

HRI Monthly Economic Review

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

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Devoting to economic research
and human resource development
with intellectual conscience and sincerity,
the Hyundai Research Institute leads
the advancement of Korean Economy
in the 21st century by proposing
creative policy alternatives.

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< Executive Summary >

1. Recent Economic Trends

Although the US maintains economic recovery, Europe and Japan continue to struggle. China's economic recovery slows down. Korean economy remains in recession. Exports maintains improvement. Improving tendency of employment slows down marginally, and consumer prices remain low.

2. Economic Issues Facing Korea

『International Comparison of the Runoff Ratio of Value Added out of Exports』

Despite Korea's recent export performance achieving record-high figures to all outward appearances, Korea's overall export competitiveness shows early signs of crisis. Korea's export markets are facing difficulties in competing with Japanese goods propelled by quantitative easing and favorable foreign exchange fluctuations on one side, and by China, the latecomer industrialized nation, on the other. This is mainly due to the failure of sustained development and export of high-value added goods. Instead, Korea has been focusing on commoditized goods for small profits, quick returns and processing trades. The purpose of this report is to measure Korean manufacturing industry's level of value-added by comparing Korea's current 'runoff ratio of value added out of exports' which denotes the flow-out ratio of value added out of exports to those of manufacturing power houses such as the US, China, Germany, and Japan.

『Characteristics of Domestic Intellectual Property Investment and Policy Suggestion』

With a new section of 'intellectual property product investment' (hereinafter referred to as intellectual property investment) created along with the revision of the national account in 2014, the importance of intellectual property investment is now highlighted. The domestic economy appears to have reached a point where economic growth can no longer be made just with factor inputs due to the deterioration of key industries, low birth rate, and aging society. The intellectual property investment including R&D and non-R&D investments (software, contents, intellectual property right) are core elements for domestic economic growth considering its enhancement of the total factor productivity.

3. The North Korean Issues

The Mt. Kumgang Tour Project, launched on November 18, 1998, marks its 16th anniversary soon. The tour is significant in building up mutual trust through exchange of human and material resource between the North and South and in working as a trigger for the unification campaign. In June 1998, the late Juyoung JEONG, the then emeritus Hyundai chairman, visited North Korea with a herd of 500 cattle to initiate inter-Korean trade, and discuss economic cooperation such as the Mt. Kumgang tour project. Since there was no interaction channel, the private sector economic cooperation contributed to prevent extreme confrontation between the two Koreas, performed as an unofficial diplomatic bridge, and created the mood for the inter-Korea summit meeting.

I . Recent Global and Domestic Economic Trends

Major Economies

Although the US maintains economic recovery, Europe and Japan continue to struggle. China's economic recovery slows down.

The US sustains a healthy recovery trend. Although industrial production in October showed a month-on-month drop of 0.1%, retail sales recorded a month-on-month rise of 0.3%. The number of the employed in non-agricultural sectors recorded a month-on-month increase of 321,000 in November, a monthly increase of over 200,000 for ten consecutive months since January, 2014. The unemployment rate marked 5.8%, in November, same as October. The ISM manufacturing industry PMI showed 58.7p in November, a month-on-month drop of 0.3%p, while still maintaining its upturn trend.

Europe's economy remains in recession. Industrial production in September increased by 0.6% while retail sales fell by 1.2% compared to the previous month. Although the unemployment rate is falling marginally, it remained at 10.1% in September, still above 10% plus. Inflation rate showed a year-on-year increase of less than 1%, staying at 0.5%, and a marginal increase of 0.1% from 0.4% in September. Exports and imports marked a month-on-month rise of 6.7% and 4.4% respectively, an upturn from the negative growth in September.

