



## Book Review

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Jasper Kim (2005). *Crisis and Change: South Korea in a Post-1997 New Era*. Seoul: Ewha Womans University Press.

*Nada Chunsom*\*

*"Crisis is a catalyst for change."*

Jasper Kim (2005: 10)

## Book Overview

It had been about a decade since the 1997 Asian Economic Crisis, the 'Tom Yum Kung' crisis. Many changes have occurred, especially in the economic and financial structure, occurred in Asian Countries. South Korea is a good case study to see how well the South Korean government has done in their "crisis response." During 1999, the economy of South

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Korea experienced a strong rebound from the previous slump, generated by the financial crisis in 1997. The book, *Crisis and Change: South Korea in a Post-1997 New Era*, presents a post-1997 South Korea “crisis response” theory, relating four subjects of concern. *First*, it explains that South Korea faced a direct crisis confrontation in the form of the 1997 Korean Financial Crisis from an economic perspective. Especially, the economic crisis and corporate restructuring in South Korea provided a board overview of the impact of the 1997 Korean Financial crisis relating to Korea’s large corporate conglomerates, known as *chaebol*. *Second*, the South Korean government took both reactive and proactive measures across its “seven critical sectors” of economic policy, law and legislative activity, political ideology, foreign policy, social changes, infrastructure, and education. *Third*, such fundamental internal restructuring efforts, strategically leveraging new technologies, were enacted by Korean policymakers in order to resolve the crisis in the short term, and further, to strengthen the Korean Republic’s position in the medium to long-term, to position itself as a relevant player in the international community. *Finally*, the 1997 crisis represented both a critical and necessary event in institutionalizing such sweeping changes across the nation’s seven critical sectors.

The book is divided into ten chapters and two addendum chapters. *Chapter 1*, The Old Order Republic (Pre-1997), examines an overview of the pre-1997 Old Order Korea, discussing the need for greater progress and reform in seven critical sectors. This chapter shows that pre-1997 Korea, though, experienced progress in these several sectors from 1945 to 1997. Such progress was quite slow, however, and changes occurred that reinforced the structures that needed to be reconstituted and transformed with the strategic use of technology.

*Chapter 2*, *The New Era Republic (Post-1997)*, mentions that during the 1997 Korean Financial Crisis, Korea faced a situation similar to the U.S. and during Meiji era Japan. Besides, the chapter points out that the year 1997 in South Korea marked a fundamental threshold point that clearly distinguished old from new in terms of economic policy, law,

political ideology, foreign policy, social perspectives, infrastructure, and education, mainly due to South Korea's direct confrontation with the crisis—which was the impetus behind its solution across the majority of the country's critical sectors vis-à-vis the implementation and use of technological innovation. The country's sweeping changes in each critical sector are clearly elaborated in the chapters following.

*Chapter 3, The Economic Policy*, points out that South Korea's economic policies during the pre-1997 Old Order were marked by a national economy heavily dependent on large corporations within a larger crony capitalistic framework, whereby the free market forced did not freely work. After the 1997 crisis, however, the post-1997 New Era, the national economy's dependence on large corporations lessened and free market principles were allowed to become greater in power mainly due to deliberate measures taken by the Korean government to liberalize and deregulate the economy. Moreover, one big helper employed in order to ensure such rapid change in this New Eras in the Korean economy was using technology to link Korean markets to the rest of the world's markets.

The chapter shows that the South Korean Government has taken many measures in order to move from the Old Order to a New Era in which a fundamentally different economic policy would obtain. These measures include strengthening the financial sector, corporate restructuring, capital market liberalization and foreign investment promotion, international trade liberalization, and nation-building technology.

*Chapter 4, The Law*, focuses on several substantial changes in the law sector. The chapter shows the fact that there were so many news laws introduced in post-1997 Korea compared to the pre-1997 Old Order period. Since Korean has undergone significant changes in terms of its economy, politics and government since the 1997 Korean financial crisis, such visible reforms would not be effective without the implementation of new laws or amendments of old ones.

First, the main focus of the South Korean government was to introduce new laws that improved transparency in several other key sectors. For example, the Securities and Exchange Act was amended in 1998 in order to legally enhance the transparency and responsibility of corporate management.

Second, the South Korean government amended several laws in order to legally support the post-1997 corporate restructuring, such as the 1999 Corporate Reorganization Act, the 2000 Bankruptcy Act, the 1998 Monopoly Regulation and Fair Trade Act, the 1998 Corporate Tax Act, and the 1998 Asset Reevaluation Act. Such laws promoted reforms to build a solid corporate structure and to avoid the downsides of insolvency.

Third, the government amended and enacted many laws to promote foreign investment. For instance, the Foreigner's Land Acquisition Act was amended in 1998, and the 1998 Foreign Investment Promotion Act was enacted, in order to further trade liberalization and to facilitate foreign investment in Korea.

