

**A
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ASIA**

**A Snapshot of
Korea's Economic Development**

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The Asia Foundation

Established

1954

HQs & Country Offices

San Francisco, USA (HQs); Washington, DC and 18 countries in Asia and the Pacific; over 1,000 employees

Operational Reach

31 countries in Asia and the Pacific

Areas of Focus

Governance, Climate action, Gender equality, Education and leadership development, Inclusive growth, Policy dialogue, International cooperation



The Korean Economy, 1962-2023

	1962	1998	2009	2023
GDP (Billion USD)	2.8	383.3	943.94	1.71 trillion
GDP per capita (USD)	106.2	8281.7	19,143	33,121
GDP growth (%)	3.9	-5.1	0.8	1.4
Exports (% of GDP)	4	40	45	44
Imports (% of GDP)	15.6	29	41	38
Manufacturing (%)	13	28	28	28
Major export items	Iron ore, tungsten, anthracite, raw silk, squid	Semiconductors, automobiles, shipbuilding, gold/silver/platinum, computers	Shipbuilding, semiconductors, mobile communication equipments, automobiles	Semiconductors, automobiles, petrochemicals, auto parts, steel, shipbuilding

Source: ROK Ministry of Economy and Finance (2025), The World Bank Group Data (2025) & KITA (2025)

GDP Growth (%): Korea and Sri Lanka

Year	1962	1972	1982	1997	1998	2009	2010	2020	2023
Korea	3.9	7.3	8.5	6.3	-4.9	0.8	7.0	-0.7	1.4
Sri Lanka	3.8	-0.4	4.1	6.4	4.7	3.5	8.0	-4.62	-2.3

Source: KOSIS (2025), The World Bank Group Data (2025)

Korea's Economic Development

- ❑ **“Export-oriented industrialization”** (Going Global!) and **“Human Resource Development”**

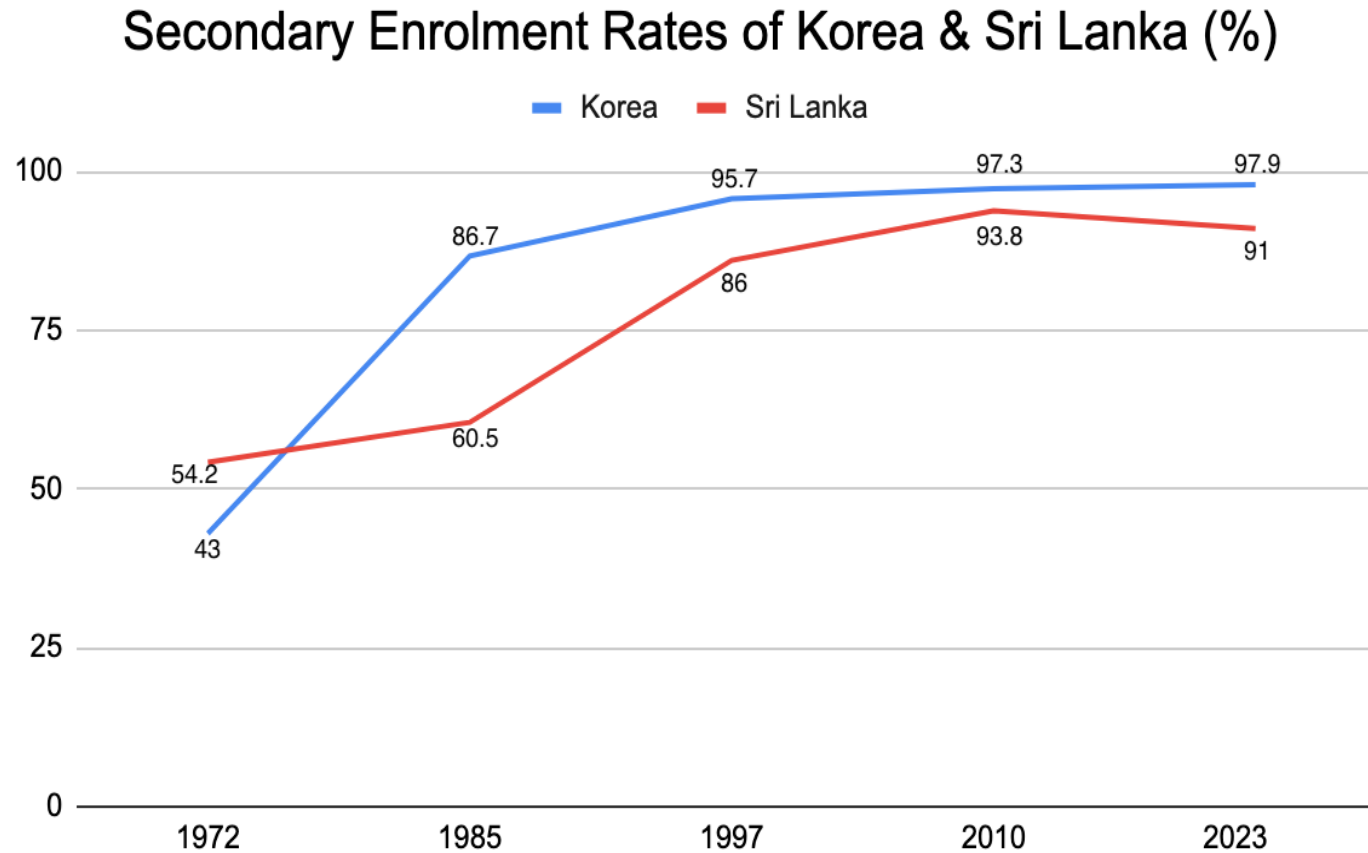
- ❑ **Supported by**
 - ✓ Leadership (political & government)
 - ✓ Entrepreneurship (heavy and chemical industry)
 - ✓ Innovation
 - ✓ Institution building (macroeconomic and financial reforms)