Japan also remains in depression. Industrial production in October showed a month-on-month increase of 0.2% while retail sales recorded a month-on-month drop of 1.4%. Although inflation rate marked a year-on-year rise of 3.2%, the real wage growth rate showed a year-on-year drop of 3.0% with the inflation rate taken into account, making it difficult to expect sustained improvement of

I. Recent Global and Domestic Economic Trends

the private consumption expenditure. The quarter-on-quarter economic growth rate showed -1.9% in Q2 and -0.4% in Q3, a negative growth for two consecutive quarters.

China's economic recovery slows down. Although industrial production and retail sales in October recorded a year-on-year growth of 7.7% and 11.5% respectively, the increasing trend flattened out for the recent four months. Exports and imports in October showed a year-on-year rise of 11.6% and 4.6%. The HSBC manufacturing industry PMI is on the downturn since the second half of this year, accounting for 50.0p in November, a month-on-month drop of 0.4p. Composite leading index also dropped since July, marking 99.7p in September

November saw a continued weak yen owing to the additional quantitative easing of Japan, and also a weak Russian ruble due to the plummeting international oil prices.

<Economic indices of major countries>

(%)

(p, yen, euro, yuan)

Economic Sectors	2012	2013	2014			International Finance Sector	2012	2013	2014					
	Annual	Annual	Aug	Sep	Oct		Annual	Annual	Oct	Nov	Dec			
US	Industrial Production	3.8	2.9	-0.2	1.0	-0.1	Stock index	DJIA	13,104	16,577	17,391	17,384	17900	
	Retail Sales	5.1	4.2	0.6	-0.3	0.3		DAX	7,612	9,552	9,327	9,116	9851	
EU	Industrial Production	-2.5	-0.7	-1.2	0.6	-		NIKEI	10,395	16,291	16,414	16,862	17851	
	Retail Sales	-1.7	-0.8	1.1	-1.2	-		SSE	2,269	2,098	2,420	2,431	2869	
Japan	Industrial Production	0.6	-0.8	-1.9	2.7	0.2		Rate of Exchange	EUR/USD	1.3222	1.3799	1.2607	1.2462	1.2314
	Retail Sales	1.8	1.0	1.9	2.7	-1.4			YEN/USD	85.86	105.04	109.33	117.91	119.81
China	Industrial Production	10.0	9.7	6.9	8.0	7.7	CNY/USD		6.2317	6.0617	6.1145	6.1391	6.1501	
	Retail Sales	14.3	13.1	11.9	11.6	11.5								

Source : US Department of Commerce; Eurostat; The People's Bank of China
 Note : US, EU, Japan QoQ, China YoY

Korean Economy

Domestic economy remains in recession. Exports maintains improvement. Improving tendency of employment slows down marginally, and consumer prices remain low.

Domestic economic recovery is weak. Industrial production bounced back in three months showing a month-on-month rise of 0.3% though the recovering tendency is weak. The growth rate of mining and manufacturing industries showed a continued slump: 3.8% in August, 0.0% in September, and -1.6% in October. Retail sales recorded a month-on-month decrease of 0.4%, and facility investment a month-on-month drop of 4.6% due to the falling investment in other transport equipment and precision instrument. Foreign trades maintained improving trend. Although exports in November amounted to US\$47.0 billion, a year-on-year drop of 1.9%, the export value per day was on the increase. Exports continued to perform well in general machinery, steel, and motors, and exports to the US improved. Imports amounted to US\$41.4 billion, a year-on-year drop of 4.0% mainly due to falling international oil prices. Trade surplus in November was US\$5.6 billion, a surplus for 34 consecutive months.

The improvement of employment has marginally slowed down due to the economic recession. The number of the employed in October showed a year-on-year rise of 406,000, the lowest in the last four months, while the number of the unemployed accounted for 858,000, a year-on-year rise of 135,000(18.6%). Unemployment rate in October recorded 3.2%, a year-on-year rise of 0.4%p. The increasing tendency of employment is concentrated in the age brackets of 50s and 60s.

