In 2005, Korea marked the 60th anniversary of liberation from Japan’s colonial rule, providing an appropriate occasion to review our nation-building efforts from the ruins of war, revolution, and economic hardships.

In the past five decades of sustained development, Koreans have managed to turn their once-agrarian nation into an industrial powerhouse of Asia. Through their ceaseless fight for a broader-based government, they have obtained a vibrant democratic order backed by a thriving market-based economy. Surely, it is time for them to look to the future, not the past.

We at the Samsung Economic Research Institute share that vision. Our agenda for 2005 focused mainly on the future with a principal theme of building an infrastructure on which an attractive nation could be constructed, not just for the global community, but also for our posterity. This requires upgrading some of our archaic national institutions and practices to conform to the standards of the globalized era. In Korea’s case, it means pushing through the goal of national integration beyond the barriers of generational and regional gaps.

Efforts to attain these goals can be compressed into a single objective: pursuit of reform in all aspects of our life. For this purpose, we have initiated and implemented three overarching research projects in 2005: reform of our university system and education; transforming Korea’s corporate eco-system; and studying the impact of digitalization on Korea’s management culture and institutions.

Our work yielded some impressive results. A comparative analysis of top universities at home and abroad produced a comprehensive package of university innovation program designed to take the quality of Korea’s higher education to new heights. It calls for a fundamental overhauling of the existing approaches and systems to meet the challenge of global-age competitiveness.

We also analyzed the existing corporate eco-system in a bid to recover Korea’s once-vigorous entrepreneurial spirit. A new database on companies, big and small, has been built to scrutinize their survival and evolution following the 1997 Asian financial crisis. This research will continue to generate a high level of public interest as examination of the existing corporate environment offers new insights on how the private sector can regain its once-vigorous impetus.

Finally, we managed to secure the participation of academic and business community in examining the impact of digital age on Korea’s economy in general, and especially on industrial and corporate management. A number of large seminars and conferences were held last year to enlist the help of relevant experts in this field.
Hand in hand with this internal agenda, our outward-looking strategy also bore fruit. On top of our Korean- and English-language websites dealing with Korea’s business and economy, we successfully launched a separate Japanese-language website in 2005. The launching of SERIJapan.org not only contributes to the rising volume of business between Japan and Korea, but also promotes bilateral cultural exchanges. Notwithstanding our troubled relations in the past, we share a unique cultural heritage based on Confucian tradition. Our website is meant to broaden and deepen our understanding.

As part of globalization efforts, we formally unveiled Samsung Economic Research Institute Beijing Representative Office, dedicated to studying the dramatic growth of China’s economy. Also in collaboration with the Korea Trade-Investment Promotion Agency (KOTRA), we started a new research program to better comprehend the fast-developing economies of Brazil, Russia, India and China.

As these projects demonstrate, our commitment to deepening Korea’s engagement with the rest of the world moves vigorously ahead. One indication of our success comes in the growing number of visitors to SERI.org website, which has now surpassed the 1-million mark. It means a lot more work awaits us in 2006.

With best wishes,
# CONTENTS

**President’s Message** ............... 02

**Korea Economic Review** .......... 05

**SERI Activities** ................... 23

- Research Calendar ............ 24
- Symposium ....................... 26
- Seminar & Forum ............ 30
- Publications ................... 34
- SERI@Net ....................... 36
- Creative Solutions ............ 38
- Top Ten Hits of 2005 ........ 39
- About SERIChina ............. 40

**About SERI** ....................... 43

- History ......................... 44
- Mission & Vision .......... 46
- Research Areas ............. 47
- Consulting Areas .......... 48
- Organization ................ 49
Korea’s Economy in 2005

It was a year of hope as well as uncertainty. In 2005, Korea’s exports posted a double-digit growth in spite of unfavorable international environments, thanks to relentless corporate restructuring and management innovations following the Asian financial crisis of 1997. As reform efforts bore fruit, major Korean companies began reaping benefits by becoming more competitive on the international marketplace.

And for the first time in three years, Korea’s exports and consumer spending grew simultaneously in 2005. It was encouraging that Korea’s recovery was being fueled by improved economic fundamentals, rather than by the government’s pump-priming efforts. It raised optimism for a sustained growth of the Korean economy in the years ahead.

Factors of instability also surfaced. Economic resilience was weakening. Certain leading industries exhibited only limited spillover effects over the rest of industrial sectors, and corporate earnings performance showed wide discrepancy. Neither the government nor the private sector was good in finding and fostering new engines of growth. The paces of restructuring in the small business sector, in agricultural industry, and traditional retail markets were slow and insufficient. As a result, Korea’s economy failed to create a virtuous cycle in which output growth in one sector led to further growth in other sectors. That hobbled Korea’s growth beyond 4%, keeping it below its potential growth rate.

I. Review

The following are highlights of economic performance:

The GDP grows at the relatively low 4%, but recovery is seen from the second half

Korea’s economy headed upwards after hitting the trough in the first quarter of 2005. It grew at the annual rate of 4% in 2005: 3% in the first half of the year and 4.9% in the second half. But the annualized rate was way below the potential growth rate of 4.8%.
Domestic demand finally emerged from a slump that had started in 2003, fueling the pace of recovery. It accelerated in the second half of the year. Financial markets responded positively to the recovery. The benchmark KOSPI and tech-heavy KOSDAQ each soared to record-high figures, surpassing the 1,300 and 700 points, respectively. The combined market capitalization of these two markets surpassed the 700 trillion Won mark, with the KOSPI and KOSDAQ's market cap running in excess of 655 trillion won and 70 trillion won respectively as of December 29. In the bond market, the Bank of Korea's Monetary Policy Committee raised the benchmark overnight call rate twice in 2005 – by 25 basis points each time in October and December – triggering the market rates to rise to more than 5%.

**Stock Prices and the Economy**

![Graph showing the coincident index of macroeconomic indicators and KOSPI stock prices]

**Note:** The coincident index of macroeconomic indicators is a measure of current economic conditions

- **A:** The Korean Government Employees’ Union goes on strike
- **B:** Southeast Asian countries hit by earthquake
- **C:** Macroeconomic indicators including consumer sentiment index rise
- **D:** Kyoto Protocol enacted
- **E:** Won-dollar exchange rate falls to below 1,000 Won per US dollar
- **F:** Terrorist bombing in London
- **G:** The six-party talks resume
- **H:** Oil prices, in terms of West Texas Intermediate, soars to near US$70 per barrel
- **I:** Hurricane Katrina hits the US
- **J:** The Bank of Korea raises overnight call rate to 3.5%
- **K:** The US Federal Reserve raises its target rate to 4%
- **L:** Korean Air’s unionized pilots stage a large-scale strike
Korea solidifies its position as a major trading nation, with trade volume reaching US$500 billion

Merchandise exports rose 12.2% in 2005 year-on-year to US$284.7 billion, posting a double-digit growth for the third consecutive year. This resulted from improved competitiveness of major industries including information technology, automobile, shipbuilding and steel industries. The robust export performance was reminiscent of the performance in the mid-1980s, when Korea’s economy boomed on the strength of low interest rate, low oil prices, and a weak US dollar.

Merchandise imports totaled US$261.2 billion in 2005, up 16.3% from the same period last year, bringing the total two-way trade volume to US$545.9 billion in 2005. It had taken just a year for Korea’s total trade volume to surpass the US$500 billion mark after topping the US$400 billion mark in 2004. That placed Korea 12th on the global ranking among major trading nations, behind the world’s largest trading nations in the G-7 group, China, the Netherlands, Belgium and Hong Kong.

Korea’s Trade Volume

<table>
<thead>
<tr>
<th>Year the nation reached such levels</th>
<th>US$100 billion</th>
<th>US$200 billion</th>
<th>US$300 billion</th>
<th>US$400 billion</th>
<th>US$500 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of years taken</td>
<td>1988</td>
<td>1995</td>
<td>2002</td>
<td>2004</td>
<td>2005</td>
</tr>
</tbody>
</table>

The economy’s resilience weakened

For all that, resilience of Korea’s economy remained vulnerable. The GDP growth of 4% was lower than expected given that exports accounted for more than a half of the nation’s gross domestic product.\(^1\) From 1990 to 2000, the economy had maintained a high growth path with the help of double-digit export growth. In 2005, the economy grew just 4% despite a very strong export. The economy’s weakened resilience was probably due to inadequate workings of the virtuous cycle that had worked well in the past when export expansion led to higher investment and employment, and to more consumption. In particular, actual investment in plants and equipment has been weaker than the pre-crisis level.\(^2\)

GDP Growth Rate in the Periods of Strong Exports

<table>
<thead>
<tr>
<th>Year</th>
<th>Export Growth Rate</th>
<th>GDP Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>10.5</td>
<td>9.4</td>
</tr>
<tr>
<td>1994</td>
<td>16.8</td>
<td>8.5</td>
</tr>
<tr>
<td>1995</td>
<td>30.3</td>
<td>9.2</td>
</tr>
<tr>
<td>2000</td>
<td>19.9</td>
<td>8.5</td>
</tr>
<tr>
<td>2003</td>
<td>19.3</td>
<td>3.1</td>
</tr>
<tr>
<td>2004</td>
<td>31.0</td>
<td>4.6</td>
</tr>
<tr>
<td>2005</td>
<td>12.2</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Source: Bank of Korea, International Trade Association
II. Major Issues in 2005

Korea’s economy in 2005 was marked by (1) the bullish stock markets; (2) robust performance of major export industries; (3) increased influence of Korea’s economy on the global stage; (4) the rising housing prices and government’s policy steps to curb housing market speculations; (5) high unemployment among young people amid the rising number of aged workers; and (6) emergence of bio-industry and discussion of ethical issues. The following is the case-by-case discussion of the issues:

1. The Bullish Stock Markets

Stock markets turned bullish in 2005, with the benchmark KOSPI soaring to an 11-year-high of 1,142.99 on September 7. It kept rising afterward to surpass 1,300. The total market capitalization of the Korea Stock Exchange rose to 655.1 trillion Won on December 29, up from 412.6 trillion Won at end-2004.

The surging stock prices were unprecedented in view of the relatively low economic growth. Since the 1990s, there were two periods (A and B in picture below) when stock markets rallied for a prolonged stretch of time. These two long rallies happened when the economy was in expansionary phase in its business cycle, indicating that the economy and stock markets moved in sync with each other. Since March of 2004, however, the economy and stock prices were running in opposite directions (C in picture below).

