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1NC- 1/2

South Korea’s economy is fragile – Troop reductions crush the economy

Wallace 4 [United States Army, advised by Colonel Patrick K. Halton, USMC, Project Advisor March 19th, <http://www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA423758&Location=U2&doc=GetTRDoc.pdf>]

On a very practical level Korean political leaders understand that a U.S. withdrawal or troop reduction would require a significant increase in their own military budget. South Korea has avoided billions of dollars of military spending because the U.S. has forward deployed high tech weapons and surveillance equipment such as Patriot Air Defense, Early Warning Aircraft, Apache Attack helicopters and over 225 combat aircraft to Korea. The ROK ranks 57 th among nations with 2.8% of its GNP devoted to military expenditures.28 Compare that to Israel, another 9 country with an enemy at its border and who is ranked eighth in the world at 8.75% of GNP devoted to military expenditures.  Recovery from the Asian economic slowdown in the late 1990s has been gradual in South Korea. In a very fragile economy that depends on export of consumer goods and import of virtually all forms of energy, increases in the military budget to purchase weapons systems from the U.S. and Europe would have a significant effect on Korean economic growth. South Korea’s failure to significantly increase military spending has long been a source of criticism by U.S. officials who look upon a portion of the Korean economic miracle as having been a free ride on the American taxpayer. Realistically, most acknowledge that a Korean administration that spends billions of dollars on foreign weapon systems at the expense of social and economic programs would not survive very long. South Korea’s failure to increase defense spending is not due to an aversion to spending on defense when it is provided at little cost by the U.S., but it is an acknowledgement that reductions in domestic program spending are politically unacceptable to the Korean people. In recent agreements the ROK has purchased both F15/F16 combat aircraft but long promised deals for Patriot PAC-3 missiles, EWACs and AH64 Attack helicopters have not come though to fruition. In a recent announcement, the U.S. promised over 11 billion dollars of military aid to help soften the blow to the South Korean economy due to a probable reduction in U.S. presence.29  President Roh was elected to office in 2003 on a platform of political reform and selfreliance of South Korea’s national defense. Many Koreans and Americans read his self-reliance defense policy as a call for withdrawal of U.S. military forces. In subsequent statements after his election President Roh stated, “The role of USFK will continue to be important in the years to come.”30 President Roh realizes the economic impact of a U.S. troop withdrawal. In a regional sense a South Korea without a U.S. presence cannot hope to successfully negotiate on an economic, political or military basis with a powerful DPRK military threat and will increasingly be subject to the economic or political demands of a dominant China.

That’s key to their economy

Piana 1 (Valentino, prof of Economics @ the Cracow University of Economics, <http://www.economicswebinstitute.org/glossary/invest.htm#significance>)

Investment plays six macroeconomic roles: 1. it contributes to current demand of capital goods, thus it increases domestic expenditure; 2. it enlarges the production base (installed capital), increasing production capacity; 3. it modernizes production processes, improving cost effectiveness; 4. it reduces the labour needs per unit of output, thus potentially producing higher [productivity](http://www.economicswebinstitute.org/glossary/prdctvt.htm) and lower[employment](http://www.economicswebinstitute.org/glossary/employ.htm); 5. it allows for the production of new and improved products, increasing value added in production; 6. it incorporates international world-class [innovations](http://www.economicswebinstitute.org/glossary/innovate.htm) and quality[standards](http://www.economicswebinstitute.org/glossary/product.htm), briging the gap with more advanced countries and helping [exports](http://www.economicswebinstitute.org/glossary/exports.htm) and an active participation to international trade.

1NC- 2/2

South Korea econ collapse shatters US economy and causes war w North Korea

Ejaz 6 [Manzur, World Bank Affiliate, Economist Pak Base http://users.erols.com/ziqbal/jan\_5.htm]

South Korea economic collapse gathered steam when Moody's rating agency downgraded the South Korean debt bonds to "junk" category. It was said that South Korean debt instruments are downgraded to the level of Pakistan or Rawandan bonds. But the rescue package offered to South Korea is many times the size of one given to Pakistan by the IMF. The question arises as to whether this is a case of blatant discrimination or economic and political realities are the basic determinants of such a large discrepancy? A closer examination shows that such a gap exists because of politico-economic realities.     After dragging their feet for weeks, US, Japan and other industrial nations led by the IMF have decided to pump another $10 billion into the South Korean economy. The major economic players in the globalized world were scared by the impact of the imminent possibility of breakdown of the South Korean: it could lead to a worldwide recession/depression and the situation may get out-of-hand quickly. The South Korean example shows that if the economy is of a significant size--South Koreans have the tenth largest economy in the world--and globalized, the economic superpowers and the IMF can go to any extent to rescue it. Otherwise, in cases like Pakistan, the major players don't do much other than issue soothing statements or throwing in meager amounts.     Japan's economy has been in a lot of trouble for many years and the South Korean economic collapse can further deteriorate the situation: many Japanese financial institutions have become insolvent. The US economy is at its best for now but it can easily tailspin. The IMF has already warned that the present pace of the US economic growth is unsustainable and if proper measures are not taken, it can get into very serious trouble. Therefore, the US and Japan are acting to rescue the South Korean economy, primarily due to self their interests and only partly because of any benevolent reason. Following are the major considerations behind the rescue plan: --The East Asian currencies in general and South Korean in particular have lost about half of their value in the last few months. This means that their exported goods will become much cheaper and the goods produced in Japan and other industrialized countries will not be able to compete with them. Consequently, several production units in the industrialized countries will cease to produce, leading to layoffs and, hence, recession. Therefore, to prop up the battered currencies of South Korea and other East Asian countries is vital for the survival of the industrialized world. --The collapse of South Korean and other East Asian economies will eliminate their ability to import goods from abroad. At present, the US produces high-value goods like machinery, airplanes and defense weapons etc. East Asia, having the sizeable economies and high per capita income, is one of the major markets for the US. If US exports suffer, not only its balance of trade will tilt against it--having serious economic implications-- but also its production will suffer giving rise to recession. Of course, US would like to avert such eventuality at any cost. --South Korea owes more than $160 billion to the foreign banks. If it defaults on its payments and goes bankrupt, many banks in Japan, US and other western nations will get into a serious crunch: many may burst. Although, it is claimed that US banks have not a major exposure in this situation but active maneuvering by the six US largest banks to get this package approved shows that the world banking system has very high stakes in this crisis. --US government officials are anxious to forestall a South Korean default because they fear it would cause a further loss of confidence in other emerging market economies, conceivably leading to worldwide recession. Further, US multinational corporations are major players in the world economy and a deterioration of the emerging markets can lower their profits triggering a downward spiral of the US stock and bond markets. East Asian crisis has already started showing its negative impact on the Wall Street: US stocks market has already lost about 8% to 10% of its value in the last few months. --The South Korean economy has to be propped up because North Korea is still conceived to be a potential threat to American interests. Commenting on this aspect US Treasury Secretary Robert E. Rubin argued, "If you have economic instability [in South Korea], you run the risk of political and social instability there, and that can have all kinds of national security implications."

US economic collapse causes nuclear war

Cook, 7 [Richard C., Writer, consultant, and retired federal analyst in U.S. Treasury Dept.; “It’s Official: The Crash of the U.S. Economy has begun,” Global Research, June 14. Accessed: <http://www.globalresearch.ca/index/php?context=va&aid=5964>]

Times of economic crisis produce international tension and politicians tend to go to war rather than face the economic music . The classic example is the worldwide depression of the 1930s leading to World War II. Conditions in the coming years could be as bad as they were then. We could have a really big war if the U.S. decides once and for all to haul off and let China, or whomever, have it in the chops. If they don't want our dollars or our debt any more, how about a few nukes?

UQ – Econ Up – Brink

South Korea’s economy is fine, but don’t pop the champagne yet – it’s still at risk for another economic crisis.

Jung-a 6/9 (Song, reporter for the Financial Times, a British international newspaper, [http://blogs.ft.com/beyond-brics/2010/06/09/south-korea-the-tiger-is-back-but-dont-pop-the-champagne-yet/] AD: 6/22/10)JM

South Korea’s strong economic recovery seems unstoppable, driven by robust exports of its electronics products and cars, and reviving consumer demand. But potential risks, especially from the outside world, remain to weigh on growth in Asia’s fourth-largest economy. The economy grew a faster-than-expected 2.1 per cent in the first quarter from the previous quarter with the Bank of Korea forecasting growth of more than 5 per cent this year. Exports shot up more than 40 per cent last month. The country posted its biggest annual job growth in over eight years in May and household loan growth posted its fastest rise in more than three years amid rising money supply. However, investors remain unconvinced about whether the recovery is sustainable and the country remains vulnerable to the ebb and flow of foreign capital. The Korean won slid 8.4 per cent in May, its worst performance in over a year, as investors dumped emerging market assets on concerns about the European debt problems and rising tensions with North Korea. The benchmark Kospi stock index plunged nearly 6 per cent on heavy foreign selling. The risks from Europe’s fiscal woes should not be underestimated, the BoK stressed on Wednesday in an unscheduled report just a day before its monthly policy meeting, where it is likely to keep its interest rates at a record low of 2.0 per cent for a 16th consecutive month. Although the BoK ruled out a double-dip recession, it is not time for South Korea to pop the champagne yet. Analysts caution that rising inflationary pressure could threaten the fragile consumption recovery and the country’s high household debt - reaching about 80 per cent of the country’s GDP - could increase systemic risks to the financial sector.

South Korea’s economy is stable now, but recent events have made it very fragile.

Yonhap 6/1 (Yonhap News Agency, South Korea’s largest publically funded news agency, [http://english.yonhapnews.co.kr/business/2010/06/01/66/0502000000AEN20100601008200320F.HTML] AD: 6/22/10)JM

SEOUL, June 1 (Yonhap) -- South Korea's economy is on the road to recovery, but the government will maintain its stimulus measures to cope with lingering uncertainties at home and abroad, Seoul's top financial policymaker said Tuesday. "The economy is staying on its path to recovery, but as the government has said, it will keep its existing macroeconomic policy stance for the time being," Finance Minister Yoon Jeung-hyun told reporters days before a Group of 20 meeting, to be held later this week. He cited the European debt problem and possible fluctuations of international prices of raw materials as potential risks that could weigh on the recovery, highlighting the importance of preparing contingency plans to brace for unexpected situations. As for financial markets, Yoon said he believes currency markets should move in tandem with a nation's economic and financial fundamentals, but noted that the government will deal with the steep one-sided direction of the won-dollar exchange rate through a "smoothing operation." The remarks come after South Korea's financial markets were recently jolted by heightened geopolitical risks after North Korea was found to have sunk one of its warships in a deadly torpedo attack, while anxiety over the spillover impact of Europe's fiscal debt issue on the global economy increased jitters. "In the short-term, market distortion was witnessed, but it could be seen in many other nations. Now things are in the process of going back to normal," Yoon said.

UQ – Econ Up – General

The Korean economy is recovering quickly even amidst European economic woes.

KDI 5/19 (Korea Development Institute, autonomous economic policy think tank, *Republic of Korea: Economic Bulletin*, 32(5), p. 3) JM

The Korean economy saw the job market gradually recover, along with faster-than-expected growth in the first quarter led by domestic demand and exports. Mining and manufacturing production in March rose 1.6 percent month-on-month and 22.1 percent year-on-year, thanks to robust exports and domestic demand. Service output, while rising 5.2 percent year-on-year, fell 0.2 percent month-on-month, affected by sluggish real estate & renting, and entertainment, cultural & sports services. Consumer goods sales dropped 1.3 percent month-on-month, although it increased 9.7 percent year-on-year, as low temperatures, frequent rainfalls and yellow dust occurrences negatively affected the sales. In March facilities investment, led by machinery investment, greatly improved by 3.7 percent month-on-month and 33.0 percent year-on-year. Construction completed, despite poor performance in building construction, increased 0.4 percent month-on-month and 4.0 percent year-on-year, thanks to active civil engineering works. The total number of workers hired in March gained 267,000 year-on-year, led by the manufacturing and service sectors. The employment rate (seasonally adjusted) posted 58.5 percent, adding 0.2 percentage points month-on-month, while the unemployment rate (seasonally adjusted) landed at 3.8 percent, shedding 0.6 percentage points. Exports jumped 31.5 percent year-on-year in April, helped by the recovering global economy. Imports soared 42.6 percent year-on-year on the back of rising raw material prices. The consumer price increased 2.6 percent year-on-year in April, as stable prices of manufactured goods and low service fees offset rising prices of oil and agricultural products. In April, the financial market saw stock prices rise and foreign exchange rates fall, supported by foreign net buying of domestic stocks, as Moody’s upgraded the country’s sovereign credit rating to A1 from A2 and rising expectations of global economic recovery continued. To sum up, although the Korean economy shows clear signs of recovery in line with the steadily improving global economy, external uncertainties still exists from Southern European countries’ fiscal difficulties, China’s liquidity tightening, and rising prices of raw materials and oil. The Korean government will hold on to current policies to secure a private sector-led recovery, while renewing its efforts to create jobs and support the working class. On the other hand, the government will check more closely any possible risks from inside and outside, and steadily work towards improving Korea’s economic structure, focusing on corporate and financial sector restructuring and a healthier fiscal balance.

