

# HRI Monthly Economic Review

- I . Recent Economic Trends
- II . Economic Issues Facing Korea
- III . The North Korean Issues
- [Annex] Domestic and Global Economic Indices

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Devoting to economic research  
and human resource development  
with intellectual conscience and sincerity,  
the Hyundai Research Institute leads  
the advancement of Korean Economy  
in the 21st century by proposing  
creative policy alternatives.

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## < Executive Summary >

### I . Recent Economic Trends

The economic recovery of major economies including the US, Eurozone, Japan, and China appears to be slow for the moment. In terms of Korea, domestic consumption and industrial production increased while investment decreased. Exports continue to improve, and inflation stays stable at 1% plus.

### II . Economic Issues Facing Korea

#### 『Background for the Persisting Low Inflation Rate and Future Prospects』

The Korean economy, since it entered the age of low price in 2012, is likely to witness a lower inflation rate in 2014 than the government-set limit of 2.5%, and this tendency of low inflation rate is expected to last for some considerable time due in part to the continuing deflation gap, slowing currency increase, and imported raw material prices stabilizing at a lower level.

#### 『Seeking Strategies for Early Entry to the Age of Per Capita Income of US\$40,000』

The potential growth rate of Korean economy is sharply declining, and the quality of Korean economic growth still resembles a developing country's pattern of growth dependent on the commitment of intermediate goods. As a result, Korea's per capita income scarcely maintains a US\$20,000 plus level and the nominal GDP of Korea has fallen to 15th in the world, having reached 11th place in 2004. Korea now needs a new growth model to deal with such's low drive'. This report suggests 'the future of Korean economy' and 'desirable economic development strategy' introducing economic experts' opinions and analyzing implications of suggested opinions to seek a new way forward for Korean economy.

#### 『Impact Analysis of the US Economic Recovery on Korean Economy』

The rising US economic growth rate will have a positive effect both on the Korean economy by way of Korea's direct and indirect export flow to the US and on the global economic recovery. Actual proof analysis suggests that when the US economy grows by 1%, Korea's export increases by 2.1% through direct and indirect real economic routes, and Korean economic growth rate rises by 0.4%: (1)Korea's direct export to the US is expected to increase as the US economic growth rate rises. (2)The US economic recovery will also prompt Korea's export to the US through intermediate countries to rise. (3)The recovery of the US economy, which plays an ever-greater role in the world economy, effectively tows the global and Korean economic recovery.

### III . The North Korean Issues

Both South and North Korea expressed wishes to improve relationship in 2014, and South Korea emphasized that practicing reunion of separated families is 'the first step forward on the right foot'. The reunion of separated families will help lift attention for the unification of Korea and reinstatement of national homogeneity of Korean people, ultimately contributing to 'peaceful unification'. Various ways of expanding the reunion project should be sought while special urgent arrangements should be made for the reunion of separated family members who have outlived their average life expectancy.

## I . Recent Economic Trends

### 1. Recent Global & Domestic Economic Trends

#### Major Foreign Economies

*The Economic Recovery of Major Economies Including the US, Eurozone, Japan, and China Appears to be Slow for the Moment.*

The recovery of the US economy appears to be slow. Industrial production recorded a month-on-month fall of 0.3% in January. Retail sales recorded a month-on-month fall of 0.4% in January. Civil unemployment rate marked 6.7% in February, a month-on-month rise of 0.1%p. Civilian labor force participation rate in February showed 63.0%, same as January. However, the number of new nonfarm employees accounted to 175,000 in February, a comeback from a substantial fall of December and January. Although the Case-Shiller home price index is on the upturn, it returned a year-on-year increase of no more than 13% for the fourth consecutive month. The Conference Board consumer confidence index marked 78.1p in February, a month-on-month fall of 1.3p.

The economic recovery of Eurozone appears to falter for the moment, showing imbalanced recoveries among member countries. Industrial production and retail sales marked a month-on-month drop of 0.7% and 1.6% respectively in December 2013. The inflation rate in February recorded a year-on-year rise of 0.8%, far below the ECB target rate of 2%. Unemployment rate stayed at 12% for the fourth consecutive month as of January. The manufacturing industry's PMI accounted for 52.7p in February, showing an increasing trend for the 8th consecutive month. Germany's PMI recorded 56.1p, the highest in 32months, while France's marked 47.6p, an under 50p performance for three consecutive months, causing a concern over the imbalanced growth.

