

Trade, FDI and Equity in the Republic of Korea in the 1990s

Oliver Morrissey and Dirk Willem te Velde¹

Draft April 2002

The 1990s began well for South Korea but ended with a severe but brief recession following the East Asian crisis of 1997; GDP declined by over 6% in 1998, although growth has been estimated at 10% in 1999. Over the decade as a whole, real GDP grew by over 5% per annum. The impressive growth performance since the 1960s has been associated with declining levels of inequality and poverty, although many of these gains were lost immediately following the crisis of 1997. Trade (and industrial) policy played an important role in Korean growth. Contrary to the predictions of traditional trade theory, however, increased trade has not been associated with increasing wage differentials or income inequality. Although average tariffs are relatively low in Korea, they are variable and there is significant government intervention in the economy, as has under-pinned Korean growth since the 1960s. Korea had a relatively liberal trade regime by the 1980s, and few significant trade reforms were implemented in the 1990s excepting significant liberalisation of trade in services. For these reasons, Korea is a worthwhile case study on the links between trade, growth and inequality, and provides a case where growth has been poverty reducing.

Morrissey and Nelson (1998) argue that Korea resembles a case of planned growth, to the extent that savings and exports followed investment and imports. A government policy of high investment required increasing savings rates, which was achieved; import needs, of raw materials and initially of capital goods, required foreign exchange so export growth was promoted. They also argue that an important feature of Korea's success was the relative equality of incomes so that the gains from growth were shared. The East Asian crisis has induced some changes in government intervention, but the underlying economic policy of the past few decades has been stability and continuity, a general policy of growth with equity. This has persisted after the crisis, and poverty and inequality are being reduced towards the low pre-1997 levels.

The 1990s was not a period of dramatic domestic policy reform in Korea, with the exception of policy reactions to the financial crisis of 1997. The trade liberalisation implemented was part of an ongoing process, added to by regulatory changes to comply with WTO commitments. The opening up of the economy to FDI was a significant policy change, motivated largely by joining the OECD, but has yet to result in levels of FDI stocks (relative to investment or GDP) comparable to those observed elsewhere in East Asia.. Korea had an established reputation of 'sound' macroeconomic management and flexible factor markets and such policies were maintained rather than required by liberalisation. Korea in 1994 announced its intention to join the OECD (in 1996), and at that point could be said to have become an 'advanced industrialised nation' (Sohn *et al*, 1998: 49).

¹ Respectively, Reader in Development Economics, CREDIT and School of Economics, University of Nottingham (and Research Fellow, ODI, London) and Research Fellow, ODI, London. Part of the research for this chapter was supported by a project on 'FDI and Poverty' (DFID research grant R8003).

The structure of this paper is as follows. In the first section, following an overview of data on inequality, we review the issues in the literature linking trade, FDI, growth and inequality. Poverty is not a major issue in Korea, and we focus on inequality (specifically, wage inequality). It is the effects of trade and FDI on the relative demand for skilled and less skilled workers that is of greatest importance in terms of effects on inequality. We then review the evidence on trade and FDI policy in Korea in the 1990s, and in the penultimate section consider the economic impacts, especially on productivity and wage inequality. The conclusion brings together the evidence to argue that growth in Korea, whether due to trade or FDI, has been shared equally among different types of workers. High levels of human capital have contributed to this outcome, and helps to explain why inequality and poverty are relatively low by international standards.

Trade, FDI, Growth and Inequality: Issues

Income inequality, as measured by the Gini index, is low in Korea by world standards, close to the average in OECD countries. Korea experienced a sustained reduction in inequality in the 1980s, with the Gini measure falling from about 0.39 in 1980 to 0.34 in 1988 (WIDER/UNU WIID database). The richest 20% of the population have about five times the income of the poorest 20% in the 1990s, a very low ratio by international standards (UNDP, 2000: 169). Li *et al* (1998) identify four factors that appear to explain about three-quarters of the variation in income inequality across countries --measures of initial schooling, civil liberties, equality in the distribution of land, and financial development (the ratio M2/GDP). All of these are relatively high in Korea, which helps to explain why inequality is relatively low; the mean value of the Gini for Korea over 1953-88 was 0.34, compared to an overall average for 49 countries of 0.36 (Li *et al*, 1998: 30).

An increasing labour share in total incomes together with a reduction in wage inequality underpinned the fall in income inequality into the 1990s (Moon, 1999). Sustained job creation raised labour's share in total incomes from 52 per cent in 1980 to 59 per cent in 1990 and 61 per cent in 1995. The share of wages and salaries in national income is more evenly distributed than property and incomes from non-agricultural self-employment. Wage inequality by occupation and education has fallen since the late 70s (after the big push towards chemical and heavy industry in the 60s and 70s) and the fall accelerated after 1987 when union activity began to have more impact.

Table 1 about here

Table 1 provides a summary of trends in the major social indicators for Korea. It shows a decreasing trend in the percentage of households classified as poor (based on national absolute poverty lines) that has continued into the 1990s, albeit at a slower pace. The poverty gap - income needed to raise poor households to the poverty line expressed as a ratio of total incomes - has also fallen dramatically into the 1990s. Korea has a good record in reducing poverty, and this appears to have been in line with declining levels of inequality. By international standards, Korea has a relatively low level of poverty: in 1993, less than two per cent of the population were below international poverty lines (World Bank, 2000: 63). The fact that poverty is very low, and not perceived as a major issue, is revealed by the fact that Korea is not reported in databases on poverty (UNDP, 2000 or the World Bank's Poverty Monitor), or even in specific studies of poverty in East Asia (Davis *et al*, 2000). Countries

with lower levels of poverty tend to be those that invested in human capital, sustained a relatively open trade regime and typically have low levels of inequality. All of these apply to Korea. Table 1 also shows that economic growth has led to big improvements in other social indicators such as life expectancy, infant mortality and education. Moon (1999) argues that the remarkable drop in poverty was facilitated by a reduction in population growth and fast economic growth rather than specific anti-poverty policies.

Economic development in Korea has been based on investment in human resources, both general education and vocational training. Thus, in addition to the low levels of income poverty, access to social services has been enhanced (and this should increase the welfare of the poor in a manner that may not be captured by income measures). Table 2 highlights the unique achievements in education enrolment in Korea compared to other Asian and developing countries. The secondary and tertiary enrolment rates in Korea are higher than in other developing countries. In particular, Korea has managed to achieve very high technical tertiary enrolments, useful to absorb technological knowledge. The quality of education in Korea has also been exceptionally high. One indicator of quality is the 1995 TIMSS (Third International Mathematics and Science Study); of the 42 developed and developing countries included, Korea achieved second place in mathematics (below Singapore, but above Japan and others) and fifth place in science.

