

The OECD and Korea: Celebrating a milestone

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In 2016, we celebrate Korea’s 20th anniversary of OECD membership. Throughout this time, Korea has achieved impressive convergence in living standards towards the Organisation’s top performers. In fact, as this special anniversary edition shows, from being one of the poorest countries in the world half a century ago, Korea is now the world’s 11th largest economy and 6th largest exporter. It is home, not only to some of the world’s most famous household brands, from cars to smartphones, but to the K-pop and fashion wave that has seduced young people everywhere. No wonder people refer to Korea’s transformation as “the Miracle on the Han River”.

During its 20 years as an OECD member country, Korea has overcome stern tests too, including the Asian financial crisis shortly after it joined. Fundamental to Korea’s achievements have been investment, innovation and human capital.

Korean students regularly rank among the best performers in the OECD's PISA tests, while the country is a leader in investment in research and development. At the same time, Korea has not been afflicted by the curse of rising inequality that has struck most other OECD members over the past decade. The level of income inequality remains slightly below the OECD average.

Membership in the OECD has, in turn, provided an opportunity to exchange ideas with the most advanced countries and to learn best practices. The OECD has played a crucial analytical and advisory role for Korea during the past two decades. In exchange, Korea has brought knowledge and diversity to our membership, and has been a vital ambassador in the Southeast Asian region in helping the OECD to reach out and become more global, inclusive and effective. Korea has also been a very active member of the Organisation. It chaired the OECD Ministerial Council Meeting in 2009 and played a leading role in adopting the Green Growth Initiatives. In 2010, Korea joined the OECD Development Assistance Committee, thus becoming a donor nation. Moreover in 2015, the OECD Committee for Scientific and Technological Policy met at ministerial level in Korea, the first time ever outside the OECD headquarters. Indeed, we have achieved so much together. But anniversaries are also an opportunity to reflect on our challenges and trace a path to a brighter future. In this respect, numerous challenges persist. Korea's growth rate has slowed to some 2.8% per year since 2011. The development strategy has served it well, but appears to be in need of re-engineering to face the social, economic and environmental challenges ahead.

In addition, Korea's population is also expected to undergo the most rapid ageing of any OECD member over the next half century. The short transition from the fourth-youngest country today to the third oldest by 2050 creates a number of challenges, notably for public finances. Public social spending is projected to rise from around 10% of GDP in 2013 to as high as 29% by 2060. Korea also faces the challenge of boosting productivity to achieve inclusive growth. The country's dualistic economy is characterised by large productivity gaps between manufacturing and services, and between large and small firms. As a result, overall productivity is only 55% of the top half of OECD countries.

To leverage its position as a leading innovator, and thereby stimulate economic growth, President Park Geun-hye introduced the "creative economy" initiative in 2013. The initiative's goals focus upon harnessing the productive potential of Korea's private sector, in particular its lagging services sectors and smaller firms. There is scope to enhance the impact of Korea's substantial R&D investments, for example, by strengthening the links between public research institutions and the private sector, as well as by improving the regulatory environment for innovative entrepreneurs. Smaller firms should also be encouraged to adopt information and communication technologies that allow them to seize the opportunities of the digital economy.

Meanwhile, the focus of the “creative economy” on green innovation, as part of the 2nd five-year plan of Korea’s National Strategy for Green Growth, can help reduce greenhouse gas emissions—an important objective in the context of implementing COP 21 agreements on climate change.

Challenges also remain in terms of addressing old-age poverty and labour market duality. To keep Korea on an “inclusive growth” path, win-win reforms to increase growth and reduce inequality should be prioritised, such as encouraging female labour market participation and investing in skills relevant to labour market needs. And as OECD experts in this edition point out, a stronger focus on well-being and the work-life balance would also help. The OECD continues to work with the Korean authorities on these and other policy priorities. The OECD and Korea have come a long way together since 1996, and what better way to celebrate this 20th anniversary than to look forward to strengthening our fruitful collaboration in the design, development and delivery of better policies for better lives.

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See also: "[Korea: Policy priorities for a dynamic, inclusive and creative economy](#)", October 2015, OECD Better Policies Series.