



## **REPORT TO KOREA LEGISLATIVE RESEARCH INSTITUTE**

### ***Survey on Korea and Related Economic, Political and Security Issues***

May, 2004

*Prepared by:*

*KWR International, Inc.  
275 Madison Avenue  
New York, NY 10016*

*Phone: 212-532-3005*

*Fax: 212-685-2413*

*E-mail: [kwrintl@kwrintl.com](mailto:kwrintl@kwrintl.com)*

**Overview:** To assess the evolving perceptions of foreign opinion leaders on a range of issues concerning Korea and related economic, political and security issues, the Korea Legislative Research Institute (**KLRI**) retained KWR International, Inc. (**KWR**) to conduct the following survey. It contains quantitative and qualitative data and is designed to assist KLRI and other Korean public and private entities in their efforts to obtain a better understanding of how Korea is perceived by important external constituencies.

After preparing 19 questions and 38 sub-questions which asked for the views of respondents on a 1-10 quantitative ranking or open-ended basis, KWR prepared a list of approximately 8,000 individuals from its internal database. The views of business, government, academia, non-profit and financial institutions and media were represented. The primary emphasis was on individuals working in the U.S. or Americans residing overseas. A questionnaire was disseminated on April 3, 2004 and 166 responses were received by the April 14th deadline. While this is not an especially large number, it does provide a sampling of opinion leader sentiment and will help KLRI and other Korea-related organizations to draw a number of important conclusions from the data generated. Given the specialized selection process, the detailed nature of the questionnaire, and the composition of the audience, however, it is important to emphasize the results should not be interpreted as an unbiased "snapshot" of U.S. or universal foreign public opinion, but rather as an informed overview of a select group of opinion leaders and participating individuals surveyed at a particular point in time.

Following a tabulation process, means, medians and standard deviations were calculated for each question. For the purposes of this survey, KWR believes that ratings above 7 should be seen as strongly positive, from 6-7 moderately positive and from 5.5-6 marginally positive. Ratings of 5-5.5 could also be seen as mildly positive, KWR in fact views them as more neutral given the natural tendency of respondents to provide positive responses. Similarly, any rating below 5, while perhaps close to the mid-point are interpreted as a negative, for the same reasons. Deviation is also a critical input and while there is no firm delineations, in KWR's view, anything below 1.9 was seen as indicating a strong uniformity of opinion, between 1.9-2.1 moderate deviation in opinion and over 2.1 relatively divided opinions among respondents. That said, it is also important to view responses within each sub-question within each other as in some instances for example the question which examined perceived policy priorities for the Korean government, there was a tendency for respondents to have much stronger answers than other questions. Therefore in that case Anti-Americanism received a ranking of 6.33, which would have been seen as high in all other questions, but here was in fact the lowest of all perceived priorities making it less relatively important than all of the other suggested options.

Select respondents were also contacted for follow-up interviews, providing additional depth and focus to this report. In addition to respondents who completed the questionnaire, interviews were also conducted with individuals who noted they did not have time to provide a written response, but would be

willing to speak over the telephone. To encourage frank discussion, respondents were assured their identities would be kept confidential and they would be identified by profession and geographical location only. Respondents included academics (12% of group), analysts (5%), attorneys (8%), consultants (12%) and engineers (1%), economists (3%), executives (15%), financial professionals (4%), fund managers and investors (9%), government officials (4%), media (8%), non-profit (4%), technology executives (7%) and others (2%). Individuals were based in a variety of geographical locations, including the US-Northeast/Mid-Atlantic area (43%), US-Southeast (9%), US-Midwest (7%), US-South Central (1%), US-Mountain States (2%), US-Northwest (4%), US-Pacific or Southwest (7%), Korea (4%), North Asia (ex-Korea) (5%), South/Southeast Asia (5%), Europe (5%) and Other (8%).

It should be noted that all written responses were received before Korea's April 15<sup>th</sup> parliamentary election, though the supplemental oral interviews were conducted afterwards. Furthermore, it should be noted while some of the comments made by respondents do not necessarily have a basis in fact, they are indicative of the perceptions of respondents and were included to give KLRJ and other Korean entities a better understanding of how foreign opinion leader think on these important issues.

**Specific Conclusions:**

- While positive in their orientation, respondents did not seem to believe Korea is as attractive an investment story as most other Asian markets.
- Respondents recognized Korea's potential, yet their overall perception of the nation lagged the value they placed on the individual strengths (e.g., Education, Export Platform, R&D, etc.). Therefore, in the eyes of many respondents, in Korea's case – 2 + 2 = 3.
- While respondents did admire Korea's business environment, external factors (Emergence of China & State of U.S. Economy) were seen as key economic strengths while (after Tensions with North Korea) two internal factors -- Social Polarization and Political Stability – received the lowest rankings. This implies Korea's fate is largely dependent on factors beyond its control and may account for some of the doubt expressed in this survey.
- Respondents expressed a slight preference for portfolio over direct investments, though this differential seemed small given their concerns over political, economic and governance issues.
- Respondents were very concerned about tensions with North Korea -- yet by a large margin preferred diplomatic over confrontational solutions.
- Respondents were confident about Korea's commitment to democracy – yet quite concerned about its political stability. At the same time -- they were relatively ambivalent about the current Constitutional Court proceedings. This indicates doubt on a more basic level – i.e., in the words of two

respondents that “Korean politics are more a battle than an argument” and “nobody lasts long enough in office to effect sustainable change”.

- Most respondents were unsure how to evaluate Korean efforts to position itself as a “dynamic hub”. Many were prepared to give Korea the benefit of the doubt, though others were undecided to moderately skeptical.
- Respondents were similarly divided on whether Korean corporations make good business partners. Much depended on their personal experience and familiarity with Korea.
- Of all the questions, respondents were most unified and positive about Korean products – though several pointed to the need for more innovation, brand development and a change in corporate style and structure.
- Respondents admired Korea’s commitment to education as well as its strong work ethic, manufacturing strength, speed to market and national unity.
- Respondents were troubled by a perceived lack of political stability, as well as corruption, cronyism, labor issues, tensions with North Korea, its high cost structure, xenophobia, and the dominance of large businesses.
- Respondents believe Korea needs to initiate further economic and corporate reforms, to move beyond cost-based manufacturing, and to open up to more outside involvement -- both in the sense of welcoming their participation but even more importantly to developing the alliances, relationships and cooperative structures needed to compete in a globalizing world economy.

**General Conclusions:**

- The lack of effective outreach initiated by Korean companies and institutions over the years has left individuals with the need to rely primarily on their past experience – as well as occasional media coverage and conferences for their impressions. As a result they are not really cognizant of the many achievements and changes that have taken place in Korea in recent years. Therefore, they are left with dated perceptions and Korea suffers as a result.
- Much has been written about this problem since KWR first identified Korea’s “perception deficit” in another study undertaken in 1996 -- and many Korean institutions and corporations have begun to take steps to increase their interactions and communications with foreign audiences.
- Nevertheless, almost all these initiatives consist of discrete activities such as occasional publications or visits by Korean leaders to New York, Washington and other key locations, with little of the critical planning, follow-up, support, exchange of information and ongoing CONTINUITY needed to effectively define and communicate Korea’s competitive advantage and strengths in an effective, credible and sustainable manner.
- In the face of an emerging China and other lower cost competitors, as well as stronger competition from developed economies, including a recovering Japan, Korea has no real choice but to accentuate its efforts to transition

toward the development of a ‘Knowledge-Based’ and service-oriented economy – including development of the hub concept.