*Chapter 5, The Politics*, discusses several fundamental differences regarding Korea's political ideology before and after the 1997 financial crisis. First, the 1998 election of President Kim Dae-jung marked the first time that a South Korean president did not come from South Korea's traditional Gyeongsang provincial region. Second, the impeachment attempt against President Roh Moo-hyun epitomized a new era of political thinking in that the office of the president was no longer considered untouchable, or at least, was less deference. Third, the elections in April, 2004 reinforced Korea's New Era in that 1) the election resulted in the highest number of female representatives ever in the National Assembly; and 2) the voting constituency involved a significant proportion of younger citizens participating in the democratic process.

Beside those three issues mentioned, the chapter points out that technology, such as widespread use of the Internet and mobile phones to disseminate information and mobilize people, played an instrumental role in reconfiguring the new political landscape.

*Chapter 6, The Foreign Policy*, points out that the shift in political ideology also paved the way for a restructuring of South Korea's foreign policy during the New Era. South Korea during the post-1997 New Era was facing both challenges and opportunities to establish itself as a more self-reliant independent republic. Compared to the pre-1997 era, which was more subject to non-equal status and treatment with respect to foreign policy matters with the U.S., South Korea's foreign policy stance during the post-1997 era shifted towards a more equal footing with its Western counterpart. The "sunshine policy" of former President Kim Dae-jung and the continuance, in substance, of such policies by President Roh Moo-hyun, often directly clashed with the Bush administration's policy of non-engagement with North Korea, thus symbolizing a South Korea foreign policy separate and distinct from the U.S.

*Chapter 7, The Social Change*, discusses the idea that several social changes were prominent during South Korea's New Era. *First*, the remarkable growth of the IT industry has brought about the advent of the "digital" and "Net" generation. The "digital" and "Net" generation produced their own cultural contents by using advanced IT devices such as PCs and the Internet.

*Second*, various international acclaims relating to South Korean figures and events sparked a new sense of Korean national pride and identity. For example, former President Kim Dae-jung's Nobel Peace Prize award and the 2002 FIFA World Cup Korea-Japan represented two underlying events that brought South Korea to global attention.

*Chapter 8, The Infrastructure*, provides a clear picture that the South Korean government, using advanced technology, has also taken several measures to improve the

nation's infrastructure to match the needs of the New Era. Examples include the implemented high-speed rail system, a new international airport, e-government, and the continued support to further advance Internet technology and to ensure Internet access from every corner of the country.

*Chapter 9, The Education,* demonstrates the major transformation of the educational system during South Korea's post-1997 New Era. One distinguishing factor between the pre-1997 Old Order and the post-1997 New Era educational system is the focus on providing education predicated upon global standards and using the global business language--English. Moreover, in order to adapt education to the Information Age, in which computers are prevalent and information has become the crucial component in the knowledge-based society, the South Korean government established a fundamental educational infrastructure suited to the Informational Age and put efforts into adapting schools, teachers, and administration to the Information Age.

*Chapter 10* provides a view of South Korea's future prospects, and discusses several factors that will effectively allow the New Era Republic to become a highly relevant player in the future, such as advanced technology capabilities, a highly skilled workforce, and an intense ability to adapt rapidly to changing global needs and environments. It is obvious that the republic has dramatically reinvented itself to be a true global player for the new millennium.

The other two chapters, chapter 11 and 12, are addenda. They provide examples of other "crisis response theories" in Japan and The U.S. case studies respectively.

### **What is Learned**

It is quite obvious from reading the book that South Korea's "crisis response theory" has been successful. Evidence is presented to prove that when the prevailing "Hamburger" crisis erupted in 2006 from the eruption of the US's sub-prime. Surely South

Korea is not immune to the "Hamburger" crisis, as it can be seen that the equity market has sold off, and volatility has obviously increased while credit spreads have widened. Moreover, the growth of the South Korean economy is likely to be trimmed by the downturn in the U.S. economy. However, despite turbulence in the financial market and weakness in exports, South Korea's economic growth has caught up quite well. One reason is that macroeconomic fundamentals are much healthier than they were 10 years ago, due to many fundamental changes responding to the crisis during the post-1997 new era.

This book is very useful for those who would like to study economic development, especially the "crisis response" process. South Korea is such a great example to see how well the government has gone through a crisis response and has led the nation to the new millennium. Of course, there are differences among nations, but it is inspiring to learn how a nation could have done so well and shown its potentials to the global community in a short period of time.

Since the South Korea fever has been so widespread in Thailand, in order to learn more about South Korea, besides fashions and the Korean drama series, I encourage that Thai students, especially in economic fields, to read this book and learn how the country has been developed. The language used in this book is straightforward and concise to read. South Korea's experiences in terms of the "crisis response" theory presented in the book will help to motivate policymakers in other underdeveloped or developing countries in the region so that they can keep up their pace of development for the future.