Korean Economy and Business Relationship with ASEAN

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Introduction

It is widely agreed that Korea's economic success during the past three decades was due to the adoption of an outward-oriented development strategy. In addition, as Hyde (1988) pointed out, implementation of that strategy was possible because of a desire of Korean people to learn, adapt, and try to perfect any item produced in any other part of the world, on the basis of ***"anything you can do, I can do better"*** (Hyde, 1988). Despite some reversals in economic growth in the early 1980s and the past few years and the fact that Korea is now undergoing significant changes in the pattern of economic growth, the Korean economy has still remained very dynamic.

Since 1986 when Korea experienced a balance of payments surplus for the first time in her history, the Korean government began to liberalize regulations on inward-as well as outward-F8oreign Direct Investment (FDI). This policy change was particularly effective in increasing FDI outflow because it came when Korean firms had enough financial resources to participate in international economic activities.

When the trend of FDI is closely examined, it is evident that more than half of the outward-FDI (57.2% of total amount approved in 1992) have been concentrated in the manufacturing sector. FDI in the manufacturing sector was mainly in the primary metal, metal fabrication (or machinery), and textiles and footware sectors. Geographically, a growing number of investment projects have been directed toward South East Asian countries in the last five years. The speedy integration of the Korean economy with the South East Asian states is not only in line with the gradual shift of economic gravity from the European Atlantic region to the Asia-Pacific, but it also highlights the openness, dynamic growth, and complementary relationships between Korea and ASEAN states.

Accordingly, it is the right time to examine the Korea economy and its actual and potential

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integration to the dynamic economy of ASEAN states. To this end, this paper will first shed light on factors contributing to the rapid growth of Korean economy. Second, the recent attempts to integrate the Korean economy into the world economy will be discussed to show how Korea adapted itself to the changing environment. Finaly, the recent trend and pattern of economic cooperation will be discussed to deal with the challenges and opportunities facing both Korea and ASEAN states.

PART I: Overview of Korean Economic performance (1960-Mid-1980s).

I. Industrialization and Export promotion 1960s.

The rapid growth of the Korean economy began in the early 1960s when the newly installed government headed by General Park Chung Hee launched the first five-year economic development plan. The economic growth averaged approximately 10 per year throughout the 1960s. This rapid growth coincided with a major Transformation in Korea's industrial structure, as the country's stagnant, agrarian economy became a dynamic, industrializing one (Koo, 1992).

The government made efforts to promote exports of the manufactured goods, particularly labor-intensive manufactured goods, in which Korea was able to achieve rapid productivity growth and cost reduction. The Korean policymakers were well aware that for a resource-short (labor surplus) economy there was no alternative to the expansion of modern industry, and that the demand for its products would have to be found abroad. Korea's relentless drive to expand exports not only allowed full use of labor, but it also inspired the population to work hard and to live better. Such an inspiration made all the players extremely cooperative and even submissive to their superordinate goal, i.e., frecdom from poverty and economic prosperity.

The export drive was further spearheaded by the entrepreneurs who have shown an extremely high dedication to work. ***"With acumen, ingenuity, and adaptability, they found new product niches and opened up new markets, often at great risk, and thus sustained remarkable rapid increases in exports"*** (Koo, 1992).

II. Shift in industrial policy in the midst of economic and political turbulence: 1970s.

After a period of export promotion of labor-intensive manufactures, the Korean authorities began, in the early 1970s, to develop skill- and technology-intensive ***"heavy and chemical industries"*** as the export sectors of the future. A massive investment program in these industries, financed largely by foreign loans and central bank credit was put into effect in 1973 and pursucd vigorously until 1979. To the dismay of the policymakers who conceived this industrial restructuring, the development strategy ran into a host of financing, engineering, quality, and marketing difficulties. Except for shipbuilding and iron and steel, these industries have yet to become efficient exporters.

In addition, the oil crisis of 1973 and 1979 inflicted major difficulties upon the economy. These shocks were accompanied by severe worldwide recessions, which compounded the Korean economy's difficulties by causing sharp declines in exports. Korea overcame the aftermath of the first oil shock by doubling its efforts to strengthen the competitiveness of its exports, opening up new export markets in the Middle East, and beginning to export construction services. The country was highly successful in these efforts.