- The good news is foreign opinion leaders are favorably disposed toward Korea and view its underlying fundamentals and capabilities in a very positive manner. The bad news is they view it as an overly complex environment and are unclear as to how, and in fact whether, they can become involved -- and if in the end, Koreans are really eager for foreign involvement or would in fact prefer to go it alone. Put another way – If one were to imagine Korea as a public company, many shareholders would be seeking to sell off the assets so that full value could be achieved.
- Possessing all the basic skills and characteristics needed to achieve success, Koreans need to move past their domestic preoccupations and the cultural barriers that have prevented foreign investors and executives from truly understanding -- not only the potential of Korea and the progress it is achieving on both the national and firm level -- but also from entering into the relationships, alliances and ventures with Korean firms and institutions that are so important to maintaining competitiveness in the world today.
- Otherwise foreigners will continue to discount Korea’s strong fundamentals and to choose alternative venues that may not possess the same track record or underlying promise, but which appear easier to understand and to deal with. As Korea continues to advance and to rely more on knowledge and services rather than on cost-based manufacturing this will only become an increasingly serious problem.



**Recommendations:**

***Korea needs to define a strategy building on its own strengths, rather than relying on those of its neighbors and trading partners.***

Korean products are now seen as having extremely highest quality and are recognized around the world for the value they deliver. In addition to Samsung's and LG's achievements in fields including flat panel display's, cell-phones and other forms of electronics a survey this week announced that among first time, new-car buyers in the U.S., Hyundai "ranked higher in initial quality than any domestic or European manufacturer". Additionally, as the most wired nation on the planet, which is dedicating itself to advancing, and is proving to be an early adapter and trendsetter of, all kinds of technologies, trends and application that promise to transform life in the world today, Korea possesses a wealth of strengths that make it a truly promising economy and business partner. It is also one of, if not the most vibrant democracies in Asia, and is now demonstrating to the world its ability to engage in a successful generational change that will serve as a model to other countries and provide it with strength and an underlying dynamism that will last far into the future.

Too often, however, Koreans seek to define their strength in terms of their ability to leverage off the achievements of other parties. While Korea's ability to leverage off the success of other countries is indeed important, it is by no means

the entire story. For example, at the moment there is a lot of talk about Korea's ability to take advantage of economic growth in the U.S. and China. This type of "high-beta" strategy, however, places Korea at the mercy of macro trends and policy and other exogenous factors over which it has no control. The danger of this type of approach is apparent in the words of one market analyst who noted today "South Korean share prices plummeted (on April 29<sup>th</sup> by) 2.93% on the possibility of a rate rise in the United States and efforts by the Chinese government to curtail its robust economy".

***If Korea is to successfully develop a knowledge-based and service-oriented economy it will need to move past its preoccupation with domestic issues.***

In a globalizing world economy, success will increasingly be determined by a nation's ability to develop alliances, relationships and business structures that draw upon resources from all over the globe and which enable its companies to flexibly position themselves in the most effective manner. Korea has indeed gone much further than most other Asian nations in implementing reforms to open its economy and to attract foreign participation and many successes have been achieved. In fact a good argument can be made that part of Korea's current problem is having embraced the movement to reform with such vigor, it now has less to offer forward-looking investors than other countries that have much of this movement and subsequent valuation adjustment ahead of them.

Despite this progress, however, and the improved regulatory infrastructure and business environment now being developed, foreigners continue to view Korea as a difficult place to do business. They also do not tend to think of Korean companies as preferred, or even as potential, business partners. The cultural reasons for this are understandable given Korea's long and troubled history. Nevertheless, the nation's ability to move beyond its traditional role as a preferred supplier of manufactured products will require a different business style and better ability to develop close relationships, networks and heightened interactions with non-Koreans who do not possess the same values and preferences.

To successfully achieve this transformation, Koreans will need to adopt a more global outlook. This will require a move past the local, regional and domestic rivalries and considerations that are now serving to discourage foreign involvement and which distract Koreans from the key task of developing the capacity, skills and capabilities needed to achieve their goal of developing a more knowledge-based and service-oriented economy.

***Korea needs to develop a “sovereign investor relations” infrastructure, which can provide ongoing continuity, leverage and support.***

In addition to the structural and policy measures that Korea needs to undertake to enhance its economic competitiveness and viability, it would be well advised to organize a strategic “sovereign investor relations” effort designed to constantly

update and inform, and to facilitate the development of relationships and linkages between, Korean and international investors, business executives and other relevant entities in an ongoing manner.

This is not meant to substitute, but rather to complement, leverage and maximize the value gained through occasional visits of Korean government and private sector leaders to key overseas markets on investment bank-sponsored road shows, as well as the release of announcements and publications and organization of other discrete activities by Korea-oriented entities around the world. By the creation of a central “information clearing house” and well-trafficked Internet web site, which can develop formal and informal alliances with other Korea-oriented organizations this structure can create synergies, maximize awareness through the media and direct contacts. This will help to provide the essential continuity and follow-up that is now lacking. Through its ability to serve as a global resource both for Korean organizations seeking to raise their international profile as well as interested parties that may or may not have a pre-existing relationship with Korea – but who could clearly benefit from increased participation -- substantial additional value would be created and a far better return on investment achieved from the efforts that are now underway.

**Analysis:**

The first question asked respondents to rate their general knowledge of Korea (1 indicating no knowledge and 10 indicating a great deal of knowledge). Of the 166 individuals who answered this question, the mean rating was 6.25 with moderate deviation. While there were a substantial amount of respondents with significant Korea-related experience, this should not be seen as a group of experts but rather a well-rounded group with a bias toward more knowledge. This is a desirable sampling as it indicates the presence of people who are informed and interested enough to form business relationships or make investments within Korea, without having so much knowledge as to have fixed opinions or a preexisting deeply established relationship with Korea.

The second question asked respondents to rate the investment potential of several countries and regions over the medium to long term (1 indicating extremely low and 10 indicating extremely high). China received the highest rating at 7.52. This optimism was reflected in the words of an Asian Trade Representative who noted, "China is by far world's most promising market and should be for decade or more." The U.S. was a close second at 7.32, followed by Southeast Asia in third place at 6.53. Korea took fourth place at 6.39 followed by Japan at 6.11. When asked to suggest other alternatives other than those provided, respondents indicated Brazil, Russia, Australia, Singapore and a few other locations. India, however, registered very strongly and had it been offered

as another option, it would likely have registered somewhere around the same level as the U.S.

While still positive, Korea's position should be evaluated on a relative basis. When using that criteria one can see the real challenge Korea faces as it seeks to define and communicate its competitive advantage. A failure to achieve that objective relegates the nation to secondary status. This type of sentiment underlies the comments of one fund manager, who noted, "It is not a bad market. We have seen worse but it is in China and Japan's shadow."