Consumer prices still remain at a low level. The inflation rate showed a month-on-month fall of 0.2% in November and a year-on-year rise of 1.0%, the lowest in nine months. Core prices except for agricultural and petroleum products showed a

I. Recent Global and Domestic Economic Trends

year-on-year increase of 1.6%, the lowest since it recorded 1.5% in August 2013.

The Korean financial market in November saw the speedup of the yen devaluation following the additional quantitative easing and a strong dollar with sustaining recovery trend of the US economy.

<Korea Major Economic Indices>

(p, %)

Economic Sectors		2012	2013					2014				
		Annual	Annual	1/4	2/4	3/4	4/4	1/4	2/4	3/4	Oct	Nov
Domestic Market	Retail Sales	2.3	0.7	-1.0	0.9	0.8	0.3	0.3	-0.5	1.4	-0.4	-
	Facility Investment Index	-2.0	-5.0	-3.1	1.1	5.0	5.9	-5.2	2.1	-0.9	-4.6	-
	Construction	-5.0	10.1	4.4	15.0	10.5	9.7	6.5	0.1	-1.9	-5.7	-
Foreign Trade	Export Growth Rate	-1.3	2.1	0.3	0.7	2.8	4.7	1.7	3.2	3.7	2.3	-1.9
Employment/ Prices	Unemployment Rate	3.2	3.1	3.6	3.1	3.0	2.8	4.0	3.7	3.3	3.2	-
	Consumer Price	2.2	1.3	1.6	1.2	1.4	1.1	1.1	1.6	1.4	1.2	1.0
Employment/ Prices	KOSPI	-	-	2,005	1,863	1,997	2,011	1,986	2,002	2,020	1,964	1,981
	KRW/USD	-	-	1,111	1,142	1,075	1,067	1,065	1,012	1,055	1,069	1,108
	3yr Government Bond	-	-	2.60	2.87	2.90	2.94	2.87	2.75	2.41	2.24	2.14
	Corporate Bond (BBB-)	-	-	8.50	8.99	8.97	9.10	9.00	8.79	8.43	8.24	8.20
Economic Index	Coincident Composite Index	-	-	112.3	113.9	115.1	116.8	118.4	118.9	120.5	120.5	-
	Lending Composite Index	-	-	110.7	113.1	114.6	117.0	118.2	119.8	122.9	123.7	-

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

II. Economic Issues Facing Korea and Around the World

1. International Comparison of the Runoff Ratio of Value Added out of Exports.

Crisis of Falling Competitive Edge of Korea's Exports

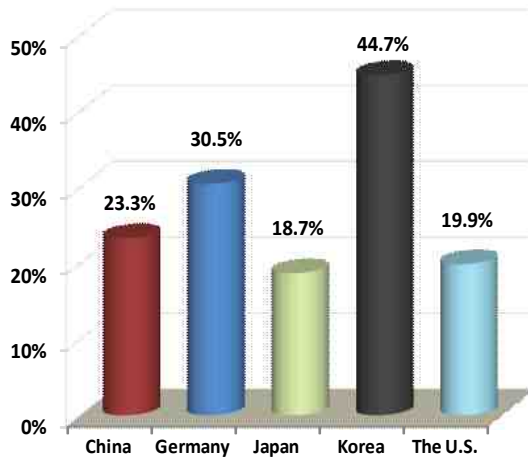
Despite Korea's recent export performance achieving record-high figures to all outward appearances, Korea's overall export competitiveness shows early signs of crisis. Korea's export markets are facing difficulties in competing with Japanese goods propelled by quantitative easing and favorable foreign exchange fluctuations on one side, and by China, the latecomer industrialized nation, on the other. This is mainly due to the failure of sustained development and export of high-value added goods. Instead, Korea has been focusing on commoditized goods for small profits, quick returns and processing trades. The purpose of this report is to measure Korean manufacturing industry's level of value-added by comparing Korea's current 'runoff ratio of value added out of exports' which denotes the flow-out ratio of value added out of exports to those of manufacturing power houses such as the US, China, Germany, and Japan.

