SERI Activities

- Research Calendar
- Symposium & Forum
- Publications
- Cyber SERI
- SERI China
- SERI Quarterly
- EU Brief
- Creative Solutions
- Top Ten Hit Products of 2010
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| Jan.   | Ten Major Global Trends in 2010  
Korea’s Ten Major Trends in 2010  
Seven Major Issues for Global Corporate Management in 2010  
Ten Major Tasks Facing Korea in 2010  
Causes of Sluggish Facilities Investment: Focus on Structural Factors  
Effectiveness of Korea’s Fiscal Policies and Fiscal Soundness  
The Positive and Negative Aspects of the US Economy in 2010  
Background to Recent Foreign Exchange Rate Volatility and Prospects  
Management and War: Managerial Wisdom Gained from the War Game  
China’s Cutting-edge Industries  
Brain Science Meets Management: Marketing Strategy Utilizing Brain Science  
The Expanded Model for Job Sharing: Japanese Companies’ Two Jobs Cases |
| Feb.   | Smartphones Shaping the Future  
Reassessing Korea’s National Debt  
How to Cope with Risks of Global Production System  
Rare Metals and Industrial Competitiveness: Efforts to Secure Supply and Response Measures  
Climate Change Economics  
Trends in Discussions on US Fiscal Soundness and Policy  
New Three Highs and the Korean Economy  
MICE Industry: Opportunities and Challenges  
Paradigm Changes in Innovative Invention  
Dynamic Capability Controls the Uncontrollable  
Transformation of Business Models in Mobile Big Bang Era  
Learning from Korea’s Success in Speed Skating  
New Growth Strategy of Korean Companies  
Fiscal Crisis in Southern Europe and Outlook |
| March  | Economic Value and Effect of 2010 Winter Olympics  
China’s Exit Strategies: Impact on Korean Economy  
New Growth Engine: Infrastructure Market in Emerging Countries  
Global Economy’s Transition to a New Normal  
Seven Winner Corporations in Global Economic Crisis  
Japanese Companies Seek Opportunities in the Emerging Economies  
Inflationary Pressure Analyzed Using Liquidity Indices  
Global Financial Crisis and Green Growth  
The Possibility of a UK Fiscal Crisis and Outlook  
Risk Assessment of Household Debt and Its Impact on Consumption  
Work SMART  
Augmented Reality-driven Future Changes  
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Korean Peninsula Security Index: Survey Results for First Quarter 2010  
Consumer Sentiment Survey for First Quarter 2010 |
### April

- **Korean Economy According to Economic Well-being Index**
- **Opportunities in the Middle East**
- **Emergency Measures to Boost Low Fertility**
- **Won/Dollar Exchange Rate Approaching 1,100: Economic Impact and Implications**
- **Financial Crises and Changes in Employment Environment for Foreigners**
- **India’s Infrastructure Market and Investment Opportunities**
- **Diagnosis and Assessment of Recent Employment Trends**
- **Reinforced Environmental Regulations and Green Protectionism**
- **Changes in the Photovoltaic Industry**
- **Management Based on Diverse Business Ties**
- **Display Devices Expand Their Boundaries**
- **Hidden Relationships in Organizations: Organizational Network Analysis**
- **Social Media Moves Employees’ Minds**
- **SERI EMGC 200 - Analysis of Global Companies in Emerging Economies**

### May

- **Lessons from Global Company’s M&As**
- **How to Respond to Patent Disputes and Technology Theft**
- **Korean Society Is Turning Multicultural**
- **How Advanced Korean Society Is**
- **Why Hasn’t Japan’s Fiscal Crisis Come to the Fore?**
- **Assessing the introduction of the Cost of Fund Index (COFIX) and Policy Suggestions**
- **Analysis of Greek Fiscal Crisis from Political and Economic Perspectives**
- **Outlook on the Global Grain Market in Second Half 2010**
- **Green Management through 3Rs**
- **Enlightened Self-interest Management**
- **Risk Management of New Business Projects**
- **Leadership Using Emotional Intelligence: Draw Positive Energy from Employees**
- **Economic Outlook for Second Half 2010**
- **Consumer Sentiment Survey for Second Quarter 2010**

### June

- **Mixed Outlooks for Global Economy in Second Half of 2010**
- **The 5th Local Elections, Major Challenges?**
- **Mobile Big Bang and Future Corporate Management**
- **SERI’s Financial Stress Index and Korea’s Financial Market**
- **A List of 20 Books for CEOs**
- **Korea’s Booming Exports**
- **Exit Strategy to Restore Fiscal Health**
- **Southeast Asia’s Economic Recovery and Implications for the Korean Economy**
- **Causes of Sluggish Construction Investment and Implications**
- **Emission Credit Exchange: Its Meaning and Tasks Ahead**
- **Growth Strategy in Manufacturing: Servicization**
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- **Learning Risk Management from Nature**
- **Empathic Listening Makes Good Leaders**
- **Korean Peninsula Security Index: Survey Results for 2nd Quarter 2010**
- **Fiscal Crisis in Southern Europe and Outlook on the Eurozone Economy**
- **The Need for GTA and Expected Effects**
New Business Opportunities in Slow Trend
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The Optimal Public Debt Ratio
Economic Effects of Youth Unemployment and Fundamental Measures
- Restructuring the Education System
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Korea’s Higher Vulnerability in Foreign Exchange Compared to Stocks
Solutions to Local Government Fiscal Crisis
Outlook on Yuan Appreciation
Strategy to Innovate the Service Industry through Smartphones and LBS
Brand Integrity
Smart Grids and New Business Opportunities
Communication and the World Cup in South Africa
Local Success in Emerging Markets: Fending Off Multinationals
Post-Crisis Global Financial Regulations
Global Leading Companies M&As
And Successful Strategies of Each M&A Type
Governance and Response to Financial Crises

Korea-Japan Relations
A Green Life Revolution Ushers in a Low Carbon Era
China’s Newly Emerging Global Companies
Imbalance in External Assets and Liabilities and Its Implications
US Economic Recovery Hinges on Private Sector’s Spending Power
Conflicting Views on Future Economic Conditions
Market-oriented Methods to Manage Water Resources
Cloud Computing Services
Cradle to Cradle: A New Paradigm for Environmental Protection
Deciphering the Human Genome and New Business Opportunities
Three-dimensional Strategy to Tackle Work Stress
The Socioeconomic Consequences of Korea’s Shrinking Middle Class
Consumer Sentiment Survey for Third Quarter 2010
Inconvenient Truth Revisited
Innovating College Education to Increase Youth Employment

Shrinking Global Food Supply Threatens Korean Economy
Obstacles Facing Korea’s Working Mothers
The G20 Seoul Summit, Its Implications
Is Real Estate in a Long Slide?
The Red Light Is on in Japan’s Managerial Environment
Strong Yen and Its Implication on the Korean Economy
Recent Trends in the Global Education Market
Power of Overcoming Adversity: Resilience
Amazon’s Endless Change
From Superman to Avatar
Humanism-based Management
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Korean Companies’ Networking Activities
Currency Rows
Two Years after the Global Financial Crisis
Impact of Tablet PCs on Media Industry
US-China Friction & Global Economy
Changes in the Competition Structure of the Global Financial Market
Four Characteristics of Recent Inflation
Budget Authority, the National Parliament and the Korean Government
China’s 12th Five-Year Plan
Facebook, Leading the New Wave of Global Communication
An Idol Group-led New Korean Wave
Making SMEs Stronger through Globalization
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The Consumption Market in Emerging Economies
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Korea’s Recurring Financial Volatility

Collective Intelligence, A New Source of Value Creation
Will Emerging Economies Continue Robust Growth?
A Post-G20 Korea
China’s Strong Green and Bio Industries
Simultaneous Rally in Stock and Bonds
What Korea Can Learn from the 2010 Nobel-winning Economic Theory
India’s Rising Inflation
Optimal Foreign Currency Reserves and Implications
Ways to Take on the US$1.6 billion Muslim Market
Keyword for Growth, Platform
High Reliability Organization
Creative Abrasion
Winners and Losers of the Global Financial Crisis
Policy Outlook after the US Midterm Election
Working Mothers and Corporate Response
Consumer Sentiment Survey for Fourth Quarter 2010
2010 SERI-PCNB NBDO
Change in China’s Growth Strategy: From Investment and Exports to Consumption

Major Issues for Korean Companies in 2011
Business Opportunities from New Leisure Trends
Top 10 Hits in Korea of 2010
A Post-crisis Korean Economy: 10 Years down the Road
Possibility of Spain’s Fiscal Crisis and Future Outlook
Export Diversification: Impact on Korean Economy
Evolving Patent Business
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China’s Newly Emerging Companies
Korea’s Local Autonomy in Crisis
Addressing Climate Change through Market Mechanism
Samsung Economic Research Institute holds symposiums on major issues of the Korean economy, in an effort to share expertise and play a leading role in Korea’s future development.

**Feb. 17, 2010**

**Host:**
Samsung Economic Research Institute

**Symposium**

**Economic Impact of the Cap and Trade System in Korea and Its Scale-up Strategies**

**Session 1**
- Introduction of Studies on Cap and Trade System’s Economic Impact and its Scale-up Strategies | LEE Jee-Hoon, Research Fellow, SERI
- Spillover Effects from Introducing Cap and Trade Using Dynamic Computable General Equilibrium Model | KANG Hee-Chan, Research Fellow, SERI
- Prospects of Introducing Cap and Trade and Major Issues | PARK Ho-Jeong, Professor, Korea University

**Session 2**
- Strategies for Introducing Cap and Trade in Korea Based on the EU-ETS Experience | David Turberfield, Managing Partner, ERM Korea
- Global Companies’ Strategies on Cap and Trade | Philippe Rosier, President, Rhodia Energy Services and Orbeo
- Green Growth Cooperation of South and North Korea and its Execution Strategies | LEE Han-Hee, Research Fellow, SERI

**Panel Discussion**
- Moderator: JUNG Ku-Hyun, Advisor, SERI
- Participants: KIM Jeong-In, Professor, Chung-Ang University; KIM Yong-Gun, Chief Economist, Korea Environment Institute

**March 23, 2010**

**Host:**
Korean Olympic Committee, Presidential Council on National Branding, Samsung Economic Research Institute

**International Sports Events and National Brand**

**Presentation**
- Success of Korea in Vancouver Olympics and Enhancement of National Brand | LEE Dong-Hun, Research Fellow, SERI
- Economic Effects of Vancouver Olympics | LEE Chang-Young, Research Fellow, SERI
- International Sports Events Marketing and Implications | KANG Joon-Ho, Professor, Seoul National University
- The Meaning of Hosting the Winter Olympics in Pyeongchang | KIM Nam-Soo, Director General of Planning, Pyeongchang 2018 Bid Committee

**Panel Discussion**
- Moderator: HONG Sun-Young, Senior Vice President, SERI
- Participants: KIM Keun-Soo, Director, Presidential Council on National Branding; HAN Choong-Min, Professor, Hanyang University
2010 Korea-China International Economic Forum

Session 1. International Role of the Korean and Chinese Economies
- Moderator: KIM Jun-Young, Vice President, Sungkyunkwan University
- Chinese Economy After the Global Financial Crisis, CAO Fengqi, Director, Chinese Finance Association
- China’s Future and Korea-China Relations on the Basis of Economic Social Development Stage, CHUNG Duck-Koo, Chairman, NEAR Foundation (Former Minister of Economy, Commerce and Industry)

Session 2. Prospects of China’s New Economic Development System
- Moderator: ZHANG Guo You, Professor, Guanghua School of Management, Peking University
- Prospects of China’s Economic Development and Plans for Korea-China Economic Cooperation, JU Guo Yu, Professor, Sungkyunkwan Graduate School of China
- Post-crisis Restructuring of the Chinese Economy, TANG Min, Deputy Secretary General, China Development Research Foundation
- Thirty Years of China’s Economic Catch-up and Prospects Compared to Korea | LEE Keun, Professor, Seoul National University