However, the 1970s were a decade of great turbulence for Korea, both economically and politically. Changes in the international economic environment after the first oil shock were extremely detrimental to prospects for a continuous expansion of Korea's exports. Overseas demand for labor-intensive industrial exports from developing economies fell sharply due mainly to the oil shock-related stagflation in the developed countries and to the growing neo-protectionism against industrial exports. On the domestic front, general price inflation and increases in wages for unskilled and semi-skilled workers since 1973 had weakened the international competitiveness of labor-intensive industries. Along with the lavish overinvestment in HCIs and the oil shocks, the assassination of President Park late in 1979, and the subsequent political turmoil, caused a crisis in the Korean economy from 1979 to 1981. All these crises showed up dramatically in the growth rate of -4.8 percent in 1980.

III. Industrial Reform and Stabilization policies: 1980s.

The 1980s were the period of industrial policy reforms and stabilization efforts. The basic philosophy of the policy reforms was that the Korean economy should rely more on market mechanisms and competition while reducing government intervention and assistance. To this end the government began to overhaul the industrial incentive system which had been characterized by the industry-specific support. In other words, the industry-specific support was gradually replaced by functional support system in which all industries are equally treated and incentives are given mostly to R&D activities.

The second important policy reform was related to comprehensive liberalizing attempt extending to foreign investment and technology import. During the 1970s the manufacturing industries were highly protected, weakening their international competitiveness. Therefore, it was necessary to phase out protection by exposing them to foreign competition.

The third related policy reform was stabilization policy and floating exchange rate system which laid the foundation for successful implementation of industrial policy reform. The excessive support for Heavy and Chemical industries brought about a high rate of inflation which exacerbated the balance of payment problem. The overvaluation of domestic currency, combined with the strong protection for many manufacturing industries during the 1970s, led to weakening fo their international competitiveness.

The industrial reform policy has greatly affected the structure as well as the recovery of Korea's export. Beginning to improve in 1981, the Korean manufacturing sector registered a growth rate of 12% per annum between 1982 to 1986, which was attributed to rapid export expansion. As a result, GNP has grown rapidly (9.5% perannum) and the balance of payment position has been improved dramatically, turning into a surplus in 1986.

The industrial reform policy made impacts on the structure of Korea's export (Kim, 1992; 472-471). The share of technology intensive goods in total exports began to rise rapidly in early 1980s. The share of human capital intensive exports began 1980s. In contrast, the share of unskilled labor intensive exports which increased rapidly until the beginning of 1970s remained fairly stable during the 1970s. It began to fall sharply in the 1980s. Indeed, the rapid GNP growth and export performance was accompanied by structural changes of the national economy.

Characterizing the regained dynamism of the Korean economy as ***"self-sustained dynamics of development"***, Ahn (1992; 449) identified four critical factors that were highly associated with the fast and smooth recovery of the Korean economy as follows;

1. Structural adjustment by means of the Korean economy as follows;
2. Reshaping the incentive system for the export industry.
3. Price stabilization through restrictive money supply and surplus budgeting.
4. Promotion of technological innovation and R&D activities.

In this way, Korea became a leading NIE, with an economy among the largest in the developing world. The speed of economic growth was astonishing. Since 1960s, real GNP grew at an average 9.0 % annually.

In the social dimension, the rapid industrialization had a major impact on the consciousness of the Korean people and the Korean society. The most significant point was the emergence of vitality, self-confidence, and self-respect. People also learned how they should conduct themselves as members of an organization, and accumulated know-how about the operation *of machines and the management of organizations. Indeed, the accomplishment of high economic growth helped Koreans establish a stable national identily.*

IV. Summary.

The Korean economic development over the last three decades has been examined in three major stages of evolution, Each stage has experienced specific and distinct opportunities and challenges in Korea's industrialization process. Since the early 1960s under the leadership of late President Park Jung Hee, the export drive contributed to the rapid expansion of labor-intensive industries. The promotion of heavy and chemical industry during the 1970s contributed to the high economic growth as well as upgrading of the industrial structure. These changes were achieved, however, at the cost of a high rate of inflation, structural imbalances, and worsening of income distribution. The policy reform in the early 1980s was directed toward promoting competition while encouraging technological innovation. The reform was successful in terms of continued high growth with stability and an improving balance of payments.

PART II: Internationalization of the Korean Economy.

I. Changes in domestic and international environment.

I.1 Changes in socio-economic conditions in Korea.

