

KOREA CHAIR PLATFORM

The Year in Review: South Korea in 2010

By Ellen Kim
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Introduction

From the sinking of the *Cheonan*, to North Korea's disclosure of its clandestine uranium enrichment facility, to the shelling of Yeonpyeong Island, a multitude of inter-Korean security crises this year raised a real possibility of war on the Peninsula. With Kim Jong-eun anointed as its future leader, North Korea underwent internal government reshuffling and embarked on a succession process to open a third-generation of the Kim family's dynastic rule. Tensions of armed conflict and rapid developments on the Peninsula had an impact on the regional security landscape. On the one hand, the Republic of Korea (ROK, South Korea) and the U.S. were brought together to demonstrate strong solidarity and reaffirm the strength of their security alliance, and the two countries agreed to delay the transfer of wartime Operational Control (OPCON). The situation also opened a new horizon in U.S.-ROK-Japan trilateral cooperation by drawing South Korea and Japan closer to restart their dialogue on formal security cooperation. On the other hand, divergent security interests of countries surrounding the Peninsula gave rise to regional tensions, particularly between the U.S. and China.

While the security crises remained the predominant issues of the year, there were important political and economic developments in South Korea. Politically, President Lee Myung-bak saw as tumultuous a year as the security landscape of the Korean Peninsula. His approval ratings showed great fluctuation, with the occurrence of numerous major events in the South and on the Korean Peninsula. South Korea also made significant achievements on the economic frontier with the successful hosting of the G20 Summit in Seoul and the final conclusion on the Korea-U.S. Free Trade Agreement (KORUS FTA). The South showed robust economic growth after two years of relatively slow recovery from the global financial crisis. GDP growth and increases in per capita GDP were solid over the course of 2010 and are projected to increase going forward.

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Security: Cheonan, the Uranium Facility, and Yeonpyeong

On March 26, a South Korean Naval corvette, the *Cheonan*, sank just south of the Northern Limit Line (NLL) near Baengnyeong Island. The ship was split in half and 46 out of the 106 sailors on board were killed or never found. The Lee Myung-bak administration took extreme caution not to make any immediate judgments and quickly launched a Joint Civilian-Military Investigative Group (JIG) –which included South Korea, the U.S., the United Kingdom, Sweden, and Australia– to determine the cause of the sinking. On May 20, this multinational investigation team announced that an external underwater explosion occurred, created by the detonation of a torpedo. And given that remnants of a torpedo recovered from the site matched the schematics of a torpedo-type manufactured by North Korea, the team drew the conclusion that a North Korean torpedo attack was responsible for the sinking. President Lee demanded an official apology from North Korea, though the North’s response was to flatly deny any involvement in the sinking. Seoul’s imposition of sanctions on Pyongyang immediately triggered North Korea to declare the severance of ties with the South.

In the midst of these high tensions, the Lee administration stepped up to take a set of mixed measures in response to the North Korean provocation. On the one hand, the administration brought the case to the United Nations (UN) and sought a Security Council resolution against the North. President Lee’s restrained and deliberate approach to seek an international response rather than resorting to a retaliatory military action relieved Washington and Tokyo, and drew their confidence such that both countries came to buttress South Korea’s leadership in managing the crisis. However, as both China and Russia resisted to acknowledge the conclusion of the JIG investigation and opposed any tough measures against North Korea, the North-South confrontation evolved again into a regional conflict, pitting South Korea, the U.S., and Japan on one side, against North Korea, China, and Russia on the other. This Cold War dynamic was replayed at the Security Council and created tension, especially between the U.S. and China. Their vigorous wrangling and negotiating eventually produced a unanimous yet toothless Security Council Presidential Statement which condemned the attack on the *Cheonan* but did not directly blame North Korea for its sinking.