Japan's economic recovery appears to be slow down too. Although industrial production in December 2013 marked a month-on-month increase of 0.9%, retail sales showed a month-on-month fall of 1.2%. With the current balance account

deficit in December 2013 reaching 638.6 billion yen, the highest deficit per month since 1985, the annual current balance account in 2013 recorded a surplus 3.3 trillion yen, a year-on-year drop of 31.5% and a continued decrease for the third consecutive year. Japan's trade balance showed a deficit of 1.3021 trillion yen in December 2013, twice as much as 645.7 billion yen recorded in December 2012. Such a large-scaled trade deficit is believed to be attributable to rising import of oil and gas as a result of the closure of nuclear power plants and imports substantially exceeding exports due to the weak yen. Meanwhile, current diffusion index which reflects comprehensive economic trends sharply dropped in January to 49.0p from 54.7p in the previous month, the lowest since November 2011.

China's economy is mixed. Export growth rate marked a sharp year-on-year increase of 10.6% in January from 4.3% in the previous month. The manufacturers PMI, however, showed 50.2p in February, a month-on-month drop of 0.3%, a continued fall for the third consecutive month, and the lowest in 8 months since June 2013 when it marked 50.1p.

Global financial market performance in February 2014 faced increased volatility due to the political instability of Ukraine despite uncertainty solution factors offered by the remarks of the Fed Chair on the maintenance of QE reduction and the tapering of their ultra cheap money policy.

### < Economic Indices of Major Countries >

(% )

(p, yen, euro, yuan)

Economic Sectors		2012	2013			2014	Economic Sectors		2011	2012	2014		
		Annual	Annual	Nov	Dec	Jan			Annual	Annual	Jan	Feb	Mar
US	Industrial Production	3.6	2.6	0.7	0.3	-0.3	Stock index	DJIA	13,104	16,577	15,699	16,322	16,168
	Retail Sales	5.3	4.3	0.3	-0.1	-0.4		DAX	7,612	9,552	9,306	9,692	9,359
EU	Industrial Production	-2.5	-0.8	1.6	-0.7	-		NIKEI	10,395	16,291	14,915	14,841	14,652
	Retail Sales	-1.7	-0.9	0.9	-1.6	-		SSE	2,269	2,098	2,033	2,056	2,075
Japan	Industrial Production	0.6	-0.8	-0.1	0.9	-		Rate of Exchange	EUR/USD	1.3222	1.3799	1.3654	1.3708
	Retail Sales	1.8	1.0	2.0	-1.2	-	YEN/USD		85.86	105.04	103.40	102.19	101.44
China	Industrial Production	10.0	9.7	10.0	9.7	-	CNY/USD		6.2317	6.0617	6.0508	6.1284	6,1450
	Retail Sales	14.3	13.1	13.7	13.6	-							

Source: US Department of Commerce; Eurostat; The People's Bank of China

Note: US, EU, Japan QoQ, China YoY

## 2. Korean Economy

*Domestic Consumption and Industrial Production Increased while Investment Decreased. Exports Continue to Improve, and Inflation Stays Stable at 1% Level.*

Although consumption and production rose, investment dropped. Retail sales marked a month-on-month increase of 2.4% in January with sales of durable goods such as passenger cars and non-durable goods such as foodstuffs rising. Overall industrial production showed a month-on-month growth of 1.4% with increased production in the construction and service sectors. Facility investment showed a month-on-month decrease of 4.5% due to the lower investment in machinery although investment in transport facilities increased.

Foreign trade maintains the upturn. Exports recorded US\$43 billion in February, a year-on-year rise of 1.6% while imports accounted for US\$42.1 billion for the same period, a year-on-year increase of 4.0% amounting to a trade surplus of US\$900 million, a continuing surplus for the 25th consecutive month. Exports of IT products and passenger cars performed well, and exports to ASEAN, China and EU are on the increase. Imports of raw materials dropped while imports of capital and consumer goods rose.