- ❑ **“Investment, Infusion & Innovation”**
(The World Bank Development Report, 2024)

Characteristics of Korea in 1950s

- ❑ Vibrant private sector with entrepreneurs
(People wanted to make it!)
- ❑ Cohesive and egalitarian society with cultural homogeneity, basic administrative capacity, high social mobility, and no deep class structure
- ❑ Higher primary and secondary school enrollment rates than countries with similar per capita income (High enrollment per se is not a sufficient condition but provided a critical ingredient for Korea's initial takeoff in 1960s)
- ❑ “Mendicant mentality”
Korea as a nightmare, an albatross, a rat hole, a bottomless pit, etc.

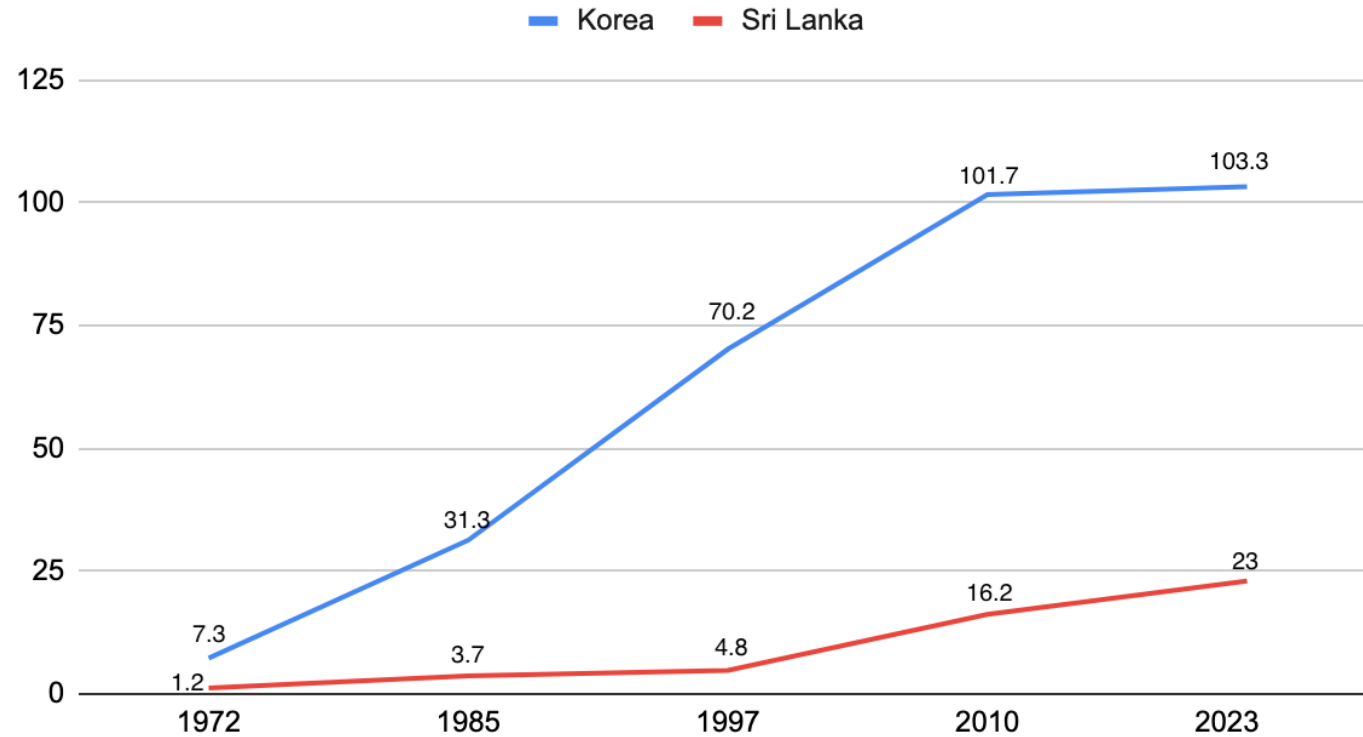
Secondary Enrolment Rates of Korea and Sri Lanka



Source: UNESCO Institute for Statistics (2024)

Tertiary Enrolment Rates of Korea and Sri Lanka

Tertiary Enrolment Rates of Korea & Sri Lanka (%)



Source: UNESCO Institute for Statistics (2024)

Conducive International Circumstances

- ❑ The Bretton Woods System
- ❑ Golden age of international trade and investment
- ❑ Abundant supplies of int'l capital at reasonable borrowing terms
- ❑ Good economic conditions & global market expansion
- ❑ Korea's participation in Vietnam war - resulted in substantial FX earnings and facilitated the rapid development of basic industries
