Learning from the “Miracle of Han River”

TAO Shiyi*†

National University of Public Service, Budapest, Hungary

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ABSTRACT
The overall competitiveness performance has four basic dimensions: Economic performance, government efficiency, business efficiency and Infrastructure. Improving national competitiveness is like an investment, investing from the physical infrastructure to soft infrastructure. Korea’s transition from one of the poorest countries in the early 1960s to the world’s 11th-largest economy is unprecedented. Government plays a dominant role in the Korean economic growth since 1960s, first step taken by the government was building infrastructure. Korean government has always been committed to investment in education, improve people’s education level to meet the new requirement of labor markets. Nowadays, the high development of Korea is becoming innovation hub in the creative economy. By launching “creative economy” initiative, “creative Korea” strategy is to mainstream the use of ICTs across the entire economy and in particular to increase ICT adoption within SMEs. In addition, an area that will increase in importance is the Internet of Things (IoT). Korea is implementing Knowledge Sharing Program with worldwide partners and learning advanced experience. Sharing Korean experience and jointly developing sustainable growth.

However, solving the youth unemployment issue is priority to President Moon Jae-in, the unemployment rate of March triggered the alarm again, his administration planned to implement a series of promotion policies help youth out of catastrophe. Besides, developing a high-quality employment, training the workers to adjust the fourth technological revolution. knowledge sharing program with Hungary provides some suggestions from the Korean experiences. This proposal tries to find out how do Korea improve competitiveness since last century and some experiences of solving the unemployment.

Key words: Innovation–Technology–Creative economy–Youth Unemployment,knowledge sharing program

1 INTRODUCTION:
The overall competitiveness performance has four basic dimensions: Economic performance(employment), Government efficiency(Public finance, Tax policy), Business efficiency(Productivity, efficiency, management practices) and Infrastructure(Education). Improving national competitiveness is like an investment, invest from the physical infrastructure to soft infrastructure. The government translates the policies into the practice. Korea’s transition from one of the poorest countries in the early 1960s to the world’s 11th-largest economy is unprecedented (See Figure 1). According to the latest GCI, Korea is ranked 26th out of 137 [1].

* Corresponding author.
† Email: tao.shiyi0205@gmail.com

Source: MOSF,KSP

Figure 1. Graph 1: Success, Challenges and Triumphs again-Experience of Korea

(WEF,2017). What can we learn from Korea? Figure 1
2 SHORT REVIEW OF KOREAN ECONOMIC PLAN

Korea export-oriented economy impels rapid development of industrialization, advancement in science and technology, reform of national education, rapid improvement in the standard of living, and advancement of urbanization, modernization, democratization, and internationalization. At the time of the founding of Korea, it was a agricultural country with almost no decent industrial system. Regardless of the Japanese model and the Soviet model, building the infrastructure was priority: the country must have roads and railways, maritime routes, wire and full postal services, and most importantly, high-quality citizens. Since 1962, with the promotion of then-president Park Chung-hee, the Korean government began implementing the “five-year plan.” The development of country needs a strong leadership. Korea’s then-president Park Chung-hee, some people credit him for sustaining the Miracle on the Han River, which reshaped and modernized Korea. Park Chung Hee’s regime as Korea’s first modern nation-state successfully carried out its modernization project through capitalistic expansion and construction of national subject. The modernization was the dream of a large number of Koreans for a better life and the development of state. Meanwhile, Park’s regime was mobilized by mass politics. Multiple identities of individuals such as farmers, workers and university students joined together to construct the state from different locations and shared common experience [2] (Hwang,2009).

The first “five-year plan” was from 1962 to 1966. In this five-year plan, Korea’s goal was to solidify the industrial base. The second “five-year plan” was from 1967 to 1971. Korea began to implement the export-oriented industrial development strategy. In these two five-year plans, South Korea has focused on strengthening light industries such as light textile and cement, which have already reached a certain scale, and exchanged these light industrial primary products for foreign currency. By using the foreign currency, purchasing the foreign equipment, technology and training personnel and accelerating economic development.

During the period of the 3rd and 4th Five-Year Plans, the focus of the Korean government’s construction shifted to heavy industries: steel, shipbuilding, and chemical engineering. From this time on, the Korean economy has really started to take off. By the time of the 5th and 6th Five-Year Plans of the 1980s, the focus of the Korean government’s construction was turned to technology-intensive industries. Korea proposed a technology-based country, from the introduction of technology to independent research and development. During this period of time, Korea established a large number of institutes to promote technological research and development and develop cutting-edge industries. Korea transformed a large number of state-owned enterprises into private ones and retained only some companies that required huge investments and were unable to afford private ownership or were not suitable for private operations. Since the 1970s, economic growth in Korea has largely been driven by big and successful companies such as Samsung, Hyundai and LG. So called “chaebol” in Korean language. They play the dominant roles in the growth of economy.

The high development of Korea is becoming innovation hub in her creative economy. In 2013, Former President Park Geun-hye launched the “creative economy” initiative, aiming at generating more jobs and markets through creativity and innovation. One of the goals of the “creative Korea” strategy is to mainstream the use of ICTs across the entire economy and in particular to increase ICT adoption within SMEs. In addition, an area that will increase in importance is the Internet of Things (IoT). Korea is implementing IoT projects in different areas such as public administration (improving public services), industry (improving productivity, efficiency), and quality of life (enhancing safety, convenience, and other aspects related to quality of life). Besides, the digital economy, Korea is reinforcing Green and Creative economy through Green innovation. Administrative burdens and complex regulatory procedures are barriers on start-ups and SMEs. Korean government has made a reform of “Three-year Plan for Economic Innovation”, a large number of regulations has been eliminated. The reformed and quality-oriented regulations have an impact on improving productivity, competition and growth. Embed new digital skills into training programmes and education, thus making them even more relevant for labour market needs [3] (OECDa,2015).