Total number of employees in January accounted for 24.76 million, a year-on-year rise of 710,000. The rising trend continued with increased new employments in various service sectors including restaurant business whilst health and social welfare service sectors maintained a similar level. The unemployment rate in January marked 3.5%, a year-on-year rise of 0.1%, and the number of the unemployed accounted for 891,000, a year-on-year increase of 44,000.

The consumer price index in February showed a year-on-year rise of 1.0%, maintaining the lower 1% level for the fourth consecutive month thanks to the stabilized price so far agricultural products and petroleum and falling personal service prices in the off-season for travelling except for restaurant services. The core price index in February with agricultural and petroleum products

excluded recorded a year-on-year rise of 1.7%. The fresh food stuffs index, however, recorded a year-on-year drop of 12.4%.

Despite concern over the slowing economies of emerging countries including China, the Korean financial market benefited in February from the clearance of uncertainty factors following the remarks of the Fed on the maintenance of the ultra cheap money policy and expectation for the economic recovery with the Korean government announcement of ‘The Three-Year Economic Reform Program’, which led the KOSPI to rise and KRW/USD exchange rate to stabilize at a lower level.

## &lt; Korea Major Economic Indices &gt;

(p, %)

Economic Sectors		2011			2012					2013					2014	
		Annual	3/4	4/4	Annual	1/4	2/4	3/4	4/4	Annual	1/4	2/4	3/4	4/4	Jan	Feb
Domestic Market	Retail Sales	4.5	0.7	-0.5	2.3	1.1	0.2	1.4	-0.1	0.7	-1.0	0.9	0.8	0.4	2.4	-
	Facility Investment Index	4.0	1.7	-3.6	-2.0	5.6	-6.2	-3.7	0.4	-5.0	-3.1	1.1	5.0	5.9	-4.5	-
	Construction	-6.4	-4.5	3.2	-5.8	-5.0	-1.7	1.9	1.7	10.5	3.5	6.3	-0.1	-0.7	9.7	-
Foreign Trade	Export Growth Rate	19.0	21.4	9.0	-1.3	2.9	-1.7	-5.8	-0.4	2.2	0.4	0.7	2.7	4.8	-0.2	1.6
Employment/ Prices	Unemployment Rate	3.4	3.1	2.9	3.2	3.8	3.3	3.0	2.8	3.1	3.6	3.1	3.0	2.8	3.5	-
	Consumer Price	4.0	4.3	4.0	2.2	3.0	2.4	1.6	1.7	1.3	1.6	1.2	1.4	1.1	1.1	1.0
Finance	KOSPI	-	1,770	1,826	-	2,014	1,854	1,996	1,997	-	2,005	1,863	1,997	2,011	1,941	1,980
	KRW/USD	-	1,178	1,152	-	1,133	1,145	1,111	1,071	-	1,111	1,142	1,075	1,055	1,070	1,068
	3yr Government Bond	-	3.55	3.34	-	3.55	3.30	2.79	2.82	-	2.52	2.88	2.82	2.86	2.88	2.85
	Corporate Bond (BBB-)	-	10.31	10.12	-	10.05	9.69	8.69	8.81	-	8.50	8.99	8.97	9.10	9.11	9.08

Source : Bank of Korea, National Office of Statistics, Foreign Trade Association.