- ❑ Provision of war-related offshore supplies to the American troops, esp. steel, machinery, and other heavy manufacturing industries
- ❑ Remittances of miners and nurses dispatched to West Germany
- ❑ Normalization of relations with Japan in 1965 to receive reparations



Industrial and Economic Policy

- ❑ Joint efforts by government and private sector
- ❑ Not a collection of tax and financial incentives to increase exports
- ❑ Measures to increase public investment and encourage private investment – started with the 1st Economic Development Planning
- ❑ In 1970s-80s, industrial policy encouraged adoption of foreign technologies
- ❑ Tax credits for royalty payments
- ❑ Large conglomerates (chaebols) led in copying technologies from abroad
- ❑ Domestic innovation, HRD, infrastructure, institutional capacity building
- ❑ Increase of worker productivity: (1967) 17.7% >> (1970) 12.6% >> (1975) 11.6% >> (1980) 20% >> (2019) 60%

The Industrial Composition of Public Sector Investment

	Primary Industry	Mining & Manufacturing	Infrastructure & Social Overhead	Total
1 st 5-Year Plan (1962-1966)	25.7	20.8	53.5	100
2 nd 5-Year Plan (1967-1971)	25.9	13.3	60.8	100
3 rd 5-Year Plan (1972-1976)	22.7	15.6	61.7	100
4 th 5-Year Plan (1977-1980 average)	15.7	8.5	75.8	100
Total	22.9	14.9	62.2	100

Source: Kwan S. Kim (1991), "The Korean Miracle (1962-1980) Revisited"

