

HRI Monthly Economic Review

- I . Recent Economic Trends
- II . Economic Issues Facing Korea
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- [Annex] Domestic and Global Economic Indices



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Devoting to economic research
and human resource development
with intellectual conscience and sincerity,
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< Executive Summary >

I . Recent Economic Trends

The US economy keeps on recovering, while Europe shows mixed economic trends. Japan's physical indicators improve thanks to the continuing quantitative easing policy, and China's economic recovery is delayed due to struggling exports. Korean economy shows a moderate sign of gradual recovery thanks to the rising investment with unemployment improving and prices stabilizing.

II . Economic Issues Around The World

『Post Global Financial Crisis Characteristics of Consumption Trends: 5Cs』

The following five types of consumption trends are emerging to cope with complicated environmental changes affecting the consumption market in the aftermath of the global financial crisis: (1)Conversion of Value, (2)Concern for the Future, (3)Convenience, (4)Charge, (5)Comfort.

『Plunging devaluation of the yen and its impact on Korean Economy』

Devaluation of the yen has an impact on Korean Economy as following. Firstly, sharp depreciation of the yen against the dollar increased the volatility of the exchange rate of the won. Secondly, Korea's gross exports decreases by 2.6% when the average USD/JPY exchange rate remains depreciated at 1 dollar to 100 yen level. Thirdly, the worsening trade and tourism balance due to the weakening yen will bring down the economic growth rate by 0.2%p, which may offset the effect to be brought by the revised supplementary budget and the interest rate cut.

『Significance of the Summit Meeting of Korea and China - ‘Strategic Cooperative Partnership expected to be strengthened』

The economic cooperation with China is very important to Korean domestic economy. To ensure to maximum synergy of cooperation for exchange, Korea should prepare with far-sighted medium and long term objectives in preparation for the restructuring of industries for the future. Further, Korea should make the best use of the opportunity of China's financial market opening up by expanding currency swap and trade settlement with the yuan in line with China's strengthening position in the global financial market. As well as that, strategies should be established to respond to China's technological pursuit by identifying a new growth engine.

III . The North Korean Issues

The reunion of separated families should be resumed with no more delay for the following three reasons. Firstly, members of separated families are ageing. Secondly, the gap between the mortality rate of applicants waiting for reunion and the applicants who were successfully reunited with their separated families is widening. Thirdly, the residual life expectancy of the aged applicants for reunion is more or less ten years.

I . Recent Economic Trends

Recent Global & Domestic Economic Trends

Major Foreign Economies

The US economy keeps on recovering, while Europe shows mixed economic trends. Japan's physical indicators improve thanks to the continuing quantitative easing policy, and China's economic recovery is delayed due to struggling exports.

The US maintains its recovery trend thanks to the increasing private consumption. The industrial production recorded a month-on-month growth rate of 0% due to the sluggish manufacturing and slump in the production of public goods, while retail sales increased by 0.6% in May with the upswing in the sales of motor cars. National employment in private sector increased in June by 188,000 compared with that of May, and the number of new applicants for the unemployment benefit in the last week of June decreased by 5,000 to 343,000, showing a continuing tendency of improvement.

The Eurozone economy shows mixed trends. Industrial production increased by 0.4% in April, a rise for the two consecutive months, while retail sales fell by 0.5% from the previous month, a continuing trend of negative growth. The unemployment rate stayed at 12.2% in May, the same as the previous month and the current record high, whilst the youth unemployment rate also marked at all time high rate of 23.8%.

The effect of the quantitative easing policy by the Bank of Japan is slowly appearing in the real economy. In April, industrial production rose by 1.7%, although retail sales fell by 0.7%. The core inflation rate emerged from negative territory for the first time in seven months since October 2012 to mark 0% in May. The short-term economic forecast of business conglomerates in the

second quarter of 2012 recorded 4p, the first above 0 figures in two years, which reflects the business conglomerates leading Japan’s economic recovery with the improvement of their export-oriented businesses.

