# Korea in focus

**A People and History in Harmony**

**Introduction**

In the past two decades, Korea has been one of the fastest developing nations in the world - both in economic and social terms. Rapid industrial and economic growth has seen the Republic nearly reach developed nation status in a remarkably short time. The Korean people also find themselves in the midst of a new era of democratic development following the birth of the civilian Administration of President Kim Young Sam on February 25, 1993. This wiped out the negative legacy of decades of military-backed authoritarian rule. The country has since been implementing bold political and economic reforms to eradicate corruption and revitalize and restructure the economy with the goal of building a New Korea - a mature and vibrant industrial democracy.

This rapid economic and social development has brought Korea increased international exposure and recognition, as the Republic begins to expand its role on the international stage. Testifying to this was the successful hosting of the 1988 Seoul Olympics, the largest held in history up to that time. This was following by the 1993 hosting of an international exposition, the Taejon Expo ‘93.  Both the Seoul Olympics and the Taejon Expo played an important role in deepening ties between Korea and countries all over the world and gave an impetus to the Korean economy.

This era of stability and expanding international ties represents the most exciting period in the country’s history - and yet, in retrospect, Korea has, in its 5,000-year history, quite an enviable record for governments of longevity and stability. The country’s last dynasty, the Yi Dynasty of the Choson Kingdom, lasted 500 years.

The Koreans of today, while enormously proud of their country’s past, look at Korea’s role and reputation  from a more recent historical perspective; but, in order to understand today’s Korea - its land, people, culture, history, and recent economic and political transitions - it is necessary to look at both the past and the present. “Korea In Focus” aims to give you a brief overview to help in your general awareness of Korea today. More detailed information can be obtained from individual organizations or government offices.

**Land**

The Korean Peninsula, located in Northeast Asia, is bordered on the north by China and Russia and juts towards Japan to the southeast. Since 1948, the 221,487  square kilometers which make up the entire Peninsula have been divided, roughly along the 38th parallel, into the Republic of Korea in the south and the Democratic People’s Republic of Korea in the north. The Republic of Korea covers 99,221 square kilometers, a land area a little more than twice the size of Switzerland.

Seoul is the capital of the country which is made up of nine provinces; other major cities include Pusan, Taegu, Inch’on, Kwangju, and Taejon.

The landscape is spectacular in its variations and about 70 percent of it is mountaneous. The oceans around the Peninsula are a major source of livelihood and recreation for Koreans. The shoreline is dotted by more than 3,000 islands.

The Peninsula’s longest river is the Amnokkang (790 km) in the North. One of the South’s major waterways is the Han-gang River, which flows through Seoul to the West Sea (Yellow Sea).

**History**

A look back at the 5,000 years of Korean history reveals triumphs and tragedies, successes and struggles which have been instrumental in shaping the Korea and Koreans of today. One remarkable fact that emerges from such a historical  examination is that Korea has largely been ruled by long-term, stable governments. Korea’s kindoms and  dynasties generally lasted about 500 years or more.

Although Korea’s traceable history began considerably earlier that the seventh century, it was the Shilla Unification in 668 that Korea, as a historical entity with a cohesive culture and society, came to occuðy most of the Peninsula as it exists today.

It was almost a decade after the end of the war before the Republic of Korea had recovered sufficiently to establish stability and start the momentum for its now remarkable recovery and development. The three decades since then have been a time of spectacular progress which has seen the creation of a modern, industrialized nation.

**People**

Korea is homogeneous society, although there have been historic and prehistoric migrations of Chinese, Mongols and Japanese. Koreans are very conscious of the ethnic differences and cultural distinctions which give them their unique identity.

The population of the Republic of Korea was estimated at 44.1 million in 1993. Its population density is among the world’s highest and Seoul, the capital, has more than 10 million inhabitants. The annual population growth in the Republic has dropped from an average of 2.7 percent in the 1960-66 period to only 0.90 percent in 1993.  The slowdown is also partly the result of the increasing number of young working women.

The country’s rapid industrialization is responsible for today’s concentration of population in urban centers.  The proportion of Koreans living in cities has jumped from only 28 percent in 1960 to 74.4 percent as of 1990 - very similar to the 73 to 76 percent levels in the United States, Japan and France.

**Language**

The Korean language is spoken  by some 60 million people living on the Peninsula and its outlying islands as well as some 1.5 million Koreans living in other parts of the world.

Korean belongs to the Ural-Altaic language group, which is found in an narrow band from Korea and Japan across Mongolia and central Asia to Turkey. Korean is a non-tonal language, with agglutinative and polysynthetic elements.

**Religion**

Religion in today’s Korea covers a broad spectrum of faiths and beliefs. Buddhism, Christianity, Confucianism, Islam and numerous other indigenous religions exist in Korea. Although none of them dominates, they all influence contemporary culture.

**Education**

Education has been at the heart of Korea’s growth by training and supplying the manpower needed for rapid industrial and economic expansion.