Export Promotion Measures in 1960s

- ❑ The Korea Trade Promotion Corporation (KOTRA) established in 1962 for institutional support in foreign marketing and technology imports
- ❑ An elaborate network of exporters' associations provided more industry-specific services
- ❑ Provide exporters with various tax incentives, wastage allowances, tariff exemptions, concessional credits
- ❑ Exporters entitled to automatic import rights and easy customs clearance
- ❑ Interest rate on export loans also subsidized (from mid-1960s to early 1980s)

Infrastructure

- ❑ Invested in power, transport, communications, water infrastructure, and ports to facilitate economic growth and human development and to support export-oriented industrialization
- ❑ Investment in electricity: One of the most critical challenges to support rapid industrialization and modernizing rural areas
 - Capacity (367 MW in 1961 >> 8,835MW in 1981)
 - Electrification rate: 12% in 1961 >> 98% in 1981
- ❑ Role of SOEs in infrastructure sector

Role of Private Sector

- ❑ Partnered with the government for export-driven industrialization, in decision making (pushed for export-oriented policy)
 - Involved in various advisory committees with academics, press, interest groups and shared views on economic issues
 - The process provided businesses with opportunities to review investment prospects for industries
- ❑ Boosted entrepreneurship and led innovation
- ❑ Monthly export promotion meetings
- ❑ Business associations providing global market information to businesses

Leadership Attention Critical: Export Promotion Meeting

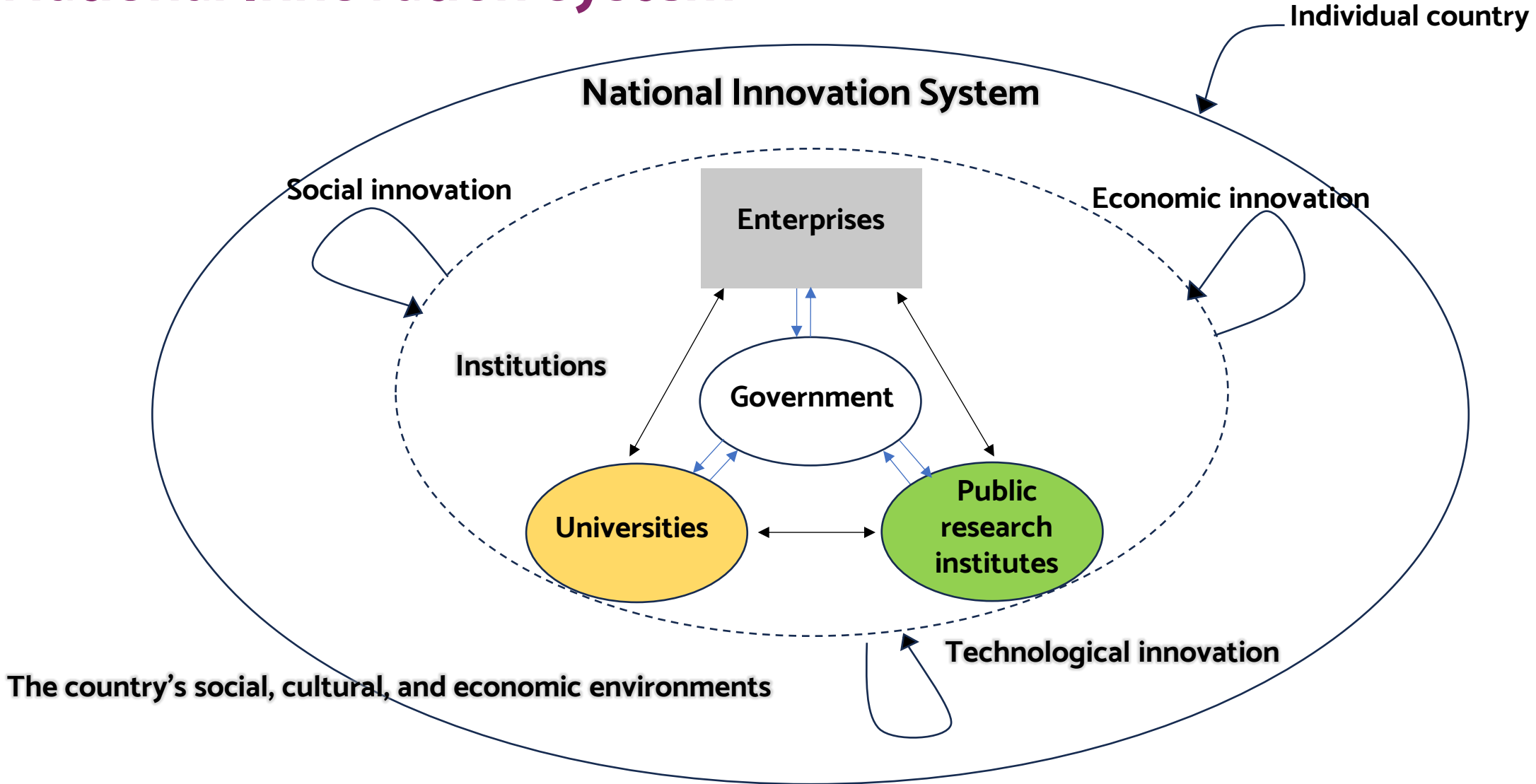
- ❑ In 1964, Korea's exports achieved \$100 million.
- ❑ From Jan 1966, President Park chaired **monthly export promotion meeting**
- ❑ Attended by high-ranking officials and business representatives
- ❑ Monitor progress and devise institutional innovations & solutions to problems
(e.g. export insurance introduced)
- ❑ Not a command-and-control mechanism imposed on businesses;
performance-based incentives/rewards
- ❑ Complementarity with the 5-Year Economic Development Plans
- ❑ Leadership attention works! (Presidential National Competitiveness Council, 2008-12)