The Current State of Korea's Runoff Ratio out of Value-added of Exports

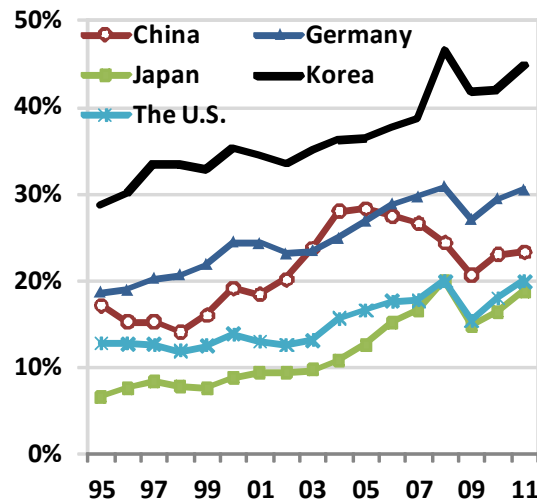
As of 2011, Korea's runoff ratio of value-added out of exports accounted for 44.7%, 21.6%p higher than the average of the four major nations stated above. Korea's runoff ratio 44.7% means that when Korea exports US\$1,000 worth goods, Korea retains only US\$553 with the remaining US\$447 draining abroad. The runoff ratios of the four major nations are as follows: Germany 30.5%, China 23.3%, the US 19.9%, and

Japan 18.7%, all much lower than Korea's. The nations to which Korea's value-added out of exports flows out to are: China 6.6%, the highest of all, followed by EU and Japan 4.4% each, and the US 3.9%. In general, the runoff ratio of value added is on the increase since 1995, and Korea's growth rate is higher compared to those of major nations. Korea's runoff ratio of value added rose from 38.7% in 2007 to 44.7% in 2011, a sharp increase of 6.0%p compared to the modest rise of the US(2.2%p), Japan(2.1%p), and Germany(0.8%p) over the same period of time. Particularly, China's runoff ratio, in contrast to all other major countries, dropped by 3.3% from 26.6% in 2007 to 23.3% in 2011 with its chemical and steel industries showing more runoff of added value than others. Of all industries, Korea's petrol and coal refinery industries showed the highest runoff ratio(88.2%) followed by the chemical industry(52.5%), and natural resources including steel refining (47.7). In the cases of coal/oil refinery industries and nuclear fuel industry, Korea's runoff ratio(88.2%) is much higher than the average ratio(52.3%) of four major nations, a staggering difference of 35.9%p.

<Runoff Ratio of Value Added out of Exports of Major Nations(2011)>



<Major Nations' Trend of Runoff Ratio of Value Added out of Exports>



Source :Calculated by HRI based onWIODstatistics.

Causes of Korea's Excessive Runoff Ratio of Value Added out of Exports

The fundamental cause of the excessive runoff of value-added out of exports is that Korea's industrial structure is not yet framed for high value-added and specialized high-tech goods, but instead maintaining export drive of goods for general purpose consumption, the typical export structure of a semi-developed nation. The causes for this phenomenon are analyzed as follows:

1. Korea's 'intermediate industry' (materials and parts) is weak, and Korea depends heavily on imports for key intermediate goods and capital goods. Korea's import volume of key intermediate goods to GDP ratio is 12.7% as of 2011, much higher than the four major manufacturing nations above. Korea's capital goods imports/GDP ratio is 4.0%, similar to Germany(4.1%), but much higher than China(2.5%), Japan(1.3%), and the US(2.2%).

2. The deficit in technology trade is continuing due to Korea's weakening cutting edge. Although the degree of Korean manufacturing

industry's R&D intensity(R&D expenditure/value added) has improved recently, Korea's level of 9.8% as of 2012 is behind Japan(12.5%) and the US(10.9% as of 2011). In particular, Korea's technology trade balance ratio(technology exported/technology imported) accounted for 0.41 as of 2011, a continuing deficit tendency.