Experts agree South Korea’s economy is at a record high, on par with China’s

Fletcher 4/14 (Clementine Fletcher, reporter for Bloomberg, April 15, 2010, [<http://www.bloomberg.com/news/2010-04-14/south-korea-s-sovereign-rating-raised-to-a1-by-moody-s-on-economic-rebound.html>)

South Korea’s credit ratings were raised to A1 from A2 by Moody’s Investors Service, which cited accelerating economic growth and a “relatively small” deficit. “The change has been prompted by Korea’s demonstration of an exceptional level of economic resilience to the global crisis, while containing the government’s budget deficit,” Tom Byrne, a senior vice-president at Moody’s, commented in a statement. The change gives South Korea its highest ever rating from Moody’s and places the country on a par with China and Slovakia. The Bank of Korea said this week the nation’s economy will expand in 2010 at the fastest pace in four years, and probably grew 1.6 percent in the first quarter, as exports and domestic consumption increase. “The resiliency of Korea’s economy was evident in its ability to withstand relatively well the contractionary forces which emanated from the global recession,” Byrne said. The benchmark Kospi stock index extended gains after the Moody’s report, climbing 1.4 percent today.

UQ – Econ Up – GDP/Investment

South Korea’s economy is rocking – GDP is at an eight year high and investment and domestic demand are up.

KDI 5/19 (Korea Development Institute, autonomous economic policy think tank, *Republic of Korea: Economic Bulletin*, 32(5), p. 47-48) JM

Korea’s real gross domestic product (GDP) expanded by 7.8 percent in the first quarter of 2010 from a year earlier, the highest since the fourth quarter of 2002, which suggests the economy’s stronger recovery. The better than expected figure was mainly attributed to robust exports and a relatively low base set a year ago. From a quarter earlier, GDP grew 1.8 percent. On the production side, manufacturing and service sectors expanded year-on-year growth to 20.0 percent and 4.3 percent from the previous quarter’s 13.0 percent and 3.0 percent, respectively. On the expenditure side, facility investments and goods exports surged 28.8 percent and 21.3 percent each as private consumption stayed on a robust upward track. Domestic demand was up 9.5 percent from a year earlier on the back of healthy private consumption and facility investment.

A high GDP and a reputation for innovation makes investors flock to South Korea’s economy.

Lyndon 3/27 **(**Tom, writer for ETF Trends, [[http://www.etftrends.com//2010/03/how-south-korea-etf-emerging-asian-leader/](http://www.etftrends.com/2010/03/how-south-korea-etf-emerging-asian-leader/)] AD: 6/20/10)JM

That’s because it otherwise seems like there’s little not to like about the South Korean economy lately. South Korea, a leading manufacturer of microchips, LCD panels and automobiles, is one of Asia’s fastest growing economies and the country has experienced the greatest increase in per-capita GDP since the mid-1960s, remarks Michael Schuman for TIME. [South Korea ETF: Opportunity May Be Knocking.] China has been pushing around other Asian countries as it encroaches on leading sectors and competing with even lower costs. Still, Korea has maintained an edge over China by switching gears from a developing economy based on manufacturing into an advanced country that is increasingly based on innovation. [The Top ETFs to Play International Consumers.] Additionally, Korean companies have been aggressively pushing into markets such as India and China, outmaneuvering Japan in these key economies. Korea has the potential to become a leader in these markets and direct where industries will be heading. [5 ETFs for a Google-Less China.] Foreign investors bought $3.76 billion worth of stocks in South Korea’s stock markets and purchased $15.3 billion in local bonds this year as optimism about an economic recovery and amply liquidity worldwide remain high, according to Bernama. Korean bonds have become favorable on growing expectations that the Citigroup’s World Government Bond Index may soon include Korean Treasury bonds. [Hot New ETF Trend: International Small-Caps.] Cho Jae-hoon, a senior analyst at Daewoo Securities Co. believes that “foreign investors turned their eyes to Korean assets amid mixed favorable conditions: the local currency’s ascent to the dollar, earnings momentum by Korean firms and the low probability of a rate hike in Korea in the near term.” South Korea’s economy is expected to expand about 5% this year.

UQ – Econ Up – GDP/Investment

South Korea’s economy is showing signs of rapid growth – GDP and investment are increasing.

RTTNews 6/4 (RTTNews, an [Internet](http://en.wikipedia.org/wiki/Internet)-based business [wire service](http://en.wikipedia.org/wiki/Wire_service) and [news aggregator](http://en.wikipedia.org/wiki/News_aggregator), [http://www.rttnews.com/Content/AllEconomicNews.aspx?Node=B2&Id=1324684] AD: 6/20/10)JM

South Korea's gross domestic product grew a seasonally adjusted 2.1% between January and March compared to the preceding three months, the Bank of Korea said on Friday. That is higher than the 1.8% increase initially estimated. The economy had grown 0.2% in the final three months of 2009. Growth in the first quarter was driven by the manufacturing, services and construction sectors, the central bank said. On the expenditure side, private consumption edged up, while investment registered a solid increase. Exports and imports also contributed positively to growth. The South Korean economy grew 8.1% in the March quarter compared with the same period of the preceding year. It follows a 6% expansion in the December quarter of last year. The economy had grown 0.2% in the whole of 2009. (Provided by RTTNews)

GDP reflects the strength and productivity of an economy.

HM Treasury 6 (UK Government department, 23 May, 2006, [http://www.hm-treasury.gov.uk/data\_gdp\_backgd.htm] AD: 6/20/10)JM

Gross Domestic Product (GDP) is a measure of the total domestic economic activity. It is the sum of all incomes earned by the production of goods and services on UK economic territory, wherever the earner of the income may reside. GDP is equivalent to the value added to the economy by this activity. Value added can be defined as income less intermediate costs. Therefore growth in GDP reflects both growth in the economy and price changes (inflation).

South Korean foreign investment is high

Forbes 9 (8/23/9, http://www.forbes.com/feeds/afx/2009/08/23/afx6806127.html) JPG

SEOUL, Aug 23 (Reuters) - Planned foreign direct investments in [South Korea](http://topics.forbes.com/South%20Korea) rose 32.4 percent in the January-July period, led by Japanese companies, the largest amount for the period since 2000, the economy ministry said on Sunday.

A weaker won currency and faster-than-expected recovery in the South Korean economy had boosted foreign investment pledges in the country to $6.8 billion in the seven-month period, compared with $5.1 billion a year earlier.

The government will make an effort to sustain the growth momentum in foreign direct investments and to reach the annual target of drawing in $12.5 billion from foreign investors in 2009, the ministry said in a statement.

UQ – Econ Up – Interest Rates

South Korea’s economy is strong – low interest rates and high output projection put it on track for growth.

MSF 10 (Ministry of Strategy and Finance (South Korea), *OECD Economic Surveys: Korea, June 2010*, p.3)JM

Korea’s strong recovery from the 2008 global recession has been driven by buoyant export growth, due to the won's depreciation and demand from China, and an effective policy response. The fiscal stimulus was the largest in the OECD area, while monetary policy and measures to support financial institutions helped to prevent a liquidity crunch. Output is projected to grow 5% per cent in 2010 and 4% per cent in 2011, as a double-digit increase in exports leads to stronger domestic demand growth. With the recovery on track, govemment spending is being reduced in 2010, which is necessary if Korea is to achieve its medium-term target of cutting the fiscal deficit to close to zero by 2013 and keeping gross government debt below 40% of GDP. Meanwhile, the policy interest rate has remained at a record low of 2% for more than a year. Given the strength of the expansion, it is important to begin normalising interest rates to ensure that inflation remains within the central bank’s 2% to 4% medium-tenn target.

UQ – Econ Up – Inflation

Inflation is at a seven month low, a sign of Korea’s recovery from the recession.

Kong 6/1(Kanga, reporter for the Wall Street Journal and the Dow Jones Newswire, June 1, 2010 [<http://online.wsj.com/article/BT-CO-20100601-701697.html>] AD: 6/20/10)JM

SEOUL (Dow Jones)--South Korean exporters continued to enjoy robust demand from overseas markets in May, with shipments rising 41.9% from a year earlier. The nation's headline inflation was at a seven-month low in the same month, as unusually cold weather dragged down fresh food prices, while global oil prices gained less. The trade data provided a fresh evidence that South Korea's faster-than-expected rebound from the global economic downturn is being led by exporters benefiting from revived demand from major destinations such as China and the United States. With Asia's fourth-largest economy expected to meet the government's forecast of 5% growth this year without difficulty, economists said the Bank of Korea should prepare the nation for interest rate hikes soon, even while inflation remains still benign. "The two key May releases - exports and inflation - indicate that the economy's vital signs remain positive in the second quarter," Barclays Capital said in a research note.

UQ – Econ Up – Consumer Consumption

Private consumption is increasing.

KDI 5/19 (Korea Development Institute, autonomous economic policy think tank, *Republic of Korea: Economic Bulletin*, 32(5), p. 8) JM

Private consumption (advanced GDP) increased 0.6 percent quarter-on-quarter and 6.2 percent year-on-year in the first quarter of 2010. Consumer goods sales was down by 1.3 percent month-on-month in March due to weak sales of durable, non-durable, and semi-durable goods, while rising 9.7 percent year-on year. On a month-on-month basis, durable goods sales contracted 5.0 percent, led by a drop in automobile sales of 7.5 percent, while the sales of non-durable goods, such as vehicle fuels, and semi-durable goods fell 0.9 percent and 1.5 percent, respectively. On a year-on-year basis, durable goods sales increased substantially thanks to a 37.7 percent jump in automobile sales, along with non-durable and semi-durable goods sales which rose 3.2 percent and 1.0 percent, respectively.

UQ – Econ Up – Markets

Despite financial turmoil within the EU, Korea’s stock market is rising.

KDI 5/19 (Korea Development Institute, autonomous economic policy think tank, *Republic of Korea: Economic Bulletin*, 32(5), p. 26) JM

The Korean stock market in April rallied on the back of eased concerns over fiscal woes in Greece and expectations of an economic recovery. KOSPI rose to 1,757.76 points on April 26, the highest thus far this year, as Moody’s has upgraded Korea’s sovereign rating from A2 to A1 while electronic firms including Intel, Apple and Samsung posted robust first quarter results. Market participants have grown increasingly optimistic that Greece’s debt crisis could be resolved, as the EU and the IMF were expected to jointly provide financial support to Greece although S&P downgraded sovereign ratings of Greece, Portugal and Spain. Despite external uncertainties due mainly to the US Securities and Exchange Commission (SEC)’s fraud accusation against Goldman Sachs, the net-buying in the Korean stock market amounted to 5.2 trillion won, a similar level to the previous month, as foreign investors maintained their net buying position.

The Korean won is increasing in value which signals its strength.

KDI 5/19 (Korea Development Institute, autonomous economic policy think tank, *Republic of Korea: Economic Bulletin*, 32(5), p. 26) JM

The won/dollar exchange rate as of end-April fell 22.9 won from 1,131.3 won at the end of March to wrap up the month at 1,108.4 won. The won remained strong on expectations that the future appreciation of the yuan would also push up the value of the won. The won’s strength was also attributed to Korea Deposit Insurance Corp. (KDIC)’s disposal of some stakes in Woori Financial Group via block trade. The foreign exchange authorities’ verbal intervention on April 27, however, put the brakes on the falling won/dollar exchange rate.