Science & Technology Education and Workforce

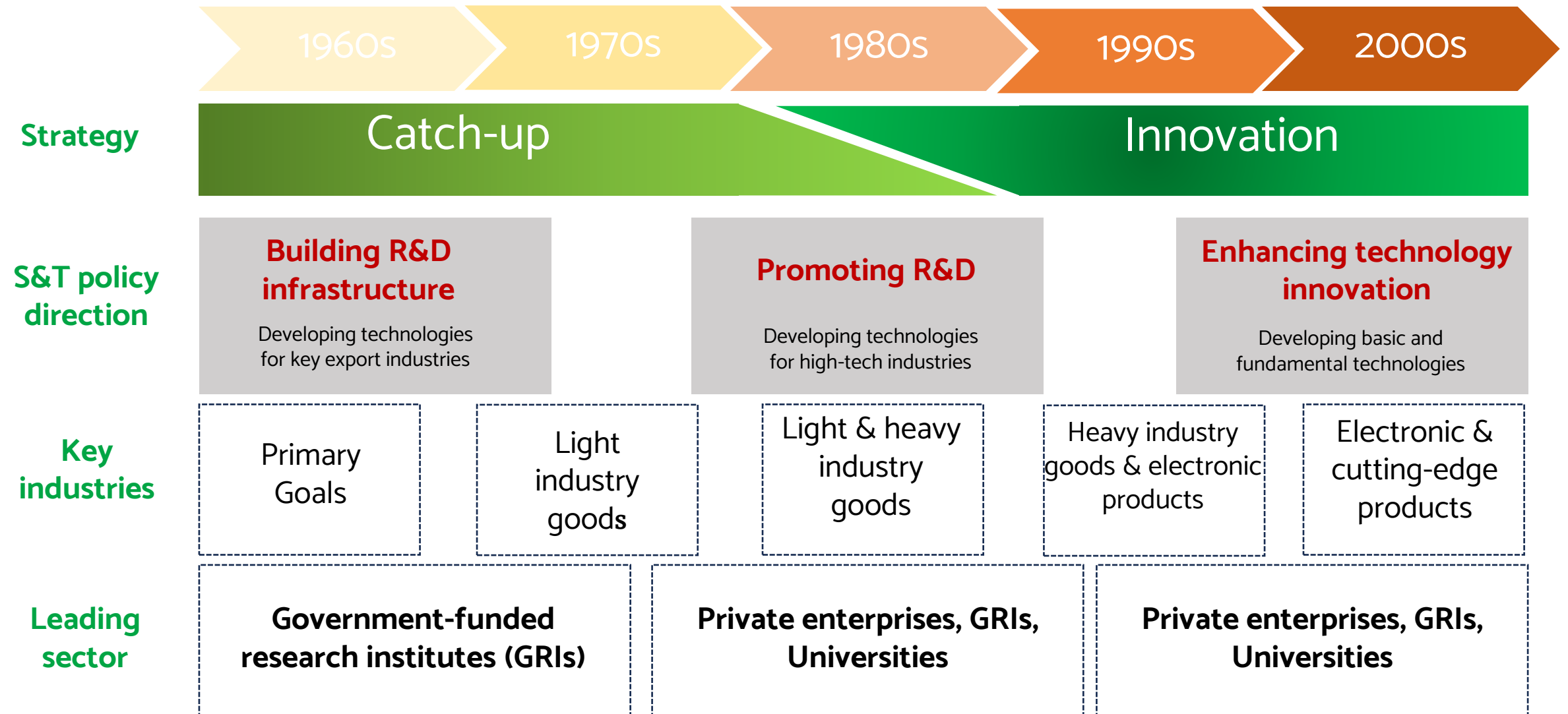
- ❑ To provide workforce to heavy and chemical drive
- ❑ Expanded technical/vocational training, science & engineering education
- ❑ Fully subsidized mechanical technical high schools for poor but talented youth
- ❑ Science and technology institutes
- ❑ Establishment of the Korea Institute of Science and Technology (KIST), 1966
- ❑ Creation of specialized government research institutes
- ❑ Science Parks