Table 2 about here

Education, and investment in human capital more generally, has contributed both to growth and to spreading the benefits from growth widely and relatively evenly. Much of this growth has been associated with, if not fuelled by, exports. Korea's open trade regime has been associated with growth and poverty reduction. More recently, FDI has begun to play a role. It is appropriate therefore to review briefly the issues on links between trade, investment and growth and inequality.

There is a vast literature on the relationship between trade and growth and we do not attempt a review here. There are three broad conclusions from the empirical literature that we can take as a starting point (see Greenaway and Morrissey, 1994; Greenaway *et al.*, 1998; Rodrik, 1999). First, there is a robust positive relationship between outward orientation and growth and a corresponding negative relationship between inward orientation (defined as high levels of protection) and growth. Second, outward orientation cannot be narrowly interpreted as export-led growth. It requires that there are policies to promote export sectors, but also implies openness to imports, technology, learning and international competition (in this sense it encompasses, although does not require, FDI). Third, the evidence for a link between trade liberalisation and growth is more limited and less convincing. This is not to say that trade liberalisation is not beneficial, but rather to emphasise that trade policy reform alone is no guarantee of growth. There is a need to liberalise other domestic policies and institutions if the potential incentives of trade liberalisation are to be translated into growth.

There is also an important debate about the implications of growing trade and investment on national economies. While something of a consensus exists over the positive association between openness and growth (Rodrik, 2001), there is less agreement about who gains within societies. Wood (1995; 1997) reviews the conventional wisdom that export-oriented industrialisation in East Asia promoted distributional equity. In this view trade allows the expansion of sectors that use the abundant factor of production intensively. The abundant factor in the 1970s and 1980s in East Asia was low-skilled labour, and hence trade should

have raised the demand for low-skilled labour. Wood argued that this has probably happened. However, the effects on wage inequality were considered less clear partly because only a few analyses control for domestic influences. Controlling for domestic influences is important as in 'open Asian economies and the Philippines ... relative supply shifts could explain relative wage outcomes' (Robbins, 1996: 24). Furthermore, trade liberalisation is often accompanied by rising relative wages and skill demands, in contrast to predictions of traditional trade theory.

In principle, the desirability of trade liberalisation is because it instils appropriate relative incentives (Milner and Morrissey, 1999), not because it necessarily increases growth in itself. Trade reforms are but a component of openness, which also includes capital and investment flows, itself an element of what is commonly referred to as 'globalisation' (the increased intensity of inter-linkages between countries in the global economy). On balance, the evidence suggests that openness to trade is conducive to growth, conditional on appropriate domestic policies and institutions (Rodrik, 1999).

The contribution of FDI to economic growth has been debated quite extensively in the literature (e.g. Borenstein *et al*, 1998). The 'traditional' argument is that an inflow of FDI improves economic growth by increasing the capital stock, whereas recent literature points to the role of FDI as a channel of international technology transfer. There is growing evidence that FDI enhances technological change through technological diffusion, for example because multinational firms are concentrated in industries with a high ratio of R&D relative to sales and a large share of technical and professional workers (Markusen, 1995). Multinational corporations are probably among the most technologically advanced firms in the world. Moreover, FDI not only contributes to imports of more efficient foreign technologies, but also generates technological spill-overs for local firms. In this approach, technological change plays a pivotal role in economic growth and FDI by multinational corporations is one of the major channels in providing developing countries with access to advanced technologies (see Lensink and Morrissey, 2001).

Empirical evidence that FDI generates positive spill-overs for local firms is mixed (see Saggi, 2000, for a survey). This does not necessarily imply that FDI is not beneficial for growth (for a survey of FDI and growth in developing countries, see De Mello and Luiz, 1997). It may be that the spill-overs are of a different nature. Aitken *et al* (1997), for instance, point to the importance of the entry of multinationals for reducing entry costs of other potential exporters. Moreover, FDI may also contribute to growth by means of an increase in capital flows and the capital stock.

The impact of trade liberalisation on poverty has attracted interest recently. Much of this work is concerned rather broadly with globalisation and poverty, and tends to involve identifying a set of research questions rather than providing answers based on empirical evidence. There is no direct link between trade liberalisation and poverty – some sectors will gain and others may lose, and the net effect depends on the flexibility of factor markets and responsiveness of the economy. Similarly, foreign investment does not have an unambiguous impact on poverty, although if it provides employment and contributes to growth one would expect the net impact to be positive. Following Morrissey (2000) we can draw a number of conclusions.

- Domestic policies will determine the ability of an economy to respond to the opportunities and dangers posed by globalisation (of which greater exposure to trade and investment is one aspect). More flexible economies are better able to meet the challenges of globalisation and to protect domestic constituencies that face the highest adjustment costs.
- Growth, in general, is conducive to poverty reduction.
- Policies to promote sectors with potential for increased employment should assist poverty reduction. This suggests a role for an industrial policy as part of a development strategy.
- In economies with developed manufacturing sectors, factor market flexibility (for labour and investment) is important in maintaining competitiveness. When the economy is growing, this may contribute to poverty reduction. When the economy is subject to adverse shocks, this may mitigate the adverse impacts on poverty.
- Social sector spending, especially in health and education, is vital to any long-term strategy of human capital development.

Trade and FDI Policy in Korea in the 1990s

Trade and industrial policy have been central to Korea's growth strategy since it abandoned import substitution in 1961. If the 1960s were the decade of export promotion and the 1970s the decade of industrial promotion, the 1980s were the decade of liberalisation followed by consolidation in the 1990s (Sohn *et al*, 1998). The Asian financial crisis of 1997-98 highlighted a number of inherent structural problems in the Korean economy that resulted from decades of interventionist strategies. These have been described by the IMF as 'detailed government intervention at the micro level, an inefficient financial sector, a highly leveraged corporate sector, and an inefficient market discipline' (Bark and Moon, 2000: 10). The importance of the crisis notwithstanding, we limit attention to trade and investment (FDI) policy.