The third question sought to differentiate between the attractiveness of direct vs. portfolio investment in Korea (1 indicating not at all attractive and 10 indicating extremely attractive). Portfolio Investment was seen in a slightly more favorable light at 5.87 than Direct at 5.82, however, given the moderate deviation, this difference does not seem especially significant. That said, when one notes there were 23 negative (1-3) rankings for Direct vs. 18 for Portfolio (a 27% bias against Direct) and 30 positive (8-10) for Direct vs. 36 for Portfolio (a 20% preference for Portfolio), one can see that investors are more positive on the potential for portfolio rather than direct investment.

The comments of respondents indicated two basic reasons for this view. First, fear over Korea's ability to sustain positive economic momentum in the face of political uncertainty and potential problems with the north leads investors to

prefer liquid investments that can be exited or entered as circumstances warrant. As one accountant noted “Foreigners are able to sell portfolio investments to express their dissatisfaction. That is not so easy with a direct investment.” A similar view was expressed by a private investor who stated, “Direct investment now is pricey and valuations quite high, hence I put it a notch below portfolio investment, plus the exit discount.”

In addition, for every comment such as the one made by one investment analyst, who stated “The attractiveness of FDI in Korea is evident in the strong inflows and increased activity by foreign funds and corporations -- especially in the auto and banking sector”, there were several that called attention to the perceived difficulties of making direct investments in Korea. As a Hedge Fund Analyst noted “Although Korea has projected itself into the global economy and its companies are well known, FDI remains a tough process given that Koreans have a prickly national character absent in Europe and other locations. It is easier to set up operations in China and India which also have more attractive fundamentals.” This is not to suggest, however, that Korea’s advantages are not apparent but only that investors are viewing them within a broader context. This view was apparent in the words of a Site Location Specialist who stated “For direct investment Korea is relatively expensive, has strong unions, and growing anti-American sentiment -- but it has a sizeable market, good infrastructure, and skilled workforce.”

The fourth question asked respondents to rate South Korea's strength in several areas in regard to their importance in attracting or deterring direct investment. (1 indicating a strong negative impact and 10 indicating a strong positive impact.) Education rated first with a very strong ranking of 7.54 and a low 1.64 deviation. It was followed by Export Platform at 6.69, R&D at 6.45, and Domestic Market at 6.23. A still positive but weaker third tier of factors included Regional Hub at 5.94, Cost Structure at 5.9 and Business/Legal Environment 5.8 followed by Incentives at 5.66.

What was most interesting about these rankings is that in comparison to those obtained in the previous question (concerning the attractiveness of portfolio and direct investment), one can detect an innate gap between the relatively strong ratings assigned to these specific factors -- and those accorded to the more general perceptions on Korea which in most cases were significantly lower. One can see this differentiation in the words of a Hedge Fund Analyst who commented, "Korea has good fundamentals that somehow get lost in the translation. Very well educated and good work ethic and national infrastructure. Unlike China and India, there are no extended power outages. Their track record is much better and it is more developed but something gets lost between what it has to offer and how to get people involved in the economy. One gets the impression they do not want foreigners as involved and they do not need it as much. Koreans are much less open to FDI than Americans. It is mostly a question of attitude more than anything else."



The fifth question sought to analyze factors in regard to their potential effect on the South Korean economy over the short to medium term. (1 indicating very negative and 10 indicating very positive.) The Current State of the U.S. Economy registered highest at 6.29 with low 1.7 deviation. This was followed by Economic Emergence of China and the Business Environment in Korea. Both achieved a 6.25 rating, though opinion on China was far more divided, reflected in a 2.37 deviation, while Korea's business environment also had a relatively low 1.87. Economic/Regulatory Reform came in fourth at 6.08 (2.06 deviation), followed by Consumer Demand/Indebtedness at 6 (1.9 deviation), Political Stability at 5.73 (2.35 deviation), Government Leadership at 5.5 (2.3 deviation), Social Polarization at 5.4 (2.0 deviation) Tensions with North Korea registered the only outright negative rating in the survey at 4.95 – though with an extremely high 2.59 deviation.

The most important points that can derived from this question is the importance of concern over potential tensions with North Korea and the relative optimism over the Business Environment in Korea and Consumer Demand/Indebtedness – two subjects that have received a lot of negative media coverage and which have generated great concern within Korea itself. When pressed over whether Korea's size placed an innate limit on its growth and appeal and a brake on the potential for reliance on Korea's domestic market, one former U.S. government official stated "I am not too worried about the size of the Korean market and do

not think that will limit them moving forward. If France can stand by itself, then surely Korea can.”

In addition, the relatively high ranking assigned to external, exogenous factors, such as the Economic Emergence of China and Current State of the U.S. Economy are also potentially troubling. While it is clearly positive for Korea to be able to benefit from positive developments in these markets, it is also important to note that it will also be effected by any negative trends – over which it possesses no real control of influence over the outcome.

The sixth question asked respondents to evaluate a range of issues as policy priorities for the Government of South Korea (1 indicating lowest priority, 10 indicating highest priority). Reinforcing the views expressed in the previous question, North Korea generated the strongest ranking at 7.73. Here, however, the deviation was far lower at 1.86, indicating while respondents are united in their belief that North Korea is an extremely important policy issue they are unsure over the extent that potential tensions will impact on economic growth over the short to medium term. Political Stability was also seen as a concern, registering a 7.53 ranking. This was followed by Corporate Reform at 7.14, Promoting FDI at 7.1, Government Reform at 7.08, Labor Issues at 6.95, Social Issues at 6.48 and finally, Anti-Americanism at 6.33.

Written and oral comments reveal that some respondents still have doubts over the role of government as it related to the Korean economy. While a Professor

stated, "Korea could be a great political and economic catalyst between China and Japan", a correspondent for a national magazine noted "The government still colors operating in the domestic market. Everyone is being investigated". An Asian Trade Representative added with concern "Until government changes its strangle-hold on things none of the others can happen. The relationship between government and the "Big Five" corporations is criminal!!"

In the seventh question respondents were asked to rate their views on whether current tensions with North Korea represent a security threat (1 indicating not at all serious and 10 indicating extremely serious). When asked to rate the Threat to Security in North Asia, respondents expressed a 6.83 ranking with a 2.18 deviation. The response was less clear when ranking the Threat to Global Security, which registered 6.01 and a significantly larger 2.41 deviation.

Respondents with a greater familiarity with Korea were not entirely certain whether this concern was warranted. As a Correspondent for a National Business Magazine stated "Proximity makes North Korea seem a bigger problem. But that threat has been there a long time so it is a bit surprising that people would be more worried about it now." This was clearly in contrast to another journalist who commented, "Get it together, Korea. Frankly, based on your occasional behavior, I'd sometimes just like to leave you to deal with the North all by yourselves." A technology investor however put these two views in perspective noting "North Korea is more in the news so it is perceived as being

more of a problem. Is it a deal killer? Maybe, maybe not, but it is definitely an issue.”