**KOSPI and Coincident Index of Macroeconomic Indicators**

Source: Korea Exchange, Korea National Statistical Office
Two factors may explain the rising stock markets in the face of low economic growth. First, corporate profitability has improved significantly. The ratio of ordinary profit to sales revenue of domestic companies, which was 5.4% in 2003, rose to 9.4% in 2004, further increasing to 9.8% in the first quarter of 2005. This ratio slowed in the second quarter of 2005, but it still maintained a high level of over 8%. Improved corporate profitability triggered a surge in stock prices, but no sign of bubble formed on the stock market. The price-to-earnings ratio of the Korea Stock Exchange was 10.98 as of December 29, similar to the level seen in the past 15 years (1990-2004) when the ratio averaged 10.1.

Second, expectations for economic recovery have grown since the latter half of 2005. The economy grew more than 4% in the third quarter of 2005, while the leading index of macroeconomic indicators, a measure of future economic outlook, reversed upward in May and continued to rise in the ensuing eight months. The faster recovery triggered a sharp rise in stock prices. More funds flowed into stock markets, as evinced by the fact that the inflow of capital into equity-type funds recorded a 3.1-fold increase in the past year.

2. Robust Performance of Major Industries

Exports in 2005 were driven by five major industries: semiconductors, automobiles, wireless telecommunications, shipbuilding and steel. The combined export value of these five categories reached US$121.5 billion in 2005, up 12.1% from a year ago. These five sectors accounted for 42.7% of the nation’s total exports in 2005, up from 36.1% in 2004.
Despite unfavorable external conditions, the main reasons for strong exports were (1) improved competitiveness of the leading industries on the back of strong restructuring; (2) continued investment; and (3) upgrading toward higher industrial value chains.

Since the Asian financial crisis of 1997, Korea’s main industries underwent severe restructuring and only those gained competitive edge managed to survive. Even in the period of restructuring, they managed to invest in new equipment and R&D. For example, Samsung Electronics has kept investing more than US$1-2 billion each year since 2003. R&D in the automobile sector, whose amount had fallen to a third of the pre-crisis level immediately after the crisis, recovered quickly. Investment in the steel industry surged 73% in 2004, and expanded 48% in 2005. The major industries added more value to their products. Such examples included goods like flash memory chips, camera phones and sports utility vehicles.

In the semiconductor sector, high-capacity, low-cost NAND flash memory chips were rolled out to the market, which triggered a rise in the purchase of MP3 players and mobile phones.

**Factors for Improved Competitiveness of Major Industries**

- **Lead New Product Development**
  - IT Industry

- **Enhance Quality**
  - Automobile Industry

- **Develop New Technologies**
  - Shipbuilding & Steel Industries

Restructuring
Continued Investment
Advancement into New Market
Upgrading toward Higher Industrial Value Chains
3. Growing Influence of Korea’s Economy on the Global Stage

Influence of Korea’s economy in the world grew in 2005, with its financial market and the so-called Korean Wave in popular culture gaining more recognition abroad. First, the popularity of Korean pop music, drama and movies, as well as a broad swath of youth culture and lifestyle spread to China and Japan. Today, it has made a visible presence in regions spanning from Vietnam, Hong Kong, Thailand, India, Egypt, Turkey, to North America and Mexico. The Korean culture is gaining acceptance also in Russia, Eastern Europe and Mongolia.

Exports of Korea’s entertainment goods surged as well. Specifically, Korea-made TV programs and movies in the first half of 2005 rose by more than 60% from a year ago. Korean soap operas have been so popular in the Asian markets that in some cases they were sold at prices two to three times higher than those from Japan and the US. In 2005, the Korean Wave expanded from a passing fad in pop culture to a boom in Korean language learning, food, and lifestyle.

In addition, influence of Korea’s financial market in the global market grew in 2005. For example, a Bank of Korea report to the National Assembly on February 18, 2005 triggered a significant appreciation of the Korean Won against the US dollar. Since the opening of its financial market, Korea has been a massive foreign capital borrower. This situation reversed in 2005. Changes have been made in terms of strategy to manage foreign exchange reserves allowing Korea’s financial market to increase influence on the global financial market.
The main contributor to Korea’s increased influence in the international financial market was the enormous amount of foreign exchange reserves it held. As of end-2005, Korea’s foreign exchange reserves totaled US$210.4 billion, the fourth biggest in the world, and one of major buyers of US dollars. In the course of overcoming the financial crisis of 1997, Korea became a net creditor, a country whose lending was greater than borrowing. Along with Japan, China and Taiwan, Korea became one of the Asian countries capable of improving the US current account deficit. As of October 2005, the combined international reserves held by these four Asian countries claimed 51.5% of the world’s total reserves. That gave the central banks of these countries the power to decide the portion of US dollars they held in their reserves. That in effect empowered them to help shape the future direction of the US currency. Larry Summers, the former US Treasury secretary, called this leverage a “balance of financial terror.”

<table>
<thead>
<tr>
<th>Foreign Exchange Reserves of Major Countries</th>
<th>(US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>End-2003</td>
</tr>
<tr>
<td>Japan</td>
<td>673.5</td>
</tr>
<tr>
<td>China</td>
<td>403.3</td>
</tr>
<tr>
<td>Taiwan</td>
<td>206.6</td>
</tr>
<tr>
<td>Korea</td>
<td>155.4</td>
</tr>
</tbody>
</table>

Source: Bank of Korea

Note: Figures for TV programs in 2005 are estimates
Source: Ministry of Culture & Tourism, Korean Film Council

The main contributor to Korea’s increased influence in the international financial market was the enormous amount of foreign exchange reserves it held. As of end-2005, Korea’s foreign exchange reserves totaled US$210.4 billion, the fourth biggest in the world, and one of major buyers of US dollars. In the course of overcoming the financial crisis of 1997, Korea became a net creditor, a country whose lending was greater than borrowing. Along with Japan, China and Taiwan, Korea became one of the Asian countries capable of improving the US current account deficit. As of October 2005, the combined international reserves held by these four Asian countries claimed 51.5% of the world’s total reserves. That gave the central banks of these countries the power to decide the portion of US dollars they held in their reserves. That in effect empowered them to help shape the future direction of the US currency. Larry Summers, the former US Treasury secretary, called this leverage a “balance of financial terror.”
4. The Rising Housing Prices and Government’s Response

Housing prices stabilized after the government’s anti-speculation measures were put into force on October 29, 2003. But speculative dealings erupted again in 2005, prompting new concerns over overheated property market. The nationwide housing prices dropped 2.1% on average in 2004 from a year ago, but rose 4.0% in 2005. Housing prices in the posh areas of southern Seoul rose by as much as 13.5%. Furthermore, land prices continued to rise since 2004, and the price gap between different regions widened. The nationwide land price in 2005 rose 5.0% from a year ago. In particular, land prices at Yeongi-gun, South Chungcheong Province, which had been chosen as the site for the new administrative capital, surged by as much as 27.7%.

Concerned about the developments, the government announced new measures against the real estate speculation on August 31, 2005, in the form of tough tax rules to discourage speculative property dealings in the market. The new measures were stricter than the one announced in October 2003. It had the effect of cooling the market, but not bringing the price down entirely. Unlike the real estate policy in 2003, which helped the nationwide housing prices to fall, the policy introduced in August 2005 only had minimal effects in reducing the housing prices. Nonetheless, the government measures were expected to demonstrate strong impact in 2006. Aside from the aggressive tax hikes, the main reason for this outlook was the possibility of the central bank tightening up the interest rates.
5. Job Market Situation

The job market in 2005 was characterized by rising employment of aged people. The total number of employed in 2005 rose only 2.99 million from 2004. However, the number of new jobs for people over 40 years old rose 4.87 million, up 1.6 times more than the growth rate of total number of employed. In particular, the number of employed over the age of 50 accounted for 26.2% of total employment in 2005, the largest figure ever to be recorded in history. This shows how fast Korea’s job market is aging. By contrary, the number of employed below the age of 30 dropped 1.88 million in 2005 from a year ago. Worse yet, job number for people in their 20s dropped to 1.14 million.

Number of Newly Employed in 2005 by Age Group

Source: Korea National Statistical Office
The increasing employment of people in high age group indicates that Korea is turning into an aging society, and that young people alone can not meet the rising demand for workers. The number of young people aged 15-29 in Korea declined 1.95 million in 2005 from a year ago, while people over 65 years rose 2.01 million during the same period. Likewise, the welfare system for senior citizens is relatively weak compared with industrialized economies, allowing elderly people over 55 years of age to get a job for making a living. According to a survey by the Korea National Statistical Office in May 2005, more than one-third of employed people over 55 were engaged in jobs that did not require professional skills. Moreover, 53.8% or 25.66 million job seekers aged 55 or over wanted a job for a living.

By contrast, young people have difficulty finding jobs. The increasing unemployment of young workforce is mainly due to an imbalance in supply of and demand for labor. The demand for workers remains high, given that companies with more than five regular workers face shortfall of 2.25 million workers. The dilemma is that an increasing number of people are gaining more years of education, and these job seekers demand “quality” jobs. The main reason for overall reduction in unemployment despite an increase in youth unemployment is explained by the fact that young people have no intention to enter the job market any time soon. This raises the number of economically inactive people, referring to people who are physically fit to work but prefer not to have a job.

### Youth Unemployment Rate and Growth Rate of Employed

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youth Unemployment Rate (people aged 15–29)</td>
<td>8.1</td>
<td>7.9</td>
<td>7.0</td>
<td>8.0</td>
<td>8.3</td>
<td>8.0</td>
</tr>
<tr>
<td>Increase Rate of the Employed</td>
<td>4.0</td>
<td>-1.3</td>
<td>-0.3</td>
<td>-4.0</td>
<td>-0.6</td>
<td>-2.8</td>
</tr>
</tbody>
</table>

Source: Korea National Statistical Office

### 6. Growth of the Bio-industry and Ethical Issues

Korea’s bio-industry drew a lot of attention at home and abroad in 2005. From 2000 to 2003, Korea’s biotech companies applied a total of 204 patents in the US, an annual increase rate of 85% for the period. It was a whopping increase when compared to an annual average growth rate of just 10% for the US. Korea’s strong performances sent stock prices of biotech companies flying, at an astounding 400% increase rate in 2005. Korea’s bio-industry also received a big market boost under a new regulation allowing even unprofitable biotech firms to go public. In 2005, the government revised relevant laws and regulations in order to help biotech companies conduct research and development work without difficulty. Government’s support has invited investment to the bio-industry. The government, in line with this policy support, also sought legislation of new laws strengthening ethics and safety provisions governing human embryo cloning and gene therapy.