The recovery of China’s economy is delayed due to the slow growth rate of exports and production. In May, exports marked a year-on-year increase of only 1.0% due to the sharp fall of trade volume between Hong Kong and Mainland China, and the deteriorating trade environment caused by the falling global demand. Industrial production showed a year-on-year increase of 9.2% in May, slightly lower than that of April. The Producer Price Index(PPI) marked a year-on-year decrease of 2.9%, a fall for the 15th consecutive month, while retail sales recorded a year-on-year increase of 12.9%, another month’s rise from the previous month.

In June and the beginning of July, the global financial market showed an increased fluctuation due to the remarks made by the chairman of the Federal Reserve Bank suggesting an exit strategy from the quantitative easing policy, rumors about suspension of relief loans to Greece, political uncertainty of Portugal, continuing quantitative easing policy by Abenomics, and concern over China’s credit crunch.

< Economic indices of major countries >

(%)

(p, yen, euro, yuan)

Object Economy Sectors		2011	2012	2013			Finance Sectors		2011	2012	2013			
		Annual	Dec	Mar	Apr	May			Annual	Annual	May	Jun	July	
US	Industrial Production	3.4	0.1	0.2	-0.4	0.0	Stock price	DJIA	12,218	13,104	15,116	14,910	14,989	
	Retail Sales	4.7	0.5	-0.3	0.1	0.6		DAX	5,898	7,612	8,349	7,959	7,829	
EU	Industrial Production	3.2	0.7	0.9	0.4	-		NIKEI	8,455	10,395	13,775	13,677	14,056	
	Retail Sales	-0.2	-0.7	-0.2	-0.5	-		SSE	2,199	2,269	2,301	1,979	1,994	
Japan	Industrial Production	-1.4	2.4	0.9	1.7	-		Exch ange rate	EUR/USD	1.2955	1.3222	1.3041	1.3031	1.3009
	Retail Sales	-1.2	0.0	-1.5	0.7	-			YEN/USD	77.66	85.86	101.05	98.51	100.03
China	Industrial Production	13.9	10.3	8.9	9.3	9.2	CNY/USD		6.3190	6.2317	6.1309	6.1490	6.1308	
	Retail Sales	17.1	15.2	12.6	12.8	12.9								

Source: US Department of Commerce; Eurostat; The People’s Bank of China

Source; Bloomberg

Note: US, EU, Japan QoQ, China YoY

Korean Economy

Domestic economy shows a moderate sign of gradual recovery thanks to the rising investment with unemployment improving and prices stabilizing.

Investment increased though production and consumption decreased. Industrial production marked a month-on-month decrease of 0.7% in May with reduction in construction, mining, and manufacturing industries. Retail sales decreased by 0.2% from the previous month due to the falling sales of durable goods such as communication equipment and computer, and nondurable goods such as vehicle fuels. Equipment investment dropped by 1.2% compared with that of the previous month mainly due to investment contraction in transportation equipment while investment in machinery equipment rose.

Exports amounted to US\$46.73 billion, a year-on-year drop of 0.9% in June, and imports US\$41.22 billion, a year-on-year drop of 1.8%, a trade surplus of US\$5.52 billion. Export volumes of ship, semiconductor, and wireless communication devices increased while LCD, steel products, and general machinery fell. Imports of raw materials dropped, while imports of capital goods and consumer goods rose.

The number of workers in employment recorded a year-on-year increase of 265,000 in May. Employment in hygiene, and social welfare service industries increased, but the growth rate of employment in manufacturing industry fell due to the smaller number of people employed in agriculture, forestry, and fishery industries during the survey period, which included public holidays such as Buddha's birthday. The unemployment rate marked 3.0%, a year-on-year drop of 0.1%p, with the size of economically inactive population rising.

Consumer price remains stable. The inflation rate marked a month-on-month drop of 0.1% in June, and a year-on-year rise of 1.0%+, showing an inflation rate of 1%+ for the eighth consecutive month thanks to the stability of international oil price and prices of agricultural and livestock products. However, core prices except for agro-livestock and oil products recorded a rise of 1.4%, well above the inflation rate.