The eighth question asked respondents whether current tensions with North Korea are better resolved by confrontation/containment or diplomacy/engagement (1 indicating strong preference for confrontation/containment, 10 indicating strong preference for diplomacy/engagement.). Opinion here was clearly divided with a very high 2.6 deviation. Overall, however, respondents clearly preferred the diplomatic solution registering a 7.43 mean – and 51 of the 162 respondents to this question indicated the strongest 10 ranking.

The dichotomy of opinion was evident in the comments of respondents. For example a professor noted “Communists as Mao said, understand only the barrel of the gun!!!” On the other hand a Global Strategist for a major investment bank commented, “Multilateralism, diplomacy, economic and political pressure will produce better effects than the use of force - witness Iraq...” Part of the problem related not so much to a North-South problem but rather to a US-North problem. For example, a Correspondent of a National Business Newspaper took one extreme stating “Memo to Korea: Decide who your friends are and who your enemies are. And remember that as far as the US goes, you are either for us or against us. On the other hand a Communications Executive expressed less confidence in the current U.S. administration’s ability to determine a successful outcome commenting, “Wish I had a clue!! I'd feel a WHOLE LOT BETTER with a

different foreign policy cast in place in Washington.” Most respondents, however, at least in their rhetorical comments emphasized the need for balance. As a Washington Financial Consultant and former U.S. Government Official stated “This dichotomy is unrealistic. To be effective you need a degree of confrontation within the engagement approach.”

The ninth question asked respondents whether recent political developments and the current judicial process within Korea's Constitutional Court affected their confidence in Korea's economic prospects (1 indicating greatly diminished confidence and 10 indicating greatly enhanced confidence.) Interestingly, despite the evident concern expressed over Korea's political stability in previous questions, respondents were relatively neutral, registering a mean of 5.2 and a low 1.74 deviation. In fact 47 of the 143 respondents who answered this question assigned it with a neutral 5 rating and another 20 indicated 4 and another 20 indicated 6.

Some respondents, such as one Hedge Fund Analysts expressed concern stating, “This was not entirely expected. While perhaps a long term positive it showed the political class did not care what the rest of the world thought. It was not responsible and backfired on the older political class. It also showed a preoccupation with, and placement of, domestic concerns over Korea's need to reach out and appeal to foreign investors and corporations -- something that the nation can ill afford as it struggles to reach out and enhance its international

competitiveness.” Most, however, held views more similar to those of a Former U.S. Government Official who commented “I don’t make too much of the impeachment episode as I think if anything it shows the strength of Korean democracy at work.” Explaining the dichotomy, however, between the concern expressed in other questions versus the neutral sentiment expressed here, a Correspondent for a National Business Magazine noted “The move toward impeachment seems more like a partisan exercise like the Clinton Whitewater episode, whereas the underlying instability is something more basic and troubling. They can’t seem to settle who will run things. It is more of a battle than an argument. There are constant scandals, and that does not give one a sense of stability.”

The tenth question sought to evaluate how respondents viewed the future bilateral relationship between the U.S. and South Korea (1 becoming much weaker and 10 becoming much stronger). On the surface the sentiment appeared relatively neutral registering as a 5.69 mean rating with a moderate 2.03 deviation. However, when one looks at the distribution one can see that the most common responses were 4 and 7 rankings, which each accounted for about 20% (30 and 31 out of 161 responses) respectively. This indicates most respondents are mildly positive or negative about the future course of this relationship.

One has only to look at the views of a Global Strategist for a Major Investment

Bank, who noted “US policy will continue to see this as a key relationship...” and a Site Location Specialist who stated “Korea is becoming increasingly more unfriendly to the US”, to see the contrast of opinions. A Washington Analyst defined the issue from a U.S. perspective stating, “Could become much stronger if Korea takes more responsible view of North Korea.” On the other hand, a Mid-West-based Economist took a different view noting, “A less bellicose and unilateral president would permit renewed closer relations between U.S. and many traditional U.S. friends and allies. The problem is on the U.S. side, not on the Korean side, although Bush administration stupidity plays into the hand of anti-U.S. demagoguery in Korea.” One Former U.S. Government Official sought to place these conflicting opinions in context, however, commenting “I think the relationship will be weaker, because our time is over. We’ve done our bit and we have troops there because it is cheaper to train them there than in the U.S. So it is more an economic than a military factor. We both win and Americans have to get over the idea that they owe us for what we did during the Korean War.”

The eleventh question asked respondents to evaluate the prospects for South Korea’s efforts to establish itself as a “dynamic hub” of Asia (1 being not at all viable and 10 being extremely viable). Here the responses were essentially neutral with a very light positive bias at 5.45 and a moderate 2.08 deviation.

Some respondents such as an Asia-based Journalist were positively disposed to the idea, noting “Not only Korea's geographic position in Northeast Asia but also

the presence of ethnic Koreans in both Siberia and Northeast China lends support to moves to make South Korea a hub. Reunification would multiply the prospects for success by hundreds of times”. Others such as one Technology Investor expressed similar sentiments in the comment that “Korea provides a good footprint into North Asia and a lot of North American companies want access into these markets.” On the other hand, a lot of doubt was also evident in the rhetorical comments. One Technology Consultant expressed doubt stating “The dynamic hub concept is misguided. Singapore and HK have been able to do it. It is not a pipe dream for them. It is not going to happen in Korea. The activity is not there. Travelers do not want to travel through Korea or Japan to get to China. They want to go direct. Do not think that anyone would set up a HQ in Korea any more than they would do it in Japan. There is not a strong tradition of doing international business there that would fuel that strategy.” Others, such as one Corporate Executive noted other issues such as “Hubs tend to be in safe places and South Korea has that nasty North Korea on their border. There is also a language problem to deal with.”

The twelfth question asked respondents to rate the attractiveness of South Korean corporations as business partners (1 indicating highly unattractive and 10 indicating highly attractive). Respondents delivered at 5.74 mean aggregate ranking with a moderate 2.02 deviation and a distribution that appears slightly more positive but similar to the “M” style response in the question concerning the Korea-U.S. bilateral relationship. Most respondents tended to be neutral or



slightly negative (53 of 151 respondents indicated 4 or 5) or moderately too fairly strongly positive (54 of 151 respondents indicated a 7 or 8). This indicates a strong positive base but meaningful caution and doubt.

Strong optimism was reflected in the comments of a Healthcare Consultant who stated, "Have had excellent experience with Korea businesses and partners", as well as a Patent Advisor who noted, "Compared to political field, I think Korean corporations are very well run by smart people." Others, however, were more circumspect, such as an Asia-based Journalist who has lived for several decades in the region, who commented "All of Korea's economic development since the 1960s has occurred within a very xenophobic framework. From Gulf Oil first investment in the 1960s to General Motors' trouble with Daewoo, troubles dominate the history of foreign investment in South Korea." Several respondents, including one highly-experienced Sr. Corporate Attorney noted concerns such as "Corporate governance issues are a problem, particularly the lack of transparency of decision-making in many groups." A Chief Economist for a Fortune 50 Corporation noted that it is "Difficult to consense on mutually beneficial objectives."