The simple average tariff in Korea was 23.7% in 1982, with two-thirds of tariff lines subject to rates of 20% or higher. By 1994, the simple average was 7.9% and 93% of tariff lines were at rates less than 20% (WTO, 1992: 71). Agricultural products tended to be subject to the highest rates (on average, 31% in 1982 and 17% in 1994), while raw materials attracted the lowest rates (12% and 2.8% respectively). Finished goods attracted rates of 26.4% and 7.1% respectively. On this basis, Korea has liberalised trade significantly. However, these figures are based on the low in-quota tariff rates, and Korea applies many tariff quotas, especially for agricultural goods. If this is taken into account, the simple average applied tariff was 14.4% in 1996 falling to 13.8% in 2000 (WTO, 2001: 40). In both years, average tariffs on agricultural goods exceeded 50%, although the average on industrial goods fell from 7.7% to 7.5%. The import weighted average tariff was 10.9% in 1996 and 10.6% in 2000. In general, Korea has low tariffs.

Table 3 about here

Table 3 provides some indication of the reductions in average tariffs since 1988. The principal reason for the large increase between 1988 and 1996 is, as mentioned above, the fact that the earlier figures are based on in-quota rates. Nevertheless, the broad pattern is consistent. Agricultural goods, foods and beverages attract by far the highest rates, whilst almost all manufactures are taxed at rates below 10% (and most raw materials at rates below 5%, with the exception of some textiles). There was a slight reduction in tariffs in the latter half of the 1990s. The tariff structure discriminates against primary products: in 2000, the average tariff was 35.6% on unprocessed goods (reflecting the high rates on agricultural products), 10.9% for semi-processed goods and 10.7% for finished goods. Industrial raw materials, however, are taxed at very low rates. The pattern for Korea exhibits high protection of the agricultural sector.

Table 4 about here

Table 4 provides information on the composition and patterns of trade, and a number of points are worth noting. First, between 1995 and 1998 Korea moved from a slight deficit to a significant trade surplus (the Asian crisis appears to have been reflected in import compression). Although imports rose by 28% in 1999, exports rose by almost 10% and there was again a significant surplus. The improvement in exports was concentrated in electronic goods, especially semiconductors, and automobiles, whereas the rise in imports applied to capital and consumer goods (Yang and Kim, 2000: 12-4). Second, the composition of trade was very stable: Korea exports manufactures, especially office and telecommunications equipment, but also imports manufactures (implying considerable intra-industry trade) in addition to fuels and other raw materials. Third, East Asia is the major trading partner, although its share has fallen as a result of the crisis (which appears to have impacted most on Japan).

The Asian crisis reduced real wages and, with the associated devaluation, increased the competitiveness of Korean exports. Between 1990 and 1999, the real effective wage in Korea fell by almost a half, in the US by about 4% whereas in Japan it rose by almost 30% (Yang and Kim, 2000: 33). Increased exports at lower prices lead to some claims, for example from the US regarding steel, that goods were being dumped. Prospects for exports remain good and Korea expects to sustain its trade surplus in the early 2000s.

Investment Policy

There have been three distinct periods in the inward investment regime in Korea: 1960 to 1983, 1984 to 1997, and post-1998 (Kim, 1999). Korea adopted a predominantly anti-FDI stance in 1960, through the Foreign Capital Inducement Act, allowing foreign investment only into the light manufacturing export sector. The government also imposed performance requirements, such as export and technology transfer requirements. This policy remained in place until 1984, when the government accepted that FDI could be an important means to upgrade Korea's industrial structure and eased the scope for FDI and simplified procedures, although certain sectors remained restricted (notably agriculture and financial services). Various performance requirements were abolished in 1989 (Kim, 1999).

In preparation for Korea's accession to the OECD in 1996, the Act on Foreign Direct Investment replaced the Foreign Capital Inducement Act, thereby allowing more types of FDI as well as friendly mergers and acquisitions (M&As) - only greenfield investment was allowed before 1996. Korea's approach remained passive, in sharp contrast to the active approach taken by some other East Asian countries, notably Singapore and Malaysia (Lall,

1996). The stock of inward FDI was only 2.3% of GDP in 1995, the lowest in the region (except for India).

The financial crisis in 1997 prompted a more active pro-FDI stance. The volatility of short-term capital was seen as part of the problem, whereas FDI was a long-term investment that could contribute to stability. Korea adopted an 'attractiveness' approach, with policies designed from the perspective of foreign investors (easier rules, documents in English, etc.) and local government given a greater role to attract FDI for regional development (Bark and Moon, 2000: 27-28). The government introduced the Foreign Investment Promotion Act in 1998. This law aimed to streamline investment procedures, to expand investment incentives, to establish a one-stop agency and to liberalise procedures regarding foreign land ownership. Since the signing of the IMF assistance programme of 1997, the Korean government also liberalised M&A activity substantially.

Inflows rose from about \$350mn per year in the early 1980s to more than \$1bn per year over 1987-91, mostly in manufacturing (especially electronics and chemicals). Japan's share fell from almost half to about a quarter, Europe increased from a fifth to more than half, and the US remained around a quarter (WTO, 1992: 63). FDI inflows reached \$2bn in 1995 but had risen to almost \$16bn by 1999; the EU accounts for about a third and the US a quarter. Manufacturing (especially electronics) remained important, but there was significant growth in banking and other services (WTO, 2001: 19). The increase in services FDI was a result of a gradual opening of the services sector starting in 1994, which followed accession to the OECD. While manufacturing received 80% of inward FDI flows in 1990 and services 20%, by 1998 this changed to 55 and 42% respectively.

Table 5 about here

Table 5 shows that whilst manufacturing was almost fully liberalised by the early 1990s, the liberalisation of the services sector began for a significant number of business categories only in the mid-1990s. Over the period 1990 to 1997, distribution services, business services, entertainment and recreational services, and other personal services have been liberalised in addition to the partial liberalisation of transportation services, financial services and telecommunication services (Kim and Kim, 2000). After the 1997 crisis, more categories were fully opened to FDI, such as real estate rental and sales, land development, waterworks, investment companies, publishing of books, and others. Radio and television broadcasting are still fully restricted alongside partial restrictions in publishing of newspapers, water and air transport, telecommunications, electric power generation and some others.

Impact of Trade and FDI Policies on the Economy

There is compelling evidence for Korea that export orientation contributed to productivity increases and growth (Aw *et al*, 1998; Feenstra *et al*, 1999; Nam, 1999). There is also evidence that imports, a measure of openness to technology, are associated with productivity growth while protection (higher tariffs) is negatively related to productivity growth (Lawrence and Weinstein, 1999). The evidence that FDI has had a positive impact on growth is weaker (Kim and Hwang, 1998), but Korea only really opened up to FDI in the 1990s and the volume remains low relative to GDP. All of this is evidence that outcome indicators of openness (actual exports or imports) are correlated with economic performance. There is disagreement on the relative role played by non-trade and trade policies in Korea. On the one

hand, there is the view that exports and export orientation (export incentives) were the main sources of economic, employment and productivity growth (World Bank, 1993). Taking this view, trade liberalisation enhances the effectiveness of industrial policies. On the other hand, Rodrik (1995) argues that the most important role was played by industrial policies, which co-ordinated investment decisions and created a favourable climate for domestic investment. Initial conditions (a high ratio of skilled labour to capital stock and income level) enabled a high return on capital, supporting the investment boom. This coincided with a rise in capital goods imports financed out of exports, hence avoiding balance of payments problems. Taking this view, appropriate domestic policies enhanced the effectiveness of trade policy.

