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South Korea can be an Economy Model for Developing Countries: A Study

*Vismaya B. Kattussery**
Student, Atharva Institute of Management Studies, Mumbai, Maharashtra, India

ABSTRACT

Between the early 1960s and 1990s, the countries of Hong Kong, South Korea and Taiwan experienced rapid industrialization and high growth rates. The rate of growth was so exorbitant that every year it exceeded 7 percent. By the early 21st century, all three had evolved into high-income economies and acquired a competitive advantage as a specialist. This study reviews South Korea's growth model exclusively and examines its relevance and applicability to other developing economies. This paper discusses and sheds light on different aspects of the Miracle Period and how the Korean response can be a Model of study for other developing countries.

Keywords: *Crisis, population, rate of growth*

***Corresponding Author**
E-mail: vismayak.b.9@gmail.com

INTRODUCTION

South Korea is known for its striking rise from one of the poorest countries in the world to a successful, developed, high-income country, i.e., it had been from rag to riches in just a few generations. This economic growth is often described as Man-made Miracle or the Miracle on the Han River, which brought South Korea to the ranks of best pick countries in the OECD and the G-20. It is also comprised in the group next 11 countries that will influence the global economy in the middle of the 21st century. South Korea was the 7th largest exporter and importer in the world. The country today with population of 51,339,238 people, is the 4th largest economy in Asia and the 11th largest in the world. It is made up of an economy system which combines both private and state enterprise, i.e., it's a mixed economy.

Though the economy is largely dominated by family-owned conglomerates or conjunction called chaebols, it is unlikely to last and is slowly changing and transforming Korean economy for the benefit of future generations by entry of several small and medium business and independent entrepreneurship [1–2].

OVERVIEW

From 1910 to 1945, Korea was under the colony of the Japanese Empire. With the help of the Japanese capital investment, it experienced a point of industrialization and economic growth. However, the benefits of economic growth were exclusively devoted to the Japanese inhabitants of Korea.

President of South Korea became an important factor in the Han River Miracle. It focused on developing the economy of the nation by expanding the agricultural and energy industries such as coal and electricity, chemical fertilizer, cement, oil refinery, iron and steel. It also focused on the growth of overhead social capital including roads, railways and ports; thorough use of idle resources including both land and labour; promotion of exports to improve the balance of payments; and promotion of science and technology. While this first five-year plan did not lead to an immediately self-sustaining economy, it brought about a phase of growth and modernization in the development of long-term economic success and policy reform.

South Korea gained recognition for its economy by joining the list of Top Industrial Nations Organization for Economic Cooperation and Development. President Kim then created a new labor law that maintained the Korean Trade Union Federation, A large, state-controlled trade union, recognizing it as the only officially approved labor organisation, evacuating the independent Korean Confederation of Trade Unions in the cold for another five years.

Perhaps it is not surprising then that South Korea has made great progress on protectionism (admittedly from a low base made possible by the lack of enforcement power in the forerunner of the WTO, the General Tariff and Trade Agreement, and the "special and differential" provisions that made non-binding commitments by developing countries).

Probably the next best performance was in financial reform and investment-related issues and probably the worst in competition and labor policy's largely "domestic" arenas.

The reason is straightforward: the existence of international norms gives policymakers a goal to pursue, and the existence of international institutions (and other avenues of international diplomatic pressure) helps to overcome South Korean public institutions ' historical weakness and parochialism [3–4].

CONTEMPORARY CHALLENGES

While South Korea has largely avoided the worst of the recent global financial crisis in comparative terms, it has not escaped unscathed. Experiencing a sudden stop in capital flows following Lehman Brothers ' collapse, the winning peak-to-trough dropped 43 percent against the US dollar. South Korea has introduced measures to prevent cross-border capital flows, partly because of this recent history, and has pushed the idea of international financial "safety nets".

In the medium term, given the important role that cross-border trade plays in the economy of South Korea, global economic overall health will play an important role in the performance of South Korea. The country faces challenges internally with regard to the still high level of financial leverage, particularly high levels of household debt, which amounted to 125% of disposable income as of March 2011.

South Korean investment has not returned to pre-1997–98 levels, although South Korea is not alone in this respect: investment in other Asian economies affected by the crisis has never recovered fully either. During the boom of the 1990s, this pattern may reflect overinvestment, secularly decreasing profitability as capital accumulates, and political developments over the past decade.

Following the financial crisis, the rise of progressive political forces, their contentious relationship with the corporate sector and greater willingness to side with labor dispute unions may have contributed to a reduction in business confidence and a consequent attenuation by the business sector to engage in irreversible commitments, which is what investment represents after all [5].

DISCUSSION

Some of the economic development plans adopted by South Korea to lift a war ravaged nation from rags to a well successful and developed nation are as follows:

- Policy reform and export-led industrialization policy (1961–1965)
- Policy on heavy and petrochemical industrialization (1966–1979)
- Industrial restructuring and shifting to an open system (1980–1996)

The economy transposed from agriculture to manufacturing.

In addition to all of these, the different approach taken together by the South Korean government and its people can also be taken as a basis for learning from other countries. For example, the 1997 Burden Sharing Approach. Korean financial crisis in which the South Korean people came together as a community to save their country when the country was on the brink of bankruptcy during the IMF crisis. On January 5, 1998, the government launched a national campaign to raise funds to repay the loan, which today stands as one of the most moving acts of patriotism and self-sacrifice the world has ever known where nearly 3.5 million Koreans lined up for hours to donate their gold to the government regardless of how small the quantity is, raising $2.2 billion.

The recycling rules are very strict when it comes to recycling and failure to follow them will result in fines. In South Korea, there is a proper set system for proper recycling and disposal of waste that must be followed by every person living there. South Korea has a large public transport system with seamless overall transportation across the country, as well as easily accessible timetables and ticketing information in multiple languages. South Korea's Internet services are fast, reliable and affordable. Even people in the country's rural areas receive a minimum speed requirement set by the government. In many of the larger cities and in every café or restaurant, public Wi-Fi is also available [4].

CONCLUSIONS

The agility, dedication, patriotism, sense of responsibility, innovation, strong business environment, research and development, different economy policies and various government intervening support and community approaches are the main pillars that weaved Korea’s present competitiveness. While the above factors have contributed to Korea’s economic success, I have come to realise that these factors can also be applied to other countries at various levels of analysis. Also now, Tourism campaigns that featuring K-Pop Idols are now extremely popular, and they are also the most practical way to connect K-Pop to tourism and thus earning revenue and attracting foreign investments. The history of South Korean way to development can serve as a standard to successful growth for developing countries and as a strategic framework for developed countries that are losing competitiveness and want to lift its economy up.

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