A multi-tiered educational system is currently in use, encompassing elementary school (six years), middle school (three years), high school (three years), and college (four years), as well as various graduate and professional programs.

The government has eased regulations on overseas study. This new policy also encourages those in the teaching profession to take advantage of opportunities for training abroad.

**Transportation**

The tremendous pace of domestic economic growth in the past two decades has been reflected in the expansion of transportation facilities and the increases in Korea’s annual passenger and cargo volumes. The annual volume of passenger transportation rose from 1.6 billion persons in 1996 to 14.24 billion in 1993.

Seoul has a well-developed mass transit system of subways, buses, and taxis. Airport shuttles or city buses are conveniently available and operate throughout the city. The subway system is the eighth longest in the world, carrying 1,388 million people in 1993. Its four lines reach most major locations in the city.

Korea has three international airports in Seoul (Kimpo), Pusan (Kimhae) and Cheju (Cheju), all of which are equipped with modern air traffic control facilities and support systems. Korean Air’s worldwide network serves 43 cities in 24 nations, including recently inaugurated flights to Rome. The newly launched Asiana Airlines recently started international flights with regular service to fourteen cities in Japan, the U.S., Singapore, Hong Kong, Taipei and Bangkok.

All expressway system also connects Seoul with provincial cities and towns, putting any place in mainland South Korea within a one-day round trip of the capital. Express buses transport passengers to and from all principal cities and resorts in the country.

The railway also serve the entire country through an efficient and extensive network. The super-express train, Saemaul, runs 444.5 kilometers from Seoul to Pusan in four hours and 10 minutes. There are also ordinary express and local trains.

Ocean liners, cruise ships, and passenger-carrying freighters visit Korean ports. A ferry service links Pusan with Chejudo Island and the Japanese ports of Shimonoseki, Kobe and Hakada. Another ferry service recently started between Inch’on and Tianjin China.

**Telecommunications**

Telephone services have rapidly expanded  during the last decade, particularly during the last 5 Years (1988-”92). During these years, with the investment of US$2.64 billion in communications annually, 1.76 million new telephone circuits were installed each year, increasing the total number of telephone lines to 10.14 million as of 1993. Virtually every home in the country now has its own telephone and all the telephone circuits are connected by automatic switching systems.

Also, through the launch of KOREASAT scheduled in 1995, Korea will be able to provide satellite communication services by using its own satellite from October 1995.

**THE ECONOMY**

**Looking Ahead to the 21st Century**

In the last quarter century, Korea’s economic growth has been among the fastest in the world. The country has overcome obstacles and challenges to transform itself from a subsistence-level economy into one of the world’s leading newly industrialized countries. Today, however, the Korean economy faces the new challenges of internationalization and globalization in an increasingly complex global economic environment.

**Past Performance and Policies**

Since Korea launched its First Five-Year Economic Development Plan in 1962, the country’s real GNP has expanded by an average of more than 8 percent per year. As a result, Korea’s GNP has grown from US$2.3 billion in 1962 to US$328.7 billion in 1993; per capita GNP has increased from a meager US$82 in 1962 to US$7,466 in 1993 at current price levels.

The industrial structure of the  Korean economy has also been completely transformed. The agricultural sector’s share of GNP declined from 37.0 percent in 1962 to 7.1 percent in 1993. The manufacturing sector’s share has increased from 14.4 percent to 27.1 percent in the same period. The service sector accounted for only 24.1 percent of GNP in 1962 but grew to 40.0 percent in 1993.

Korea’s merchandise trade volume increased from US$500 million in 1962 to US$166 billion in 1993. The nation continuously posted trade deficits until 1985 when its foreign debt reached US$46.8 billion, the fourth largest in the world. From 1986 to 1989, Korea recorded current account surpluses and its debt declined.

Trends of Major Economic Indicators

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Unit | ‘62 | ‘70 | ‘80 | ‘85 | ‘90 | ‘92 | ‘93 |
| GNP | US$ bil. | 2.3 | 8.1 | 60.5 | 91.1 | 251.8 | 305.7 | 328.7 |
| Per Capita GNP | US$ | 8.2 | 242 | 2,194 | 2,242 | 5,883 | 7,007 | 7,466 |
| GNP Growth Rate | % | 2.2 | 7.6 | 7.0 | 7.0 | 9.6 | 5.0 | 5.6 |
| Domestic Savings | % | 3.3 | 17.9 | 29.1 | 29.8 | 35.9 | 34.9 | 34.9 |
| Ratio |  |  |  |  |  |  |  |  |
| Trade Volume | US$ bil. | 0.5 | 2.8 | 39.8 | 61.4 | 134.9 | 158.4 | 166.0 |
| Producer Price | % | 9.4 | 9.2 | 38.9 | 0.9 | 4.2 | 2.2 | 1.5 |
| Consumer Price | % | 8.3 | 15.9 | 28.8 | 2.4 | 8.6 | 6.2 | 4.8 |

Inflation in Korea was one of the major economic problems in the 70s and early 80s, during which consumer prices rose at annual rates of 10-20 percent. Since 1982, Korea has managed to keep inflation down to a single digit. The ratio of domestic savings to GNP grew from 3.3 percent in 1962 to 34.9 percent in 1993.

