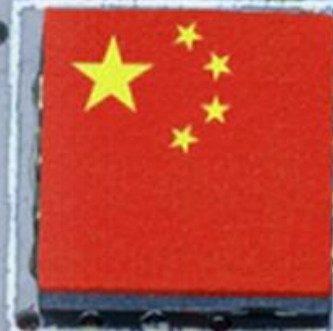


Comparative Public Policy

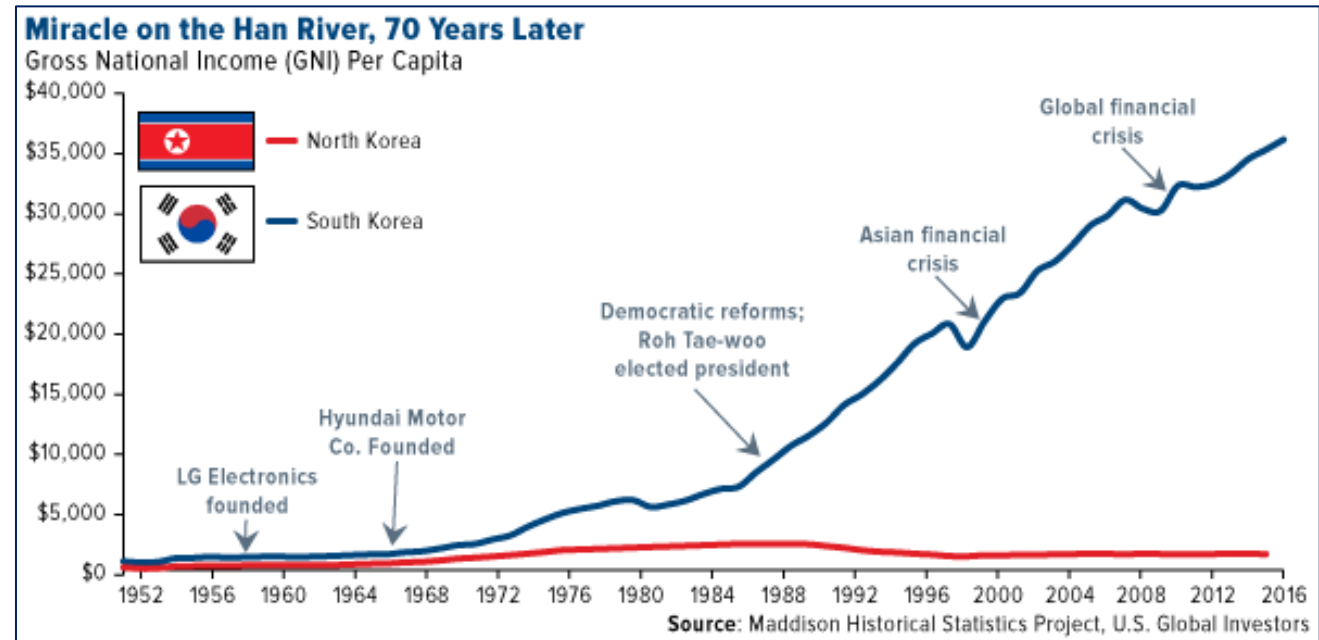
-Guest Lecture-

Guest Lecturer: Yooil Bae
(email: ybae@dau.ac.kr)

