

KERI **E**CONOMIC **B**ULLETIN

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Korea Economic Research Institute

Executive Summary

Korea's growth outlook remained in the mid-2 percent range, it will not likely to show a significant rebound in 2016

Korea's economy is expected to growth 2.6% in 2016 following this year's growth rate of 2.5% and stay in L-shaped trajectory, mainly due to sluggish exports, the possible aftermath of the U.S. interest rate hike as well as few options on hand for the government to boost domestic consumption. Also, China's slowdown is likely to exacerbate the weakness in Korea's export growth. In turn, export is expected to grow by a mere 0.9%, and sluggish private consumption will be continued in 2016.

Consumer prices growth is projected to edge up to 1.5% in 2016

Consumer prices is forecast to show a modest uptrend owing to stabilization of international oil prices, an expectation of appreciation of USD/KRW, changes in domestic price stabilization schemes (strengthening of the role of the BOK in monetary policy, monitoring both real and nominal growth rates etc.)

Current account surplus is expected to fall by a small margin; US\$9.36 billion from US\$101.1 billion in 2015

Current account surplus is forecast to continue heavy recession-type surplus in 2016. Nevertheless, a decline in the surplus on balances of goods and an increase in the deficit on balances of services will likely cut current account surplus slightly. USD/KRW is expected to show a gradual depreciation at yearly average of 1,131 won in 2015 and 1,158 won in 2016 due to the continued ascending pressure from strong-dollar and the further devaluation of yuan.

Must target China's domestic market, promote R&D through selection and concentration and reorganize businesses quickly and efficiently

Not only has the current economic downturn worsened exports conditions for Korea, but also structural factors. Specifically, Korea-China trade complementarities index dropped from 0.524 to 0.348 in the past decade, and Korea-China export similarity index in the U.S. market increased from 0.533 to 0.592 for the same period. Thus, a recovery in China's exports will not likely lead Korea's exports to rebound with Korea's major exports unchanged. Under the worsened exports conditions, it is unavoidable to Δ target China's domestic market through outbound M&A activity in China, Δ implement an appropriate exchange rate policy to maintain optimal level of won-yen and won-yuan exchange rate, Δ promote R&D through selection and concentration and Δ push forward a reorganization of business quickly and efficiently.

Recent Developments

Korea's GDP growth increased to 1.3% (QoQ), 2.7% (YoY) in 3Q 2015

The quarterly growth rebounded to 1.3% in 3Q 2015 which have been fallen below the 1% level for five consecutive quarters (2Q 2014 ~ 2Q 2015). The growth over the same period in the last year also bounded back to 2.7% in 3Q 2015 after the five consecutive quarters of downtrend.



Source: The Bank of Korea

Negative contribution from external demand (net exports) to GDP has been expanding for four consecutive quarters while contribution from domestic demand (private consumption, government spending and construction and facility investments) to GDP largely improved.

Contribution from domestic demand to GDP shows a large increase of 2.0%p, compared to the last quarter: contributions from private consumptions, government spending and construction and facility investments to GDP all increased. Particularly, contribution from private consumption jumped up from -0.1%p in 2Q to 0.6%p in 3Q. In contrast, contribution from net exports to GDP has been falling for four consecutive quarters; -0.1% in 4Q 2014, -0.2%p in 1Q 2015 and -0.3% in 2Q 2015.

Contribution to GDP by expenditure

(Unit: %p)

(SA, real)	2013	2014				2015		
	4/4	1/4	2/4	3/4	4/4	1/4	2/4	3/4
Final consumption expenditure	0.4	0.2	-0.1	0.7	0.3	0.3	0.0	0.9
Private	0.3	0.2	-0.2	0.4	0.2	0.3	-0.1	0.6
Government	0.1	0.0	0.1	0.3	0.0	0.0	0.1	0.3
Gross capital formation	1.3	-0.6	0.4	0.7	0.1	0.7	0.6	1.1
Gross fixed capital formation	-0.2	0.7	0.2	0.1	-0.8	1.1	0.2	0.9
Construction	-0.7	0.8	0.1	0.1	-1.2	1.0	0.2	0.7
Facilities investment	0.4	-0.1	0.1	0.0	0.4	0.0	0.0	0.2
Intellectual property products	0.2	0.1	0.0	0.0	0.0	0.1	0.0	0.0
Changes in inventories and acquisition	1.5	-1.3	0.2	0.5	0.9	-0.5	0.4	0.2
Exports of goods and services	0.7	0.7	0.7	-0.9	0.2	0.1	0.1	-0.3
Imports of goods and services	1.5	-0.6	0.6	-0.3	0.3	0.3	0.4	0.5