Session 3: New Economic Cooperation Model of Korea-China
- Moderator: LEE Ho-Jae, Professor, Sungkyunkwan Graduate School of China
- New Challenges Facing Korean and Chinese Businesses | KIM Yong-June, Professor, Sungkyunkwan Graduate School of Business
- Korea-China Financial Cooperation Plans following China's Financial Reforms | DONG Wenbiao, Chairman of Board of Directors, China Minsheng Banking Corp.
- Case Studies on Korea-China Business Cooperation | LI You, President, Founder Group

Market Opportunities from the Rise of Emerging Market Economies and Responses by Korea, China and Japan

Session 1: Market Opportunities from the Rise of Emerging Market Economies
- SERI Selections of 30 Promising Emerging Market Economies | JUNG Ho-Sung, Research Fellow, SERI
- Promising Export Products and Infrastructure Market | KIM Jung-Woo, Research Fellow, SERI
- Promising Consumer Markets in Emerging Economies | LEE Dong-Hun, Research Fellow, SERI
- Strategies and Responses in Advancing into Emerging Market Economies | BOK Deuk-Kyu, Senior Fellow, SERI
Session 2: Korea-China-Japan’s Response Strategies After the Global Financial Crisis

- Japan’s Response Strategies | SADAMORI Keisuke, Deputy Director General for Trade Policy, Ministry of Economy, Trade and Industry of Japan
- China’s Response Strategies | CHEN Zhou, Minister Counselor of Economic and Commercial Office, Embassy of China in Korea
- Korea’s Response Strategies | PARK Chung-Won, Director General of Industry and Knowledge Economy, Ministry of Knowledge Economy

Panel Discussion: In Search for a New Korea-China-Japan Industrial Cooperation Plan

- Participants: HAN Sun-Hee, Director General of Business Information, KOTRA; PARK Seung-Rok, Director of Division of Corporate Research, Korea Economic Research Institute
- Moderator: PARK Bun-Soon, Senior Fellow, SERI

Dec. 3, 2010

Host:
Samsung Economic Research Institute

Post-crisis Course of the Korean Economy: Challenges and Tasks in the Next Decade

Session 1

- Global Financial Crisis and Tasks for the Korean Economy in the Next 10 Years | KIM Yong-Ki, Senior Fellow, SERI
- Expanding Domestic Demand for Stable Growth | RHEE Tae-Hwan, Research Fellow, SERI
- Dimensional Structure of Korea’s Industries | BOK Deuk-Kyu, Senior Fellow, SERI
- Building a Korean-Style Flexible and Stable Employment System | SOHN Min-Jung, Research Fellow, SERI

Session 2

- Prevention of Financial Crises and Strengthening Intermediary Functions | JEONG Young-Sik, Research Fellow, SERI
- Social Integration for Sustainable Growth | LEE Dong-Won, Research Fellow, SERI

Panel Discussion

- Moderator: HONG Sun-Young, Senior Vice President, SERI
- Participants: JEONG Kap-Young, Professor, Yonsei University; PARK Won-Am, Professor, Hongik University; LEE Jong-Wook, Professor, Seoul Women’s University
Samsung Economic Research Institute oversees a regional economic forum in 11 regions. The forum provides business-related information based on SERI reports and other knowledge for company leaders. It also promotes a broad exchange of views and ideas at regular monthly seminars. Through this interaction, SERI helps bolster the competitiveness of local business communities and assists regions in economic development.

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<td>PARK Gwang-Tae Mayor of Gwangju Metropolitan City</td>
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<tr>
<td>Aug. 2010</td>
<td>Post-crisis Consumption Trend and Responses</td>
<td>LEE Min-Hoon</td>
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<td>Survival Leadership in a Fiercely Competitive Age</td>
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<td>Chungbuk</td>
<td>Photovoltaic Industry and Future of North Chungcheong Province</td>
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<td>Jeonbuk</td>
<td>Crisis Diagnosis and Responses for Creative Organization</td>
<td>SONG Jin-Gu (Professor at JEI University)</td>
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</table>
**Leadership Using Emotional Intelligence: Draw Positive Energy from Employees**  
YE Ji-Eun  
Research Fellow at SERI  
Ulsan

**Failure, the Seed of Great Success**  
KIM Jin-Hyuk  
Research Fellow at SERI  
Jeju

**Learning from Popular Culture: The Formula of Big Hits**  
LEE Seung-Jae  
Reporter of Dong-A Ilbo  
Busan

**Background and Prospects of Global Currency Disputes**  
JEONG Young-Sik  
Research Fellow at SERI  
Gyeongnam

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**Contacts for Regional Forum Membership**

- **Busan Economic Forum**  
  Busan Chamber of Commerce & Industry 82-51-990-7062
- **Daegu Economic Forum**  
  Daegu Chamber of Commerce & Industry 82-53-756-3036
- **Gwangju Economic Forum**  
  Gwangju Chamber of Commerce & Industry 82-62-350-5863
- **Daejeon Economic Forum**  
  Daejeon Chamber of Commerce & Industry 82-42-480-3042
- **Ulsan Economic Forum**  
  Ulsan Chamber of Commerce & Industry 82-52-228-3103
- **Gyeongnam Economic Forum**  
  Changwon Chamber of Commerce & Industry 82-55-210-3001
- **Chungbuk Economic Forum**  
  Chungbuk Research Institute 82-43-220-1194
- **Chungnam Economic Forum**  
  Chungnam Northern Chamber of Commerce & Industry 82-41-556-7131
- **Gimhae Economic Forum**  
  Gimhae City Government 82-55-330-3447
- **Jeonbuk Economic Forum**  
  Jeonju Chamber of Commerce & Industry 82-63-288-3013
- **Jeju Economic and Tourism Forum**  
  Jeju Chamber of Commerce & Industry 82-64-757-2164
### SERI Books

Publications by Samsung Economic Research Institute attempt to deepen public knowledge and contribute to society. Their focus is on the economy, society and business management. Outside authors as well as SERI researchers contribute to SERI’s annual book list.

<table>
<thead>
<tr>
<th>Date</th>
<th>Title</th>
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<tr>
<td>March 19, 2010</td>
<td>Rediscovery of Japan</td>
<td>LEE Woo-Kwang</td>
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<td>April 30, 2010</td>
<td>North Korean Nuclear Threat and the DIME Approach</td>
<td>JEON Kyong-Mann, LIM Soo-Ho, BAHNG Tae-Seop, LEE Han-Hee</td>
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<td>April 30, 2010</td>
<td>Falling in Love with Brand</td>
<td>CHOI Soon-Hwa, LEE Min-Hoon</td>
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<td>May 26, 2010</td>
<td>Fragmented Power: Europe and the Global Economy</td>
<td>Translated by Yonsei-SERI EU Centre</td>
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<td>June 18, 2010</td>
<td>Recurring Global Financial Crises</td>
<td>KIM Yong-Duk</td>
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<td>June 25, 2010</td>
<td>Community Business</td>
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<td>Aug. 16, 2010</td>
<td>China’s Tomorrow</td>
<td>MOON Chung-In</td>
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<td>Nov. 12, 2010</td>
<td>Future Industry Watch</td>
<td>Samsung Economic Research Institute</td>
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### SERI Essays

SERI Essays are a collection of insights from Korea’s leading intellectuals that identify directions for Korean corporations and society at large. Their incisive and thought-provoking criticisms aim to stimulate open discussions on issues relevant to the creation of a knowledge-based society.

<table>
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<tr>
<th>Date</th>
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<tr>
<td>Jan. 28, 2010</td>
<td>Over-production, Recession and Governance</td>
<td>LEE Jae-Kwang</td>
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<td>April 19, 2010</td>
<td>Greater East Asia</td>
<td>PARK Bun-Soon</td>
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<tr>
<td>July 19, 2010</td>
<td>Overseas Construction Projects: A Strategic Approach</td>
<td>KIM Young-Tae</td>
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</table>
Cyber SERI: Korea’s No.1 Knowledge Service

Cyber SERI provides the greatest value to its customers

Cyber SERI is a comprehensive brand for the websites of Samsung Economic Research Institute. SERI’s websites serve as information conduits to both domestic and global audiences and play a vital role in positioning SERI as the hub of the knowledge ecosystem in Northeast Asia. Cyber SERI is dedicated to facilitating communications and the exchange of ideas globally.

Cyber SERI Website Features

SERI.org, Korea’s representative knowledge platform, has positioned itself as Korea’s No.1 website in economic research and looks to build an “open knowledge ecosystem” with the same prestige in a joint effort between SERI and its members. SERI.org has various communication channels, including its e-newsletter SERIZINE, mobile web service, five-minute video reports based on major SERI publications, and social media services such as SERI Twitter and Facebook, which enjoy high popularity among its members.

- Launched in October 1996
- Main Features (As of December 2010)
  - Provides free reports to members
  - Operates interactive member services, including the Open Knowledge Forum, the Creative Zone and the Cyber Forum
  - Supports forum activities via mobile web services
  - Briefs of latest reports are distributed through social media including Twitter and Facebook to enhance communication with SERI members
  - Users can view SERI reports and books published by SERI via smartphones
  - Number of Members: 1.79 million
  - Number of Contents: approx. 2.8 million
  - Number of Twitter followers: 50,000 (the fourth largest among Korean companies)
SERICEO is an "online video-based knowledge service" for CEOs and business leaders. SERICEO aims to provide essential knowledge and information to CEOs in a timely and comprehensible manner to help enhance the competence of Korean CEOs and companies.

- **Launching in September 2001**

- **Main Features (As of December 2010)**
  - Quality content by SERI researchers and distinguished contributors
  - Timely briefings on latest issues and insights on the economy, business and industry in five-minute video format
  - Various programs for CEOs ranging from management and economy to culture, history and philosophy
  - Number of Members: approx. 11,000
  - About 10,000 videos are available

### SERICEO’s Major Services

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<th>Online Services</th>
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<tr>
<td><strong>Multimedia Briefing</strong></td>
<td><strong>CEO Network</strong></td>
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<td>- Timely briefings on the latest issues on the economy, business, industry and culture/art trends in five-minute video format</td>
<td>- Breakfast seminar: One of the largest regular monthly executive breakfast meetings, with more than 1,500 members sharing information on management, economy, industry and culture</td>
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<td>- Four videos provided on a daily basis (approx. 10,000 videos are available)</td>
<td>- Humanities seminar: Aimed at fostering members’ imagination and business insight</td>
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<th><strong>Email Service</strong></th>
<th><strong>CEO Information</strong></th>
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<tr>
<td>- Daily: New and recommended content</td>
<td>- Exclusively provides CEO Information in print to the presidents of the Samsung Group (52 issues a year)</td>
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<td>- Weekly: Weekly highlights</td>
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<td>- Monthly: Monthly best/breakfast seminar</td>
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SERICEO Customized Service

SERICEO provides customized services to companies that are tailored to their unique characteristics. The services are used for the purposes of improving the competency of core human resources and strengthening ties with VIP customers. Starting with the customized website for Samsung Life Insurance launched in June 2003, SERICEO is operating 21 customized websites as of 2010.

Main Features
- Establishes an exclusive education infrastructure customized to each company (including the development and operation of customized websites)
- Reflects a company's management philosophy and culture and provides selected contents that are in line with company objectives
- Dedicated teams to the customized website provide close management services (service, marketing and call center)

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<th>Companies Using SERICEO Services (21 companies)</th>
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<td>Industrial Bank of Korea</td>
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<td>National Assembly</td>
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<td>Ministry of Foreign Affairs and Trade</td>
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m.SERICEO.org offers SERICEO members the same content provided through traditional PCs on mobile devices like smartphones by providing customized content exclusively for mobile devices. Mobile services for ordinary viewers and customized services for companies are also provided.