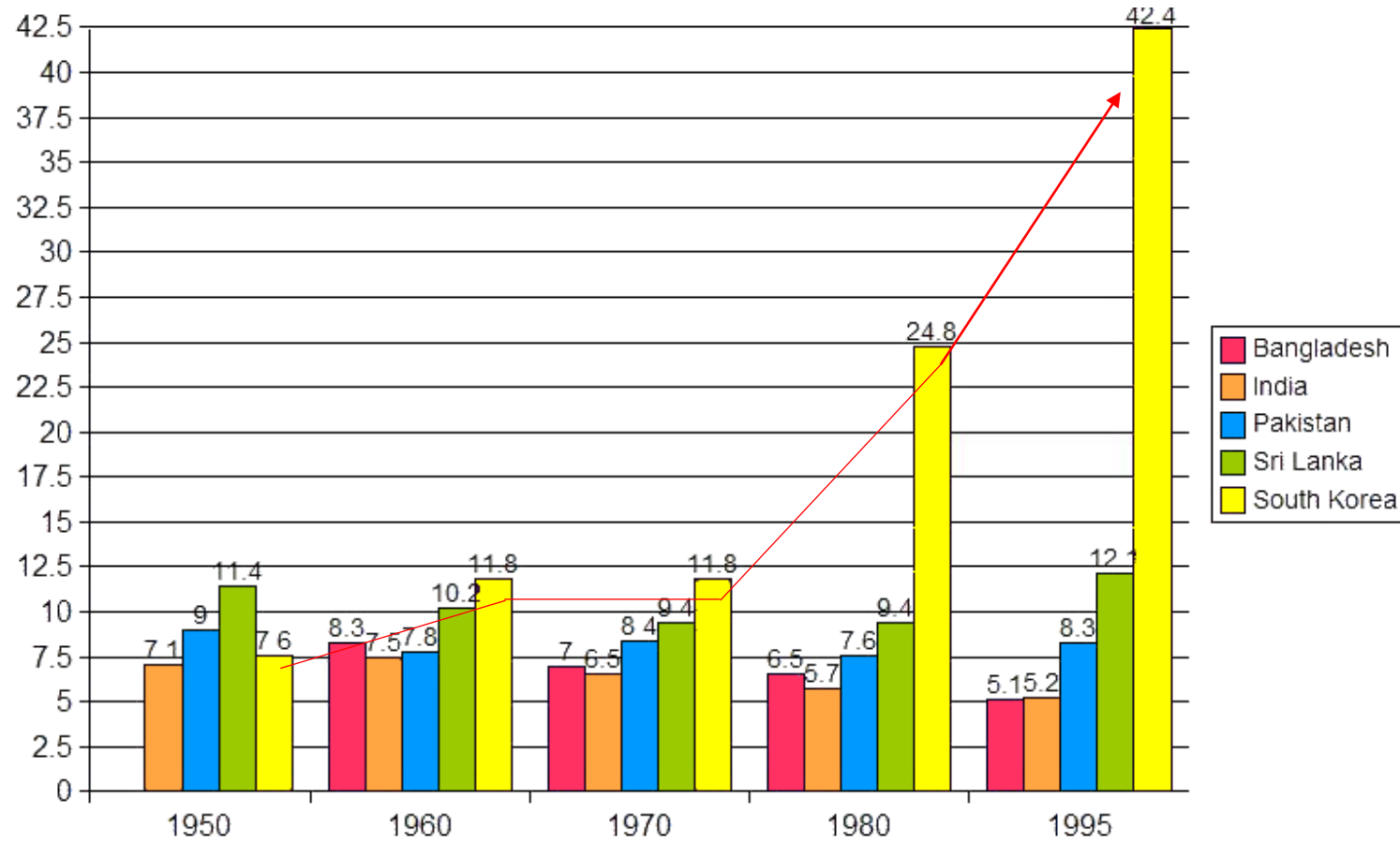


Lesson Plan

- South Korea's Economic Miracle?
 - What were the main drivers?
- Geopolitics – Important or not?
- Current Northeast Asia + (global)
- Discussion – Semiconductor (Korea's Dilemma)



1. How can we understand economic miracle of South Korea?



Per Capita GDP of Asian Economies as a Percentage of US GDP,
1950-1995, Hossain et al., 1999



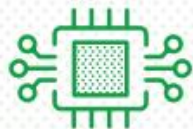
K-Series Boom

South Korea's five leading export items and export amounts

[Unit: USD 1 million, MTI 3 / Korea International Trade Association (KITA), 2019]

93,930

Semiconductors



43,036

Cars



40,691

Petroleum products



22,535

Automotive parts

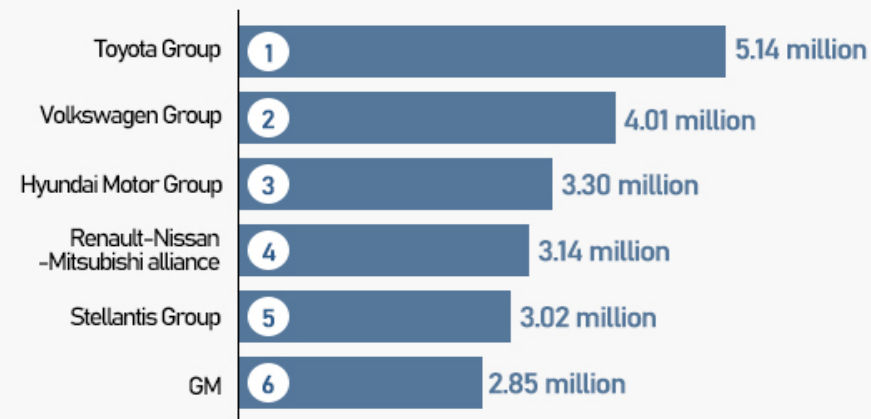


20,657

Flat panel display and sensors



Global auto ranking by sales (Unit: units, H1 2022)



*Source: each company

Graphics by Lee Eun-joo and Song Ji-yoon

2. Main Drivers of S. Korea's Miracle

Several factors have been suggested:

- 1) Japanese colonial period (Bruce Cumings – 'Institutional template')
- 2) Alliance with the United States (U.S. foreign aid & access to U.S. market) – Cold War
- 3) Pilot agency (Economic Planning Board) & Its economic and industrial policies (e.g., Import substitute, national grants to selected industries, a series of 5-year economic development planning, 1962-1982).
- 4) Competent government administration and public bureaucracy
- 5) High-level of savings
- 6) Diligent workforce and frugal culture / cheap wages
- 7) Political regime

Case Study – the Development of Ulsan (No.1 Industrial City in Korea)