The rapid growth of bio-industry has engendered a number of ethical issues. Allegations surfaced that embryonic stem-cell research could lead to human cloning, challenging the dignity of human beings and sanctity of life. Others expressed concerns that cell treatment and gene therapy could give rise to unexpected side effects or
mutations. In 2005, embryonic stem-cell research sparked a nationwide outcry after professor Hwang Woo Suk’s research team paid for egg cells and forced female researchers to donate their eggs to the research team. In the midst of national debate, the general public understood that Institute Review Board, which would determine whether a biotech research has ethical flaws, needed to take on more responsibility and biotech firms should comply with strict ethical standards before embarking on research.7

Bioethics Committee

- National Bioethics Committee: The presidential committee on bioethics discusses research and development of biotechnologies which may prompt ethical or social issues.
- Institute Review Board: Any biotechnology research center pursuing research on embryo and gene therapy should set up an institute review board. This board will discuss issues related to biotechnologies and determine whether new biotechnology projects are ethical.

III. 2005 Management Trend

In 2005, the combined sales revenue of Korea’s listed companies increased slightly from the previous year. Taking into account aggravating external factors, Korean companies did well in 2005. However, the gap between good performers and poor performers (in terms of sales) widened. Some Korean conglomerates opened up new global markets while global high-flyers made aggressive inroads into the Korean market. In the meantime, startup firms that survived the bursting of the info-tech bubble in 2000 have honed their competitive edge and grown steadily. Korean companies, as a whole, began to consider their brand names as strategic assets and showed more interest in brand marketing.

1. Widening Gap between Good Performers and Poor Performers

In 2005, the Won-US dollar exchange rate fell. Despite the hardships, sales of listed companies slightly increased. Korea’s exporting companies, mostly those in business sectors driven by domestic demand such as steel, transportation equipment and construction, showed good performance. On the other hand, semiconductor and LCD manufacturers saw their profitability aggravate due to decreasing unit prices and soaring raw material prices related to soaring oil prices. For the first three quarters of 2005, operating profit and net earnings of listed manufacturing companies decreased 23.4% and 16.8% respectively from a year ago.

In view of the fact that Korean companies had set an extraordinary record revenue in 2004, their performance in 2005 was not bad. Certainly, all kinds of business sectors generated profits until the third quarter and 83% of all the listed companies made profits in 2005.
However, the sales revenue gap between good performers and poor performers further widened. The revenue of Korea’s top-100 listed companies – except for the nation’s three largest electronics companies of Samsung Electronics, LG Electronics and LG Philips LCD – grew continuously all year around. Moreover, sales of those three companies also began to increase in the latter half of 2005 due to sales growth of LCD and semiconductors. On the other hand, the poorest 100 performers began to record deficits as of late September.

Meanwhile, corporate performances of SMEs with assets over 70 billion Won and subject to external audits have drastically aggravated due to mounting competition and inability to gain global competitiveness. Certainly, Korea’s SMEs have heavily dependent on a few conglomerates, thus intensifying competition among SMEs and aggravating their profitability. Worse yet, they failed to tap the global market along with their larger brethren due to the lack of competitive edge in 2005.

### 2. Growth of Start-up Firms

Some of Korea’s start-up firms survived the info-tech bubble bursting in 2000. The profitability of the survivors improved in 2005. Return on equity (ROE) of KOSDAQ-listed companies reached 12.7% as of December 31, 2005, setting a new high since 2000. The number of start-up firms also increased in 2005 after decreasing since 2001.
Entering 2005, the Korean government stopped providing unconditional support to start-up firms and began urging restructuring. In line with such efforts, the government in May introduced a “fund of funds” scheme allowing mutual funds to invest in other mutual funds without directly investing in individual companies. Furthermore, the government is scheduled to set up new support measures to provide tax benefits for qualified start-up firms in April 2006. Those new measures will strengthen the role of the invisible hand in the market and allow only the fittest to survive.

Another force revitalizing start-up firms was the private-sector driven venture capital firms. In 2005, venture capitalists could successfully recoup their investment from start-up firms and reinvest in other start-ups. As of late December 2005, the amount of recovered investment by Korea’s venture capital companies soared 47.9% from the previous year to 436.6 billion Won. However, Korea’s start-up firms did not pursue mergers and acquisitions aggressively enough. At the same time, the amount of daily trading volume was less than 100 million Won on the free board market, a stock market to trade stocks of unlisted companies, in December 2005.

3. Globalization

In 2005, Korean companies went global in droves while global companies moved into Korean market. Korean companies striving to open up global market were not only electronics makers and info-tech firms but also domestic demand-driven companies such as retailers and sundry goods manufacturers. Korea’s online game developer Netmarble entered Japan in March 2005 and attracted one million subscribers to its game website within only seven months. Korea’s cosmetic retailer The FACESHOP opened a store in Manhattan, New York, in September and two stores in Japan in December in 2005.

Global companies accelerated their march into Korea after learning that Korea was an info-tech test-bed. Global electronics and info-tech firms released their products at lower prices in Korea. Japan’s best-known electronics maker Sony adopted a more aggressive promotion plan while cutting the prices for its high-end television sets by more than one million Won and giving out free gifts to TV buyers. Even Chinese companies armed with technology and management efficiency as well as price competitiveness also launched offensive in the Korean market. China’s top home appliance maker Haier set its own business strategy to get a strong foothold in tough markets and expand its influence to other markets. As part of the strategy, the Chinese electronics maker came to Korea with budget-priced televisions and air conditioners. China’s car manufacturers, steelmakers, and game companies also advanced into the Korean market.
4. Brand Management

In 2005, Korean companies gained more international recognition. Global branding consultancy Interbrand included three Korean brands in its 2005 list of the “Best Global Brands by Value.” Samsung Electronics, the only Korean brand listed in the previous year, ranked 20th while Japan’s No. 1 electronics maker Sony was placed 28th in 2005. Hyundai Motors and LG Electronics were newly listed, ranking 84th and 97th, respectively. In order to improve their brand recognition, leading Korean companies took advantage of the APEC meetings held in Busan last year. Samsung Electronics, LG Electronics, SK Telecom and Korea Telecom set up booths in the exhibition, while Hyundai Motor and Kia Motors provided their vehicles for transporting world leaders. Hanwha Group organized fireworks for the nighttime event. In line with efforts to promote their brands, Korean firms sponsored soccer teams and conducted joint marketing activities with global high-flyers.

Certainly, Korean firms began considering their brands as strategic assets and made an all-out effort to manage them in a systematic way. Business leaders of Korea’s leading firms began to put brand management on the front burner. They gave names to unbranded products so as to differentiate their products and prevent those falling into plain-vanilla commodity items. They struggled to establish brand identity and threw away uninviting brands after recognizing that quality and attractiveness of brands had much more influence on customers than myriads of weak brand names. They also adopted marketing strategies to appeal to consumers’ sensibility and to attract both ends of the consumer groups while launching premium brands to target high-end markets.

---

### Chinese Companies in the Korean Market

<table>
<thead>
<tr>
<th>Industry</th>
<th>Company Name</th>
<th>Major Products</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronics</td>
<td>Haier</td>
<td>Refrigerators, air conditioners, and washing machines</td>
<td>China’s largest home appliance manufacturer</td>
</tr>
<tr>
<td></td>
<td>Lenovo</td>
<td>Laptop computers</td>
<td>Acquired IBM</td>
</tr>
<tr>
<td>Telecommunications Equipment</td>
<td>Huawei</td>
<td>Networking equipment</td>
<td>Received orders worth 10 billion Won from Korean companies</td>
</tr>
<tr>
<td>Game</td>
<td>Snail</td>
<td>Game</td>
<td>Attracted 250,000 subscribers</td>
</tr>
<tr>
<td>Car</td>
<td>Shanghai Automotive Industry Corporation</td>
<td>Car</td>
<td>Acquired Ssangyong Motor Company</td>
</tr>
<tr>
<td>Steel</td>
<td>Baosteel Ltd.</td>
<td>Hot-rolled steel</td>
<td>China’s No. 1 steelmaker</td>
</tr>
<tr>
<td></td>
<td>Ansan Steel Corporation</td>
<td>Steel bar</td>
<td>China’s No. 2 steelmaker</td>
</tr>
<tr>
<td></td>
<td>Dongbuk Steel</td>
<td>Specialty steel</td>
<td>–</td>
</tr>
</tbody>
</table>

*Source: Media releases*
IV. Remaining Issues

In 2005, Korea rushed to deal with its political and economic problems. Reflecting what they missed, though, they need to make an all-out effort to make 2006 the first year of Korea’s economic revival. In order to do so, the government and corporate Korea should understand where Korea’s potentials and strengths lie and work harder to revive the growth momentum. At the same time, they need to come up with effective measures to deal with the double problems of shrinking childbirths and aging population. Korea’s weak economic sectors, especially SMEs, need to strengthen their competitiveness in order to survive in the ever-intensifying competition.

In awareness of the importance of market mechanism, the Korean government should minimize meddlesome interventions. For their part, Korean companies must set up long-term strategies and invest in select businesses with potential for future growth. They should not forget to add more value to existing conventional industries and find new driving forces such as tourism and entertainment businesses. At the same time, they must be more attentive to biotechnology, nanotechnology and new energy development that will lead technological innovation over the next 30 years.

Understanding the importance of self-sustainable growth, Korea needs to help its weak economic sectors including small business-led segments, farming and conventional retail markets. Without effective measures, those sectors will become further burdens to the economy. For its part, the government should not lend unconditional but ineffective help as it has done in the past. Korea’s SMEs need to make efforts to stand on their own feet. At the same time, they should hone their competitive edge through restructuring and come up with new business models.

As a way to support the agricultural sector, the government needs to help farming households to create business opportunities by helping them organize themselves around a collective marketing network and have an access to training programs for new technologies and marketing know-how. In efforts to revive the conventional retail sector, the government needs to encourage them to reinvent themselves into specialized vendors catering to tourists and curious shoppers. It will help them to differentiate themselves and target niche markets.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Month</th>
<th>Marketing Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung Electronics</td>
<td>April</td>
<td>Set up ‘Four Milan Design Strategies’ to upgrade design and foster premium global brands</td>
</tr>
<tr>
<td>LG Electronics</td>
<td>February</td>
<td>Launched a new campaign under the slogan ‘Think New LG’ to celebrate the tenth anniversary of its ‘LG’ brand</td>
</tr>
<tr>
<td>Hyundai Mobis</td>
<td>August</td>
<td>Declared that it would pursue a strategy under its new brand identity of ‘Trust &amp; Innovation,’ and promotion slogan of ‘Inside Your Car’</td>
</tr>
<tr>
<td>SK</td>
<td>October</td>
<td>Adopted a new corporate logo in the shape of a kite and satellite, breaking away from the previous conservative image</td>
</tr>
</tbody>
</table>
In the final analysis, Korea should come up with pragmatic solutions to its decreasing birth rates and aging population, which may cause labor shortage and fiscal burden in the long run. According to a study by the Korea Development Institute, Korea’s potential growth rate will drop from 5% level to 3.6% by 2020 and 2.3% by 2030 if the birth rate keeps declining as it is now.\(^8\) Given that Korea’s declining birth rate and aging population will not change its course in the near future, the Korean government needs to put priority on enhancing the quality of labor force and improving productivity. In order to raise labor productivity, companies should increase investment in human resources and maximize the efficiency of their production equipment. They must be able to hire more female workers and older employees to prevent a sharp decrease in the supply of labor force. Several measures, such as a scheme to freeze wages after certain ages of the workers, job training for the elderly, and flexible work hours, will be necessary to deal with these problems.