From 1986 through 1988, the economy had annual average growth of 12%, mainly due to a rapid growth in exports with favorable changes in oil prices, interest rates, and won-to-dollar exchange rates (i.e., ***"Three lows"***). Because these factors were basically external and tentative in nature, the Korean economy began to face a serics of problems which required a strategic shift of the Korean economy from the outward looking strategy to an international integration strategy. The turnaround in the balance-of-payments situation, together with the subscquent rise in international pressure for the opening of the economy, helped accelerate policy rcforms designed to liberalize and internationalize the economy.

At the same time, Korea has experienced an eruption of various social tensions and suffered from political, soical, and economic instabilities. The declaration of June 1987 touched off an explosion of deemands from people of all social standings. In particular, laborers began to strongly demand their share of the ***"fruits of high economic growth"*** as their natural right. Throug increasing labor disputes, the conditions of work places were disturbed and the laborers' morale was severely affected by the frequent occurrence of disputes, thus resulting in less increase in productivity and an increase in failure rates of export products.

Another phenomenon was the problem of 'excessive consumption'. Some Korean people criticized themselves that though the current GNP per capita in Korea is $5,000 ($6,498 in 1991), people enjoy consumption on the same level as a society with income of $15,000. Although it is difficult to identify a single determinant of this phenomenon, potential causes can be listed as a combination of a double-digit growth of economy and a rapid increase of wages since 1987, resulting in an increased demand for consumption by the people who want to improve their quality of life, As a result, Korea's balance of payment drew a sharp curve into a deficit due to the rapid increase in imports, especially domestic demand-oriented imports.

There are strong signs that Korean economic planners believe there is no other option than a closer interlinkage of the national economy with the world economy. Most industrial sectors were opened for foreign direct investment, and the overseas investments of Korean enterprises are promoted as well. Restrictions on the business activities of foreign companies in Korea, as well as the activities of Korean enterprises abrad have mostly been removed. Imports of competitive and advanced foreign technology, as well as exports of Korean technology to other developing countries, have also been liberalized.

Furthermore, the Korean economy have faced the appreciation of the Korean won and growing protectionism in addition to the double-digit wage hikes and subsequent trend of 'excessive consumption'. These factors have had a considerable impact on the Korean economy< causing significant structural changes to take place. These include a shift from export-led economic growth to domestic-led growth, a changing trade policy, and a rapid increase in the foreign direct investment of Korean companies. In fact, the growth rate of the Korean economy, despite a poor showing of the export trade since 1989, has been sustained largely by brisk private consumption and construction-related investment, thus a domestic-demand-led economy being realized.

I.2 Trend and pattern of inward-FDI.

Foreign capital began to flow in large volume since the mid-1970s. Most of foreign capital consisted of public and commercial loans; foreign direct investment constituted a very small portion. The MNC investments, i.e., inward-FDIs, were restricted to a few limited areas.

One of the most noticeable aspects of the dynamics of recent Korean economy is the change in the pattern and trend of inward-Foreign Direct Investment (FDI). Korea maintained a restrictive FDI policy until the middle of the 1980s. In fact, during the periods 1977-81 and 1982-86, when FDI inflow accounted for only one percent of Gross Domestic Capital Formation (GDCF), Korea's long-term foreign borrowing was $14 billion and $13 billion, respectively. These amounted to 16.8 percent and 10.6 percent of GDCF during the respective periods. However, from 1982 to 1986, the amount of FDI shows the general upward trend reflecting the liberalized DFI policy beginning in the early 1980s. This is a clear indication of the vigor of the Korean economy and its attractiveness as a host country to foreign investors.

A sign of the intensified international integration of the Korean economy was observed in Korea's policies toward inward-Foreign Direct Investment. These included the expansion of the automatic approval range for FDI, the opening of the financial markets, tax-exemptions for the high-tech investment, etc. Dramatic increase of the inward-Foreign Direct Investment began to arise in the second half of the 1980s. Due to a series of libcralizing measures, almost all manufacturing sectors were opened for Foreign Direct Investment, with exceptions only in industries that are strategically important for national defence or some service sectors that are too weak to stand foreign competitions.

I.3 Trend and pattern of outward-FDI.

Korea's outward Foreign Direct Investment has rapidly increased since the mid-1980s in line with the reversal of the current account position from the chronic deficits towards a surplus since 1986. FDI by Korean companies were further spurred by the appreciation of the Korean Won, domestic wage hikes, and growing protectionism in the developed countries. These factors pushed Korean enterprises to go international. In fact, statistics show that Korea's FDI during the period of the second half of 1980s exceeded the total amount of FDI (US$626.4 million) in the period of 1968-1985.