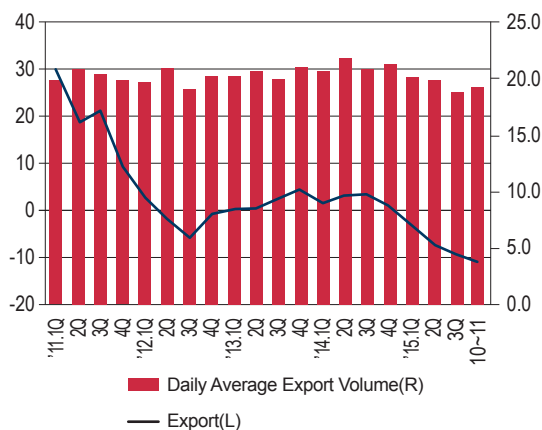
Source: The Bank of Korea

Exports growth (on a custom clearance basis) continues to drop to -10.6% of monthly average between October and November from -9.5% in 3Q 2015

With continuing sluggish exports to Japan, declined in exports to China and the U.S. got worsened. Exports to China taking the largest portion of the total exports of Korea, declined to monthly average of -7.4% between October and November from -7.0% in 3Q 2015 largely by reasons of weak prices of raw materials and China's decreased export volume of steel. Exports to the U.S. largely dropped to monthly average of -12.0% between October and November from -2.4% in 3Q 2015 because of dropping export volumes of steel and textile. Meanwhile, the daily volume of exports increased to a monthly average of US\$1.91 billion between October and November from US\$1.87 billion in 3Q 2015.

Export Growth and Daily Average Export Volume

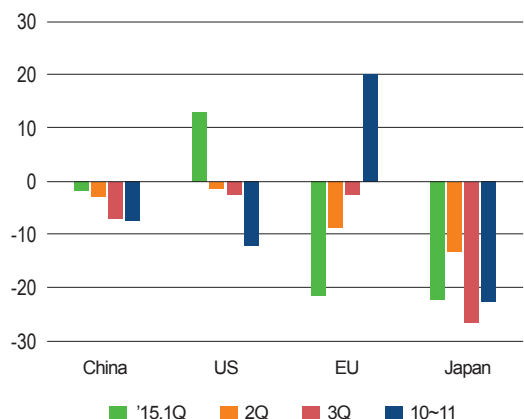
(unit: left - oya%, right - US\$100mil)



Source: MOTIE, Korea Customs Service

Export Growth by Destination

(unit: oya%)



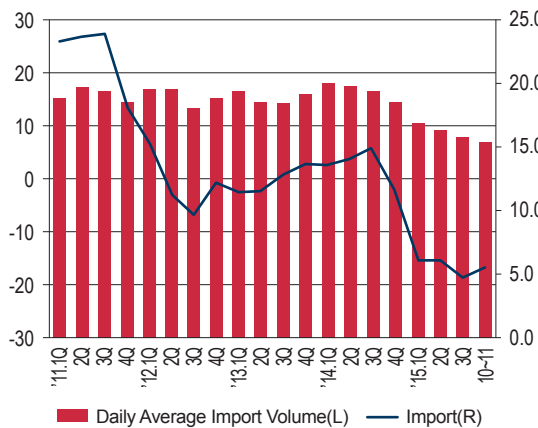
Source: MOTIE, November is forecast

Imports growth (on a custom clearance basis) dropped by a small margin: from -18.5% in 3Q 2015 to monthly average of -17.1% between October and November

Import of raw materials, constituting the largest share of the total import of Korea has shown a decreasing trend following the current downturn of oil prices until it bounded back in October and November following the current downturn in oil prices. The daily volume of imports between October and November reduced to US\$15.4 billion from US\$15.8 billion in 3Q 2015.

Import Growth and Daily Average Import Volume

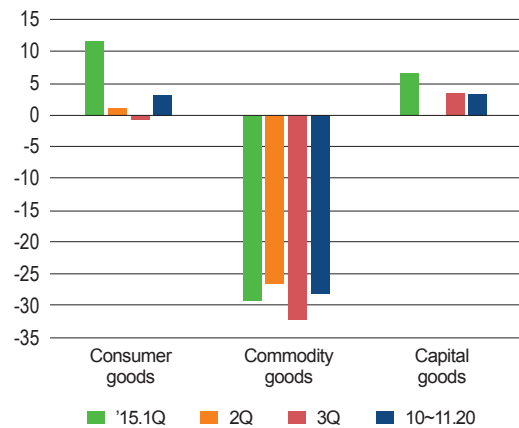
(unit: left – oya%, right – US\$100mil)



Source: MOTIE, Korea Customs Service

Import Growth by Use

(unit: oya%)