While South Korea’s pursuit of an international response against North Korea was limited and barred by the realities of international politics and conflicting interests of countries, the Lee administration took realistic actions through a set of military countermeasures. A series of joint U.S.-ROK military exercises were conducted around the Korean Peninsula to stage a show of

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force and demonstrate a strong conventional deterrence capability to the North. The Lee administration also announced South Korea's participation in an October Proliferation Security Initiative (PSI) exercise. Departing from the Roh Moo-hyun administration's stance of eschewing the PSI to avoid spurring the North's provocations, the Lee administration tightened the reins on North Korea's proliferation activities and showed a clear shift in what had been its North Korea policy of conditional engagement to more of a hard-line approach. In addition, the sinking of the *Cheonan* paved the way for South Korea and the U.S. to delay the transfer of wartime OPCON from 2012 to 2015. The OPCON transfer agreement was reached in 2007 between the Roh and Bush administrations, and planned to handover the wartime command of South Korean troops from the U.S.-led United Nations Command (UNC) to South Korea. Low-key discussion was already underway between Seoul and Washington for a possible delay of the transfer, and the outbreak of the *Cheonan* incident gave a big boost and accelerated their discussions. Although the decision came out as a little bit of surprise, the delay of the transfer was a timely and prudent decision in light of changing security condition on the Peninsula. Despite the diplomatic difficulty involved in reversing and revising the already concluded agreement, both countries could have come to relatively quick agreement because the OPCON transfer was far less controversial issue in the U.S. as opposed to being viewed as a "national sovereignty" issue in South Korea. Symbolically, the decision was a testament to the strength of the U.S.-ROK alliance and the U.S.'s security commitment to South Korea in times of crisis.

If the sinking of the *Cheonan* was a provocation targeted directly at South Korea, North Korea's disclosure of its new, clandestine uranium enrichment facility was intended to spark global alarm. In mid-November, nuclear scientist Siegfried Hecker and his Stanford University colleagues John Lewis and Robert Carlin visited North Korea's Yongbyon Nuclear Complex and they were shown an experimental light-water reactor (LWR) in the early stages of construction and new facility that housed 2,000 centrifuges, machines that are used to enrich uranium. North Korea claimed that its intention was only to promote civilian nuclear power and not to enrich weapons grade uranium.

If Pyongyang's strategy behind its new revelation was to coerce countries to come to the negotiation table, then they were partly successful in delivering this message as Stephen Bosworth was immediately dispatched to South Korea, Japan and China to discuss the uranium program and the resumption of the Six-Party talks. But, overall the North's disclosure of the enrichment facility was a miscalculation since this didn't explode the bombshell in Washington that the country might have hoped to see; Bosworth called it "provocative" but not a "crisis" right after his meeting with his counterparts in Seoul. The situation rather deepened regional

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parties' doubt of the country's intention to denuclearize and also led to speculation on the presence of other similar facility sites within the North and the possibility that the North received outside help. What's more, this had a spoiling effect on the small détente movements between the two Koreas that began to emerge after the *Cheonan* incident and in the end quelled the ongoing diplomatic efforts to resume the Six-Party talks.

The real crisis occurred on November 23 when North Korea launched an artillery barrage on the South Korean island Yeongpyeong, in the Yellow Sea, killing two South Korean marines, two civilians, and causing 19 other injuries. This second military provocation of the year raised enormous alarm in Korean society as it was the first time since the end of the Korean War that the country launched a direct attack onto South Korean territory. Televised images of giant plumes of smoke rising from the island, remnants of the devastation, and the evacuation of anxious island residents brought home the reality of the gravity of their situation.

Unlike in the *Cheonan* incident, North Korea's indisputable and indiscriminate attack on civilians caused a major change in South Korean thinking. According to a survey poll conducted by the Hankook Research for the East Asia Institute (EAI), 68.6 percent of respondents supported a limited military response toward the North, which makes a stark contrast with 28.2 percent polled right after the sinking of the *Cheonan*.¹

The Asan Institute for Policy Studies (AIPS) also found a similar result: after the shelling of Yeonpyeong, 80.3% of respondents said the South Korean government and the military should have taken stronger military actions in response to the North's attack on the island.² In the event of any future provocations, 40.5 percent favored a limited military response and 25 percent favored a strong retaliation with an all-out war mobilization.³

Under the enormous pressure to react with military force, the South Korean government demonstrated its determination to respond to Pyongyang's provocations with a strong, proportional military action, even at the risk of a military conflict. Despite the North's threat of retaliation and repeated calls of restraint from China and Russia, the Lee administration went ahead to conduct live-fire military exercises near Yeonpyeong Island on December 20. Before the exercises, the South Korean military completed its preparations and enhanced combat readiness in the event of a possible North Korean attack, and tensions of war peaked on the Peninsula. The U.S. and Japan strongly backed the South Korean military action even though any skirmish during the exercises could have potentially drawn them into a larger, regional conflict. The growing uncertainty in East Asia and the increased aggression and ever more dangerous threats posed by North Korea gave renewed momentum in Seoul and Tokyo to restart

