37 million.

Labor force by occupation (2007): Services-67.7%; industry-25.1%; agriculture-7.2%.

**Government**

Type: Republic with powers shared between the president, the legislature, and the courts.

Liberation: August 15, 1945.

Constitution: July 17, 1948; last revised 1987.

Branches: Executive-President (chief of state); Prime Minister (head of government).Legislative-unicameral National Assembly. Judicial-Supreme Court and appellate courts; Constitutional Court.

Subdivisions: Nine provinces, seven administratively separate cities (Seoul, Busan, Incheon, Daegu, Gwangju, Daejeon, Ulsan).

Political parties: Grand National Party (GNP); Democratic Party (DP), formerly known as United Democratic Party (UDP); Liberty Forward Party (LFP); New Progressive Party (NPP); Pro-Park Alliance (PPA); Renewal Korea Party (RKP).

Suffrage: Universal at 19.

Government budget (2010): Expenditures-$227.2 billion.

Defense (2009): 2.5% of GDP.

**Economy**

GDP (purchasing power parity in 2010): $1.364 trillion.

Real GDP growth rate: 2008, 5.1%; 2009, 2.3%; 2010, 0.2%.

GDP per capita (2010, current U.S. $): $17,074.

Unemployment rate (2010): 3.6%.

Inflation rate (consumer prices): 2009, 4.7%; 2010, 2.8%.

Natural resources: Coal, tungsten, graphite, molybdenum, lead, hydropower potential.

Agriculture: Products-rice, root crops, barley, vegetables, fruit, cattle, pigs, chickens, milk, eggs, fish. Arable land-16.58% of land area.

Industry: Electronics, telecommunications, automobile production, chemicals, shipbuilding, steel.

Trade (2009): Exports-$363.5 billion: semiconductors, wireless telecommunications equipment, motor vehicles, computers, steel, ships, petrochemicals. Imports- $323.1 billion: crude oil, food, electronics and electronic equipment, machinery, transportation equipment, steel, organic chemicals, plastics, base metals and articles. Major export markets (2010)-China (23.2%), U.S. (10.1%), Japan (5.8%), Hong Kong (5.3%), Singapore (3.6%). Major importers to South Korea (2009)-China (16.8%), Japan (15.3%), U.S. (9.0%), Saudi Arabia (6.1%), Australia (4.6%).

Over the past several decades, the Republic of Korea has achieved a remarkably high level of economic growth, which has allowed the country to rise from the rubble of the Korean War into the ranks of the Organization for Cooperation and Development (OECD). Today, South Korea is the United States' seventh-largest trading partner and is the 15th-largest economy in the world.

In recent years, Korea's economy moved away from the centrally planned, government-directed investment model toward a more market-oriented one. South Korea bounced back from the 1997-98 Asian financial crisis with assistance from the International Monetary Fund (IMF), but its recovery was based largely on extensive financial reforms that restored stability to markets. These economic reforms, pushed by President Kim Dae-jung, helped Korea return to growth, with growth rates of 10% in 1999 and 9% in 2000. The slowing global economy and falling exports slowed growth to 3.3% in 2001, prompting consumer stimulus measures that led to 7.0% growth in 2002. Consumer over-shopping and rising household debt, along with external factors, slowed growth to near 3% again in 2003. Economic performance in 2004 improved to 4.6% due to an increase in exports, and remained at or above 4% in 2005, 2006, and 2007. With the onset of the global financial and economic crisis in the third quarter of 2008, annual GDP growth slowed to 2.3% in 2009 and just 0.2% in 2010.

Economists are concerned that South Korea's economic growth potential has fallen because of a rapidly aging population and structural problems that are becoming increasingly apparent. Foremost among these structural concerns are the rigidity of South Korea's labor regulations, the need for more constructive relations between management and workers, the country's underdeveloped financial markets, and a general lack of regulatory transparency. Korean policy makers are 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 December 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 (FTAs) with major markets. President Lee’s economic agenda necessarily shifted in the final months of 2008 to dealing with the global economic crisis. In 2009, the economy responded well to a robust fiscal stimulus package and low interest rates.

**Automobile**

economy south korea geography

The automobile industry was one of South Korea's major growth and export industries in the 1980s. By the late 1980s, the capacity of the South Korean motor industry had increased more than fivefold since 1984; it exceeded 1 million units in 1988. Total investment in car and car-component manufacturing was over US$3 billion in 1989. Total production (including buses and trucks) for 1988 totaled 1.1 million units, a 10.6 percent increase over 1987, and grew to an estimated 1.3 million vehicles (predominantly passenger cars) in 1989. Almost 263,000 passenger cars were produced in 1985—a figure that grew to approximately 846,000 units in 1989. In 1988 automobile exports totaled 576,134 units, of which 480,119 units (83.3 percent) were sent to the United States. Throughout most of the late 1980s, much of the growth of South Korea's automobile industry was the result of a surge in exports; 1989 exports, however, declined 28.5 percent from 1988. This decline reflected sluggish car sales to the United States, especially at the less expensive end of the market, and labor strife at home. South Korea today has developed into one of world's largest automobile producers. Hyundai Kia Automotive Group is Korea's largest automaker.