Foreign investors' selling spree followed after the remarks by the chairman of the Federal Reserve Bank have brought a great impact on the Korean stock market. The uncertainty of China's call loan market and the leakage of Vanguard fund also played a role to weaken the Korean stock market. The KRW/USD exchange rate depreciated due to the strong trend of the dollar following the remarks of possible reduction of quantitative easing.

< Korea Major Economic Indices >

(p, %)

Economic Sectors		2011			2012					2013		
		Annual	3/4	4/4	Annual	1/4	2/4	3/4	4/4	1/4	Mayr	June
Domestic Market	Retail Sales	4.5	0.5	0.0	2.3	1.0	0.3	1.2	0.4	-1.3	-0.2	-
	Facility Investment Index	4.0	0.1	-2.8	-2.0	6.4	-5.0	-6.8	0.8	-4.6	1.2	-
	Construction	-6.4	-5.4	3.0	-5.8	-5.6	-0.9	1.0	1.4	4.4	-4.3	-
Foreign Trade	Export Growth Rate	19.0	21.4	9.0	-1.3	2.9	-1.7	-5.8	-0.4	0.4	3.2	-0.9
Employment/ Prices	Unemployment Rate	3.4	3.1	2.9	3.2	3.8	3.3	3.0	2.8	3.6	3.0	-
	Consumer Price	4.0	4.3	4.0	2.2	3.0	2.4	1.6	1.7	1.4	1.0	1.0
Finance	KOSPI	-	1,770	1,826	-	2,014	1,854	1,996	1,997	2,005	2,001	1,863
	KRW/USD	-	1,178	1,152	-	1,133	1,145	1,111	1,071	1,111	1,130	1,142
	Corporate Bond (BBB-)	-	10.31	10.12	-	10.05	9.69	8.69	8.81	8.50	8.76	8.99

Source: Bank of Korea, National Office of Statistics, Foreign Trade Association

II . Economic Issues Around The World

Post Global Financial Crisis Characteristics of Consumption Trends: 5Cs

Environmental Change of Consumption Market

The domestic consumption market is facing a variety of external environmental changes such as an increase of qualitative consumption demand and rapid structural changes of demography and households. The demand of consumers for qualitative consumption increases as the phase of economic development moves up and per capita GDP rises in the medium and longer term. At the same time, consumer purchasing power is decreasing due to the falling economic growth rate and with the gap between economic growth and household income in the short term. In addition to these economic elements, social elements such as population ageing and an increasing number of one-person households are also influencing the domestic consumption market.

Post Global Financial Crisis Characteristics of Consumption Trends: 5Cs

The following five types of consumption trends are emerging to cope with complicated environmental changes affecting the consumption market in the aftermath of the global financial crisis.

① Conversion of Value

The concept of consumption is shifting from possession value to utility value. The consumption of durable goods for households such as motor cars, home appliances, furniture, and similar items has been continually on the increase until 2009 when the growth rate of consumption came to a halt. In the wake of the global financial crisis, the lease and rental industry has emerged as a fast

growing market as a new consumption pattern of leasing/renting rather than purchasing products gains favour as one means of surviving economic recession.

② Concern for the Future

Consumption to prepare for the future is increasing; household insurance policies against the uncertainty of the future continues to rise, and concern for the future coupled with economic recession has prompted the sale of lottery tickets to rapidly increase, exceeding the recommended ceiling of lottery issuance set by the government for the recent two years(2011-2012).

③ Convenience

Convenience-oriented consumption; seeking simple and fast service is rising as the number of one-person households or 'Singlesumer'(Single+Consumer) increases. As a result, the consumption of processed food is on the increase, while the consumption of fresh food is decreasing, and consequently convenience stores and supermarkets are mushrooming.

④ Charge

Consumption to charge everyday life with energy, focusing on a good balance between work and leisure is expanding. The average household expenditure on entertainment went up to 5.8% out of the total household consumer's expenditure in 2012, recording the highest mark in the recent ten years. Despite the economic recession in most industries since the global financial crisis began, leisure industries such as arts, sports, entertainment, and accommodation businesses marked a high growth rate of 10.4%.

⑤ Comfort

As the size of a family becomes smaller and social competition intensifies, loneliness and social stress increase, which helps explain why an increasing number of people keep companion animal for comfort and psychological sense of safety. Expenditure on companion animals showed no great change until the

beginning of the global financial crisis, but started to increase since 2010 and the pet animal industry is thriving.