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serious discussions on establishing bilateral defense ties. Despite their lingering historical disputes and Korea's sensitivity regarding Japan, this is a significant departure from the past in ROK-Japan relations, and if formalized, it would undoubtedly help the U.S., South Korea, and Japan to systematize and consolidate their trilateral cooperation. The two Koreas evaded the danger of war as North Korea did not react to the ROK drill, reportedly due to China's intervention. But, tensions continued to linger along the border as the year ended. In spite of the North's most recent turn toward a "charm offensive," South Korea and the U.S. are wary of its repeated call for dialogue in order to not fall for Pyongyang's brinkmanship tactics and avoid, as Bob Gates would put it, "buying the same horse twice."

North Korea: The Succession Process

North Korea also underwent a major internal change in 2010 as the country moved towards the start of a power transfer given the frail health of DPRK leader Kim Jong-Il. On September 27, the country named leader Kim Jong-Il's youngest son Kim Jong-eun, who had never been mentioned in public, as a four-star army general. The next day, the country held its first Workers Party Congress in 44 years and appointed him to Vice Chairman of the Workers Party's Central Military Commission, a new position created especially for him. A sweeping government reshuffle and extensive purges followed in preparation for a smooth leadership transition inside the North, with reported 200 senior government officials being executed or detained by the state in December alone.⁴ Although North Korea has not officially declared the "Young General" as a successor to his father, if this happens, this type of third-generation familial succession would be unprecedented in modern history, and would solidify the rule of the Kim family dynasty.

The "Young General" remains a mysterious figure to the outside world. It is known that he was briefly educated in Switzerland in his childhood and has a penchant for NBA basketball and Michael Jordan. And he bears a striking resemblance to his grandfather, Great Leader Kim Il-Sung. Nevertheless, North Korea is showing great circumspection with the pace of the succession process as there has been only a very modest propaganda campaign idolizing Kim Jong-eun and glorifying his deeds. Even if his youth is not a great constraint, given the precedents set by his grandfather and father who came to power in their 30s,⁵ his lack of experience and achievements is a possible stumbling block on his ascension to power. Especially given all the internal and external challenges the country is facing and the ticking clock of his father's health, it may be ever more essential for him to seek ways to prove his qualifications. Accordingly, many experts agree that North Korea's provocations this year are in connection with the succession process to quickly build the "Young General's" credentials and legitimize

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and consolidate his power. But much of the country's smooth, successful power transfer depends largely on how long the current leader Kim Jong-II will live.

Politics: Political Turnarounds and President Lee's Job Approval Rating

The Lee administration started this year in a much more favorable environment than it found in the previous years. Under the government's economic leadership, South Korea escaped the global recession faster than any other developed country, with its economy showing signs of stabilization. As a result of President Lee's active diplomatic engagement, the country was nominated as the host of the G20 Summit in 2010 and won the \$40 billion nuclear reactor contract from the United Arab Emirates in late 2009. All of these helped in creating a sound political atmosphere for the administration and President Lee's job approval rating was 51.6% in January.⁶

Nevertheless, the Lee administration had a political setback when the ruling GNP suffered a surprising defeat in the June 2 nationwide local elections. The result stung both the Blue House and GNP leadership because historically, confrontation with North Korea tended to enhance support for the conservative Grand National Party (GNP) and the president's 40% approval rating in May had been relatively strong by South Korean political standards. 65.6% of survey respondents believed that the electoral defeat was a public referendum on the president and his administration's poor job performance and 74.5% out of those respondents attributed their reason to the administration's "coercive" and "dogmatic" governing style in pushing through controversial domestic projects.⁷ With only 10.8% of the respondents indicating their distrust in the administration with respect to the *Cheonan* incident,⁸ the security crisis with North Korea appeared to have limited impacts on the electoral outcome. One other important reason for the GNP defeat was the record voter turnout, recording an average of 54.5%.⁹ The high turnout was largely attributable to higher participation among young voters and their casting of votes, mostly for the opposition candidates, had a counterbalancing impact against the foothold of the GNP's traditional older-aged supporters. But in less than two months, the ruling GNP made a quick comeback from the defeat in the local elections by achieving a sweeping victory in the July parliamentary by-elections, securing five of the eight seats being contested.

