

Contemporary South Korea, 1997-Present: excerpts from Joel R. Campbell's "Tigers, Hard Workers, and Online Gamers" from *Education About Asia* 18, no. 3 (2013) at <http://aas2.asian-studies.org/EAA/EAA-Archives/18/3/1141.pdf>

Korea's economy has noticeably slowed since the sharp postcrisis recovery. GDP growth had averaged about 9 percent from 1963 to 1995 but barely managed 4.7 percent from 2001 to 2007. Lee Myung Bak, elected president in 2007, promised to restore growth to 7 percent, but it actually slumped in 2008-2009 before briefly bouncing back in 2010. The falloff since 2007 was generally attributed to the global financial crisis and rising competition from China. There is a strong empirical case that economies entering maturity tend to slow down. Most often this happens when per capita GDP reaches the \$10,000 level, which Korea did in the late 1990s. At that point, the "economy has caught up with the technological frontier," meaning that a country cannot just adapt foreign technology to production but has to begin indigenous innovation. Korea was able to keep its growth engine going for a few years in the 1990s only because of continuing injections of capital into production. As in other developed economies, manufacturing's share of the economy plateaued, and overall employment fell a decade before the Asian Financial Crisis.

Korea's declining growth may be irreversible. Deindustrialization has been quite rapid, nearly 1 percent per year since 1989, faster than any major economy other than Taiwan. Korea's export growth actually slowed by half in the 1980s, long before Chinese competition became serious.

Merchandise exports are no longer an engine of employment, principally because parts and components are now coming from suppliers in China and other Asian countries. The service sector has not been able to absorb excess workers and has generally lower productivity than industry, while the highly productive IT industry only contributes a small part of service sector employment. Foreign direct investment (FDI) and portfolio investment have not flowed into Korea as readily as they have gone to China, in part because of past encouragement of bank lending instead of selling stock in domestic companies. Even so, Koreans have become major investors abroad. Finally, Korea's economy seems prone to economic crisis, and it has suffered one major economic downturn every decade since the 1970s. This puts Korea above roughly 60 percent of comparable economies. The latest crisis, in 2008-2009, did not originate in Korea but illustrated how maturity may subject Korea to the same kinds of economic strains as North America and Europe.

Korea became a leading technology powerhouse from the late 1990s onward due to several favorable factors, including insatiable demand for new technology products in the Korean market, government technology policy leadership, and the growing competitive position of Korean electronics firms such as Samsung and LG. Korean popular interest in new technology may stem from the nation's quick rise from poverty: Koreans do not take technology for granted and are still impressed with its ability to enhance their lives. Koreans took to electronic gaming very quickly, but online and PC games were the norm,

unlike the game consoles commonly used in the West or Japan. With the arrival of the Internet in the early 1990s, the government took the lead in extending fiber optic cables throughout the country and, later, broadband access to every home. It also provided low-cost classes for anyone who wanted to learn how to use the Internet. The 839 Policy, unveiled in 2004, aimed to develop eight key services, three vital infrastructures, and nine futuristic products. These included updated cellphone service, wireless broadband, digital multimedia broadband, and multimedia home networking. By the early 2000s, Korean companies such as Samsung and LG were among the largest manufacturers of cellphones and tablet devices.

Samsung became Korea's standout electronics manufacturer. The company produced televisions and microwave ovens in the 1970s and early 1980s and merged all electronics units into two companies. Samsung Semiconductors concentrated on developing DRAM memory chips, entering the global market as the third-largest producer and becoming the biggest manufacturer by 1992. Meanwhile, though known as a low-end manufacturer, Samsung Electronics moved from reliance on Japanese components to making its own. Samsung Electronics took over the semiconductor unit in 1988. Its president from 1996, Yun Jong-yong, an admirer of legendary General Electric CEO Jack Welch, applied his radical reorganization ideas to remake Samsung. He slashed employees, products, and divisions while cutting costs and boosting research and development to improve product quality. Strong electronics sales helped drag the whole Samsung Group through the financial crisis, and the company avoided a government order to take over Daewoo Electronics due to bankruptcy. Yun used the crisis as an opportunity to invest even more in DRAM production. The postcrisis low won then boosted Samsung's products just as they gained notice in America, Europe, and Japan.

Yun pushed the idea of "digital convergence," in which cellphones could perform several functions. By 2002, it was already the largest manufacturer of flat-panel monitors and DRAM chips and the third-biggest purveyor of mobile phone sets. The next year, it became the world's

largest electronics maker in terms of sales. In 2005, Samsung Electronics was Korea's most profitable company, and Yun set a goal of overtaking Sony, the industry's leader. Sony's serious financial problems and flagging product line allowed Samsung to catch up—perhaps too easily. By 2007, Samsung was the second-largest handset maker, but in 2006, Samsung's overall sales leveled out and declined by 2008. Also in 2008, Yun was replaced by Lee Yoon-woo, who had been with Samsung since its first electronics divisions were founded. Lee introduced sweeping changes in corporate philosophy to emphasize a return to quality and high profitability. Sales recovered in 2009, boosted by such products as mobile phones and tablet devices.

Paralleling Korea's rise as a technology power has been its emergence as an entertainment center. The term Hallyu, or Korean wave, was coined by a Chinese observer to describe the growing regional sway of Korean entertainment. Since the late 1990s, Korean films have

been widely admired for their quality and commercial appeal. The blockbuster thrillers *Shiri* and *JSA* put Korean cinema on the map. At first funded by the chaebŏl, filmmakers found venture capital backing during the Asian Financial Crisis, leading to a flood of popular movies from 2001 to 2005; however, inflated actors' salaries and declining quality led to reduced film budgets. Korean films attract Asian audiences because of their simple stories, direct messages, and honest emotions. Meanwhile, Korean pop music (or K-Pop) overtook its Japanese and Hong Kong rivals due to the commercialization of Korean boy and girl groups by such music impresarios as SM Entertainment and YG Entertainment. Singers such as Rain and BoA are among the most popular performers on the Asian circuit, and popular singers routinely cross over to endorse products and star in television dramas.