Suggestions

1. The growth engine for rental/lease industry should be secured in preparation for structural change of consumption market of household durable goods. Detailed guidelines are required to clearly define difference between the ownership title and the right for usage to define the scope and limitation of compensation for damages, and to define the protection of rights as disputes for businesses and consumers are likely to increase as the rental business of durable goods, such as home appliances and motor cars, continues to grow .
2. Development of products tailored to the needs of consumers, diversification of insurance companies' profit base, and greater overseas business should be promoted to strengthen the competitive edge of insurance companies; a private sector business which can complement government's social security network. Also, efforts to enhance consumer confidence in the insurance industry should also be encouraged.
3. Policies to promote the food-processing industry should be in place in preparation for increasing consumption of processed foods, focusing on the growth potential of processed food industry and health issues involving consumers. At the same time, policies for distribution system efficiency should be introduced to safeguard consumer rights and prevent unfair trade which could occur as the distribution channels grow to form a type of oligopoly.
4. Government should focus on securing on and off-line space to combine culture and arts with consumer demand in preparation for the growing leisure industry. In particular, the tourism market is not significantly improving as the domestic tourism industry fails to meet the demands of home tourists due to sole concentration on attracting foreign tourists, and therefore, it is urgently required to allocate tourism resources to cater for domestic tourists.

5. The industry for psychological comfort such as pet animal business is anticipated to flourish, which is becoming bigger and more specialized. Also, the possibility of the birth of another service industry providing mental and psychological stability to individuals is growing. Therefore, it is necessary to check relevant laws governing the industry in order to set an appropriate foundation.

Plunging devaluation of the yen and its impact on Korean Economy

Trend of the Yen

The USD/JPY exchange rate continues its rapid depreciation, hitting 100 yen level for the first time in four years due to the Abe administration's quantitative easing policy. The cumulative depreciation of the yen for the period September 2012 to the present is a staggering 22.0%, relatively high rate compared with the three previous periods of yen weakening: 17.3% for the period June 1988-May 1990, 22.8% for June 1995-July 1996, and 14.5% for November 2004-June 2007, and what is even more noticeable is that it occurred very rapidly. According to the forecasts of major investment banks, the weakening trend of the yen will continue for the next one year, causing concern over the inevitable shock that might be brought to the domestic economy, and side effects to come if and when Abenomics fails.

Background of Sudden Depreciation of Yen

1. Abenomics represented by enforcement of quantitative easing: The Abe administration employed quantitative easing policy such as increasing reserve money and expanding the size and scope of purchasing government bonds to reinvigorate Japan's economy by weakening the yen. The speed of yen depreciation is accelerating as the issue of a weaker yen was approved at the recent G7 meeting.
2. Japan's deepening trade deficit: Japan's trade balance turned into deficit

since 2011 in the aftermath of the earthquake in eastern Japan, and recently the size of the deficit has been gradually increasing.

3. Global financial market's relaxation of preference for safe-haven assets: The demand for yen as a safe-haven asset increased since the global financial crisis, but has started to decline as the world financial market stabilizes.
4. Growing concern over the possibility of Japan's fiscal stability deteriorating: Japan's government debt sharply increased in the medium and long term as a result of enforcing Abenomics, raising a question as to the current management of the Abenomics.
5. The yen, which has been excessively overvalued since the start of the global financial crisis until the beginning of 2013, is now gradually returning to its normal level, and has been undervalued against the dollar for the latest three months.