**Recent Challenges**

Beginning in 1989, the Korean economy began experiencing slower growth, high inflation and a deterioration in the balance of payments. The GNP growth rate fell to 6.7 percent in 1989 from the 12 percent level of previous years. A slump in the growth of the manufacturing sector, from 18.8 percent in 1987 and 13.4 percent in 1988 to 13.7 percent in 1989, contributed largely to this decline in GNP growth rate. The export growth rate on a customs clearance basis, which was 36.2 percent in 1987 and 28.4 percent in 1988, fell to just 2.8 percent in 1989. Reflecting this fall in the export growth rate, the current account surplus lowered to around US$5.1 billion, a significant drop from the 1988 surplus of US$14.2 billion.

In 1991, the economic growth rate showed signs of recovery. The GNP grew during the year 9.1 percent. However, most of this growth was attributed to an increase in domestic demand, particularly domestic consumption. Exports increased 10.3 percent compared to 1990, while the growth rate of imports increased 17.7 percent. The trade balance deteriorate rapidly to a US$7.0 billion deficit in 1991 from the US$4.6 billion surplus in 1989. In addition, price stability, which had served to boost Korea’s competitiveness, weakened. Consumer prices, which had risen on an annual average of 2-3 percent between 1984 and 1987, rose 9.3 percent in 1991.

Recent Economic Trends

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | ‘91 | ‘92 | ‘93 | ‘94. 1 ~ 6 |
| GNP |  |  |  |  |  |
| GNP | Growth Rate in % | 9.1 | 5.0 | 5.6 | 8.5 |
| Manufacturing Sector | Growth Rate in % | 9.1 | 5.1 | 5.0 | 10.0 |
| Private Consumption | Growth Rate in % | 9.5 | 6.6 | 5.7 | 7.2 |
| Investment | Growth Rate in % | 12.6 | 0.8 | 3.6 | 10.3 |
| Equipment | Growth Rate in % | 12.1 | 1.1 | 0.2 | 17.7 |
| Prices |  |  |  |  |  |
| Producer Price | % | 4.7 | 2.2 | 1.5 | 2.2 |
| Consumer Price | % | 9.3 | 6.2 | 4.8 | 6.2 |
| Balance of Payments |  | 7.0 | 2.2 | 1.9 | 1.6 |
| Export | US$ bil. | 69.6 | 75.1 | 81.0 | 43.1 |
| Imports | US$ bil. | 76.6 | 77.3 | 79.1 | 44.7 |
| Current Account |  |  |  |  |  |
| Balance | US$ bil. | 8.7 | 4.5 | 0.4 | 2.7 |

In 1992, the Korean economy rapidly cooled off, with the GNP growth rate dipping to 5.0 percent, influenced chiefly by blunted investment in capital goods. The consumer price index rose just 6.2 percent, and the deficit in the balance of payments also dropped to US$4.5 billion.

At that time, the Korean economy faced many challenges on both the internal and external fronts. Part of the economic slowdown may be explained by the cyclical adjustment of the economy after three consecutive years of rapid growth. However, the stagnation was more likely the result of a structural deterioration in competitiveness, due to a combination of the lingering legacies of the past government-led economic management system, which had now become inefficient, and the disappearance of the advantages derived from the once ample availability of low-cost labor: Thus the country was forced to search for a new driving force sufficient for sustained economic growth.

**Major Tasks and Policy Directions**

To revitalize the economy, the Kim Young Sam Administration, which was inaugurated  in February 1993 as the first civilian democratic government in over three decades, is endeavoring to construct a new developmental paradigm called “the New Economy”. This signals a clean departure from the  past, when the government directed and controlled the concentrated investment of capital, labor and other resources in selected “strategic” industrial sectors to achieve rapid economic growth. Instead, the New Economy will promote the autonomy and  creativity of all economic actors in order to maximize efficiency, while ensuring the equitable distribution of income. In that way, it seeks to enable the nation to leap into the ranks of the developed nations within the next five years.

As an initial step, the new Administration implemented a short-term 100-Day Plan for the New Economy in March 1993, designed to promptly create conditions conductive to revitalizing the economy. This was followed by the development of a new five-year economic development plan. Formally announced in July 1993, the Five-Year Plan for the New Economy was conceived primarily to lay the basis for joining the ranks of advanced countries and thus to effectively prepare for the eventual unification of the Korean Peninsula.

The Government will continue its efforts to ensure the effective implementation of the five-year plan through the spontaneous participation of the people by reforming economic institutions including the improvement or simplification of existing financial and tax systems and administrative measures. Furthermore, the Government will continue to endeavor to fully realized the nation’s economic growth potential, strengthen its international competitiveness, and improve the economic conditions of the public.