### Remaining Issues

<table>
<thead>
<tr>
<th>Major Tasks</th>
<th>Policy Direction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovering Resilience</td>
<td>• Minimize government intervention and strengthen market mechanism</td>
</tr>
<tr>
<td></td>
<td>• Invest in sectors with potential for growth</td>
</tr>
<tr>
<td></td>
<td>• Add value to conventional industries and develop new growth engines</td>
</tr>
<tr>
<td>Restructuring Weak Industrial Sectors</td>
<td>• Stop providing unconditional support and help companies to stand on their own feet</td>
</tr>
<tr>
<td></td>
<td>• Find and develop profitable business models for SMEs</td>
</tr>
<tr>
<td></td>
<td>• Inspire farming households with business acumen</td>
</tr>
<tr>
<td></td>
<td>• Specialize and differentiate conventional retail markets</td>
</tr>
<tr>
<td>Preparing for Declining Birth Rate and Aging Population</td>
<td>• Prepare for shortage of labor supply by improving quality and productivity of human resources</td>
</tr>
<tr>
<td></td>
<td>• Cushion the shock of labor shortage by tapping female workers and aged workforce</td>
</tr>
</tbody>
</table>

### References

1. Exports account for 54.3% of real GDP as of 2005.
2. Facility investment-to-GDP ratio \([\text{real investment amount} / \text{real GDP}] \times 100\) fails to recover pre-crisis level: average of 13.8% in 1990–1997, 11.2% in 2001, 10.8% in 2003, 10.8% in 2005.
3. Companies include those listed in the Korea Stock Exchange and KOSDAQ, as well as those listed on the Financial Supervisory Commission (Analysis by the Bank of Korea, December 2005).
4. Annual report by the Bank of Korea consisting of foreign currency management plans.
5. Center for International Finance’s data on 170 countries in 2005 (Data as of November 15, 2005).
6. Before the new regulations were enacted, biotech firms without ordinary income and more than 5% of return on equity (ROE) could not be listed on Korea’s tech-heavy KOSDAQ market.
7. Biotechnology Industry Organization, the US’ biotechnology trade organization that announced a statement stipulating 12 ethical principles, runs an ethics committee to supervise ethical responsibility of member companies.
SERI Activities

Research Calendar
Symposium
Seminar & Forum
Publications
SERI@Net
Creative Solutions
Top Ten Hits of 2005
About SERICChina
Research Calendar

Recovering Intermediation Role of Financial Markets
Economic Implications of Korea’s Aging Population
Competition in Wireless Services
Korea’s Economy in 2004: A Year of Polarization
Saving the Savings Banks
Korea’s Economy in 2005: Ten Major Trends
Global Economy in 2005: Ten Major Trends
How Global Companies Manage in 2005
Seven Issues Facing China’s Economy in 2005

Human Resources Management in the Era of Aging Population and Low Growth
SERI Economic Outlook for 2005
Tech Cycle and IT Industry
It’s the DMB Age!
Implication of the Won’s Rise against the Yen
Coping with Slow Consumption
Kyoto Protocol and its Impact on Business
Issues of Corporate Accounting

The ‘Well-being’ Craze: How Can Marketers Take Advantage of It?
SERI Economic Outlook for 2H 2005
Exports and Exchange Rate Movement
Prospects for Online Financial Services
Convergence of Telecommunications and Broadcasting
The Rising Won’s Impact on Consumption
Polarization of Lending Institutions
Dubai: A Middle East Hub
The Rise of Korean Companies
Management, Kyoto-style
How Medium Enterprises Succeed

Insecurity in the Job Market
Energizing the Regional Financial Institutions
Price War in the Flat-Panel TV Market
How Japanese Companies Battle Takeover Bids
How to Commercialize “Korean Wave”
The Growth Potential of Russia’s Economy
Decline of Giant Corporations
China: Opportunity or Threat?
North Korea’s Economy and North-South Exchange

Weaning Banks off Household Lending
LCD Clusters and LCD War
German Elections and Future Implications
Recovery in the Offing
The Quickening Pace of India’s Economy
Merger Is the Way
Impact of the US Rate Hike on Korea
Korea’s ‘e-Sports’ Industry: Ways to Nurture the Emerging Business

SERI Economic Outlook for 2H 2005 and 2006
The Increasing Presence of Foreign Banks in Korea: Their Impact and Implications
e-Sports as a Growing Industry
Factors behind Korea’s Bull Market
New Market for NAND Chips
Impact of the US Rate Hike on Korea
Lingering Doubts over Speedy Recovery
Korea-US Interest Rate Reversal and Capital Outflow
Rediscovering Korea’s Export Competitiveness
A Soft-Landing for China’s Economy
How to Spark More Consumption
Oil Market Dynamics and Price Outlook
SERI Researchers are generating more than a hundred reports a year in three different publication series. Weekly Insight provides top decision makers in the corporate and public sectors with insights on recent issues; Focus of the Week looks into latest economic topics; and Research Reports offers the reader in-depth analysis on issues of economics, business and technology, and policy.

A Mid-term Outlook for the Consumer Market: Analysis of the Hit Products from 2000 to 2004
The Korea Discount and Corporate Governance Structure
The Role and Accomplishments of Ownership Management
The Path to becoming a Software Global Power
Gaps between Producer and Consumer Prices
Recent Capital Movements
The Arrival of Robotic Industry
Consumer Sentiment vs. Consumption
Structural Reform of Japan’s Electronics Giants
Taking Lesson from Big Development Projects
The Growing Diversity of Korea’s Workforce
Chinese Companies Going Global
Sony’s Future under a Foreign CEO

Regional Revitalization Policy
The Unstable Won
Exports and the Won’s Value
Energizing DMB’s Content Business
Can Low Interest Boost the Economy?
Problems Related to Capital Market Opening
Korea and Global Interest Rates
The Age of Mobile Convergence
Korea’s Road to Industrial Peace

Exports and the Won’s Value
Low Rate Policy and Corporate Investment?
Promoting Korea’s e-Sports Industry
Economic Slowdown in Southeast Asia
University Reform
Three Variables of Korea’s Economy
Summer Holiday Reading for Korea’s CEOs
EU Integration and Its Meanings

Investment: Cyclical and Long-Term Trends
Improving the Profitability of Banks
Corporate Patronage of Community Arts and Culture
The Strength of US Productivity
Impact of the Weakening Yen
Making the Service Industry Globally Competitive
Tourism in Asia and Korea’s Choice
The Power of Product Design
Tackling Korea’s Low Employment Rate
The Age of Six Sigma Power

Sustaining the ‘Korean Wave’
Surging Corporate Cash Balance and Its Implications
Consolidation and Diversification in Korea’s Banking Industry
The Rise of China and the Shifting Development Model in East Asia
Challenge of Developing High-Tech Cars
The Rise of Neo-Cons in Japan
Consumption and Housing Price
Key Agenda for 2006 Foreign Exchange Market
Reform and Recovery of Japan’s Economy
Blogging for Business
Korea: Coping with Low Fertility Rate
APEC and East Asian Regionalism
Current Interest Rates and Recommendations

SERI Economic Outlook for 2006
Weakening Intermediation Role of Corporate Bond Market
Low Childbirths in Korea
Differentiating Korea’s Export Items
Scenarios for US External Imbalance Adjustment
New Hyper-Fast Internet Service Reaches Homes
Challenges Facing Korea in the Age of WTO
Korea’s Frosty Job Market
How the Economy and Stock Market Interact
Lessons from the UK’s Crisis Management
How to Save Korea’s Agriculture
Ten Best Hip Products of 2005
Major Issues for Korea’s Economy in 2005
<table>
<thead>
<tr>
<th>Date</th>
<th>Symposium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 19, 2005</td>
<td><strong>2005 Exchange Rate Outlook and Currency Risk Management</strong></td>
</tr>
<tr>
<td></td>
<td>Sponsored by Korea Institute for Currency Research and Samsung Economic Research Institute</td>
</tr>
<tr>
<td></td>
<td>2005 Exchange Rate Outlook and Its Impact / JEONG Youngsik</td>
</tr>
<tr>
<td></td>
<td>Influence of Strengthening Won on Industrial Sectors / KIM Jungwoo</td>
</tr>
<tr>
<td></td>
<td>Currency Risk Management: Principles and Methods / CHUNG Changyoung</td>
</tr>
<tr>
<td></td>
<td>Measuring Currency Risks and Hedge Strategies / JIE Hongmin</td>
</tr>
<tr>
<td>Apr 19, 2005</td>
<td><strong>US-Korea Relationship in the 21st Century: Challenges and Responses</strong></td>
</tr>
<tr>
<td></td>
<td>Sponsored by Samsung Economic Research Institute</td>
</tr>
<tr>
<td></td>
<td>US-Korea FTA and Ways to Expand Bilateral Trade / JEON Youngjae</td>
</tr>
<tr>
<td></td>
<td>US-Korea Cooperation in Financial Services / JEONG Jongkyu</td>
</tr>
<tr>
<td></td>
<td>US-Korea Partnership in Information Technology / JANG Sungwon</td>
</tr>
<tr>
<td></td>
<td>Desirable Corporate Relationship / CHO Heejae</td>
</tr>
<tr>
<td>May 19, 2005</td>
<td><strong>Toward a Civil Society: International Comparison</strong></td>
</tr>
<tr>
<td></td>
<td>Sponsored by Survey Research Center, Sungkyunkwan University, and Samsung Economic Research Institute</td>
</tr>
<tr>
<td></td>
<td>What Is the Korea General Social Survey? / SEOK Hyunho</td>
</tr>
<tr>
<td></td>
<td>Koreans’ Attitude toward Corporate Social Responsibility / MOON Yongkap</td>
</tr>
<tr>
<td></td>
<td>How Koreans View Corporations / CHOI Sookhee</td>
</tr>
<tr>
<td></td>
<td>Job Satisfaction and Organizational Loyalty / BANG Hanam &amp; KIM Sangwook</td>
</tr>
<tr>
<td></td>
<td>What is a ‘Desirable Job’ and on What Basis? / BANG Hanam &amp; KIM Sangwook</td>
</tr>
<tr>
<td></td>
<td>Class Consciousness and Working Women: Cases of Korea and Sweden / CHOI Moonkyung &amp; JUNG Kisun</td>
</tr>
<tr>
<td></td>
<td>Analysis of Widening Income Gap Based on KGSS Data / LIM Byungin</td>
</tr>
<tr>
<td></td>
<td>Features of Koreans’ Political Participation Based on 2004 Survey / PARK Chanwook</td>
</tr>
<tr>
<td></td>
<td>Public Roles of Citizens: Comparison of Korean and Japanese / CHOE Hyun</td>
</tr>
<tr>
<td></td>
<td>Political Participation and Its Equality: Comparison between Korea and the US / KIM Sukho</td>
</tr>
<tr>
<td></td>
<td>Trust and Civil Society: Comparative Study on Korea and US / LEE Jaehyuck</td>
</tr>
<tr>
<td></td>
<td>Korea’s Social Safety Net: An International Comparative Study / KOO Hyeran</td>
</tr>
<tr>
<td></td>
<td>Changes in Familial Contacts: Comparison of Korea, Japan, and the US / JEONG Jaeki &amp; LEE Jaeyul</td>
</tr>
<tr>
<td></td>
<td>Who Champions ‘Dumbing Down’ in High-School Education? / YANG Jungho</td>
</tr>
<tr>
<td>Jun 8, 2005</td>
<td><strong>Chang Pogo, a Global Trading Kingpin</strong></td>
</tr>
<tr>
<td></td>
<td>Sponsored by Korea International Trade Association, Chang Pogo Memorial Foundation &amp; Samsung Economic Research Institute</td>
</tr>
<tr>
<td></td>
<td>Northeast Asian Trade in the 9th Century / YAMADAKI Masatoshi</td>
</tr>
<tr>
<td></td>
<td>Chang Pogo as a National Development Strategist / KIM Hosung</td>
</tr>
<tr>
<td></td>
<td>Northeast Asian Trade in the 9th Century – Discussion / KANG Bongryong</td>
</tr>
<tr>
<td></td>
<td>Chang Pogo as a National Development Strategist – Discussion / LEE Seungyoung</td>
</tr>
<tr>
<td></td>
<td>‘Silk Road on the Sea’ in Chang Pogo’s Time / XU Zaiquan</td>
</tr>
<tr>
<td></td>
<td>Chang Pogo as a Global CEO / HAN Changsoo</td>
</tr>
<tr>
<td></td>
<td>‘Silk Road on the Sea’ in Chang Pogo’s Time – Discussion / KANG Jungmo</td>
</tr>
<tr>
<td></td>
<td>Chang Pogo as a Global CEO / HWANG Sangsuk</td>
</tr>
<tr>
<td>Date</td>
<td>Event Title</td>
</tr>
<tr>
<td>------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>Jun 15, 2005</td>
<td>University Reform and Pursuit of Excellence</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Jul 6, 2005</td>
<td>The Advent of Farm Tourism: How to Maximize Value</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov 2, 2005</td>
<td>“Stay Small But Strong”: Korea’s Farming</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Nov 9, 2005