Plunging devaluation of the yen and its impact on Korean Economy

1. Shock to the global financial market: Sharp depreciation of the yen against the dollar increased the volatility of the exchange rate of the won. Data shows that the KRW/JPY exchange rate fluctuates by 0.62% when the USD/JPY exchange rate changes by 1%. The weakening yen also undermines the competitive edge of Korean export products, resulting in falling corporate value and a depressed stock market. The correlation between the KOSPI stock price and the USD/JPY exchange rate is -0.7, showing the tendency of KOSPI index to fall when the exchange rate of the yen depreciates.
2. Deteriorating exports: Korea's gross exports may decrease by 2.6% when the average USD/JPY exchange rate remains depreciated at 1 dollar to 100 yen level. The export growth rate of steel, IT, and machinery products is forecasted to be -11.9%, -1.8%, and 1.7%. Imports, however, will decrease by 2.5% when the average USD/JPY exchange rate stays at 100 yen level. The trade surplus, given the same condition, will be reduced to US\$26.8 billion, a reduction of US\$1.5 billion compared with that of the previous year. The

number of Japanese tourists visiting Korea will fall, while Korean tourists to Japan will increase, resulting in the reduction of tourism performance by US\$1.09 billion.

3. Slowdown of the economic growth rate: The worsening trade and tourism balance due to the weakening yen will bring down the economic growth rate by 0.2%p, which may offset the effect to be brought by the revised supplementary budget and the interest rate cut. It is feared that the economic growth rate of this year may fall to just over 2.0%.

Suggestions and Tasks

To minimize the damage on Korean economy, the following counter-measures should be considered:

1. Sudden depreciation of KRW/JPY exchange rate should be prevented by fine-tuning of the foreign-exchange market fluctuation and by employing measures to stabilize foreign-exchange market.
2. Serious consideration should be given to decide the direction of monetary policy, and also relevant nations should collaborate to strengthen concerted international effort to cope with accelerating tendency of weakening yen as the result of Japan's enforcement of quantitative easing.
3. Positive utilizations of FTAs should be practiced in major export markets, while enhancing competitive edge in exports by improving brand image and strengthening marketing activities.
4. In the medium and long term, the government should focus on creating new industries for export in preparation for changing export environment including the weakening yen and set a global industrial strategy at a national level.
5. Regulations on business conglomerates such as democratization of economy should be appropriately controlled, and investment environment for businesses should also be improved.

The Significance of the Summit Meeting of Korea and China -'Strategic Cooperative Partnership' expected to be strengthened

Expanding Interchanges between the Two Nations

With the successful state visit of President Park Guenhye to China in June 2012, the 'Strategic Cooperative Partnership' with China is set to be further strengthened. The relations between the two nations, since establishing diplomatic ties in 1992, have progressed for the past 21 years in many aspects including trade, investment, and personal interchange. The size of trade with China was no more than US\$6.4 billion at the time of establishing diplomatic relations, but today, the size stands to be US\$210 billion as of 2012, a growth amounted to be 34 times higher comparatively, while Korea's direct investment to China is second only to the US. The number of personal exchange remained at about 90,000 at the time of establishing diplomatic ties, but sharply increased to 6.91 million as of 2012.

Economic Exchange between Korea and China, and Pending Issues

(Korea-China FTA) The FTA negotiations between Korea and China started in earnest with the summit meeting held in 2012. The economic cooperation between the two nations now needs to shift from existing vertical cooperation such as exports of parts and raw materials to complementary horizontal specialization. The Korea-China FTA should be comprehensive and ensure practical liberalization of trade, but at the same time should also seek ways to minimize possible damage on domestic agro-fishery industry and small and medium businesses. Comprehensive areas such as products, investment service, and intellectual property right should be considered for agenda.

(Financial Cooperation) Growing number of financial institutions such as banks, insurance and securities companies of Korea and China are setting up their branch offices in each other's country. Recently, currency trading and currency swaps between the two nations are also expanding. The size of currency swaps started with 180 billion yuan in 2008, which increased to 360

billion yuan at the end of 2011, and Korea is now preparing to adopt yuan as trade settlement currency. However, infrastructure should be built up to introduce trade settlement system with home currency, and to expand cooperation on currency exchange rate in the medium and long term as institutional barriers such as Qualified Domestic Institutional Investor(QDII) is still high.