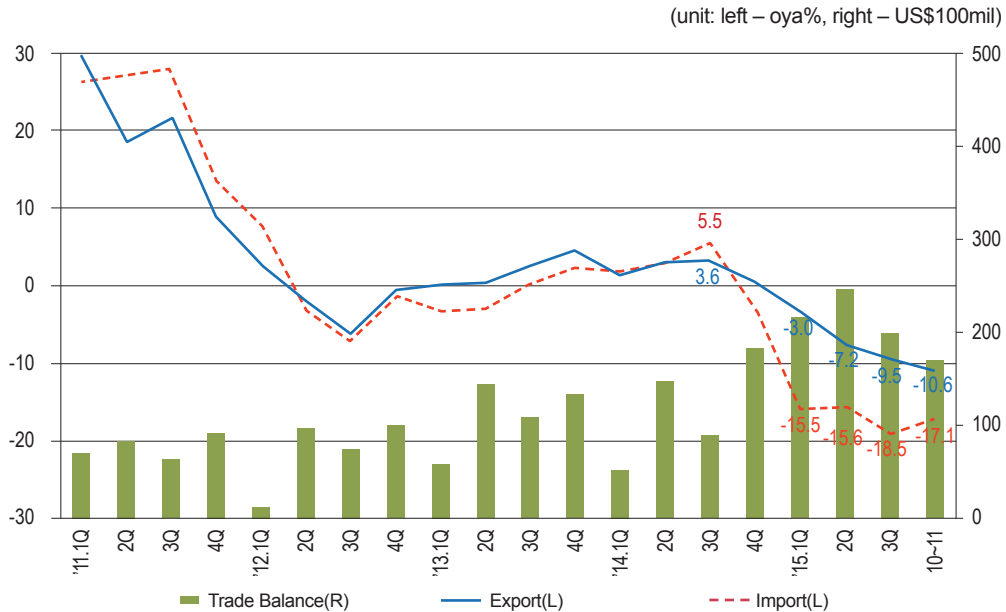


Source: Korea Customs Service

Korea's trade balance records a US\$83.2 billion surplus between January and November 2015 (increased by US\$41.6 billion, oya)

While Korea's trade performance continues to deteriorate with both imports and exports falling, the trade surplus has greatly increased owing to the declining magnitude of import growth significantly outpaced that of export growth. Monthly average export growth between January and November 2015 was -7.4% while import growth over the same period was -16.7%.

Trend of Export, Import and Trade Balance



Source: MOTIE

Korea's current account surplus archived US\$87.89 billion between January and October 2015

During the first seven months of 2015, Korea's current account surplus increased by US\$21.23 billion compared to the last year's current account surplus of US\$66.66 billion over the same period. The surplus on balance of goods and primary income improved while the deficit on balances of secondary income and services reduced. The monthly average of current account between July and October increased to US\$9.32 billion from US\$8.44 billion in the 1H 2015.

Trend of Current Account

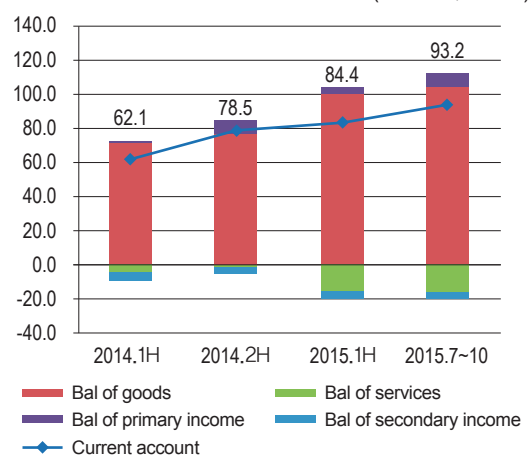
(unit: US\$100mil)

	2014			2015	
	1H	2H	Oct	1H	Oct
Current Account	372.6	471.2	87.4	506.4	89.6
Bal of Goods	427.7	461.1	79.8	601.2	107.4
Bal of Services	-30.7	-9.4	1.3	-94.4	-19.9
Bal of Primary Income	0.5	44.4	8.9	22.7	5.9
Bal of Secondary Income	-25.0	-24.9	-2.6	-23.3	-3.8