In addition to the size of FDI, the nature and structure of FDI by Korean firms has fundamentally changed. Until the mid-1980s, outward-FDI was encouraged by the Korean government as a means to secure a stable supply of strategic raw materials and to facilitate exports. However, after 1986, the Korean FDI tended to show following characteristics (Ahn, 1989; Sakong, 1993; Ryou and Song, 1993): (1) the scale of investment projects became larger; (2) the share of manufacturing sectors has been steadily increasing; (3) while most of the labor intensive items in the manufacturing sector went to Southeast Asia and other developing states, the new projects, mostly technology-intensive items, were going to industrialized countries; and (4) small- and medium-sized enterprises played a more significant role in the internationalization of business activites. According to Ryou and Song (1993;4), ***"the investments valued less than US$1.0 million constituted 71.7% of the total number of investments, but only 11.7% of the total value of investments up to 1991. In contrast, the large scale investments surpassing US$10.0 million accounted for 2.9% of total cases, but 53.1% of the total value of investments."***

With market openings and internationalization, the Korean economy began to face international competition in domestic markets as well as international markets. As new world economic systems are developed around Europe, North-America, and Asia, Korea is projected to adopt economic policies that will contribute to widening economic cooperation with the developing countries, particularly South-east Asian states. In fact, the new government has made it clear that ***"economic reforms under the 'New Economy' will help internationalize Korea's economy".*** Particularly with regards to the international cooperation, it is stated that the new government intends to expand market access in developing countries by increasing financial aid to those countries and by establishing joint investment projects between the government and the private sector.

PART III: Economic cooperation between Korea and ASEAN.

III.1 Increasing importance of ASEAN as an economic partner.

Until the 1980s, Korea's policy on international economic cooperation focused on relations with developed countries. Economic cooperation with developing countries was a relatively minor concern. Economic relations with developing countries had for the most part, taken the form of trade in light industrial products for primary resources.

From the middle of 1980s, the Korean government began to realize the importance of ASEAN states as vital economic partners and to make efforts to improve economic relations with developing countries by cooperating in their economic development. The previous administration emphasized that Korea's future lies in the Asia-Pacific region and that it wanted to establish closer relations with the ASEAN member states. The following quotation from **Presidential Commission Report on Economic Restructuring (1988;43)** clearly indicated Korea's intention to uphold and to strengthen economic cooperation with South East Asia countries:

> ***"Economic cooperation with developing countries should focus especially on countries in Southeast Asia. With economies complementary to that of Korea's, these countries are neighbors on the Pacific Rim who are pursuing outward-looking development strategies. Accordingly, they are potentially of great importance as economic partners."***

Such a frlendly gesture from Seoul has been well received by ASEAN since 1987. ASEAN member states agreed to establish a sectoral dialogue with Korea, although Korea prefers a full dialogue partnership to a sectoral dialogue. It was initially designed to cover trade, investment, and tourism matlers. It is believed that the relationship would be developed to include cooperation in technology and human resources. Given the sluggish world economy and increasing prolactionism, elevating the level of economic cooperation between South Korea and ASEAN will be of mutual benefit and should be direcled toward the pursuit of common prosperity.

The Southeast Asian region has been the most dynamic economic region in the world in the last few years. The bright future of the region is often highllghted by the emergence of a second tier of NIEs which is sometimes is said to represent *"the flying geese"* pattern of development, in which slightly less developed nations follow closely in the wake of those who went before. Taking advantage of the dynamic economic growth, the Japanese has aiready moved skilled labor-and technology-intensive production bases to the ASEAN region, while keeping high-tech production bases in Japan. Taiwan's and Korean's FDI in ASEAN has also grown dramatically in the last decade. Now, there is a definite need for an appropriate arrangement to enable Korea and ASEAN states to cooperate in the regional development as well as mutual economic prosperity.

III.2 Structural complementarity between Korea & ASEAN.

According to Wong & Islam (1990), Korea and ASEAN are similar in two fundamental respects. First these are countries which have experienced a sustained period of impressive economic growth, especially during the period of 1965-1980 and 1986- present. Second, they are primarily open economies in the sense of allowing foreign investment and foreign trade to play a central role in their economic growth.