(Exchange of Advanced& Innovative Technology) China is recently accelerating reform of high value-added and advanced industrial structure items including strengthening technological foundational competence. China has not only been expanding investment on R&D, but also striving to enhance foundational competence for scientific and technological development with rapidly increasing number of patent applications and theses publications on technology. The size of R&D investment of China is US\$104.3 billion as of 2012, nearly three times as much as Korea's US\$38 billion. It will be beneficial to both countries to promote technological exchanges on a strategic level in the areas where Korea is ahead of China such as electronic information communications and bio-technology, and also in the areas where Korea is behind China such as space technology

(Cultural and Personal Interchange) Personal exchange is actively progressing between the two nations, in the midst of China emerging as the largest export market for the K-wave-centered Korean culture. The content exports to China in 2009 was US\$581 million, but increased 1.9 times as much to US\$1.119 billion in 2011. However, measures to safeguard intellectual property rights for contents industry are to be strictly implemented. Also, further efforts should be made to identify bottleneck problems involving personal exchange between the two countries and removing barriers to facilitate Korean students studying in China to find local jobs, simplifying visa procedures, and relieving sense of cultural difference lying between the two countries.

(Korea-China Cooperation related to Korean Peninsula Trust Process) The Korean Peninsula Trust Process aims for balanced promotion of 'Cooperation for Security and Interchange', and should agree for the peaceful

settlement of nuclear issue through dialogue. Korea and China need to share the same perception in a forward-looking manner that there should be a trust-building mechanism working in Korean peninsula for denuclearization of North Korea, utilizing multi-party dialogue systems of Korea, China, the US, and South Korea, North Korea, China. It is also recommended that Korea negotiate for the N. Korean special economic zones such as Kaisong Industrial Complex(KIC) and Hwanggeumpyung to be designated as Outward Processing Zone through Korea/China FTA and Korea/China/Japan FTA.

Suggestions

The expectation for the growth of economic exchange between the two countries is that economic cooperation with China is very important to Korean domestic economy, and, therefore, in order to ensure maximum synergy of cooperation for exchange, Korea should:

1. Prepare with far-sighted medium and long term objectives in preparation for the restructuring of industries for the future, suggesting phased negotiations for individual industries rather than focusing on industries sensitive to home economy when negotiating with China for FTA.
2. Make the best use of the opportunity of China's financial market opening up by expanding currency swap and trade settlement with the yuan in line with China's strengthening position in the global financial market.
3. Establish strategies to respond to China's technological pursuit by identifying a new growth engine, focusing on intensive fostering of strategic industries for the next generation.
4. Expand and strengthen personal and cultural interchange, and consider safeguards for intellectual property rights of cultural contents industry of both countries.
5. Positively seek China's support and cooperation in relation to the Korean Peninsula Trust Process and the idea of the Northeast Asian Cooperation for Peace.

III. The North Korean Issues

Time for Resumption of Reunion of Separated Families is Running out

Current Situation of the Reunion of Separated Families

The reunion of separated families is a matter of fundamental value that every human being is entitled to, which, at the same time, can contribute to the improvement of inter-Korean relationship and ultimately to the unification of Korea in time. It will also contribute to the spirit of national unity as well as to the creation of the right social atmosphere for the unification of Korea. The survey conducted on experts on N. Korea revealed that the issue of arranging reunion of separated families in the North and in the South is a matter for urgency to be dealt by the new government.

Outcome of the Surveys on New Government's Policy on N. Korea

New government's major tasks on N. Korea	Aug 2012	New government's priority tasks for N. Korea	Jan 2013
Reunion of separated families	32.1%	Revitalization of humanitarian project such as reunion of separated families	36.2%
Expansion of social and cultural exchange	35.7%	Revitalization of economic cooperation such as Mt. Geumgang tourism and Kaesong Industrial Complex	42.9%
Expansion of humanitarian aid for N. Korea	31.3%	Political exchange such as summit meeting of the two Koreas	20.9%
Promotion of co-excavation of cultural assets & historical ruins	0.9%		