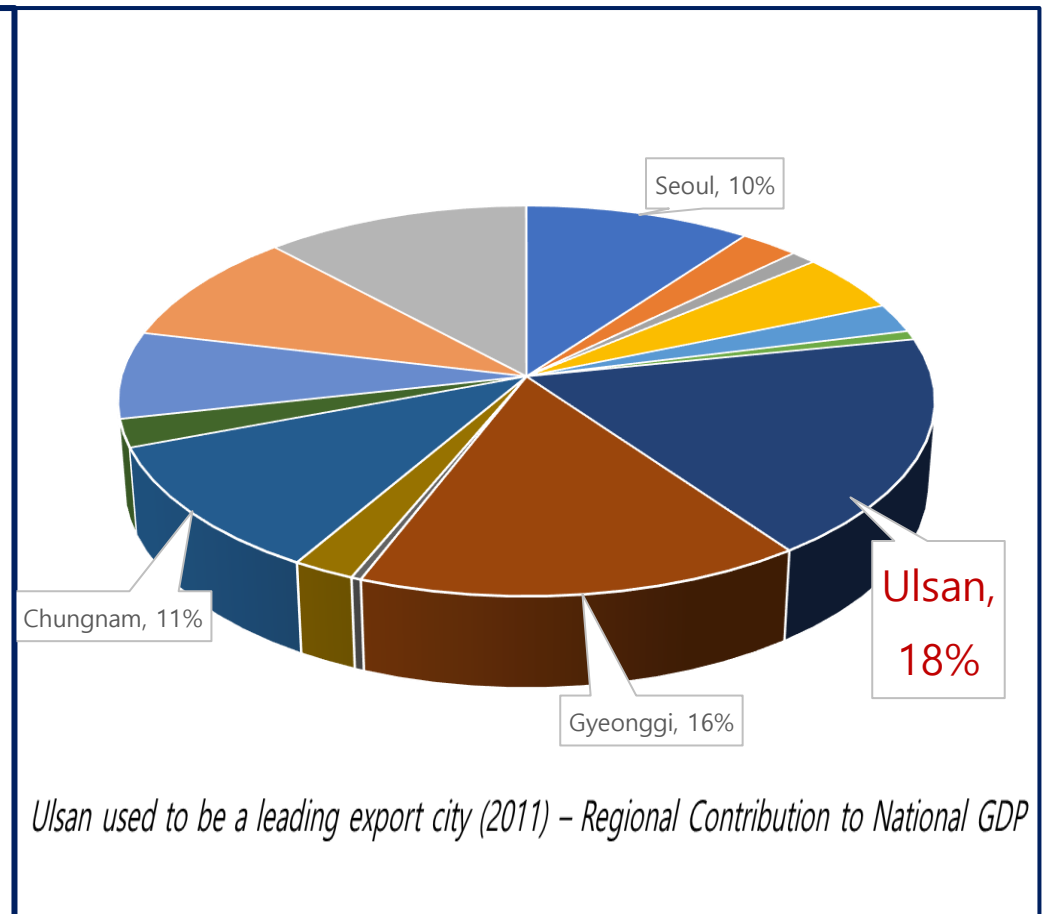
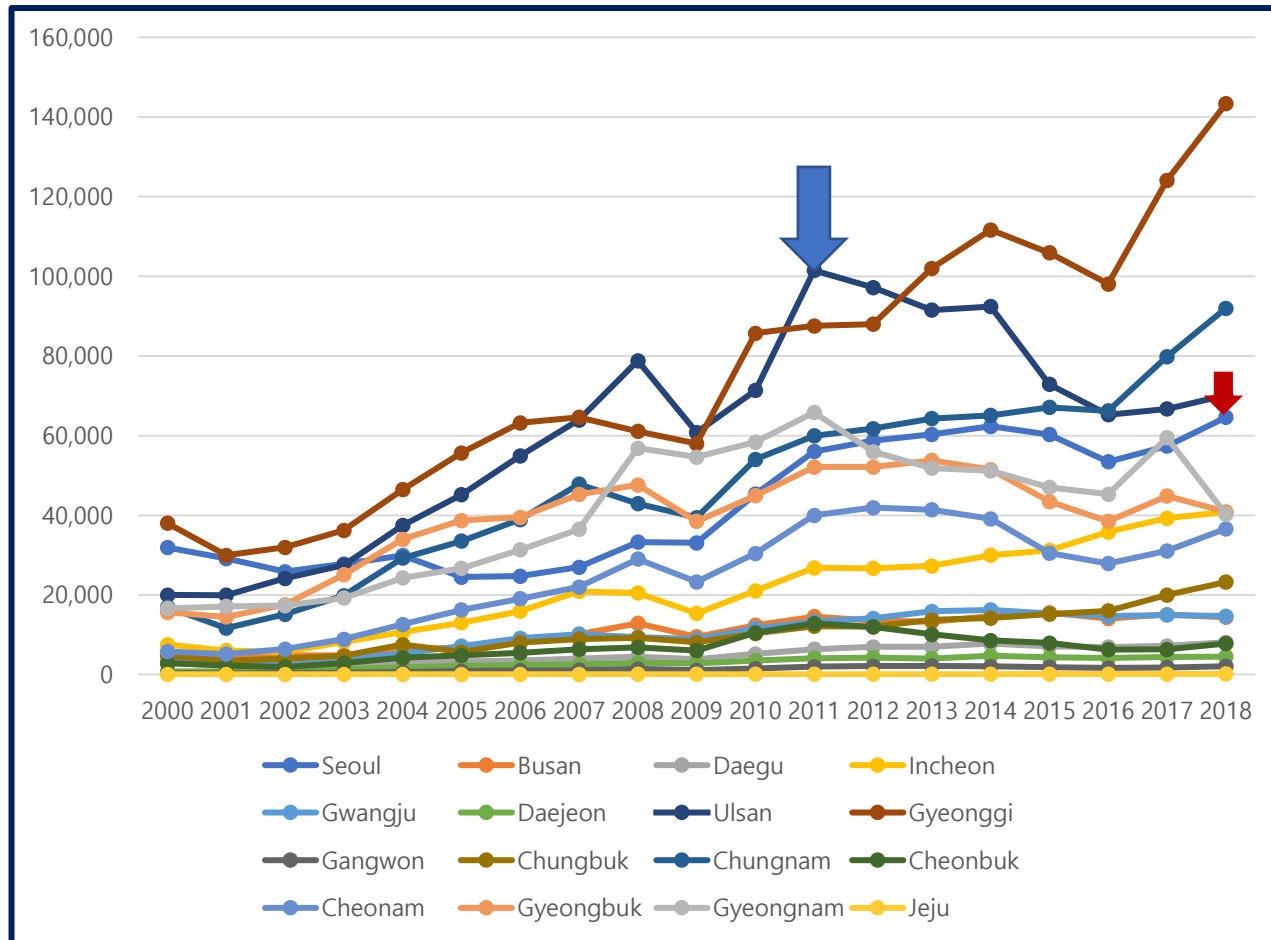
Different Explanations on South Korea's
Economic Miracle

Ulsan as a Leading Industrial City



- Ulsan has become arguably one of the most industrialized area in very short period of time (often not captured in Global City theory – as Ulsan does not have ‘international finance center’ – Jacobs, 2011)
- Three major industrial sectors: Automobiles + shipbuilding (more than 60% of employment), and Petrochemicals.
- Often called ‘**the Hyundai City**’ - home to the largest automobile assembly plant and the largest shipyard in the world (Hyundai Motor Company; Hyundai Heavy Industries).
- Petroleum (2nd largest combined oil refinery, SK Energy, S-Oil), Petrochemical, Lithium-Ion battery, etc.
- Highest GDP per capital (USD 65,000, 2017) in Korea

Economic Status of the City



Regional Export Total (2000-2018), Unit: Million USD

Ulsan as a product of “state-led Industrialization” – a dominant view (1)

- **Developmental State (DS) theory** – the state’s leading role to stimulate the industrialization in East Asia and Japan during the postwar period (e.g., Johnson, 1982; Amsden, 1989; Woo, 1991)
- Relevant government bodies – followed various industrial and fiscal policies such as subsidies, tariff protection, nurtured selected industries, etc. *with the objective of controlling the development of chosen productive industries in the economy.*
- Varieties of state-intervention (‘governed market,’ by Robert Wade, 1990) – The government’s aggressive orchestration of the activities of private firms in different ways (e.g., *leading the market* (small vs. big fellowship), *following the market* methods).
- Role of state-intervention in shifting industrial focus from labor intensive to heavy-chemicals (1970s, Korea): selected 7 areas (steel, shipbuilding, electronics, petroleum, chemical, etc.).