- **Launched in January 2011**

- **Main Features**
  - Four new video clips are simultaneously uploaded onto m.SERICEO.org and PC websites on a daily basis
  - Interfaced with PC service to provide study record, study hour and content evaluation
  - Users can register for offline seminars (e.g. SERI’s breakfast seminars) via m.SERICEO.org

SERICEO.cn offers the same content provided through traditional PCs on mobile devices like smartphones by providing customized content exclusively for mobile devices. Mobile services for ordinary viewers and customized services for companies are also provided.

SERICEO China provides Samsung employees in China with information on China’s economy, management and industry, all in the Chinese language. The service also includes items to bolster individual capabilities. Two to three contents items are uploaded daily, with more than 90% of SERICEO China users responding “satisfied” or “very satisfied” in a user satisfaction poll. The website is considered to be the best knowledge service for local employees.

- **Launched in October 2007**

- **Main Features (As of December 2010)**
  - Five-minute multimedia content covering the Chinese and global economy, management and industry
  - Information on Samsung Group’s managerial philosophy, history and key values
  - Provides communication venues where employees can share information and knowledge
  - Number of Members: 12,000
  - Number of Content: 2,562 video clips; 346 reports.
As a global window on events in the Korean economy, SERIWorld.org serves as an English channel that presents SERI’s research on the global environment and domestic development, ranging from macro-economic trends, management, industry, public policy to security concerns on the Korean peninsula through full-text reports, researcher columns and video reports. SERIWorld.org shares with its readers many of analyses and policy solutions to a broad community of government officials, business leaders, scholars and general readers. SERIWorld.org also operates various communication channels, including weekly newsletters and social media service such as SERIWorld Facebook and Twitter, to facilitate communication with the global society.

- Launched in November 2004
- **Main Features** (As of December 2010)
  - Provides reports and columns on Korean and global macroeconomic trends, management, industries, and security concerns on the Korean peninsula
  - Issues Korea Economic Trends, a weekly review of Korean economic and management trends
  - Provides five-minute video briefings for enhanced understanding of the Korean economy
  - Number of Members: approx. 70,000
  - Number of Content: 6,549 reports; 1,232 video clips; 181 columns
SERIJapan.org
Knowledge Bridge between Korea and Japan

SERIJapan functions as a link for Korea and Japan to exchange knowledge and information, enabling both countries to grow as true partners. The website was redesigned in January 2008 to make it easier for members to access information, and offers SERI research papers in Japanese.

- Launched in June 2005
- Main Features (As of December 2010)
  - Provides information on Japan’s economy, management, industry and culture through reports, video clips and statistics
  - Offers financial databases of Korean companies, CEO interviews and M&A data
  - Provides reports through Nikkei Telecom and Factiva
  - Number of Members: approx. 7,000
  - Number of Content: 2,448 reports; 914 video clips

SERICChina.org
Website of SERI’s Beijing Office

SERICChina seeks to become a knowledge bridge between Korea and China, providing information on major economic, management and industrial trends and issues in China all in the Chinese language.

- Launched in March 2006
- Main Features (As of December 2010)
  - Offers economic, management and industrial information on Korea and China through reports and video clips
  - Number of Members: 35,000
  - Number of Content: 344 reports; 35 video clips
After receiving authorization from the Chinese government on May 31, 2005, SERI China became SERI’s first milestone in global research.

With the vision of becoming a leading think tank promoting the continual growth of the Chinese economy, society and business by providing creative and essential knowledge, SERI China is taking a firm root as a top foreign private research institute in China. Through early warnings on the changes in the Chinese business environment and proposals to bolster competitive advantage, SERI China has assumed the role of a respected opinion maker not only to enhance corporate competitiveness but also to contribute to Chinese society.

SERI China also plays a role as a pioneer in the globalization of SERI as it endeavors to deepen its expertise, implementing three missions and striving for greater proficiency in both theory and practice through continuous exchanges with China’s state institutions and universities.

**Vision**

- A leading think tank promoting the continual growth of the Chinese economy, society and business by providing creative and essential knowledge

**The Three Missions of SERI China**

- Support Samsung Group’s Business in China as a “Strategic Advisor”
- Contribute to Enhancing Samsung Group’s Image in China by Contributing to Chinese Society
- Globalize SERI

### Current Status of SERI China

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<td><strong>Research and Activities</strong></td>
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<td></td>
</tr>
<tr>
<td>(Research Activities)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Research and operations independent from SERI headquarters in Seoul</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Publish regular reports (weekly/monthly/quarterly)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Outbound Activities)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Network with opinion leaders in China</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Host seminars</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Organization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Researchers (eight)</td>
<td>- Researchers (14 within three teams)</td>
<td></td>
</tr>
<tr>
<td>- Expatriates (two)</td>
<td>- Knowledge management workforce (seven)</td>
<td></td>
</tr>
<tr>
<td>- Translation/administrative workforce (three)</td>
<td>- Expatriates (three)</td>
<td></td>
</tr>
<tr>
<td>- Total: 13 employees</td>
<td>- Translation/administrative workforce (five)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Total: 29 employees</td>
<td></td>
</tr>
</tbody>
</table>
Performance of SERI China in 2010

01 Regular Reports

China Business Focus
- Forty-seven editions published (94 separate reports)

SERICChina Review
- Restructuring China’s Auto Industry
- Reform of Chinese State-owned Companies and Guojin Mintui
- Competition in and Prospects of China’s Internet Industry
- Sponsorship Strategy of China’s Sportswear Industry
- China’s Top Ten Promising Technologies in 2010
- Global Management of Telecommunication Companies in China
- Loan Crisis of China’s Small and Medium Enterprises
- Entry of Multinational Companies into the Western Region
- China’s Auto Insurance Industry: Mounting Deficits and Countermeasures
- Development Strategy of China’s ERP Companies
- 3G Strategy of China’s Mobile Phone Manufacturers
- China’s Economic Policy in the Second Half
- Impact of the Launch of the International Board in the Stock Market on Foreign Companies
- Apple’s Business Strategy and its Implications
- Analysis of China’s Shanzhai Electronic Products
- China’s Energy Crisis and Development of Alternative Energies
- China’s Carbon Trade Market
- China’s High Speed Railway System
- Tencent’s Competitiveness and Mobile Internet Strategy
- Three-Network Convergence, the Present and Future
- Challenges of China’s Manufacturing Industry
- Market Opportunities and Prospects for the App Store
- Growth and Prospects of Online Group Buying
- Traditional Culture and China’s Family Businesses
- Upgrade and Strategic Shift of the Home Appliance Industry
- Ping An Insurance Leads Financial Conglomerates

Issue Reports
- Rapidly Growing New Energy Industry
- Foreign Investments of Chinese Companies
- Development and Prospects of Guojin Mintui
- Promotion of Foreign and Domestic Demand to Bolster Exports
- Brand Strategy of Home Appliance Manufacturers after M&A
- State-owned Companies and Market Integration
- Opportunities and Challenges of Smartphone Manufacturers
- Consumption Patterns of Ba Ling Hou (Chinese people born in the 1980s)
- The Impact of China-ASEAN FTA on the Regional Economy
- Formation and Expansion of Bank Risks
- Market Mechanism for Low Carbon Economy

Economic/Industrial Trends Reports
- Economic Trends in the Second Half 2010 and Outlook
- Economic Outlook for 2011
- Industry Outlook
02 Consulting Projects

- Current Status and Prospects of the Solar Industry
- The Digital Media Industry
- Economic Statistics and Environment of Major Cities
- Cross-strait Cooperation in Each Industry
- Opportunities and Threats of Doing Business in China
- "12-5" Industry Policy
- Estimated Demand and Prospects for PTA Market
- Current Status and Prospects of the LED Market

03 SERICEO China Service

This service provides information in video-clip format on the economy, management, industry and culture to approximately 13,000 business executives/staff employed in Samsung Group China

- Launched in October 2007
- Produces 13 new items every week on topics including management strategy, marketing, leadership, industry outlook, persuasive psychology, business Korean, consumption trends and innovation

04 Outbound Activities

Operation of the SERI China Advisory Board

- Comprised of 13 advisory members, including deans of prominent Chinese universities, presidents of state-owned research institutes and media figures (eight from Beijing and five from Shanghai), to discuss issues in Chinese politics, economy and society in quarterly meetings

Contribution to Korean and Chinese Media

- Interviews and columns to Korean broadcasting companies and major newspapers
- Research reports to journals and websites in China
  - About 130 reports to about 50 magazines including China Entrepreneur and China Economic Net
  - Blog activity and web links on major Chinese websites publicizing SERICchina.org
  - Around 500,000 visit SERI China blogs annually at Sina, 163.com and Sohu.
  - Web link to SERICchina.org at 24 websites in China including Sina Management/China Economic Net, Foreign Investment Web and China HRD Management
In January 2008, Samsung Economic Research Institute launched an English journal, SERI Quarterly, to elevate its international profile. Published in January, April, July and October, this collection of insights and research from SERI and outside experts provides expertise on the global and Korean economies, industries, policies, corporations and businesses to a worldwide audience. SERI hopes the publication will establish a research network for experts on Korea and East Asia. SERI Quarterly is continuously gaining recognition as an influential business journal and becoming popular among CEOs.

SERI Quarterly’s readership includes CEOs of major companies; leading financial institutions; business schools; economic/management research institutes, embassies within Korea; Southeast Asian, European and North American corporations; MBA students; companies and business leaders who have a keen interest in the Korean economy and its businesses; overseas brands operating in Korea; consulting firms; and government officials involved in economic policy making. Most of the subscription demand is from overseas.

Outbound of SERI’s Research Results

SERI Quarterly

- Main Features
  - Features essential information for global CEOs regarding Korea
  - Specialized in analysis of Korea and East Asia
  - Number of issuances: four times per year
  - Number of subscribers: approx. 80,000 worldwide

- Editorial Standards
  Ability to:
  - Prompt follow-up research
  - Stimulate entrepreneurship that turns crisis into opportunity
  - Suggest differentiated ideas that challenge existing research
Samsung Economic Research Institute runs the Yonsei-SERI EU Centre in strategic partnership with Yonsei University. The Centre was established to raise awareness about the EU by promoting student exchanges between Korea and the EU and supporting education and research on the EU. It aims to serve as a hub for research, education and networking, targeting not only Korea but the wider Asian region. As part of this endeavor, the EU Centre publishes EU Brief, with the support of the European Commission.

First published in June 2009, EU Brief was released on a monthly basis through March 2010 and then became a bimonthly newsletter. As of December 15, 2010, there have been 14 editions in total. EU Brief covers the latest information on macroeconomics, politics, trade, industry, society/culture and legislation in the EU. Experts from the EU, including professors and SERI researchers, analyze major EU issues, select themes and contribute articles. The Yonsei-SERI EU Centre looks to build a research network with EU experts, leveraging EU Brief as a platform.
Creative Solutions

Frequent Financial Market Instability: Background and Solutions
A Post-crisis Korean Economy
Is the Global Financial Crisis Over?
Escalating Global Currency Tension
New Normal in the Global Economy
Rising Consumer Markets in Emerging Economies and Response Strategies
Social Media Popularity and New Communication Strategies
Smartphone Shaping the Future
China’s Green and Bio Industries and Korea’s Countermeasure
China’s Emerging Global Companies
Frequent Financial Market Instability: Background and Solutions

01 Background and Objectives

Korea has experienced frequent bouts of financial instability, considering its relatively large economic size (the world’s 15th largest economy in terms of GDP as of 2009). Good examples are the 1997 currency crisis, credit card crisis in 2003 and financial crisis rumors from 2008 to 2009. Such financial instability isn’t confined to the financial sector. It spills over into the real economy, causing a recession, deepening bipolarization and lowering the country’s sovereign credit rating. Thus, Korea’s efforts to achieve stable economic growth suffer setbacks.

This study attempted to measure Korea’s financial instability by using time series and comparative analyses and the effect of financial instability on the real economy. It used a complexity model to review the aforementioned periods of financial instability and identified the causes behind the recurring financial instabilities in Korea. Lastly, this study selected emerging countries that have a low level of financial instability to discover the reasons behind their crisis avoidance. Based on these analyses, the study offered suggestions on how to temper the market’s vulnerability.

