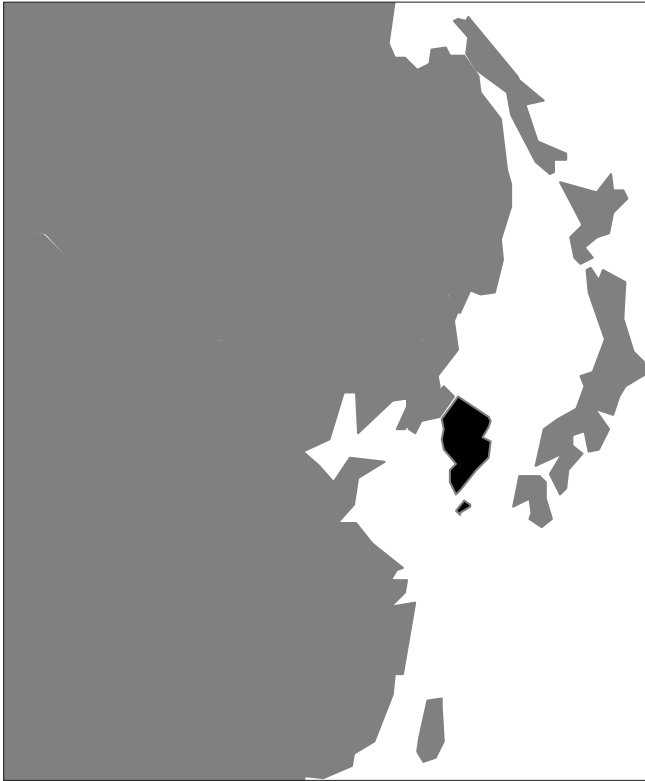


KOREA



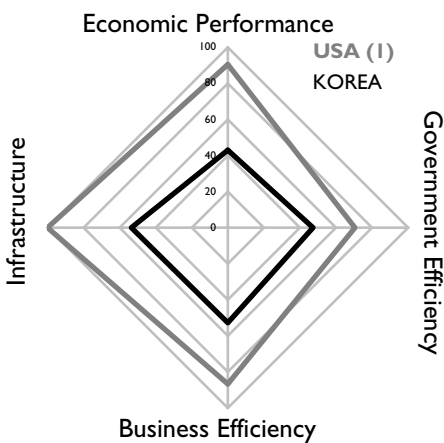
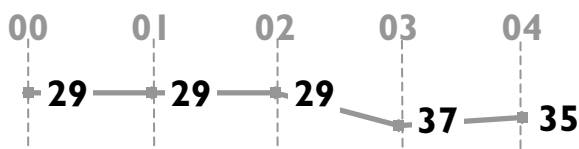
CHALLENGES IN 2004

- Aim to become the economic hub of North East Asia by increasing attractiveness.
- Ensure a corruption-free society and invent a supportive government framework.
- Advance science and technology and attract competitive foreign firms.
- Build peace and prosperity on the Korean Peninsula and encourage free trade.
- Invest in people development to balance ethical work life and family well-being.

Provided by :

Competitiveness Valuation International, Inc.