Morrissey and Nelson (1998) weave an intermediate path, stressing the importance of the mix of compatible and reinforcing policies. An active industrial policy targeted some sectors for exporting and others for import-substitution, and subsidised investment provided the sectors followed the designated strategy. Labour market flexibility was supported by constraining wage demands and unionisation, compensated by policies that were relatively egalitarian in the distribution of the gains from growth. It is evident that there was an interaction between trade and non-trade policies, but this owed more to complementarity than to causality. The importance of good macroeconomic management is agreed on by all commentators on Korean performance. Good domestic policies without outward orientation and low tariffs for imported capital goods (needed for investment) would not have supported the strong growth rate observed. Trade policy alone would not have been as successful without the availability of a skilled workforce or without the co-ordination of investment decisions (i.e. the industrial strategy).

Galhardi (1998) argues that domestic policies to support human capital accumulation have been essential to the success of outward oriented trade policies. Korea is still relatively abundant in unskilled labour compared to other developed countries. Traditional economic models would predict that trade enables the country to specialise in unskilled labour intensive products, thereby raising the relative demand for unskilled workers. However, Galhardi argues that this was not the case for Korea. She argues that whilst exporting manufacturing industries are less skill intensive than other industries over 1970-1990, skill-upgrading was fastest within the exporting industries over this period to meet global competition. Overall demand for skilled workers increased sharply and this was supported by an active role of government in providing the skills to meet the employment needs of the rapid growth in the exporting sectors.

A strong (and pro-active) education policy also prevented a sustained rise in skill differentials and social unrest. Wood (1995: 242-3) argues that Korea's heavy and chemical industry drive in the mid-1970s raised wage differentials. However, by the late 1970s, higher education expanded fast enough to more than offset a general tendency in the direction of a widening in income inequality, as observed in other Asian economies that adopted export oriented policies on the basis of wages (e.g. Malaysia, Thailand, Indonesia and China).

The sequencing of policies in Korea remains a debated issue, but it is certain that both domestic and trade policies have contributed to economic performance: Korea's domestic policy delivered a relatively skilled workforce, a favourable domestic investment climate, and a directed industrial strategy (that supported R&D and technical innovation). Low import tariffs ensured the ability to import cheap capital goods that were effectively utilised within the industrial strategy. While Korea continued to upgrade its workforce, especially in the export sector, it was able to maintain competitiveness, internationally and against imports.

The main issue of current concern in Korea in respect of FDI is the need for technology transfer. Foreign investment and a government 'technology strategy' are seen as essential to maintain competitiveness (Hong, 1998). Korea appears to have an institutional capacity to implement such a policy.

Manufacturing Trade and Productivity

There appear to have been benefits from the Korean export promotion strategy in terms of productivity growth. Entry into foreign markets offers a number of benefits to individual firms, such as the ability to exploit economies of scale and diversify risk, increased exposure to international competition, and the ability to acquire knowledge of new production methods and designs, management techniques and business opportunities. There is evidence that Korean exporting firms have availed of such benefits.

Aw *et al.* (1998) provide support for the causality running from exporting to productivity at the firm level, finding that the productivity differential between exporting and non-exporting firms continues to widen after entry into the foreign market in four out of five industries in Korea (and Taiwan). This micro-evidence provides some underpinning for macro-based studies. Feenstra *et al.* (1999) find that changes in export product variety are positively related with productivity growth for 16 industrial two-digit sectors in Korea (and Taiwan) over the period 1975-1991, whilst export volumes were positively but not significantly related. Nam (1999) finds a correlation coefficient of 0.93 between total factor productivity (TFP) growth and real export growth in nine manufacturing sectors.

Aw *et al.* (1998) also find that the productivity differentials between Korean plants according to export status are not well determined, in contrast to Taiwanese plants. One explanation for this is that government intervention in Korea has concentrated on the provision of credit at below market rates and provided implicit guarantees to encourage exporting. Results reported in Lawrence and Weinstein (1999) suggest that there is little systematic evidence that greater levels of targeting of industrial policy improved Korean productivity growth. Lawrence and Weinstein (1999) report findings that *imports* are positively related to productivity growth over the period 1968-1983 in 39 Korean manufacturing industries. They also find that protection is negatively related to productivity growth. Higher tariffs have a significant and negative impact on productivity.

FDI and Productivity

There is some evidence that liberalisation of the inward FDI regime had a positive impact on growth performance. However, compared to other countries in the region, inward investment in Korea is still relatively low as a percentage of GDP and any impact is likely to have been limited. Further, the liberalisation of the services sector has taken place only recently and hence the evidence is preliminary.

Kim and Hwang (1998) examine the role of inward FDI in six Korean manufacturing sectors over 1974-1996. They find that the growth rate of inward FDI is positively but insignificantly related to TFP growth. Hence, case study results showing positive results (Kim and Hwang, 1998) cannot be confirmed in a statistically significant way. Kim and Kim (2000) argue that it is too early to give a definite answer to whether liberalisation in services has caused an increase in productivity. However, they do find some positive results that efficiency as measured by sales per employee and by establishment increased in the distribution sector over the 1990s. In particular, efficiency rose quickly in 1996, which they argue was the result of service liberalisation and large FDI inflows. After liberalisation in the mid-1990s, foreign

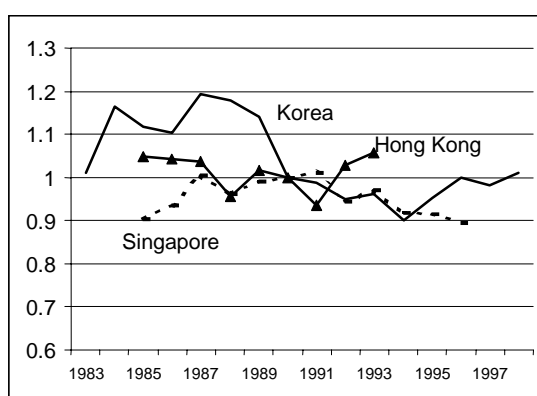
firms were allowed to open hyper-markets which replaced the smaller and less efficient domestic firms.