02 Key Findings

This paper applied Samsung Economic Research Institute’s Financial Stress Index...
to measure the degree of Korea’s financial instability. In examining the main causalities of the 1997 and 2008 crises, the foreign exchange market was identified as the chief culprit in triggering volatility throughout the financial sector. Financial intermediary market and stock markets were secondary catalysts.

Compared to major countries, Korea’s financial intermediary market and foreign exchange market have been unstable since the 2008 global financial crisis, particularly the latter. In contrast, the nation’s stock markets have been relatively stable and rebounded strongly from their lowest levels of the crisis. In both the pre- and post-crisis periods the stock market has displayed an average level of instability compared to major countries.

According to analysis of the effect of financial instability on the real economy, financial instability has a negative effect on both private consumption and investment. The foreign exchange market instability, in particular, has the biggest influence on private consumption and expenditure while financial intermediary market instability has the biggest effect on facilities investment.
Next, to analyze the reasons of recurring financial instability, the study reviewed the 1997 currency crisis, the 2003 credit card debt crisis and the 2008 global financial crisis. It also used complexity analysis method to complement shortcomings of factor analysis. The results showed that financial instability repeated due to structural factors such as the financial sector’s high external dependence, vulnerability of financial market structure, low competitiveness of financial firms and weak government supervision of financial risks. A lack of dynamic control on the nation’s financial system was also a cause. Consequently, the Korean economy had to deal with a new type of crisis because preventive measures implemented after previous crises were not able to handle new types of actions by various financial players.

**Effect of Financial Instability on Consumption and Investment**

<table>
<thead>
<tr>
<th>Private Consumption &amp; Expenditure</th>
<th>Actual Decline in the 4Q 2008 (Quarter-on-Quarter)</th>
<th>Decline in Foreign Exchange Market</th>
<th>Actual Decline in Financial Intermediary Market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.9</td>
<td>4.8 (81.2%)</td>
<td>1.1 (19.5%)</td>
</tr>
<tr>
<td>Facilities Investment</td>
<td>3.3</td>
<td>1.9 (57.2%)</td>
<td>3.0 (90.4%)</td>
</tr>
</tbody>
</table>

**Note:**
1) Based on constant prices of 2005, actual decline by financial instability is a decline from the average from the 1Q 2005 to 4Q 2007.
2) The effect of financial instability should be measured separately. Otherwise a multi-collinear problem can occur.
3) Consumption and investment functions are a SERI macroeconomic model combined with financial debt and financial stress index.
4) Since financial instability affects other variables such as GDP and GNI, its effect was controlled.

**Structural Factors by Complexity Analysis**

<table>
<thead>
<tr>
<th>System Level</th>
<th>Analysis of Structural Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Linkages Exacerbating Crises</td>
<td>Financial Sector’s High External Dependence</td>
</tr>
<tr>
<td>Excessive Systemic Risks</td>
<td>Structural Vulnerability of Financial Market</td>
</tr>
<tr>
<td>Decline in Self-control</td>
<td>Low Competitiveness of Financial Firms</td>
</tr>
<tr>
<td>Bounded-rational Behaviors</td>
<td>Poor Government Supervision of Financial Risk</td>
</tr>
</tbody>
</table>
Also, a comparative analysis was made on Chile, Taiwan and the Philippines, which were similar to the Korean economy but remained resilient to the shocks from the global financial crisis. The analysis found that all three countries had a sounder foreign exchange regime compared to that of Korea. More specifically, Chile had a good market infrastructure and competitive financial markets while Taiwan and the Philippines maintained financial stability by restricting the degree of financial market opening and liberalization. Chile’s case is worth noting because Korea’s financial markets are open and liberalized like the Latin American country.

Lastly, the study proposed measures to secure financial stability based on diagnosis of Korea’s financial instability level and review of past and overseas financial instability cases. It suggested four policy directions and nine policy tasks.

<table>
<thead>
<tr>
<th>Policy Directions and Major Policy Tasks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Major Policy Directions</strong></td>
</tr>
<tr>
<td>---------------------------------</td>
</tr>
<tr>
<td>1. Reduce Financial Sector’s High External Dependence</td>
</tr>
<tr>
<td>2. Improve Vulnerable Financial Market Structure</td>
</tr>
<tr>
<td>3. Enhance Financial Firms’ Competitiveness</td>
</tr>
<tr>
<td>4. Strengthen Foreign Exchange Soundness</td>
</tr>
<tr>
<td>Establish a Dynamic Control System</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

03_ Implications

This paper performed a comprehensive examination of Korea’s level of financial instability and offered solutions. It provided an in-depth analysis of Korea’s
financial instability, its effect on the real economy, an international comparative comparison, analysis of past domestic and overseas cases and concrete policy suggestions.

More specifically, SERI Financial Stress Index, a measure to gauge Korea’s financial instability, was constructed to analyze the effect of financial instability on the real economy. In addition, it differs from existing studies as it presented structural and dynamic factors behind recurring financial instability and provided concrete policy suggestions about how to maintain Korea’s financial stability.
A Post-crisis Korean Economy

01_ Background and Objectives

The shock of the global financial crisis has sent Korea’s economic growth reeling to below the long-term trend line and sparked a high level of economic volatility. From the fourth quarter of 2007 to the first quarter of 2009, volatility in Korea’s economic growth was the ninth highest among the 33 OECD member nations and the lack of foreign exchange liquidity unsettled the financial market with fluctuating stock prices and foreign exchange rates. Future market conditions seem unfavorable to the Korean economy as well. Over the next 10 years, global imbalances that accumulated during the pre-crisis period will be adjusted and fiscal and monetary policies will normalize to roll back unconventional measures taken during the financial crisis. Rebalancing the global economy will likely entail fierce competition and conflicts of interest among nations, entrenching the global trend of slow growth. Once slow growth takes root, Korea’s sociopolitical conflict over limited economic share is expected to heighten.

This paper explored ways to prevent a repeated economic crisis, discover sector tasks that would help the Korean economy maintain sustainable growth amid internal and external changes and deduce desirable policy options. To that end, this paper diagnosed the post-crisis landscape facing the Korean economy according to each sector (macroeconomic, industry, employment, financial market and social integration) and contemplates the desirable future directions for the Korean economy.
02_ Key Findings

In the face of deteriorating external environments and festering internal conflict, the Korean economy has to preempt another crisis and bring GDP growth back to pre-crisis levels. To that end, a stable growth strategy, aimed at boosting potential growth rates and reducing GDP volatility, is needed. In other words, emphasis should be placed on stability, which includes a reduction in GDP volatility, and an increase in potential growth rate.
Sector tasks to achieve stable growth are as follows:

1. To weather expected low growth of the global economy, an equal amount of emphasis should be placed on both exports and domestic demand expansion. Boosting domestic demand is an effective option when export-driven growth is hard to sustain and is a powerful tool to absorb external shocks. Revitalizing domestic demand necessitates an increase in private spending by stabilizing expected household income. Weak consumption is mainly caused by instability in expected household income. Thus, if instability is taken down to 30%, private consumption as a share of GDP is estimated to rise from 53% as of 2009 to 58%.

2. As for industry, Korea needs to shift away from the current lopsided structure, which favors only a few selected industries and a subset of export markets to an advanced industrial structure through a multi-dimensional strategy. To complement the double-headed structure, namely the IT and traditional flagship industries, export strategies in tandem with global demand should be drawn up for non-flagship industries. And synergy between upstream and downstream businesses should be enhanced by connecting traditional flagship industries to the service industry. In addition, while dependence on certain export markets, especially China, should be scaled back, cross-border demand groups should be developed to minimize the potential risks that can arise from high dependence on certain export markets.

3. In terms of employment, a Korean-style, flexible and stable employment system should be urgently adopted to address three structural problems -- low employment, a dual structure (a stark difference in employment environments based on company size and form of employment) and restructuring of self-employment. The job market for youths and females has continued to be sluggish since the global financial crisis began and the dual structure of the labor market has deepened. Also, the continued restructuring of the self-employment sector has resulted in the biggest decline in the share of the self-employed among the OECD member nations. Therefore, flexible wages and working hours, customized employment safety nets, reinforced on-the-job training and educational innovations should be realized to
bring flexibility to the labor market and achieve employment stability.

For the financial sector, a stable, growth-oriented financial system should be established to prevent future financial crises and ramp up support for the real economy. Korea has seen repeated financial crises due to its expansion of market opening, deepening dependence on overseas markets, vulnerability in the financial market and poor risk management. Thus, increasing macroeconomic soundness and enlarging the foreign exchange and capital markets should be pursued in the mid- to long-term for the sake of stability. Meanwhile, large financial institutions, specializing in corporate finance, should be nurtured by taking advantage of existing government-run banks, and ways to turn short-term floating money into industrial capital should also be considered.

Lastly, social integration should be taken to a new level. Conflict-torn societies undermine stable growth. The results of an empirical analysis showed that the more conflictive a society becomes the more GDP per capita decreases with increased GDP volatility. Although Korea’s income polarization, which has been deteriorating at the fastest clip among the OECD nations, continues to fuel conflict, Korea’s ability to address conflict is far from desirable. Therefore, to achieve stable growth, trust building, improving the government’s handling of conflict, reinforcing support for the unemployed and nurturing the middle class should be pursued to boost social integration.

03_Implications

In anticipation of possible changes in the Korean and global economies over the next decade, this paper stressed the importance of the Korean economy’s transition to a stable growth regime. In addition, this paper sets out stable growth strategies for each sector (macro-economy, industry, employment, financial market and social integration) to help Korea brace for the next decade.
As the global economy is expected to shift to a low growth mode owing to the
cascading effects of the global financial crisis, the role of the economic growth engine played by exports seems unsustainable. Furthermore, maintaining the existing industrial structure could dent the status of Korean industries in the global economy. If the current economic system continues to be pursued and no efforts are made for stable growth, the future outlook for the Korean economy would be, to say the least, gloomy. Drastic changes are needed to obtain both stability and growth. And efforts for social integration should be made to minimize conflict-causing factors that can arise when changing the existing system.

<table>
<thead>
<tr>
<th>Sector Changes over the Next Decade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes (past two decades — the next decade)</td>
</tr>
<tr>
<td>Macroeconomy</td>
</tr>
<tr>
<td>High economic growth and growth in trade</td>
</tr>
<tr>
<td>Low growth and deterioration in export environments</td>
</tr>
<tr>
<td>Industry</td>
</tr>
<tr>
<td>Cooperative labor division among Korea, Japan and China</td>
</tr>
<tr>
<td>Threats from China and efforts to counterbalance Japan</td>
</tr>
<tr>
<td>Employment</td>
</tr>
<tr>
<td>Relatively sound job creation</td>
</tr>
<tr>
<td>Weakened job creation following low economic growth</td>
</tr>
<tr>
<td>Financial Market</td>
</tr>
<tr>
<td>Excess liquidity, Establishment of a dollar recycling system</td>
</tr>
<tr>
<td>Expansion of excess liquidity and sudden capital in- and outflows</td>
</tr>
<tr>
<td>Social Integration</td>
</tr>
<tr>
<td>Easing of internal conflict with the expansion of the economic pie through exports</td>
</tr>
<tr>
<td>Growing importance of domestic adjustments such as FTAs and industrial restructuring</td>
</tr>
</tbody>
</table>
Is the Global Financial Crisis Over?

01_ Background and Objectives

It has been two years since the global financial crisis erupted. On the surface, the worst part of the crisis has ended with the global economy starting to regain positive growth momentum thanks to coordinated financial policies. However, the GDP levels and trade volume of developed nations remain below pre-crisis levels, sustaining concerns about the global economy. In addition, currency disputes have intensified, undermining international cooperation seen after the crisis erupted. This paper attempted to determine whether the financial crisis is truly over, whether the global economy is on the right track to recovery and what challenges await.