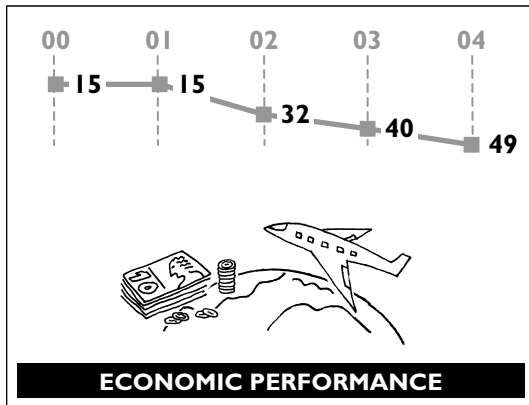
OVERALL PERFORMANCE



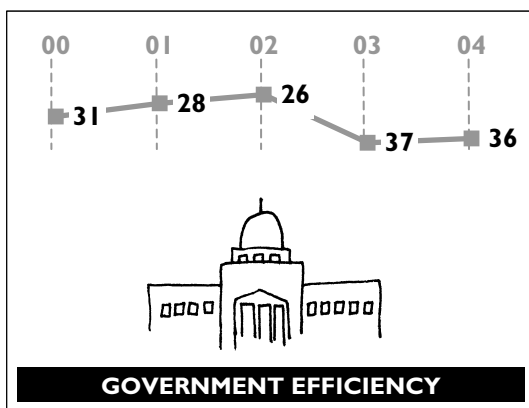
BASIC FACTS

Capital	Seoul
Population (millions)	47.93 (2003)
Land area (km² '000)	99.6 (2003)
Exchange rate (per \$)	1,191.00 (2003)
GDP (\$ billions)	605.7 (2003)
GDP per capita (\$)	12,638 (2003)
Real GDP growth (%)	3.1 (2003)
Consumer Price Inflation (%)	3.5 (2003)
Unemployment rate (%)	3.40 (2003)
Labor force (millions)	22.92 (2003)
Current Account Balance (\$ bn)	13.1 (2003)
Direct Investment	
Stocks Inward (\$ billions)	43.69 (2002)
Flows Inward (% of GDP)	0.36 (2002)

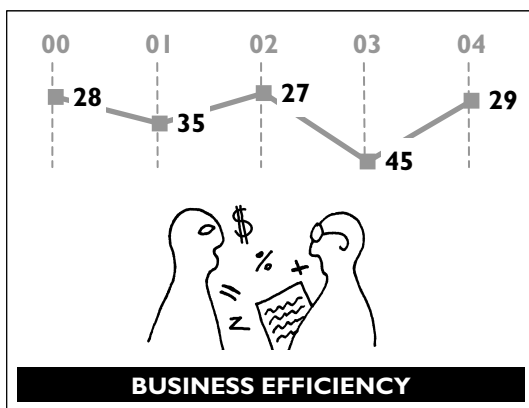
KOREA



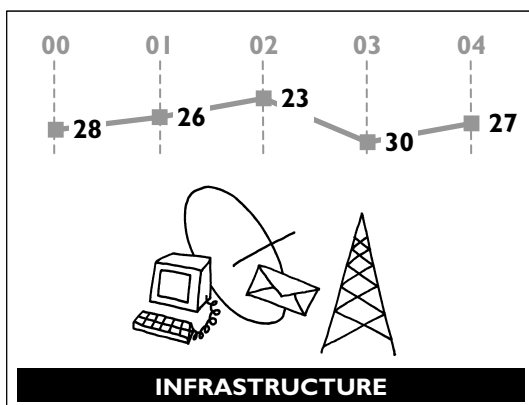
	2004
Domestic Economy	35
International Trade	32
International Investment	54
Employment	18
Prices	56



	2004
Public Finance	2
Fiscal Policy	22
Institutional Framework	37
Business Legislation	45
Societal Framework	59



	2004
Productivity	32
Labor Market	36
Finance	40
Management Practices	39
Attitudes and Values	19



	2004
Basic Infrastructure	55
Technological Infrastructure	8
Scientific Infrastructure	19
Health and Environment	32
Education	44

KOREA

These criteria are the 10 Strongest Criteria by Factor identified by taking the biggest value differences from the averages of the 60 economies.