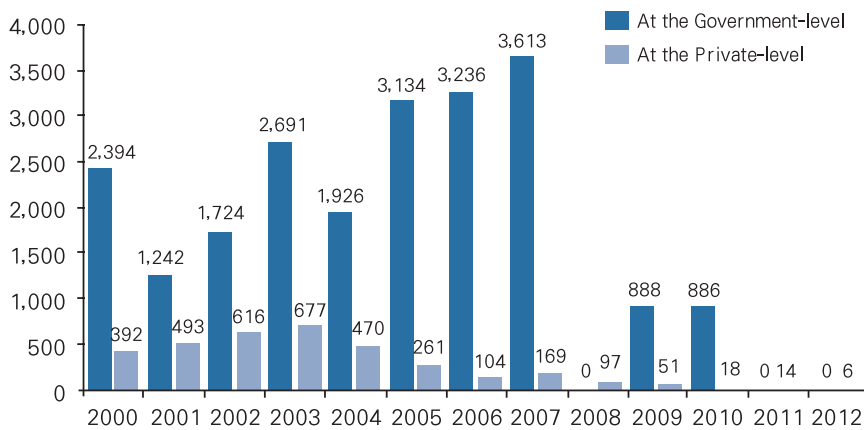
Note: Surveys were conducted in August 2012 and January 2013 on 112 and 105 researchers and professors respectively, who are experts on N. Korea

With the agreement made at the inter-Korea summit meeting held in 2000 to facilitate the reunion of separated families, the number of separated family members, who visited N. Korea for reunion arranged by both authorities reached 1,800 a year. However, reunions organized by authorities or by private

arrangement fell since 2008 due to the tensed relations between the North and the South. Reunions prepared by authorities in particular were held only twice with 1,770 members of separated families in 2009 and 2010, and none at all in 2008, 2011, and 2012. In the meantime, the cost for privately arranged reunions tends to increase considerably.

Since it started in 1988, the number of applicants for reunion registered as of May 2013 reached 128,808, as many as 55,347(43.0%) of whom have now passed away. The 6,128 rounds of reunion were held involving 25,278 members of separated families, out of which 4,386 rounds of reunion were organized by authorities for 21,891 people, and 1,742 reunions were by private arrangement for 3,387 members of separated families.

<Comparison of reunions organized by authorities and by private arrangement(2000-2012)>



The reunion of separated families should be resumed with no more delay for the following three reasons:

1. Members of separated families are ageing. All applicants for reunion are over 50, and 80.5% of them are over 70. Compared with the figure of 2003, the ratio of applicants over 80 increased by 22%p.

2. The gap between the mortality rate of applicants waiting for reunion and the applicants who were successfully reunited with their separated families is widening. The death rate of applicants waiting for reunion is 2.9% a year while the rate of successful reunion is only 1.2%. To put it differently, approximately 3,800 applicants passed away a year on the average, while only 1,800 applicants were successfully reunited. In other words, approximately 2,000 applicants are dying of old age without reunion. The chance for reunion is continuing to diminish as time passes on; the ratio of successful reunion rose only by 1.2%p, while the death rate of applicant waiting for reunion increased by 12.4%p for the six years from 2008 to May 2013.

<Comparison of applicants who passed away without reunion and applicants who had a temporary reunion(2003-May2013)>

(Unit : %)

Year	Deaths (aggregated total) (A)	Survivors (aggregated total)	Total (B)	Deaths per year	Death rate (aggregated total)	The reunited		Per year (aggregated total)
						Reunion rate	(aggregated total)	
2003	19,488	103,397	122,885	-	15.9	3,368	10,406	8.5
2004	23,058	100,861	123,919	3,570	18.6	2,396	12,802	10.3
2005	26,945	96,268	123,213	3,887	21.9	3,395	16,197	13.1
2006	28,997	94,933	123,930	2,052	23.4	3,341	19,538	15.8
2007	33,300	93,487	126,787	4,303	26.3	3,782	23,320	18.4
2008	38,926	88,417	127,343	5,626	30.6	97	23,417	18.4
2009	42,123	85,905	128,028	3,197	32.9	939	24,356	19.0
2010	43,990	84,133	128,123	1,867	34.3	904	25,260	19.7
2011	49,776	78,892	128,668	5,786	38.7	14	25,274	19.6
2012	53,943	74,836	128,779	4,167	41.9	6	25,280	19.6
May 2013	55,347	73,461	128,808	1,404	43.0	0	25,280	19.6

Source : Integrated information system of separated families, Ministry of Unification