**BRICs Redux: Threats and Opportunities**

| Overview: Why BRICs again? / KIM Kyeongwon |
| The Potential of India and Its Risks / PARK Bunsoo |
| The Potential of Russia and Its Risk Factors / OH Seungkoo |
| The Potential of Brazil and Assessment of Its Risks / JEON Youngjae |
| Strategies to Enter BRICs Markets / KIM Deukkab |
| Case of India / KIM Seungho |
| Case of Russia / LEE Kwanghee |
| Case of Brazil / HAN Jongwoon |

### Nov 15, 2005

**'Digital Renaissance': Technology, Business, and Culture**

| Keynote Speech : Digital Technology and the Future of Korea / CHIN Daeje |
| Open-ended Research Project 'Digital II' / YOON Soonbong |

**Technology and the New Paradigm for Corporate Management**

- Ubiquitous Management Environment
  1. Redefining the Concept of Ubiquity / LEE Jungwoo |
  2. Shift in e-Commerce Business Models under Ubiquitous Computing Environment / LEE Kyungjun |

- Development Path of Digital Marketing
  1. Advent of Customer-led Marketing and Tasks for Companies / YANG Sukjoon |
  2. Evolutionary Course of Online Shopping Malls / LEE Dongil |
  3. Digital Marketing and Customer Responses / LEE Eunyoung |

- Changes in Consumer Economy
  1. Digital Consumer Society and Technological Change / CHOI Hangsup |
  2. Early Adopters in the Digital Age / KIM Jaeun |
  3. Ubiquitous Personalization / PARK Jusuk |

**The Digital Era and a New Economic System**

- Economic Impact of Digital Technology
  1. Economic Effect of Ubiquitous Industries / KIM Beomhwan |
  2. The New Economy? / LEE Byungtae |
  3. Simulation of Extreme Shocks / OH Kyungjoo |

- Ways to Reform Governments and Corporations in the Digital Era
  1. Digital-based Management of Government Affairs / KIM yeonkon |
  2. Ways to Enhance Corporate Transparency through IT / LEE Jaehyung |
  3. Innovation in Small Manufacturers / HONG Soongoo |

- Issues in Online Information Distribution
  1. Information Cascade on the Net / YANG Kwangmin |
  2. Issues of Agreement with Others / YANG Heedong |
  3. Online Externalities and Their Solutions / LEE Jongsoo |
Digital Technology and a New Cultural Horizon

- Online Network and the Ecosystem
  1. Online Network and Social Fabric / CHANG Dukjin
  2. The Structure of Internet Ecosystem and its Transformation / HAN Jun
  3. Digital Play, Experience, and Learning / CHOI Inkyu

- Electronic Democracy and Digital Governance
  1. The Internet and Political Participation / KANG Wontaek
  2. Digital Governance / CHO Hwasoon
  3. The Participatory Mechanism of Internet Discourse / KOO Bonkwon

- Cyber-Generation and Culture
  1. Culture in the Digital Society / WHANG Sangmin
  2. DMB and Its Consequences for Media Environment / DO Junho
  3. Internet Usage Pattern of Young People and Changes in Daily Life / BAE Young

Change in Industry Paradigms

- Digital Technology and Industry
  1. Digital Technology and Fusion among Industrial Sectors / KIM Sungchul
  2. Open-Source Movement / BAIK Youngrahn
  3. Innovation and the Changing Paradigm in Digital Content / HWANG Junsuk

- The New Industrial Landscape
  2. For-Fee Strategy of Internet Newspapers / CHOI Yongjae
  3. Competition between Online and Offline Vendors: A Case of Music Industry / CHOONG Hanyoon and LEE Jongsoo

- Digital Life and the Birth of New Businesses
  1. The Change in Industry Formation Paradigm: A Case of Online Games / WIE Junghyun
  2. The Combination of Architecture and Digital Technology / YOO Sukyun
  3. The Future of Digital Healthcare / LEE Hakchong

Changes in Lifestyle

- Diffusion of Digital Technologies and Changes in Arts and Entertainment
  1. Future of Film Industry in the Wake of Digital Revolution / KIM Youngyong
  2. New Breed of Fashion-Conscious Young Males / JEON Yangjin
  3. The Evolution of Design in Digital Life / KIM Hyukyung

- Mobile Network's Impact on Urban Culture and Education
  1. Cultural Characteristics of Mobile Media / KIM Sungdo
  2. Ways to Establish Successful U-City / OH Myonghwan
  3. From ICT to U-Learning / KIM Hyoungjoo

- The Future of Education: U-Learning
  1. A New Pattern of War in the Digital Age / LEE Kangtaek
  2. The Design of Intelligent Traffic Accident Prevention System / HONG Yousik
  3. Ways to Prevent Cyber-Crimes / NAM Gilwoo
The SERICEO Monthly Seminars invite experts to give lectures on the latest issues in economy and business. It is the venue in which invitees can learn new knowledge while networking with fellow CEOs and executives.

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Speaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 25, 2005</td>
<td>Challenges and Opportunities in 2005</td>
<td>JUNG Kuhyun, President, SERI</td>
</tr>
<tr>
<td>Feb 25, 2005</td>
<td>Core Values: The Hallmark of Great Companies</td>
<td>CHUNG Kweontaek, Chief Researcher, SERI</td>
</tr>
<tr>
<td>Mar 29, 2005</td>
<td>Future Consumer Trend and Hip Products</td>
<td>LYU Hanho, Executive Director, SERI</td>
</tr>
<tr>
<td>Apr 22, 2005</td>
<td>Complexity Theory: Making Sense of the Complex World</td>
<td>YOON Soonbong, Vice President, SERI</td>
</tr>
<tr>
<td>May 24, 2005</td>
<td>Recent Business Cycle and Forecast of 2H 2005</td>
<td>HONG Sunyoung, Executive Director, SERI</td>
</tr>
<tr>
<td>Jun 28, 2005</td>
<td>Brand Strategy for CEOs</td>
<td>SHIN Hyeonam, Chief Researcher, SERI</td>
</tr>
<tr>
<td>Jul 29, 2005</td>
<td>The Kyoto-Style Management</td>
<td>YANG Junho, Senior Economist, SERI</td>
</tr>
<tr>
<td>Aug 26, 2005</td>
<td>The 2015 Megatrends and Our Responses</td>
<td>JUNG Kuhyun, President, SERI</td>
</tr>
<tr>
<td>Sep 27, 2005</td>
<td>The World in 2015 and Our Survival Strategy</td>
<td>YOON Soonbong, Vice President, SERI</td>
</tr>
<tr>
<td>Oct 28, 2005</td>
<td>Management Environment in 2006</td>
<td>LYU Hanho, Executive Director, SERI</td>
</tr>
<tr>
<td>Nov 25, 2005</td>
<td>In Pursuit of Win-Win Strategy in China</td>
<td>PARK Seungho, Director, SERI</td>
</tr>
<tr>
<td>Dec 23, 2005</td>
<td>Consumer Trends in Korea, Japan, and the US</td>
<td>LYU Hanho, Executive Director, SERI</td>
</tr>
</tbody>
</table>
The SERI-hosted Regional Economic Forums, in cooperation with regional chambers of commerce and other entities, provide critical business information and opportunities for local businesspeople to network each other.