If the plan is implemented as intended, the Korean economy is projected to change as follows:

First with increased efficiency and greater realization of growth potential, the gross national product should rise at an average annual rate of about 6.9 percent, raising per capita GNP to US$14,076 in 1998.

Second, greater price stability should prevail as balance is maintained between the more steadily rising demand and the more briskly expanding supply, while wage increases are linked to rises in productivity. The stabilization of the value of the won currency should help stabilize the prices of imported goods and services. The net effect should be to hold down the rise in consumer prices to an annual average of 3.7 percent, the increase in producer prices to an annual average of 1.6 percent and the rise in the GNP deflator to an annual average of 4.6 percent.

Targets of the 5-Year Plan for the New Economy

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | ‘91 | ‘92 | ‘93 | ‘94 | ‘95 | ‘96 | ‘97 | ‘98 | ‘93-’98 |
| GNP growth, % | 8.4 | 4.7 | 6.0 | 7.1 | 7.2 | 7.1 | 7.0 | 7.0 | 6.9 |
| Per capita GNP, US$ | 6,518 | 6,749 | 7,306 | 8,196 | 9,339 | 10,716 | 12,305 | 14,076 | 14,0762) |
| Rise in producer prices, % | 4.7 | 2.2 | 1.8 | 1.8 | 1.7 | 1.6 | 1.5 | 1.4 | 1.6 |
| Rise in consumer prices, % | 9.3 | 6.2 | 4.9 | 4.3 | 3.7 | 3.6 | 3.2 | 2.9 | 3.7 |
| Rise in GNP deflator, % | 11.2 | 6.3 | 5.3 | 5.3 | 4.8 | 4.5 | 4.1 | 3.8 | 4.6 |
| Balance on curren account, | 8.7 | 4.6 | 1.4 | 0 | 0.9 | 2.1 | 3.7 | 5.3 | 5.32) |
| US$ billion |  |  |  |  |  |  |  |  |  |
| Exports 1) ,US$ billion | 69.6 | 75.1 | 82.3 | 82.3 | 99.3 | 110.1 | 122.6 | 136.3 | 136.32) |
| Rate of increase, % | (10.2) | (7.9) | (9.5) | (9.5) | (10.2) | (10.9) | (11.3) | (11.2) | (10.4) |
| Imports, US$ billion | 76.6 | 77.3 | 81.3 | 81.3 | 95.8 | 105.3 | 116.1 | 128.1 | 128.12) |
| Rate of increase, % | (17.5) | (1.0) | (5.1) | (5.1) | (9.3) | (9.9) | (10.2) | (10.3) | (8.8) |

Note: 1) On a balance-of-payments basis

 2) In terms of 1998 current market prices

**The Real name Financial Transaction System**

On August 12, 1993, the President took a decisive step toward revitalizing the economy and eliminating corruption by announcing the inplementation of the long-anticipated real-name financial transaction system. In the past, it had been possible to open accounts and conduct business transactions under false names, directly and indirectly fostering institutionalized-corruption and illegal financial dealings. Deeming this reform as the most important in the creation of a New Korea, the President announced this action in a Presidential Emergency Decree, stating that the real-name system was essential for cutting the dark link between politics and business.

With the introduction of the real-name financial transaction system, it appears that financial dealings are  becoming fully transparent and underground economic dealings and nonproductive land speculation are diminishing. It is hoped the funds that had been channeled into political circles in the past as a result of government-business collusion are now available for more productive activities.

**Encouraging Signs**

The implementation of a real-name financial transaction system, the easing of administrative controls, expanded capital investment by major enterprises, and increased financial and  administrative support for small-and medium-sized enterprises all combined to lay a solid foundation for another economic take-off. Exports rose 7.6 percent in 1993 to US$82.4 billion, while imports grew just 2.5 percent. Korea was thus able to register a US$600 million trade surplus last year for the first time in four years.  The current account also yielded a surplus of US$200-300 million.  Industrial production has been growing at about a 10 percent rate during the first half of 1994. Furthermore, labor disputes decreased markedly last year, while the composite stock index of the Seoul Stock Exchange climbed markedly. In view of these indications, the Korean economy seems to be well on the way to revitalization.

**External Policies for Greater International Cooperation**

**Import Liberalization**

Korea is committed to fulfilling its international responsibilities. It positively supports the trend toward openness and utilizes it as a catalyst for further enhancing the international competitiveness of industry and thus speeding the advancement of the economy, so that it can join the group of advancedcountries.

Since 1980, Korea has made continuous efforts toward import liberalization. The import liberalization rate increased from 68.6 percent  in 1980 to 98.1 percent in 1993. The average tariff rate decreased from 24.9 percent to 8.9 percent during the same period and is expected to be only 7.9 percent by the end of 1994, the same average level of tariffs found in OECD member countries.