Note : 1) The reason the aggregate total of separated families varies is that additional number of applicants register afterwards

2) The number of the reunited is the sum of reunions organized by authorities(including video reunions) and by private arrangement

3) Death rate(aggregate total) = Aggregate total of the deaths/year(A) ÷ total(B) × 100

4) Ratio of reunion(aggregate total) = Aggregate total of the reunited/year(C) ÷ total(B) × 100

3. The residual life expectancy of the aged applicants for reunion is more or less ten years. All of the applicants could die in 20 to 24 years, and particularly, most of those over 70 will probably die within ten years based on the average residual life expectancy. The number of reunions, therefore, should be increased to facilitate, at the minimum of, 7,000 applicants to reunite per year if they are all to have reunion with in their life time. In the case for those over 70, more than 6,000 applicants should be able to be reunited per year for the next ten years if they are to realize their dream of reunion with their separated family members.

Suggestions for the Expansion of Reunion

Considering that time is limited for the ageing applicants, the issue of reunion should be urgently dealt with, bearing in mind the following points:

1. On or around August 15, National Liberation Day, is a good time to resume the suspended reunion of separated families.
2. The number of reuniting applicants should be increased to the maximum, considering that the reunion rate is much lower than the death rate of the applicants waiting for reunion, and that they are fast ageing.
3. Apart from the reunion in person, a video reunion should also be promoted, institutionalizing the projects to verify survival of separated family members and to facilitate exchanges of letters including video letters on a permanent basis.

[Annex]
Domestic and Global Economic Indices

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□ Global Growth Rate

Category	2011					2012					2013
	Annual	1/4	2/4	3/4	4/4	Annual	1/4	2/4	3/4	4/4	Annual(E)
US	1.8	0.1	2.5	1.3	4.1	2.2	2.0	1.3	3.1	0.4	1.7
Euro Region	1.4	0.8	0.2	0.1	-0.4	-0.6	-0.1	-0.2	-0.1	-0.6	-0.6
Japan	-0.6	-7.3	-2.8	10.4	0.6	2.0	6.1	-0.9	-3.7	0.2	2.0
China	9.3	9.7	9.5	9.1	8.9	7.8	8.1	7.6	7.4	7.9	7.8

Note: 1) IMF figures of July 2013 for 2013 global projections.

2) Annual rates were compared with those of previous term for the US and Japan, with the rates of the previous term for Euro region, and with the same term in the previous year for China.

□ Economic Indicators of South Korea

Division		2011	2012			2013(E)
			the first half	the second half	Annual	
National Account	Economic Growth rate (%)	3.7	2.6	1.5	2.0	2.6
	Private Consumption (%)	2.4	1.2	2.2	1.7	2.1
	Construction Investment (%)	-4.7	-1.9	-2.4	-2.2	2.5
	Facility Investment (%)	3.6	2.3	-6.1	-1.9	1.0
Foreign Trade	Current Account (100 million Dollars)	265	137	294	431	395
	Exports (100 million Dollars) [Increase rate, %]	5,552 [19.0]	2,750 [0.5]	2,729 [-3.1]	5,479 [-1.3]	5,589 [2.0]
	Imports (100 million Dollars) [Increase rate, %]	5,244 [23.3]	2,641 [2.3]	2,555 [-4.0]	5,196 [-0.9]	5,319 [3.5]
Consumer Price (Average, %)		4.0	2.7	1.6	2.2	1.6
Unemployment rate (Average, %)		3.4	3.5	2.9	3.2	3.3

□ Economic Indicators of North Korea

(USD million)

Category		2005	2006	2007	2008	2009	2010	2011	2012
Per capita GNI		105	103	104	114	119	124	133	-
Amount of Trade by Year	South-to-North	715.5	830.2	1,032.6	888.1	744.8	868.3	800.2	897.2
	North-to-South	340.3	519.5	765.3	932.3	934.3	1,043.9	913.7	1,074.0
	Total	1,055.8	1,349.7	1,797.9	1,820.4	1,679.1	1,912.2	1,713.9	1,971.2

Source: THE BANK OF KOREA, Ministry of Unification

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