On the Special Feature: ROK Economy

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This special feature is based on a contribution by members of the Korean Economic System Study Group, which is continuously sponsored by ERINA. The five papers detail the actual situation in each field of the ROK economy, which has become one of the most advanced economies in Northeast Asia in both name and reality. The contents of each paper are as follows.

Kim’s paper targets the ROK’s steel industry. The paper examines the position and competitiveness of ROK’s steel industry in the global market, and examines future challenges to survive as a global player. According to his piece, the competitiveness of ROK’s steel industry is the economy of scale due to large-scale capital investment, the development of high value-added products through its high technological development capabilities, and the competitiveness of exports through the strengthening of global production and sales networks. However, the ROK’s steel industry, which has a high degree of trade dependence and an export-oriented production structure, will struggle grow under a severe domestic and overseas business environment, with growing protectionism, weakening global demand, and sustained structural low growth. Momentum is weakening. Furthermore, as ROK catches up to Japan, it is in a situation where it is necessary to respond to the catch-up of China. He said that there are many issues to be resolved for the Korean steel industry to survive the difficult trade and competitive environment.

Kook’s paper analyzes the tax system in ROK from the perspective of comparing Japan and ROK. This paper highlights the changes in the tax structure of ROK from the perspective of a Japan-ROK comparison, focusing on the tax structure of ROK immediately after the end of the war, the transition of the tax system after the establishment of the Republic of Korea, and the changes in the tax structure based on data. In addition, as a recent trend, the tax structures of both countries tend to converge. The factors that cause the convergence phenomenon are Korea’s high-growth period, which lasted longer than Japan’s, the value-added tax rate of ROK which remains unchanged, Japan’s income tax reduction and consumption tax rate increase to cover social security resources, and the Japanese government’s statement that the tax system’s income and consumption tax balance policy, etc. can be cited.

Park’s paper analyzes ROK’s labor-management relations, centering on the first half of the Moon administration. According to this paper, recent trends are summarized as follows. Firstly, the number of labor union members has increased and union density has also risen. The “super-enterprise unitization” of labor unions has been promoted mainly by the Korean Confederation of Trade Unions (KCTU). Secondly, the agreed upon wage increase rate has stabilized at a level of 3-4% each year, and the state of progress in wage decisions has also been favorable. On the other hand, there are many cases where collective bargaining is conducted in companies and business establishments even in the case of “super-enterprise” labor unions. Thirdly, although the number of labor disputes has increased, the number of lost workdays has decreased since labor disputes have rarely been prolonged. Fourthly, the tripartite agreement system in the ROK has developed, with KCTU continuing to participate in the tripartite talks. Fifthly, “worker-friendly” policies were quickly carried out at the beginning of the Moon Jae-in administration, but since 2018, “speed adjustments” in the policy promotion have led to retreats from the government’s pledges.

Seo’s paper treats the transformation of Korean-Japanese economic relations under the Moon administration. Based on the fact that Japan-ROK relations have deteriorated due to factors such as the comfort women issue and the forced labor issue under the Moon Jae-in administration, this paper explores the measures to strengthen Japan’s export control on ROK in 2019, which was brought up in that situation. He picked it up as a concrete example and arranged the actual situation and the impact on the bilateral relations. Furthermore, he is looking forward to these issues being overcome and promoting future Japan-ROK relations.

Seong’s paper analyzes the support system for reshoring of overseas companies in ROK. This paper summarizes the reshoring policies in ROK as follows. After the global financial crisis in 2008, the ROK government considered the introduction of assistance systems for reshoring firms, and it enacted the “Act on Assistance to Korean Off-shore Enterprises in Repatriation” in 2013, which contains legal provisions for providing various incentives for participating firms. However, the supporting system failed miserably and its institutional effectiveness was seriously doubted. Therefore, the ROK government was left no option but to revise its laws and regulations in 2020 and improve both the support programs and incentives.

We hope these papers will help readers better understand the Korean economy.