Hwang and Shin (2000) discuss liberalisation in the banking sector. While barriers to foreign commercial presence of financial services were to be gradually removed when Korea entered the OECD in 1996, the financial crisis accelerated these reforms. Cross-border trade in financial services remains restricted. Hwang and Shin (2000) conjecture that the entry of foreign banks will make domestic banks more competitive. In this context it should be noted that foreign penetration in the banking sector is low by Asian standards. As financial sector reform is one of the priorities identified by the IMF for Korea's response to the financial crisis, liberalisation will be an important issue over the next few years. There is pressure for the government to loosen its ties with business and speed the reform process – 'the slow financial reform process is acting as a bottleneck to development of the rest of the economy' (Sohn *et al.*, 1998: 63).

FDI, Trade and Wage Inequality

It would be wrong to conclude that FDI (or trade) contributes automatically to poverty reduction even if FDI raises average growth. It may well be that FDI benefits high-income workers but not low-income workers, in which case a one-for-one relationship between (FDI-caused) growth and poverty reduction would not hold. Korea is relatively abundant in unskilled labour compared to other industrialised countries. Traditional economic models would predict that trade enables the country to specialise in unskilled labour intensive products, thereby raising the relative demand for unskilled workers. Galhardi (1999) argues that this was not the case for Korea. She argues that whilst exporting manufacturing industries are less skill intensive than other industries over 1970-1990, skill-upgrading was fastest in the exporting industries over this period to meet global competition. Overall demand for skilled workers increased sharply and was met by an active role of the government in providing the skills in order to meet the needs of the rapid growth in the exporting sectors.

Chart 1 Wage inequality (skilled relative to low-skilled workers), (1990=1)



Source: Te Velde and Morrissey (2002) based on ILO data.

Changes in underlying income inequality can only arise from changes in relative incomes from different sources, and in countries like Korea wages and salaries constitute the largest component of average incomes. Within this category, it matters how earnings of less-skilled (typically poorer) workers change relative to more skilled (typically higher paid) workers. We confine attention to changes in wage inequality, specifically between skilled and unskilled workers; for a country like Korea this should be quite representative of what is happening to inequality overall. Chart 1 shows trends in wage inequality for Hong Kong and Singapore, to compare with Korea. Wage inequality rose initially but then declined in Korea (where it was initially low), but remained roughly constant in Singapore and Hong Kong (where it was relatively high initially).

Wage inequality between skilled and low-skilled workers is the outcome of the interaction of supply and demand for skills and labour market institutions affecting wage-setting behaviour. Te Velde and Morrissey (2002) show that the share of skilled workers in total employment in Korea more than doubled from about 10% in the early 1970s to over 25% by the mid-1990s. Using marginal productivity analysis in traditional economic theory this should have reduced wage inequality, if other factors did not influence the market for skills (the supply effect in Robbins, 1996). However, there are of course various factors that may affect the demand for skills (e.g. skill-biased technology), supply of skills (e.g. education) and wage setting factors (e.g. unionisation trends), which may ultimately affect wage inequality.

There are various ways in which FDI can affect the market for skills, and hence relative wages. *First*, the effects of FDI comprise a composition effect (foreign firms may have different skill intensities from domestic firms) pushing up the average skill intensity. *Secondly*, FDI could induce faster productivity growth of skilled and/or low-skilled labour in domestic firms (spill-over effect). *Thirdly*, the approach includes a potential sector bias of FDI, if FDI causes a relative expansion of skill intensive sectors, leading to a higher relative wages for skills. *Fourthly*, FDI may affect the relative bargaining position of skilled workers, who may be able to negotiate higher wages in foreign-owned firms less familiar with the local labour market. *Finally*, FDI may affect the supply of skills through training and contributions to general education.

Table 6 about here

Te Velde and Morrissey (2002) include Korea in the panel five East Asian countries (including Singapore, Hong Kong, Thailand and Philippines) for which they estimate determinates of relative and skill-specific wages over the period 1985-98. The findings are summarised in Table 6. They find that a one per cent increase in the employment of relatively skilled labour reduces wage inequality by 2.8 per cent (the elasticity of substitution can be estimated at $-1/-0.35 = 2.8$). However, independent from the substitution effect there has been an 'exogenous' increase in the relative wage. The average trend indicates that there is an average increase of 2.3 per cent per annum in relative wages in the East Asia sample countries. After accounting for the trade ratio, unionisation rate and relative unemployment of skilled workers, FDI had no effect on wage inequality in Korea. They also found that an increase in the trade ratio is significantly correlated with relative wages, especially in Korea. This is consistent with Galhardi (1998) who argued that intra-sectoral skill upgrading in Korea more than off-set the impact of specialising in less-skilled sectors over the period 1970-1990. However, we should bear in mind that the trade ratio (exports and imports of goods and services as per cent of GDP) declined sharply after 1987 due to a loss of

competitiveness after high wage rises and recovered only by the mid 90s. According to the regression results this should have helped to reduce wage inequality in the late 80s and early 90s. Te Velde and Morrissey (2002) also estimate individual wage curves for skilled and low-skilled workers jointly. FDI raised wages in all five East Asian countries significantly, regardless of skill level. The main exception to an otherwise predominantly neutral relationship between FDI and wage inequality was Thailand, where FDI can explain an important part of the increase in wage inequality.

Conclusions

Poverty and equity in Korea suffered a major setback as a result of the financial crisis (Moon, 1999). Much of what had been gained through the 1990s was lost in the single quarter (from Q4 1997 to Q1 1998). Employment declined in all sectors except agriculture, unemployment increased dramatically from 2.8 per cent in 1997 to 6.8 per cent in 1998, with less educated and unskilled suffering more severely. Nominal wages declined, but most severely for less skilled workers, so that wage inequality rose. The strong rise in unemployment and decline in real wages, especially among the low-income and less skilled groups caused a rapid increase in the number of households living in absolute poverty (Table 7). Income inequality also increased. Given Korea's strong performance prior to the crisis, and the relatively speedy economic recovery since 1999, this is likely to be a temporary upset. Nevertheless, it may take a few years to bring poverty back down to the low levels of the mid-90s.