Source: The Bank of Korea

Trend of Average Current Account

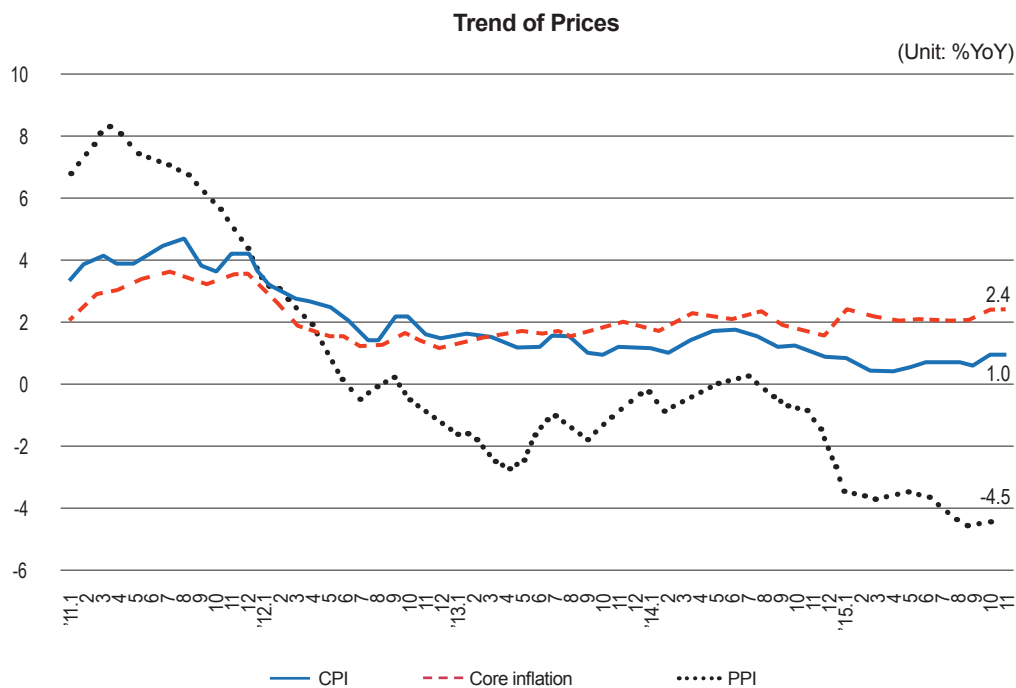
(unit: US\$100mil)



Source: The Bank of Korea

Consumer prices climbed up to 1%-level in November for the first time in 12 months from 0%-level

Although consumer prices decreased by 0.1% month over month, base effect and an increase in industrial products pushed up consumer prices over the same month of the last year. On demand side, the prices of international oil and raw materials continue to decline which contributed to weak price gain. The core inflation, excludes volatile oil and food prices was 2.4% and inflation expectation stood at 2.5% in November 2015, showing no significant improvement. Meanwhile, producer prices dropped to -4.5% in October which has fallen into negative territory since August 2014.



Source: Korea Customs Service, The Bank of Korea

The overall job growth continuously declined

The number of employed person rose by 285,000 in November 2015 indicating a slowdown in quantitative expansion momentum, compared to 533,000 the average number of employed person in 2014. By age group, the number of employed person in their 30s and 40s continued to drop. By industry, the number of employed person in construction industry declined while those in manufacturing, Electricity, Transport, Communication and Finance continued to increase. On the other hand, unemployment rate was 3.1% in November continuing its downturn trend which is not a result from an increase in the number employed person, but an increase in economically active population.

Employment-related Indicators

(unit: thousand persons change over year ago, %)

		2014		2015			
		4Q	Nov	3Q	Sep	Oct	Nov
Changes in number of employed persons		422	438	310	347	348	285
By Age	- 15 ~ 29	56	49	50	91	101	90
	- 30 ~ 39	-29	-34	-60	-67	-47	-50
	- 40 ~ 49	4	10	1	17	33	-4
	- 50 ~ 59	190	193	145	134	125	139
	- 60 years and older	201	221	174	172	136	110
By Industry	- Agri., Forestry & Hunting	-109	-85	-109	-120	-124	-168
	- Manufacturing	129	102	164	166	191	190
	- Construction	72	84	11	-1	-27	-37
	- Wholesale & retail trade, hotels & others	241	212	49	35	-41	-15
	- Business, personal, public service & others	134	169	142	198	265	234
	- Electricity, transport, communication & finance	-39	-38	50	67	78	74
Unemployment rate (%)		3.2	3.1	3.4	3.2	3.1	3.1

