

# Olympic Aftermath: What Lies Ahead?

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## Korea and the Beijing Games

When the curtain fell on the XXIX Beijing Olympics, South Korean athletes, with 13 gold, 10 silver, and 8 bronze medals, had proven once again that, ranking seventh in the overall medal table, their country was among the world's top sporting nations. Korean Olympic glory began over seven decades ago, with a sublime performance shadowed by national tragedy. Two 24 year old Korean athletes, Sohn Kee-chung and Nam Sung-yong, won the gold and bronze medal, respectively, in the men's marathon, but the Japanese flag was raised, as Korea was under Japanese occupation at the time. South Korea began competing in the Olympics soon after the establishment of the Republic, in London, in 1948, but it was not until the 1984 Los Angeles Olympics that South Korea had its breakthrough, ranking tenth in the medal count. It has remained in the spotlight since then, ranking fourth in Seoul, seventh in Barcelona, tenth in Atlanta, twelfth in Sydney, and ninth in Athens.

As the Games ended, Chinese President Hu Jintao was already on his way to Korea; less than 24 hours after the closing ceremonies, he met with President Lee Myung-bak in Seoul. Opinions vary as to why President Hu decided to visit first with the ROK, and so quickly after Beijing was in the world's spotlight for over two weeks of Olympic competition. Many believe the rationale was concern over the upcoming six-party talks, and related issues. From an economic standpoint, however, his promise of increasing the two-way trade between China and the ROK from \$145 billion to \$200 billion by 2010 would go a long way towards keeping the economies of the two countries vigorous following the games.

According to Kim Seong-jun of the *Korea Times*, China has spent approximately \$46 billion on the games and expects the event to bring an estimated \$450 billion in economic benefits. However, it will be some time before the full impact of the games can be determined. It is a safe assumption, though, that there are generally no losers on the economic level following the Olympics, although China may experience a case of post-Olympic hangover after the Beijing Games, a phenomenon that occurred after the Seoul, Barcelona, and Sydney Games. Korea should benefit in addition to China

South Korea: With companies like Samsung and LG providing specially made technology for the attendees at the Olympics, they have taken advantage of a quadrennial audience. The opportunity to unveil new products and promote their brands to over a billion viewers around the world opens many new doors in previously unexplored markets, while simultaneously solidifying current consumer opinions.

China: Though Beijing will certainly feel a momentary upswing in its economy, according to the *Financial Times* this effect will be only local, and will not have any major impact on the rest of the country. In fact, the short-term results could potentially be negative owing to the ordered shutdown of some factories during the games. It will be a difficult process to fully ascertain the exact effects of these games on China's overall economy, but they are unlikely to be substantial.

## Revisiting 1988

It is highly unlikely that China could hope for the same impact in 2008 that Korea enjoyed in 1988. There is a myriad of different factors that are so vastly different between the two decades, both on a political and economic level.

China entered the games having already established itself as one of world's top economies. To experience the level of growth and upward mobility seen in Korea after the Seoul games would skyrocket the PRC into the position of leading superpower in the world, potentially twice as strong as the next closest country. In Korea's case, however, the Seoul games accounted for at least 0.4% of GDP for many years following. While other games might not have fared as well (specifically, Athens), Korea was part of a regional economic uprising, known as the "Asian Tigers," that was already making its case for global recognition as a joint powerhouse.

According to Do Young Pyun in “The Economic Impact of the Seoul Olympic Games,” some of the effects felt by Korea since winning the bid to host the games in 1981 include:

- Olympic projects amounting to 1.8 trillion won
- 336,000 new jobs created
- Employment in Olympics-related projects accounting for 0.3% of total employment
- Olympic projects accounted for 0.5% of the nation’s total employed in 1987 alone

There are some who would argue that the figures are hardly indicative of success as a direct result of sporting events, especially given the region’s upswing in the market during the early 1980s. The other members of the “Asian Tigers” (Taiwan, Hong Kong, Singapore) have not seen the same long-lasting effects as Korea, though. The “Tigers” began as one joint move forward, but only Korea consistently kept moving forward to eventually become the 13th largest economy in the world—indeed it was the 11th largest for several years before dropping back recently.

The 2008 political climate in China does not mimic Seoul 1988, either. Seoul 1988 was key in heralding the Korean economic miracle worldwide, and also marked the beginning of a successful transition from an authoritarian regime to a democracy.

## **The Challenges Ahead**

Massive investment in infrastructure in the few years preceding the Olympics has definitely helped China prepare to improve its export capacity and performance. According to the Brookings Institution’s Lael Brainard, China, with close to \$200 billion invested in rail infrastructure between 2006 and 2010, has marked the beginning of the largest railway capacity expansion since the 19th century, while the port of Shanghai alone is now close to having matched the container capacity of all U.S. ports combined.

Nevertheless, although many believe that China will be able to sustain the pre-Olympic economic growth rate, and, as Morgan Stanley has pointed out in a recent report, although the share of the national economy represented by Beijing is smaller than that of previous hosts Seoul, Barcelona, or Sydney, some economists argue that, at least over the short run, China may be in for the Olympic hangover experienced by previous hosts of the Games. According to Lee Man-yong of the Hyundai Economic Research Institute, a downturn could follow, as public spending on modern facilities decreases. Other pre-existing conditions may also signal trouble ahead. Lehman Brothers economists have indicated that the global economic slump, rising production costs, tight credit, power shortages, and currency appreciation are likely to result in a slowing down of Chinese manufacturing as well. A recent *Korea Times* article quoted Park Seung-ho, president of Samsung Economic Research Institute (SERI) in China, as indicating that action by the Chinese government to curb inflation and market liquidity has dramatically affected Chinese SMEs, which find it increasingly difficult to cope with a tight cash flow.

With almost 26% of South Korea’s exports going to China and imports from China representing about 17% of Korean imports, China is Korea’s largest trading partner. Any downturn in the Chinese economy is certain to affect South Korea, and a variety of factors may compound that situation. According to a *Korea Times* article by Kim Jae-kyoung, concern is growing over a so-called September crisis, as the won may continue to decline against the dollar, and foreign investors could continue to withdraw, uneasy over the U.S. sub-prime crisis, the depreciation of the Korean won, and possible liquidity problems created by the maturation of over KRW 8.5 trillion in bonds. In the aftermath of the Olympics, whether China continues on its current economic growth path, or is affected by recession, South Korea may be put to the test, although many analysts dispute any comparison with the 1997 financial crisis.