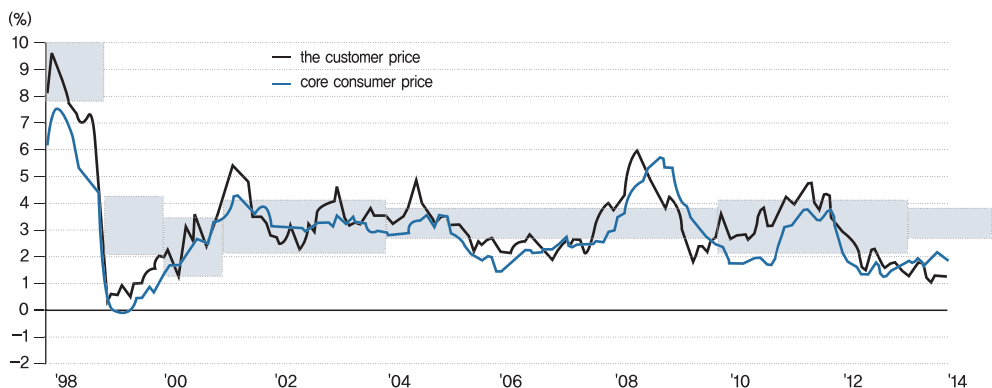
## II . Economic Issues Facing Korea

### 1. Background for the Persisting Low Inflation Rate and Future Prospects

#### *Concern over the Continued Low Domestic Inflation Rate*

Concern over the low domestic inflation is growing as the inflation rate remains below the government target for the 15th consecutive month. This low-price phenomenon, when it persists, can damage the economy by way of rising real interest rates, real wages, and debt burdens. Thereas on for the Bank of Korea to target an upper and lower band of inflation of 2.5%-3.5% is that not only a high inflation rate but also a low inflation rate is a cause for concern.

#### <Inflation Rates of Consumer Price and Core Consumer Price>



Source : National Statistical Office, Bank of Korea.

Note : The targets for price stabilization for 2000-2006 show core price inflation, and the remainder are for consumer price inflation.

#### *Background for the Lasting Low Inflation Rate and Future Prospects*

Hyundai Research Institute analyzed price-affecting factors related to the demand and the currency, and factors related to the supply including oil price, raw material price, and exchange rate. Considering the GDP gap rate to start

with, (one of the factors related to the demand), the pressure for price rises is weak as deflation gap continues with the real GDP remaining below the potential GDP. The GDP gap rate stayed at the low level of 1.1% in the first half and -0.6% in the second half of 2013 since it turned to a negative figure of -0.1% in the second half of 2012. Considering elements related to the currency, the price increase pressure coming from the currency is presently low as the currency increase rate has substantially fallen. The M2 year-on-year growth rates prior to 2010 was 10% plus, but dropped to 4.2% in 2011, 5.2% in 2012 and to 4.8% in 2013. Oil price and raw material prices, factors related to the supply, have been stabilized at a lower level, leading other prices to drop. Korean economy being a small and open economy heavily dependent on global trade is highly vulnerable to the fluctuation of international raw material prices. International oil price has recently fallen with declining demand from emerging countries and increasing production of non-traditional oil substitutes. The CRB index futures shows market prices of international raw materials dropped from an annual average of 334p in 2011 to 301p in 2012 and to 287p in 2013, marking year-on-year decreases of 9.8% and 4.6% respectively. The won is appreciating against the dollar, pushing prices down further. The KRW/USD exchange rate marked an annual average of 1095.0 to 1 in 2013, a year-on-year appreciation of 2.9% from 1,126.8 to 1 in 2012. The Korean economy, since it entered the age of low price in 2012, is likely to witness a lower inflation rate in 2014 than the government-set limit of 2.5%, and this tendency of low inflation rate is expected to last for some considerable time due in part to the continuing deflation gap, slowing currency increase, and imported raw material prices stabilizing at a lower level.

### *Policy Suggestions*

The government should prepare comprehensive and multi-faceted measures to prevent the lasting low price situation escalating to deflation:

1. To avoid long-term declining consumption, the government should introduce a policy to create effective demand by encouraging businesses to increase investment and by increasing household consumption whereverwithal.

2. Monetary authorities should monitor the effectiveness of monetary policy, and employ a flexible monetary policy suitable to the current economic situation with oncoming economic recovery taken into consideration.
3. Falling prices of oil and raw materials, which is a positive sign for Korean economy, should be utilized to revitalize household consumption.
4. Government and monetary authorities should prepare a measure to prevent sharp appreciation of the won.

## 2. Seeking Strategies for Early Entry to the Age of Per Capita Income of US\$40,000

### *Summary*

The potential growth rate of Korean economy is sharply declining, and the quality of Korean economic growth still resembles a developing country's pattern of growth dependent on the commitment of intermediate goods. As a result, GDP per capita of Korea scarcely maintains a US\$20,000 plus level and the nominal GDP of Korea has fallen to 15th in the world, having reached 11th place in 2004. Korea now needs a new growth model to deal with such a low drive. This report suggests 'the future of Korean economy' and 'desirable economic development strategy' introducing economic experts' opinions and analyzing implications of suggested opinions to seek a new way forward for Korean economy.

