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A Final Word: The Future of the Korean Economy

To close this book with a view to looking ahead to Korea’s future, this final section will examine the ever-growing trend of globalization and speculate on its implications for the Korean economy in the early part of the twenty-first century. In particular, we consider the question of how Korea can best adjust to the changing environment brought about by the trend of globalization and what kinds of economic strategies can enhance the opportunity for the Korean economy to continue to prosper in the twenty-first century. In addition, we offer prospects for Korea’s growth in the medium to long term.

1. Challenges and opportunities for the twenty-first century

1.1 The overseas economic environment

The world economic order has rapidly reorganized itself into a globalized market economy following the unmitigated collapse of the socialist economies during the late 1980s and early 1990s. Consequently, future economic cooperation and competitive relations among nations is certain to take precedence in both domestic and international policies. The twenty-first century marks the dawn of a new era of global economic unity. At the same time, Korea’s outlook for the external advancement of its economy is certainly optimistic. However, there are rising concerns that the expanding production capacity of newly industrializing countries is likely to result in fiercely increased global competition. Quite separate from the general trend towards the increased interweaving of the world’s economies, multi-polarization is also being further deepened by the construction of regional trading blocs, as evidenced by the trade agreements between North American (NAFTA) and European (EU) countries.
In the twenty-first century, nations will enjoy a much closer ‘economic proximity’, thanks to improvements in transportation, information, and communication technology, which make production factors such as labor, capital, and technology more globally mobile and accessible. The real future of national economic competitiveness will thus depend upon the efficiency of the nation’s economic system, government, and social overhead capital, which are all relatively immobile. Moreover, in the face of increasing economic uncertainty, the government will play an increasingly minor role in the economy as agents in the private sector, who are in a better position to obtain and interpret information, assume a greater role. As production cycles become shorter due to technological innovations, the pace of restructuring in the industrial sector will naturally accelerate. With new science and information technology, the high value-added industry will become the basis for any further growth and as such, the value of human creativity as a source of high value-added economic activity is expected to increase substantially.

The progress of information technology will provide new opportunities to work towards Korea’s continuing modernization process as an information society has the potential to apply a totally different paradigm for progress from that of a manufacturing industry-oriented society. An industry-oriented society is characterized by its focus on material wealth whereas an information-oriented society, with its focus on information- and technology-based innovations, can benefit to a considerably greater extent from the ‘intellectual capital’ consisting of the knowledge and capabilities of well-educated and trained individuals. With the increase in contributions of such non-material resources to production, even a less industrialized nation such as Korea could boost its industrial competitiveness by using the latest and most up-to-date kinds of knowledge. By using these new resources efficiently and innovatively, Korea can eventually become a leading economy operating in the twenty-first century’s new global market.

1.2 The domestic economic environment

In the twenty-first century, heightened interest in the quality of life and in the development of a multifaceted society will provide greater opportunities for a new value system emphasizing a variety of individual choices in order to lead the way for the future of society. With this general picture in the background, the domestic economic environment will be expected to evolve in the following ways:

First, if the rate of population growth slows down as expected, and the population starts to age overall, the growth rate of the labor force