



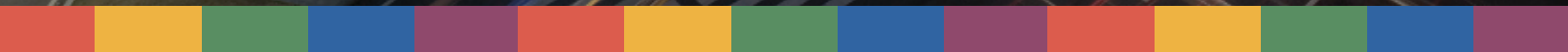
KOREA'S ECONOMY

| 2 | 0 | 1 | 1 |

a publication of the Korea Economic Institute and
the Korea Institute for International Economic Policy



Volume 27



KEI Editorial Board

KEI Editors: Florence Lowe-Lee
Troy Stangarone

Contract Editor: Mary Marik

The Korea Economic Institute is registered under the Foreign Agents Registration Act as an agent of the Korea Institute for International Economic Policy, a public corporation established by the Government of the Republic of Korea. This material is filed with the Department of Justice, where the required registration statement is available for public inspection. Registration does not indicate U.S. Government approval of the contents of this document.

KEI is not engaged in the practice of law, does not render legal services, and is not a lobbying organization.

The views expressed in this publication are those of the authors. While this monograph is part of the overall program of the Korea Economic Institute endorsed by its Officers, Board of Directors, and Advisory Council, its contents do not necessarily reflect the views of individual members of the Board or of the Advisory Council.

All images are from Getty Images, iStock, or were taken by KEI staff.

Copyright © 2011 by the Korea Economic Institute of America.

Printed in the United States of America.

All Rights Reserved.

ISSN 1054-6944



Volume 27

KOREA'S ECONOMY

| 2 | 0 | 1 | 1 |

Part I: Overview and Macroeconomic Issues

Commentary

Korea and the World Economy

C. Fred Bergsten

1

Korea's Challenges and Opportunities in 2011

Chae Wook

3

Analysis

Korea: Economic Prospects and Challenges after the Global Recession

Subir Lall and Meral Karasulu

6

Part II: Financial Institutions and Markets - Focus on Green Growth

Commentary

Korean Green Growth in a Global Context

Han Seung-soo

13

An Ocean of Trouble, An Ocean of Opportunity

Philippe Cousteau and Andrew Snowwhite

15

Analysis

System Architecture for Effective Green Finance in Korea

Kim Hyong-tae

18

Korea's Green Growth Strategy: A Washington Perspective

Haeyoung Kim

25

Part III: The Seoul G-20

Commentary

A Reflection on the Seoul Summit

Paul Volcker

31

The G-20: Achievements and Challenges

SaKong Il

33



Part III: The Seoul G-20 (Continued)

Analysis

Achievements in Seoul and Korea's Role in the G-20 35
Choi Heenam

Africa and South Korea's Leadership of the G-20 42
Mwangi S. Kimenyi

Part IV: External Relations

Commentary

Korea's Green Energy Policies and Prospects 49
Whang Jooho

Analysis

Economic Implications for South Korea of the Current Transformation in the Middle East 52
Han Baran

Korea-Africa: Emerging Opportunities 59
Philippe de Pontet and James Clifton Francis

U.S.-Korea Economic Relations: A View from Seoul 67
Kim Won-kyong

Part V: Korea-China Economic Relations

Commentary

A New Phase in China-North Korea Relations 73
Gordon G. Chang

Analysis

Increasing Dependency: North Korea's Economic Relations with China 75
Dick K. Nanto

Korea-China Economic Partnership: The Third China Rush 84
Cheong Young-rok and Lee Chang-kyu

Part VI: North Korea's Economic Development and External Relations

Commentary

Human Resources and Korean Reunification 97
Nicholas Eberstadt

Analysis

The Economics of Reunification 99
Dong Yong-sueng

Leading Economic Indicators for Korea 105

About KEI 106

KEI Advisory Board 107

FINANCIAL INSTITUTIONS AND MARKETS—FOCUS ON GREEN GROWTH

KOREAN GREEN GROWTH IN A GLOBAL CONTEXT

By Han Seung-soo

Green growth is a new, revolutionary paradigm that sustains economic growth and at the same time ensures climatic and environmental sustainability. Although economic activities and environmental protection are conventionally perceived as two separate domains adversely affecting each other, green growth calls for a system change to recognize that, while both are inevitable for human existence, they can be achieved in parallel. Under this new paradigm, challenges such as climate change and energy crisis are no longer considered as problems that need to be addressed, but as opportunities for new growth and job creation. Unlike the past labor- and capital-intensive methods of production, the driving factors of green growth are new ideas, transformational innovations, and state-of-art technology.

Green growth was put into policy actions by the Korean government in January 2009. Having adopted “low carbon, green growth” as the new national vision put forward by President Lee Myung-bak on the occasion of the 60th anniversary on 15 August 2008 of the founding of the Republic of Korea, the government announced the Green New Deal on 6 January 2009. The Green New Deal adopted in the aftermath of the global financial crisis of 2008 was an amalgam of a long-term policy of expanding growth potentiality through a green strategy and a short-term policy of creating jobs and revitalizing the economy through fiscal stimulus. A total budget of 50 trillion *won* (approximately \$40 billion) was allocated for the period 2009–12, and 960,000 jobs were estimated to be created in consequence.