	Rank
I Economic Performance	
1.4.07 Unemployment rate Percentage of labor force	4
1.4.09 Youth unemployment Percentage of labor force	10
1.1.01 Gross domestic product (GDP) US\$ billions	11
1.2.07 Exports of goods US\$ billions	12
1.2.09 Exports of goods - real growth Percentage change based on US\$ values	13
1.2.01 Current account balance US\$ billions (minus sign = deficit)	14
1.1.02 GDP (PPP) Estimates; US\$ billions at purchasing power parity	14
1.2.10 Exports of commercial services US\$ billions	16
1.1.12 Real GDP Growth Percentage change, based on national currency in constant prices	22
1.4.02 Employment Percentage of population	25
2 Government Efficiency	
2.1.04 Central government domestic debt Percentage of GDP	4
2.1.10 Total reserves Including gold and official reserves (gold = SDR 35 per ounce)	4
2.4.05 Government subsidies To private and public companies as a percentage of GDP	6
2.1.02 Government budget surplus/deficit Percentage of GDP	7
2.3.03 Interest rate spread Lending rate minus deposit rate	7
2.3.07 Exchange rate stability Parity change from national currency to SDR, 2003/2001	7
2.1.08 Interest payment Percentage of current revenue	9
2.1.07 Central government total debt - real growth Percentage change, based on national currency in constant prices	12
2.2.02 Effective personal income tax rate Percentage of an income equal to GDP per capita	13
2.2.07 Corporate tax rate on profit Maximum tax rate, calculated on profit before tax	14
3 Business Efficiency	
3.5.05 Need for economic and social reforms is generally understood by people in your society (Survey)	3
3.3.04 Number of credit cards issued Per capita	4
3.2.19 International experience of senior managers is generally significant (Survey)	5
3.2.05 Working hours Average number of working hours per year	7
3.3.15 Listed domestic companies Number of listed domestic companies	8
3.4.06 Customer satisfaction is emphasized in your economy (Survey)	13
3.3.14 Value traded on stock markets US\$ per capita	13
3.5.01 Attitudes toward globalization are generally positive in your economy (Survey)	14
3.5.06 Values of society support competitiveness (Survey)	14
3.2.04 Remuneration of management Total base salary plus bonuses and long-term incentives, US\$	16
4 Infrastructure	
4.2.11 Broadband subscribers Number of subscribers per 1000 inhabitants	1
4.3.21 Patent productivity Patents granted to residents / R&D personnel in business ('000s)	3
4.3.17 Patents granted to residents Number of patents granted to residents (average 1999-2001)	3
4.1.07 Dependency ratio Population under 15 and over 64 years old, divided by active population (15 to 64 years)	4
4.2.09 Internet users Number of internet users per 1000 people / Source: Computer Industry Almanac	5
4.5.05 Higher education achievement Percentage of population that has attained at least tertiary education for persons 25-34	5
4.2.10 Internet costs Cost for 20 hours dial-up use per month, (US\$)	7
4.3.08 Total R&D personnel in business enterprise Full-time work equivalent (FTE)	7
4.3.06 Total R&D personnel nationwide Full-time work equivalent (FTE)	7
4.2.17 High-tech exports Percentage of manufactured exports	8

These criteria are the 10 Weakest Criteria by Factor identified by taking the biggest value differences from the averages of the 60 economies.

