

The Korean Economy

In the past decade, Korea has had one of the world's fastest-growing economies. Following three consecutive years (1986-88) of double-digit gross national product (GNP) growth, the economy has experienced a number of difficulties in 1990-91.

The Korean economy is going through a period of adjustment as more of the burden for economic growth is placed on domestic consumption, as opposed to the export market – a normal development in any industrialized society. And although inflation is a growing concern, increasing by 9.4 per cent in 1990, the GNP is expected to expand by 9 per cent in 1991.

The fundamentals of the Korean economy remain very strong. Korean workers continue to be among the most highly educated, disciplined and hardest-working in the world, labouring an average of 51 hours per week.

And most indications are that the economy is beginning to make the difficult transition from labour-intensive, low tech products (Korea is the world's third-largest textile exporter) to an increasingly sophisticated, high tech-oriented economy (it is estimated that by the year 2000, over 30 per cent of industrial output will be in the high tech sector).

The Korean economy is predicted to grow at an average rate of 7 per cent through the 1990s. At this rate, Korean trade volume will exceed US\$400 billion by the year 2000 and per capita Korean GNP will be in the range of US\$15,000. This would put Korea on a par with many Organization for Economic Co-operation and Development countries, including the U.K.

Current Economic Issues

The Korean economy performed strongly in 1990, with GNP growth of 9.2 per cent. A four-year run of trade surpluses ended, however, with a trade deficit of US\$4.8 billion (\$69.8 billion in imports, \$65 billion in exports) fueled by increased oil prices, slower growth in exports (up 3 per cent from 1989) and soaring imports (up 14.6 per cent from 1989).

The nation posted a US\$2.1 billion current account deficit in 1990 against a US\$5.1 billion surplus in 1989, the first deficit since 1985 and the largest since 1982.

Economic planners continue to preside over a substantial shift to domestic-led growth. Industrial production has moved ahead briskly. Indeed, in some sectors, production is racing to keep ahead of consumer demand.

Relative peace on the labour front has instilled a renewed confidence in Korea's export industries, which showed steady but less spectacular growth in 1990. At the same time, exports continue a gradual process of falling into a more diverse pattern, with exported goods to North America declining relative to the European Community, Japan and the Association of Southeast Asian Nations.