Table 7 about here

Korea began with a strong performing economy and stable macroeconomic management, only to be hit by the Asian Crisis in late 1997. The underlying strength of the economy may be one reason why Korea was able to recover from the adverse impact of the crisis relatively quickly. The effect of the crisis was to cause a large reduction in imports while labour productivity helped exports to bounce back quickly so that the country experienced a trade surplus in the late 1990s. Korean liberalisation in the 1990s could be considered as marginal, in the sense that it was continuing a process of import liberalisation. Korea had established export promotion policies, liberalised sectors (excepting parts of agriculture in respect of imports), flexible factor markets (albeit with distortions in the financial sector) and relatively developed infrastructure and institutions. Trade liberalisation was not a significant policy reform in the 1990s.

In countries such as Korea where the manufacturing sector is developed, the interaction of trade and labour markets is a major determinant of performance, especially in terms of the distribution of earnings. Trade liberalisation provides opportunities to exporters but exposes firms competing with imports to increased competition. Labour market flexibility allows workers to move more easily between sectors, facilitating the response of the economy. Wage flexibility may also be a factor influencing the ability of specific sectors to increase their competitiveness; where firms have been able to increase labour productivity they have become more competitive and maintained real wages. This appears to have been important in Korea.

We showed that wage inequality has tended to decline in Korea since the late 1980s (notably since 1987). However, FDI cannot explain this as inflows of FDI have been small and regression analysis indicates that FDI tends to increase wages of skilled and unskilled

workers in Korea equally. Regression analysis also shows that the trade ratio is positively related to skill upgrading and wage inequality in Korea. The trade ratio increased over most of the period 1970-1990, and this should have raised wage inequality in the absence of significant education and training activities. As the trade ratio dropped in the late 80s and recovered only by the mid 90s, this may have reinforced the reduction in wage inequality after 1987 as a result of union activity.

Based on the above review, the following points emerge:

- Despite a severe economic downturn after the financial crisis in 1997, Korea did not move towards protectionist measures. Instead, Korea liberalised its foreign investment regime further, particular in the services sector, with active promotion of FDI.
- Trade and investment liberalisation has been mainly beneficial for Korea in terms of effects on growth and productivity, although in the case of the services sector it may be too early reach conclusions.
- An active domestic policy of skill-upgrading has prevented trade liberalisation from encouraging a growing income differential between skills.
- While poverty and inequality indicators improved at least until the mid 90s, Korea suffered major setback in poverty levels and income distribution towards the late 90s because of the financial crisis.

Table 1 Trends in major social indicators in Korea

	1970	1975	1980	1985	1990	1995	1998	1999
Absolute poverty								
Head count ratio			24.5	11.0	8.3 ¹	7.04 ²		
Poverty Gap			9.5	2.5	1.7 ¹	1.78 ²		
Health								
Birth rate, crude (per 1,000 people)	30.0	25.9	22.3	..	16.3	15.2	..	14.1
Health expenditure, total (% of GDP)	..	..	..	..	5.2	5.1	5.1	..
Hospital beds (per 1,000 people)	0.5	0.5	1.7	1.7	3.1	4.4	5.1	..
Mortality rate, infant (per 1,000 live births)	46.0	33.2	25.8	17.6	12.2	9.8	..	8.4
Life expectancy at birth, total (years)	59.9	63.9	66.8	68.7	70.3	71.8	..	72.9
Physicians (per 1,000 people)	0.5	0.5	0.6	..	0.8	1.1	1.3	0.7
Education								
Illiteracy rate, adult total (% of people ages 15 and above)	13.2	9.8	7.1	5.5	4.1	3.0	2.5	2.4
School enrollment, tertiary (% gross)	7.4	8.8	14.7	34.0	38.6	52.0	..	..
School enrollment, secondary (% gross)	41.6	56.3	78.1	91.6	89.8	100.9	..	..
School enrollment, primary (% gross)	103.4	106.9	109.9	97.0	104.9	95.3	..	..
Population								
Population, total (millions)	31.9	35.3	38.1	40.8	42.9	45.0	46.4	46.9
Population growth (annual %)	2.1	1.9	1.6	1.0	1.1	1.2	1.0	0.9
Memorandum								
GDP per capita, PPP (current \$)	..	1612.7	2988.5	4791.5	8922.5	13758.8	14096.7	15712.4
Gini coefficient			0.39	0.34	0.32 ¹	0.30		

Notes ¹ Average 1988 and 1993. ² 1996

Source: World Development Indicators 2001 and Moon (1999)

Table 2: Enrolment rates as % of population

	Enrolment ratio 2 nd level ¹		Tertiary enrolments		Technical tertiary enrolments (natural science, maths, computing, engineering)	
	1980	1995	1995	Percentage point changes 1980-95	1995	Percentage point changes 1980-95
Developing Countries	34	44	0.82	0.46	0.16	0.08
Sub-Saharan Africa	17	23	0.28	0.21	0.04	0.03
MENA	42	59	1.26	0.70	0.22	0.11
Latin America	45	53	1.64	0.34	0.30	0.05
Asia 4 Tigers	72	82	4.00	2.39	1.34	0.68
Hong Kong	64	75	1.59		0.49	
Korea	76	101	4.96		1.65	
Singapore	58	62	2.52		0.47	
Asia 4 new Tigers	43	60	1.61	0.65	0.28	0.12
Philippines	65	79	2.70		0.33	
Thailand	29	55	2.10		0.19	
China	46	96	0.60	0.48	0.13	0.08

Notes: ¹ as per cent of relevant age group

Source: Lall (2001, tables 5.1 and 5A4)

Table 3: Average Tariff Rates in Korea: 1988-2000

	1998	1996	2000	
	Average	Average	Average	Range
Agriculture	17.4	50.5	48.4	0-836
Food products	6.0-7.6	69.9-29.9	68.6-29.3	2-927
Food manufacturing	17.0-9.5	39.7-75.8	37.0-80.3	0-834
Beverages	25.4	32.6	31.3	5-282
Textiles	3.8-8.2	5.8-7.9	5.3-11.1	0-54
Clothing	8.0	8.0	12.4	8-13
Wood products	4.4-9.4	4.4-8.0	4.4-8.0	2-8
Industrial chemicals	7.6-8	7.6-8.0	7.2-7.6	0-30
Iron and steel products	1.5-7.3	1.5-7.3	1.5-6.5	1-8
Petroleum and coal products	3.7-8	3.7-8	3.7-8	1-8
Metal products	8	8.0	8.0-7.9	0-8
Non-electrical machinery	8.0-8.7	8.0-7.7	8.0-6.4	0-13
Electrical machinery	7.9	7.7	6.0	0-13
Transport equipment	6.7	6.4	6.1	0-8
All Sectors				
Unprocessed	11.8	37.0	35.6	
Semi-processed	8.1	11.1	10.9	
Fully processed	9.4	11.2	10.7	

Notes: Unprocessed refers to raw materials or first stage of processing; range for average, where given, is for unprocessed to fully processed.