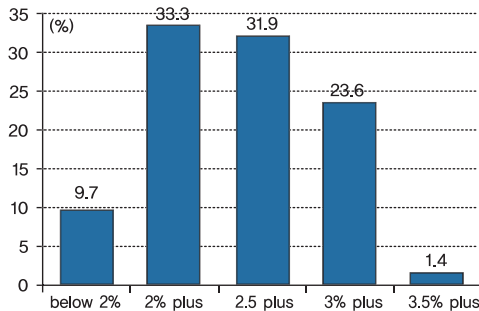
### *The Future of Korean Economy and Desirable Economic Development Strategy*

1. Economic experts forecast that Korea's potential economic growth rate would be 2% plus in ten years. 65.2% of expert respondents predict that Korea's potential economic growth rate will drop from the current 3.5% level to 2% plus in 10 years (the average figure of all respondents is 2.8%). Opinion for the growth rate of '2% plus' was 33.3%, the highest of all.
2. 62.5% of the respondents expected that Korea's per capita income would be

US\$30,000 to 35,000 in 10 years. None of them suggested a figure more than US\$40,000.

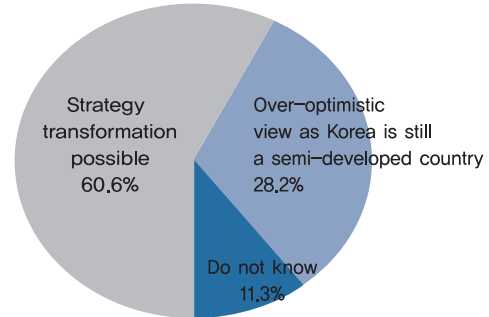
3. The size of the current Korean economy (nominal GDP) ranks 15th in the world, 59.7% of the respondents forecast that the level of Korean economic power in 10 years' time is anticipated to be similar to the current one (G15) or slightly higher (G11-G15) followed by 22.2% for the opinion of entry to a great economic power-G10'.
4. External hurdles hindering the pathway for Korea to emerge as a great economic power include 'the global shock such as global financial crisis or fiscal crisis' (44.4%) while the domestic fear factor relates to the 'falling potential growth resulting from slowing investment and shrinking population' (54.2%).
5. In general, Korean economy is expected to be successful in transforming its economic structure to a pace-setting style of economic strategy of advanced countries (60.6%) while 28.2% held a skeptical view of achieving this.
6. With regard to the focus of the future economic development strategy of Korea, 61.4% was for 'growth' while 38.6% was for 'distribution', a ratio of 6 to 4, and 49.3% was for 'export' while 50.7% was for 'domestic demand', an almost equal ratio of 5 to 5.
7. Experts seem to be against the idea of increasing the government role in Korean economy. Despite the fact that the current level of government spending in comparison to the size of Korean economy is lower than those of advanced countries, experts believe that the government spend ratio in Korean economy should be reduced (51.4%), and as many as 86.1% of respondents are of the opinion that the government role should not be increased when the opinion for 'maintaining the current level' is included.
8. New growth industries should be urgently explored as current key industries of Korea are to face the limitation of their growth in five years' time. To the question of when Korea's key industries will reach their limitation of growth, 61.1% answered 'in five years' time and 62.5% suggested 'exploration of new growth industries' to the question of priority tasks needed to increase potential economic growth rate.

<Forecast of Potential Growth Rate in 10 years Time>



Source : Survey result conducted by HRI.

<Possibility of Transforming from Catch-up style Strategy to Pace-setting Style Strategy>



Source : Survey result conducted by HRI.

### Policy Suggestions

The survey result suggests the following measures:

1. The growth potential should be expanded and tolerance to resist external shocks strengthened.
2. Economic integration of the two Koreas is a must for Korea to grow into a great economic power.
3. Active discussion and wide collection of opinions on a new economic development strategy for the future are recommended.
4. Expansion of the role of public sectors should be discouraged, and instead private-sector-led economic growth should be promoted.
5. Key industries for new growth engine and new large-scale investment should be urgently discovered.