02_ Key Findings

To confirm whether the crisis has ended, we measured the degree of normalization in the sectors that triggered the global financial crisis. Since the global financial crisis was caused by financial deterioration and deleveraging by households and companies on the heels of the US subprime mortgage meltdown, which was triggered by global imbalances and excessive investment in risky assets, the paper examined the US property market, balances sheets of households, and corporate investment and financial institutions’ health. The results were as follows:

First, the epicenter of the crisis, the US housing market, remains in the doldrums.
with prices below average levels seen during most of the 2000s. The government provided support to homebuyers and ultra-low interest rates have stimulated sales in some areas, but not enough overall to lift the national housing market. With the expiration of government assistance and persistent unemployment around 9%, housing prices and sales will be under prolonged pressure. A full recovery in the US housing market seems far off.

Second, households in advanced economies have reined in spending to cut their debt load by 5 to 10%. However, their debt remains 20 to 40% higher than their pre-housing bubble levels, so further deleveraging is required. That will be challenging, considering the high unemployment hampering the US and European economies.

Third, a full-blown recovery in corporate facility investment is unlikely until a recovery in demand becomes visible. Although corporate earnings have improved, there is substantial overcapacity. With continuing uncertainties over the future economic situation, companies have preferred to hold liquid assets rather than make long-term investments.

Fourth, financial soundness of US and EU financial institutions, according to our research, has not recovered despite government bailout funds and write-offs of distressed bonds worth US$2 trillion: the share of distressed bonds increased and loan-loss provisions declined. Furthermore, toughened financial regulations are likely to prolong a credit crunch faced by financial institutions.

Next, the study looked at whether a variety of fallout effects of each government’s risk management policies (e.g., fiscal deterioration & inflation risk) were resolved. First, developed nations are carrying huge sovereign debt. To improve fiscal situations, governments have to either raise taxes or cut spending. However, since such measures can be unpopular and stunt economic growth, it is not easy to implement them. Moreover, in view of the huge sovereign debt of developed countries, consumption and investment will likely be depressed before fiscal soundness is achieved.
Second, zero interest rates and quantitative easing policy can drive up inflationary pressures and create property bubbles. At the moment, inflationary pressures are not palpable. But if excess liquidity is left unattended for long, inflation and asset bubbles may come to a head. Yet the economic outlook is so opaque that countries have delayed retrieving their liquidity. What is worrisome is that corporate investment may be hurt by limited credit lines that occur as liquidity is withdrawn.

03_ Implications

It will take at least one to three years to see robust recoveries in the US and Europeans housing markets, corporate investment and marked improvement in the financial health of households and most financial institutions. In addition, the negative effects of emergency measures to weather the crisis, including a large sovereign debt and inflation will take at least three years to dissipate enough to alleviate deep concerns. In this sense, the global financial crisis is not over but ongoing. As many years will be required for the global economy to return to normal, the global economy is expected to slow down in 2011. To make matters worse, weakened international collaboration, evidenced by currency rows, slam the brakes on a global economic recovery.

What about the Korean economy? The Korean economy has rebounded, buoyed by government stimulus, but it is too early to declare a full recovery. Weakening international cooperation and the global economic slowdown can crimp exports. Moreover, the Korean government cannot sustain its economic stimulus packages for much longer because of fiscal deterioration. And, a recovery in the private consumption and corporate investment remains sluggish. Therefore, the government needs to review its economic strategies in line with such risk factors both at home and overseas.

The speed of normalizing interest rates and obtaining fiscal soundness should be appropriately controlled. In the mid and long term, structural vulnerability of the
Korean economy that is sensitive to external shocks also should be addressed by propping up domestic demand. And, companies have to explore new export markets and develop new technologies to steel themselves against an unfavorable trade environment. At the same time, utilizing the leadership displayed at the G20 Seoul Summit to achieve new forms of international coordination, Korea should focus on steering the global economy towards sustainable growth.
Escalating Global Currency Tension

01_ Background and Objectives

Global tension over currency values intensified in 2010. The US imposed anti-dumping duties on Chinese products to pressure China to appreciate the yuan. The US House of Representatives also passed legislation for economic sanctions to be imposed on China and other countries if they are found to be manipulating their currencies. Although the Senate did not take up the House measure, the bill further inflamed tensions with Beijing, which had earlier imposed anti-dumping tariffs on US goods. The currency dispute spread to Japan and emerging-market economies like Thailand and Brazil with these countries intervening in their currency markets to strengthen their export competitiveness.

The global currency row spilled over into global trade conflicts and fueled volatility in foreign exchange markets, threatening the recovery of the global economy. This paper analyzed the background of the global currency tension and its future development. The impact of currency tension on the Korean economy was also examined and responses were suggested.

02_ Key Findings

Four factors sparked the global currency tension. First, countries competed to have their exports more attractive as a means to boost their economy. Stimulus measures
and monetary expansion implemented to weather the global financial crisis have largely been exhausted so nations had fewer options. Thus, they relied more and more on exports to achieve sustained growth.

Second, adjusting foreign exchange rates is an effective means to boost exports. Since the World Trade Organization prohibits member nations from imposing unilateral protective duties, a devalued currency was in the interest of countries to make their goods price competitive in foreign markets.

Third, the US and China engaged in a divisive debate about imbalances in the global economy. The US blamed its current account deficit with China on a devalued Chinese yuan but China rejected the notion that its currency is the root of global imbalance. Rather it blamed the profligacy of US consumers and the government.

Finally, political and economic situations stoked the flames. Ahead of the interim elections in November, US politicians needed to come up with visible measures for job creation. On the other hand, Chinese authorities were in no hurry to see the yuan
appreciate quickly. A much stronger yuan would weigh down China’s economic growth due to its high dependence on exports and the significant role foreign-invested companies play in the economy. Political considerations also contributed to resistance to US demand for yuan appreciation.

This paper predicted that tension over currency values that was developing around September 2010 would deepen for the time being. In fact, the pressure on China to allow a flexible yuan increased after the US House of Representatives passed its bill on imposing punitive tariffs on nations that are deemed to be currency manipulators. The US government also sought discussion on currency adjustment at the G20 Seoul Summit in November and the International Monetary Fund and Brazil broached the same discussion. In contrast, China insisted that fast, significant yuan appreciation is impossible and accused the US of politicizing the value of the yuan.

The paper concluded that the currency fight would stop well short of turning into a full-blown currency war because, above all, the US and China would not want the acrimony to get out of control. The currency debate was viewed as part of the pre-election rhetoric in the US and the two countries’ strategic desire to secure strong economic positions. The US is concerned about China unloading its massive cache of US Treasury bonds, and Chinese authorities have to be cautious about being so inflexible that it would threaten China’s exports to the US market.

The paper predicted a compromise such as a tacit agreement between the US and China or international coordination instead of trade protectionism or China being named a currency manipulator. It also predicted that any international cooperation would be similar to the G7 agreement in Dubai in 2003 that led to slight depreciation of dollar, rather than the Plaza Accord of 1995, which plunged the greenback’s value. This is because the current situation is more similar to that in 2003 and US-China relations are much more strained today than in 1985.

The currency exchange mechanism for the Chinese yuan is a semi-fixed rate and the yuan is not fully convertible, making it difficult for countries besides China to
induce yuan appreciation through currency markets. In addition, it is not easy for countries to weaken their currencies through intervention due to the massive volume of worldwide currency exchange transactions. Finally, emerging economies like China find it difficult to adjust their currencies on a massive scale due to their high dependence on exports to drive economic growth. Less likely is an agreement similar to the 1985 Plaza Accord when the cooperation between US, Japan and Germany was relatively easy. These countries’ currencies had floating foreign exchange rates, making it relatively easy to coordinate in adjusting currencies. Foreign exchange transaction volume was also lower than now, while fiscal and monetary measures were options to boost the economy.

**Situations 2010, 2003 Dubai G7 Agreement and 1985 Plaza Accord**

<table>
<thead>
<tr>
<th>Classification</th>
<th>2010</th>
<th>2003 Dubai G7 Agreement</th>
<th>1985 Plaza Accord</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Common Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Economic Imbalance</td>
<td>Yes (US ↔ China)</td>
<td>Yes (US ↔ China/Japan)</td>
<td>Yes (US ↔ Japan/Germany)</td>
</tr>
<tr>
<td>Crisis Eruption</td>
<td>2008 Global Financial Crisis</td>
<td>2001 IT Bubble Implosion</td>
<td>1979 Second Oil Shock</td>
</tr>
<tr>
<td><strong>Differences</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economy Boosting Capabilities of Each Country</td>
<td>Exhaustion of Fiscal and Monetary Measures</td>
<td>Lack of Fiscal and Monetary Options</td>
<td>Favorable Conditions for Fiscal and Monetary Measures</td>
</tr>
<tr>
<td>Size of Foreign Exchange Market¹</td>
<td>US$4.0 trillion</td>
<td>US$1.9 trillion</td>
<td>US$600 billion</td>
</tr>
<tr>
<td><strong>Changes in Exchange Rates</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yen/Dollar</td>
<td>85.5 ↔ 81.9 (4.3%)</td>
<td>114.9 ↔ 111.0 (3.5%)</td>
<td>237.0 ↔ 143.0 (65.7%)</td>
</tr>
<tr>
<td>Dollar/Euro³</td>
<td>1.29 ↔ 1.39 (7.5%)</td>
<td>1.12 ↔ 1.23 (9.2%)</td>
<td>2.84 ↔ 1.81 (57.0%)</td>
</tr>
<tr>
<td>Yuan/Dollar</td>
<td>6.79 ↔ 6.67 (1.8%)</td>
<td>8.28 ↔ 8.09 (2.3%)</td>
<td>2.96 ↔ 3.72 (-20.4%)</td>
</tr>
<tr>
<td>Won/Dollar</td>
<td>1,180 ↔ 1,112 (5.2%)</td>
<td>1,164 ↔ 1,030 (13.1%)</td>
<td>892 ↔ 806 (10.6%)</td>
</tr>
</tbody>
</table>

**Note:**
1. Size of foreign exchange market refers to daily average amount of global foreign exchange market transactions.

¹ The agreement advocated a greater flexibility in foreign exchange rates, which reflects each country’s underlying economic fundamentals.

² On September 22, 1985, financial ministers of G5 (US, West Germany, Japan, France and UK) met at the Plaza Hotel in New York and agreed to intervene in the foreign exchange markets to drive down the value of the US dollar. Under the accord, the US agreed to strengthen fiscal soundness, while Japan and Germany agreed to implement specific stimulus measures.
03_ Implications

This paper analyzed the causes of global currency tension on economic, political and international considerations, and forecast the future development of the conflict in comparison with the 2003 Dubai G7 Agreement and 1985 Plaza Accord. The situation four months after the paper was released was similar to what was predicted. No currency war erupted and the US and China moderated their verbal josting.

This study implied that Korea needs to craft responsive measures to a possible economic slowdown and financial market volatility. Appreciation of the Korean won and global trade conflict will adversely affect the export-dependent Korean economy. Inflow of foreign investments taking advantage of exchange gains and an eventual outflow may raise volatility in Korean financial markets. Financial authorities need to stabilize foreign exchange markets and take preemptive measures to handle trade conflicts, which have heightened in risk. Also crucial is management of short-term capital flow and strengthening foreign exchange soundness to prevent market volatility.
New Normal in the Global Economy

01_ Background and Objectives

The world economy has put the worst of the recession, which was triggered by the global financial crisis, behind. The pace of recovery, however, has been slow and uncertainties remain high. In addition, the global economy may undergo fundamental changes as it addresses longstanding imbalances that contributed significantly to the crisis. As such, the “New Normal,” which characterizes the post-crisis global economy, is receiving broad attention.

The “Old Normal,” of the pre-crisis global economy was characterized by high growth rates among real economies and deregulation based on trust in the market. The downside was that an increase in risk-taking investment led to asset bubbles, which fuelled excessive spending and widening global imbalances. As the financial crisis recedes, the Old Normal will likely be viewed with greater skepticism as market participants discard past practices and look for new order.

