

The Korean Economy - the Miracle on the Hangang River : Korea.net : The official website of the Republic of Korea

The Constitution of South Korea stipulates that “the right of property shall be guaranteed for every citizen.” In short, the country has adopted the market economy system, respects individuals’ and businesses’ right to conduct free economic activities, and guarantees the profits and properties made and accumulated by them.

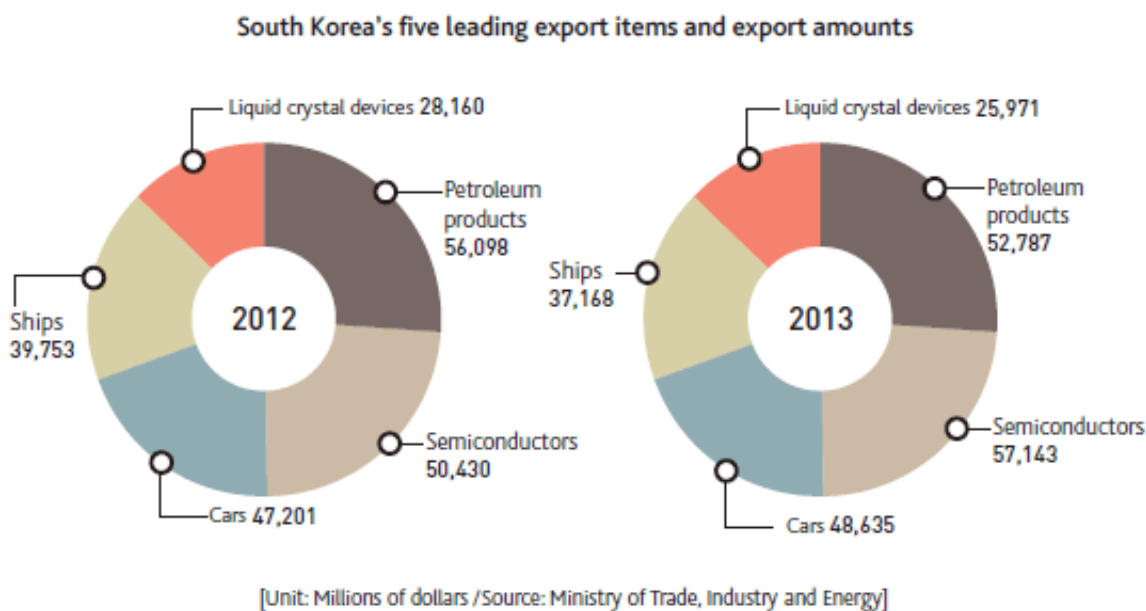


Cars Exported from Hyundai Motor’s Ulsan Factory: Cars are one of the country’s major export items.