However, Korea contrasts sharply with ASEAN states, particularly the big four (Thailand, Indonesia, Malaysia, and Phillippines) with respect to stages of economic and social development and resource endownent. Korea appears to be much more similar to Hong Kong, Taiwan, and Singapore in East Asia, which are called Asian NICs, than to the big four ASEAN states. The big four ASEAN states are distinguished by their abundance of renewable and nonrenewable natural resources. These four ASEAN countries annually export about 80% of the world's natural rubber, tin, plam oil and coconut products, in addition to a high proportion of other commodities of mineral and agricultural origins such as petroleum, rice, timber, and sugar. The continuing export of these geographically-specific primary commodities has in fact been the main sources of economic growth for tese four resource-based economies.

In fact, the contrasts in the development stages and resource endowment tend to serve as factors enhancing complementarity between the Korean and ASEAN economies. Korea has a substantial stock of human resources and expertise in the selection and management of appropriate developmental projects. The lack of natural resources has obviously not hampered growth and development for Korea. In the last three decades, Korea has successfully overcome the resource constraint by intensifying the development of their manpower resources in terms of enterprise, technical skills and the creation of a disciplined industrial force. From the ASEAN perspective, the transfer of technology from Korea is more suited to their development needs than technology coming directly from the developed countries. Technology from Korea is likely to be more cost-effective and be of more immediate practical use in ASEAN's development efforts. An increase in the transfer of technology from Korea to ASEAN states would definitely be beneficial to Korea, in its search for easier access for its commodities, technologies and capital to the markets of the developing countries. The modern technology and capital provided by Japan, the abundant natural and human resources available in Big Four ASEAN countries, and the recent development experience and middle-level technical know-how of Korea are an ideal combination for building regional development and cooperation. In this way, the relationship between Korea and ASEAN will be developed into a horizontal division of labor (Kim, 1991; Sakong. 1993).

III.3 Trade structure and the Korean FDI in ASEAN states.

A. Trade pattern between Korea and ASEAN.

Three recent studies (Wong and Islam, 1987;Kim, 1991;Ryou and Song. 1993; have provided interesting insights concerning the emerging pattern of trade and FDI between Korea and ASEAN.

Kim (1991) noted that the main feature of Korea-ASEAN trade pattern has changed in the last decade. That is, Korea used to export manufactured goods in exchange of primary goods from ASEAN. Trade patterns between Korea and ASEAN indeed reflected a high degree of complementarily. However, the commodity structure has shifted from primary products and raw materials to manufactured goods. This shift is in line with the rise of the share of manufactured goods in ASEAN's exports from 25.6% in 1980 to 57.5% in 1989. The commodity structure of Korea's exports has also been shifting from light manufactured goods to more capital-intensive and high value added products such as machinery and transport equipment. It should be noted that the level of Korea-ASEAN trade is still relatively low, with considerable room for future expansion. Wong and Islam (1990) attributed the low volume of trade to historical linkages of both Korea and ASEAN to the developed countries such as Japan, United States and EC. These developed countries have been the major market outler for Korea's labor-intensive and medium-technology manufactured products and the major consumers of ASEAN's primary products and natural resources. Furthermore, ASEAN states tended to resort to intra-règional trade as a part of their cooperation efforts. Nevertheless, expansion of trade between Korea and the ASEAN states will be conducive to the reduction of their dependency on developed countries because both Korea and ASEAN began to face mounting economic challenges and restrictive measures prompted by trade protectionism among developed countries.

B. Korean FDI in ASEAN.

Deepening economic cooperation can be seen from the Korean FDI flow in the ASEAN states. Korea's trade surplus during the period of 1986-1989, and changes in its comparative advantages, were the primary factors for outward FDI of the Korean firms. Because economic cooperation through direct investment is as important as trade expansion, the Korean FDI flow deserves special attention.

Ryou and Song (1993) provided a valuable insight about the trend and pattern of Korea's investment in Southeast Asia. First, Korean investments in the ASEAN region are dominated by small- and medium-sized firms with the average size of US$ 1.5 million. In 1992, 1092 out of 1474 projects permitted in Southeast Aisan region were less than the amount of US$ 1 million. Second, in contrast with the past FDIs of Korean firms, Korean investment in ASEAN states tend to be concentrated in manufacturing sectors, rather than mining & forestry.