This report asked the question: What will be the New Normal? It examined how the New Normal would change global economic trends and conditions in an attempt to assist economic players, including governments, corporations and individuals, as they decide strategies to respond to the altered world economic system.
02_Key Findings

In this report, it is assumed that the formation of the “New Normal” would occur on three planes: 1) a dilution of greed and excessive consumption, owing to lessons learned from the financial crisis; 2) a shift in power as the US-led unipolar international system breaks down and the international currency system changes; and 3) a more visible government presence due to private sector growth constraints and diminished trust in the markets’ self-regulatory discipline.

1. Low Growth Era

In escaping from the crisis, the global economy will slip into a low growth phase due to side effects from crisis response measures. The main culprits behind the low growth will be sluggish consumption and investment. Households that previously increased consumption while mounting more debt will deleverage for some time, meaning they will increase their savings as they repay their debt. Adding to that, sluggish employment and a tepid housing market will constrain spending. An immediate recovery is also unlikely in facilities investment as it is expected to take a while to resolve the issue of excess facilities due to lackluster demand. The low growth is also attributable to an aggravated fiscal position and trade conflicts in the aftermath of the crisis.

2. New Financial Regulations and Deleveraging

The focus of the financial regulatory reform is to improve the micro-economic soundness of financial institutions and the macro-economic stability of financial systems by initiating stricter regulations and monitoring for equity capital. To that end, tighter regulations will be applied to banks’ equity capital and excessive risky investment will be avoided, while the monitoring of large financial institutions is strengthened. All these measures will lead to deleveraging and a reduction in risky investment by financial institutions with distressed financial soundness. This, in turn, is anticipated to put a damper on the growth of the financial sector.
3. Low-carbon Economy and Green Life

With the limitations of the growth-oriented paradigm, the international community is now trying to devise a plan for sustainable economic growth. Regarding greenhouse gas emissions, in particular, nations around the world are making a concerted effort to cut emissions and establish stricter environmental regulations. Under the post-Kyoto system, after 2012 when the first phase of the Kyoto Protocol ends, more countries are to reduce and put a stricter cap on emissions.

On the consumer front, mass- and over-consumption has been replaced by “moderate” and “good” spending. At the same time, consumers are demanding that corporations fulfill their social responsibilities. To meet the demand, companies will pay more attention to creating new investment opportunities in the fields of green business, environment and low carbon emissions.

4. Multi-polar World Order

In terms of global governance, the world will move away from the current uni-polar system with the US at the center and go through a transitional period where both a bi-polar system and multi-polar system coexists, finally reaching a bi-polar system led by the US and China. The US-China Strategic and Economic Dialogue, which took place in July 2009, first declared the possibility of a bi-polar system. However, the coexistence of a bi-polar and multi-polar system during the transitional period will depend on whether the G20 will be able to serve as the leading dialogue instrument. As a multiple world order emerges, the global community will experience both cooperation and conflict. This is because although international cooperation is crucial in a multi-polar system, conflicts are inevitable due to contradicting interests. In sum, the future global order will be unstable as the G2 and G20 nations go back and forth from conflict to cooperation.

5. Weakening Dollar’s Reserve Status

There are calls for a new reserve currency and efforts are being made including launching regional currencies in an attempt to reduce dollar dependency. However, alternatives to the dollar – the euro, yuan, and special drawing rights (SDR) – have
limits in terms of liquidity, economic size and financial market, therefore, the dollar is forecast to remain as the reserve currency for the time being. But the dollar is expected to lose value due to the large twin deficits and sluggish economy. With a weak dollar, global capital is likely to shift from the US to emerging economies like China, and from dollar denominated assets to gold and the commodity market. In the process, a risk of bubbles forming in the emerging markets or commodity market may arise. And as various currencies are used for transaction and multiple regional currencies are adopted, financial indicators such as currency exchange rates may fluctuate within a wide range and regional protectionism could surface.

6. Commodity Wars
In the aftermath of the financial crisis, demand for oil in advanced economies has been on the decline, but has risen in non-OECD member countries. The surging demand is especially noticeable in China and India, where it is likely to shoot up further over the next decade on strong economic growth and rising population and income. Therefore, a fierce commodity war is in sight as emerging economies struggle to get their hands on raw materials to keep up with the demand. With its US$2 trillion foreign currency reserve and cash-rich state-owned companies, China has invested US$21 billion in developing overseas resources. As for India, it is targeting Africa, which has abundant resources that have yet to be developed. The fiercer the competition becomes, the more influence resource-rich nations are going to wield.

7. Keynesians Comeback
Major economies view the role of the government as essential for an economic recovery and sustainable growth because households and the financial industry, which were once the main growth engines, are now unable to fulfill the role. The fall of the two driving forces has given rise to the Keynesian economics, which emphasizing fiscal expansion to compensate for the shrinking private sector. Government intervention for economic growth will also likely gain more importance. Such phenomena is already evident with the US President Barack Obama setting a goal to double the nation’s exports within five years and strongly
demanding China to appreciate its currency to make this possible. And the Chinese government, in an attempt to boost the domestic economy, is continuing to dole out subsidies and cut taxes for home appliances and automobile purchases.

**03_ Implications**

The coming of the New Normal signals that the mindset of the Old Normal no longer holds true. Therefore, it has become necessary to brace for threats and opportunities that come with the New Normal. Whereas low growth, commodity wars and trade conflicts hamper the growth of the Korean economy due to the nation’s heavy external dependence, the rise of emerging economies, stricter financial regulations and green growth provide growth opportunities as did the IT boom in the past. To capture these opportunities, blueprints should be drawn up to prepare for external shocks and to bring about stable economic growth where the financial sector and the real economy are in balance. In addition, Korea needs to turn the changing landscape of the global economy into opportunities which the nation can use to improve its competitive edge in areas where it has remained an underdog such as the financial sector and raise its global status.
Rising Consumer Markets in Emerging Economies and Response Strategies

01_Beckground and Objectives

The global financial crisis has precipitated a fundamental change in the world economic landscape. For advanced economies, which had long spearheaded the global economy, the crisis cost them economic and political status and prestige. At the same time, as the US, Japan and western European countries struggled to regain their footing, emerging economies pushed ahead, coalescing into a new economic force.

As the global economic landscape shifts, emerging economies deserve greater scrutiny and analysis. Before the crisis, these economies served primarily as factories and mines to the world, offering abundant, cheap labor and natural resources. In the wake of the financial crisis, however, their burgeoning middle class populations have become the focal point of global companies on an even greater scale. Luxury makers, for example, have streamed into the Chinese market to compensate for their diminishing earnings in Europe and North America after the crisis. It is not just luxury brands that have flocked to the trough. China has already become the world’s largest market for automobiles and TVs, while sales of IT products have recently soared. At the Apple store in Shanghai, you can see the catchphrase “Chinese customers are always right” and employees wear T-shirts that say “Made in California & Made for China” in Chinese. It has become impossible even for IT giants like Apple to survive without emerging markets like China.
This study examined the implications emerging consumer markets have for the Korean economy and Korean companies. In the latter part of the report, promising emerging markets and Korea’s export items to the markets were introduced, along with market strategies that fit each of these markets.

02_ Key Findings

To begin, 30 key emerging markets for Korea (KEM 30) were selected as consumer markets that Korea needs to pay attention to. The KEM 30 consists of 30 promising markets among the 149 emerging countries designated by the International Monetary Fund that have lower entry costs compared to their potential as an export market. The KEM 30 includes BRICs, South Africa – which is rapidly becoming a force in the global economy – and other nations.

Next, the market attractiveness (market size + growth rate) of 260 trade items was analyzed by factoring in data from UN Comtrade. As a result, 50 promising items to sell in the KEM 30 market were chosen. These items included fertilizer, medicines, and equipment for civil engineering construction, all of which are not among Korea’s traditional export items. Mainline export items for Korea like mobile phones, automobiles, and semiconductors were also selected. Clothing, beverages, motorcycles and tires were also nominated despite their relatively smaller markets (US$1 billion to US$10 billion), since the markets have strong growth rates.

Lastly, the characteristics of the KEM 30 market were studied based on data from Euromonitor. The KEM 30 are home to 4.5 billion people, or 65.9% of the world’s total population. Within these countries, 51% of the population is in the under 20 age bracket. However, the fact that many of the KEM 30 nations apart from the BRICs have unstable sociopolitical conditions and relatively small markets makes it difficult for companies to enter these markets. To meet this challenge, emerging economies are grouped as follows to grow their market size.
• The KEM 30 nations were divided into four groups based on their income and population
• Six groups were identified based on similarities in their consumption spending structure
• Five trans-national consumer groups with similar cultural characteristics were identified

### Grouping the KEM 30: Identifying Large Consumer Groups

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Groups</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Groups</td>
<td>1. Four groups based on income/population</td>
<td>Russia, Mexico, Brazil, Iran, Turkey</td>
</tr>
<tr>
<td></td>
<td>2. Six groups based on similarities of consumption spending structure</td>
<td>Morocco Group: Pakistan, Nigeria, Egypt, South Africa, Morocco</td>
</tr>
<tr>
<td>Trans-national Groups</td>
<td>3. Five groups based on cultural characteristics</td>
<td>The rich, Teenagers, Muslims, Upper middle class, People in their 20s</td>
</tr>
</tbody>
</table>

### 03_ Implications

This study was notable in that promising emerging markets and export items were identified and micro analysis was conducted on the features of consumer markets, which led to identifying effective strategies. The study was also distinct from other studies in that it discovered emerging markets and export items that fit the Korean economy and analyzed the characteristics of each emerging market in detail, which has rarely been done in other studies. The implications this study have for Korean companies and policy regulators are as follows:

First, in-depth comprehension of emerging markets is required. Before advancing
into emerging markets, efforts should be made to fully understand not just their economy, but their history, culture, social structure, and philosophical background. It is impossible to provide products and services that cater to local customers without knowing these aforementioned factors.

Second, Korean products must have distinctive features. Nations and companies around the world are looking to move more aggressively into emerging markets after the crisis. To get ahead of the pack, it is essential to put out products and services that are of distinctive value. Consumers in emerging countries tend to focus on prices, and indeed Korean companies are well experienced at making products at low and mid-range prices as opposed to their counterparts in the US, Europe and Japan. Thus, they need to focus on making value products with affordable prices by improving productivity at manufacturing sites and by leveraging their experience and expertise.

Lastly, companies targeting emerging countries need to seek co-prosperity. Strategies that only look for unilateral gain abroad are unsustainable. When devising business models and market entry strategies, Korean companies need to pursue win-win strategies where their entry into emerging markets not only brings success to Korean companies but also promotes economic growth in emerging countries.
Social Media Popularity and New Communication Strategies

01_ Background and Objectives

Unlike the one-way production and transfer of news, information, and entertainment from main media outlets via the mass media, social media allows anybody to create content and deliver it through relationship-based communication channels. With the popularity of social media such as Twitter, Facebook, YouTube and me2DAY rising, communication is being redefine. This report covered why people use social media and how social media is better than the conventional media. It also identified business principles in using social media for communication.

02_ Key Findings

Attractions of Social Media

Social media is popular all over the world. Various types of people are using social media because it satisfies their basic desire to reveal themselves and look into others’ lives, provides customized information and works as a stimulant in daily life. Specifically, the features of social media are as follows. First, it provides a “window” for people to express themselves which works as a useful outlet for their narcissistic desire to stand out and draw attention. Second, users can become familiar with the looks, tastes, and interests of those they are interested in. In business, this is a useful trait to identify the activity, interests and opinion (AIO) of target groups. Third, users can obtain the latest news on what they need. When information comes from
an acquaintance, instead of the mass media, it becomes more meaningful. Lastly, people can escape from their daily routines. Through social media, they can break away from boring and repetitive daily routines and bring change into their lives. And such wishes are reflected through social media, where users can look into other people’s lives as a way to escape.