### 3. Impact Analysis of the US Economic Recovery on Korean Economy

#### Expectation for Korean Economic Recovery Resulting from the Economic Recovery of the US

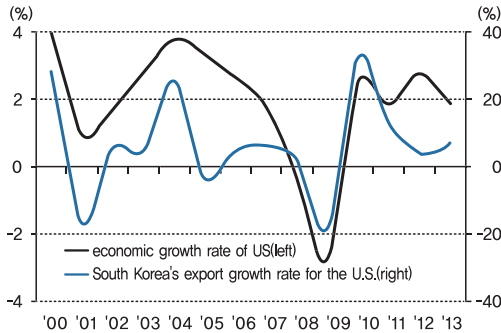
According to the IMF estimate, the US economic growth rate is forecast to rise from 1.9% in 2013 to 2.8% in 2014, which is expected to play a positive role in favor of Korean economy.

*Impact of the US Economic Recovery on the Korean Economic Growth Rate*

The rising US economic growth rate will have a positive effect both on the Korean economy by way of Korea's direct and indirect export flow to the US and on the global economic recovery. According to the empirical analysis conducted by HRI, when the US economy growth rate rises by 1%p, Korea's export growth rate increases by 2.1%p through direct and indirect real economic routes, and Korean economic growth rate rises by 0.4%p:

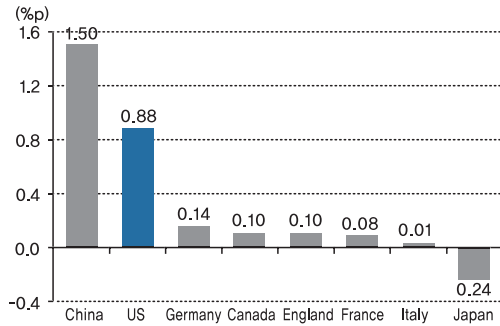
1. Korea's direct export to the US is expected to increase as the US economic growth rate rises. In view of the past record from 2000 to 2013, Korea's growth rate of export to the US is closely associated with the US economic growth rate with a correlation value of 0.68, and therefore the US economic recovery will lead Korea to increased direct exports of non-durable and capital goods to the US.
2. The US economic recovery will also prompt Korea's export to the US through intermediate countries to rise. China, which takes 26.1% of Korea's total exports, is the No.1 country for the US to import from. Taking into account that China imports intermediate goods from Korea to make final goods for export to advanced countries including the US and Europe within a global production network, Korea's indirect export to the US is expected to rise when the US economy recovers.
3. The recovery of the US economy, which plays an ever-greater role in the world economy, effectively tows the global and Korean economic recovery. Stable economic recovery of the US will greatly contribute to prompting global economy to rally, and as a result, bringing a positive impact on Korean economy which is highly vulnerable to the fluctuation of global economic conditions. Among the major countries playing a greater part in global economic growth, the level of the US contribution accounted for 0.88%p, second only to China. Taking into consideration that China is no longer likely to show double-digit growth rate as it has done before, the importance of the US in the global economy is growing more than ever.

<Correlation Tendency of US Economic Growth Rate and Korea Export to US>



Source : IMF, Korea Trade Association.

<Contribution Level of Major Countries towards Global Economic Growth Rate>



Source : Calculated by HRI based on IMF data.  
Note : Period covers from 2010 to 2013.

### Policy Suggestions

The following preemptive measures are required to accelerate Korean economic growth through direct and indirect export routes when the US economy shows a fast recovery :

1. Korea's share in the US market should be expanded by maximum utilization of export capacity to the US, which should work as an engine to boost overall Korean export business.
2. The competitive edge of high quality non-durable goods with growing demand as a result of rising income should be enhanced while maintaining the current level of indirect export to the US through developing countries.
3. In preparation for the future export business recovery, new promising export items should be developed and domestic investment should be preemptively increased focusing on product differentiation.
4. Counter-measures should be introduced in preparation for deteriorating export conditions such as a weak yen and strong won.