One Former U.S. Government Official believed closer business relationships were mostly a matter of time, commenting "Relationships are based on a build up of trust and the Chaebol reputation as an old boy network of cozy relationships gives people a bit of concern. It will take time for the Korean businessman to get

over that.” Similarly a Real Estate Developer commented, “Partnering is necessary and local companies are willing if not eager. There are social, cultural and perceptual barriers that must be overcome to make the relationships flourish.” On the other hand a Corporate Executive stated, “While it is understandable given their history, the cultural issue is a real problem. Is it a question of time? I am not sure. The conflicts between being a good Korean and adopting the psyche needed to manage an inclusive international business operation are by no means insignificant.” An Investment Bank Analyst reinforced this concern noting, “Current structure and culture would likely have difficulty collaborating with most non-pacific rim cultures.”

Several respondents noted that it was important to differentiate between firms. For example, one Analyst stated, “It depends on the particular corporation; some are very good, and others make poor partners.” An Economics Professor expressed a similar view stating, “Some like Samsung would be excellent partners, but they don't have a strong tradition of partnership.”

Furthermore, despite the optimism in the quantitative responses there was an underlying current of concern among both those who knew Korea well and those who did not in the oral and written comments. One marketing executive with substantial Korea-related experience stated “Every experience I've had included numerous attempts to renegotiate deals I considered sealed.” An Economist with relatively little Korea-related experience commented “The rumor is they are more

take than give, especially when it comes to foreign partners.” A Washington Consultant expressed a similar view in slightly more diplomatic fashion noting, “With Japanese firms you have the sense once you establish a relationship you may have problems but they will stick with you. You have a partner and will not be skinned alive. I don’t know much about Korea but do not hear stories like that. That might be just ignorance on my part.”

Finally, one Accountant asked how Koreans could make good business partners with foreigners if they could not address regional tensions within Korea. He noted, “I used to work in Korea and all of the people in my department came from the same region in Korea as the boss. I asked whether he would ever hire someone from a different part of the country. He replied negatively. So if Korea cannot reconcile its own regional problems it is hard to see how they will be able to include foreigners in an effective manner. That said -- it might be easier for Koreans to include foreigners than someone from a different part of the country.”

The thirteenth question asked respondents, as consumers, how would they rate South Korean products compared to five years ago (1 indicating products offering much less value and 10 indicating products offering much more value.) Here, we saw one of the clearest opinions of the entire survey in the form of a 7.65 mean and a very small 1.51 deviation. Only six out of 159 respondents answered under 5 and over 90% answered over 6, with the majority in the 8-10 category.

As a Correspondent for a National Business Newspaper noted “I have a very good opinion of South Korean products, and buy them regularly. I view Made In Korea as a mark of quality and impressed by the wide range of things that Korea is shipping out to the USA - not just electronics, but clothing, paper goods, furniture, other stuff. It's all good, better than most exports.” A Corporate Attorney expressed a similar view stating that there had been “Significant improvements in reputation of Korean autos, mobile phones and electronics.” This outlook was also endorsed by a Correspondent, for a National Business Magazine who noted, “Korea has effectively moved from being just a mass-producer of standard products to a more innovative creator of quality, higher-tech goods and services.”

Within this almost totally positive sentiment there remained real concern. Given the desire of investors to see continuing incremental improvement, the comments of one Economic Professor who noted “Already five years ago they provided substantial value, so I don't see a lot of room for improvement, especially as wages rise relative to those on the mainland.” A Magazine Publisher expressed another difficulty that Korean firms will have to overcome, commenting, “With the exception of some Samsung products, never use Korean products consciously -- indicating lack of profile in the market.”

One Technology Consultant attributed many of the problems of Korean companies to their tendency to try to go it alone. He noted ““ You have to build

on your strengths. Certainly the Korean auto industry is very strong and they need to leverage that. The electronics industry is also important. Samsung has taken the lead. Their technological leadership wins but not labor cost. A problem is that they try to do it all alone. Japan went through that phase about 15 years ago where U.S. companies would come and say we are small and have the best component. And these companies tried to be vertically integrated and self-contained saying maybe you do but we will continue to source from our own family. But they ultimately realized they could not be entrepreneurial in every technological area and to build the best they needed the best and had to go outside. It takes awhile for that to happen. That is mostly relevant to larger companies. One of the issues here for Korea is that it is not transparent in the mid-tier as to who the players are? Are they willing to work with outsiders? It is not clear and as a result we do not pay much a lot of attention to Korea. International business means more cooperation and alliances. It is a necessary precursor to real vibrant international trade.”

The fourteenth question was open-ended and asked respondents how they viewed the underlying strengths of the Korean economy. Ninety respondents answered with most emphasizing Korea’s high educational capabilities. Many also referred to its ambition and strong work ethic, manufacturing strength, speed to market and national unity.

The fifteenth was another open-ended question and asked respondents what

they viewed as the underlying weaknesses of the Korean economy. Ninety-four respondents answered with political instability, corruption, cronyism, labor issues, North Korea, xenophobia, high cost structure, dominance of large businesses appearing as frequent responses.

The sixteenth and final question was also open-ended and asked respondents to identify the primary issues and obstacles that need to be overcome as Korean companies seek to enhance their global competitiveness. Eighty-six respondents answered. In addition to the need to initiate further economic and corporate reforms, many spoke of the need to move beyond cost-based manufacturing and to open the Korean economy to more involvement by outsiders -- both in the sense of welcoming their participation but perhaps even more importantly to developing the alliances, relationships and cooperative structures that are essential in a globalizing world economy -- especially from a nation seeking to position itself as a "dynamic hub".

**APPENDIX:**

***Individual Answers to Three Final Open-Ended Questions***

***14) What would you view as the underlying strengths of the Korean economy?***

1.

Quality of production

2.

An educated, hard-working work force.

3.

educated workforce well trained workforce strong capital base stable economy stable political structure stable regional power

4.

Strong consumer demand and export opportunities to China.

5.

There is no lifetime employment concept anymore in Korean society, which has made most of the people try to be more competitive.

6.

well-educated work force, good infrastructure, entrepreneurial business culture

7.

emphasis on research and development required

8.

High levels of education, good work ethic, eager to achieve.

9.

highly educated, dedicated workers, general political stability, entrepreneurial spirit, recent economic reforms

10.

Work force Educational levels Quality of products Infrastructure

11. Diligent people with good education.
12. technical capacity in depth, low level of under productive work force, diminishing power corruption
13. Commitment to education and training.
14. abilities in technology, work and education ethic, export potential
15. Practical technology at an affordable price
16. A well-educated, productive workforce with a strong work ethic and willingness to continually manage process improvement and use of technology show what a country can do to raise itself to be a world-class business player.
17. work ethics, education
18. Quality work force Incentives Relatively liberal trade environment  
Close relations with the United States
19. Educated and hardworking labor force Gov't support for economic growth
20. Educated population
21. quick adaptation to market
22. Educated work force
23. Educated, motivated work force.



**24.**

The ability of the Korean people to work together for their nation. They think and plan for longer, national objectives rather than lurch from one immediate opportunity to another.

**25.**

- young, highly educated workforce

**26.**

work ethic, innovation, highly educated workforce

**27.**

VERY GOOD . But the need to develop viable regional capabilities is important and Korea's relationships with China is proving constructive and profitable

**28.**

Industrious, efficient.