**Shipbuilding**

During the 1970s and 1980s, South Korea became a leading producer of ships, including oil supertankers, and oil-drilling platforms. The country's major shipbuilder was Hyundai, which built a 1-million-ton capacity drydock at Ulsan in the mid-1970s. Daewoo joined the shipbuilding industry in 1980 and finished a 1.2-million-ton facility at Okpo on Geoje Island, south of Busan, in mid-1981. The industry declined in the mid-1980s because of the oil glut and because of a worldwide recession. There was a sharp decrease in new orders in the late 1980s; new orders for 1988 totaled 3 million gross tons valued at US$1.9 billion, decreases from the previous year of 17.8 percent and 4.4 percent, respectively. These declines were caused by labor unrest, Seoul's unwillingness to provide financial assistance. However, the South Korean shipping industry was expected to expand in the early 1990s because older ships in world fleets needed replacing. South Korea eventually became the world's dominant shipbuilder with a 50.6% share of the global shipbuilding market as of 2009. Notable Korean shipbuilders are Hyundai Heavy Industries, Samsung Heavy Industries, Daewoo Shipbuilding & Marine Engineering, and STX Offshore & Shipbuilding, the world's four largest shipbuilding companies.

#### Foreign relations

#### South Korea joined the United Nations in August 1991 along with North Korea and is active in most UN specialized agencies and many international forums. The Republic of Korea has also hosted major international events such as the 1988 Summer Olympics, the 2002 World Cup Soccer Tournament (co-hosted with Japan), and the 2002 Second Ministerial Conference of the Community of Democracies. In 2010, South Korea hosted the R.O.K.-Japan-China Trilateral Summit as well as the G-20 Seoul Summit.

#### Economic considerations have a high priority in Korean foreign policy. The R.O.K. seeks to build on its economic accomplishments to increase its regional and global role. It is a founding member of the Asia-Pacific Economic Cooperation (APEC) forum and chaired the organization in 2005.

#### The Republic of Korea maintains diplomatic relations with more than 170 countries and a broad network of trading relationships. The United States and Korea are allied by the 1953 Mutual Defense Treaty. Korea and Japan coordinate closely on numerous issues. This includes consultations with the United States on North Korea policy.

**Population**

Korea's population is one of the most ethnically and linguistically homogenous in the world. Except for a small Chinese community (about 20,000), virtually all Koreans share a common cultural and linguistic heritage. With 48.6 million people inhabiting an area roughly the size of Indiana, South Korea has one of the world's highest population densities. Major population centers are located in the northwest, southeast, and in the plains south of the Seoul-Incheon area.

Korea has experienced one of the largest rates of emigration, with ethnic Koreans residing primarily in China (2.4 million), the United States (2.1 million), Japan (600,000), and the countries of the former Soviet Union (532,000).

**Language**

The Korean language is related to Japanese and Mongolian. Although it differs grammatically from Chinese and does not use tones, a large number of Chinese cognates exist in Korean. Chinese ideograms are believed to have been brought into Korea sometime before the second century BC. The learned class spoke Korean, but read and wrote Chinese. A phonetic writing system ("hangul") was invented in the 15th century by King Sejong to provide a writing system for commoners who could not read classical Chinese. Modern Korean uses hangul almost exclusively with Chinese characters in limited use for word clarification. Approximately 1,300 Chinese characters are used in modern Korean. English is taught as a second language in most primary and secondary schools. Chinese and Japanese are also widely taught at secondary schools.

**Government and political conditions**

The Republic of Korea (commonly known as "South Korea") is a republic with powers nominally shared among the presidency, the legislature, and the judiciary, but traditionally dominated by the president. The president is chief of state and is elected for a single term of 5 years. The 299 members of the unicameral National Assembly are elected to 4-year terms; elections for the assembly were held on April 9, 2009. South Korea's judicial system comprises a Supreme Court, appellate courts, and a Constitutional Court. The judiciary is independent under the constitution. The country has nine provinces and seven administratively separate cities-the capital of Seoul, along with Busan, Daegu, Daejeon, Gwangju, Incheon and Ulsan. Political parties include the Grand National Party (GNP), Democratic Party (DP), Liberty Forward Party (LFP), New Progressive Party (NPP), Pro-Park Alliance (PPA), and Renewal Korea Party (RKP). Suffrage is universal at age 19 (lowered from 20 in 2005).

#### Construction

Construction has been an important South Korean export industry since the early 1960s and remains a critical source of foreign currency and "invisible" export earnings. By 1981 overseas construction projects, most of them in the Middle East, accounted for 60 percent of the work undertaken by South Korean construction companies. Contracts that year were valued at US$13.7 billion. In 1988, however, overseas construction contracts totaled only US$1.6 billion (orders from the Middle East were US$1.2 billion), a 1 percent increase over the previous year, while new orders for domestic construction projects totaled US$13.8 billion, an 8.8 percent increase over 1987. The result was that South Korean construction companies concentrated on the rapidly growing domestic market in the late 1980s. By 1989 there were signs of a revival of the overseas construction market—the Dong Ah Construction Company signed a US$5.3 billion contract with Libya for the second phase of Libya's Great Man-Made River Project, which, when all five phases were completed, was projected to cost US$27 billion. South Korean construction companies signed over US$7 billion of overseas contracts in 1989. Korea's largest construction companies include Samsung C&T Corporation, who had built noteworthy constructs such as Petronas Towers, Taipei 101, and Burj Khalifa.