<table>
<thead>
<tr>
<th>Date</th>
<th>Title</th>
<th>Speaker</th>
</tr>
</thead>
</table>
| Jan 13, 2005 | Korea’s Economy: The Past and the Future          | JWA Sunghee  
President, Korea Economic Research Inst. |
| Jan 19, 2005 | Where Is the Korean Economy Headed?               | SHIN Sedon  
Prof., Sookmyung Univ.                      |
| Jan 20, 2005 | Seven Ways to Create Value                        | LYU Hanho  
Executive Director, SERI                    |
| Jan 26, 2005 | Top 10 Megatrends in 2005                         | LEE Eonoh  
Executive Managing Director, SERI            |
| Feb 23, 2005 | Mid-Term Consumer Market Trends                   | LEE Minhoon  
Researcher, SERI                            |
| Feb 25, 2005 | Global Economy and Mindset of Business Leaders    | HEO Beomdo  
Int’l Trade Committee, MOCIE                |
| Mar 15, 2005 | IT839 and U-Korea Strategies                       | CHIN Daeje  
Minister, MIC                                |
| Mar 17, 2005 | Recent Financial Market Trends                     | KIM Kyeongwon  
Executive Director, SERI                      |
| Mar 18, 2005 | Corporate Management and Marketing                | KIM Mikyung  
President, Mirae Women’s Center               |
President, Dasan Accounting                  |
| Mar 23, 2005 | Is Korea’s Economy on the Recovery Path?          | CHEONG Munkun  
Executive Managing Director, SERI              |
| Mar 23, 2005 | Is Korea’s Economy on the Recovery Path?          | CHEONG Munkun  
Executive Managing Director, SERI              |
| Mar 29, 2005 | The Vision and Strategy for Korea’s Automotive Industry | LEE Hangkoo  
KIEL                                       |
| Apr 13, 2005 | Learning Global Management Leadership Lessons from Chang Pogo | HAN Changsoo  
Chief Researcher, SERI                       |
| Apr 15, 2005 | The Leadership Pipeline: Leadership Change Management in the New Era | HAN Keuntae  
President, Han’s Consulting                  |
| Apr 20, 2005 | Play or Perish: Tourism Industry the New Revenue Creator for Regional Economies | KANG Shinkyum  
Senior Researcher, SERI                      |
| Apr 20, 2005 | Niche Strategy to Enter Chinese Domestic Market   | CHUNG Dosook  
KOTRA                                      |
| Apr 21, 2005 | Recent Trends in Oil and Currency Markets         | KIM Kyeongwon  
Executive Director, SERI                      |
| Apr 22, 2005 | Gender Management: Core Strategy for Successful CEOs | KIM Mikyung  
President, Mirae Women’s Center               |
| May 17, 2005 | Issues and Tasks for Small Businesses             | KIM Inho  
President, Korea Small Business Inst.        |
| May 24, 2005 | Tourism and Regional Development                  | SOHN Dehyun  
Prof., Hanyang Univ.                          |
| May 24, 2005 | How to Revitalize the Korean Economy              | JWA Sunghee  
President, Korea Economic Research Inst.      |
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 26, 2005</td>
<td>2005 APEC Special Economic Forum</td>
<td>JANG Kukhyun, Executive Director, FKI</td>
</tr>
<tr>
<td>Jun 10, 2005</td>
<td>Information Society and Corporate Management</td>
<td>KANG Byunggoo, Prof., Korea Univ.</td>
</tr>
<tr>
<td>Jun 16, 2005</td>
<td>Global Business and Information Technology</td>
<td>CHUNG Sukwha, Prof., Eastern Michigan Univ.</td>
</tr>
<tr>
<td>Jun 22, 2005</td>
<td>Strategy to Become a Knowledge-Based Society</td>
<td>KIM Jongkap, President, KIPO</td>
</tr>
<tr>
<td>Jun 23, 2005</td>
<td>Changes in Management Environment and Responses</td>
<td>KANG Sinson, Prof., Kookmin Univ.</td>
</tr>
<tr>
<td>Jun 28, 2005</td>
<td>New Policies for Small Businesses</td>
<td>KIM Sungin, Commissioner, SMBA</td>
</tr>
<tr>
<td>Jul 13, 2005</td>
<td>Learning from the Kyoto-Style Management</td>
<td>YANG Junho, Senior Economist, SERI</td>
</tr>
<tr>
<td>Jul 21, 2005</td>
<td>Making Korea a Good Country to Live</td>
<td>YOON Soonbong, Vice President, SERI</td>
</tr>
<tr>
<td>Sep 7, 2005</td>
<td>The Emergence of BRICs and Korea’s Response</td>
<td>OH Seungku, Chief Economist, SERI</td>
</tr>
<tr>
<td>Sep 13, 2005</td>
<td>Leadership Lessons from Admiral YI Sunshin</td>
<td>KIM Jongdae, Judge, Busan Appeals Court</td>
</tr>
<tr>
<td>Sep 23, 2005</td>
<td>Development Strategies for the City of Daegu</td>
<td>CHO Haeyoung, Mayor, City of Daegu</td>
</tr>
<tr>
<td>Sep 29, 2005</td>
<td>Leadership Lessons Learning from Tiger Woods and Samsung Electronics</td>
<td>KIM Kwangho, President, Combi Marketing Inst.</td>
</tr>
<tr>
<td>Oct 14, 2005</td>
<td>Home Management for CEOs</td>
<td>SONG Gilwon, President, Hi-Family</td>
</tr>
<tr>
<td>Oct 18, 2005</td>
<td>2006 Forecast on Business Environment</td>
<td>JUNG Kuhyun, President, SERI</td>
</tr>
<tr>
<td>Nov 23, 2005</td>
<td>Recent Financial Market Trends</td>
<td>HONG Kisuk, Samsung Securities</td>
</tr>
<tr>
<td>Dec 14, 2005</td>
<td>Seven Opportunities for Successful BlueOcean Strategies</td>
<td>LEE Jaekyu, President, Daegu Univ.</td>
</tr>
<tr>
<td>Dec 20, 2005</td>
<td>Development Strategies for Regional Banking</td>
<td>CHOI Hosang, Senior Economist, SERI</td>
</tr>
</tbody>
</table>

**Contacts for Regional Forum Membership**

- **Busan**
  - Busan Chamber of Commerce & Industry 051-990-7110
- **Daegu**
  - Daegu Chamber of Commerce & Industry 053-755-0041
- **Kwangju**
  - Kwangju Chamber of Commerce & Industry 062-350-5861
- **Daejeon**
  - Daejeon Chamber of Commerce & Industry 042-480-3022
- **Ulsan**
  - Ulsan Chamber of Commerce & Industry 052-228-3090
- **Gyeongnam**
  - Changwon Chamber of Commerce & Industry 055-283-0608
- **Chungbuk**
  - Chungbuk Development Institute 043-220-5499
- **Chungnam**
  - Changnam Bukbu Chamber of Commerce & Industry 041-556-7131
- **Gimhae**
  - Gimhae City Hall 055-330-3454
Photo Gallery
**SERI Books**

Samsung Economic Research Institute publishes books with an emphasis on cultivating public knowledge base. It is open to outside authors as well as SERI researchers.

<table>
<thead>
<tr>
<th>Date</th>
<th>Title</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 6, 2005</td>
<td>An Insider’s Look into 30 Years of Korean Economic History</td>
<td>KANG Mansoo</td>
</tr>
<tr>
<td>Jun 15, 2005</td>
<td>The Economics of New Products</td>
<td>KANG Won</td>
</tr>
<tr>
<td>Oct 11, 2005</td>
<td>Ways to Solve Korea’s Housing ‘Conundrum’</td>
<td>LEE Gunyoung, et al.</td>
</tr>
<tr>
<td>Nov 8, 2005</td>
<td>BRICs: Threats and Opportunities</td>
<td>SERI and KOTRA</td>
</tr>
</tbody>
</table>

**SERI Essays**

SERI Essays are the collection of insights suggested by Korea’s leading intellectuals who map out the direction Korea’s corporations and the society at large should pursue. To-the-point and thought-provoking criticisms in the essays are aimed at inspiring open discussion on the issues and thereby create a knowledge-based society.

<table>
<thead>
<tr>
<th>Date</th>
<th>Title</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 15, 2005</td>
<td>Capitalism as Just System</td>
<td>BOK Kohill</td>
</tr>
<tr>
<td>Feb 4, 2005</td>
<td>Beyond the Debate over Conservative and Progressive Thought</td>
<td>HYUN Seungyoon</td>
</tr>
<tr>
<td>Mar 11, 2005</td>
<td>Why Do We Live Cramped in this Expensive Land?</td>
<td>KIM Chungho</td>
</tr>
<tr>
<td>Mar 18, 2005</td>
<td>A Review of Germany’s Current Economic Crisis</td>
<td>OH Seungkoo</td>
</tr>
<tr>
<td>Mar 25, 2005</td>
<td>Living Two Lives from a Single Seed</td>
<td>CHOE Jaechun</td>
</tr>
<tr>
<td>Apr 29, 2005</td>
<td>Buying China, Selling Korea</td>
<td>KIM Ickcoo</td>
</tr>
<tr>
<td>Date</td>
<td>Title of Discussion</td>
<td>Speaker</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------------------------------------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>May 6, 2005</td>
<td>Negotiating with Camels</td>
<td>AHN Seyoung</td>
</tr>
<tr>
<td>Jun 30, 2005</td>
<td>A Different Look at the Nuclear Waste Storage Site Issue</td>
<td>CHO Sungkyung</td>
</tr>
<tr>
<td>Jul 8, 2005</td>
<td>How to Prevent Corporate Crime</td>
<td>KIM Youngheon</td>
</tr>
<tr>
<td>Jul 22, 2005</td>
<td>Nurhachi, the Global CEO</td>
<td>JEON Kyungil</td>
</tr>
<tr>
<td>Aug 19, 2005</td>
<td>A Piece of Copper for Charon</td>
<td>JEONG Kapyoung</td>
</tr>
<tr>
<td>Aug 26, 2005</td>
<td>Building Morality in the Globalized World</td>
<td>KIM Yongho</td>
</tr>
<tr>
<td>Aug 31, 2005</td>
<td>What Does Russia Mean to 21st Century Korea?</td>
<td>HONG Wansuk</td>
</tr>
<tr>
<td>Sep 26, 2005</td>
<td>International Politics Seen from Complexity Theory</td>
<td>MIN Byungwon</td>
</tr>
<tr>
<td>Oct 4, 2005</td>
<td>Intellectual Property War</td>
<td>JUNG Sungchang</td>
</tr>
<tr>
<td>Oct 18, 2005</td>
<td>Searching for a Korean Model of Process Innovation</td>
<td>LEE Younghoon</td>
</tr>
<tr>
<td>Oct 25, 2005</td>
<td>Legalizing Lobbyists</td>
<td>CHO Seungmin</td>
</tr>
<tr>
<td>Nov 1, 2005</td>
<td>King Kwanggaeto the Great and the Dreams of One Korea</td>
<td>YOON Myongchul</td>
</tr>
<tr>
<td>Nov 8, 2005</td>
<td>Korea's Mobile Communications Industry: From Catching-up to Forging Ahead</td>
<td>SONG Wichin</td>
</tr>
<tr>
<td>Nov 15, 2005</td>
<td>Human Network in Corporate Management</td>
<td>CHUNG Myungho and OH Hongseok</td>
</tr>
<tr>
<td>Nov 21, 2005</td>
<td>Korea's Healthcare Industry and the Future Outlook</td>
<td>YOON Inmo</td>
</tr>
<tr>
<td>Nov 28, 2005</td>
<td>The Korean Wave: Cultural Prowess in the Globalizing Era</td>
<td>PARK Jaebok</td>
</tr>
<tr>
<td>Dec 9, 2005</td>
<td>Organizational Management Seen from Complexity Theory</td>
<td>CHOI Changhyun</td>
</tr>
<tr>
<td>Dec 16, 2005</td>
<td>Social Consciousness of Korea’s Young Generation</td>
<td>LEE Myungjin</td>
</tr>
<tr>
<td>Dec 27, 2005</td>
<td>Ethics Management as a Core Corporate Strategy</td>
<td>LEE Wonjae</td>
</tr>
<tr>
<td>Dec 30, 2005</td>
<td>Think and Lead in Terms of Digital</td>
<td>BYUN Shinwon</td>
</tr>
</tbody>
</table>
Samsung Economic Research Institute strives to generate ideas and insights by which the Korean economy can find ways to survive and prosper, under the constantly changing world. The institute publishes reports and other materials through a number of online channels:

---

**SERI@Net**

SeriousNet Knowledge Portal for Korea’s Business and Economy

This is the No. 1 knowledge ecosystem in Korea where 1.1 million members interact and exchange ideas on wide-ranging issues.