However, the Constitution does not guarantee the limitless, unfettered

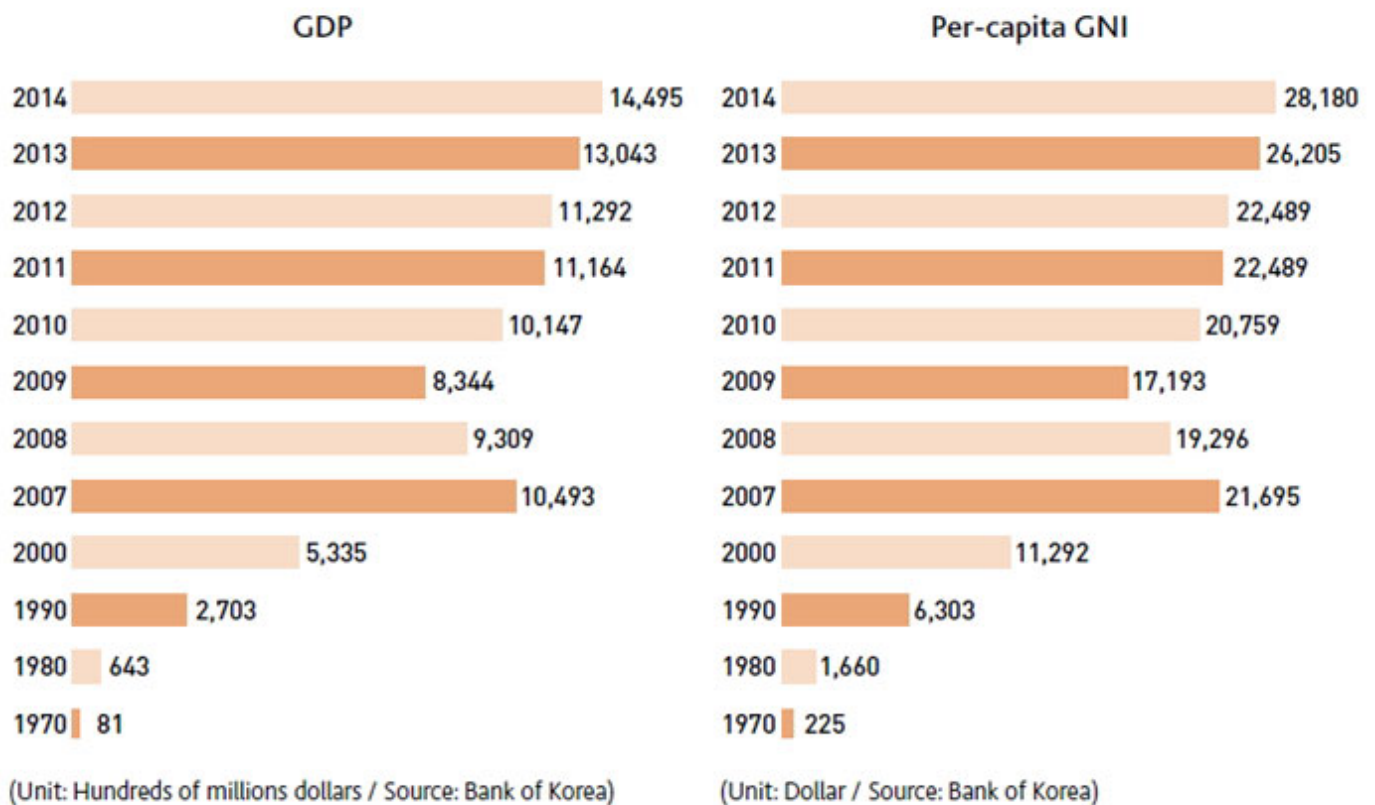
pursuit of capitalistic free economy. The Constitution stipulates that an unjust situation should be rectified if the abuse of capital is found to cause damage to people as an apparatus set to improve things relating to the free market economy.

South Korea has achieved economic growth at an unprecedented speed. Observers called what the country has accomplished the “Miracle of the Hangang River”, as most of the country’s industrial facilities were destroyed during the three-year-long Korean War, and the country was devoid of capital and natural resources.



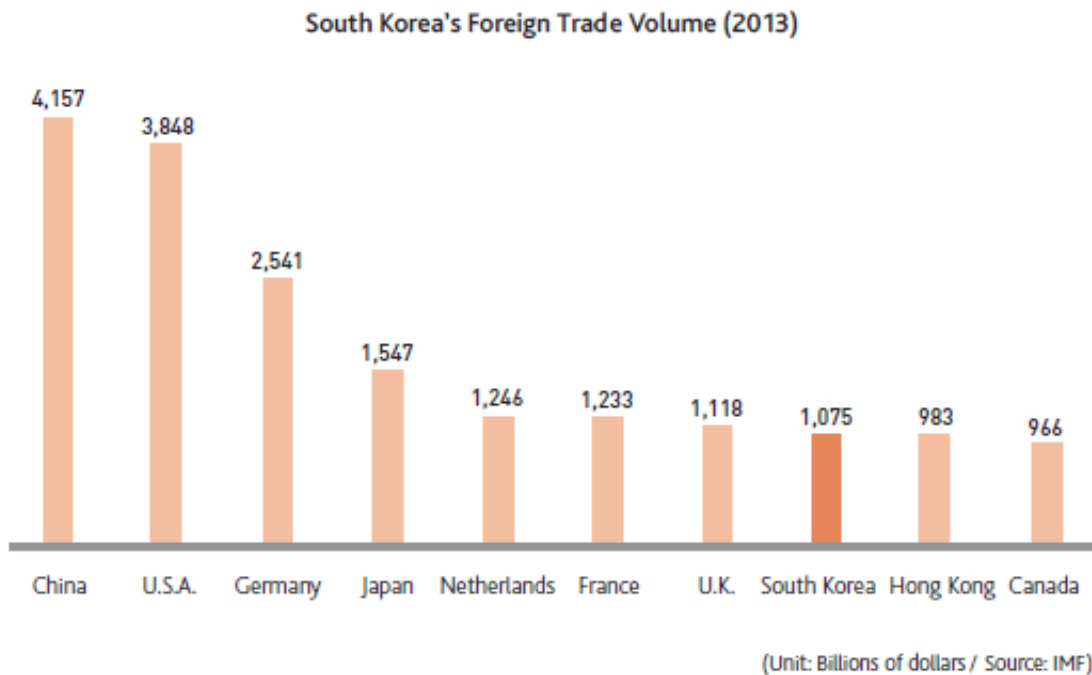
In the early 1960s, the country pushed ahead with export-oriented economic development plans. At first, the country’s major export items were mainly light industrial products manufactured in small factories, or raw materials. In the 1970s, the country invested in heavy chemical facilities and laid the basis for the export of heavy industrial products. At present, the country has a number of industries that boast solid international competitiveness, such as the shipbuilding, iron/steel, and chemical industries. The foundation of such strong competitiveness was built around that time.

