

V&S Digest

The following are abstracts of papers appearing in this issue of 『Vision & Strategy』.


Overcoming Divisions through Political Reform

Soo-Sung Lee

(Former Prime Minister of Korea)

In many ways, 2002 will be an important year that will decide the fate of Korea and its people. This year, Koreans are faced with the task of selecting their political leaders in local and presidential elections. In addition, Korea has carefully prepared for the World Cup, which will be held this summer. During this important time, there is little room for complacency. To restructure the economy under the IMF reform program, the entire country -businessmen and workers alike- had to share wrenching hardships which still continue today. China is overtaking Korea with its vast domestic market and induction of advanced capital and technology. Uncertainty remains at the international level in the aftermath of the September 11 attacks. “ Globalization ”, the defining trend of the 21st century, means that no country can be free from the rest of the world, and in this sense demands a completely new attitude and strategy.

Korea needs to wisely adapt to these changing internal and external conditions. What is most needed is for political leaders to establish and implement effective policies and regain the trust of the public. In the global era, Korea’s leadership needs to find the nation’s hidden energy and channel it into national competitiveness. To achieve this, Korea’s “ regional sentiment ” must be overcome. Regional sentiment is the result of power-hungry politicians’ attempts to brainwash the public with inflammatory statements. Such sentiments are not simply conflicts between people of different areas. The real problem is that politicians, who should induce healthy competition between regions, have instead inflamed antagonism to gain political advantage. How do we resolve such deliberately induced, destructive regional sentiment?

The way to overcome regional sentiment is to reduce the “ imperial ” authority of the president, whose goal is to stir up such sentiment, and to strengthen the authority of the national assembly, which represents the Korean public. This would balance the legislative and executive branch and improve accountability. Korea urgently needs to reform its “ boss ” type political system and to separate presidential power from party power. Diffused power implies a diffused political decision making system. In such a system, the people could express their political opinions and make a wide variety of political decisions, creating a diverse range of real issues for political debate. This would be a start to resolving the issue of regional sentiment. 

Korea 's Course in the 21st Century and Northeast Asian Order

Young-Jak Kim

(Professor of International Politics, Kookmin University)


The period since the end of the Cold War has been called the era of globalization. In addition to globalization however, the trend of regionalization and nationalism also exist in today 's world. Amid these conditions, Korea needs to achieve three major foreign policy goals. The first is to adapt to globalization, the second is to establish a unified Korean state through peaceful means, and the third is to establish an order for northeast Asia that will contribute to the region 's economic development as well as security.

Reunification is essentially a task for the two Koreas alone. To achieve peaceful unification, North Korea is by far the most important object for South Korea 's diplomacy. To create a strategy for Korean unification as well as security on the Korean peninsula and the neighboring region, South Korea needs to analyze the North 's situation and foreign policy stance.

The main debate about North Korea 's future centers on whether it will have a gradual " soft landing " or a violent " hard landing " and this debate has not been resolved. Whether to achieve unification or to resolve the " North Korea issue " regarding the country 's nuclear and missile capabilities, the South should examine peaceful means rather than military action. In this sense, the basic strategy of President Kim Dae Jung 's " sunshine policy " towards North Korea is not mistaken.

If South Korea wants the North to open and reform, its policy to the North should have three characteristics. First, exchanges or cooperation should be based on public consensus and be approved by the National Assembly. Second, while perfect reciprocity may not be possible, policy should be based on a reasonable form of bilateralism. Third, besides South Korea 's policy coordination with the US, strong cooperation is also needed in the Korea, US, Japan relationship.

The term " peaceful unification " means that unification must be reached through peaceful methods. To prevent war and achieve unification, the South should adopt a strategy of " peace-first, unification-later ", although it will be challenging to make the transition from peace to unification.