	Rank
I Economic Performance	
1.5.02 Cost-of-living index Index of basket of goods & services in major cities, excluding housing (New York City = 100)	55
1.3.06 Direct investment flows inward Percentage of GDP	54
1.2.12 Exports of commercial services - real growth Percentage change based on US\$ values	52
1.2.18 Trade to GDP ratio (Exports + Imports) / (2 x GDP)	49
1.3.14 Relocation of R&D facilities is a threat to the future of your economy (Survey)	49
1.3.13 Relocation of production is a threat to the future of your economy (Survey)	45
1.1.21 Resilience of the economy to economic cycles is weak (Survey)	43
1.4.03 Employment - growth Estimates: percentage change	42
1.2.11 Exports of commercial services Percentage of GDP	41
1.3.04 Direct investment stocks abroad - real growth Percentage change based on US\$ values	40
2 Government Efficiency	
2.4.09 Price controls affect pricing of products in most industries (Survey)	59
2.5.10 Females in parliament Percentage of total seats in Parliament	57
2.5.09 Discrimination (race, gender, etc.) poses a handicap in society (Survey)	57
2.4.03 Public sector contracts are not sufficiently open to foreign bidders (Survey)	56
2.2.12 Collected capital and property taxes Percentage of GDP	55
2.5.04 The risk of political instability is very high (Survey)	55
2.3.13 Political parties do not understand today's economic challenges (Survey)	54
2.3.08 Policy direction of the government is not consistent (Survey)	54
2.4.02 Protectionism in your economy negatively affects the conduct of your business (Survey)	53
2.4.19 Foreign investors are not free to acquire control in domestic companies (Survey)	53
3 Business Efficiency	
3.2.06 Labor relations are generally hostile (Survey)	60
3.3.13 Stock market capitalization Percentage of GDP	55
3.3.17 Rights and responsibilities of shareholders are not well-defined (Survey)	55
3.4.04 Corporate boards do not supervise the management of companies effectively (Survey)	53
3.4.05 Shareholder value is not efficiently managed (Survey)	53
3.3.22 Factoring Percentage of merchandise exports	51
3.3.10 Banking regulation hinders competitiveness in your economy (Survey)	51
3.4.03 Credibility of managers is not widely acknowledged in the economy (Survey)	51
3.5.03 National culture is closed to foreign ideas (Survey)	49
3.3.16 Stock market index percentage change on index	48
4 Infrastructure	
4.5.08 University education does not meet the needs of a competitive economy (Survey)	59
4.5.02 Pupil-teacher ratio (primary education) Ratio of students to teaching staff	56
4.1.23 Energy imports vs merchandise exports Energy imports as a percentage of merchandise exports in US\$	54
4.1.24 Electricity costs for industrial clients US\$ per kwh	53
4.2.03 International fixed telephone costs US\$ per 3 minutes in peak hours to USA (for USA to Europe)	52
4.5.01 Total public expenditure on education Percentage of GDP	52
4.5.07 The educational system does not meet the needs of a competitive economy (Survey)	52
4.5.12 Qualified engineers are not available in your labor market (Survey)	52
4.1.02 Arable area Square meters per capita	51
4.5.11 Education in finance does not meet the needs of enterprises (Survey)	51

KOREA

This section highlights the economy's 20 strongest criteria, that is those with the highest standardized values (STD values).*

* STD Values = [(economy's value) - (average of 60 economies)] / standard deviation

20 Strongest Criteria

Number	Name	Economy's Value	Economy's Rank	Average Value
4.2.11	BROADBAND SUBSCRIBERS Number of subscribers per 1000 inhabitants	218.42	1	33.09
3.3.04	NUMBER OF CREDIT CARDS ISSUED Per capita	2.200	4	0.766
4.3.21	PATENT PRODUCTIVITY Patents granted to residents / R&D personnel in business ('000s)	186.6	3	46.0
3.2.05	WORKING HOURS Average number of working hours per year	2,270	7	1,921
4.1.07	DEPENDENCY RATIO Population under 15 and over 64 years old, divided by active population (15 to 64 years)	40.1	4	50.2
4.2.09	INTERNET USERS Number of internet users per 1000 people / Source: Computer Industry Almanac	605.11	5	341.71
4.2.10	INTERNET COSTS Cost for 20 hours dial-up use per month, (US\$)	9.74	7	18.94
2.1.04	CENTRAL GOVERNMENT DOMESTIC DEBT Percentage of GDP	0.46	4	33.99
4.5.05	HIGHER EDUCATION ACHIEVEMENT Percentage of population that has attained at least tertiary education for persons 25-34	39.5	5	24.5
4.3.17	PATENTS GRANTED TO RESIDENTS Number of patents granted to residents (average 1999-2001)	29,363	3	5,961
4.2.05	MOBILE TELEPHONE COSTS US\$ per 3 minutes in peak hours (local)	0.29	9	0.83
1.4.07	UNEMPLOYMENT RATE Percentage of labor force	3.40	4	8.36
4.3.03	TOTAL EXPENDITURE ON R&D Percentage of GDP	2.532	10	1.517
3.2.19	INTERNATIONAL EXPERIENCE (Survey) International experience of senior managers is generally significant	6.96	5	5.38
3.5.05	NEED FOR ECONOMIC AND SOCIAL REFORMS (Survey) Need for economic and social reforms is generally understood by people in your society	7.46	3	5.89
3.4.06	CUSTOMER SATISFACTION (Survey) Customer satisfaction is emphasized in your economy	7.54	13	6.45
4.3.10	BASIC RESEARCH (Survey) Basic research does enhance long-term economic development	6.96	14	5.48
4.4.14	SUSTAINABLE DEVELOPMENT (Survey) Sustainable development is a priority in your economy	7.36	13	6.44
3.5.01	ATTITUDES TOWARD GLOBALIZATION (Survey) Attitudes toward globalization are generally positive in your economy	7.04	14	6.12
3.5.06	VALUES OF SOCIETY (Survey) Values of society support competitiveness	6.79	14	6.02