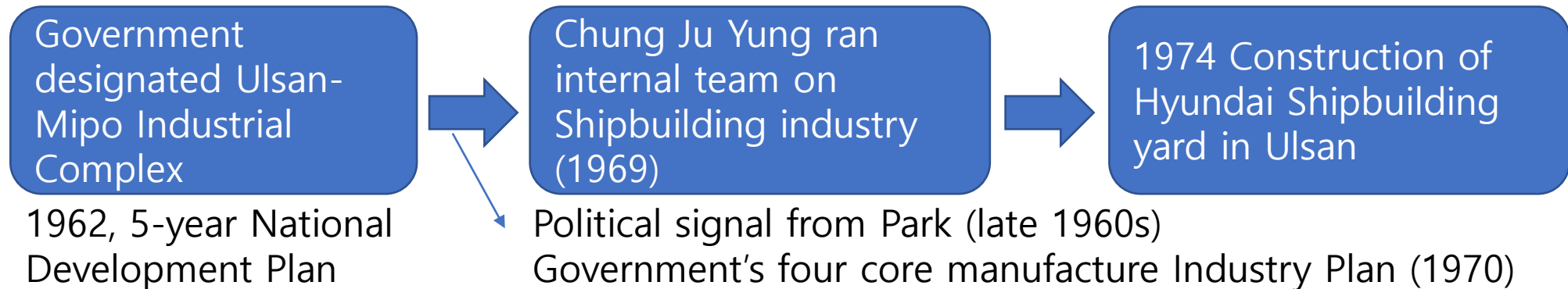
(e.g.) Automobile Industry in Ulsan



- By the Cabinet Order 403 (1962) – Ulsan was designated as a ***special industrial district***.
- For automobile industry – public enterprise was established first (assembly plant for Nissan)
- State support: Tight import control on finished vehicles, duty-free import of components, and tax-exemption for the producers.
- In 1973, by the Heavy and Chemical Industry Plan (HCI), automobile became the priority – the government encouraged domestic firms to go into kit assembly of cars as a first step to build finished cars from the scratch.
- Hyundai – obtained the permission in 1967 to assemble complete-knock-down (CKD) car kits in a joint venture format (with Ford) / By the late 1970s, 90% of the parts were domestically manufactured.
- “His (Park Chung Hee) favored location for the promotion of new industrial project” – 82-acre industrial complex was built in Ulsan (**Ulsan Industrial Complex**), Studwell (2014, p.93)

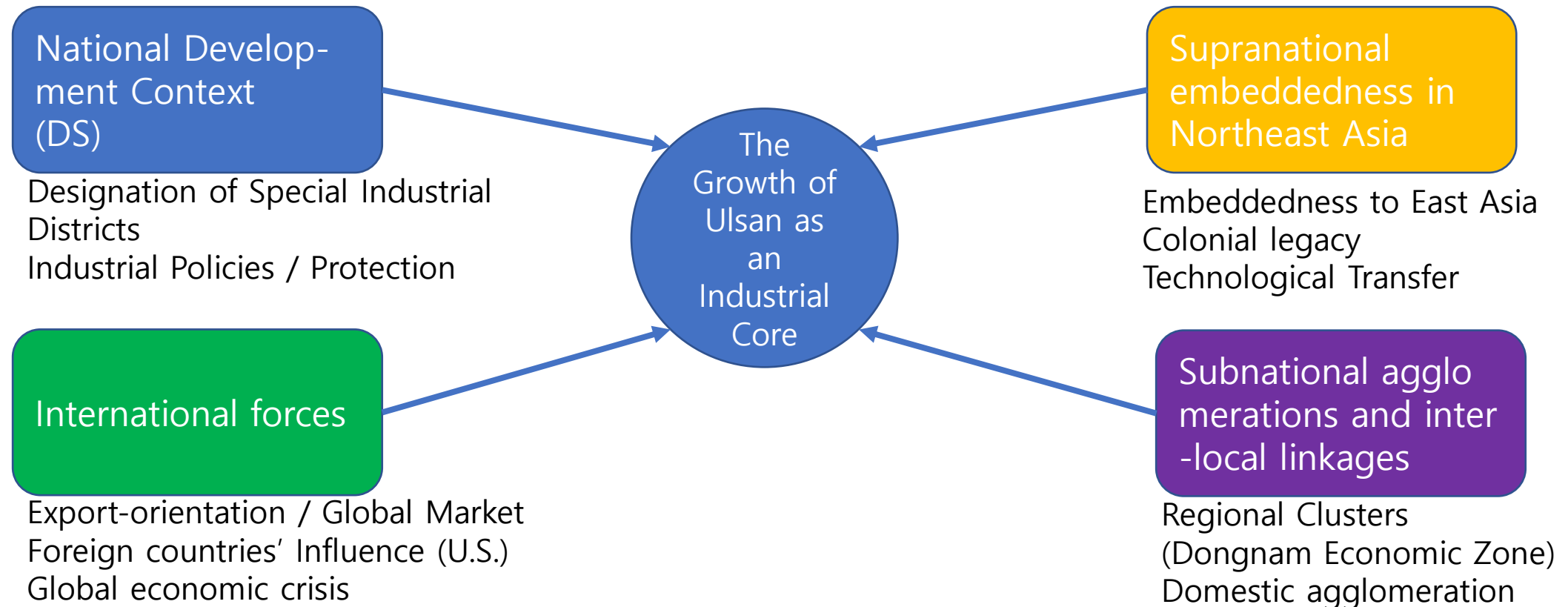
Ulsan as a product of State-led Industrialization – a revised view (2)

- Unlike state-centric view of Ulsan development (e.g., Amsden, 1989; Woo, 1991), a revised view sees Korea's industrialization from **state-business partnerships**.
- "It was NOT one-sided state intervention": Businesses faithfully followed in creative and timely manner to the state's national development strategies (Todd, 1985).
1962, 5-year National Development Plan
- (e.g.) Ulsan's shipbuilding industry (Hyundai): **Dominant view** (product of national economic development plan, Woo, 1991; Porter, 1990) vs. **Revised view** (Hyundai-led the government's HCI policy).