Considering that four major powers surround the Korean peninsula, South and North Korea should strengthen their intention and ability to unify. Also, an international environment should be created so that the major powers do not oppose unification. Korea should work to broaden the region 's structure of international politics and strengthen regional exchange and cooperation. 

Corruption is the Root of the Economic Crisis


Jae-Woong Lee

(Vice President, Sung Kyun Kwan University)

Corruption is a problem in Korea's politics, leadership, and entire society. This structure of corruption is the cause of the crisis in Korean society and the 1997 financial crisis. The Korean economy has not been able to overcome its slump and the country is undergoing political, economic, and social uncertainty. Exports have sharply decreased along with facility investment by businesses, leading to low economic growth. The financial structures of banks and companies have not improved significantly, and ailing conglomerates remain in the market. Financial anxiety remains since these factors can potentially undermine domestic financial institutions.

Why hasn't Korea been able to overcome its economic crisis even after fully repaying its IMF loans? What was the main cause of the financial crisis? Some economists argue that the crisis broke out in Asia's developing economies because of the region's so-called "crony capitalism". Another opinion is that the self-fulfilling expectations of foreign investors, responding to domestic and international changes, led to a rapid outflow of foreign capital. Meanwhile, others point to unsound management and government discretion in the operation of financial institutions. The author however, thinks that the root cause of the financial crisis was corruption. The in-group collaboration referred to by "crony capitalism" seems to fit the definition of corruption. The main idea is a structure where cliques give and receive benefits among themselves.

In terms of foreign investment, corrupt countries have a tendency to attract short-term investment such as bank loans rather than more stable direct investment. In other words, corruption contracts the inflow of stable foreign direct investment, leaving developing economies dependent on unstable short-term foreign loans. Overcoming the financial crisis is not a simple matter of repaying the IMF loans and graduating from the IMF reform program. For a real solution, the society's corruption needs to be uprooted.

The recent bankruptcy of Argentina and its economic collapse were also caused by corruption. Until the early 1990's, Argentina's economy was growing at an average annual rate of 6%, and was a role model of economic reform. Korea should view Argentina's experience as a cautionary lesson. For the government to regain the public's trust, corruption should be eliminated and ethical leadership must be shown. Only after the public's trust is regained can Korea truly recover from its economic crisis. 

Improving Policy for Agriculture and Rural Communities

Young-Il Jeong


(Professor, Seoul National University)

The basic problem of Korean agriculture is the public's backward view of the issue and inappropriate policy approaches. Korea's agricultural policy is missing a long term blueprint connected to the country's economic and social development. In addition, adoption and implementation is usually ad hoc, depending on political conditions at the moment rather than economic rationale.

International conditions are also causing anxiety. The WTO New Round which opened in November 2000 has adopted "substantial" market opening and removal of domestic protection as basic principles for agriculture talks. Another key issue in the future of Korea's agriculture is the removal of preferential tax measures for Korean rice which is currently set for 2004 according to the Uruguay Round, but is under renegotiation.

Korea's agricultural policies have been heavily weighted towards agricultural production and farmers, while neglecting farming communities and quality of life improvements for their inhabitants that would invigorate regional economies. Policies have also overlooked demand sources for agricultural goods such as consumers or the food industry. In addition, rather than providing incentives based on market principles or considering the opinions of those involved, policies are excessively planned by the government and implemented in a top-down manner, creating a basis for inefficiency and insolvency.

The first objective of agricultural policy is an efficient and stable food supply to the public. Secondly, policy should raise the income and quality of life of the farmers who produce and distribute the nation's food. A third objective is to maintain and develop the various public goods in agriculture and farm communities. The key philosophy in pursuing these objectives is the market economy. Another important philosophy is to maintain and develop the pluralistic functions of agriculture and farm communities.