What if ?

Competitiveness Simulations help policy makers focus on and prioritize the key competitiveness issues facing their economies. We replace the economy's 20 weakest values with the average values of the 60 economies to compute a simulated overall competitiveness ranking. However, this is a theoretical exercise and should not be perceived as policy advice. Consideration must be given to each economy's development level, political constraints and social value system.

Simulated Ranking Changes

From **35**  To **30**

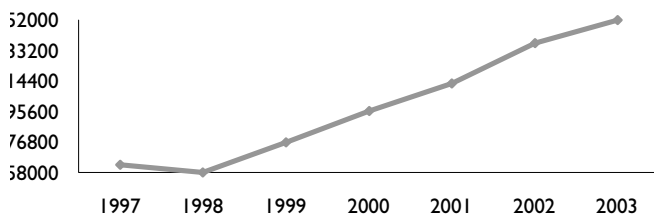
20 Weakest Criteria

Number	Name	Economy's Value	Economy's Rank	Average Value
4.1.24	ELECTRICITY COSTS FOR INDUSTRIAL CLIENTS US\$ per kwh	0.550	53	0.089
4.5.02	PUPIL-TEACHER RATIO (PRIMARY EDUCATION) Ratio of students to teaching staff	32.10	56	19.66
1.5.02	COST-OF-LIVING INDEX Index of basket of goods & services in major cities, excluding housing (New York City = 100)	101.00	55	74.49
2.2.12	COLLECTED CAPITAL AND PROPERTY TAXES Percentage of GDP	3.11	55	1.66
4.5.01	TOTAL PUBLIC EXPENDITURE ON EDUCATION Percentage of GDP	3.6	52	5.1
3.3.13	STOCK MARKET CAPITALIZATION Percentage of GDP	0.04	55	34.15
3.3.16	STOCK MARKET INDEX percentage change on index	25.00	48	50.55
1.2.18	TRADE TO GDP RATIO (Exports + Imports) / (2 x GDP)	21.93	49	45.58
1.3.06	DIRECT INVESTMENT FLOWS INWARD Percentage of GDP	0.36	54	3.11
4.4.01	TOTAL HEALTH EXPENDITURE Percentage of GDP	6.0	41	7.4
3.2.12	LABOR FORCE GROWTH Percentage change	0.17	47	1.17
1.3.02	DIRECT INVESTMENT FLOWS ABROAD Percentage of GDP	0.49	38	1.79
4.5.03	PUPIL-TEACHER RATIO (SECONDARY EDUCATION) Ratio of students to teaching staff	20.10	49	16.42
3.2.06	LABOR RELATIONS (Survey) Labor relations are generally hostile	4.00	60	6.73
2.4.09	PRICE CONTROLS (Survey) Price controls affect pricing of products in most industries	4.63	59	6.74
2.5.09	DISCRIMINATION (Survey) Discrimination (race, gender, etc.) poses a handicap in society	4.83	57	6.45
2.5.04	RISK OF POLITICAL INSTABILITY (Survey) The risk of political instability is very high	3.75	55	7.26
4.5.08	UNIVERSITY EDUCATION (Survey) University education does not meet the needs of a competitive economy	3.58	59	5.75
2.4.03	PUBLIC SECTOR CONTRACTS (Survey) Public sector contracts are not sufficiently open to foreign bidders	4.46	56	6.25
3.3.17	RIGHTS AND RESPONSIBILITIES OF SHAREHOLDERS (Survey) Rights and responsibilities of shareholders are not well-defined	5.08	55	6.60