### III. North Korean Issues

#### 1. Emergency Measures Required for the Reunion of Separated Family Members over 80

##### *The Significance of Reunion of Separated Families*

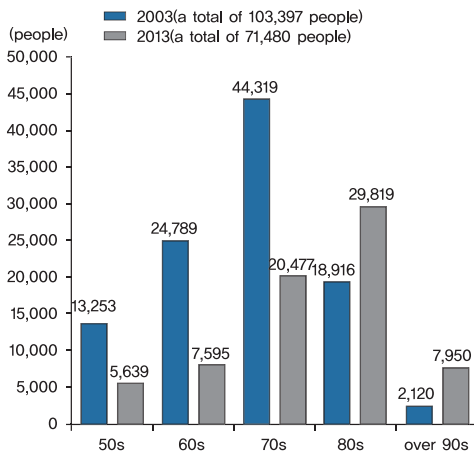
Both South and North Korea expressed wishes to improve relationship in 2014, and South Korea emphasized that practicing reunion of separated families is ‘the first step forward on the right foot’. The reunion of separated families will help lift attention for the unification of Korea and reinstatement of national homogeneity of Korean people, ultimately contributing to ‘peaceful unification’. Although the reunion of separated families smoothly started in 2000 when it was agreed upon at the North-South summit meeting, it has existed in name only since 2008 as a result of the strained relationship between the two Koreas.

##### *Urgency of Reunion of Separated Families*

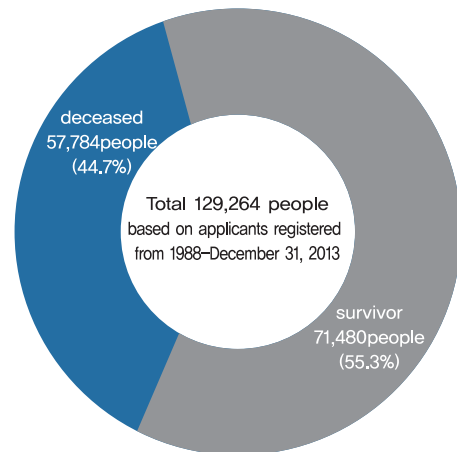
1. The number of aged members of separated families is fast growing. Not only the ratio of the aged members is high, but they are fast aging. All of the separated family members registered are over 50, and those over 70 accounts for 81.5%. The average life expectancy of a Korean is 81. The chances of the aged members participating in a reunion in their lifetime are slim, considering the average life expectancy of Korean is 81 as of 2012 and the number of those over 80 increased from 21,036(20.3%) in 2003 to 37,769(52.8%) in 2013.
2. The number of separated family members passing away is sharply increasing. The total number of separated family members who registered and applied for reunion from 1988 to the end of 2013 amounted to 129,264,

of which 57,784 (44.7%) have passed away with 71,489 (55.3%) still surviving. There is a huge gap between the death rate and the reunion rate of separated members. The average annual number of death of separated family members is approximately 3,800 while the number of members meeting with separated family is only 1,600, which means 2,200 separated members are passing away without experiencing reunion. For the six year period from 2008 to 2013, the reunion rate increased by only 1.2%p while the death rate grew by as much as 14.1%p.

<Aging of Separated Family Members>



<Current State of Separated Family Members Registered>



3. The remaining average life expectancy of older age group members is less than 10 years (9.6 years for those between 70-80, and 24.4 years for the 50-60 age bracket). Taking into account that most people over 70 are expected to pass away in 10 years' time and people over 50-60 in 20 years time, a minimum of 6,600 separated people should be able to be reunited every year if all of the current surviving members are to have a chance for reunion, and in particular, over 6,000 people should have reunion with their separated families every year for the next 10 years if all of the surviving members over 70 are to be reunited with their separated families in their remaining life time.