Sources: Figures for 1998 from WTO (1996: 109-11), other years from WTO (2001: 199-201).

Table 4: Composition of Korean Trade 1990-1999

	Export		Imports	
	1995	1998	1995	1998
Agricultural	3.6	3.0	10.9	10.0
Mining and fuels	3.0	5.1	20.3	26.2
Fuels			14.1	19.5
Manufactures	91.5	86.3	66.5	58.4
Iron & steel	4.3	5.4	4.4	3.0
Chemicals	7.2	7.7	8.8	9.9
Office & telecom. Equipment	26.6	24.1	12.6	17.8
Non-electrical machinery	5.6	5.3	10.9	8.9
Automotive products	7.3	8.6	5.5	3.2
Other electrical machines	7.2	3.8	3.3	4.0
Other semi-manufactures	7.0	6.1	4.3	3.2
Other consumer goods	6.7	5.8	6.9	4.8
Textiles & clothing	13.8	12.0	3.6	2.9
America	26.6	25.1	27.4	26.2
USA	19.5	17.4	22.5	21.7
Europe	16.8	21.8	16.8	15.4
East Asia	47.0	40.8	39.6	36.6
Japan	13.6	9.2	24.1	17.8
Africa	2.4	3.0	1.7	2.4
Total (\$billion)	125.1	132.3	135.1	93.3

Notes: Automotive imports refers to 'transport equipment'.

Sources: WTO (2001: 13-15).

Table 5: Liberalisation of FDI Access in Korea, 1993-2000,

Number of business categories

	Total	Liberalised business categories		Restricted May 2000
		1993-96	1997-2000	
Manufacturing	585	9	5	0
Services	495	113	41	2 (22)
Primary	68	17	11	2 (2)
Total	1148	139	57	4 (24)

Notes: Primary sector refers to Agriculture, fisheries and mining. Figures in parentheses for May 2000 refer to number of categories only partly liberalised.

Source: Kim and Kim (2000: table 1).

Table 6: FDI and Wage Inequality in East Asia, including Korea

$$\text{(eq A)} \quad \ln\left(\frac{w_{Sit}}{w_{Uit}}\right) = \alpha_i + \beta \ln\left(\frac{S_{it}}{U_{it}}\right) + \gamma_1 t + \varepsilon_{it},$$

$$\text{(eq B)} \quad \ln\left(\frac{w_{Sit}}{w_{Uit}}\right) = \alpha_i + \beta \ln\left(\frac{S_{it}}{U_{it}}\right) + \gamma_1 t + \gamma_{2i} fdis_{it} + \text{other explanatory variables} + \varepsilon_{it}$$

$$\text{(eq C)} \quad \ln\left(\frac{w_{Sit}}{w_{Uit}}\right) = \alpha_i + \beta \ln\left(\frac{S_{it}}{U_{it}}\right) + \gamma_1 t + \gamma_2 fdis_{it} + \text{country-specific other explanatory variables} + \varepsilon_{it}$$

	I Eq A	II Eq B Pooled FDI and other effects	III Eq B Country- specific FDI effects; other effects pooled	IV Eq. C Country-specific Trade effects	V Eq. C Country-specific effects on relative skill scarcity
Pooled effects					
β	-0.35 (-2.59)*	-0.13 (-0.68)	-0.51 (-3.11)*	-0.40 (-2.60)*	-0.27 (-1.40)
TIME (γ_1)	0.023 (2.42)*	0.0042 (0.42)	0.029 (3.15)*	0.031 (3.82)*	0.019 (1.82)
FDI		0.26 (0.55)	(see below)	0.005 (0.01)	-0.51 (-1.40)
Trade		0.69 (6.06)*	0.61 (7.04)*	(see below)	0.71 (5.66)*
Relative skill scarcity		-0.06 (-1.33)	-0.14 (-1.70)**	-0.10 (-1.76)**	(see below)
Unionisation		-0.04 (-3.31)*	-0.022 (-2.31)*	0.008 (0.74)	-0.06 (-3.18)*
Country-specific effects for Korea (other countries not included):					
			FDI	Trade	Relative skill scarcity
Korea			-4.18 (-0.36)	1.11 (7.38)*	-0.53 (-2.91)*

Notes: i = Hong Kong, Korea, Singapore, Philippines and Thailand; Robust standard errors in parentheses. * (**) significant at 5% (10%) level; country-specific fixed effects not included.

Source: Te Velde and Morrissey (2002)

Table 7: Poverty, Inequality and the financial crisis in Korea

	1997		1998	
	Q3	Q4	Q1	Q2
Absolute poverty (head count rate) – urban workers	2.4	3.0	6.4	7.1
Mean income of all households ('000 won)	2421	2218	2232	2094
Gini coefficient	28.73	28.14	32.22	32.83
Income share of top 20% / bottom 20%	4.49	4.32	5.52	5.49

Source: Moon (1999).