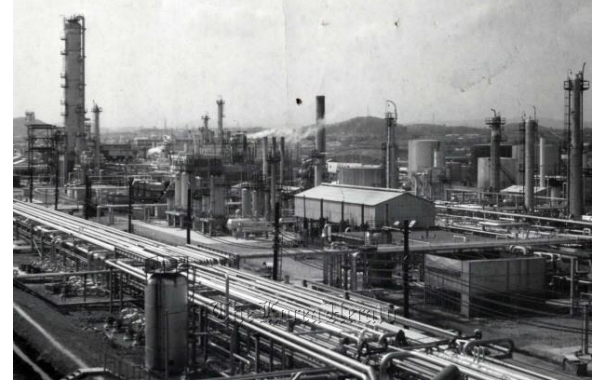


Ulsan as a Nested Global City – The Global Industrial City Thesis (3)

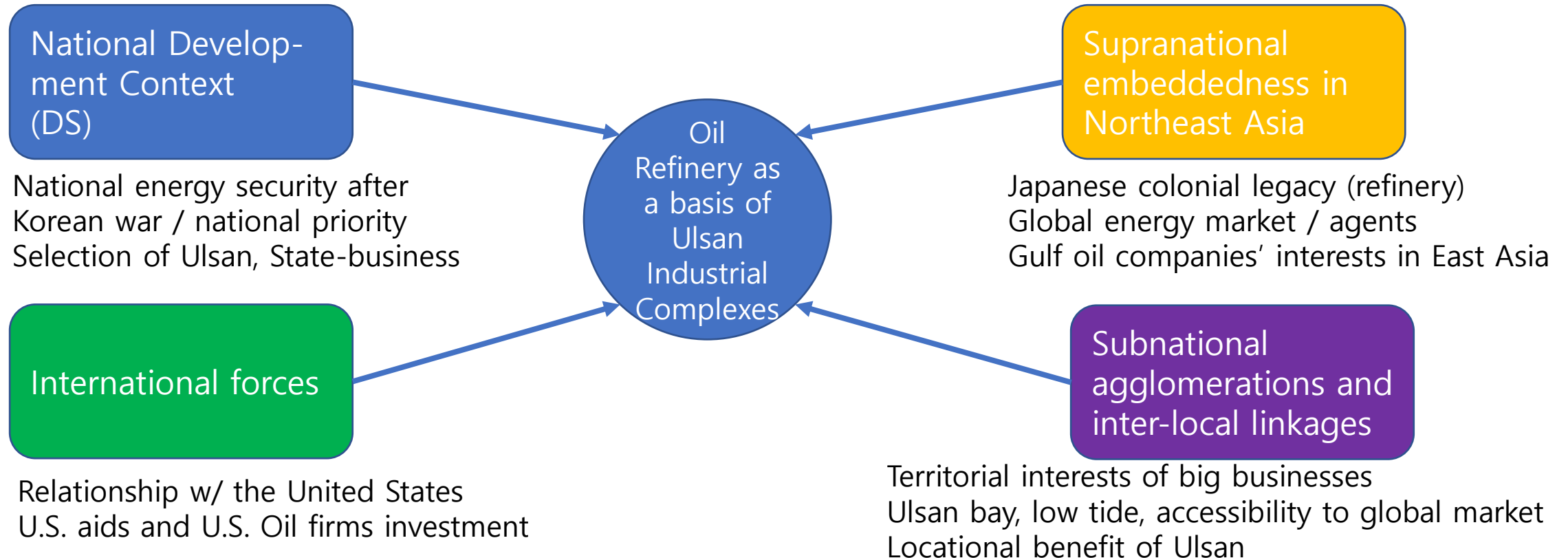
- Ulsan was not simply the product of state-led industrialization. Mix of different factors and environment (e.g. Jacobs (2011); Gim and Kim (2014)).



(e.g.) Oil Refinery in Ulsan



- Multi-scalar tension' in the process of Oil Refinery Industry in Ulsan (Gim and Kim, 2014) – highlighted multi-scalar actors beyond state-society dichotomy (state-centric view).



So, in your view, which explanation is better?

One thing is clear: Both domestic and geographic (external) factors must be considered together today.

Semiconductor industry can be a very crucial part of the technological and strategic competition between the US and China – What imply?

Why Northeast Asia – 'Peaceful Rise'

- World's Largest piece of Land
- Home to 60% of the World's Population
- GDP – 40% of the World Economy
- Have long been driven by great power allies



Since the 1970s:

- Regional tension eased
- Globalization
- Economic interdependence
- Blurring of prior dichotomies between friends and foes

'The Asian Paradox'

- "The situation in East Asia, *in which continuous conflicts are ongoing in the political and security domain* despite a relatively high level of economic cooperation and interdependence in the region." (Kim 2016).