In October 1989, Korea decided to relinquish GATT balance of payments protection which mostly covers agricultural products. According to the decision Korea will move to eliminate its remaining restrictions or otherwise make them conform with GATT rules by July 1, 1997.

Liberalizing Foreign Exchange Transactions and Capital Markets

In June 1993, the Korean Government made public the third-phase of the blueprint for financial liberalization and internationalization, which was implemented from the second half of 1993. Under the plan, procedures for various foreign exchange transactions are being gradually simplified. Beginning in 1994, the ceiling on foreign investment in the stock market will be gradually raised, and the bond market will also be gradually opened to foreign investment. Initially, from 1994 foreign investors will be allowed to purchase convertible bonds, even those issued by small-and medium-sized domestic enterprises.

Foreign-invested firms engaged in the manufacture of high-tech products or banking and other services are currenlty allowed to induce foreign credit repayable within three years. Beginning in  1997, the liberal inducement of foreign credit by both domestic and foreign-invested enterprises will be allowed.

Increasing Opportunities for Foreign Investors

In June 1993, the Korean Government also announced a five-year plan for liberalizing foreign investment. Under the plan, 132 of the 224 business lines currently being protected from foreign competition will be opened to foreign investment in five phases, over a period of five years starting from July 1993. With the implementation of this plan, of the total 1,148 business lines under the standard industrial classification of Korea, 1,056 will be open to foreign competition. This means that the foreign investment liberalization rate will rise from 83 percent as of June 2, 1993 to 93.4 percent by 1997.

Included among the business lines to be opened to foreign competition under the plan are most of the service industries including distribution and transportation, hospital management, vocational training and “value-added” communications.

The business conditions for foreign-invested firms will also be greatly improved through various measures, including relaxed control on the acquisition of land by foreign-invested firms, the augmented protection of foreign intellectual rights, and other similar steps.

Cooperation with the Rest of the World, Including Developing Nations and Socialist Countries

Expanding Trade and Economic Exchanges

The Republic of Korea has emerged as a major global trader by steadily pursuing freer trade and greater openness, while promoting its business presence around the world. In the past, Korea’s foreign trade concentrated on the developed world - mainly the United States, Japan and the EU. In more recent years, however, it has rapidly expanded trade and capital cooperation with Southeast Asia, former and present socialist countries and Third World nations as well.

Especially since the 1988 Seoul Olympics, economic interactions with the former Soviet republics have been brisk. The Republic of Korea is also increasing its support of economic development efforts in the Third World on the basis of its more than three decades’ experience with successful domestic development.

The nation will continue to pursue expanded and more diversified trade and to promote economic cooperation on a long-term basis with the rest of the world, taking into consideration the individual economic characteristics of each country.

With the United States, the Republic of Korea will pursue not only expanded bilateral trade and increased mutual private investment and technological cooperation but also government-to-government cooperation in industrial technologies. As for Japan, the Republic will pursue Forward-lookoing practical economic relations and will, in particular, strive to attract Japanese investment more effectively. Since Korea does not have serious trade issues with the EU it will focus on promoting overall economic cooperation, including mutual investment and industrial and technological cooperation.

With the dinamically growing Asian economies, such as China and Southeast Asian Nations, the Republic of Korea will endeavor to continue to expand two-way trade, especially by helping to meet their expanding needs for capital goods and intermediate products to support their continuing rapid development, while increasing imports from them as much as possible. The nation will also encourage Korean business investment in these countries and make efforts to build an industrial structure complementary with theirs.

The Republic of Korea is increasing its official development assistance to developing countries proportionate to its economic strength. In this, efforts are being made to combine such assistance with private Korean investment, with the aim of maximizing its effect, while developing two-way trade and other economic ties on a long-term basis.

Economic ties with the Commonwealth of Independent States and East European countries will continue to focus on commercial applications of  their high technologies and other forms of technological cooperation and joint development of natural resources.

Korea Trade with and Investment in Various Countries and Regions

|  |  |  |
| --- | --- | --- |
| Country or Region | Trade (US$ bil.) | Investment (US$ mil.) |
|  | 1987 | 1993 | 1987 | 1993 |
| U.S.A. | 27.1 (30.7) | 36.1 (21.7) | 165.3 (40.3) | 380 (30.3) |
| Japan | 22.1 (25.0) | 31.6 (19.0) | 1.4 (0.3) | 6 (0.5) |
| EU | 11.2 (12.7) | 19.6 (11.8) | 6.5 (1.6) | 157 (12.5) |
| China | 1.7 (1.9) | 9.1 (5.5) | 6.0 (1.5) | 260 (20.7) |
| Southeast Asia | 8.9 (10.1) | 27.8 (16.7) | 130.5 (31.8) | 179 (14.3) |

Note: Figures in parenthesis represent  percentage of the total.