3. Korea's overall industrial inefficiency is higher compared to major countries. The estimated figure of Korea's labor productivity is US\$24.6/hour as of 2009, only 39% of the average US\$62.8 of the three nations mentioned above.

4. Though not a major element, the shortage of natural resource endowment such as energy is thought to be a cause of excessive flow out of value added goods. Korea's import of raw materials/GDP ratio is 13.0% as of 2013, much higher than China(5.8%), Germany(4.5%), Japan(6.0%), and the US(1.9%).

Policy Suggestions

When the ratio of the value added retained in Korea is low, the investment ability for the future of industries is reduced, weakening growth potential of the whole economy, and therefore, it is recommended to take the following measures:

1. Korea's industrial structure should be transformed from the follower type of economic model to the first mover model by enhancing its non-price competitive edge, and by developing a new industry.

2. The ratio of domestic production of materials and parts should be increased by strengthening business ties between the demand and supply sides.

3. The technological cutting edge, the core element of non-price competitiveness, should be enhanced by expanding R&D investment.

4. Productivity over entire industries should be enhanced by innovating production methods and upgrading human capital.

5. Efficiency in resource and energy consumption should be raised by upgrading to smarter industrial practices.

2. Characteristics of Domestic Intellectual Property Investment and Policy Suggestion

Importance of Intellectual Property Investment

With a new section of ‘intellectual property product investment’ (hereinafter referred to as intellectual property investment) created along with the revision of the national account in 2014, the importance of intellectual property investment is now highlighted. The domestic economy appears to have reached a point where economic growth can no longer be made just with factor inputs due to the deterioration of key industries, low birth rate, and aging society. The intellectual property investment including R&D and non-R&D investments (software, contents, intellectual property right) are core elements for domestic economic growth considering its enhancement of the total factor productivity.

Comparison of Characteristics of Korean Intellectual Property Investment with Those of Major Nations

Compared to major countries with revised national account, Korea’s intellectual property investment shows the following characteristics:

1. Domestic intellectual property investment has rapidly increased. The intellectual property investment to GDP ratio has substantially

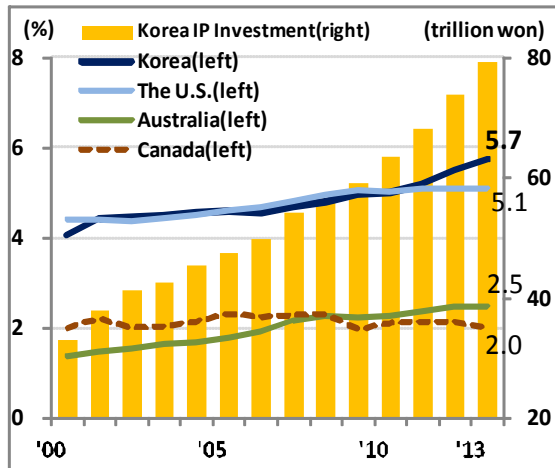
risen from 4.0% in 2000 to 5.7% in 2013 with average annual growth of 7.0%, well above the growth rate of GDP, and higher than those of major nations such as the US(5.1%), Australia(2.5%), and Canada(2.0%).

2. Domestic intellectual property investment has played a major role in driving Korea's economic growth since the global financial crisis. The contribution rate of the domestic intellectual property investment toward economic growth accounted for 28.6% in 2008 at the time of the global financial crisis, and 21.7% in 2011 at the time of the European financial crisis, playing a role of a prop at the time of domestic economic crisis. The average annual contribution rate of intellectual property investment toward economic growth increased from 6.5% before the global financial crisis(2000-2008) to 15.6% after the crisis(2009-2013) while the contribution rates of intellectual property investment of major countries including the US were lower than Korea, and the rates are falling further (except the US).