Former Korean
Minister of Foreign
Affairs, Yoon
Young-Kwan

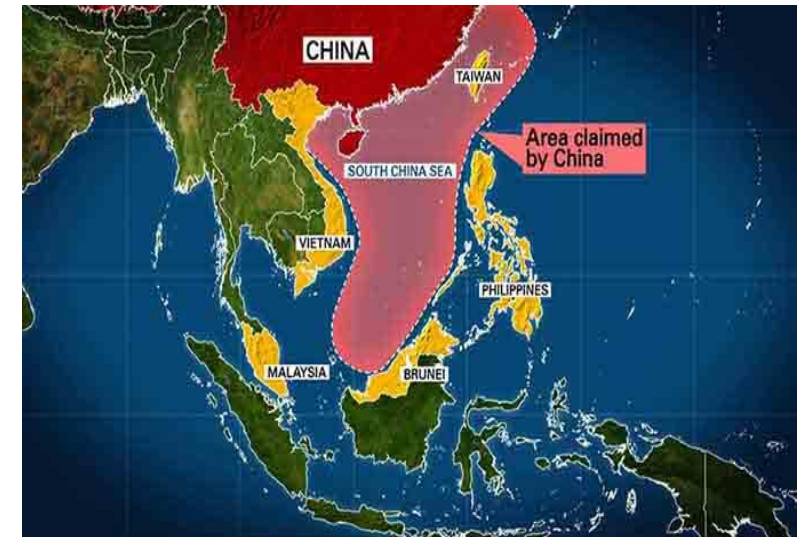


Renowned
Political
Scientist, Peter
Katzenstein

Geographical Distinctiveness

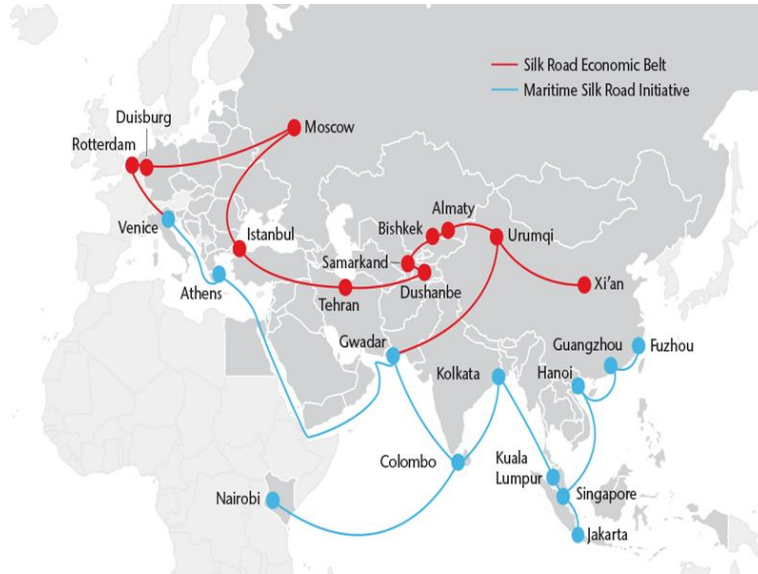


Big 4 Diplomacy



Korea: Unpleasant History

Invaded by
foreign forces
3,000 times in
history
*Tang, Qing
Dynasty (China)
Japan
US
France*



Push from
China



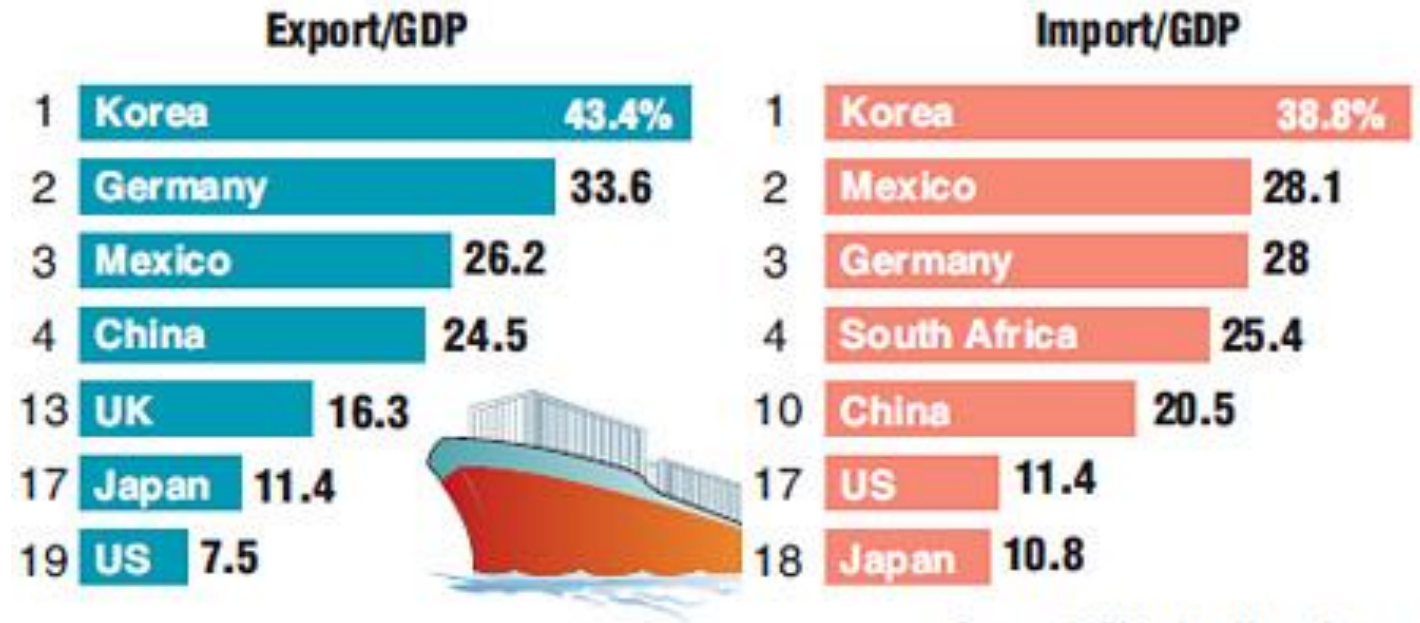
Push from US to join
US-led liberal order again!