Active Participation in Multilateral Economic Forums

Korea has actively participated in virtually all major multilateral forums. During the Uruguay Round of trade talks, finally concluded in December 1993, Korea tried to make conrtibutions commensurate with its capabilities as a major world trading power, and play a mediating role between the developed and developing countries. Korea introduced various proposals in the Uruguay Round negotiations to reduce tariffs, eliminate non-tariff barriers, liberalize the textile trade, improve safeguards and reduce subsidies and countervailing duties.

The Republic of Korea is actively participating in global efforts to protect the environment, a crucial task  facing all of humanity. In recent years it has joined the Convention on Climate Change, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, the Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter, also called the London Dumping Convention, the Convention on International Trade in Endangered Species of Wild Fauna and Flora, and the Convention on Biological Diversity.

Korea has also begun an informal dialogue with the Organization for Economic Cooperation and Development (OECD) and has expanded participation in its various committees . Korea hopes and intends to improve its economic systems to the level of advanced countries so as to join the OECD in 1996.

One organization in which the Republic of Korea has played a particularly critical role has been the Asia-Pacific Economic Cooperation (APEC) forum, a forum for multilateral discussions on economic issues concerning the Asia-Pacific region.Two examples of Korea’s valuable efforts have been the “Seoul Declaration” adopted at the third APEC Ministerial Meeting hosted by the Republic which laid the foundation for the institutionalization of APEC, and its diplomatic role in bringing China, Taiwan and Hong Kong, three key regional economic powers, into the APEC fold, giving the forum a new impetus. Subsequently, the Republic played a leading role at the first APEC Leaders Economic Meeting in Seattle in November 1993, which coincided with the fifth APEC Ministerial Meeting, and was elected the chair member of the Committee on Trade and Investment (CTI).

**Conclusion**

The rise of the Korean economy over the past several decades, often called the “Miracle of the Han”, has been an inspiring model of modern economic development. The rapid pace with which the Koeran economy rose from the ashes of war and expanded stunned the outside world. However, this rapid growth was not unaccompanied by growing pains which began to manifest themselves in all sectors of society particularly during the late 1980s. Excessive wage hikes, high capital costs and an overly bureaucratic administration, not to mention institutionalized corruption, served to weaken Korea’s international competitiveness, and this was aggravated by unfavourable external circumstances. In the past year, though, strenuous efforts have been made to overcome these impediments  and through this, as well as improving international economic climate, it appears that the Korean economy is regaining its former vigor. The upcoming years pose  severe challenges for the Republic in light of the  December 1993 conclusion of the Uruguay Round and the rise of the Asia-Pacific region as the new global economic center, but with the increasing emphasis in both the public and private sector on globalization and internalization, the Republic seems braced to meet these challenges.

**REFORM TOWARD A NEW KOREA**

**The Basic Goals and Reform Process of the Kim Young Sam Administration**

What are the vision and goals of the Administration of Kim Young Sam,  inaugurated on February 25, 1993. In a nutshell, the answer is the “creation of a New Korea” through “Reform Admist Stability.” This concept was the keynote of the President’s inaugural address as well as the main slogan of his presidential election campaign in December 1992.

“I have a dream. It is the creation of a New Korea in which a new politics, a new economy and a new culture will bloom. This is my dream and vision; it is the dream and vision of all our people.”  This quotation appears in the book, “Kim Young Sam: New Korea 2000,” published in Korea in October 1992 prior to the presidential election.

In his inaugural speech on February 25, 1993, President Kim Young Sam defined the three major priorities of his policies to create a New Korea: the eradication of social injustice and corruption, the revitalization of the national economy and the establishment of  official discipline and public order.

The President declared that the eradication of corruption was a vital foundation for reforms in every sector of the country, and that there would be no sanctuary from the investigation of misconduct. The movement to establish official discipline and public order, which began with high-ranking government officials, is intended to ensure integrity and high ethical standards by “purifying the upper reaches of the stream,” i.e., the upper levels of government and society.

The main purpose of these reforms is to revitalize the nation and elevate the overall standard of living. President Kim Young Sam has thus pushed ahead with firm determination since his inauguration, bringing about enormous changes in this country.

From the very start of his Administration, President Kim Young Sam concentrated on eliminating corrupt practices and behavior which arose from decades of authoritarian rule. This kind of housecleaning was unhead of in the past. President Kim believes, and popular opinion supports him on this, that such reform must be carried on without letting up in the interest of the long-term stability and economic development of Korea.

**The Concept of a New Korea**

The creation of a New Korea means the building of unified, fully mature democratic state. To that end, drastic changes and reforms are being pursued to raise the quality of life for all those who were sacrificed in the blind quest for rapid growth over the past 30-odd years.

What will the future New Korea be like? Korea’s first non-military President since 1961, President Kim in his inaugural address said the New Korea will be:

A freer and more mature democratic society.

A community where people share, work and live together in harmony. A higher quality of life will flourish and the dignity of the individual will be upheld.