References

- Aitken, B. Hanson, G. H. and Harrison, A. E. (1997) 'Spillovers, Foreign Investment and Export Behavior', *Journal of International Economics* 43: 103-132.
- Aw, B.Y., Chung, S. Roberts, S. and Roberts, M.J. (1998) Productivity and the decision to export: micro evidence from Taiwan and South Korea. *NBER Working Paper No. 6558*. (*World Bank Economic Review*, forthcoming.)
- Bark, T. and Moon, H-C. (2000). 'Investment Environment after the Financial Crises in the Asia-Pacific Region', *APEC Study Series 00-04*. Seoul: Korea Institute for International Economic Policy.
- Borensztein, E., J. De Gregorio, and J-W. Lee. (1998), How Does Foreign Direct Investment Affect Economic Growth?, *Journal of International Economics*, 45, pp. 115-135.
- Choi, B. (1999). Competition Principles and Policy in the APEC: How to Proceed and Link with WTO. *KIEP Working Paper 99-21*. Seoul: Korea Institute for International Economic Policy.
- David, I., A. Asra and M. de Castro (2000), Poverty Incidence in the Asian Pacific Region *ECRC Briefing Notes 17*, manila: ADB.
- De Mello, Jr., and Luiz, R. (1997) 'Foreign Direct Investment in Developing Countries and Growth: A Selective Survey', *Journal of Development Studies* 34(1): 1-34.
- Feenstra, R. C., Madani, D., Yang, T.H. and Liang, C.Y. (1999). 'Testing endogenous growth in South Korea and Taiwan', *Journal of Development Economics* 60: 317-341.
- Galhardi, R. (1999). 'The impact of trade and technology on the skill profile in Brazil and the Republic of Korea', *ILO Employment and Training Papers* 40 (downloadable from <http://www.ilo.org/>).
- Greenaway, D. and Morrissey, O. (1994) 'Trade Liberalisation and Economic Growth in Developing Countries', in S. M. Murshed and K. Raffer (eds), *Trade Transfers and Development*. London: Edward Elgar.
- Greenaway, D., Morgan, C. W. and Wright, P. (1998). 'Trade Reform, Adjustment and Growth: What does the evidence tell us?', *Economic Journal* 108: 1547-1561.
- Hong, Y. S. (1998) Technology-Related FDI Climate in Korea. *KIEP Working Paper 98-15*. Seoul: Korea Institute for International Economic Policy.
- Hwang, S.I. and Shin, I. (2000). The Liberalization of Banking Sector in Korea: Impact on the Korean Economy. *KIEP Working Paper 00-13*. Seoul: Korea Institute for International Economic Policy.
- Kim, J.D. (1999). Inward Foreign Direct Investment Regime and Some Evidences of Spillover Effects in Korea. *KIEP Working Paper 99-09*. Seoul: Korea Institute for International Economic Policy.
- Kim, J.D. and Hwang, S-I (1998). The role of Foreign Direct Investment in Korea's Economic Development: Productivity Effects and Implications for the Currency Crisis. *KIEP Working Paper 98-04*. Seoul: Korea Institute for International Economic Policy.
- Kim, J-I and Kim, J-D. (2000). Liberalization of Trade in Services and Productivity Growth in Korea. *KIEP Working Paper 00-10*. Seoul: Korea Institute for International Economic Policy.
- Krueger, A. O. (1990) 'Asian trade and growth lessons', *American Economic Review Papers and Proceedings* 80: 108-112.
- Lall, S. (1996). *Learning from the Asian Tigers*. London: MacMillan Press.
- Lall, S. (2001). *Competitiveness, Technology and Skills*, Edward Elgar, Cheltenham.

- Lawrence, R. and Weinstein, D. (1999). Trade and Growth: Import-led or Export-led? Evidence from Japan and Korea. *NBER Working Paper 7264*.
- Lee, S-B. (2000). Korea's Overseas Direct Investment: Evaluation of Performance and Future Challenges. *KIEP Working Paper 00-12*. Seoul: Korea Institute for International Economic Policy.
- Lensink, R. and Morrissey, O. (2001) Foreign Direct Investment: Flows, Volatility and Growth in Developing Countries. *CREDIT Research Paper 01/06*. School of Economics, University of Nottingham.
- Li, H., L. Squire and H. Zou (1998), 'Explaining international and intertemporal variations in income inequality', *Economic Journal*, 108:26-43.
- Markusen, J. (1995) 'The Boundaries of Multinational Enterprises and the Theory of International Trade', *Journal of Economic Perspectives* 9: 169-189.
- Matsuoka, A. (2001), "Wage Differentials among Local Plants and Foreign Multinationals by Foreign Ownership Share and Nationality in Thai Manufacturing", *ICSEAD working paper series 2001-25*.
- Mbabazi, J., O. Morrissey and C. Milner (2001), 'Are inequality and trade liberalisation influences on growth and poverty?' *WIDER Discussion Paper DP2001/132*.
- Milner, C. and Morrissey, O. (1999). 'Measuring Trade Liberalisation', in McGillivray and Morrissey (eds), *Evaluating Economic Liberalisation*. London: Macmillan.
- Moon, H. (1999), "Growth with Equity: Policy Lessons from the Experience of the Republic of Korea", prepared for a UN conference on policy lessons on growth with equity from East Asian countries.
- Morrissey, O. (2000). 'Case Studies of the Poverty Experience in Economies Undergoing Economic Adjustment', background paper to DFID for the 2000 Globalisation White Paper, (June 2000).
- Morrissey, O. and Nelson, D. (1998). 'East Asian Economic Performance: Miracle or just a Pleasant Surprise?', *The World Economy* 21(7): 855-879.
- Nam, S-Y (1999). Total Factor Productivity Growth in Korean Industry and Its Relationship with Export Growth. *KIEP Working Paper 99-34*. Seoul: Korea Institute for International Economic Policy.
- Robbins, D. (1996), HOS Hits Facts; Facts Win; Evidence on Trade and Wages in the Developed World, *Harvard Institute for International Development, Discussion Paper 557*.
- Rodrik, D. (1995), 'Getting Interventions right: how South Korea and Taiwan grew rich', *Economic Policy* April: 55-107.
- Rodrik, D. (1999). *The New Global Economy and Developing Countries: Making Openness Work*. ODC Policy Essay No. 24. Washington, DC: Johns Hopkins University Press.
- Rodrik, D. (2001) 'The global governance of trade as if development really mattered'. Paper prepared for UNDP, (mimeo downloaded from Rodrik's website).
- Saggi, K. (2000) 'Trade, Foreign Direct Investment, and International Technology Transfer', *World Bank Policy Research Working Paper 2349*.
- Sohn, C-H., Yang, J. and Yim, H-S (1998). Korea's Trade and Industrial Policies: 1948-1998. *KIEP Working Paper 98-05*. Seoul: Korea Institute for International Economic Policy.
- UNCTAD (1999). *Investment Policy Review*. Geneva: UNCTAD.
- UNDP (2000), *Human Development Report 2000*, New York: UNDP and OUP.

- Velde, D.W., te and O. Morrissey (2002). "Foreign Direct Investment, Skills and Wage Inequality in East Asia, *mimeo*, ODI.
- Wood, A. (1995). *North-South Trade, Employment and Inequality*. Oxford: Clarendon Press (paperback edition).
- Wood, A. (1997), "Openness and Wage Inequality in Developing Countries: The Latin American Challenge to East Asian Conventional Wisdom", *The World Bank Economic Review*, 11, pp. 33-57.
- World Bank (1993) *The East Asian Miracle*. New York: Oxford University Press.
- World Bank (2000). *World Development Indicators 2000*. Washington, DC: World Bank.
- WTO (1996). *Trade Policy Review Republic of Korea 1996*. Geneva: World Trade Organization.
- WTO (2001). *Trade Policy Review Republic of Korea 2000*. Geneva: World Trade Organization.
- Yang, J. and Kim, H-Y. (2000). *Issues in Korean Trade 1999: Trends, Disputes and Trade Policy. KIEP Working Paper 00-01*. Seoul: Korea Institute for International Economic Policy.