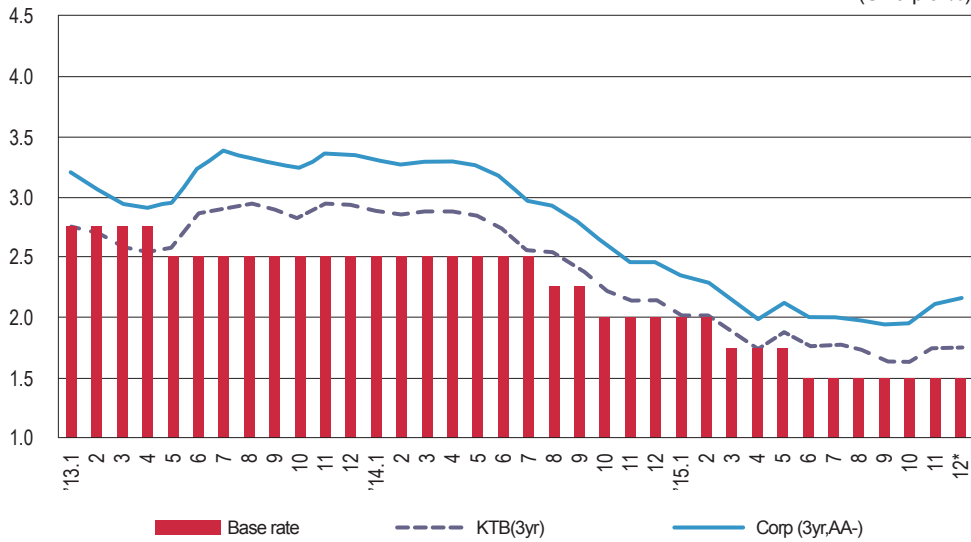
Source: Economically Active Population Survey (Statistics Korea)

Market interest rate ascended with being vigilant at the Fed's interest rate hike in December

As an economic indicator, Non-Farm Payroll released by the United States Department of Labor showed a favorable tendency on the 6th of November 2015, Korea's interest rate preemptively rose with being vigilant at the U.S. interest rate hike. 3-year Treasury bond yield increased to 1.75% in November from 1.64% in October and stayed. 3-year Corporate bond yield (AA-) stood at 2.6% in the first half of December; 1.96% in October and 2.12% in November 2015.

Interest rates

(Unit: p.a %)



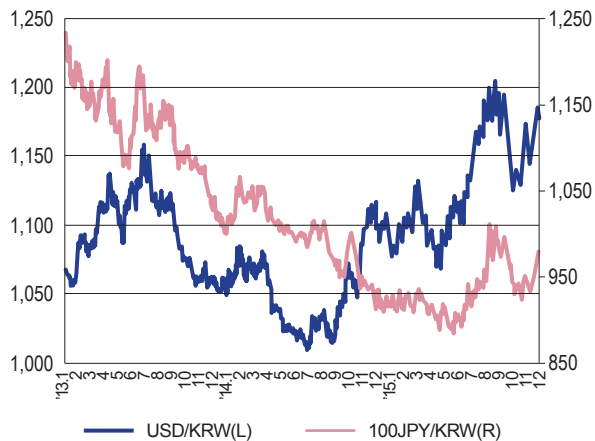
Source: The Bank of Korea

The won's weakened gradually against the US dollar following an anticipated U.S. rate hike

USD/KRW exchange rate fell by a small margin until the beginning of November to adjust rising amount, but it rose back after the U.S. job and housing markets posted improvement and the US Federal Reserve was widely expected to hike rates in December. Foreign investors have turned net sellers of Korean stock in November which brought the won value down against the US dollar.

Exchange rate trend

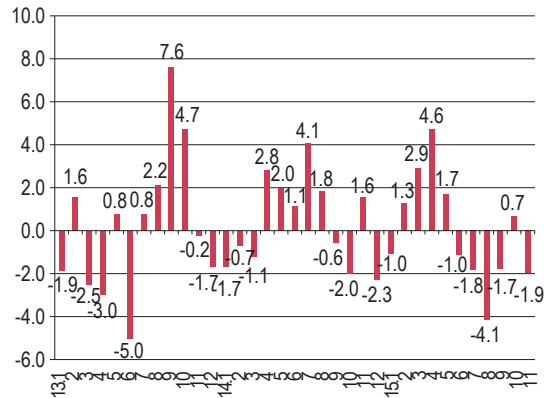
(unit: USD/KRW, 100JPY/KRW)



Source: The Bank of Korea

Net Foreign Purchase of Korean Equities

(unit: Tril Won)



Source: The Bank of Korea

Outlook for 2015 and 2016

1. External Environments

(World Economy) Growth for global economy is projected to move up marginally in 2016, but downside risk is expected due to weak spending and investment following slowdown in global trade growth and the U.S. interest rate hike.

(United States) Although job market continues its recovery, sluggish real estate and stock markets owing to the Fed's interest rate rises put downward pressure on the growth.

(China) China's economy is forecast to slowdown as China makes the transition in new development strategy.

(Eurozone) Growth is projected to increase by a small margin on account of a decrease in impact of quantitative easing and problems raised in the area such as controlling border and managing refugees.

(Japan) The domestic demand is expected to recover following to improved performance of corporates, but impacts of Abenomics will not likely to be strong which put downward pressure on the growth.