Paved the way for Korea's transition to Knowledge-based economy

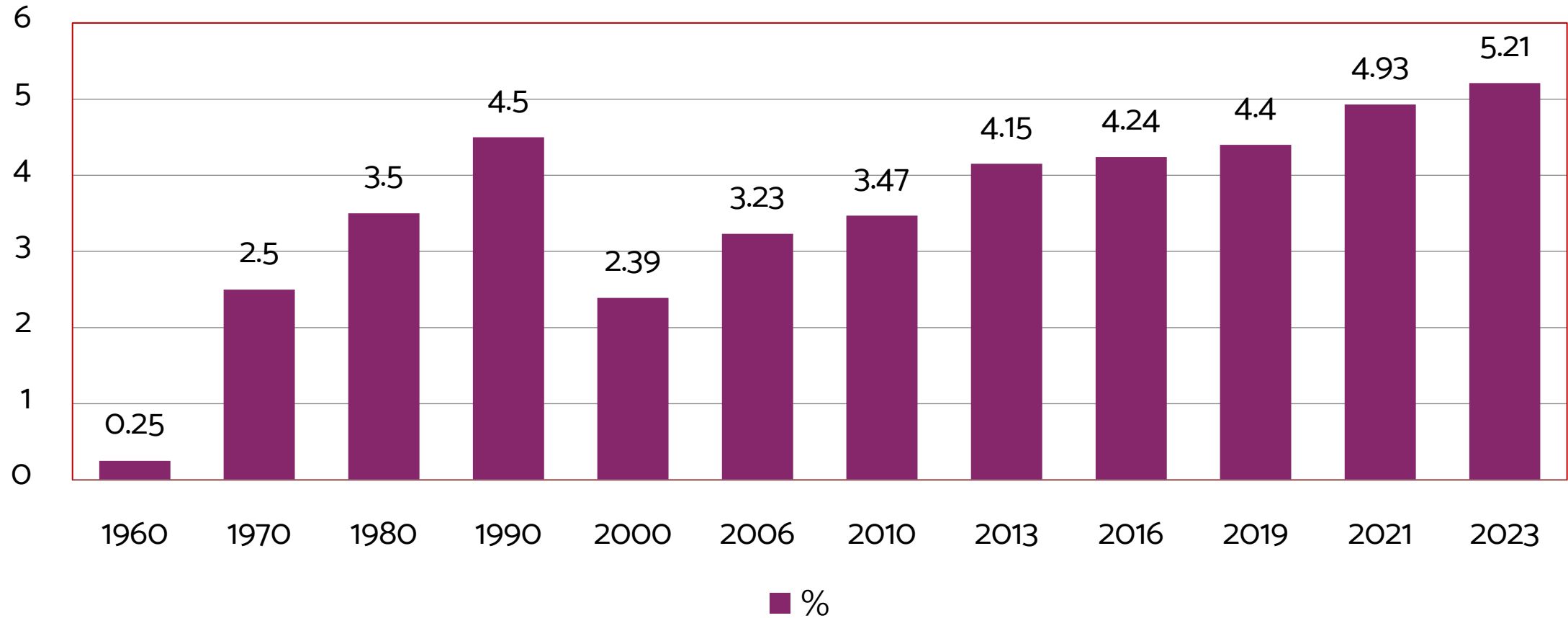
National Innovation System



Innovation Strategy



Korea's R&D Expenditure as Share of GDP (%)



Source: ROK Ministry of Economy and Finance (2025)

R&D Expenditure as Share of GDP: Some Selected Countries

Country	2000	2010	2021
Sri Lanka	0.14	0.13	0.12
Israel	3.83	3.86	5.56
US	2.62	2.71	3.46