The country hosted the 1988 Seoul Olympic Games, which provided the country with the momentum to join the ranks of semi-advanced countries. The international mass media called the country one of the four Asian tigers, along with Taiwan, Singapore, and Hong Kong. In December 1996, the country became the 29th country to join the OECD, which is largely composed of advanced countries. In 1960, South Korea's exports amounted to US\$ 32.8 million; but by 2013 they reached US\$ 559.6 billion. In 1948 GDP per capita was a paltry US\$ 60; whereas in 2013 it was US\$ 26,205.



South Korea gradually established an export-oriented economic structure centered on large businesses in the process of pursuing growth as a country with insufficient capital and resources. Conglomerates came to dominate industry, while the country's economic structure became heavily reliant on exports and imports, leaving it susceptible to external conditions.

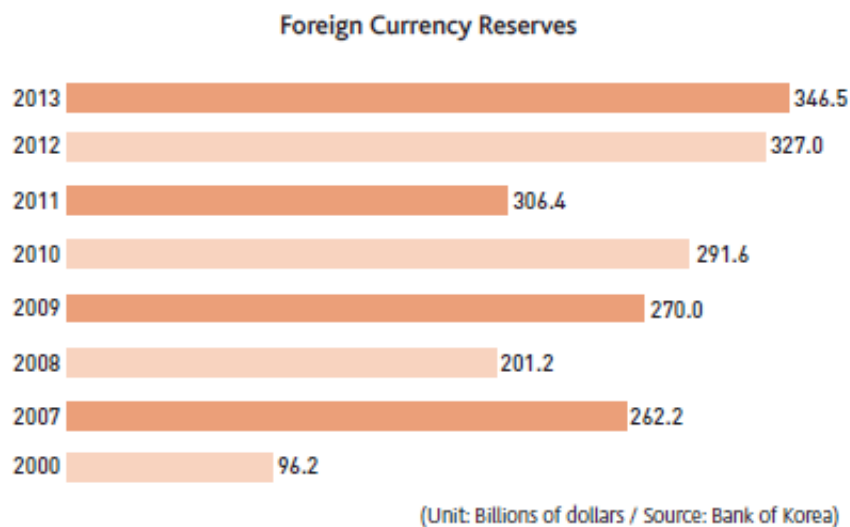
In November 1997, a foreign exchange crisis hit the country, forcing it to turn to the IMF for a bailout. It was the first ordeal the country had had to face after years of rapid economic growth.



The country took the drastic step of driving poorly performing businesses out of the market and then pushed ahead with industrial restructuring. In only two years, the country regained its previous growth rate and price levels as well as a current account balance surplus. In the process, some 3.5 million people joined in the campaign to collect gold to help the government repay the fund borrowed from the IMF. A total of 227 tons of gold were collected. The world marveled at the Korean people's voluntary participation in the determined effort to repay its national debts.

While making concerted efforts to extricate itself from the foreign exchange crisis, the country benefitted from certain ancillary effects, such as the adoption of the globalized economic and financial system. However, the restructuring process also had its dark sides. The government's fiscal

expenditure increased and the income imbalance deepened.



After overcoming the economic crisis, the South Korean economy continued to record solid growth. Nominal GDP doubled from US\$504.6 billion in 2001 to US\$1,049.3 billion by 2007, recording a high growth rate of 4~5% a year, except during the period of global economic crisis. In fact, during the period 2008-10, when most of the world was experiencing a devastating financial crisis, the country recorded an amazing 6.3% economic growth rate. The world's major mass media organs referred to the country's accomplishment as a "textbook recovery."

By 2010, South Korea had emerged as the world's 7th largest exporting country. From 2011 to 2013, the total volume of the country's exports and imports stood at US\$1 trillion. Thus, the country became the world's 9th country to attain the target of US\$1 trillion in annual foreign trade. The country's foreign currency reserves stood at US\$363.6 billion as of the end of December 2014, and the country is in a sufficiently stable position to cope with a foreign exchange crisis, with the percentage of its short-term foreign debts being 31.7% in 2014.

The country's sovereign credit rating has risen in recognition of the dazzling

economic results recorded by the country.