**29.**

Educated, dynamic, young generation of business people

**30.**

Dynamic power the wage of R&D part is still low level.

**31.**

Education and diligence of the Korean people.

**32.**

Hard working labor force, political stability, and export orientation.

**33.**

Potential to complete reforms if government makes it a priority.

**34.**

A people with intelligence and an incredible work ethic who are amongst the most progressive and best educated in Asia.

**35.**

A history of economic growth, a well educated increasingly cosmopolitan population, and some demonstrable success in addressing corporate and government reforms though more needs to be done.

**36.**

Good labor force and ingenuity.

37.

HARD WORK, HIGH EDUCATION LEVEL.

38.

Strong education and work ethic. Reliable workforce, quick adaptation to technology.

39.

work ethic, labor costs, competitive animus

40.

growing market strong infrastructure stable currency diversified economy

41.

Educated, export oriented, hard working

42.

Highly educated, strong workforce

43.

educated workforce work ethic history of economic success

44.

Well-educated work force

45.

Existence of Strong Corporations

46.

Cost competitiveness in certain sectors. Highly educated and motivated work force, particularly factory workers. Increasing technological innovation and R&D capabilities. Korean companies are strongly partnering with Chinese companies. While this will continue as a strength in the medium term, competition from such Chinese companies in the international marketplace is a long-term challenge to the competitive position of many Korean companies.

47.

Dynamic, good quality with more and more competitive technology

48.

Government, banks and unions.

**49.**

Research and Development Educational System

**50.**

diligent work ethic & education of labor force speed in copying new technologies proximity to china market

**51.**

Entrepreneurial vigor, strong education system, widespread on-line access

**52.**

Technological innovation, quality products, low wages.

**53.**

Strong global world class companies, intelligent work force.

**54.**

Highly educated population Strong work ethic Imagination and inventiveness

**55.**

The greatness of your elementary , and high schools

**56.**

Technology education of workforce

**57.**

Quality of the educated population, reasonable trend toward better business practices, and generally favorable location for Asian/Pacific enterprise.

**58.**

Hard worker, lot of focus, very good education, strong internal demand

**59.**

Well-educated workforce, recent restructuring of business, good cost structure and exchange rate

**60.**

Well-established corporations with international reach; an educated workforce; ambitious business leaders who recognize importance of becoming more innovative.

**61.**

Education base

**62.**

Strengths include education, a system that works pretty well, improving competition, openness, and corporate governance

**63.**

Govt. reforms promote private sector initiatives; As a developed country, strong consumer demand/supply component which fuels the economy; Efficient manufacturing plants; Good educational system that breeds competent managers and appropriate level of R&D; Continued strong GDP growth; Adequate currency reserves and capital to sustain growth and to bolster the economy against any economic hiccups

**64.**

the people

**65.**

Literacy rate/education; location; entrepreneurship; relatively high English ability; relatively sound government; a free press; strong R&D; friendship with China.

**66.**

its drive to match with Japan and its geographical position v. China

**67.**

Strong labor force

**68.**

high-educated people top-class technology diverse, rich and mixed culture

**69.**

Resourceful, hard working, determined, highly educated people; technological innovation; strategic geographic location; government promotion of business; loyalty of expatriates

**70.**

Technology Absorption and Quick Growth, Developed and Functional Infrastructure, Quicker wind up of sick industrial units.

**71.**

Very high education level, strong ambitions and great energy of average Koreans, motivation to overtake Japan as a continuing driving force (which is helpful economically while being destructive diplomatically)

**72.**

Education and self-discipline of its population.

**73.**

Highly competitive in several basic industries. Productive labor force. Strong export capabilities.

**74.**

Human productivity.

**75.**

Strong work ethic Highly educated and disciplined workforce Korea Inc. business culture Competitive exchange rate Export culture Quality manufacturing standards

**76.**

The hard work ethic of the Korean people coupled with the strong educational system built in the last 50 years are most important.

**77.**

They can make products that work. Design is becoming world-class.

**78.**

educated populace, strong work ethic, relationship and geographic location vis-à-vis China

**79.**

Education, discipline, ambition.

**80.**

Hard working people, savers, educated.

**81.**

Korean willingness to take a competitive edge to work hard to achieve that goal

**82.**

Very educated workforce. Investment in infrastructure

**83.**

Highly educated work force still strong can-do spirit Strong entrepreneurial spirit

**84.**

High level of education and Confucian work ethic

**85.**

regional sphere

**86.**

Innovation, ability to make products not only cheaper but better, high-quality materials, good brand recognition, educated population, the feel of a first world country usually.

**87.**

1) Superbly educated work force. 2) Fierce determination to succeed. 3) Corporate management gradually improving. 4) Excellent geographic location.

**88.**

Focus on beefing up R&D and competing with Japanese companies. Sony/Samsung tie-up was historic.

**89.**

TECHNOLOGY, PRODUCTION PLATFORM

**90.**

Work ethic. Population homogeneity. R&D. Quality control.

## *15) What would you view as the underlying weaknesses of the Korean economy?*

1.  
Low service sector productivity, poor leadership
2.  
Lack of political development and the strong, traditional relationship between large conglomerates and the government.
3.  
competitive posture vis-à-vis Japan N. Korean issue
4.  
Leadership stability, consumer debt and labor unrest/power to disrupt.
5.  
The education system gets worse and worse.
6.  
political risk, touchy Korean nationalism, a poor credit culture in the financial sector despite reforms in the aftermath of the 1997 crisis, and somewhat poor transparency and disclosure from parts of the business sector.
7.  
xenophobia for overseas investment, but excellent in pursuing export strategies
8.  
Not clear how innovative the economy is, although at this point in its development it may not need to be innovative.
9.  
political influence on financial system, excessive borrowing, political instability, anti-Americanism
10.  
Political Instability Regulatory problems Government role in private sector corporate governance issues
- 11.

Political instability.

**12.**

legacy power corruption, limited resources, limited domestic market base

**13.**

International community's perception that the Korean government and business leaders are not totally committed to real economic reform.

**14.**

N Korea and potential vulnerability, government and business corruption,

**15.**

Industrial disputes

**16.**

Tradition of business cronyism.

**17.**

oligopolies, narrow-mindedness

**18.**

Political uncertainty created by No. Korea Economic challenges from China

**19.**

Political instability, particularly regarding North Korea

**20.**

Corporate greed

**21.**

instability of political situation

**22.**

Corruption

**23.**

Too many layers of distribution. In health care, arbitrary pricing.

**24.**

It's over dependence upon global trade as opposed to focusing more



upon regional (east/southeast/south Asia) opportunities. the US pressure to deal with NK through confrontation rather than diplomacy disallows a reconciliation on the peninsula that would greatly help both SK and NK.

**25.**

- same as global weaknesses - too heavy a reliance on unlimited growth of consumption

**26.**

cronyism, government-business ties that have caused poor decisions

**27.**

Overly nationalist . Need a proper mortgage market to be developed to stabilize the housing markets . The present 3 year bullets are nor sustainable in the longer term

**28.**

Not effecting major reform soon enough or to enough of a degree.

**29.**

Still too much preoccupation with national interests and market.