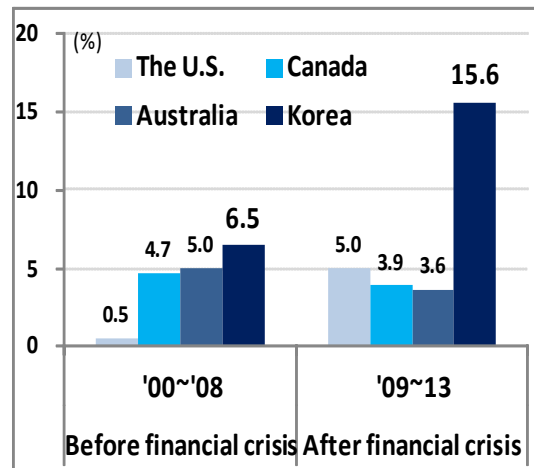
3. Korea's intellectual property investment is led by the private sector while the government plays a larger role in advanced countries. The ratio of private sector investment to total intellectual property investment accounts for 89.9% while the US remains at 77.9%, Australia at 81.0%, and Canada at 69.4%.

4. Advanced nations invest more on non-R&D sectors such as contents while Korea focuses on R&D investment. R&D investment accounts for 71.1% out of the total domestic intellectual property investment, much higher than the US(48.6%), Australia(45.7%), and Canada(41.8%). In contrast, Korea's investment in non-R&D sectors such as contents is no more than 28.8%, much lower than major advanced nations.

<Trend of Korea's Intellectual Property Investment & Major Nations' Ratio/GDP>



<Trend of Major Nations' Growth Contribution Rate of Intellectual Property Investment>



Policy Suggestions

1. The government should strengthen its investment leadership and expand government budget for intellectual property investment. In particular, the government should positively promote the development of core technology, construction of R&D infrastructure in partnership with private sector, and cultivate new industry for next generation growth engine.
2. Investment in non-R&D sectors such as contents should also be encouraged. Particularly, investment in gaming, media, and contents industry with high growth potential should be increased to promote a new industry with great growth potential.
3. The industry-university-research network should be strengthened to enhance the efficiency of R&D investment, and at the same time, drastic restructuring and easing of regulations should be promoted for the commercialization of cutting edge technology.
4. Domestic growth potential should be enhanced through the expansion of intellectual property investment in the mid and long

term. It is also important to secure R&D stocks of advanced countries' while preparing efficient R&D investment strategy and policy support system. Total factor productivity should be enhanced and domestic growth potential expanded by decisively improving investment environment, innovating industrial competition strategy, and by upgrading human capital.

III. North Korean Issues

1. The significance of 16th anniversary of Mt. Geumgang tour Project and Challenges

The significance of 16th anniversary of Mt. Geumgang tour Project

The Mt. Kumgang Tour Project, launched on November 18, 1998, marks its 16th anniversary soon. The tour is significant in building up mutual trust through exchange of human and material resource between the North and South and in working as a trigger for the unification campaign. In June 1998, the late Juyoung JEONG, the then emeritus Hyundai chairman, visited North Korea with a herd of 500 cattle to initiate inter-Korean trade, and discuss economic cooperation such as the Mt. Kumgang tour project. Since there was no interaction channel, the private sector economic cooperation contributed to prevent extreme confrontation between the two Koreas, performed as an unofficial diplomatic bridge, and created the mood for the inter-Korea summit meeting. Hence the cooperation between the two Koreas expanded its range from general trade and consignment processing on a small scale in the early 1990s to full scale investment and the opening of a new era of extensive private sector-led economic cooperation.