(Oil Prices) The price of oil is expected to stay relatively low as the oversupply problem will not likely to be solved while demand growth will likely outstrip supply growth.

(Demand-Supply) Although demand in the U.S. and China increase and oil production in the U.S. reduce, the world's oil market is forecast to remain oversupplied as OPEC production cut agreement will hardly be reached.

(Speculative and Geopolitical factors) There will be lack of upward pressure on the prices as geopolitical issues such as IS attack and instability in Libya exist, and speculative sentiment is low.

(Foreign Exchange rates) The strong trend of US dollar continues, weak euro and yuan expected while the weakening trend of yen will likely mitigate

(US Dollar) US dollar is expected to remain on the strong trend with an anticipated rate hike next year, USD/EUR will likely rally depending on policy divergence between the ECB and the Federal Reserve.

(Euro) Euro is projected to resume falling as more quantitative easing would be forthcoming in order to recover the economy.

(Yen) Japanese yen is forecast to remain weak as BOJ's announced it would continue its current quantitative easing program.

(Yuan) Despite the yuan's inclusion in the IMF's SDR currency basket, the weakness of yuan will likely continue as China's economy is expected to slowdown in the mid-long term.

2. Outlook for Korean Economy in 2015-2016

Growth: 2.5% in 2015 → 2.6% in 2016

Since improvement in external environments is unclear following China risk, the U.S. interest rate hike and a huge blow of weak yen, economy is expected to growth 2.6% in 2016 and stay in L-shaped trajectory. Amid strong upward pressure on base interest rate expected after the U.S. interest rate hike, the total budget for the next year increased by 2.9% implying that the government has a limited capacity to use fiscal policy to stimulate the economy.

Private Consumption: 1.8% in 2015 → 1.9% in 2016

Despite the positive factors such as an increase in real wages and continuing recovery in the quantitative growth of employment, structural weaknesses such as household debts and aging population keep average propensity to consume low. In addition, a rise in interest rates and sluggish real estate business are expected to put a damper on private consumption. The downturn of interest rates for household has been counterbalancing the growth in household debt burden thoroughly so far, but this effect will likely to be extinguished after the rate hike.

Facility investment: 5.1% in 2015 → 4.3% in 2016

Both internal and external economic outlook, preconditions for recovery in facility investment, is uncertain. For 2016, the growth rate of facility investment is forecast to slowdown compared to the growth in 2015 since investment conditions get worsened following dampened investor's sentiment, contraction in capacity of investment and the incremental cost of borrowing. Meanwhile, facility investment pressure index has been falling into negative territory since the second half of 2014, the average operating ratio for the manufacturing industry has been also staying below 75% since 4Q 2014, and financing costs for corporates will likely increase due to the U.S. rate hike.

Construction Investment: 3.6% in 2015 → 3.2% in 2016

Several factors are predicted to suppress the resilience of construction investment: construction stability policy implemented by government, curtail of 2016 SOC budget, and the ascending pressure of interest rate. Korean government is trying to reduce the volume of housing permit as excessive housing supply is worrisome. Moreover, financial authority implied that it will tighten the mortgage loan regulations in 2016 in order to manage the rising household debt burden. The budget plan for SOC in 2016 has been downscaled 4.5% than last year as well. If base rate hikes, the loan rates may enhance following and the gradual housing market recovery might lose its pace.

Export growth (BOP basis):
-9.7% in 2015 → 0.9% in
2016

The export growth of 2016 is predicted to only rise slightly as Korea is expected to encounter several headwinds regarding its export environment even though the world growth rate is projected to improve than last year. First, the US base rate hike may negatively affect Korea's export to the emerging market as the climbing of American loan rates would enhance the financial market volatility of vulnerable emerging markets. Also, China gives two risks to Korea; if Chinese Yuan depreciates again Korea – China competence in the third - country market would run severe; and if Chinese economy slow down China's will the reconstruct the steel, chemicals, and shipbuilding business would alleviate leading to Chinese excessive supply and export dumping which is detrimental for Korea. Third and lastly, the lingering weakening of Japanese Yen may help Japanese corporations to widen their investment to research and development which would relatively abate Korean technology.

Import growth (BOP basis):
-16.6% in → 2.2% in 2016

The import growth is expected to rebound to 2% level as the price dampening is projected to cease a bit. However, the import volume is expected to maintain the 2015 level as both domestic and international demand are hard to improve dramatically than last year.

Current account surplus:
\$101.1 billion in 2015 →
\$93.6 billion in 2016

The current account surplus in 2016 is expected to shrink a bit to \$93.6 billion from \$101.1 billion in 2015 as goods surplus would lower a little and service deficit should widen slightly. The goods balance is projected to climb down to \$102.1 billion in 2016 from \$116.5 billion in 2015. The service balance would widen its deficit from \$18.9 billion in 2015 to \$19.6 billion in 2016 due to rise of tourism deficit and cut of transportation and construction surplus.