Japan	2.86	3.1	3.3
China	0.89	1.71	2.43
India	0.76	0.79	0.65
World	2.05	2.01	2.62

Source: The World Bank Group Data (2025)

Researchers in R&D (per million people)

Country	2010	2020	2021
Korea	5,425	8,615	9,082
Sri Lanka	104	105	--
Japan	5,120	5,495	5,638
US	3,549	4,452	--
EU	3,097	4,244	4,450
China	901	1,602	1,687
India	156	260	--

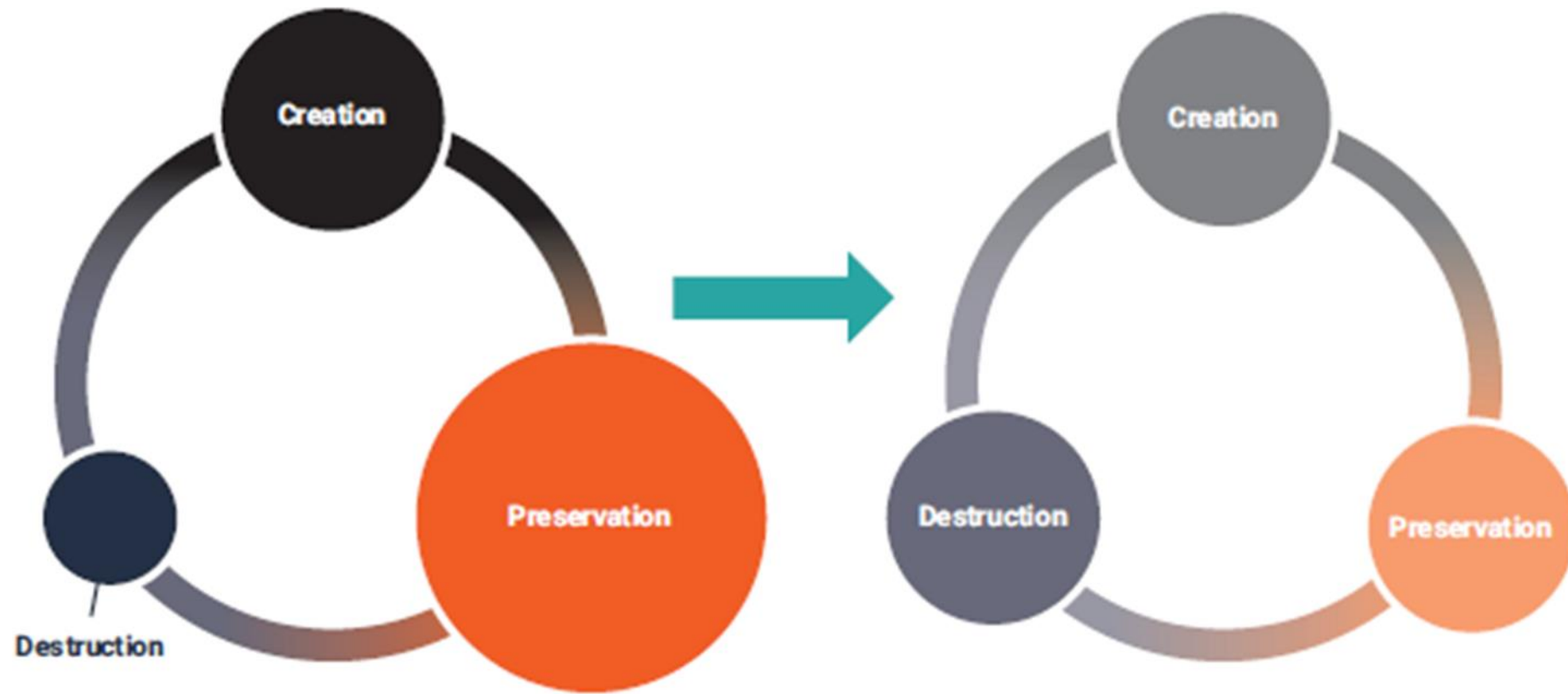
Source: The World Bank Group Data (2025)