UQ – Econ Up – Employment

Employment is at an eight year high with growth in every sector.

SERI 6/14 (The Samsung Economic Research Institute, a South Korean economic think tank, “Job Growth Hits Eight Year High in May,” http://www.seriworld.org/03/wldKetV.html?mn=E&mncd=0302&key=db20100614001&sectno=1

AD: 6/20/10)JM

Employment conditions are fast improving with the number of employed showing the highest increase in almost eight years and the unemployment rate falling to below 3.5%. According to Statistics Korea, the number of employed stood at 24.31 million in May, up 586,000, or 2.5%, from a year ago. It was the biggest growth since April 2002 when the number of employed increased 646,000. By sector, employment in manufacturing rose 190,000, or 4.9% year-on-year to total 4.04 million in May, increasing for the fifth straight month. The business support/individual/public service sector saw an increase of 373,000, or 4.7%, from a year ago, while electricity/transportation/telecom/financial services also increased 58,000, or 2.1%. The construction industry saw the number of employed increase 46,000, or 2.6%. But the agricultural/forestry/fishery sector shed 87,000, or 4.7%.

Link- Regional Spending

US defense spending in South korea props up econ, regional spending proves

Suh 10 (J.J., Asst. Prof of Govt @ Cornell University, Foreign Policy in Focus, 5/17/2010, http://www.fpif.org/articles/allied\_to\_race\_the\_us-korea\_alliance\_and\_arms\_race) JPG

The U.S. Forces in Korea help us [Koreans] reduce our defense spending, which contributes to our continued economic development. If we take into account all the equipment and materials that the USFK maintains in-country as well as the several billion dollars it spends on maintenance and operations, its opportunity cost is tremendous. If the USFK should be withdrawn, it would take an astronomical amount of additional defense expenditures to compensate for its absence. Second, if the alliance were terminated, it could potentially disrupt the flow of parts and materials, causing an incalculable disaster in equipment maintenance and production that might even compromise the ROK army's readiness. The work of many of Korea's defense contractors would grind to a halt as Korea failed to obtain necessary parts. Many U.S. contractors would lose customers. These secondary costs are difficult to estimate but are frequently used as a reason for maintaining the alliance. Typifying such justifications, Hwang Tong-Jun, Director of the Weapons Systems Research Center, has argued that, despite the need to diversify the sources of weapons imports, "we need to focus on our cooperation with the U.S., which has developed over the past 20 years and which has sustained weapons interoperability." While there is no dispute about the contributions that the United States has made to Korea’s defense, it is analytically difficult to show that its contributions have produced a replacement effect, not only because its contributions serve U.S. strategic needs but also because Korea’s military spending grew even when Washington’s security commitment remained constant or grew. In the 1950s and 1960s, Washington provided economic and military assistance—especially so-called counterpart funding—not just as a supplement but also as an inducement for Seoul to raise the size of the military and defense budget. Even as President Richard Nixon withdrew one division from South Korea, he increased other types of defense assistance to compensate for the decrease in Korea’s defense readiness that might result from the force reduction. President Jimmy Carter threatened to cut U.S. aid if Seoul did not go along with his policy, but he ended up giving aid without any troop withdrawal. Through the 1970s, President Park Chung-hee, fearing American withdrawal, launched an ambitious program to build Korea’s independent military capability. But in the 1980s, when President Ronald Reagan made unqualified commitment to South Korea’s defense, President Chun Doo-hwan still went ahead with the military modernization program. In other words, South Korea kept beefing up its military regardless of the level of American support.

US troop presence creates opportunities for business around the base improving local economies

Washington Times 9 (3/5/9, Washington Times, http://www.washingtontimes.com/news/2009/mar/05/mission-changing-for-us-troops-in-korea/ ) JPG

The date around which many moves are planned is April 2012, when South Korea assumes wartime operational control of its forces now under a combined U.S.-South Korea command. That will free U.S. forces to concentrate on contingency plans elsewhere. South Korea already has peacetime operational control of its troops.

In Pyeongtaek, U.S. Army engineers have undertaken what they say is their largest project ever. The size of the post is to be tripled, to 3,600 acres. Because the expansion lies in a flood plain barely above sea level, the engineers have begun covering it with dirt to raise the plain eight feet. It will be protected by a levee 10 feet high. In all, it will take 1 million loads in dump trucks to complete the task.

The new post must accommodate the troops, headquarters, motor pools and firing ranges, plus 35,000 family members expected here. Until now, troop tours in Korea have been for one year, unaccompanied by families. That is being extended to three years accompanied by families, which requires new housing, schools, medical clinics, sports fields and movie theaters.

The engineers are building high-rise offices for commanders, barracks for troops, and buildings with spacious family apartments. That housing, plus recreational facilities that include a gym with basketball courts worthy of the pros, an Olympic swimming pool and world-class exercise equipment, are intended to make Pyeongtaek a choice assignment.

Link- Regional Spending

US withdrawal from Korea destroys local jobs and threatens local economies

Weaver and Hae-Rym 5 (Teri and Hwang, Teri – reporter for USFK affairs and specialist in army affairs in East Asia, and Hwang – Korean freelance journalist, http://www.stripes.com/news/korean-workers-still-likely-to-strike-after-u-s-south-korea-finalize-budget-1.32535) JPG

USFK has said the shortfall could mean cutting up to 1,000 jobs among South Korean workers at U.S. bases. During a news conference in early April, USFK chief of staff Lt. Gen. Charles C. Campbell said, “We will be required to make tough but necessary decisions in the areas of force capabilities; pre-positioned equipment and stocks; personnel and services; construction; and command-and-control equipment currently provided to ROK military forces.”

In response to the possible layoffs, the union representing almost 13,000 Korean workers has begun formal proceedings to strike within about 45 days, a move that one local labor expert says could spark an emotionally charged labor dispute.

A strike “has a lot of potential for damage and helplessness,” said Brendon Carr, an American-trained lawyer in Seoul who represents foreign companies that deal with union issues. “I could see it turning pretty crazy pretty quick.”

In South Korea, companies are forbidden by law to lay off workers as a means to save money, Carr said. Layoffs happen only if the entire company is closing or declaring bankruptcy, he said. Thus, from a Korean’s perspective, he added, USFK’s layoffs are a rarity that target individual workers’ pride and competency.

A strike or protest could draw thousands of angry and even violent protesters, Carr said. He said when his own clients, which do not include USFK or the South Korean union, face similar business decisions about layoffs, he sometimes advises them to offer thousands of dollars of severance pay to avoid the disruption and demonstrations.

Korean Ministry of Labor officials also confirmed Tuesday that the Korean workers at U.S. military bases have the right to strike. But the union still must file a report with South Korea’s National Labor Relations Commission, which determines whether the strike will be considered legal, according to Park Moon-hong, who works in the commission’s labor mediation division.

The commission then will spend 45 days working with the union and USFK to negotiate a settlement to avoid a strike, Park said.

It also appears that many of the Korean workers whose jobs on U.S. military bases include emergency services would be allowed to strike, according to the Korean Labor Ministry.

South Korean civil service workers, who include firefighters, 911 operators and some hospital workers, are not allowed to strike. But some of the Koreans who perform these or similar duties on U.S. bases are not in the South Korean civil service; therefore, they may be allowed to join any walkout, according to Jung Won-hee, who works in the International Cooperation Division at the Labor Ministry.

On Tuesday, USFK officials referred most inquiries about the cost-sharing agreement to the State Department. USFK also declined to list, in general terms, those on-base jobs currently held by Korean workers.

As of March 31, about 14,500 Korean employees worked for U.S. Forces Korea, according to USFK public affairs officer David Oten. Of those, roughly 10,000 are appropriated-funds employees, meaning the U.S. government pays their salaries. The remaining are nonappropriated-funds employees who work for organizations that generate their own revenue, such as the Army and Air Force Exchange Service and a handful of contractors.

Only appropriated-funds positions would be affected by any layoffs, Oten said.

Just outside the Far East District base in Seoul, a handful of Korean workers stopped Tuesday to talk about the possible strike. One woman, who has worked at the base for about three years, said she thought the union should continue to negotiate and save jobs rather than threaten large protests and strikes.

Another woman, who has worked with USFK for 25 years, said she understood the union members’ plight.

“It’s the only way they can protect themselves,” she said, declining to give her name.

Park Un-young, a Korean who works for the U.S. Army Engineering Corps, agreed.

“It would be far better for them to make a deal before the Korean Union goes on a strike,” she told a translator on Tuesday. “But once the union decides to walk out, I will definitely follow their decision to participate.”

Link- Perception, Empirics

US military presence, even perceptually is vital to sustainable South korea economy

Lim 7 (Wonhyuk, Fellow @ The Korea Development Institute, Nautilus Institute, Policy Forum Online 07-086A, 11/27/7, http://www.nautilus.org/fora/security/07086Lim.html#top) JPG

Although the prevailing assumption is that foreign investment is unsustainable in the ROK without a U.S.-guaranteed peace, it should be asked how essential security is in determining investment inflows and how crucial the U.S. guarantee is in maintaining the peace on the Korean peninsula. As for the first question, although security may be regarded as the most fundamental variable, what actually played a larger role is the ROK's policy on investment liberalization and commercial attractiveness of its assets. Figure 3 on FDI (Foreign Direct Investment) inflows and Table 1 on the foreign investors' share of ROK stock-market capitalization show that the dramatic increase in investment flows took place in the post-crisis period. Moreover, the investor reaction to the nuclear crisis on the Korean peninsula for more than a decade suggests that the critical variable is the possibility of war, not the quality of the military alliance per se. In fact, if the ROK-U.S. alliance is strong but is about to launch a pre-emptive strike on the DPRK, investors are likely to take flight from the Korean peninsula and its neighboring countries. When the nuclear crisis broke for the first time in February-March 1993, the market capitalization of the Korean Stock Exchange declined by 6.5 percent. At this time, there was hardly any strain in the ROK-U.S. alliance, but investors were seriously concerned about a military conflict on the Korean peninsula over the DPRK's nuclear program. By contrast, when investors apparently interpreted the DPRK's brinkmanship in 2005 as an attempt to draw attention from the U.S. and break a diplomatic deadlock, the Korean stock market achieved solid gains.

Link- Investment

Plan derails economic investment and sustainability

Suh 10 (J.J., Asst. Prof of Govt @ Cornell University, Foreign Policy in Focus, 5/17/2010, http://www.fpif.org/articles/allied\_to\_race\_the\_us-korea\_alliance\_and\_arms\_race)

The U.S. Forces in Korea help us [Koreans] reduce our defense spending, which contributes to our continued economic development. If we take into account all the equipment and materials that the USFK maintains in-country as well as the several billion dollars it spends on maintenance and operations, its opportunity cost is tremendous. If the USFK should be withdrawn, it would take an astronomical amount of additional defense expenditures to compensate for its absence. Second, if the alliance were terminated, it could potentially disrupt the flow of parts and materials, causing an incalculable disaster in equipment maintenance and production that might even compromise the ROK army's readiness. The work of many of Korea's defense contractors would grind to a halt as Korea failed to obtain necessary parts. Many U.S. contractors would lose customers. These secondary costs are difficult to estimate but are frequently used as a reason for maintaining the alliance. Typifying such justifications, Hwang Tong-Jun, Director of the Weapons Systems Research Center, has argued that, despite the need to diversify the sources of weapons imports, "we need to focus on our cooperation with the U.S., which has developed over the past 20 years and which has sustained weapons interoperability." While there is no dispute about the contributions that the United States has made to Korea’s defense, it is analytically difficult to show that its contributions have produced a replacement effect, not only because its contributions serve U.S. strategic needs but also because Korea’s military spending grew even when Washington’s security commitment remained constant or grew. In the 1950s and 1960s, Washington provided economic and military assistance—especially so-called counterpart funding—not just as a supplement but also as an inducement for Seoul to raise the size of the military and defense budget. Even as President Richard Nixon withdrew one division from South Korea, he increased other types of defense assistance to compensate for the decrease in Korea’s defense readiness that might result from the force reduction. President Jimmy Carter threatened to cut U.S. aid if Seoul did not go along with his policy, but he ended up giving aid without any troop withdrawal. Through the 1970s, President Park Chung-hee, fearing American withdrawal, launched an ambitious program to build Korea’s independent military capability. But in the 1980s, when President Ronald Reagan made unqualified commitment to South Korea’s defense, President Chun Doo-hwan still went ahead with the military modernization program. In other words, South Korea kept beefing up its military regardless of the level of American support.