Consumer prices: 0.7% in
2015 → 1.5% in 2016

Even though the demand – pull inflation pressure yet low, helped by the gradual cessation of commodity price dampening, USD/KRW upward trend, and inflation related policy modification, the consumer price is predicted to step up to mid – 1% level. The bank of Korea reinforced the responsibility of monetary policy suggesting extra explanation duty when medium inflation gets off the 2% target. Ministry of Strategy and Finance announced its active stance to cope with both current and real growth rate implying stronger action to overcome deflationary circumstances.

Corporate bond yield (3yr, AA-): 2.1% in 2015 → 2.5% in 2016

Thanks to the US Fed's base rate hike, real interest rate of the US has turned higher than that of Korea pushing Korean base rate and market interest rate upward. Only, as the US base rate predicted to plot a gradual hike, Korean market interest rate would rise slightly. The cut of net Korean Treasury Bond issuing amount, 6.1 trillion won reduction than 2015, is another factor that restrict the market interest rate to climb higher.

USD/KRW: 1,131won/dollar in 2015 → 1,181won/dollar in 2016

USD/KRW may rise helped by the US base rate hike and Chinese Yuan depreciation, however it would be partially set off by the huge amount of current account surplus ultimately uplifting the FX rate gradually to 1,180 won in 2016 from 1,130 won in 2015. The Fed's base rate hike and Yuan depreciation are all USD/KRW appreciation factors, however it may only perform limitedly; because American base rate would climb slowly, and if Korean FX differentiates from the other emerging market FXs Korean Won may rather appreciate. Meanwhile, the additional Chinese Yuan depreciation is predicted to show only a slight width thanks to the Yuan internalization, domestic centered growth policy of China, and the rise of Yuan demand due to the Yuan inclusion to IMF SDR.

Outlook for Korean Economy in 2015 & 2016

(Unit: YoY(%), US\$100mil(Balance of Payment))

	2015		2016		2014	2015	2016
	1 st Half	2 nd Half	1 st Half	2 nd Half	Year	Year	Year
GDP	2.3	2.7	2.6	2.6	3.3	2.5	2.6
Private Consumption	1.6	2.1	2.0	1.8	1.8	1.8	1.9
Construction Investment	1.2	5.8	3.7	2.8	1.0	3.6	3.2
Facilities Investment	5.4	4.8	4.5	4.0	5.8	5.1	4.3
Export(Goods & Services)	-0.3	0.5	1.4	2.3	2.8	0.1	1.9
Import(Goods & Services)	1.7	2.7	2.2	2.1	2.1	2.2	2.1
Consumer Price	0.5	0.9	1.4	1.7	1.3	0.7	1.5
Producer Price	-3.6	-3.8	-1.3	0.7	-0.5	-3.7	-0.3
Current Account Bal	506.2	504.9	482.1	453.4	843.7	1011.2	935.5
Bal of Goods	601.2	563.8	578.8	542.0	888.9	1165.0	1120.8
Export(BOP basis)	2789.2	2746.9	2787.6	2800.6	6130.2	5536.1	5588.2
(growth rate, %)	-9.9	-9.5	-0.1	2.0	-0.8	-9.7	0.9
Import(BOP basis)	2188.0	2183.1	2208.8	2258.6	5241.4	4371.1	4467.4
(growth rate, %)	-18.0	-15.2	1.0	3.5	-2.1	-16.6	2.2
Service and other bals*	-100.8	-67.9	-96.6	-88.6	-45.1	-168.7	-185.3
FX rate(USK/KRS, avg)	1099.0	1162.9	1192.5	1170.0	1053.0	1131.0	1181.3
Corp bond yield(3yrs, AA-)	2.2	2.0	2.3	2.6	3.0	2.1	2.5
Unemployment rate (%)	4.0	3.4	4.0	3.6	3.6	3.7	3.8
Changes in number of employed persons	331.0	309.6	300.4	294.3	532.8	320.3	297.3

*Sum of service balance, primary balance, and secondary balance

Policy Issue:

A checkup of 2016 export risks and its implication for response proposals

Necessary to checkup export risks and propose an adequate response plans as Korean export showed poor records 3 years in a row, especially plummeted sharp in 2015

Korean export growth has recorded -1.3% in 2012, 2.1% in 2013, 2.3% in 2014, and has slid dramatically to -7.4% from January to November in 2015. Worse is that the export recovery is predicted to be insignificant in 2016 as well. Thus, the trade environment and export risks must be checked up and proper response proposals should be made in the very time.