<Number of Separated Family Members Outliving Average Life Expectancy(as of the end of 2013)>

	Under the average life expectancy			Over the average life expectancy	
	50s	60s	70s	80s	90s
No. of people	5,639	7,595	20,477	29,819	7,950
Ratio(%)	7.9	10.6	28.7	41.7	11.1
Remaining life expectancy (year)	28.7	20.1	12.4	6.7	-

Note : 1) Based on Korea Statistical Office data, Korea's average life expectancy is 81 as of 2012.  
 2) The remaining life expectancy per generation was drawn based on the middle value of each generation(e.g. 65 for 60s)

*Policy Suggestions*

1. Various ways of expanding the reunion project should be sought while special urgent arrangements should be made for the reunion of separated family members who have outlived their average life expectancy; a large-scale special event should be provided for all over 80. A monthly reunion event should be practiced and increased even further for the 50-70 age group people, and also occasional and provisional reunions should be allowed for family events such as marriage and bereavement, and for the festive seasons of the North and the South.
2. The Mt. Kumgang reunion venue for separated families should be operated on a permanent basis, facilitating a regular support system for separated families with determination of the fates of their separated family members and exchange of information.
3. Apart from the face-to-face reunion, various ways of services should be available including identifying fates of separated family members, exchange of mail and video reunion. Identifying the fates of separated family members and the resumption of mail exchange service between the

two authorities which has been discontinued since 2003 should first be reinstated. Also, considering that a substantial number of separated family members are not able to move about freely due to old age, video reunion will be easier and more comfortable for them than the face-to-face reunion requiring long journey times.

4. An 'Integrated Information System for Separated Families' should be built to facilitate permanent information exchange service to determine the fates of separated family members. Mail exchange including flash mail should also be institutionalized to ensure the service continues regardless of political situations between the two Koreas. It is recommended that the 20 existing video reunion venues which were closed down since 2007 be reopened by the government with the existing facilities and communication network inspected and reinforced.

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**[Annex]**  
**Domestic and Global Economic Indices**

## [Annex] Domestic and Global Economic Indices

### □ Global Growth Rate

Category	2012					2013					2014
	Annual	1/4	2/4	3/4	4/4	Annual(E)	1/4	2/4	3/4	4/4	Annual(E)
US	2.8	3.7	1.2	2.8	0.1	1.9	1.1	2.5	4.1	3.2	2.8
Euro Region	-0.6	-0.1	-0.3	-0.1	-0.5	-0.4	-0.2	0.3	0.1	0.3	1.0
Japan	2.0	3.7	-1.7	-3.1	-0.2	1.7	4.8	3.9	1.1	1.0	1.7
China	7.7	8.1	7.6	7.4	7.9	7.7	7.7	7.5	7.8	7.7	7.5

Note : 1) IMF figures of January 2014 for 2013 and 2014 global projections.

2) Annual rates were compared with those of previous term for the US and Japan, with the rates of the previous term for Euro region, and with the same term in the previous year for China.

### □ Economic Indicators of South Korea

Division		2012	2013			2014(E)
			the first half	the second half	Annual	
National Account	Economic Growth rate (%)	2.0	1.9	3.6	2.8	3.8
	Private Consumption (%)	1.7	1.6	2.1	1.9	2.7
	Construction Investment (%)	-2.2	5.2	8.3	6.9	2.5
	Facility Investment (%)	-1.9	-8.2	5.7	-1.5	6.7
Foreign Trade	Current Account (100 million Dollars)	481	298	410	707	490
	Exports (100 million Dollars) [Increase rate, %]	5,479 [-1.3]	2,765 [0.5]	2,832 [3.8]	5,596 [2.1]	6,067 [8.4]
	Imports (100 million Dollars) [Increase rate, %]	5,196 [-0.9]	2,565 [-2.9]	2,591 [1.4]	5,156 [-0.8]	5,697 [10.5]
Consumer Price (Average, %)		2.2	1.4	1.2	1.3	2.4
Unemployment rate (Average, %)		3.2	3.4	2.9	3.1	3.1

### □ Economic Indicators of North Korea

		2005	2006	2007	2008	2009	2010	2011	2012
Per capita GNI (10, 000 won)		105	103	104	114	119	124	133	137
Amount of Trade by Year (USD million)	South-to-North	715.5	830.2	1,032.6	888.1	744.8	868.3	800.2	897.2
	North-to-South	340.3	519.5	765.3	932.3	934.3	1,043.9	913.7	1,074.0
	Total	1,055.8	1,349.7	1,797.9	1,820.4	1,679.1	1,912.2	1,713.9	1,971.2

Source : THE BANK OF KOREA, Ministry of Unification

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