**Link- GDP**

Economic gains from “camp towns” make up 25 percent of the GNP – without US troop presence this disappears

Lee 7 (Na Young, PhD in women’s studies @ Univ of Maryland, Feminist Studies 9/22/07, published on Find Articles, http://findarticles.com/p/articles/mi\_hb6667/is\_200710/ai\_n32255930/) JPG

SINCE SEPTEMBER 1945 when the 24th Army Corps, consisting of some 70,000 soldiers and led by General John R. Hodge, arrived to accept the transfer of power over Korea from the Japanese empire, U.S. soldiers stationed on military bases have had a significant presence in Korean society. With the formal independence of South Korea, the number of U.S. personnel was reduced to 22,823 in 1948, and the withdrawal of occupation forces began on June 30, 1949.' Soon, however, the Korean War turned the peninsula back into a zone of protracted military confrontation. According to a Korean nongovernmental organization (NGO), 101 military facilities, including fifty camps, entangle the Korean territory in a complex web.2 Despite the decline in the number of bases as the political atmosphere has changed over time, the United States had at least 35,000 troops in South Korea in the early 2000s. Small villages that depend entirely on the U.S. military economy have developed around the main U.S. bases. These "camptowns" (in Korean, gijichon3), with their commercial districts filled with clubs, bars, brothels, convenience stores, pawnshops, barbershops, tailor shops, photo and portrait shops, and drug stores, center on selling sex to soldiers. Gijichon prostitution is a large-scale activity; for example, in Gyeonggi Province prostitution is concentrated in four large camptowns: Dongducheon, Pyeongtaek, Paju, and Uijeongbu. More than one-tenth (11 percent) of the total population of the province is engaged in military prostitution. The number of so-called entertainment workers with health certificates, required to enter and work in the camptowns, reached around 30,000 in the 1960s and remained around 20,000 in the 1970s and 1980s, amounting to approximately one sex worker for every two to three soldiers at that time.4

Despite the official illegality of domestic prostitution, the Korean government tacitly condones and actively regulates prostitution around U.S. military bases. As Katharine Moon has shown, camptown prostitution has actually served the economic development of Korea, as well as its national security. The presence of U.S. troops contributed 25 percent of South Korea's GNP, playing an especially important role during the 1960s, and prostitution and related business supported over half of the U.S. camptowns' economy. The Korean government has demarcated these spaces as open only to U.S. military personnel and foreign tourists; the two largest gijichon, Dongducheon and Pyeongtaek, were designated as Special Tourism Districts in 1997.6 Women working in the entertainment industry of these areas must be registered and are subject to regular examinations for sexually transmitted diseases (STDs). Other Koreans commonly call these sex workers derogatory names, such asyanggalbo (Western whore) and yanggongju (Western princess). The demeaning treatment of these women as pariahs, dirty trash, and immoral or "fallen" blames them personally for their situation, differentiates them from women identified as chaste daughters and faithful wives, and ultimately helps to maintain Korean national pride. The Korean government has successfully ghettoized the gijichon as buffer zones that prevent U.S. soldiers from entering Korean society and prohibit ordinary Koreans, especially "respectable" Korean women, from interacting with U.S. men, while reaping the economic benefits that the U.S. military presence and the sex trade serving foreign soldiers provide.

Link- Interoperability

Interoperability demands high amounts of US spending in South korea

Suh 10 (J.J., Asst. Prof of Govt @ Cornell University, Foreign Policy in Focus, 5/17/2010, http://www.fpif.org/articles/allied\_to\_race\_the\_us-korea\_alliance\_and\_arms\_race) JPG

While a military alliance as a tool of pulling security resources together reduces the defense burden for each ally, there are at least four reasons why an alliance may increase each member’s defense spending. First, the need to keep allied militaries interoperable generates pressure to allocate resources to meet the need for hardware, software, and human resources. Second, the political need to keep an ally happy can lead to a provision of military aid or to the sale or purchase of weapons or commercial goods. Third, a country may be persuaded to maintain a level of force by its fear of abandonment by its ally at a time of crisis. “Abandonment fears” lead the allies to invest in making their links as unbreakable as possible. Finally, a country may be dragged into a conflict in which its ally is involved. “Entrapment fears” reduce, if not counterbalance, the supplementary effect of the alliance to the extent that allies develop their capabilities independent of the alliance. Entrapment, of course, incurs direct costs of fighting as well as indirect costs of supporting the ally. It is not easy or cheap to keep modern allied militaries interoperable, for interoperability requirements lead to three types of durable and expensive investments. First, allies need, at a minimum, to be able to identify each other, so as to minimize friendly fire and to coordinate their exercises and operations. Their weapons systems and platforms must be designed and produced to ensure interoperability between the allies’ assets. With further military integration, they need to ensure that both can rely on each other’s ammunition and POL (petroleum, oil, and lubricants). Airports, ports, roads, and railroads may need be configured and maintained in order to enable an ally’s operation. Second, the allied militaries need to customize the way allied militaries use equipment and manpower to achieve their joint objectives. The processes that require investment include consultation and coordination mechanisms, military planning, command structure, and the operation of combined forces and combined exercises. Alliance military practices are guided and governed by a host of rules, ranging from treaties and agreements to domestic laws and regulations, in addition to the standard operating procedures (SOPs) and rules of engagement that apply to most military activities. This software infrastructure represents another set of expenditures that allies make to carry out alliance obligations. Third, costs are incurred by the need to move human assets in teams or train them to work together. Allies make a durable investment in alliance personnel so that they “learn by doing” or “learn on the job” about their allied partners, as well as about the alliance-specific hardware and software infrastructure. Alliance practices typically involve training about allies, combined exercises, and exchange of officers. Allies also invest resources to educate soldiers about the history, culture, and politics of the ally as well as to teach at least some of them the ally’s language.

Link- Sustainability

North Korean threat ensures continued economic stability in South korea because of sustained troops

Suh 10 (J.J., Asst. Prof of Govt @ Cornell University, Foreign Policy in Focus, 5/17/2010, http://www.fpif.org/articles/allied\_to\_race\_the\_us-korea\_alliance\_and\_arms\_race) JPG

According to realist conventional wisdom, a state allocates resources to the military as a means to provide for survival. Since the minimal goal of a state is its survival against potential threats, the amount of its military spending is proportional to the level of threat it faces. A state in a benign strategic environment may keep its security expenditure to a minimum so it may allocate more resources to internal welfare, even if it may not be able to completely eliminate the military for fear that today’s friends should become tomorrow’s enemies. But a state facing a clear and present danger is forced to spend whatever is necessary to defend against an external threat even at a great cost to internal welfare. While scholars note a dilemma a state faces in striking an optimal balance between guns and butter, they tend to agree that the higher the level of threat, ceteris paribus, the higher the defense spending. Richardson’s classic arms-race model uses external threat as a driver of arms race because one’s increase in military capability increases the threat perceived by a potential adversary, who then increases its own military strength.

This in fact has been the primary explanation of South Korea’s military spending: that Seoul must defend against the North Korean threat. The Republic of Korea Army (ROKA), for example, acquired tanks, M48s, mainly because it feared another blitzkrieg spearheaded by the North’s tank forces, as in the early stage of the Korean War. Traumatized by the experience of the war, the ROKA has continued to upgrade its tanks and has acquired new ones even while building all manner of defenses against the North’s tanks. The earlier history of Seoul’s spending growth can be readily explained in terms of its strategic need to catch up with North Korea, its main threat, which was enjoying an edge until the early 1970s. Seoul still identifies the North as a “direct and serious threat” and justifies its military spending in the same terms: “a country in conflict, such as ours that constantly faces North Korean threat, must analyze ‘security threats’ first to determine the military requirement and use the requirement to calculate the size of the defense expenditure.”

2NC Links- South Korea Defense Spending Module

US withdrawl prompts South korea defense spending, transforming and crippling South korea economy

Feffer 9 (John, Co-Director of Foreign Policy in Focus at the Institute for Policy Studies, Korea Economic Institute February 2009 4(2), http://docs.google.com/viewer?a=v&q=cache:0W1bvIaCRigJ:www.keia.org/Publications/AcademicPaperSeries/2009/APS-Feffer.pdf+Troop+Control+Would+Cost+W1+Trillion+in+Opportunities&hl=en&gl=us&pid=bl&srcid=ADGEESjlk5qYLOxQgZk7qfzKahAHBa7oWnjFsZbHXhxKAsOFxuHeTJ9r2JwMNUtCUxdOdih8HrlF1-56NO4UnQ8Ty77Hiz1vLCneWNoOx\_W0MNl\_dhsmGJHWuk3HX2xRm90EpQIkr6pF&sig=AHIEtbTmLYC1IZcgjlagPSrfJZSoZ9QEPA) JPG

 The evidence, however, that government investments in the military—at a time of plenty or paucity—are the best growth stimulus is quite weak. Military investments produce jobs, generate some spin-off technologies, and take advantage of some spin-on developments. But other government investments contribute more to economic growth. Localization, meanwhile, does not make strict economic sense, given the opportunity costs, although establishing indigenous production for certain capacities, particularly in the software field, is reasonable.82 Arms exports, although they reduce the costs of localization through economies of scale and boosting the operating ca- pacity of defense sector manufacturing, put South Korea in a difficult position of muscling into a highly competi- tive field. Arms exports often come with strings – such as reciprocal purchases. Moreover given the arms race dy- namic in the region—and spending has taken place at a faster clip now than 15 years ago (***Table 3***)—government investments even into potentially lucrative arms export sectors can be counterproductive. And armaments, as the United States discovered with al Qaeda, have a tricky habit of ending up in the hands of those against whom increased military budgets are intended to protect. Ultimately, however, these arguments based on eco- nomic rationales are irrelevant. The Korean government has ignored economic feasibility in the past when allo- cating money to the military. The push for localization has more to do with nationalism than economic neces- sity (and echoes North Korea’s vain efforts to achieve food self-sufficiency). Many of the specifically economic arguments—such as the necessity of devoting a certain percentage of the GDP to the military—are arbitrary.83 Government subsidies of the military, as evidenced by the “national security exception” in free trade agreements, lie outside the realm of so-called economic laws.84 If the economic arguments for increasing military spend- ing are either weak, counterproductive, or irrelevant, why should South Korea continue with Defense Reform 2020, particularly at a time of global economic crisis? Counter- ing North Korea doesn’t require such an upgrade. Re- placing U.S. capabilities is sensible—if indeed the Unit- ed States plans to pull out—but only defers the question: what are all the new weapons for? South Korea cannot compete with Japan, China, or Russia militarily—certain aspirations to superpower status notwithstanding—and its own modernization plans may only encourage greater spending among its neighbors. From the perspective of comparative advantage, then, South Korea should focus on its “soft power,” which has garnered accolades from both within and outside the country.85 And it should focus government investments not on the military but on the “green” stimulus that Lee Myung-bak has launched. South Korean diplomacy and green technology: such smart power makes more eco- nomic—and geopolitical—sense than preparing to fight last century’s wars or helping to create the future insecu- rity that Defense Reform 2020 was meant to address.