A state where justice flows like a river throughout the land. In other words, it will be a just society in which honest and earnest individuals live well.

A new country in which human dignity is respected and culture is valued.

A unified land where the presently divided people live in peace as one.

And, it will stand tall and proud on the center stage of the civilized world, making vital contributions to global peace and progress.

Curing the Korean Disease

The problems which are widespread in Korea today are often referred to as the Korean disease: (1) Korean industriousness and ingenuity - long the envy of the world - seem to be evaporating, (2) values continue to erode, due to injustice, corruption, lethargy, bigotry, inertia, strife and confrontation, and narrow self-interests, and (3) self-confidence has been lost and defeatism has set in.

To create a New Korea, the new Administration has been vigorously addressing these symptoms through drastic change and reform. The President outlined the goals of these changes and reforms in his inaugural address: (1) the establishment of a new era of courage and hope by shaking off frustration and lethargy, (2) the replacement of bigotry and inertia with openmindedness and vitality, strife and confrontation with dialogue and cooperation, mistrust with trust, and (3) the building of a society which sees all citizens not only living together but also truly carring about one another, discarding narrow self-interests.

Three Tasks

The President outlined three essential tasks in his inaugural address.

First, misconduct and corruption must be rooted out. He defined misconduct and corruption as the most terrifying enemies attacking the foundation of society, and called for an end to all manner of impropriety and graft, allowing no sanctuary. He called for immediate reform starting from the very top.

Second, the economy must be revitalized. He vowed that the new Administration would do away with unwarranted controls and protection and instead guarantee self-regulation and fair competition. “Private initiative and creativity will thus be allowed to flourish”. He went on to say. “The Administration will be the first to tighten uts belt. Our citizens must also conserve more and save  more. Extravagance and wastefulness must be  eliminated... Only when the Government and the people, and labor and business work together with enthusiasm will it be possible to turn our economy around...”

Third, national discipline must be enhanced. “Respect for authority must be reestablished... Freedom must serve society... The true meaning of freedom is in using it to plant a flower in the park rather than picking a flower from the park.” The President also said, “Ethics... must be made to prevail. To this end, education must henceforth cultivate wholesome character and unwavering democratic belief, as well as equip our young people for the future with knowledge and skill in science and technology...”

Four majot Goals of the New Administration

The four major goals of the Administration are clean government, a sound economy, a healthy society and peaceful unification.

Clean government  means a government free of corruption and injustice. There is a saying that the lower reaches of a river will be clean only when the upper reaches are kept clean. The President is determined to keep the upper reaches of the stream clean, and all the Cabinet members and high-ranking public officials will join in this effort so that the public will have confidence in the Government.

The campaign to keep the upper reaches of the stream clean means reforms from the top. The new Government has required high-ranking public officials to register and make public their personal assets to discourage the illegal accumulation of wealth under the Public Officials’ Ethics Law. The President himself has made public his own assets and has said that he would not accept political contributions.

A sound economy means a New Economy free of unwarranted controls and protection - an economy which guarantees self-regulation and fair competition and encourages the private initiative and creativity necessary for economic revitalization. The economy has been marked by quantitative growth in the past three decades; now it needs qualitative development. In order to develop New Economy, Korea must (1) establish a liberal market system, (2) liberalize financing, (3) decentralize economic power and (4) promote economic reforms.

The New Economy emphasizes concentrated efforts for the renovation of science and technology. In the 21st century, the strength of nations will be measured by the development of science and technology. It is for this reason the new Administration is sharply raising research and development expenditures.

President Kim Young Sam announced on August 12, 1993, implementation of real-name system for all financial transactions to assist in the realization of economic justice and clean government. The new Administration also has a firm position to control speculation in real estate and institute tax reforms.

By effecting all these changes, it is predicted that the inflation rate as measured by the consumer price index will fall to the 3-4 percent range  by the end of 1994 from the usual past level of nearly 6 percent, while the balance on current account  will shift into the black. The economy as a whole should grow at an average annual rate of 6.9 percent, boosting per capita GNP to US$14,076 in 1998 from US$7,466 in 1993.

A healthy society means a society in which all people work hard and receive just rewards. It is obvious that a clean government and sound economy alone  cannot create a New Korea. A healthy society is absolutely required as well. Everyone must spontaneously take responsibility for keeping society healthy. Each and every person must be honest, courageous and dignified.

Peaceful unification is the supreme task for Koreans. the Republic’s Korean national Community Unification Formula envisages a Korean Commonwealth, an interim arrangement designed to build political, economic and military trust and  restore national homogeneity, leading to full national integration through free general elections throughout the Korean Peninsula. President Kim will consistently pursue this unification formula, widely regarded as being very realistic. He will, however, flexibly adapt it to changes in the international situation. In a Liberation Day speech on August 15, 1994, he thus prpoposed South-North joint projects for national development, including light-water nuclear reactor construction in the North, once the North Korean nuclear issue is resolved.