**Values of Social Media**

Then, what are the values of social media compared to other communication tools?

First, social media rapidly distributes information and has a long-lasting impact compared to the mass media. Shorter content requires less time to spread and the lack of editorial deadlines and broadcasting schedules allows users to disseminate content right away. Also, once exposed, content can have a continued impact through copies or parodies.

Second, in terms of the target, social media creates a small-world network where content is easily distributed to a large number of people, as the network requires fewer steps for sharing information. As it transcends national borders and classes,
social media will open the *World of Mouth* (global) that stems from the *Word of Mouth* (local).

Third, social media is more affordable than mass media. Users can enjoy most of social media services for free. Also, the homogeneous user networks based on characteristics such as lifestyles and demographics allow businesses to easily develop target groups or gain access to them.

Fourth, relationships in social media are established based on adding each other as friends and interactions, instead of one-way communication. Therefore, heart-to-heart, sincere communication and trust-building are possible. In this way, social media eliminates misunderstandings which can occur in unilateral communication, and builds trust.

**New Communication Strategies**

First, companies should start “Issue Framing.” Even a good communication tool is useless unless the circumstances and context are right. It is critical to create such an environment so that positive news is stressed while negative issues are suppressed. Communication in social media includes responding to the market, instead of a unilateral delivery of messages from the company. Relationship-based social media is not just a new media channel, but an appropriate tool in building relationships with individual consumers. Through communication on products, companies and/or employees, companies can build close relationships with consumers. Therefore, they should create attractions via social media to draw interest and create an ecosystem where consumers will voluntarily create and distribute content.

Second, companies should define the operator and its role. They also need to employ specialists for better communication and make continuous efforts to improve their competitiveness. Communication specialists should act as a “curator,” instead of a “manager,” of information and media. As such, the specialists should have a deep knowledge about the company and be able to identify characteristics of various forms of media. In addition, all employees need to interact with outside personnel to
improve the effect of communication. As for risks that can emerge, guidelines need to be made and shared by all employees to minimize them.

Third, enterprises should diversify and systematize content for communication. With conventional media, companies mainly dealt with business performances and information on new products, however, now they need to harness even internal and external corporate activities which include not only work environments such as career building, but also activities to get closer to consumers and contribute to society. With this content, they can effectively depict themselves as a socially responsible company.

Fourth, companies need to be careful of their tone and manner in delivering content. Only interesting content can draw attention and initiate communication. The basic keywords are “fun,” “sincerity,” and “quick response.” Expressing anger or lying should be refrained.

Lastly, companies need to implement a trans-media strategy. Social media is not an alternative but a supplement to mass media. Therefore, companies should take an integrated approach. In delivering information, short fact-based messages are effective for mass media while providing sufficient relevant information is better for social media. Enticing consumers with social media and gaining their loyalty through mass media is also a good strategy. To smooth out the communication process, portfolios should be formed in line with business characteristics, audiences and individual media characteristics and coordinated with communications materials.

03_ Implications

This research analyzed consumer (user) mind and action, explained why businesses need to keep a close eye on social media and suggested solutions on new communication strategies using the media to find the reasons for the sudden
popularity of social media across the globe. In addition, it provided best practices that can be employed right away, introducing the potential of social media for various uses and examples of advanced companies.

The popularity of social media will not wane soon. Rather, social media is expected to become a part of daily lives in the way the Internet and television did. Therefore, companies should not simply consider social media as a tool for communication and marketing, but harness it for cooperation for research and development, communicating thoughts and feelings to build corporate culture and decision making on an interactive basis. Furthermore, they should seek new business opportunities in various areas including social commerce, social games, social analytics, and social dating.
01_ Background and Objectives

The smartphone has launched the mobile Internet era. Its role in daily life may be best summed up by one group of users saying: “The day begins with a smartphone and ends with it.”

As of 2010, the sales of smartphones reached 250 million units, accounting for 20% of the total mobile phone market. But that’s just the opening; the market share is expected to almost double to 40% by 2013. Not only has the smartphone altered lifestyles, it has transformed how work is done and reshaped the business environment of information technology and related industries. This report examined the sweeping impact of the smartphone on daily life, business models and markets and probed the implications.

02_ Key Findings

Combined with Wi-Fi, availability of Internet access with full browsing, and introduction of a fixed-rate payment system, smartphones have overtaken conventional mobile phones. The user-friendly interface with a touch-screen and voice recognition that facilitates easy Internet access is simply too hard to resist. Although the overall mobile phone market was sluggish due to fallout from the global financial crisis, smartphone sales remained unabated.
The study analyzed changes driven by smartphones from three perspectives.

The first change has been in lifestyles. The young “mobile” generation quickly embraced the smartphone, appreciating its ability to be a platform for information, perform work, create social networks and entertain itself. The young consumers as well as segments of older ones will keep smartphone sales buoyant.

Traditional consumption of information and media will rapidly transform into digital form. The upcoming generation will have the greatest access to information in the history of mankind. As office work commonly executed by PCs can now be

### Global Market and Prospects for Smartphones

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Volume of Mobile Phones</td>
<td>1,151</td>
<td>1,209</td>
<td>1,114</td>
<td>1,202</td>
<td>1,306</td>
<td>1,432</td>
<td>1,568</td>
</tr>
<tr>
<td>Sales Volume</td>
<td>121</td>
<td>143</td>
<td>178</td>
<td>254</td>
<td>351</td>
<td>469</td>
<td>604</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>49</td>
<td>18</td>
<td>24</td>
<td>43</td>
<td>38</td>
<td>34</td>
<td>29</td>
</tr>
<tr>
<td>Proportion</td>
<td>10.5</td>
<td>11.8</td>
<td>15.9</td>
<td>21.1</td>
<td>26.9</td>
<td>32.8</td>
<td>38.5</td>
</tr>
</tbody>
</table>

**Source:** Estimated by Samsung Economic Research Institute.

The first change has been in lifestyles. The young “mobile” generation quickly embraced the smartphone, appreciating its ability to be a platform for information, perform work, create social networks and entertain itself. The young consumers as well as segments of older ones will keep smartphone sales buoyant.

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### Future Driven by Smartphone

1. **Changing Lifestyle**
   - Live, Work, Communicate, Entertain in Mobility
   - Young mobile generation expands
   - Realize mobile office
   - Improve social communication significantly

2. **New Markets and Business Models**
   - Mobile application market
   - Business linked to other industries
   - Mobile traffic management business

3. **Structural Change in Competition among Companies**
   - Paradigm shift in mobile telecom industry
   - New form of competition

3R generation: Experience ‘reality’ without limitation of time and space by ‘reaching’ unlimited amount of information and human network in ‘real time’
completed with smartphones, the mobile office, or the “anytime, anyplace office,” will become a reality. This will eventually affect building/city designs and reduce rush-hour traffic associated with conventional work days. Furthermore, real-time communication through mobile online communities will bring about marked improvements in the scope and speed of communications.

The second change is the increasing emergence of new markets and new business models. Application suppliers are creating a slew of software for the smartphone. Games and books are currently the main sources of revenue for application suppliers, but social network services (SNS) and mobile shopping will likely expand in the future.

Revenue models for mobile services will continue to diversify into advertising, merchandise sales and paid-for-services. These revenue models will be combined with SNS, location-based services, customizations and video/3D technology, resulting in a broader array of sectors. In addition, as smartphones become used in other industries, new business opportunities will be created. For example, the auto industry will use smartphones to provide information/entertainment and telematics services. In education, mobile education via smartphones and tablet PCs will likely become more popular. The advertising industry also will see more business models by combining location-based services with advertisements. Meanwhile, commercials will use sources of augmented reality such as Google Goggles, which uses pictures to search the Internet.

The third change is the shifting structure of competition. In order to secure leadership in mobile areas, IT companies involved in hardware, software and the Internet will be locked in a full-scale battle. The paradigm of the mobile telecom industry in particular is shifting from voice communication to applications. The success of the mobile phone industry will require comprehensive competitiveness that includes handsets, operating systems and services. Competition also will become more and more heated among makers of mobile Internet devices such as netbooks, tablet PCs and e-book readers.
**03_ Implications**

The main feature of this paper was systematic analysis of the possible changes that the smartphone will have in the future. The popularization of the mobile Internet led by smartphones is expected to spur faster and greater changes than those that emanated from fixed-line Internet services in the past. In that respect, the study charted a path for follow-up studies.

The study provided various ways for companies to respond to the new era of mobile Internet. They included: 1) provide comprehensive services that encompass mobile phones, software and services; 2) focus on overcoming weaknesses in software, content and applications; 3) establish systems that can innovate by absorbing outside resources and manpower efficiently; and 4) create block competitiveness through broad partnerships.

The study considered the current smartphone market to be in the first phase of competition. In the second phase, due to smaller differences among smartphones, it will be even more important to differentiate functions and specifications. And open web-based applications will have a greater influence. In this transitional period, a strategy that creates success factors in the smartphone market and drives a new
competition structure through new technology and innovations in services is needed. Also, companies in other industries should try to reengineer their production and business models by employing mobile technology. They should constantly transform themselves through speed management and develop a closer relationship with customers in order to better respond to their requests.
01_ Background and Objectives

China, for decades the so-called factory to the world, is mounting a concerted effort to move up the value chain in order to broaden wealth and stimulate domestic spending. Its “Independent Innovation” strategy of industrial development launched in 2006 has strengthened with investment levels exceeding advanced countries still reeling from the global financial crisis. Among the new industries attracting particular attention in China are green and bio industries. They are being seen as the new growth engine, largely replacing the parts assembly work done for global companies in recent decades.

China’s hunt for green and bio industry solutions calls for leapfrogging over advanced countries by leveraging cost advantages, the giant domestic market and economies of scale. Under these circumstances, Korea cannot compete with the same kind of catch-up strategy that it employed in the past against international rivals.

In addition, accelerating industrial convergence has created an environment where loss of competitiveness in the new industries can even erode the power of already strong industries. This report analyzed the competitive advantage of the two countries and suggested countermeasures Korea could employ to compete against the first-mover advantage that China has already seized in its strategic industries.
02_ Key Findings

In this report, China and Korea were compared in four cash-cow industries – wind power, solar power, electric cars and biomedicine – and the reasons why China is outperforming was analyzed. Then, countermeasures for Korea were sought. For Korea to excel China, changes in the key products of these industries were identified and future technologies and convergence were suggested.

1) Wind Power

China became the No. 1 producer of wind turbines in the world in 2009. The achievement was possible because state-owned enterprises acquired technologies in a short period of time thanks to partnerships with advanced companies and government policy requiring the use of domestic parts. In response, Korea needs to go one step further and develop super large turbines and offshore turbines. Then, it should expand to building wind farms and providing operational and maintenance services.

2) Solar Power

China is also the top producer in the world in solar cells, supplying 46.9% of the market. Based on the process innovation in crystalline solar cell production, it has become a strong player in all fields, including parts and materials (poly-silicon, ingots and wafers) and finished products (solar cells and modules). Therefore, Korea should focus on nanotechnology-based materials in line with research on semiconductors, panel display and rechargeable batteries to develop next generation ultra-thin solar cells.

3) Electric Vehicles

BYD, a leading Chinese company, became the first developer of the plug-in hybrid electric vehicle in 2008 and started mass-production in 2010. The government promises to provide 100 billion yuan in assistance over the next ten years to nurture the domestic market of electric vehicles ahead of others. Korea is two years behind China in developing and mass-producing electric cars. For Korea, creating synergy
in its globally strong industries such as auto, electronics and electric power industries and developing them into a system industry is necessary.