2NC Links- South Korea Defense Spending Module

Empirically, Korean defense spending destroys economic productivity and decreases standard of living

Bandow 3 (Doug, Sen. Fellow @ CATO Institute & former foreign policy asst. to Former Pres. Reagan, CATO Institute Policy Analysis No. 474, <http://www.cato.org/pubs/pas/pa-474es.html>) JPG

Today the Cold War is over and China and Russia are friendlier with Seoul than with Pyongyang. Beijing and Moscow trade far more with the South, and the ROK has become a significant investor in the People’s Republic of China. Russia has even shipped weapons to the ROK to help pay off its debts. Although both former Democratic People’s Republic of Korea allies retain ties with the communist state—and, indeed, have compet- ed a bit for influence over the last couple of years—both have far more at stake in the peninsula’s continuing stability and South Korea’s continuing prosperity than in a North Korean “victory,” whether political or military. Pyongyang has no other allies of note. With a trail of bad international debts and less than 1 percent of the South’s foreign trade, the North is an insignificant economic player, and it is isolated diplomatically.4 The South has raced ahead of the North economically. Although the two countries began on a nearly equal footing, the South now enjoys a gross domestic product 40 times greater than that of the North. The South’s population has flourished, growing to double that of the North, and the South possesses a vast technological edge. Of course, Seoul took a significant economic hit in the 1997 Asian economic crisis, but the ROK has recovered its status as one of Asia’s tigers. In 2001 it enjoyed a GDP of $462 billion, making it the world’s 12th largest economy.5 North Korea is in no position to compete. It is an economic wreck whose economy is estimated to have shrunk by half between 21993 and 1996 alone; its subsequent “recov- ery” is thought to have pushed per capita GDP to about $700, roughly 40 percent of the 1990 level.6 Food production is down 60 percent over the last 15 years. Much of the country is enveloped in darkness much of the time. Life expectancy fell 10 percent during the 1990s; during the same decade hundreds of thousands of people, and perhaps as many as 2 million, starved to death. Nearly 6 in 10 North Koreans are thought to be malnour- ished.7 Although the DPRK has avoided a repeat of the worst famine of the mid-1990s, it still cannot feed itself and has been reduced to begging for millions of tons of food aid.8 The North retains an advantage in the military sphere, but that advantage may be more apparent than real. The DPRK military is large but decrepit. Its latest weapons date to 1990; spare parts and training are nonexis- tent. Pyongyang’s dramatic attempt to put a satellite into orbit in 1998 failed. Reports Defense Intelligence Agency analyst Bruce Bechtol: “The North Korean military is one that is using antiquated 1950s and 1960s vin- tage weapons while the South Korean mili- tary continues to strengthen itself with dynamic new programs such as the building of brand new F-16s. In addition, the South is superior in other key aspects of military readiness, such as command and control and training.”9 Although South Korea’s ground forces are smaller, they would be fighting on the defen- sive with superior air and naval support. Indeed, in the initial stage of any war, South Korea would have to rely primarily on its own military for ground forces, irrespective of America’s defense commitment. It would take the United States three or more weeks to deploy heavy armored and mechanized rein- forcements, depending on events elsewhere and available lift capabilities.10 Moreover, South Korea has begun a seri- ous space program, and the ROK hopes to launch a satellite in two years. That would provide the South with intelligence-gather- ing capabilities, which would reduce its reliance on American intelligence.11 Seoul also has unveiled plans for a blue water navy, one more obviously directed at Japan and China than at North Korea, which lacks an advanced force.12 Observed one American military analyst, “As the perceived threat from the NKPA [North Korean People’s Army] has diminished, the ROK military has looked ahead and attempted to develop mili- tary capabilities to reduce its dependence on the United States and to meet future security challenges.”13 To the extent that the ROK’s military lags behind that of its northern antagonist, it is a matter of choice, not necessity. There is no spe- cial gravitational field that prevents Seoul from building a larger force. Rather, there is an American tripwire–-a nominal military pres- ence that is intended solely to ensure American involvement in the event of military action by the North-–that discourages South Korea’s investing in its own defense. By one estimate, recreating America’s defense capabil- ities would cost $30 billion, twice South Korea’s present annual defense budget.14 Seoul admits that it “concentrated

2NC Links- South Korea Defense Spending Module Xt

Korean Defense spending kills long term economic growth

**Heo 99** (Uk, Dept. of Poli Sci @ Univ of Wisconsin @ Milwaukee, Journal of Peace Research 36(6) pp. 699-708, http://www.jstor.org/stable/424973) JPG

Despite the defense burden (approximately 5-6% of GNP), South Korea has enjoyed high levels of economic growth (average9%) until the recent economic decline (Moon & Hyun, 1992). GNP per capita was approxi-mately $200 (current) in the early 1960s, soaring to $8,000 in the 1990s (various issues of the International Financial Statistics Yearbook) This miraculous economic development in South Korea has been led by rapid growth (average 28%) in exports (Moon & Hyun, 1992). In other words, exports have been the main engine of South Korean economic development.

According to Chan (1985), defense expenditure indirectly influences a country's economic growth by affecting its trade. Rothschild (1973) also argued that military expenditures divert capital and talent from the most dynamic sectors of the civilian production sector. More over, defense spending tends to be centered on important export sectors such as machinery, transport, and recently electronics. This diversion crowds out the available goods and human resources for export, which in turn slows down export growth. According to the export-led growth theory, slow export growth causes slow economic growth (Rothschild, 1973). Since the South Korean economy relies heavily on export, this negative impact of military expenditures on export may be especially detrimental to economic growth.

In addition, according to Chan (1985:import-demanding (in developing countries) than other forms of public spending and, thus, again contribute more to their unfavor- able balance of payments'. South Korea has also relied heavily on importing weapons from the USA. In the long run, importing weapon systems would generate or exacerbate domestic inflation and/or balance of payment problems, which will reduce the economy's competitiveness in international trade.

There are many reasons for the current financial crisis in South Korea, such as the accumulated trade deficit during this decade due to the increased labor costs, more competition in international markets, and over- production of certain items, such as computer chips and automobiles, political-business ties, myopic fiscal policy, and financial management. **A decline in the export sector, however, can be considered one of the major cause of economic decline leading to the current crisis** (Smith, 1998). **In sum, defense spending has a dampening effect on export, which in turn hampers economic growth.**

2NC Links- South Korea Defense Spending Module Xt

Korean defense spending trades off with private sector production killing short and long term growth

Heo 99 (Uk, Dept. of Poli Sci @ Univ of Wisconsin @ Milwaukee, Journal of Peace Research 36(6) pp. 699-708, http://www.jstor.org/stable/424973) JPG

The results of the empirical analysis are presented in Table I. In the Investment Equation, as expected, private business outputs increase investment. The positive effect lasts almost five years. The impact of non-military government spending is positive and significant. As discussed earlier, nonmilitary government expenditure provides several types of prerequisites for investment. Since South Korean economic growth has been led by the government, it is reasonable to expect the government to take a leading role in increasing investment (Investment on investment is not significant. In other words, there is no immediate trade-off between the two variables. However, the fourth lag of military spending shows a negative and statistically significant impact on investment. As Chan (1987) noted, policymakers finance defense by running large budget deficits which postpone costs to the future. It took four years for the economy to feel the bottleneck effects of defense spending on investment in South Korea.

In the Export Equation, the exchange rate shows a significant impact on export. Because it will change the price of South Korean products, the exchange rate is crucial to South Korean export. The impact of defense spending on export appears to be immediate and negative. This may be due to limited resources in South Korea. In other words, because of resource constraints the trade-off in human, capital, and natural resources between the defense sector and the private sector may hamper export growth immediately.

Internal Link - GDP

GDP reflects the strength and productivity of an economy.

HM Treasury 6 (UK Government department, 23 May, 2006, [<http://www.hm-treasury.gov.uk/data_gdp_backgd.htm>] AD: 6/20/10)JM

Gross Domestic Product (GDP) is a measure of the total domestic economic activity. It is the sum of all incomes earned by the production of goods and services on UK economic territory, wherever the earner of the income may reside. GDP is equivalent to the value added to the economy by this activity. Value added can be defined as income less intermediate costs. Therefore growth in GDP reflects both growth in the economy and price changes (inflation).

Internal Link – Investment

Foreign investment is key to the economies of host countries.

Encarnation 98 (Dennis, fellow at the Brookings Institute, [<http://www.brookings.edu/~/media/Files/rc/articles/1998/summer_macroeconomics_encarnation/encarn1.pdf>] AD: 6/21/10)JM

 But the East Asian financial crises are likely to increase both the importance of East Asia to American multinationals and t he relative importance of U.S. foreign direct investment t o t hat region’s economies. Helping to fund this expansion is the robust profitability recorded by American multinationals at home. Indeed t he U.S. press is replete with news of American multinationals seeking t o exploit new opportunities in East Asia resulting from sharp declines in local share prices and a sharp rise in t he relative value of t he U.S. dollar. Exploiting these new Asian opportunities are a “Who’s Who” of American multinationals—General Mot ors in Korea and China, Ford in t he Philippines, Citibank and GE Capital in Japan, to name but a few. Such U.S. foreign direct investment is likely to figure prominently in the future growth and structural adjustment of a growing number of East Asian economies. Viewed more broadly, t he anticipated increase in U.S. foreign direct investment across East Asia heralds a much larger set of important changes in that region’s polit ical economy. Asia’s f inancial crises have brought t he Unit ed St at es back int o t he region as a renewed economic and polit ical act or— with broad securit y implicat ions. Not t hat long ago, America’s wit hdrawal f rom Asia was a hot topic widely debated on both sides of t he Pacif ic.The response of the U.S. government and American mult inat ionals to Asia’s f inancial crises has largely ended that debate. n 3

South Korean Econ Key to World

South Korean economy linchpin of global economy
Pesek 9 [William, April 14, The Age Business Day http://www.theage.com.au/business/signs-of-gloom-lifting-in-south-korean-economy-20090413-a4ur.html]KLS

IF YOU'RE looking for signs the world economy is bottoming out, South Korea could be the place. It's entirely possible things will get worse globally. Recessions may deepen, asset prices may slide further and credit markets may remain locked up. Doomsayers such as Nouriel Roubini still make plausible arguments that things will just get nastier. Amid such risks, hints that the Bank of Korea's most aggressive round of interest rate cuts in a decade is coming to an end are a rare ray of sunlight. Among developed economies, Korea's was arguably the first sent into freefall by the global crisis. Iceland got more headlines, but as the world's 13th-largest economy, South Korea is one that really matters.

South Korea econ key to world- flexibility, manufacturing, steel, exports, electronics

Shin And Ciccantell 9 [Kyoung-ho, Professor of Psychology at Northwest Missouri State University, Paul S. Professor of Sociology at Western Michigan University, July 9, American Sociological Association, http://jwsr.ucr.edu/archive/vol15/Shin\_Ciccantell-vol15n2.pdf Volume XV] KLS

The South Korean economy has grown remarkably since World War II, becoming a major player in the global economy by the 1990s. In 2003, the value of South Korean exports and imports totaled US$198.3 billion (2.6% of the world) and US$178.8 billion (2.3%) respectively. In the same year, South Korea produced 3.2 million automobiles, 5.2% of total global production and ranking 6th in the world. Electronics production totaled US$69.8 billion, trailing only the U.S.and Japan. Steel production was 46.3 million tons in 2003, 4.8% of world production (5th in the world) and the shipbuilding industry built 7,265,000 CG/T of ships, 32.4% of world production (ranked 1st in the world) (National Statistics Office 2004). South Korean ascent in the global economy prompted a number of analyses of the role of the Korean state and its policies of exportoriented industrialization, labor control, and state-business relationships (Amsden 1989; Deyo 1987; Kim 1997; Kohli 2004). The South Korean government has been flexible in shifting development policies from light industry (e.g., manufacturing of apparel and shoes) to heavy and high value-added industries such as automobiles and electronics, demonstrating its high capacity to adopt timely strategies and mobilize new technologies in response to the dynamically changing global market (Amsden 1989; D’Costa 1994).

South Koreas economy is key to the global economy

Schuman 5/24 (Michael, Staff Writer on Asia and global economic issues as a correspondent for TIME based in Hong Kong, "Why South Korea Matters," http://curiouscapitalist.blogs.time.com/2010/03/24/why-south-korea-matters/?xid=rss-topstories, AD: 6/19/10) jl

Lesson Three: Don't forget the BRICs. Korea shows the growing importance of links between emerging markets in today's global economy. Hyundai, Samsung and LG have been aggressive, and in most cases, early investors in India and China and are now top brands in local car and electronics markets. To a great degree, they've outmaneuvered the slower-moving Japanese in these key economies. That puts them in a position to switch from followers in the global economy, who latch onto market trends set by American or Japanese firms, to leaders, able to direct where these industries are headed.

In this way, Korea is again pointing the way forward for the world's remaining poor countries. When Korea was on its drive to wealth, the U.S. was the primary source of customers. However, today's developing nations, can increasingly rely on each other to both drive growth and offer opportunities for their up-and-coming corporations to gain international prominence.