Japan

Then, why not just join the US-led new world alliance? – not that simple

South Korea
Most
Dependent
on Trade
(OECD)

Economic dependence on export/import

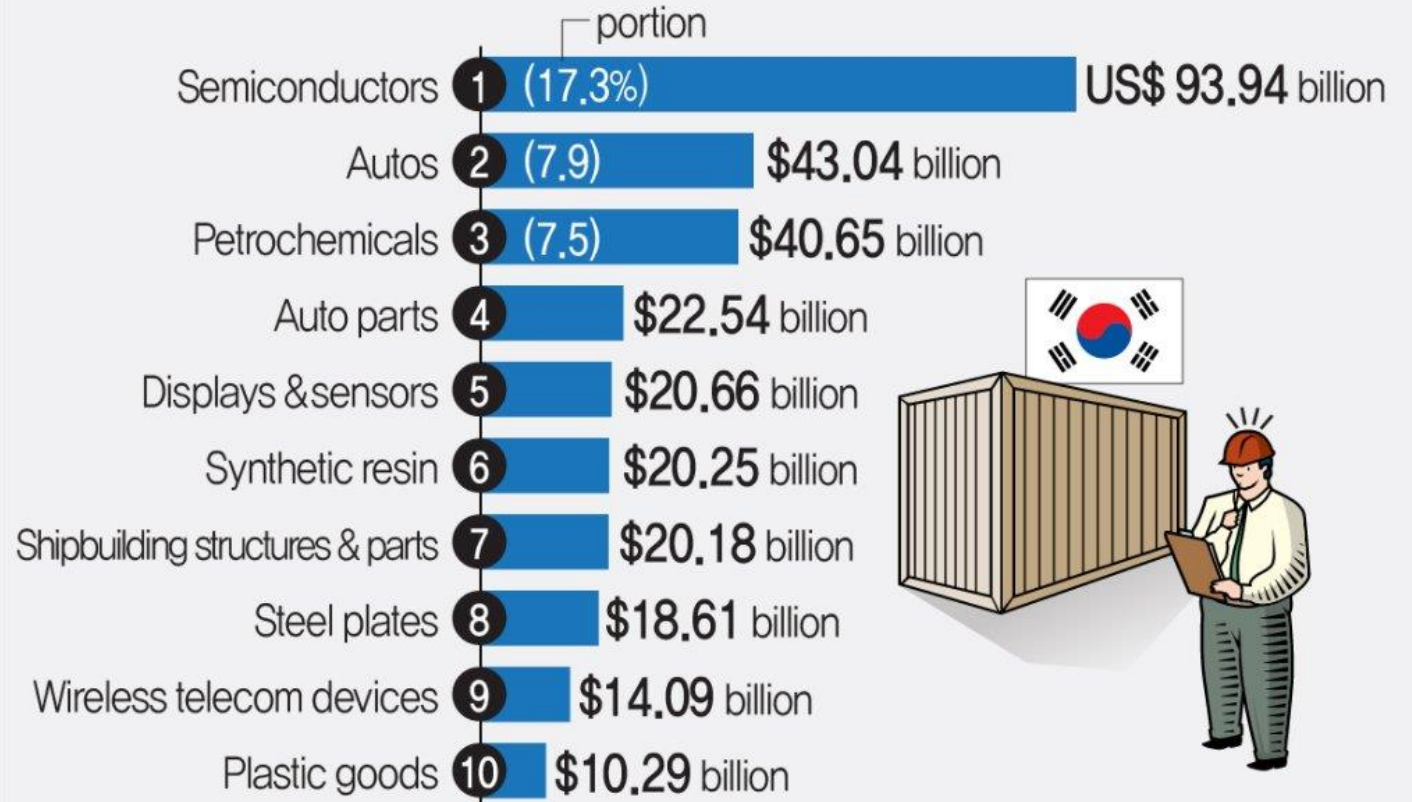


Source: IMF/Yonhap News Agency

Then, why not just join the US-led new world alliance? – not that simple

South Korea's Top 10 Export Items (2019)