4) Biomedicine

China ranked fourth in publication of research papers, third in investment in stem cell R&D and fourth in the pharmaceutical market. China has already exceeded Korea in these areas and is threatening Japan. The country is especially strong in chemical-based medicine made based on traditional Chinese medicine and biomedical fields such as stem cell and gene therapy. Accordingly, Korea should establish global R&D networks that attract outstanding talent, encourage translational research based on clinical research and move onto the global market to develop future competitiveness.

| China’s Competitiveness and Korea’s Countermeasures in Green and Bio Industries |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Basis for China’s Competitiveness | Current Status | Korea’s Strategies |
| Wind Power | - Domestic Market: The world’s biggest market + Regulations to use domestic parts - Technological Competitiveness: Borrowing → Learning → Independent development | - New Construction in 2009: China 13,803MW, Korea 42MW - Three Chinese companies in world top 10, and no Korean companies | - Develop technology to build a large-scale (7MW) offshore wind power generator - Expand the field of wind power businesses |
| Solar Power | - Cost Competitiveness: Production of labor-intensive cells and modules based on low labor cost - Economies of Scale: Increased production facilities in line with market growth | (World Market Share) Polysilicon Module: China 28.0% 43.2%, Korea 18.4% 5.4% | - Focus on materials such as polysilicon, leveraging its technological advantage - Take the next generation ultra-thin solar cell market ahead of others |
| Electric Vehicles | - Technological Competitiveness: Cooperation among industries, academic, and research institutes for R&D and partnership with major foreign companies - Vitalization of the Domestic Market: Government subsidies and charging infrastructure | (Performance in Electric Vehicle) The Year EV was first produced: China 2008, 110 models, Korea 2010, 9 models | - Improve the proportion of domestically manufactured electronic parts - Introduce sophisticated IT technologies to widen the business field to include intelligent cities |
03_ Implications

Korea needs to seek value innovation, creating new demand through creative R&D and convergence. Creative R&D should be pursued with focus on the concepts and technology of the next generation to compete with China, which has abundant low-cost engineers and researchers. Systems and solutions should be developed, converging Korea’s key industries in response to China’s mass-production of simple manufacturing items based on the economies of scale. Against China’s quantitative advantage, Korea can initiate pilot projects to test innovative products, leveraging its qualitative advantage such as Korean customers’ dynamism or voluntary participation.

Korea’s Countermeasures against China

- China’s Cost Advantage
- Increase in Demand
- Economies of Scale

- Korea’s Creative R&D
- Convergence-based Solution
- Creation of New Demand

Creative Solutions
China’s Emerging Global Companies

01_ Background and Objectives

China became the world’s second largest economy behind the US in the second quarter of 2010, with gross domestic product (GDP) reaching US$1.34 trillion to climb past Japan’s GDP of US$1.29 trillion. As the Chinese economy relentlessly expands at a very swift pace, its companies are attaining global prominence. The average sales growth of China’s top 100 companies was 17.1% in 2009 and 46 Chinese companies ranked among the top 500 global companies in 2010, up from 20 in 2000.

State-owned enterprises in energy, electric power and telecommunications, such as PetroChina, Baosteel and China Mobile have long been the main economic drivers, but emerging private-sector companies will likely to play a bigger role. Having secured strong technological prowess, quality and brand power from the start of business, these private companies have already become global players or are on the threshold of aggressively operating abroad. They are lined up in the automobile, heavy industry and electronics sectors, which are Korea’s flagships, and in green and bio industries, Korea’s new growth engine industries.

Against this background, this paper analyzed the competitiveness of China’s globalizing private companies that will likely compete with Korean counterparts, and proposed ways for Korean companies to respond.
02._ Key Findings

Based on case studies, this paper summarized three factors behind the rapid rise of China’s private companies. First, start-up CEOs are not flinching from challenging demands of leadership. Equipped with strong entrepreneurial spirit and enthusiasm, CEOs are heading their companies with specialized knowledge and technology. Second, leading private companies have strong technological capability and are committed to quality. Recognizing the importance of developing independent technologies, they are shifting to a more open research and development (R&D) structure through alliances and cooperative arrangements. Third, they have expanded rapidly through mergers and acquisitions (M&As). Based on abundant funding capabilities and active government support, they have built core technologies, brand and distribution networks through M&As.

In major industries, companies with the potential to become global include Huawei Technologies, Rongsheng Heavy Industries and Geely Automobile Holdings, and in the new growth engine sector, Yingli Green Energy Holding, BYD and Mindray Medical International.

Huawei Technologies, founded in 1988 in Shenzhen by former Chinese army officer Ren Zhengfei with capital of just 20,000 yuan, became China’s flagship telecoms equipment maker amid the rapid growth of the country’s mobile telecom industry. The company took 20.6% of the global mobile equipment market in the second quarter of 2010, closely following rival Ericsson and Nokia-Siemens, who accounted for 33% and 20.8%, respectively. Huawei’s competitiveness derives from its low-cost skilled R&D manpower. Labor cost per R&D employee is US$45,000 at Huawei, only one-fifth of that of Ericsson and Nokia-Siemens.

Rongsheng Heavy Industries became the world’s fifth largest shipbuilder only four years after it began operations. Known for slashing production time, it completed its first ship in 2005, four months before the scheduled delivery time. By its second year, it had already won contracts to build 85 ships. Rongsheng recently announced
it would enter the high-end liquid natural gas (LNG) carrier market, challenging Korean shipbuilders that have been leading the market for more than 10 years.

Geely Automobile moved onto the global stage after taking over Swedish luxury brand Volvo in 2010. Geely was established in 1986 as a maker of refrigerators, and subsequently moved into motorcycles and then cars. By overcoming the difficulties through M&As, Geely gained a firm foothold in China’s auto market. CEO Li Shufu, the company’s founder, was only 34 years old in 1997 when he boldly declared his intention to enter China’s car business, describing himself as China’s Henry Ford. However, unable to get production approval due to state regulations he had to settle for a nearly bankrupt, licensed truck plant at a prison in Sichuan Province. To develop independent technology, Li bought a stake in a London taxi maker and an Australian automotive transmission manufacturer. By acquiring Volvo, Geely has secured brand, source technology and overseas sales network, and is poised to compete with Korean automakers.

Yingli Green Energy Holding is one of the notable companies in solar energy. It has been one of the fastest growing companies in the 175-year history of New York Stock Exchange. Yingli was established as a cosmetics firm in 1987 by Liansheng Miao. After visiting Japan in the early 1990s, he realized the potential in the solar energy and made a bold entry into the solar cell market in 1998. By 2009, Yingli became the world’s fifth largest photovoltaic cell maker and fourth biggest module assembler.

Yingli’s rapid growth was driven by Liansheng’s military leadership. A former military executive, Liansheng built a strict and self-motivated corporate culture on belief that military has the strongest drive in achieving goals. Liansheng greets the incoming employees at the company gate at 6 a.m., and employees do exercise briefly and study English before work. He constantly emphasizes that the employees should take the initiative, and promotes employees who make innovations regardless of hierarchy.
BYD earned the No. 1 ranking in BusinessWeek’s 2010 global “Info Tech 100” list of companies, surpassing Apple which came in at the second place. Beijing Nonferrous Metal Research Institute researcher Wang Chuan-Fu established a company that is now BYD Auto in 1995 and started out making rechargeable batteries for mobile phones, and later expanded into LED lighting, automotive batteries and cars, including electric models. BYD’s growth potential was especially highlighted when billionaire investor Warren Buffet acquired a 10% stake in the company for US$230 million in 2008. BYD created synergy by catching up with advanced technologies and products and at the same time expanding research and development. It operates a 24-month new car development period, which is similar to that of Japanese carmakers. With the acquisition of the Tsinchuan Automobile in 2003 that had a model called Alto, BYD introduced Korean and Japanese technologies and launched new models, including F2 and F3.

On the back of aggressive R&D expansion, BYD built the world’s first mass-produced plug-in hybrid car, F3DM, in 2008. The price is only half the US$40,000 estimated for electric cars currently being developed by General Motors and Toyota Motor. On the back of such rapid growth, the Chinese carmaker plans to enter the US and European markets in 2011 with two models of F3DM and e6, an all-electric car with a single-charge range of 330 kilometers.

Mindray Medical International, China’s leading medical device manufacturer, focuses on manufacturing products specifically catering to China’s environment. It is strengthening R&D capability in its efforts to enhancing global competitiveness. Mindray became a New York Stock Exchange listed company in September 2006 and in 2008 and paid US$200 million to acquire US-based Datascope to which it had been an OEM supplier for five years, securing networks in the US and European markets.

Mindray is the world’s third-largest patient monitoring device maker behind GE Healthcare and Philips Healthcare. It started in 1991 as a supplier of foreign medical equipment but soon started manufacturing after recognizing the difficulty of selling
medical devices of developed countries in China. In the 1990s, hospitals in China lacked air conditioners and air purifiers, which had led to frequent failure of medical devices that were sensitive to humidity and dirt. In 1993, Mindray launched China’s first patient monitoring device. It is now actively pursuing R&D and new product development, poised to compete with foreign medical devices makers.

03_ Implications

For Korea, Chinese companies should no longer be considered relatively benign counterparts but as competitors equal to advanced countries. As Korean companies had benchmarked Japanese counterparts in shipbuilding, automobiles and IT, Chinese private companies are benchmarking Korean firms and fast catching up with them. In the market for new growth industries, in particular, they are competing ahead of Korean companies in the global market alongside companies from advanced economies.

Under these circumstances, Korean companies should apply their successful experience in the digital and IT industries to new growth engine industries, aggressively tapping into newly emerging industries that are relatively behind other major foreign companies. Meanwhile, the challenging entrepreneurial spirit of Korea’s founding entrepreneurs should be recalled. Finally, Korea’s unique entrepreneurial spirit should be revitalized for an active challenge in new business areas and markets.
Samsung Economic Research Institute selects a list of top ten hit products and services every year that have a major influence on the economy, society and culture of Korea. The list is formed both to highlight the impact and importance that notable products have had on Korean society and to forecast Korea’s consumption trends.

### Top Ten Hit Products of 2010

**Technology**
- Widespread Use of Mobile Devices
  - Smartphone, Social media, Tablet PC

**Society**
- Enthusiasm for Underdogs’ Passion and Perseverance
  - Superstar K2, Women’s national football team, TV drama, Bread, Love and Dreams

**Economy**
- Pursuit of Function and Aesthetics
  - Kia Motors’ K-series, Blueberries, Thermal clothing

### Consumption Keywords for 2010 Based on Top Ten Hit Products

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<tr>
<th>Technology</th>
<th>Spread of Innovative IT Platform</th>
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<td>Mobile devices, Wireless Internet</td>
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<tr>
<th>Society</th>
<th>Quest for National Pride, Emphasis on Communication</th>
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<td></td>
<td>Global sports events, G20, Nuclear power plant construction orders, Active participations</td>
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<th>Economy</th>
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<td>Concerns over economic slowdown, Currency conflicts, Security uncertainties</td>
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### Consumption Keywords

- More Sophisticated Asset Management
- Health and Beauty
- Quest for National Pride
- Pursuit of Natural Pleasure
- Pursuit of Interactive Pleasure
- Proxy Satisfaction and a Sense of Achievement
- Reasonable and Meaningful Spending
- Proof of Safety
- Rediscovery of Value
- Satisfaction through Celebrities
- Enthusiasm for Innovations
- Pursuing Relief and Safety
- Widespread Use of Mobile Devices
- Enthusiasm for Underdogs’ Passion and Perseverance
- Pursuit of Function and Aesthetics

### Hit Products

- 1. Haptic Mobile Phones
- 2. Gold Medalists of the Beijing 2008 Olympic Games
- 3. Transport Payment Services
- 4. Online Discussion Forums
- 5. TV Drama “Beethoven Virus"
- 6. Real Variety Shows
- 7. Nintendo Wii
- 8. Netbooks
- 9. Donations
- 10. Consumer Report Programs

- 1. Smartphone
- 2. Superstar K2
- 3. Women’s national football team
- 4. Social media
- 5. Tablet PC
- 6. Kia Motors’ K-series
- 7. Avatar
- 8. Blueberries
- 9. Thermal clothing
- 10. TV drama, Bread, Love and Dreams