KOREA

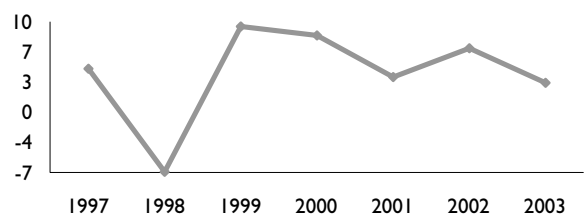
GDP PER CAPITA

National currency per capita



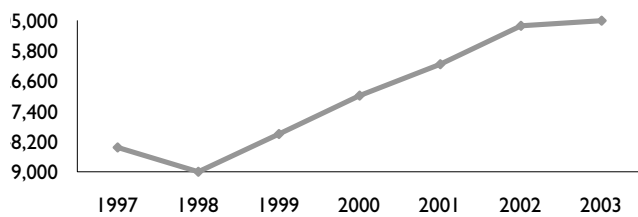
REAL GDP GROWTH

Percentage change, based on national currency in constant prices



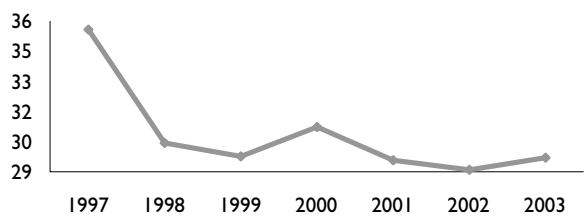
PRIVATE FINAL CONSUMPTION EXPENDITURE

National currency per capita



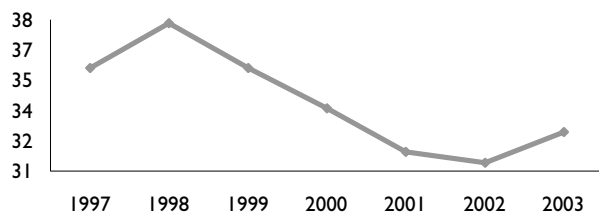
GROSS DOMESTIC INVESTMENT

Percentage of GDP



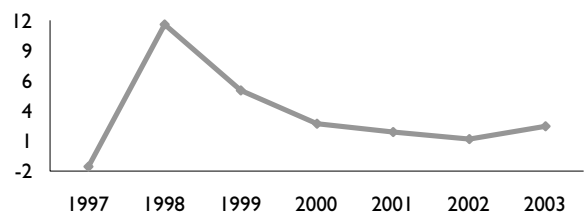
GROSS DOMESTIC SAVINGS

Percentage of GDP



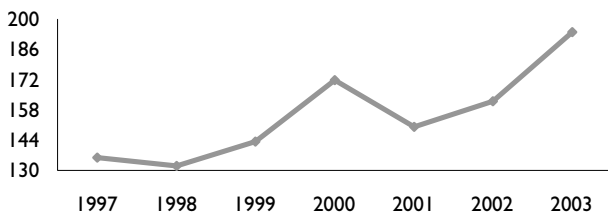
CURRENT ACCOUNT BALANCE

Percentage of GDP



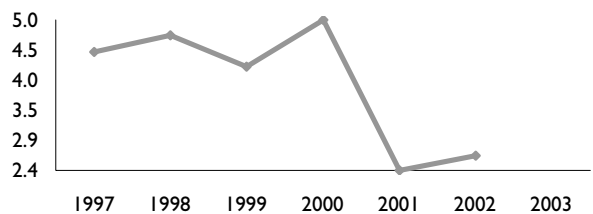
EXPORTS OF GOODS

US\$ billions



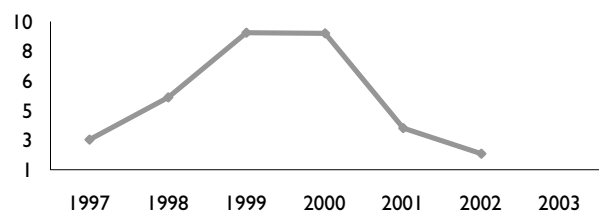
DIRECT INVESTMENT FLOWS ABROAD

US\$ billions