S. Korea's top 10 export items in 2019

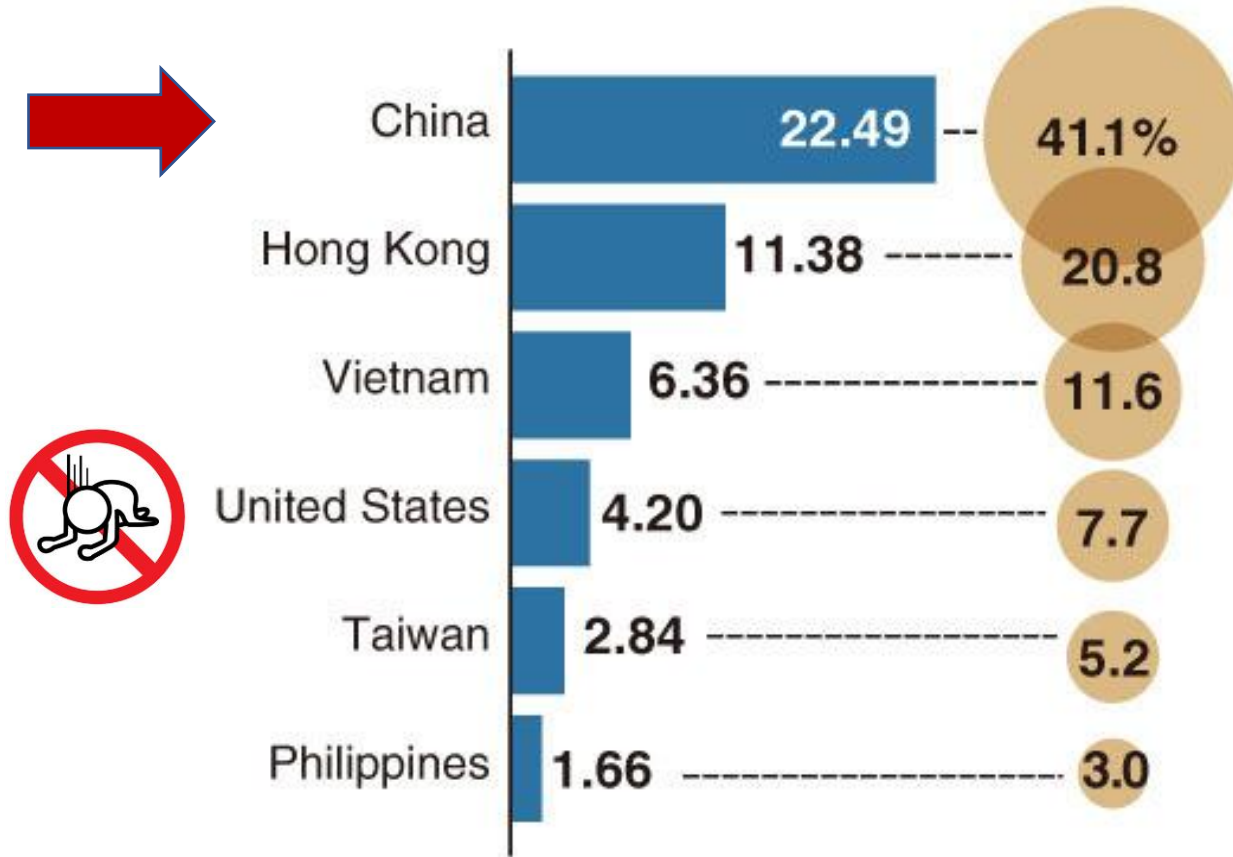


Data: Korea International Trade Association

South Korea's Semiconductor Export (2019)

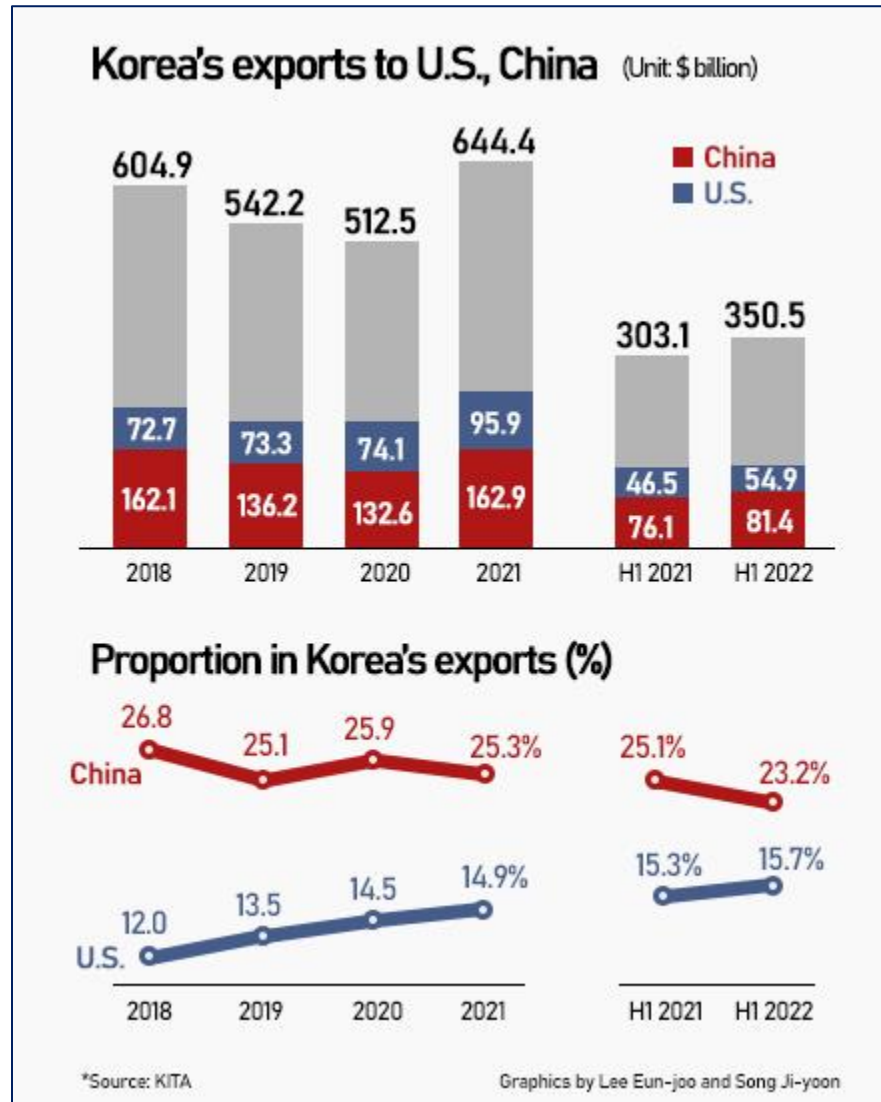
Korea's semiconductor exports by country

(Unit: \$ billion, from Jan. through July)



Source: Korea International Trade Association

Korea's Exports to Two Superpowers



- Shift to US-led alliance?
- Major factors:
 - Lockdown of major cities in CN
 - CN's localization campaign
 - Pressure from US – The Indo-Pacific Economic Framework for Prosperity(IPEF) + Chip 4

“Chip War” – South Korea’s Dilemma

- Semiconductors have become the most essential tool for a country’s growth as an economic power in the present world.
- What does US’ imposing restrictions on the transfer of advanced semiconductors and the inputs required to produce them?
- If you follow economic interests? What do you have to choose? (US / China)
- If you follow political interests? What do you have to choose? (US / China)

US’ main motivation?

- 1) Significance of semiconductor – US’ global production dropped (40 → 12%)
- 2) US’ just design → no manufactures (reshoring)
- 3) Security (China’s rise)

Discuss – Korea's Dilemma

- From geopolitical perspective.
- Korea's main concerns from economic perspective.
- Korea's main concerns from political perspective.
- Korea's main concerns from social perspective

Any implication for Vietnam?

- Please email me if you have any question – ybae@dau.ac.kr will get back to you in a few days.