**Main Features**

- The knowledge exchange space in which SERI.org members and SERI researchers create content together
- Easy-to-navigate directory that helps users to find information quickly
- Two-way communication through the blogosphere

**No. of Members:** 1,126,000 (February 2006)
**No. of Forums:** 2,000

---

**SERICEO.org**

Knowledge Source for Business Leaders

Through innovative content format and design, SERICEO provides essential insights to corporate leaders who are in constant need of imaginative ideas for their business challenges.

**No. of Individual Members:** 4,956 (February 2006)
**No. of Corporate Members:** 159

---

Inquiry:

- Internet Business Center, SERI
- Phone: 82-2-3780-8200/8300
- Fax: 82-2-3780-8380
- Email: sericeo@seri.org
SERIWorld.org
Business & Economic Information Portal for Global Audiences

In seeking to be the Global Window on Korea, SERIWorld makes available high-quality information in Korea’s business and economy in the form of reports, briefs, and video clips.

**Main Features**

- Rose to become the best English website in Korea within one year since the launch in November 2004
- Seeking to become the must-visit site to collect East Asia knowledge for English-speaking Internet users
- Pursuing to play the role of the ‘networking platform’ for foreign company executives, policymakers, academics, and area specialists

No. of Members: 8,200 (February 2006)
Contents: 5,500 Briefs & Reports;
and 420 Video Clips

---

SERIJapan.org
The Knowledge Bridge between Korea and Japan

SERIJapan is the channel connecting Korea with Japan through knowledge contents, seeking to grow together as true business partners.

No. of Members: 1,300 (February 2006)
Contents: 271 Full-Length Reports;
422 Summary Reports;
and 587 Video Clips
(including economic statistics, company financial database, M&A data, book summaries & symposium information)
On June 29, 2005, Samsung Economic Research Institute held a seminar in cooperation with the National Assembly’s special Forum for Market Economy & Social Safety Net, in which presenters suggested 12-point policy agendas to make Korea a good country to live in ten years.

SERI president JUNG Kuhyun said in his speech that our nation’s future economic performance depends critically on how we will do for the next ten years until 2015, with the difference of US$10,000 per-capita GDP and potential growth rate of 3.5 percentage points from the worst to best scenario. He stressed the importance of system-wide reform to upgrade the economy on a par with major industrialized nations.

SERI vice president YOON Soonbong, meanwhile, proposed detailed policy agendas to make it happen, including innovation-led growth, human-capital upgrade, market reforms, social safety net, and openness & trust.

3 Scenarios for Korea’s Economy

- Regression
  - Inadequate reform efforts on the part of gov’t, corporations & individuals
  - 2.6% annual growth
  - World’s 15th in GDP
  - 45th in per-capita income
  - Falling into 2nd-class nation

- Status quo
  - Marginal improvements in some sectors, but little fundamental reforms
  - 4.1% annual growth
  - 12th in GDP
  - 31st in per-capita income
  - Maintain current position

- Leap
  - Wholesale improvement in all sectors, based on fundamental market reform
  - 6.1% annual growth
  - 10th in GDP
  - 26th in per-capita income
  - Fully industrialized nation

Roadmap for “Livable Korea”

- Livable Korea
  - G-10 in 2015

- Systemwide Overhaul

- Innovation-led Growth
  - Dynamic knowledge eco-system
  - Innovation in select sectors
  - High value-added service industries

- Trust & Openness
  - Market opening & globalization
  - Rule of law & trust-based society

- Human Capital Upgrade
  - Education reform for high-caliber talents
  - Pursuit of diversity

- Security
  - Permanent peace on the Korean peninsula
  - Safety, comfort & peace of mind

- Market Reform
  - Market-friendly gov’t
  - Reform in weak sectors with minimal side effects
  - Banking-sector reform
### Top Ten Hits of 2005

Samsung Economic Research Institute has published the top-ten ‘hit’ products and services for years. By selecting the items and interpreting what made them popular, the institute has tried to look ahead for the nation’s consumer trends.

<table>
<thead>
<tr>
<th>Top Ten Hits of 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Discovering new fun sources</strong></td>
</tr>
<tr>
<td>The Chonggyechon Stream, K-1, and Kart Rider</td>
</tr>
<tr>
<td><strong>Searching for a Utopia</strong></td>
</tr>
<tr>
<td>‘Blue Ocean Strategy’ the book, and ‘Welcome to Dongmakgol’ the movie</td>
</tr>
<tr>
<td><strong>Reality bites</strong></td>
</tr>
<tr>
<td>Indirect investment vehicles and TV drama series featuring strong female characters</td>
</tr>
<tr>
<td><strong>Digital lifestyle</strong></td>
</tr>
<tr>
<td>Satellite DMB, car navigation system, and blogosphere</td>
</tr>
</tbody>
</table>

#### Consumption Keywords

- Discovering New Fun Sources
- Searching for a Utopia
- Reality Bites
- Digital Lifestyle

#### Top Ten Hits

| 2002 |
| 1. The World Cup Games |
| 2. Color LCD Phones |
| 3. Made in China |
| 4. Multi-Purpose, High-Rise Residential Buildings |
| 5. Home Theater System |
| 6. English Learning |
| 7. Takeout Food Outlets |
| 8. Counterfeit Brand Goods |
| 9. Book Reading |
| 10. Oriental Medicine |

| 2003 |
| 1. Digital Photos |
| 2. Lotto |
| 3. Multi-Functional Electronic Appliances |
| 4. ‘Well-Being’ Goods |
| 5. Contemporary-Version History Dramas |
| 6. Books on Personal Finance |
| 7. Import Cars |
| 8. Free-for-All Subway Tabloids |
| 9. Naver’s Knowledge Search |
| 10. Immigration Boom |

| 2004 |
| 1. Cyworld |
| 2. Multi-Functional Mobile Phones |
| 3. Vita 500 the Vitamin Drink |
| 4. “Yonsama” Syndrome and the Korean Wave |
| 5. High-Capacity MP3 Players |
| 6. Low-Price Cosmetics |
| 7. TV drama: “Lovers in Paris” |
| 9. Long-Term Mortgage Loans |
| 10. Spicy Foods |

| 2005 |
| 1. The Chonggyechon Stream |
| 2. "Blue Ocean Strategy" |
| 3. Satellite DMB |
| 4. Indirect investment vehicles |
| 5. K-1 |
| 6. TV drama series |
| 7. Kart Rider |
| 8. Car navigation system |
| 9. “Welcome to Dongmakgol” the Movie |
| 10. Blog |
SERIChiina

Samsung Economic Research Institute China (hereafter SERIChiina) was officially launched on July 1, 2005 after it had completed the registration process with the government on May 31 of the same year. The institute was established with a purpose to support the group’s business operations in China, as well as to expand SERI’s presence in one of the most important strategic markets in the world. As its formal name Samsung Economic Research Institute Beijing Representative Office implies, it is a liaison office rather than a for-profit entity.

SERIChiina seeks to play the role of a leading think tank helping to create practical knowledge in advancing Chinese business. More specifically, it makes every effort to generate knowledge on the Chinese market by which all the entities, foreign or domestic, with interest in China could benefit. It also alerts any sign of possible risks that may arise in doing business in China while striving to become a respected opinion maker in China. SERIChiina’s vision in the year 2010 is to become the best private knowledge center in China by accomplishing the challenges it will take on for the coming years.
The major focus of SERIC China is the following three tasks

First, SERIC China will act as a supporting unit for Samsung group advising matters of strategic to it in expanding business in China. To do so, SERIC China will provide analytic reports on business conditions and monitoring services on market trends.

Second, SERIC China will be an integral part of the grand vision of Samsung Economic Research Institute to go global. In other words, SERIC China takes an important part in the SERI-wide research on China, Japan, and Korea by deepening understanding of the Chinese economy. At the same time, it will act as a networking vehicle connecting people in China.

Third, SERIC China will contribute to the Chinese society by creating and sharing knowledge, thereby enhancing image of Samsung group in the nation.

SERIC China Organization

Currently, SERIC China is organized in four research teams, including Macroeconomy, Industry & Technology, Management & Corporate Strategy, and Sino-Korea Teams. As of end-2005, there are 13 staff members, two researchers dispatched from the Seoul headquarters (of which three will be hired in June 2006 after their master’s degree), and one professional editor and two administrative staff (executive assistant and accounting).