MPX- Econ Growth Good- General

Economic growth decreases war- globalization, technology, alliances

Mochizuki 98 [Mike M, Japan-U.S. Relations Chair in Memory of Gaston Sigur at the Elliott School of International Affair, Asian Pacific Research Center <http://www.google.com/#hl=en&source=hp&q=mike+Mochizuki&aq=f&aqi=g10&aql=&oq=&gs_rfai=C30ipJCogTJH3BIOczAT20ITuDQAAAKoEBU_QYec4&fp=45835207582d5ee7>]

As transnational economic interdependence deepens, the mutual economic benefits of peaceful commercial relations will grow relative to the possible benefits of military competition and aggression. [4](http://www.ciaonet.org/wps/mom02/index.html%22%20%5Cl%20%22note4) In the words of one Japanese analyst, “deepening interdependence has greatly increased the opportunity cost of conducting war for most of the countries in the region, and military options have become a much less attractive tool to resolve disputes." [5](http://www.ciaonet.org/wps/mom02/index.html%22%20%5Cl%20%22note5) The recent transformation of economic activity driven by the information –technology revolution and the internationalization of production and investments as well as the inordinately high costs of modern warfare have reinforced this calculus —especially among the advanced industrial countries. [6](http://www.ciaonet.org/wps/mom02/index.html%22%20%5Cl%20%22note6) Therefore the more economically interdependent the states become, the more they will have an interest in maintaining good political relations in order to sustain the economic interactions. Conversely, each state will be constrained from damaging political relations with a trading partner because of the economic costs such an action might bring relative to the benefits that might be gained. This calculation at the aggregate national level will be buttressed by ruling social coalitions within the trading states themselves that will want to maintain international peace for the sake of their own economic interests. The positive security implications of economic interdependence derive not merely from cost –benefit calculations regarding war and peace given a certain level of interstate commerce. Economic interdependence can also be a force for peace by promoting international norms of cooperation. Technological advancement is not the only factor behind the dramatic increase in the transnational movement of goods, services, technology, and capital. Liberal international economic regimes have provided the institutional framework for more open trade and investments. Although the process of economic liberalization has often entailed political frictions and intense bargaining, it has also strengthened multilateral institutions by locking states into various liberal trade and investment rules. [7](http://www.ciaonet.org/wps/mom02/index.html%22%20%5Cl%20%22note7) This experience at multilateral economic cooperation can spill over into the security arena. National leaders who learn how to compromise and cooperate on economic issues have a greater chance of doing the same on traditional security problems —or preventing security disputes from escalating to actual military conflict. Over time, transnational economic interactions can even transform national attitudes, preferences, and the definition of interests so that international accommodation and cooperation become more likely in the security realm. [8](http://www.ciaonet.org/wps/mom02/index.html%22%20%5Cl%20%22note8) Ultimately, a collective security order might emerge to keep the peace.

MPX- Econ Growth Good- Poverty

Low growth in South Korea kills millions

USAID 10 [June, United States Agency for International Development http://www.countrycompass.com/\_docs/policy\_briefs/Briefing\_Note\_2\_Critical\_Role.pdf]

The effects of rapid growth are even more profound. In 1960, South Korea was one of the poorest countries in the world; average incomes were only marginally higher than in Haiti, and lower than in Ghana. By 2003, incomes in Korea had increased more than 12-fold as a result of per capita GDP growth averag­ing 6.1 percent per year. In less than one lifetime, rapid growth transformed South Korea from a poor rural society where few homes had water or electricity connections, to an advanced urban economy where access to electricity and water is essen­tially universal, high-speed internet connections are among the best in the world, and the infant mortality rate is lower than in the United States. After reviewing facts like these, Nobel Laureate Robert Lucas remarked that the consequences of economic growth for hu­man welfare are so staggering that “…once one starts to think about them, it is hard to think about anything else” (1988, 5). Lucas concluded that the central challenge for development economics is to identify the causes of rapid growth and imple­ment appropriate measures in all poor countries; if this could be done for a generation, the impact on billions of the poorest children of the world today would be incalculable.

MPX- Econ Growth Good- Famine Module

A. Healthy South Korean econ solves North Korean famine

Kim 5 [Choong Nam, Professor of Political Science, Korean Military Academy and Institute of Foreign Affairs, August, East West Center, No.11, http://www.eastwestcenter.org/fileadmin/stored/pdfs/PSwp011.pdf]

Second, the engagement policy includes substantial economic assistance to an economically bankrupt North Korea. If South Korea’s economy were strong and expanding, South Koreans would likely support at least humanitarian aid to suffering Northern brethren. However, if the southern economy was in trouble, this might become a further obstacle to the policy. Unfortunately, since late 1997, the South Korean economy has been struggling with its own financial crisis that resulted in millions of unemployment. Despite South Korea’s serious economic difficulties after 1997-1998 financial crisis and Pyongyang’s reluctant response to the Seoul’s overtures, the Kim Dae Jung administration pushed the sunshine policy, and , as a result, weekend the fragile national consensus for the policy.

B. North Korean famine kills 22 million

Marcus 3 [David, Clerk to Judge Allyne R. Ross, Eastern District of New York, April, American Journal of International Law, 97 A.J.I.L. 245, Lexis ]

These three histories tragically rebut the shibboleth that natural disasters create famine. [n7](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n7) In contradistinction to assumptions fostered by television images of cracked earth and withered crops, the fate of a famine-prone population is often entirely within human control. Amartya Sen effectively suggests that national governments may choose whether to allow their populations to starve in observing that "famines are, in fact, so easy to prevent that it is amazing that they are allowed to occur at all." [n8](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n8) When mass death results from hunger, governments, not God or nature, deserve scrutiny for their relationship to the catastrophe. The government officials responsible for crafting and pursuing faminogenic policies should be considered some of history's worst criminals. [n9](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n9) However, when Ethiopians began starving  [\*246]  en masse in 1984, the world responded with "Live Aid," "We Are the World," and a voyeuristic fascination with the plight of the Third World, not demands that Colonel Mengistu or his top lieutenants be imprisoned. [n10](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n10) Stalin, of course, takes pride of place among the twentieth century's most notorious criminals. However, the Ukrainian famine is often left off lists of the century's worst human rights atrocities. The New York Times depicted Norbert Vollertsen, a German human rights activist who has made the North Korean famine his cause celebre, as a crackpot for comparing Kim Jong Il's government to Nazi Germany's. [n11](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n11) A statistic in the article attests to the failure to perceive the regime's depravity, noting that "while 82 percent of American respondents thought Iraq's government was 'evil' and 69 percent placed Iran in that category, only 54 percent said North Korea fit the label." [n12](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n12) Indeed, North Korea may be the world's worst current human rights catastrophe, as well as its most ignored. Some of the worst human rights catastrophes of the twentieth century were famines created or manipulated by governments. In 1932 at least five million Ukrainians starved to death, while hunger was largely unknown across the border in Russia. [n1](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n1) The Soviet government imposed disastrous grain quotas on the Ukraine, then let its own citizens literally collapse in the streets while it exported grain to further its "revolutionary" objectives. [n2](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n2) The Ethiopian famine of 1983-1985, preserved in popular memory as a natural disaster of biblical proportions, most fiercely struck those parts of the country that harbored irredentist movements. In a stunning, but telling, rejoinder to international pity for the purportedly hapless Ethiopian government, the Ethiopian foreign minister told a U.S. charge d'affaires that "food is a major element in our strategy against the secessionists." [n3](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n3) Since 1994, more than two million out of a population of twenty-two million in North Korea have starved to death, [n4](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n4) while South Koreans, affected by similar weather patterns, have remained completely untouched by famine. [n5](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n5) Non-governmental organizations (NGOs), trying to distribute aid earmarked for famine victims, have watched helplessly as the government callously interfered and have arrived at the conclusion that "the authorities are deliberately depriving hundreds of thousands of truly needy Koreans of assistance." [n6](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n6)

MPX- Econ Growth Good- Reunification

Economic growth provides forum for Korean reunification discussion

Larkin 1 [John, Legal Scholar, May 24, Far East Economic Review <http://www.tomcoyner.com/kim_dae_jung_comes_up_short.htm>]

"Kim's missed his chance," laments Park Won Soon. "We're almost out of hope. At least in the past we could expect the next government to be better. But this time we expect it to be even less daring." Kim's failure to improve political discourse made it easy for an increasingly picky electorate to turn on him when things went wrong. Things did go wrong, though it wasn't all his fault. He courageously chose to engage North Korea. But in the process he handed market-opening economic reforms to a bureaucracy with a vested interest in stalling them. To massage public opinion before general elections and his Pyongyang summit last June with North Korean leader Kim Jong Il, the focus was shifted from painful restructuring to economy-boosting policies, say economists. Then came the global slowdown, prompting the debt-ridden corporate sector to slash jobs. "Kim Dae Jung completely messed up the timing," says Lee Keun Mo, head of research at Good Morning Securities. "That's why things are so tough this year." Protesters on the streets of Seoul complain about the stagnant economy. But their ire is fuelled also by the failure to reform a political infrastructure that discourages open debate.

Persistent economic downturn unites opposition instead of inspiring reunification dialogue

Larkin 1 [John, Legal Scholar, May 24, Far East Economic Review http://www.tomcoyner.com/kim\_dae\_jung\_comes\_up\_short.htm]

By shunning painful reforms when the economy was buoyant enough to take the hit in 1999, President Kim has stoked rising unemployment among his political base--blue-collar workers. With the economy weak and the social-welfare system underdeveloped, they have little choice but to protest fiercely against job cuts. Kim has left it too late to make the painful reforms needed to clean up the corporate sector. According to a recent estimate 58% of companies are junk-rated, totalling 63% of corporate debt. Here again, Kim's timing is proving to be off. The global downturn has made large-scale bankruptcies politically impossible. The result has been rescue packages, sponsored by government-run banks, of heavily indebted companies such as Hyundai Construction and Hynix. "With the economy in its current state, he just can't justify further reform," says Hahm. The comatose economy is poisoning his pet policy--engaging North Korea. Kim's Pyongyang visit was a major coup, but he's getting little credit now. The gloss of the Nobel Peace Prize he received in recognition of his peace efforts has worn off at home. "It's baffling to me why he did not get more credit from Koreans for what's he's done," says Donald Gregg, a former United States ambassador to Korea. "It's unfair." But engaging North Korea only works if South Korea's economy is healthy. The fact that it's not gives citizens, many of whom detest the Pyongyang regime, another reason to think Kim's government is out of touch. "The real problem is that South Koreans are dangerously polarized on engaging the North," says a senior government official. "We don't know how to debate in this country. The domestic consensus should be better looked after."

Economic turbulence distract from resolving the North Korea crisis

LATTS 3 [March 17, Latin American Trade and Transportation Study http://www.gomdot.com/Divisions/IntermodalPlanning/resources/Programs/ITTS-LATTS/pdf/LATTS/Alliance/Appendix%20II%20Int%27l%20Economic%20Overview%20and%20Market%20Potentials.pdf]

Korea’s financial crisis has eased considerably recently. The Korean won has made a dramatic recovery since late December, albeit with some volatility. The economic crisis in South Korea has overshadowed the economic problems of North Korea and the ever-present dangers of a military clash between the two states. Yet, these two issues could easily become the gravest threats to South Korea’s economic future. A government collapse in the North could lead to chaotic mass migration to the South; and any minor military clash could easily escalate into a major war that would destroy most of South Korea’s economy.

MPX- Econ Growth Good- Reunification

Korean economic stability key to reunification plans

Mochizuki 98 [Mike M, Japan-U.S. Relations Chair in Memory of Gaston Sigur at the Elliott School of International Affair, Asian Pacific Research Center <http://www.google.com/#hl=en&source=hp&q=mike+Mochizuki&aq=f&aqi=g10&aql=&oq=&gs_rfai=C30ipJCogTJH3BIOczAT20ITuDQAAAKoEBU_QYec4&fp=45835207582d5ee7>]

The economic crisis poses a vexing dilemma for South Korean policy toward the North. On the one hand, with the problems they now face at home, the last thing South Koreans would want is to bear the economic and social burden of dealing with a collapsing North Korea and an abrupt reunification process. Therefore, they have a strong incentive to increase the prospects of stability and moderate reform in North Korea. On the other hand, the domestic economic challenges make it even more difficult for South Korea to offer the North much in the way of economic incentives to move forward on North –South relations. South Korean businesses are likely to be reluctant about investing in North Korea as a way to entice Pyongyang toward economic reform and security cooperation. Some have even raised the possibility that Seoul might not be able to provide its large share of the financial support for the Korean Peninsula Energy Development Organization (KEDO) —the mechanism for implementing the October 1994 “Agreed Framework " between the United States and North Korea regarding the latter’s nuclear programs. Given this situation, a bold strategy of economic engagement will require the resources of Japan and the United States. But letting Tokyo and Washington take the lead in an economic overture to North Korea will rub against Seoul’s long –held interest in being the focal point in dealings with Pyongyang. In short, despite Kim Dae –jung’s declared intention to push forward on a dialogue with the North, the South Korean economic crisis makes close coordination among Seoul, Tokyo, and Washington regarding policy toward Pyongyang even more essential.