After Seoul's successful hosting of the G20 Seoul Summit, President Lee's job approval rating increased up to 60%, according to the Blue House. With North Korea's artillery bombardment on Yeonpyeong Island a few weeks later, however, the number immediately dropped down to 44%.¹⁰ Public opinion on the government's performance in this crisis also shifted. In comparison to the *Cheonan* incident, where South Koreans were almost equally divided over the

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government's handling of the crisis, an overwhelming majority (72%) of the survey respondents showed their disapproval of what they viewed as a weak and hesitant response by the Lee administration to the Yeonpyeong attack.¹¹

Other challenges are also looming on the horizon as the controversy over Lee's domestic agenda continues. In particular, the "Four Rivers Restoration Project," a \$17.7 billion public works project to dredge and dam Korea's four major rivers by 2012, will likely carry over a fierce political debate in 2011. The project triggered a political firestorm in late December sparking a mass brawl in the National Assembly over the 2011 budget. The Lee administration's handling of this project will have a significant impact on its political influence next year.

Economy: G20 Seoul Summit and KORUS Free Trade Agreement

South Korea showed sound economic performance this year. With strong governmental economic leadership and an aggressive stimulus package, the country rebounded strongly from global economic downturn and grew 7.6 % on-year in the first half of the year.¹² In October, based on continuous robust exports and strong domestic demand, the International Monetary Fund (IMF) readjusted its forecast of the country's economic growth to 6.1 % in 2010, up from 2.3% growth in 2008 and 0.2% in 2009.¹³ Increasing trade set a new record high trade surplus of \$41.7 billion for the South, and moved the country up to the seventh largest exporter in the world.¹⁴ With its exports expected to exceed \$500 billion in 2011, it is projected that South Korea is soon likely to be the ninth country in the world whose trade volume will break a \$1 trillion mark.¹⁵ In its economic outlook report, the IMF projected Korea's GDP per capita to reach \$20,16 in 2010, greatly large jump from the \$17,074 recorded in 2009.¹⁶ When this figure is adjusted for Purchasing Power Parity (PPP), an index used to more-accurately measure the standard of living, South Korea is projected to reach \$29,790 this year, trailing right behind France and Japan.¹⁷

For South Korea, the Seoul G20 Summit in November served as a platform to project its economic prosperity and leadership capability in the global economic order. As the first non-G7 nation state and also the first emerging economy to host the G20, South Korea regarded the summit's success to be a national achievement that would lift its status in the global economic order. South Korea framed an agenda around the issues of currency reform, financial safety nets, IMF reform, and responsible development assistance.

At the pre-summit meeting in Gyeongju, South Korea played a pivotal role as host as President Lee's personal intervention facilitated countries coming to a compromise on some of the most

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contentious issues. Finance ministers of the G20 member countries agreed to move towards “market determined exchange rate systems” and refrain from “competitive devaluation of currencies,” which, for the time being, staved off fear of the global currency war that was looming on the horizon. Further, by drawing on its own unique development experience and leading the summit agenda for developing countries, South Korea also helped broaden the relevance and implication of the G20 Summit, and its new initiative garnered broad support from G20 member countries. Nevertheless, the summit itself fell short of expectations on the issue of global trade imbalances. Although countries made notable progress by coming to agreement on the need to address and control trade imbalances, they failed to come up with any specific numerical targets on trade surpluses and deficits to deal with these imbalances. Instead, they agreed to an “indicative guideline,” and deferred discussions of more concrete limitations to the next meeting in France.

On December 3, South Korea and the U.S. reached final agreement on the longstanding Korea-U.S. Free Trade Agreement (FTA), clearing a major irritant in their bilateral relations. Signed in 2007, this trade agreement has been stalled for more than three years given the difficult political and economic environment in the U.S. and the two outstanding issues of autos and beef in the agreement. Since Democrats gained control of both U.S. chambers in 2009, pending free trade agreements were pushed out to a side by other pressing domestic agenda. Negative impacts of the global financial crisis and the U.S. economic recession swept across the country, and high unemployment rates and large trade deficits raised the protectionist bar high in the U.S.