In addition to various policy measures, an institutional framework was also established to facilitate implementation of green growth. An expert group of government officials and professionals devoted to guiding Korea’s green growth were gathered to constitute the Presidential Council on Green Growth. In addition, the prime minister instructed the cabinet to formulate the Five-Year Green Growth Plan, a revival of the practice of the five-year plans that had been effective in mobilizing and allocating resources during the early developmental era of the Korean economy, so as to drive green growth in a more systematic and consistent manner. The first Five-Year Green Growth Plan (2009–13) is a reconfirmation of the political commitments as well as a blueprint for government actions; it contains specific budget earmarks and detailed tasks assigned to line ministries and local governing entities. Under this plan, the government is to spend about 2 percent of annual GDP on green growth projects, including the construction of green infrastructure and research and development on green technologies.

In terms of the legal foundation for green growth, the Framework Act on Low Carbon, Green Growth was enacted by the National Assembly in 2010 as the first of its kind in the world. It outlined three comprehensive Korean national strategies for green growth: (1) mitigating climate change and promoting energy independence, (2) creating new engines of growth, and (3) improving the quality of life and enhancing Korea’s international standing. It is reinforced by 10 specific policy directions.

Although started as a national initiative, achievements and progress of green growth made by Korea have had significant implications in the global context. More important, green growth is a first attempt to change the dominant global paradigm of growth through the initiative and leadership of a developing country. Although it has often been witnessed that many global agendas are frustrated by competing interests between developing and developed countries, green growth is an innovative way of compromising on the differences between these

seemingly irreconcilable groups and also on two global issues—climate change and economic growth—perceived as incompatible.

It is a solution honestly and firmly based on the experience of a country that once was one of the poorest in the world, but that has managed to achieve its current economic status through the so-called brown or gray model of growth and that is now realizing the need for a sustainable way to maintain growth for future generations. By embracing the growth aspirations of developing countries and at the same time taking into consideration the environmental concerns of all, green growth will contribute to help overcome the disputes over the extent of environmental responsibility by promoting voluntary and proactive actions by each country.

As the problem of climate change vis-à-vis development transcends national boundaries, cooperation at the international level is vital if truly meaningful results are to be achieved. Therefore, in June 2010 Korea embarked on soliciting global cooperation on green growth by establishing an international platform for cooperation—the Global Green Growth Institute (GGGI). GGGI is based on an interactive partnership and collaboration with developing countries, local institutions, and other stakeholders to provide analytical support for green growth strategies, build capacity, and help countries share with each other the best practices in green growth. Since its launch in 2010, GGGI has already conducted three country programs—in Ethiopia, Indonesia, and Brazil in 2010—and in 2011 will engage with more countries, including Cambodia, Kazakhstan, and the United Arab Emirates (UAE). GGGI's effort is also joined by many donor countries such as Denmark, Japan, the UAE, and Australia and by international organizations including the Organization for Economic Cooperation and Development, World Bank, Asian Development Bank, European Bank for Reconstruction and Development, and several more.

It is hoped that the growth paradigm shift now being carried out in Korea will turn the global climate crisis into a positive opportunity for promoting stronger economic growth and, at the same time, guaranteeing climatic and environmental sustainability for all.

Former Prime Minister Han Seung-soo is currently Chairman of the Board of Directors, Global Green Growth Institute (GGGI).

Selected Commentary

Korea and the World Economy

C. Fred Bergsten, Peterson Institute for International Economics

Korea's Challenges and Opportunities in 2011

Chae Wook, Korea Institute for International Economic Policy

A Reflection on the Seoul Summit

Paul Volcker, Former Chairman of the Federal Reserve

The G-20: Achievements and Challenges

SaKong Il, Korea International Trade Association

Korean Green Growth in a Global Context

Han Seung-soo, Global Green Growth Institute

Korea's Green Energy Policies and Prospects

Whang Jooho, Korea Institute of Energy Research

Additional Commentary and Analysis

Korea: Economic Prospects and Challenges after the Global Recession

Achievements in Seoul and Korea's Role in the G-20

Africa and South Korea's Leadership of the G-20

Korea's Green Growth Strategy: A Washington Perspective

An Ocean in Trouble, An Ocean of Opportunity

System Architecture for Effective Green Finance in Korea

Economic Implications for South Korea of the Current Transformation in the Middle East

Korea-Africa: Emerging Opportunities

U.S.-Korea Economic Relations: A View from Seoul

A New Phase in China-North Korea Relations

Increasing Dependency: North Korea's Economic Relations with China

The Economics of Reunification

Human Resources and Korean Reunification

Korea-China Economic Partnership: The Third China Rush



Korea Economic Institute

1800 K Street, N.W

Suite 1010

Washington D.C., 20006