Last century, government-led development was an important feature of Korea’s economic development. The government is fully involved in economic planning, formulating macroeconomic development strategies and industrial policies, or indirectly inducing policies, or directly intervening to foster and guide promising industries, and encourage large-scale development. The enterprise actively explores the market and further enhances its competitiveness. Government played a leading role, through the improvement of industrial structure and the enhancement of industrial independent innovation capabilities and technology, country realized the leap-forward development. Korea’s economic take-off was achieved under high-power government politics, or even autocratic autocracy. Today, Korea no longer needs that kind of political system. But at that time, without such a highly centralized political model, it is hard to imagine that subsequent achievements in Korea.

3 THE EMPLOYMENT ISSUES

OECD suggested “Korea speed up job market and social protection reforms to strengthen inclusive growth, said that social protection institutions now provide income and employment support to millions of households in need. But many workers still struggle with jobs of poor quality and low social protection, because policies and rules are often poorly enforced. Labour regulations and agreements are also geared towards protecting permanent jobs but often fail to help people in less regular jobs [4] (OECDb,2018).”

Last year, President Moon Jae-in’s government passed 2018 budget plans to boost spending to a record 429 trillion...
With the development of new technologies, such as artificial intelligence, Internet of Things, 3D printing, virtual reality technology, cloud computing, smart cities, etc., which will generate a large number of job opportunities. The government should relax restrictions on new technologies in order to create a more favorable environment for business investment and provide young people in these areas with new job opportunities.

2017/2018 knowledge sharing program with Hungary provides some suggestions from the Korean experiences such as expanding the vocational training program (VET) to the disadvantaged groups and building a customized system for each support target; the employment subsidy program are more focused on low-skilled workers; Increasing in part-time jobs in the regular job markets, emphasizing on VET, STS, and PES, etc [7] (Ministry of Strategy and Finance, n.d.).

3.1 Entrepreneurship of Youth:
Entrepreneurship is one of the most important drivers of both employment and economic growth. Youth entrepreneurship plays an important role in youth employment. Korea’s government made efforts to change its educational system in order to prepare Korean youths to start their own businesses. Universities respond to these policies by providing a practical curriculum and incubators. Supporting programs for incubators and entrepreneurship education packages in universities will be effective tools for promoting youth entrepreneurship. National innovation systems for SMEs supports the start-ups. Mostly important, expanding the source of financing for start-ups and SMEs. Korea’s government introduced a credit guarantee scheme to allow start-ups to borrow money from the banking sector. Corporate Social Responsibility (CSR) is another way of funding start-ups [8] [9] (MOSF, 2016).

3.2 Infrastructure:
PPP arrangement helped promote investment in infrastructure in Korea. The key indicators enable PPP in Korea successfully as follows:

1. Sound legal framework: PPP Act
Ministry of Strategy and Finance draw the basic plan for PPP and prepare directions of government policy. This workable, clear and detailed legal framework reduce potential business risks for private sectors.

2. Creation of Supporting Agency: Public and Private Infrastructure Investment Management Center (PIMAC)
Establishing Private Infrastructure Investment Center of Korea (PICKO) to provide professional supports for PPP projects. Expanding to PIMAC, which consists of experts from economics, finance, accounting, law, etc, performs feasibility studies, provides education programs for government officials, and cooperation with international organizations and foreign countries. PIMAC contributed to designing efficient PPP implementation conditions and enhancing transparency on bidding process.

3. Reasonable level of Incentives
Support for land acquisition, credit guarantee, risk-sharing structure, tax benefit, termination payment and construction subsidy.
Foreign Investors’ Participation

Korean government equally treat foreign investors with domestic investors and entitle to additional benefits, for example, government could offer subsidies or long-term loans for foreign exchange losses, Busan Aquarium project, foreign investment occupies 100%.

Infrastructure development plays a leading role, government, private sector, regulators and consumers should set up a strong framework of coordination.

4 CONCLUSION:

Government plays a dominant role in the Korean economic growth since 1960s, first step taken by the government was building infrastructure. Korean government has always been committed to investment in education, improve people’s education level to meet the new requirement of labor markets. Solving the youth unemployment issue is priority to President Moon Jae-in, the unemployment rate of March triggered the alarm again, his administration planned to add extra budget to help youth out of catastrophe. A series of promotion policies such as subsidy, education reform, shorten working hours to 52 hours per week (Saturday and Sunday included), increase hourly pay, increase tax burden for ultra high-income earners and super-large enterprises. Korea is a leading country in technology and innovation. Developing a high-quality employment, training the workers to adjust the fourth technological revolution. Government should coordinate with stakeholders to create a business-friendly environment, provides a guarantee to implement PPP Act.

Besides, government should systematically assess and monitor the existing labor market program to evaluate its effectiveness and maintain link to the policies of different government organizations and agencies that are connected. Last but not least, implementing Knowledge Sharing Program with worldwide partners and learning advanced experience. Sharing Korean experience and jointly developing sustainable growth.

REFERENCES