Despite the challenging political climate and outstanding barriers, the KORUS FTA gained renewed hope in January 2010 when President Obama, in his State of the Union Address, came out clear on free trade agreements, stressing their positive impacts on the U.S. economy and its recovery. He touted KORUS as part of his National Export Initiative that would stimulate the economy by increasing U.S. exports and creating American jobs, and tried to shift the political debate that was largely dominated by protectionist rhetoric. Six months later, President Obama made a strong push as he pledged to strike a final deal with President Lee on his visit to South Korea in November. In the lead up to the G20 summit, U.S. Trade Representative Ron Kirk and ROK Trade Minister Kim Jong-hoon attempted to narrow their differences, but in the end, could not close the gap. The U.S. demanded that South Korea ease market access restrictions for U.S. cars and lift its ban on the import of U.S. beef that is more than 30 months old. South Korean negotiators strongly resisted accepting these modifications and made it very clear that beef was not a topic to be discussed given the political sensitivity of the issue in South Korea.

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Although both leaders were unable to strike the deal in Seoul, U.S. Trade Representative Ron Kirk and ROK Trade Minister Kim Jong-hoon reconvened and found a compromise on auto trade. Under the revised agreement, the U.S. automakers were guaranteed wider access to the Korean market, for instance, through South Korea's easing of safety and environmental standards. U.S. automakers also were granted an extension in the timeline of U.S. tariff elimination on Korean cars. In return, Seoul also gained concessions from Washington such as a two-year delay in tariff reductions on American pork and the extension of L-1 visa validity for Korean workers in the States. The U.S. also granted a three-year grace period on Korean generic medicines, and South Korea managed to successfully keep the beef issue off the negotiating table.

The prospect of passage of the revised KORUS deal in the U.S. Congress appears good. President Obama may find the issue a good one on which to work with the newly Republican-controlled House in the spirit of bipartisanship. The supplemental deal on auto trade also cleared a major obstacle of its ratification as a number of individual lawmakers, the United Auto Workers (UAW), and auto companies like Ford Motor Company dropped their opposition to KORUS. Nonetheless, the Republican Party's congressional agenda for the New Year and the U.S. beef issue are factors that need to be watched as they could alter its ratification discourse in 2011. In South Korea, the passage of the agreement appears likely but will be rough since opposition parties criticized the revised agreement as an "unfair" and "humiliating" deal. Especially, as the final agreement was reached during a crisis situation following North Korea's artillery attack on South Korea's Yeonpyeong Island, some opposition parties voiced their criticism that South Korea made too many concessions to the U.S. in return for security and vowed to block its passage if they find the balance of interests were compromised.

In the end, the KORUS FTA is too important to fail in both countries. Beyond the overall economic benefits, the conclusion of the pact will potentially open a new era in the bilateral relations between the U.S. and Korea that would broaden and upgrade their security alliance into an economic one, pending ratification in the legislatures of both countries. This will also give a big boost to many other FTA negotiations that South Korea is engaged, which could add a new accelerating dynamic to global free trade. For the U.S., this is the largest bilateral free trade agreement ever reached by the country and this will infuse new energy in the U.S. trade agenda and ambitious multilateral trade negotiations like the Trans-Pacific Partnership (TPP). The passage of the KORUS FTA will be a redefining moment for the U.S. trade policy and solidify its footing in Asia that would allow the country to remain engaged in the region.

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Looking Forward

Then what can we expect to see in 2011? Although many things remain to be seen, it is undoubtedly a very important year with North Korea's centennial anniversary of the birth of "Great Leader" Kim Il Sung approaching in 2012. Given that the country had proclaimed to build a "Powerful and Prosperous Country" by 2012, North Korea is likely to push for dialogue with members of the Six-Party talks and seek a package deal of economic and energy assistance in order to meet its proclaimed goals. While the early resumption of the Six-Party talks is still elusive, if it happens this will be preceded by some inter-Korean talks and reengagement to improve North-South relations. The real danger is if the path of dialogue leads to unexpected forks-in-the-road or meets with unanticipated events. Based on the lingering uncertainty and ambiguity surrounding the succession process underway in North Korea, it is hard to preclude the possibility that it could attempt to engage in provocations again in order to speed up the negotiation process or to increase its bargaining power.

While North Korea will continue to be a predominant issue in 2011, South Korea will probably observe rapid political developments and a highly politicized environment as the 2012 presidential election approaches. President Lee's domestic projects such as the Four Rivers Project and the ratification process of the KORUS FTA will likely be at the center of the fierce political debate. In short, 2011 won't be any quieter than 2010 was.

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