MPX- Econ Growth Good- Environment

South Korean economic growth provides innovation to reduce pollution

Gurria 9 [Angel, OECD Secretary-General, November 17, http://www.oecd.org/document/18/0,3343,en\_33873108\_33873555\_44080146\_1\_1\_1\_1,00.html]

What cocktail of strategy, policies and framework conditions will enable economies to harness new sources of economic growth, prevent environmental degradation and enhance the quality of life? An initial step in this agenda is to identify the most promising areas to promote sustainable and balanced growth. In the remainder of my intervention I would like to suggest two such sources: innovation and green growth.

Economic growth allows South korea to bolster green economy and reduce pollution

Deen 10 [Thalif, UN Bureau Chief, March 29, UN. Interview http://ipsnews.net/news.asp?idnews=50826]

**Q: In the context of climate change and environmental pollution worldwide, how "green" is tourism in Korea? A: Seoul is actively tackling energy and environmental issues with the new "Low-Carbon, Green Growth'' law.** Due to go into effect in April 2010, the law mandates the country develops eco-friendly businesses and projects that will lead to both economic growth and reduction in greenhouse gas emissions. **Q: How close are you to the new concept of eco-tourism? A: The introduction of official green policy has placed a special emphasis on eco-tourism in Korea**. Seoul has great potential to develop into an ideal green city with its abundance of natural resources from the majestic mountains that ring the city and Han River, which flows through the city**. New city plans call for creating a downtown green axis aimed to bathe the city with greenery. The Han River Renaissance project is a major work in progress to restore the riverside area to its natural setting by replacing the concrete riverbanks with trees and plants and green spaces exclusively for wildlife. Q: How do you plan to cope with the risks of the big city pollution factor? A:** Seoul plans to replace all carbon-fuel-powered public buses with natural-gas-powered ones by the end of 2010 and aims to replace all public buses with either electric or hybrid ones by 2020, improving the air quality to the level of such OECD cities as New York and Tokyo.

Economic growth enables South korea environmental education, regulations and tech development

Lim 97 [Jaekyu, School of Economics, University of New South Wales, September, http://wwwdocs.fce.unsw.edu.au/economics/Research/WorkingPapers/1998\_2.pdf]

We explore the relationship between economic growth and environmental quality in South Korea. Economic growth is found to generate environmental pressure, but empirical studies in this paper also shows that there exists an inverted U-shaped relationship between environmental pressure measured in terms of SO2, NO2, TSP and BOD and economic growth. The turning point of the curve is located around early 1980s. This coincides with the time when Korean environmental regulation and policies became stricter. The results show some evidence towards the effectiveness of these policies. The traditional idea of "the limit to growth" developed by Meadow et al. (1972) shows the effect of economic growth on the environment in terms of a trade-off. This idea is based on two reasons: (i) the limited capacity of natural environments to receive the waste generated by the economic system; and (ii) the finite nature of exhaustible resources (Turner et al. 1994). The critics of the limit to growth points to a number of reasons why there may not be the limit to growth after all. Among these reasons are: (i) positive and increasing income elasticity for environmental quality; (ii) changes in the composition of production and consumption; (iii) increasing levels of education and environmental awareness; (iv) technological progress; and (v) more open political systems.1 This implies that the economic growth trajectory for environmental problem is likely to depend upon both market forces and changes in environmental policies and regulations.

Impact Module – Chinese Economy

Korean economic collapse would devastate China’s economy – the two countries are increasingly interdependent.

Chan and Kuo 5 (Sarah, researcher at EAI w/ her Masters in applied economics from the National University of Singapore, and Chun-Chien, prof of Econ @ Shih Hsin University, *East Asia: An International Quarterly*, 22(1), p. 40-43)JM

Rising intra-regional trade in machinery and capital equipment considerably strengthen the economic linkages and interdependence of China, Japan and Korea. There is evidence that the magnitude of ties between China and her neighbours are rapidly growing in relative importance. As seen from Table 4 which uses the trade share method in measuring the level of Northeast Asia’s intra-regional trade, the US remains Japan and Korea’s biggest export destination throughout 1985-2001 but it is gradually declining in importance as a traditional export market. For instance, 36% of Korea’s total exports were destined for the US in 1985 but this dropped to 21% in 2001. For Japan, its share of exports to the US fell from 38% to 30% while its export shares to Korea and China climbed steadily from 1985-2001. In 1985, 4% and 7% of Japan’s total exports were destined for Korea and China respectively, but this later increased to 6% and 8% in 2001. In the case of China, Japan remains the biggest export market for most of the years since 1985 (Table 4). In 2001, the US overtook Japan as the biggest market for Chinese goods, accounting for 20% of China’s total exports. In contrast, the share of China’s exports destined for Japan stood at 17%. Korea is increasingly emerging as an important export market for China. In 1992, the share of China’s goods destined for Korea were only 3% but this nearly doubled to 5% by 2001. Reflecting the importance of China in Korea’s trade, China overtook Japan to emerge as the second largest buyer of Korean products, accounting for 12.1% of Korea’s total exports in 2001, up sharply from 3.5% in 1992. In contrast, Korea’s share of exports to the Japanese market went down slightly from 15% in 1992 to 11% in 2001. The US remains Japan’s biggest import source from 1985 to 2001. Increasingly, Japan sourced from China and Korea more than from the US. The share of US in Japan’s overall imports slid from 20% in 1985 to 18% in 2001. But the share of Korea and China in Japan’s imports has been increasing over the years. In 1985, Korea accounted for only 3% of Japan’s total imports but this rose to 5% in 2001. Compared to Korea, China is more important as a supplier to Japan. Japan’s imports from China are being boosted strongly by IT-related products and other automotive items produced by Japanese joint ventures in China. In 2001, China accounted for 17% of Japan’s overall imports, up sharply from 5% in 1985. China is also increasingly becoming important as a supplier to Korea than Japan. As seen from Table 4, Japan was Korea’s biggest import source for most years since 1985 but its importance as a supplier for Korea has been declining, as compared to China. In 2001, the three largest importing nations to Korea were, in the order, Japan, US and China. In terms of the proportion of imports from Korea by nation, Japan and the US accounted for 19% and 16%, respectively of Korea’s total imports in 2001, down from 24% and 21% in 1985. China, on the other hand, accounted for 9.4% of Korea’s imports, up from 4.6% recorded in 1992. China sourced much more from Japan as it does from the US, almost twice much imports from Japan than her US counterpart. Japan is much more important as a source of supply of imports for China than as a destination for China’s exports (Figure 3). Similarly, Korea is also more important as a supplier to China than as a market for Chinese goods (Figure 4). In fact for Korea, exports to China, in particular, has become a key growth driver, rising faster than overall (Korean) exports.11 For instance, China’s share in Korea’s exports was a mere 1% in 1990 but this increased dramatically to 12% in 2001.12 42 East Asia / Spring 2005 Measuring the degree of trade ties between China and her neighbours based on the trade intensity index also indicate greater economic complementarity among the three economies. Based on the index, trade between China, Japan and Korea is considerably greater than what should be expected based on their geographical proximity and relative size in world trade.13 As seen from Table 5, Japan’s intensity of trade with China and Korea is generally higher than that with the US. Similarly for Korea, whose intensity of trade with Japan and China is higher than that with the US. Among Japan and China, however, Korea traded more intensely with China than Japan, as reflected in its indices of around 3 and 4 which is higher than the index with Japan which is around 1 or 2. For China, its trade intensity with Japan continue to be high, at a level of around 2 to 3 whereas its trade intensity with Korea is lower. However, the intensity of trade between China and Korea has increased markedly from 1992 to 2001, from 1.32 to 2.04. Finally, it is interesting to note that the US has declined slightly as a trading partner for Japan and Korea, which is consistent with the findings in the earlier trade share analysis. Nonetheless, the indices of Japan and Korea with US as a partner are all 1 or above, indicating that Japan and Korea still enjoys a strong trading relationship with the US.

Impact Module – Chinese Economy

South Korea and China are economically interdependent.

Xinhau 5/29 (Xinhau News Agency, press agency in the PRC, [<http://www.chinadaily.com.cn/china/2010wentour/2010-05/29/content_9908174.htm>] AD: 6/21/10)JM

SEOUL, May 29 (Xinhua) -- Visiting Chinese Premier Wen Jiabao made a four-point proposal on Saturday on closer economic ties with South Korea in a meeting with South Korean Prime Minister Chung Un-chan. The economies of China and South Korea are increasingly interdependent and closer to each other, and have a great potential for cooperation, Wen said. The Chinese premier suggested that the two countries speed up the work on establishing a China-South Korea free trade area in a gradual manner by seeking common ground while reserving differences. The two countries should also explore new cooperative fields like energy conservation, environmental protection, high-tech and low-carbon economy, oppose trade and investment protectionism of all forms and properly handle trade frictions, said Wen.

South Korea is key to the Chinese economy. They pump billions into its economy every year.

Kim, Kim, and Lee 6 (Joon-Kyung, prof @ the Korea Development Institute School of Public Policy and Management, Yangseon, visiting scholar @ Northeast Asia Development Program, and Chung H., prof of Econ @ the College of Social Sciences at the U of Hawaii at Manoa, *Asian Economic Journal*, 20(4), p. 379)JM

Economic relations between South Korea (henceforth Korea) and China have expanded ever since the two countries established a formal diplomatic relationship in 1987. Trade between the two has grown steadily in both volume and variety, and capital flows likewise have increased although they have been mostly from Korea to China in the form of direct investment. Between 1989 and 2004, for instance, Korea’s merchandise exports to China grew from US$1.3bn to US$49.8bn while China’s merchandise exports to Korea grew from US$472m to US$27.8bn. During 2004 alone Korea invested US$2.0bn in China, and by the end of that year the total stock of its investment in China stood at US$8.9bn. These increases in both trade and investment are signs of growing economic interdependence between the two countries.

Chinese economic collapse leads to China-U.S./Taiwan war.

Lewis 8 (Dan, Research Director of the Economic Research Council, [<http://www.worldfinance.com/news/home/finalbell/article117.html>] AD: 6/21/10)JM

A reduction in demand for imported Chinese goods would quickly entail a decline in China’s economic growth rate. That is alarming. It has been calculated that to keep China’s society stable – ie to manage the transition from a rural to an urban society without devastating unemployment - the minimum growth rate is 7.2 percent. Anything less than that and unemployment will rise and the massive shift in population from the country to the cities becomes unsustainable. This is when real discontent with communist party rule becomes vocal and hard to ignore. It doesn’t end there. That will at best bring a global recession. The crucial point is that communist authoritarian states have at least had some success in keeping a lid on ethnic tensions – so far. But when multi-ethnic communist countries fall apart from economic stress and the implosion of central power, history suggests that they don’t become successful democracies overnight. Far from it. There’s a very real chance that China might go the way of Yugoloslavia or the Soviet Union – chaos, civil unrest and internecine war. In the very worst case scenario, a Chinese government might seek to maintain national cohesion by going to war with Taiwan – whom America is pledged to defend. Today, people are looking at Chang’s book again. Contrary to popular belief, foreign investment has actually deferred political reform in the world’s oldest nation. China today is now far further from democracy than at any time since the Tianneman Square massacres in 1989. Chang’s pessimistic forecast for China was probably wrong. But my fear is there is at least a chance he was just early.

Impact Module – Chinese Economy

The aftermath of the war is extinction.