When the industrial distribution of FDI in the manufacturing sector is closely examined, the nature of the Korea FDI varies according to the level of economic development of the Big Four ASEAN states. To show this pattern, Ryou and Song (1993) adopted a typology classifying the manufacturing sector in terms of the level of labor-capital intensity and the level of technology. According to Table, the Korean FDI were concentrated in the Labor-intensive sector, accounting for 74.3% of the total value of investments made by 1991. However, there is a country difference when technology level of the sector is considered. That is, the Korean FDI in Indonesia was concentrated in labor intensive, low technology industries while those in Thailand, Malaysia, and the Philippines were concentrated in labor intensive, high technology industries. In case of Malaysia, which is no longer a source of abundant labor force, the share of capital intensive, low technology investments is also significant. With the exception of Thailand where Japan has established a strong export base, Korean FDI in the capital intensive, high technology industries was steadily growing because that might represent the cases of Korean firms transferring advanced technologies assimilated by Korean firms during the period of 1970 and 1980s.

Although there has been variance across the Big Four ASEAN states in absorbing the types of Korean FDI, the Korean investments have benefited the host countries by operating in accordance with the local development goals. The concentration of Korean investment in labor intensive export industries has fostered positive economic effects such as employment creation and access to international markets. Furthermore, in contrast with the Japanese investment which seemed to respond directly to the incentives provided by tariff protection (Kaosa-ard, 1991), Korean investors regarded the abundance of low-wage workers and exporting to the third market as the most important factors. Thus, they contributed to an expansion of the host contries' international trade rather than functioning as a substitutes for trades. According to the survey (cited in Ryou and Song, 1993), the investment incentives provided by the host country are relatively insignificant to Korean investors in the ASEAN countries. In fact, Korea has reached a stage where it could make a greater attempt to lend its expertise and capital assets to the ASEAN region and where it would dovetail with the ASEAN markets by taking up the gaps left by early starters like Japan and United States.

However, the absorptive capability of the local social and physical infrastructure and Korea's deteriorating balance of payments will be stumbling blocks for the further growth of Korean FDI. According to the survey cited by Ryou and Song (1993), the lack of infrastructure, such as electricity, water, transportation and communications, appears to be the most severe probleme for Korean firms. Difficulty with the timely provision of raw materials and intermediate goods is also related to the lack of infrastructure facilities.

An increase in outward FDI can be sustained if Korea can maintain a stable current account surplus. Although the demand for Korean FDI has increased due to the internal and external changes, there will be a limit to outward FDI as one of the major forms of capital exports in light of the shortage of the supply of capital. Since 1990, the Korean current account deteriorated because of the rapid increase in domestic-demand related imports. Furthermore, Korean exports have continuously faced increasing competition from the developing countries and restrictive measures from the developed countries. As the trade and financial liberalization proceed, the management of domestic demand and strengthening of the exports through technological development and innovation will be critical for the continuous pursuit of business internationalization strategy.

Conclusions

Korea has responded to changing external and internal economic conditions with effectiveness and flexibility. Korea adopted and benefitted from an outward-oriented development policy early in 1960s and 1970s. In the 1980s, the Korean economy experienced a transition from and outward-looking strategy based on the protected domestic market to an international integration strategy based on the liberalized home market.

The Korean economy faced a series of problems that required the strategic shift of the Korean economic development strategy. An eruption of various social tensions, particularly the wave of labor shortage and strikes, led to the double-digit wage hikes. A rapid wage increase, along with the surplus in the current account, generated a phenomenon of excessive consumption which resulted in the fast increase in domestic demand-oriented imports. At this juncture, Korean economic planners and entrepreneurs shared the insight that there is no other option than an internationalization of business activites through liberalizing inward- and outward-FDI. In fact, in the second half of 1980s, a dramatic increase of the inward-FDI began to arise due to a series of liberalizing measures by the Korean government. Korean FDI has also increased in line with the surplus in the balance of payments, which subsequently spurred the appreciation of the Korean Won and growing protectionism in the developed countries. These changed internal and external environments pushed the Korean economy to shift the economic development strategy from the export-led growth strategy to the strategy of business internationalization.

The Korean governement has continuously emphasized the development of Korea-ASEAN cooperation as a main part of South-South cooperation. However, the intensification of the cooperative relationship depends on the maintenance of structural complementarity through the enhancement of a horizontal division of labor among the countries within the East Asian Region. Japan, Korea and other Asian NIEs, and ASEAN are countries at different stages of industrialization. This gives rise to an ideal situation for economic cooperation for mutual benefit through trade expansion and FDI in more promising and sunrise industries. In this way, Korea and ASEAN may make concerted efforts to protect themselves, to enhance international competitiveness, and to deal with the adverse environment outside of the region, such as protectionism and restrictive measures from the developed countries.

Thank you

Reference of this paper will be sent to the person of interest upon written request to the presenter of this paper.