Reform backed by the Korean people

The Korean people’s deep support of President Kim’s comprehensive reform agenda has been reflected in the Korean leader’s strong public approval rating. President Kim has fared consistently well in public opinion polls which indicate that his reform policies continue to enjoy the support of a solid majority of Koreans.

Ethics Reform

To maintain the public’s trust, President Kim has pledged to create a corruption-free political environment by establishing high ethical standards for the members of his administration and political party. Symbolizing his strong commitment to this goal on February 27, 1993, just two days after his inauguration President Kim disclosed all of his financial assets to the public, and encouraged all senior cabinet and ruling party figures to do the same. A number of his government’s newly appointed officials were forced to resign for their past unethical financial conduct and President Kim declared that there would be “no sanctuary” from his clean-up campaign. He stressed that the new ethical standards “must be internalized and become a way of life” for all Koreans.

In order to institutionalize the disclosure of public officials’ assets, the existing Public Officials’ Ethics Act as revised in June 1993, and ranking government officials are now required to register and disclosure their assets under this law. As a result of the clean-up  drive resulting from the asset disclosure, 1,363 public officials were dismissed for malfeasance and 242 were forced to resign due to improperly acquired wealth.

President Kim’s inauguration brought to an end the deep involvement of the military in Korea’s political arena. Corruption in the armed forces, long a taboo subject, became a focus of the new reform drive. Promotion kickback scandals were uncovered, and a number of senior military officers have been removed from their posts. The Administration has also investigated and taken legal action against defense procurement irregularitites. At the same time, Prsident Kim has moved to depoliticize the government bureaucracy. In particular, he has reformed the nation’s intelligence apparatus, ending its involvement in domestic politics and directing it to focus solely on Korea’s national security concerns.

President Kim has taken steps to reform the Office of the President itself. The President’s residence and office complex, Chong Wa Dae, better known as a Blue House, has been made more accessible to the public. For the first time in decades, the avenue in front of the Blue House is now open to traffic, as are the scenic mountain hiking trails adjacent to the presidential residence. Gone are the lavish Blue House meals once served to staff and guests. Instead, everyone, including the President himself, dines on simple yet traditional Korean cuisine.

Financial Reform

Following this reform to require the disclosure of personal assets by public officials, President Kim Young Sam boldly introduced a real-name financial transaction system in order to achieve fundamental structural reform that will greatly assist in the realization of economic justice and clean government.

This real-name financial transaction system, which was put into effect by an emergency presidential decree on August 12, 1993 is the core of the entire reform movement, “the reform of all reforms.” This reform is helping eradicate misconducts and realize economic justice by rectifying the distorted economic structure and income distribution caused by underground economic activities and real estate speculation and by cutting shady financial ties between politicians and businessmen. In order to join the ranks of advanced countries, Korea must eradicate the corruption and irregularities stemming from certain aspects of past administrations’ pursuance of rapid growth-oriented economic development.

With the introduction of the real-name financial transaction system, all financial dealing have become transparent, underground economic dealings have diminished, and nonproductive land speculation has been curbed. The funds that were channeled into political circles in the past as a result of government-business collusion are now being invested in business activities.

As a result drastic changes are occurring in political, economic and social  activities in virtually every sector of Korean society. Business investment is actively increasing, and the past distorted economic structure and income distribution is being rectified.

President Kim’s declaration not to receive any money from businesses so as to maintain a clean government and to build a clean society, combined with his political philosophy, laid the foundation for the introduction of the real-name financial transaction system. The success of the real-name financial transaction system is serving as a stepping-stone to a New Korea.

Reform Legislation Promoting Clean Polities and Participatory Democracy

As President Kim’s urging, a package of three political reform bills was unanimously passed by the National Assembly on March 24, 1994. Marked by heavy penalties for offenders, the Law for Electing Public Officials and Preventing Electoral Irregularities is designed to ensure the transparency of campaign financing, limit campaign expenditures while encouraging freer campaigns, and ban “premature electioneering,” as well as all other electoral misconduct. The amended Political Fund Law is intended to control fund raising by political parties and individual politicians with the aim of stamping out “money politics” and “politics-business collusion,” while encouraging relatively small contributions by individuals and groups to the coffers of the parties or politicians that they support. Together, these two laws are aimed at ensuring free, fair, clean and frugal politics in general. The revised Local Autonomy Law provides for the election of the chief executives of local governments in addition to the local councils already instituted in 1991 to restore local autonomy after a 30-year hiatus.

Under the new Local Autonomy Law, four kinds of local elections are scheduled to be conducted on June 27, 1995, to choose 15 provincial governors and metropolitan mayors, 866 members of provincial and metropolitan councils, 260 city mayors, country executives and municipal district chiefs, and 4,304 members of lower-level local councils - for a total of 5,445.

In line with the key goals of President Kim’s political reform, the enforcement of these new laws will enhance the ability of Korean citizens from all walks of life to more fully participate in the democratic political process.