(World economy downturn to prolong) Global economic recovery is uncertain; thus Korean export is projected to improve only slightly

Considering its historical rosy expectations and forecast downshift, IMF is possible to lower world growth forecast in 2016. In addition, one pillar of the global financial crisis, the European debt crisis, is threatening the world economy yet. The debt ratio of Greece has thought to lower from 112.8% in 2007 to 110.3% in 2011, only to revert up to 181.0% in 2014 showing that the European debt crisis is ongoing.

(The structural problem of Korean trade) Korean export structure is widening its gap with the global export structure; thus the huge rebound of Korean export is less forecasted even if the world economy recovers dramatically

The weight of Korean 10 most exported items to Korean total export rose 10.1%p from 2004 to 2014, while the weight of same items to total world export reduced 0.7%p on same period exposing the structural problem of Korean export. Especially, Korea has not adapted to the Chinese import structure change to consumer goods delving yet into the parts exports. In reality, Chinese weight of parts imports to Chinese total imports dampened from 61.2% in 2003 to 40.0% in 2014, while weight of Chinese parts import from Korea rose from 12.2% in 2000 to 17.6% in between January to November of 2015. The weight of Korea's consumer goods export to China has been continuously shrinking from 14.7% in 2002 to 5.5% in 2014 and 5.2% in 2015.

(The US Fed rate hike) The butterfly effect of American base rate hike to emerging economy may negatively affect Korean export

Historically, after the US base rate hike dollar has strengthened and global fund moved from emerging land to American territory causing emerging market crisis. If huge fund amount outflow from emerging market, the emerging currency and equity market may plunge down, and dollar denominated debt and foreign financing cost would enhance dramatically, all helping emerging citizens to curtail their consumptions which in sum leading to insecurity in both financial and real market. As Korean export weight to emerging market growing bigger, the emerging market's possibility of economic downturn may negatively affect Korea as well. The weight of Korean export to emerging market out of total Korean export climbed from 19.8% in 2004 to 27.4% in 2014: ASEAN 14.8%, Latin America 6.3%, Middle East 6.1%, CIS 2.5%.

(Chinese upheaval) The possibility of additional depreciation of Chinese Yuan and the betterment of Chinese industrial competitiveness are negative factors for Korean export

The relationship of Korean and Chinese export is changing from supplementing relationship to competing relationship. The Export Similarity Index in US market of Korea and China grew from 0.533 in 2004 to 0.592 in 2014, while Degree of Trade Compensation slid from 0.524 in 2004 to 0.348 in 2014. In this manner, the Yuan depreciation would mean enhancement of Chinese export price thus ultimately resulting in alleviation of Korean export competence in third-country market.

(Suggestions) Foreign exchange policy considering both Chinese Yuan and Japanese Yen, diving into the Chinese domestic market, select and concentration strategy of research and development investment, and speedy corporate business reorganization needed

The foreign exchange policy which considers the optimal level between JPY/KRW and CHY/KRW is needed in order to prepare the situation when Japan and China reinforce their currency weakening in order to enhance their export competitiveness. For this, historical foreign exchange rate policy should be scrutinized and reestablished.

Moreover, it seems wiser to directly enter the Chinese domestic market than sticking in the processing trade as Chinese economy is changing. The targeting of Chinese new demand, enhancing product awareness and credibility, alleviation of regulations, and building of supporting system are needed. Merger and acquisition of Chinese corporation and making it Korean would be another fine example of entering Chinese market.

Meanwhile, government has to help corporations providing research and development investment to where private investment is difficult to reach due to the high technological barrier and market risks. It would be highly appreciated if government is aware of the fact that Korean government has failed to discover and develop new growth engine and thus is maintaining its main export products for the last 10 years. In this manner, it would be more than helpful if government supplement private R&D investment having a long term goal.

Lastly, reinforcement of corporate competitiveness, speedy and effective business reorganization for new business is pivotal. The R&D investment must be done in between global value chain with selection and concentration strategy performed on the basis. The design, engineer, software, and parts development has to be systematically connected as well. In addition, active offshore M&As should be crucial to develop Korean technology and to remove the potential threat at the same time. Meanwhile, Corporate Vitality Improvement Special Act, so called the one-shot act, must be processed quickly. China has implemented 12th Five-Year Plan for National Economic and Social Development in 2011 and Guidance to accelerate the process of Merger and Acquisition on primary industry corporations in 2013, both of which conducting upgrade of traditional businesses such as shipbuilding, car making, steel, petro chemistry, cement, and vessels. Also, Japan has adopted Act on Special Measures for the Vitality of Industry in 1999 and Industrial Competitiveness Enhancement Act in 2014 to support anticipative business reorganization.

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