**30.**

high labor cost

**31.**

Closed, corrupt, crony-based system of corporate and political governance.

**32.**

Inflexible labor unions, too nationalistic a world view.

**33.**

Chaebols quash the ability of independent companies to operate on a fair playing field.

**34.**

Instability of government with potential for NK to take advantage.

**35.**

The need for long standing barriers that were needed in an earlier time to begin to come down.

**36.**

Periodic risk concentrations in some sectors (ex. real estate, consumer debt), the need for greater transparency in corporate and regulatory reporting, tensions with North Korea, and competition with China.

**37.**

Lack of innovation.

**38.**

KOREANS ARE CRAZY!

**39.**

Unpredictability of North Korea and the inability of the South Korean Government to develop an acceptable strategy (either diplomatic or military)

**40.**

size (small), degree of competition (China, Japan), global competitive factors (commoditization, transparency of information, demographics)

**41.**

corporate monopolies, undue influence of union's paucity of English-speaking population relatively unstable government

**42.**

Language and R&D theft

**43.**

political turmoil with the north

**44.**

lack of economic reform, especially at corporate level

**45.**

political system government regulation threat from the North

**46.**

complete lack of transparency; labor unions; lack of political stability and regional fractionalism.

**47.**

Relations with North Korea and other neighbors

**48.**

Labor unrest at the moment is a problem. In the long run, the balance which will be struck (in the marketplace) between the strength the

Korean economy will derive from Chinese markets for its products and collaboration with Chinese enterprises on the one hand and the competitiveness of Chinese exports and competition from such Chinese enterprises in the international marketplace on the other hand is uncertain. How that balance is struck will have a great deal to do with the long-term competitiveness and strength of the Korean economy. My expectation is that, on balance, the expansion of Chinese trade will benefit the Korean economy -- Korea may garner a thinner "slice of the pie" of international business as a result of Chinese competition, but the pie will be bigger. The strengthening of Korea's domestic market/consumer demand is also a positive.

**49.**

unresolved tensions with North Korea followed by labor and domestic unrest

**50.**

Labor becoming higher priced and social dissatisfaction rising

**51.**

Government, banks and unions.

**52.**

Present and Potential Political Instability

**53.**

protectionism poor economic leadership corruption

**54.**

Language barrier, customer service orientation, strategic vision

**55.**

Cost of doing business, lack of transparency and market mechanisms, over burdened debt, lack of foreign international professional consultants (such as attorneys and the like), social and economic uncertainty due to North Korea.

**56.**

corporate governance, lack of shareholder rights. e.g. SK corp. etc

**57.**

Corruption Government uncertainty Need for greater openness  
Regionalism

**58.**

Not enough advertising abroad

**59.**

labor unions consumer debt slow pace of economic reform

**60.**

Immature political and institutional development; vague priorities of external policy (US and inter-Korean vs. China/Japan/world at large).

**61.**

corruption issues and anti-Americanism

**62.**

re unification with North Korea will cost and slow down economy (lesson from West and East Germany)

**63.**

banking system, conglomerate business without focus on core strengths, weak govt commitment to reforms.

**64.**

Weak government; incomplete economic and corporate reforms; labor force that's often inflexible; a substantial overhang of consumer debt; undertones of economic nationalism.

**65.**

Government instability

**66.**

Excessively strong labor unions, poor infrastructure for labor mobility, weak bankruptcy system, corporate governance that needs even more improvement

**67.**

Banks not willing to fully write off bad debts of their clients, particularly those of the influential cheobols; Strength of labor unions (particularly the militant one); Traditionally has been dependent on China as a large export partner

**68.**

debt

**69.**

Labor militancy; relatively closed market; concentration in the chaebol; restive politics.

**70.**

Xenophobia, labor relations

**71.**

Political instability

**72.**

political instability the presence of North Korean itself, not as one of the axle of evil. The US' intervention in Korea's policy and economy Adverse economic environment surrounded by Japan and China.

**73.**

Poor reputation for business and government ethics; North Korean tensions; inefficiencies resulting from lack of transparency, favoritism, over-dependence upon brand names rather than demonstrated ability, and entrenched corporate cultures; accepting poor business and legal advice; competition from lower-wage nations; lack of diversity in the economy

**74.**

Managing Chaebol and Cultural attachments to individual's businesses.

**75.**

its xenophobic hang-ups against foreigners, Japanese in particular and, to an increasing degree, against Americans. Also, prospects for political instability for the short-term (up to 10 years). Biggest worry, however, is what would happen to South Korea if the U.S. attacks North Korea to end its nuclear development

**76.**

labor unrest and worries about N.K. (both military and human relations, e.g., family separation)

**77.**

Ability to remain competitive in volatile exchange rate environment.

**78.**

Political instability. Cultural incompatibility.

**79.**

Dominance of the Chaebols Political/business corruption and cronyism Weak and undisciplined finance sector Social divisions between capital and labor. Large military costs Poor human rights

**80.**

Outmoded industrial structures and unionized labor's outmoded view of market economies and the role of corporations. There is unnecessary conflict in the area of labor when better win-win alternatives clearly are available.

**81.**

Poor technical service, poor customer service, poor language skills, poor firmware designs. Unstable government.

**82.**

Dependence on regional and world economy, but there is no escaping that; there is no ability to have a vibrant economy based only on domestic demand.

**83.**

Poor labor relations, lack of entrepreneurship, red tape and corruption.

**84.**

Emotional attachment to North Korea (could ruin everything they've built), overestimate of own importance on world stage, unfounded arrogance

**85.**

the big and cheaper producing neighbor

**86.**

Too much dominance by family ties.

**87.**

The instability in industrial relations. The inability of the political system to resolve social conflicts. The instability in inter-Korean relations. The rise of China as an investment magnet which causes Korean and foreign firms to reduce investment in Korea.

**88.**

Corruption and confrontational politics

**89.**

competition from emerging economies in the region

**90.**

Inability for small businesses to thrive due to the continuing presence

of the chaebol and all the dampers they place on competition. Miserable-looking accounting scandals at some former high fliers, too.

**91.**

1) Political instability, corruption. 2) Sometimes difficult management-labor relations. 3) The long-run threat from Mainland China.

**92.**

Too many big companies, not enough SMEs.

**93.**

LABOR UNIONS, COMPETITION FROM CHINA AND TAIWAN

**94.**

Political corruption adversely influencing internal & external business confidence.

*16) What are the primary issues and obstacles that need to be overcome as Korean companies seek to enhance their global competitiveness?*

1. Better marketing skills (but this is being solved)
2. marketing/branding -- lack of any luxury brands
3. Union power. Corporate transparency.
4. - how to secure top quality people - how to incentivise those people - sort our labor union issues - how to improve transparency
5. Better transparency and disclosure of financial information
6. greater collaboration with businesses outside Korea, including investment.
7. I don't know enough to answer.
8. stable domestic labor relations, removal political influence in financial system
9. Political stability, Corporate governance
10. The quality of their products and aggressive market plan.
11. stronger linkages of technological production capacity to lower cost production units elsewhere and to marketing entities in emerging markets
- 12.



Their commitment to real economic reform.