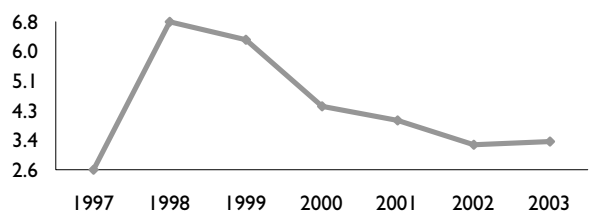
DIRECT INVESTMENT FLOWS INWARD

US\$ billions



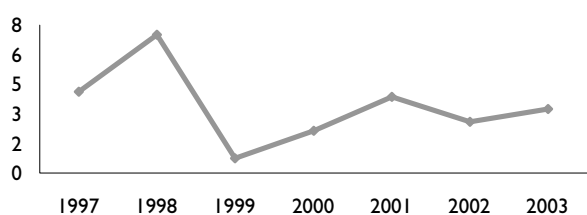
UNEMPLOYMENT RATE

Percentage of labor force



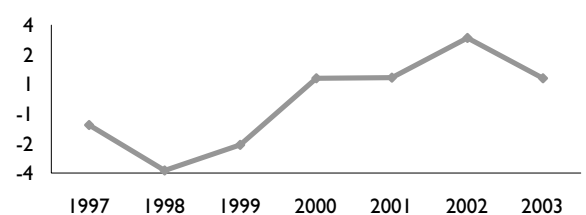
CONSUMER PRICE INFLATION

Average annual rate



GOVERNMENT BUDGET SURPLUS/DEFICIT

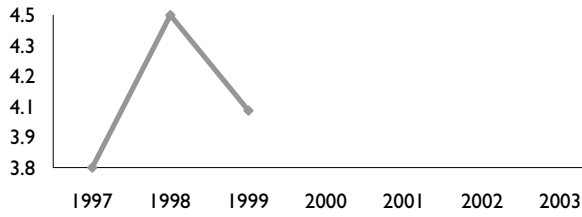
Percentage of GDP



KOREA

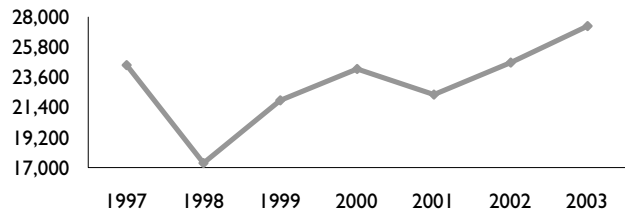
CENTRAL GOVERNMENT TOTAL DEBT

Percentage of GDP



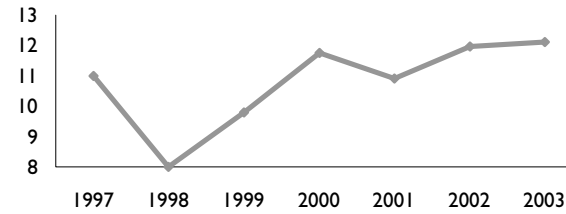
OVERALL PRODUCTIVITY

GDP per person employed, US\$



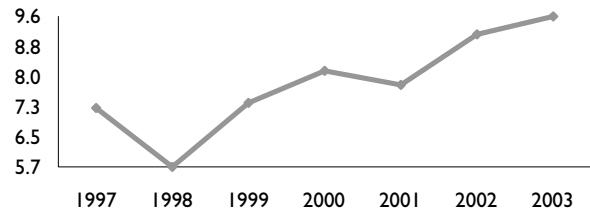
LABOR PRODUCTIVITY

GDP per person employed per hour, US\$



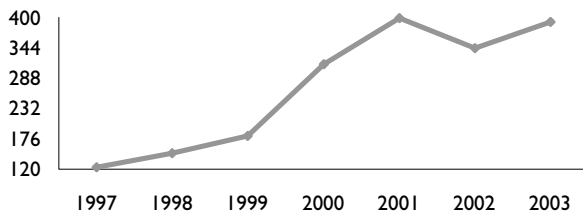
COMPENSATION LEVELS