<Trend of Tourists Visiting Mt. Geumgang by Year>

(Unit :10,000)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008.7
Year	1	15	21	6	9	7	27	30	24	35	19
Total	1	16	37	43	52	59	86	116	141	176	196

Political and Military Aspects

1. Mt. Kumgang tour program alleviated the tension on the Korean peninsula. It helped the two Koreas seek détente in the East coast of Korea by opening Jangjeon-port, the frontline of North Korea's military zone, and to push the Northern Limit Line and Military Demarcation Line northward as a result of launching the tour program by way of sea route and overland.

2. The tour program played a pivotal role not only in relieving political conflicts but also in holding several major inter-Korean talks including summit meeting. It is obvious that the expansion of private sector economic cooperation led by Mt. Kumgang tour program played a pivotal role in maintaining the interaction channel during the ups and downs of the volatile political situation in the Korean peninsula.

Social and Cultural Aspects

1. Mt. Kumgang tour opened the gate to recovering the homogeneity of a united Korea since this was the very first human and material resource trade between the two Koreas and the first step moving forward to a new chapter of socio-cultural exchange program since the division of Korea after the Korean war.

2. The tour provided S. Koreans with an opportunity to understand N. Korea and its people better and to be more familiar with each other, rebuilding trust between the two Koreas by offering a venue for family reunions. Furthermore, it paved the way for North and South Korea to revise the relevant laws and regulations regarding inter-Korea economic cooperation such as Gaesong industrial park.

Economic Aspect

1. Mt. Geumgang tour program presented a venue for N. Korea to learn about market economy. The tour project provided a chance to showcase the market economy in action with tourism as a centerpiece of the service industry, and similarly, Gaesong industrial complex with regards to the manufacturing industry.

2. This Program enhanced the conditions of economic integration between the two Koreas and reduced the cost of preparing for unification. The private sector support for the revitalization of North Korean economy alleviated the burden of the government expenditure for the unification.

<Achievement by Mt. Geumgang Tour Project>

Political & Military	<ul style="list-style-type: none"> - Contribution to easing tension in Korean peninsula. : Northern Limit Line & Military Demarcation Line moving north. Maritime borderline moving back by 100km(Two more hours to reach maritime front line) - Easing political confrontation & playing a bridging role : Sustaining interaction channel between authorities - Settlement of Korea discount : Contribution to easing tension and to the stability of Korean peninsula
Social & Cultural	<ul style="list-style-type: none"> - Recovery of national homogeneity of Korea : Large scale human exchange between two Koreas for the first time since the division, Reunion of separated families - Provision of experience venue for unification : Preparation of venue for changing awareness of unification

	- Provision of opportunity to resolve differences between legal systems of both Koreas : Contribution to the improvement of N. Korean legal infrastructure.
Economic	- A venue to learn about capitalistic market economy : Mt. Geumgang tour project focusing on service industry, Gaesong Industrial Complex on manufacturing - N. Korean economic development and reduction of unification cost

Policy Suggestion

Economic cooperation between the two Koreas can be the first step to improve the strained North-South relationship and eventually realize the ‘Eurasia Initiative’, and ‘unification bonanza’ projects. In particular, tourism cooperation between the North and South is very useful for both Koreas as it can be easily and quickly realized reasonably free from political issues. Here are some suggestions:

1. The 5. 24 sanction should be considered for a phased lift to expand the North-South economic cooperation. The resumption of the Mt. Geumgang Tourism project can be linked to the DMZ World Peace Park project with application of strategic policies.

2. Among all methods of North-South economic cooperation, tourism cooperation can be the beginning to lead to the ‘Eurasia Initiative’ and ‘unification bonanza’. In particular, resumption of the Mt. Geumgang tourism can be used as the starting point of S. Korea’s support policies for N. Korea’s economic development and its opening-up policy. It is important to support N. Korea, in response to N. Korea’s recent opening-up policy focusing on special zones, to implement its opening-up policy with confidence, and also encourage N. Korea to expand its opening-up of the eastern part of N. Korea including the Gosung-Sijungho-Wonsan Masigryung area.