Agricultural policy should be expanded to address not only agriculture, but also consumers, the food industry, and the Korean public. In particular, policy should try to satisfy consumers' demand for quality and safety. Other priority areas include income stabilization, environmental protection, supporting disadvantaged areas, land and resource preservation, and food safety. Top-down implementation should be replaced by a market-oriented system maximizing the freedom of the private sector. Within the government, the roles of the central government and regional governments should be restructured, and central government branches should maximize policy consistency. Finally, five to ten year agriculture policy plans should be adopted and implemented, with adjustments in response to changing conditions. 

Corporate Culture for Long-term Development of the Korean Economy

Byung-Doo Sohn


(Vice Chairman, Federation of Korean Industries)

Over the last four years, while going through an unprecedented IMF program, the Korean economy suffered enormous unemployment and corporate bankruptcies and had to undergo painful restructuring. Now the question is how Korea can prevent such a crisis from reoccurring and build a sound and dynamic advanced economy. The answer is that the Korean economy and its businesses must become internationally competitive. Although policies to improve competitiveness may be successful, their effects may be limited to the short term if they are not tailored to the corporate culture. An organization with a strong corporate culture will be a strong competitor. Corporate culture is not fixed, but can be changed for both better or worse.

In general, Korea's corporate culture has both strengths and weaknesses. On the plus side, it contributes to social stability and employment security, and by trying to resolve conflicts through reconciliation, it prevents extreme labor conflicts. On the other hand, Korean corporate culture emphasizes regional, family, and academic connections and is often based on favoritism rather than merit. In addition, the exclusive and closed nature of Korean corporations can reduce their sense of social responsibility.

To reform the attitudes of corporate members and define their roles, the top manager is critical above all else, and he must become a passionate evangelist for a new corporate culture. Also, labor and management should look for common ground in their perceptions and work to reduce their differences. Thirdly, constant education and dialogue is needed for the company to unite under a common culture.

In terms of organizational tasks, a basic framework should be created including a management vision and clear future goals, and concrete measures should be taken to enact this framework. In addition, efforts should be made to reduce opposition or uncertainty about the corporate culture.

Currently, Korean companies face the difficult task of surviving in rapidly changing conditions while satisfying the increasing demands of society. To resolve any misunderstandings, companies need to practice transparent and ethical management, maintain frequent contact with society, and actively fulfill their social responsibilities. The main social responsibility of a company is fulfilling its economic functions. By faithfully fulfilling its responsibility and role in society, a company should develop in step with society and earn the trust of the public for corporate citizenship. 

Prepared by Patrick Song (jhsong@hri.co.kr)

1 2

教育 目的 一 大轉換 要求 ... 李榮德 / 2002年 文化市民運動推進協議會 委員長
가
... Wilbur L. Ross, Jr. /Chairman & CEO, WL Ross & Co. LLC
가 ... 鄭文述 / 代表理事
21 東 時代 가? ... 宋熙季 / 仁川大學校 東北亞國際通商大學長

... 朴 昇 / 公的資金 管理委員長, 中央大 名譽教授
21世紀 國家, 市場, 市民社會 ... 朴世逸 / 教授, 法經濟學
世紀 外交 明暗 ... 崔浩中 / 韓國外交協會 會長
日本 “過去 ” ... 崔禎鎬 / 蔚山大 碩座教授
共同體 文化 ... 張 裳 / 梨花女子大學校 總長
가 ... 李明賢 / 大學校 哲學科 教授

... 張水榮 / 浦港工大 教授

21世紀 國家, 市場, 市民社會 ... 朴世逸 / 教授, 法經濟學

... 李敦熙 / 前 教育部長官

20 (Growth Potential)... 康奉均 / 韓國開發研究院 院長

... 朴虎君 / 韓國科學技術研究院

가

... 鄭求鉉 / 延世大學校 教授, 經營學

... 左承喜 / 韓國經濟研究院 院長

e - Korea.. 李龍兌 / 會長, 全國經濟人聯合會 副會長

... 金一燮 / 韓國會計研究院 院長

, ... 李正典 / 環境大學院 院長