SERIC China publishes a weekly report called the China Weekly Review detailing trends in China (45 issues published in 2005). In addition, it issued the Macroeconomic Trends (quarterly and annual) and CEO Information four times in 2005. It also held SERI-Strategy Seminars five times to date with economic experts in China to discuss major issues on business and economy.
Other Activities
1986

Foundation

Jul 1986 Samsung Economic Research Institute established as a research arm of Samsung Life
Jul 1986 LIM Dongsung inaugurated as first SERI president
Jul 1987 Held an international symposium to commemorate foundation

1990

Growth Era

Jul 1990 Entered the management consulting business
Apr 1991 Formally incorporated as Samsung Economic Research Institute
Dec 1991 Started publishing the quarterly consumer survey
Jan 1993 Entered the book publishing business with the first publication of One Second Is Too Much
Sep 1993 Samsung Global Environment Research Center established as a subsidiary
Oct 1993 Started for-fee membership information service SERI Club
Jul 1994 Moved to Samsung Group Headquarters Building from Samsung Life Building

1995

Recognition Building

May 1995 CHOI Woosuk inaugurated as second SERI president
Aug 1995 Started the Regional Economic Forum in which local businesspeople, government officials, and academics discussed regional issues
Aug 1995 The first issue of weekly analytic report CEO Information published
Feb 1996 The 10th-anniversary thesis competition for college students held
Jul 1996 SERI 10-Year History published
Sep 1996 Moved from Samsung Group Headquarters Building to Kukje Center Building
Oct 1996 Corporate website www.seri.org launched
Jul 1997 Started making available internally generated materials to outside researchers
Dec 1997 Transferred control of Samsung Global Environment Research Center to Samsung Engineering

1998

Korea’s SERI

Dec 1998 Launched the IMF Database (later renamed as the Korean Economy Seen from World’s Distinguished Scholars)
Apr 1999 Knowledge Management Symposium held; and Knowledge Database unveiled
Apr 1999 The online community Cyber SERI Club launched
Feb 2000 The first issue of online bi-weekly World Report published
Mar 2000 Start-up business symposium held
Apr 2000 First digital symposium held
May 2000 ‘Economics of Poverty’ symposium held
Sep 2000 English website Koreaeconomy.org launched
Oct 2000 Second digital symposium held
Nov 2000 A seminar held to discuss ‘ways to enhance cooperation with companies in Korea, Japan & China’
Jan 2001 Online corporate intelligence service EBITzone opened
May 2001 SERI.org selected by Alexa as the most frequently visited think tank site in the world
May 2001 ‘Industrial competitiveness’ symposium held
Jul 2001 SERI 15-Year History published
Oct 2001 Online information service for business leaders SERICEO launched
Nov 2001 ‘Workers compensation policy’ discussion forum held
Dec 2001 A seminar held to discuss ‘policies to make use of women workforce’

Feb 2002 SERICEO opened to outside subscribers
Mar 2002 ‘China’ symposium held
Apr 2002 ‘Recent business conditions and industries’ symposium held
Apr 2002 ‘Crisis in start-up businesses and new breakthrough’ symposium held
Sep 2002 SERI.org membership broke the 300,000 mark
Oct 2002 ‘Industry cluster-based development strategy’ seminar held
Nov 2002 ‘The new business model for Korea’s farming sector’ symposium held
Dec 2002 Signed an agreement with Sungkyunkwan Univ. to implement the joint Korea General Social Survey
Global SERI

2003
Apr 2003 International symposium ‘The Korean Economy after the War in Iraq’ held in cooperation with the Korea Herald
May 2003 SERI.org launched on Single TOPIC, the Samsung group Intranet
Jun 2003 ‘Korea’s national competitiveness’ symposium held
Sep 2003 JUNG Kuyun inaugurated as third SERI president
Sep 2003 ‘Reviving farming sector and rural amenity development in response to the Doha Round’ seminar held
Oct 2003 Museum information site SERIMuse launched
Oct 2003 ‘The outlook of the Korean economy 2004’ symposium held
Nov 2003 ‘The future of Korea’s agriculture’ seminar held
May 2004 Farm tourism site Tourlab.com launched
Jun 2004 ‘International comparison of national values’ seminar held
Jun 2004 ‘Korea’s entrepreneurship’ symposium held
Jun 2004 ‘The role of foreign ownership in financial service industry of Korea, Japan & China’ seminar held
Jul 2004 ‘The future of farm tourism’ seminar held
Sep 2004 ‘The rise of China and responses of East Asia’ international symposium held
Sep 2004 ‘Ten suggestions for economic recovery’ symposium held
Sep 2004 The learning site for military officers MKiss opened, with sponsorship of Military Mutual Aid Association
Sep 2004 ‘Financial reform experience in Korea and China’ symposium held
Oct 2004 ‘Reform in Korea’s management education’ seminar held
Oct 2004 ‘In pursuit of $20,000 Per-capita GDP’ symposium held
Oct 2004 SERI.org membership surpassed 850,000
Oct 2004 Customized knowledge sites launched (Samsung Life, Samsung Fire & Marine, Samsung Card & Hana Bank)
Nov 2004 ‘The Window to the World’ SERIWorld.org opened
Nov 2004 In search of a cooperation model for large & small businesses’ seminar held
Dec 2004 ‘The benefits and challenges of Korea-Japan FTA’ seminar held
Dec 2004 ‘Defining the US-Korea alliance: economic & security challenges’ symposium held

2004
Jan 2004 ‘The benefits of Korea’s membership in the WTO’ seminar held
Mar 2004 ‘Korea’s future in the Information Society: Challenges and opportunities’ symposium held
Apr 2004 ‘Globalization and the future of Korean industry’ seminar held
Apr 2004 ‘Korea’s future in the Information Society: Challenges and opportunities’ symposium held
May 2004 ‘The future of the Korean economy in the 21st century’ symposium held
Jun 2004 ‘The rise of China and responses of East Asia’ seminar held
Jul 2004 ‘The outlook of the Korean economy 2005’ symposium held
Aug 2004 ‘The benefits and challenges of Korea-Japan FTA’ symposium held
Sep 2004 ‘Korea’s future in the Information Society: Challenges and opportunities’ symposium held
Oct 2004 ‘The benefits and challenges of Korea-Japan FTA’ seminar held
Oct 2004 ‘Defining the US-Korea alliance: economic & security challenges’ symposium held
Nov 2004 ‘Korea’s future in the Information Society: Challenges and opportunities’ symposium held
Dec 2004 ‘The benefits and challenges of Korea-Japan FTA’ seminar held

2005
Jan 2005 ‘2005 exchange rate forecast and currency risk management’ symposium held
Feb 2005 Open research project ‘Digital II’ commenced
Apr 2005 ‘Challenges of 21st century US-Korea relationship’ symposium held
May 2005 Press conference with Foreign Correspondents’ Club members
May 2005 SERI.org membership topped 1 million
May 2005 ‘International comparison of civic duty’ seminar held
Jun 2005 The knowledge link between Korea and Japan SERIJapan.org launched
Jun 2005 The open research space Digital 2 (www.digital2.or.kr) launched
Jun 2005 ‘The global trading kingpin CHANG Pogo’ seminar held
Jun 2005 ‘University reform and pursuit of excellence’ seminar held
Jun 2005 ‘Making Korea a good country to live: The G10 in Y10 project’ symposium held
Jul 2005 Samsung Economic Research Institute Beijing Office (SERIChina) approved for business
Jul 2005 ‘The advent of farm tourism: How to maximize value’ seminar held
Aug 2005 Six Sigma research site SERI6sigma.org opened
Nov 2005 Complexity theory site (www.complexity.or.kr) launched
Nov 2005 Press conference with Foreign Correspondents’ Club members
Nov 2005 ‘Stay small but strong: Korea’s farming’ seminar held
Nov 2005 ‘BRICS Redux: Threats and Opportunities’ symposium held

Global SERI

2003

Towards the Best in the World

2005

Samsung Economic Research Institute
Mission

We at Samsung the Economic Research Institute strive to make our society a knowledge powerhouse by helping to create a mass of useful information.

A Private Think Tank Always on the Frontline of Business Intelligence

- Publishes timely analytic reports on business trends
- Suggests strategies for sustaining competitive advantage

Leading Opinion Maker

- Makes policy proposals for the nation’s economic development
- Proposes recommendations to make the economy more market friendly

Vision2010

Knowledge Hub for Creative Solutions

<table>
<thead>
<tr>
<th>Knowledge</th>
<th>We create knowledge in a systematic way so that the nation’s economy and corporate Korea can respond to the change in timely manner.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hub</td>
<td>We try to become the center of knowledge network in which all the members can exchange ideas and generate better insights.</td>
</tr>
<tr>
<td>Creative</td>
<td>We seek to find new, challenging research topics that go beyond generally accepted norms.</td>
</tr>
<tr>
<td>Solutions</td>
<td>In preparation for the coming era of a globalized world, we make policy and strategy recommendations for the government and corporations.</td>
</tr>
</tbody>
</table>

Problem definer

- We try to look at problems with a long-term, structural view while suggesting workable solutions to the problems at hand.

Problem solver

- We set policy agendas for future problems well before they become a serious issue, and thereby help the society and corporate sector to find ways to overcome the problems.
Seeking to contribute to the society through knowledge creation, Samsung Economic Research Institute generates reports in areas of business, economy, and policy.

**Economic Research**
- By producing reports on macroeconomic trends and major issues, we are making ourselves an indispensable source of information for the government and corporate world.
- In the globalizing world, we investigate global macroeconomic issues of importance to us, such as international finance, international business, and resources, and suggest strategic responses for the nation.
- Under situation of the rapidly changing global financial market, we examine ways for Korea’s financial services industry to adapt to the new environment.

**Management Research**
- In order to help Korean companies to become globally competitive, we provide strategic intelligence, taking into account the present and future business environment, and deriving readily applicable management lessons from detailed analysis of real-world business cases.
- We suggest practical solutions to challenges faced by Korean businesses in areas of labor management and personnel issues.
- Under circumstances of constantly changing technological environment, we propose appropriate policy and strategic responses for government policy makers and corporate leaders.

**Public Policy Research**
- We support policy-making bodies of the government by generating scores of analytic reports on public policy issues at national and local level. To realize a business-friendly environment, we recommend policies conducive to creating a full-fledged market economy.
- We contribute to the society by doing research on local infrastructure investment, regional development, and specialized local industry promotion. In addition, we do research on other important issues such as education, population imbalances, and welfare reform.
Samsung Economic Research Institute provides management consulting services to clients in diverse areas including corporations, banks, and government agencies at national and local level.

**Management Strategy Consulting**
- Global Management Strategy
- Market-entry, competition strategies
- Vision-building strategies
- Business process reengineering
- Future growth business studies
- New business development strategies
- e-business strategies
- Restructuring implementation strategies

**Human Resources Management Consulting**
- Strategic total personnel system management
- Organization design
- Corporate culture building
- e-HRM in e-business
- Strategies to hire & retain core talents
- Leadership development
- Compensation schemes
- Reward system design

**Technology Market Consulting**
- Industry forecast (trends in supply & demand, prices)
- Technology policy and strategy making
- Market research on international & domestic markets
- Technology trend analysis
- Global R&D strategies
- Industry policy making
- Feasibility studies

**Policy & Regional Development Consulting**
- Financial policies
- Regional development strategies
- For-profit businesses of public organizations
- Small business policies
- Tourism industries
- Education, welfare reform & gender policies
- Policies

**Six-Sigma Consulting**
- Consulting projects for nurturing six-sigma experts (DMAIC, DFSS & Black Belts)
- Education programs for effective six-sigma implementation (executive training programs & implementation strategy sessions)
- In-dept research on six-sigma method
3 Divisions, 9 Departments, 2 Centers
No. of Researchers: 109