3. North-South Tourism cooperation should be further promoted for inland tourism in N. Korea by using Gyeongui railways,

which will strengthen the possibility to realize not only North-South economic cooperation, but also the ‘Eurasia Initiative’ involving North-East Asian countries. In the process of promoting Eurasia railways linking these projects, it is well worth considering the inclusion of projects for North-South cross-border railways link(Gyeongwon Railways, East-coast North railways), N. Korean railways renovation, and N. Korean railways modernization(double-tracking, speeding up of conventional railways) as an additional part of the Eurasia Initiative.

4. The ‘DMZ Peace Park’ project will not only contribute to the improvement of the South-North relationship and stability of North-East Asia, but also will benefit both Koreas when it is linked with Mt. Geumgang Tourism zone and a large-scaled Peace Park Project connecting Cheolwon, Kimwha, and Naegeumgang.

5. It is important to utilize the Mt. Geumgang tourism project as a catalyst for reunion of separated families on a regular basis. It is also worth considering using the venue for reunion of separated families built in Mt. Geumgangfor a larger scale reunion. The reunion venue should be open all-year-round for information exchange such as information of the fate of members of separated families in both Koreas.

[Annex] Domestic and Global Economic Indices

Global Growth Rate

Category	2012					2013					2014
	Annual	1/4	2/4	3/4	4/4	Annual	1/4	2/4	3/4	4/4	Annual(E)
US	2.8	3.7	1.2	2.8	0.1	1.9	2.7	1.8	4.5	3.5	1.8
Euro Region	-0.6	-0.1	-0.3	-0.1	-0.5	-0.4	-0.2	0.3	0.1	0.3	0.8
Japan	2.0	3.7	-1.7	-3.1	-0.2	1.7	5.2	3.4	1.4	-0.2	0.9
China	7.7	8.1	7.6	7.4	7.9	7.7	7.7	7.5	7.8	7.7	7.4

Note: 1) IMF figures of October 2014 for 2014 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		2013	2014			2015(E)
			the first half	the second half(E)	Annual(E)	
National Account	Economic Growth rate (%)	3.0	3.7	3.6	3.6	3.6
	Private Consumption (%)	2.0	2.0	2.6	2.3	2.8
	Construction Investment (%)	6.7	1.9	1.8	1.9	3.0
	Facility Investment (%)	-1.5	7.6	3.9	5.7	5.1
	Intellectual Property Investment(%)	7.3	6.5	5.9	6.2	7.1
Foreign Trade	Current Account (100 million Dollars)	799	392	408	800	680
	Exports (100 million Dollars) [Increase rate, %]	5,596 [2.1]	2,833 [2.5]	2,936 [3.7]	5,770 [3.1]	6,023 [4.4]
	Imports (100 million Dollars) [Increase rate, %]	5,156 [-0.8]	2,631 [2.6]	2,705 [4.4]	5,336 [3.5]	5,597 [4.9]
Consumer Price (Average, %)		1.3	1.4	1.9	1.7	1.9
Employment rate (15~64, Average, %)		64.4	65.0	65.6	65.3	66.2

Economic Indicators of North Korea

	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Per capita GNI (10,000 won)	105	103	104	114	119	124	133	137	138	
Amount of Trade by Year (USD million)	South-to-North	715.5	830.2	1,032.6	888.1	744.8	868.3	800.2	897.2	520.6
	North-to-South	340.3	519.5	765.3	932.3	934.3	1,043.9	913.7	1,074.0	615.2
	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	1,135.8

Source: THE BANK OF KOREA, Ministry of Unification.

Hyundai Research Institute

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HRI is established by Chung Ju-yung, the first CEO, founder and honorary chairman of Hyundai Group in 1986. HRI is a leading Korean research think tank committed to studying and analyzing the economic and industrial environment as well as reunification economy of Korea. HRI, further, has its own businesses such as business consulting, education and training service, and knowledge-content business.

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