

# 'We are investing in the human being'

*Dr. J.I. Kim, the director of the Economic Planning Bureau of the Korean Economic Planning Board, reviewed some of his government's development plans in this interview with Executive Intelligence Review correspondent Ennis.*

*Q: Would you outline the goals of your economic planning for the next 10 to 15 years?*

*A: Well, first of all, we want our people to have plenty of employment opportunities, as we expect 6 million working-age people to enter the job market in the next*

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## EXCLUSIVE INTERVIEW

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14 years. We have to create at least 6 million jobs in that period. Then we want to have very stable prices, so that whatever purpose we pursue, it should avoid inflating the money supply, so that we maintain price stability, first of all, at least as stable as our trading partners and eventually more stable than them. This is because price stability is most essential for improvement of income distribution. Poor people eventually lose most through inflation, whereas people with large assets can find reasonable hedges against inflation. Then, we want to upgrade the educational achievements and levels of skill, and eventually the expected lifetime income of our young people. So we are investing first of all to improve their nutritional level, their health level and educational attainment and vocational training. So that by the 1990s and the 21st century our children will obtain knowledge and experience similar to what the rich countries enjoy already.

We approach these problems by investing in the human being, essentially — health, nutrition and education, and vocational training. Then, once we have upgraded the human quality, we want to engage in productive and meaningful activity through adequate and satisfying employment opportunities.

Then, the next goal would be attaining the technological level of the rich countries of today. For this purpose, we are encouraging our companies to increase their investment in development activities, research activities, and to internationalize their research activities. That is, not only do research in Korea, but with other countries. Also, let foreigners come here and earn their pay by teaching us and licensing their knowledge to us, giving us the benefit of technical extension service. All of these are commercial activities so we do not have much to do with our companies' decision to invest in licensing and development of new technology and new products, but we encourage them to learn from the experience of the United States and Western Europe.

Eventually we want to have our workers obtain the

level of income of the rich countries of today, and to attain good labor-management relations, where they have a reasonable degree of participation, as is assured in West Germany and Switzerland today.

### Technology and living standards

*Q: When you say you want meaningful work for your people, do you mean by that, the higher the technology involved in the job, the more meaningful the activity?*

*A: Yes, this has many dimensions. It concerns working conditions, the degree of participation in managerial decisions, the quality of product produced, and the future prospects of their line of activities. It would be very discouraging to work in a dead-end job. So we want our people to move into occupations where their lifetime expected income is higher. And, since Korea is moving through many stages of historical development in a compressed time, they should be willing to change their job once, twice, or even three times, during the working age of say, thirty years. You cannot expect the garment worker of today to remain the same garment worker for the next thirty years. Today our income level in dollars is only one-tenth that of the United States, so he should move from garment to something else, with higher skill, more sophisticated activity, leaving the simpler activities to other people, in India, Bangladesh or Pakistan, where the stage of development is still very early in its progress and they need to move into the activities where we are engaged in large numbers. So just as American workers will move from very bad working conditions in a rubber or shoe factory, where no one really wants to work for a lifetime, they move, say, into computer manufacturing or computer programming.*

As our income grows, the expectations of our young people get higher, and they will want to get into some activity where the working conditions are better and the long-term prospects are better. So, we will gradually lose workers in occupations where the working conditions are not so good. It's already happening here.

*Q: It has often been said that Korea has been successful economically because it has depended on a low-wage, labor-intensive system. But isn't it true that the goal of moving into higher technologies and higher skilled economy has been the goal since real economic planning began in Korea in the early 1960s?*

*A: I should say that in the last 16 years we have created 7 million new jobs, and we have 14 million people employed now. When we wanted to create 7 million jobs, with no capital resources to invest in from our own savings, we had to economize savings, and had to spread the investment resources to a large number of people. So it is not really by choice, but by*

necessity that we have moved into the simpler activities first. We didn't have high technologies, high skill levels to enter into machinery or industrial plant manufacturing. That was beyond our capability and beyond our resources. So we did what we could, mobilizing what we could, and what we have done is the only thing that could have been done with our limited resources.

But since we have increased our income, we now save more and can invest more, so we can do something more than we could have 10 years ago. We don't want heavy industry for its own sake. We have restrained ourselves from getting into prestigious activities, which many developing countries like to get into. We were very slow in building our steel mill. But when we built it, from the first year of operation it generated sizable profit, and the capacity utilization rate is around 100 percent, when around the world the average utilization rate is around 60 percent. We wait until we can do it really well, and then do it without too much delay and with reasonable efficiency.

We consider countries like Switzerland, Belgium, Netherlands, Norway, to be guiding us in the direction in which we can move. Heavy industry is a very broad definition. We want to get into something like Switzerland is doing very well, machinery. We are in a very similar situation. We had a bidding for an electric power plant a while ago, quite a big one, and a Swiss company competed with the U.S., Japan and West Germany, and it was the winner. They are a small country, but they can be the best in the world, in certain specialized activities. We want to find that little corner in the world production activities that we can specialize in, and become the best producer in the world. That is the way a small country obtains a high standard of living.

Japan is very different from us because they are so big; they can afford to do many different lines of business, and they don't have to specialize in a few lines. The Japanese economy is more than 25 times our Gross National Product, so we can never do all the things the Japanese do. We have to select a few, and import the rest.

### The U.S. model

*Q: Do you see the future of the world economy going in the direction Korea has gone? That is, the developing countries developing light industry, and then moving toward higher skill levels?*

*A: Yes, certainly. The process of development is really the process of restructuring, which means constantly changing the structure of your economy, so that workers continue to move into more satisfying and higher paying occupations. It goes from agriculture, to light industry, then to sophisticated industry, which assures a high quality of life to the workers.*

I believe the greatness of the United States was built by businessmen constantly seeking new products, new

activities, and restructuring their operations instead of staying in one kind of activity for many decades. The spirit of restructuring is very much alive and should be encouraged by government policy everywhere in the world. I hope American businessmen understand that America did not become great by staying in one form of activity.

*Q: Your use of the term restructuring is very similar to the Japanese term "knowledge intensification."*

*A: Yes, they have the same meaning.*

## 'We will have no choice but to rely on nuclear'

*Our correspondent discussed South Korea's long-term energy needs with Dr. Bong Suh Lee, Assistant Minister for Planning and Administration in the South Korean Ministry of Energy and Resources in Seoul.*

*Q: How do you plan to meet the large growth in energy demand expected in Korea over the next quarter-century?*

*A: Well, these days no one is planning to build more conventional oil-burning stations, except maybe the oil-producing countries. For countries like ours, which have to import almost all of the oil from abroad, it would be very foolish to plan on that. The power plant scheduled for completion in 1983 will probably be the last oil-burning station we build, and if we can help it, we are not going to depend on oil-burning types. If anything, in the hydrocarbon area, they will be coal burning. But when it comes to coal-burning, what we produce here in Korea domestically is anthracite coal, and all of this is used for house-heating purposes. And even for this purpose, we don't produce enough domestically. So we have to import coal, and if the fuel situation remains the way we think it will, we will have to import more as the years progress. Which means that if we want to use coal for electricity generation, again, we have to import 100 percent of the thermal coal from abroad. And as you know, although thermal coal is plentiful throughout the world, the transportation problem is very difficult. And also, you have to have land space here where you could have the power station and hinterland where you can store your reserve coal. Even more, you have to locate this near the coast line, because of the transportation and pollution problems. Although Korea happens to be a peninsula so we have more coastline than almost anybody else, when you actually examine our geography you find that we don't actually have that many available spots. So, although we would like to have thermal coal power stations as much as possible there we find definite physical limitations.*