Innovation: Korea vs Sri Lanka

	2020	2021	2022	2023	2024
Korea	10 th	5 th	6 th	10 th (of 132 economies)	6 th (of 133 economies)
Sri Lanka	101 st	95 th	85 th	90 th (of 132 economies)	89 th (of 133 economies)

Source: WIPO Global Innovation Index 2024 (2024)

Balance among Creation, Preservation, and Destruction



Source: The World Bank Development Report (2024)

Lessons of the 1997-98 Asian Financial Crisis

- ❑ Despite economic success, Korea hit hard by the 1997-98 Asian Financial Crisis
- ❑ **Causes of the 1997-98 crisis:** outdated FX policy, industrial policy (politics over economics, govt-business collusion); deteriorated current account balance; poorly sequenced financial sector liberalization & high chaebol leverage (lack of prudential regulation and supervision)
- ❑ **Lessons**
 - Market-based exchange rate
 - Public sector reform (Sri Lanka's public sector accounting for 70-80% of annual budget); labor market reform; business reform
 - Fiscal consolidation
 - Banking sector reform
 - Policy sequencing
 - Political leadership and commitment

Population Size Matters, BUT Productivity & Competitiveness Matters More

❑ Korea's Population Size (million)

- 1967 (30), 1983 (40), 2012 (50), 2025 (52), 2045 (50)
- 2100: 27 mil (UN ECOSOC forecast)

❑ Sri Lanka's population

- 22 million
- Composition: 65% (15-64 yrs), 12.4% (65 years and over), median age (34.1 years)

Sequencing Priorities and Improving Productivity

“Productivity isn’t everything, but in the long run it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.”

Paul Krugman

(Nobel Memorial Prize Winner in Economic Science 2008)

Korea's Trade with Sri Lanka

(Unit: US\$ mil)

Year	2019	2020	2021	2022	2023	2024
Exports	236	172	288	191	211	186 (-11.5%)
Imports	100	112	142	145	118	126 (6.4%)

Source: Korea International Trade Association (2025)

Sri Lanka and Korea Collaboration

- ❑ Prioritization of key areas of cooperation; institutionalization
- ❑ Human resource development and management
 - Education and training
 - Skills development
- ❑ Infrastructure development: basic infrastructure and social services (eg. water, sanitation, waste management, etc.), urbanization (18.86% as of 2021)
- ❑ Strengthen manufacturing
- ❑ Enhance agricultural productivity

Korea-Sri Lanka Development Cooperation (one of Korea's 27 priority partner countries)

(US\$ mil)

Year	Total	LOans	Aid
2023	44.9	29.1	15.8
2024	21.5	2.75	18.8

Source: Office for Government Policy Coordination, ROK (2024)

Oyata Stutiya.
감사합니다.