Estimates: Total hourly compensation for manufacturing workers, US\$



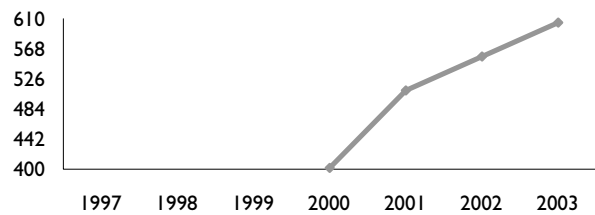
COMPUTERS PER CAPITA

Number of computers per 1000 people / Source: Computer Industry Almanac



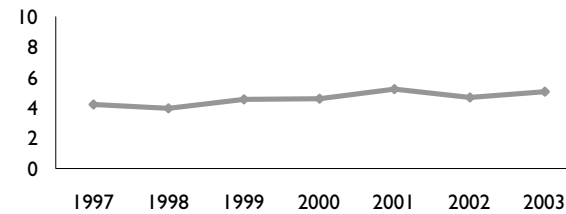
INTERNET USERS

of internet users per 1000 people / Source: Computer Industry Almanac



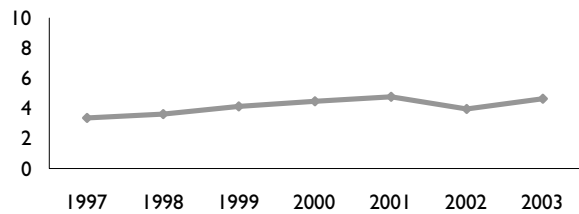
CREDIBILITY OF MANAGERS

Executive Opinion Survey



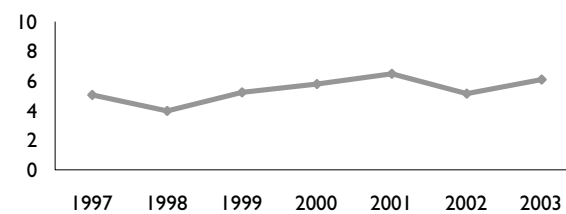
CORPORATE BOARDS

Executive Opinion Survey



ENTREPRENEURSHIP

Executive Opinion Survey



SOCIAL RESPONSIBILITY

Executive Opinion Survey

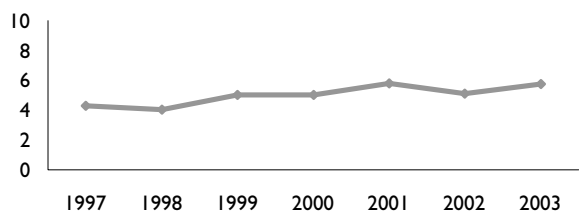
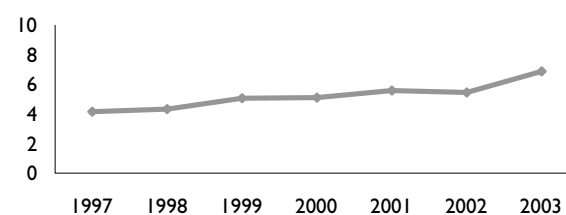


IMAGE ABROAD

Executive Opinion Survey



FLEXIBILITY AND ADAPTABILITY

Executive Opinion Survey