**13.**

Language barrier and integrity

**14.**

North Korea

**15.**

openness for the world

**16.**

Contain labor costs Stress innovation Seek economic alliances

**17.**

Visibility as joint venture partners

**18.**

It is crucial to focus on cultural awareness. Korean companies should try everything possible to present themselves as reliable partners.

**19.**

Quality issues vis-à-vis Japanese products; perceptions of Korea as being a secondary producer

**20.**

In my dealings there seems to be a real difference in what is a "fact". To a Korean businessman, a "fact" is what he wishes it to be versus a basis point for further discussion. Data is ignored if it is not supportive.

**21.**

Ala Taiwan, less reliance upon larger jaebol structures and more emphasis upon middle sized businesses.

**22.**

move further from ties to government

**23.**

Reform of the corporate and bureaucracy network. It precludes long-term development of the country in the Region unless it is undertaken

**24.**

Economic and cultural environment is often extreme. Moderation would allow things to appear if not become more sustainable. Also, it seems that ties between the government and big business still cross

the lines of propriety.

**25.**

Language

**26.**

transparency

**27.**

Same answer at 15)

**28.**

National Treatment. Treat foreign portfolio and direct investors the same as Koreans.

**29.**

Labor market flexibility.

**30.**

Corruption and bribery large obstacles in Korea business...government.

**31.**

Korean companies must be able to enter Win Win relationships with International companies so that each expands their markets and each is allowed to properly profit from their efforts.

**32.**

A more responsive, transparent corporate structure.

**33.**

Less corporate corruption and better financial management of companies.

**34.**

PEOPLE AND BUSINESS NEED TO HAVE AN UNDERSTANDING AS TO WHAT EACH CAN DO FOR THE OTHER.

**35.**

Any government interference regarding balance of trade (i.e. sanctions) and any long-term concern regarding the economy.

**36.**

How to deal with China and its impacts on the region and geopolitical relations.

**37.**

economic reform political stability more pro business regulatory climate far greater use of the English language

**38.**

Language and R&D patent protection

**39.**

Cost need to be competitive with India and Eastern Europe

**40.**

see 15

**41.**

liberate the local economy stabilize and reform political economy

**42.**

transparency; accounting issues

**43.**

Expansion to nearby countries - China, North Korea, Russia (especially)

**44.**

See answer to 15 above.

**45.**

Increase technology use to reduce production costs in all areas including government. Go for higher value markets and differentiate with quality and flair. Establish Korea as a "flair" producer to distinguish clearly from China.

**46.**

bureaucracy

**47.**

poor corporate governance total lack of transparency rigid hierarchical corporate structures belligerent unions

**48.**

Manufacturing success is no longer primarily a price/performance metric. More complex user-friendly design, better customer service. personalized products and Network Age integration require new visionary talents.

**49.**

Transparency, technological innovation, transparency, market driven business decisions, transparency.

**50.**

takeovers should be allowed more easily. shareholders rights

**51.**

all noted on questions above Korean companies carry with them their countries problems

**52.**

Openness Greater acceptance of outside views and ways of doing business Excessive government interference and control

**53.**

More positive advertisement, and solve the N.Korean problem

**54.**

quality of products long-term durability of brands (from mass market to niche high value)

**55.**

Inflexible local labor practices; highly centralized control and real barriers to completion for the enterprise in general - Chaebol and Blue House central controls and protection.

**56.**

better communication

**57.**

more focus, R&D and commercial relation ship with other players in order to penetrate market faster

**58.**

corporate governance, management techniques, over indebtedness

**59.**

Improve corporate governance, ranging from more transparency in accounting to ownership structure. Adopt a genuine global outlook, rather than seeing issues mainly in terms of good and bad for Korea. (The U.S., to be sure, is still struggling with this issue.) Overcome inflexible labor practices, regional and class distinctions that hobble society, and find more constructive ways to settle domestic political

differences and reach consensus.

**60.**

Better legal interface with rest of world

**61.**

Cost structure high (vis-à-vis China) Real banking reform re: to bad debt that needs to be restructured Chaebols need to be more efficient, less driven by debt for capital needs and open to more equity investment; Also, need for outside executive mgmt., not solely entrenched family structures; Better corporate governance, more outside directors on the Boards.

**62.**

Building stronger brands; building global alliances

**63.**

Made in Korea still not "chic"

**64.**

Political instability and earn international communities trust through open and honest trading and strong implementation of ethics.

**65.**

the cooperation with North Korea politically and economically. Political and Corporate reform

**66.**

Korean companies seeking to do business in the US need to become more sophisticated about the US business and legal environment. Korean companies and investors in Korea and abroad need to act in a more collective and unified manner in order to compete effectively with companies from other countries.

**67.**

Indigenous sub assemblies and assemblies out sourcing at all foreign manufacturing and assembling units, Independence from CKDs (completely Knocked Down Kits) from S.Korea.

**68.**

I am not qualified to answer this question.

**69.**

don't know.

**70.**

Flexibility and balance between domestic manufacturing within Korea and establishment of foreign-based manufacturing facilities. Presenting an image of the Korean company as a truly multinational company rather than as a domestic Korean company seeking an enhanced role in export activity.

**71.**

World government. Socialism. Productivity. Terrorism.

**72.**

Break up Chaebols Clean up finance sector End corruption, cronyism and nepotism Shift economy to meritocracy culture Invest more in high end R&D Put profit before nationalism Vacate or export low-end industry to China Better international promotion of Korea as a desirable brand of origin (essential to create buyer preference over Chinese goods)

**73.**

They need to shake off a certain narrow-mindedness and lack of agility that comes from the historic structure of companies and of the role of families in industrial structure. Korean companies are not agile and creative in constructing mutually beneficial relationships with firms in different countries.

**74.**

Stabilize the government. Learn how to write functional firmware. Translate documentation into proper American English.

**75.**

Corporate reform, more transparency, becoming more reliable partners (too many companies do not take contractual obligations seriously enough)

**76.**

Eliminate cronyism and embedded unions. Connected people get very rich without delivery of value. Unions damage progress in global competitiveness.

**77.**

convince partners, that investing in Korea will be as interesting as investing in China

**78.**

Need to become more corporate.

**79.**

The need to improve industrial relations. The need to improve corporate governance and protect minority shareholders' rights. The need to invest more in R&D. The need to cultivate their staff into highly competent work force with language and managerial capabilities.

**80.**

Long-term, sustained investment in R&D, global foresight.

**81.**

accounting standards. divest cross- holdings.

**82.**

More new companies. Strengthen property rights to ensure good capitalization. Encourage more Koreans to travel, and encourage more Korean cultural exports so that the US public increases its appreciation of Korean things.

**83.**

Some are beginning to establish strong brand franchises, but some have a considerable way yet to go. Eventually I believe more offshore investment will be required to hurdle trade barriers and compete with low Southeast Asia wages.

**84.**

More tax incentives for entrepreneurs, better PR to the outside world

**85.**

BRANDING, QUALITY COMPARISONS, PARTNERSHIP STABILITY

**86.**

Parochialism. Anti-Japanese feelings. Image of S Korea as US satellite. More flexibility in their approach to international commercial negotiations.