Cheong 2k (Ching, senior journalist with the Strait Times, June 25, 2000, lexis, AD: 6/21/10)JM

THE high-intensity scenario postulates a cross-strait war escalating into a full-scale war between the US and China. If Washington were to conclude that splitting China would better serve its national interests, then a full-scale war becomes unavoidable. Conflict on such a scale would embroil other countries far and near and -horror of horrors -raise the possibility of a nuclear war. Beijing has already told the US and Japan privately that it considers any country providing bases and logistics support to any US forces attacking China as belligerent parties open to its retaliation. In the region, this means South Korea, Japan, the Philippines and, to a lesser extent, Singapore. If China were to retaliate, east Asia will be set on fire. And the conflagration may not end there as opportunistic powers elsewhere may try to overturn the existing world order. With the US distracted, Russia may seek to redefine Europe's political landscape. The balance of power in the Middle East may be similarly upset by the likes of Iraq. In south Asia, hostilities between India and Pakistan, each armed with its own nuclear arsenal, could enter a new and dangerous phase. Will a full-scale Sino-US war lead to a nuclear war? According to General Matthew Ridgeway, commander of the US Eighth Army which fought against the Chinese in the Korean War, the US had at the time thought of using nuclear weapons against China to save the US from military defeat. In his book The Korean War, a personal account of the military and political aspects of the conflict and its implications on future US foreign policy, Gen Ridgeway said that US was confronted with two choices in Korea -truce or a broadened war, which could have led to the use of nuclear weapons. If the US had to resort to nuclear weaponry to defeat China long before the latter acquired a similar capability, there is little hope of winning a war against China 50 years later, short of using nuclear weapons. The US estimates that China possesses about 20 nuclear warheads that can destroy major American cities. Beijing also seems prepared to go for the nuclear option. A Chinese military officer disclosed recently that Beijing was considering a review of its "non first use" principle regarding nuclear weapons. Major-General Pan Zhangqiang, president of the military-funded Institute for Strategic Studies, told a gathering at the Woodrow Wilson International Centre for Scholars in Washington that although the government still abided by that principle, there were strong pressures from the military to drop it. He said military leaders considered the use of nuclear weapons mandatory if the country risked dismemberment as a result of foreign intervention. Gen Ridgeway said that should that come to pass, we would see the destruction of civilisation. There would be no victors in such a war. While the prospect of a nuclear Armaggedon over Taiwan might seem inconceivable, it cannot be ruled out entirely, for China puts sovereignty above everything else.

A2: South Korea Econ Resilient

Korean economy doesn’t recover quickly- empirically proven consumption, stimulus bottom out

Tae-gyu 9 [Kim, Staff Writer, January 20, The Korean Times, Lexis]

Consumption, which accounts for about two-thirds of the economy, is not resilient. Unlike investments, which are elastic to the economic cycle, consumption is slow to respond to business fluctuations. This bodes well for the economy when things head south because consumption helps hold up flagging demand, but not vice versa as the inelastic consumption holds back economic recovery. Calling this the "threshold effect" of consumption, experts worry that it might prevent the country from pulling out of the lingering financial crisis early. "Domestic consumption probably declined on a year-on-year basis over the fourth quarter of 2008," Woori Security analyst June Park said. The Bank of Korea plans to announce the data Friday. "Once consumption falls into negative territory, it can hardly come back to positive terrain because of the threshold effect. I am afraid consumption will continue to slump for the time being," he said. To grapple with the downward curve of consumption, the government plans to channel an additional 11 trillion won into the economy during the first half of this year under the "Green New Deal." Park projected, however, the pump-priming measures will not work that much in terms of stimulating consumption. "We expect the huge spending will increase consumption by just around half a percent over the first six months of this year," Park said. "Even during the Asian financial crisis, when the local economy got back on track quickly, it took a full year for a recovery. I am not sure how long it will take this time around," he said. Kim Young-il, an economist at the state-run Korea Development Institute, said the threshold effect depends on the characteristics of a specific procedure - how quickly it wears out. "Even during the economic downturn, people continue to buy non-durable goods such as food or clothing because they are necessary for survival. But they cut expenditure on durable goods like cars, home appliances and furniture," Kim said. "The consumption of hard goods does not resume before people gain confidence that the economy will pick up in the near future. This delays the rebound of overall consumption, thus creating the threshold effect," he said. Kim said the declining sales of durable goods takes place whenever the economy falls into a slump - during the late 1990s in the aftermath of the Asian currency crisis and the 2000's credit card bubble. "Sales of durable goods show signs of dwindling, which marks a harbinger heralding the reduction of overall consumption. Things are likely to deteriorate for some time to come," he said.

\*\*\*Aff Answers\*\*\*

Non-UQ– Economy Down– Debt

Korea’s excessive debt is hurting growth.

SERI 6/14 (The Samsung Economic Research Institute, a South Korean economic think tank, “Global Financial Crisis and Deteriorating Fiscal Soundness,” [<http://www.seriworld.org/03/wldKetV.html?mn=E&mncd=0302&key=db20100614001&sectno=3>] AD: 6/20/10)JM

Due to such aggressive fiscal measures, Korea's budget balance deteriorated rapidly and public debts rose sharply. In 2009, consolidated budget deficit reached 17.6 trillion won, a switch from a surplus of 11.9 trillion won in 2008. Government debt also increased from 309.0 trillion won (30.1% relative to GDP) in 2008 to 359.6 trillion won (33.8% relative to GDP) in 2009. Public debt is expected to increase further in 2010 as the government -- cautious over the global economic recovery and possible external shocks to the Korean economy ? has not fully readjusted the level of spending from the inflated 2009 budget. According to the 2010 budget, government debt is expected to reach 407.2 trillion (36.1% relative to GDP). Without fiscal exit strategies, Korea's debt build-up can continue to rise in the future. To be sure, there is a possibility that government debt could spiral beyond administrative control because of current and future spending demands. Over the short term, the government has to cope with increasing mandatory spending such as repayment of government bonds. Major government programs including green growth and job-creation will make it difficult to reduce even discretionary spending. Over the long term, demographics will play a critical role in inflating fiscal spending. National pension and medical insurance outlays will rise in the coming decades because of the Korea's rapidly ageing population. At the same time the nation's prolonged low birth rate will hamper economic growth potential and weaken the tax base. Therefore, a combination of rising demand for budgetary spending and slower growth in tax receipts would make it more difficult for the government to balance its budget in the future.

Korea has a sizable deficit

The Korea Times 2/1 (The Korea Times, oldest newspaper in Korea, [<http://www.koreatimes.co.kr/www/news/biz/2010/05/123_60054.html>] AD: 6/20/10)JM

South Korea posted a trade deficit of $470 million in January mainly due to a surge in energy imports caused by higher prices and a prolonged cold snap, Yonhap News Agency reported Monday. The deficit is a sharp turnaround from the $3.09 billion surplus tallied for the previous month, according to a monthly report released by the Ministry of Knowledge Economy. The deficit was the first since $3.76 billion reported in January 2009. Exports amounted to $31.08 billion last month, up 47.1 percent year-on-year and the sharpest gain since 1990, while imports jumped 26.7 percent to $31.55 billion. "Despite the sharp gains in exports, the rise in raw material imports and crude oil prices contributed to the overall trade deficit," Kang Myung-soo, head of the ministry's export and import division, was quoted as saying. He said the average price of Dubai brand crude, which makes up the bulk of the country's oil imports, hit $76.8 per barrel in January from just $44.1 a year earlier.

Non-UQ– Economy Down – GDP

GDP is an irrelevant and inaccurate measure of the success of a nation’s economy.

Woodward 8 (Jared, founder and contributing editor of Expiring Monthly: The Option Trader’s Journal, April 6, 2008, [<http://www.condoroptions.com/index.php/about/>] AD: 6/20/10)JM

Here are three reasons why we should scrap Gross Domestic Product as the key headline metric for analyzing the health of an economy:

Life is more than what happens at the office. Myopically focusing on GDP headline numbers skews our sense of what it means to have a healthy economy, and when we use GDP figures to assess the quality of life and strength of our society, we are minimizing or ignoring other extremely important variables. Domestic labor, volunteer work, and other forms of unpaid labor are not tracked by GDP, yet they are extremely important aspects of any economy. And the well-being of a country cannot be inferred solely from the measurements of its consumption and production: life expectancy, infant and maternal mortality, education, literacy, and public health are just some of the crucial variables that are ignored by the GDP formula.A strong economy is a sustainable one. A high GDP does not necessarily indicate a sound economy, since GDP does not measure the long-term sustainability of visible growth. A country may be in the midst of an asset bubble (think housing, tech stocks), may be over-exploiting its natural resources (oil, mining, logging…), or may have a very low savings rate and/or misdirected investments; and thus will show an artificially high GDP number. What’s the point of measuring growth if we can’t tell whether that growth is sustainable over the long or even medium term?

Non-UQ– Economy Down – Investment

Even if South Korea’s economy has investment opportunities, the last 25 years of research indicate investment does not impact economic growth.

Blomstrom 96 (Magnus, professor of economics at the Stockholm School of Economics, The Quarterly Journal of Economies, 111(1), p. 275-276)JM

IV. CONCLUSIONS Relating the growth rate of real GDP per capita to the share of fixed investment or equipment investment in GDP, and to other variables over long periods, De Long and Summers [1991, 1992] and most other studies conclude that the investment ratio exerts a major influence on income growth. Dividing the post- World War II period into five-year subperiods, we find that per capita GDP growth in a period is more closely related to subsequent capital formation than to current or past capital formation. Moreover, the results of simple causality tests suggest that growth induces subsequent capital formation more than capital formation induces subsequent growth. Thus, we find no evidence that fixed investment (or equipment investment) is the key to economic growth. This conclusion is in line with the last 25 years of research in development economics, which shows that the path to growth and development is much more than simply raising saving and investment rates from 5 to 15 percent, as Arthur Lewis, Walter Rostow, and others suggested in the 1950s. Institutions, economic and political climate, and economic policies that encourage education, inflows of direct investment, lower population growth, and the efficient use of investment seem to be the chief foundations for economic growth.

Non-UQ– Economy Down – General

Due to South Korea’s defunct economy, unemployment and debt is the norm for many.

Oliver and Buseong 6/11 (Christopher and Kang, reporters for the Financial Times, a British international newspaper, [http://www.ft.com/cms/s/0/b5bb3868-3b36-11df-a1e7-00144feabdc0.html?ftcamp=rss] AD: 6/22/10)JM

South Korea has some of the world’s most over-educated bakers. In one class in Seoul teaching muffin and scone-making, there are graduates in Russian, fine art and animation. For South Korean parents, the world’s highest spenders on their children’s education, something is going horribly wrong. “I wanted to ease the burden on my parents by earning just a little something and finding a job that could give me something more dependable than temporary work,” said one 29-year-old trainee baker. Since graduating in art she could only find part-time work as a waitress. Like so many young people asked about finding work in a socially competitive society where unemployment is a stigma, she was too embarrassed to give her name.

South Korea’s economy is so wracked with volatility and turbulence they are about to have another Lehman Brothers situation on their hands.

Janowski 6/13 (Tomasz, reporter for Reuters, [http://www.reuters.com/article/idUSTRE65C0HZ20100613] AD; 6/22/10)JM

(Reuters) - South Korea announced on Sunday long-anticipated currency controls, saying it aimed to curb rapid shifts in capital flows that were linked to short-term foreign debt and posed a risk to the world's ninth-biggest exporter. The authorities, alarmed by the won's sharp swings during recent market turbulence caused by Europe's debt problems, have been priming investors for weeks for action aimed at stabilizing its currency and cooling overseas borrowing. The well-flagged new restrictions slap limits on banks' and other financial institutions' currency forwards, cross-currency swaps as well as non-deliverable currency forwards. "These measures are aimed at reducing the volatility in capital flows that poses a systemic risk in the country," South Korea's finance ministry, two financial regulators and the central bank said in a joint statement. The new rules will cap domestic banks' and non-bank financial institutions' currency forwards and derivatives at 50 percent of their equity capital. The cap for foreign bank branches was set at 250 percent of equity to account for their lower capital, which on average is just 1/30 of that held by domestic banks. Officials brushed off suggestions that the regulations, which follow liquidity controls and curbs on companies' currency trades announced in November, could hurt investor confidence. "We will stick to a principle of an open market and liberalization of capital transactions. That is a promise we have globally made. We expect foreigners to invest more in the longer term thanks to reduced volatility," Deputy Finance Minister Yam Jong-yong told a news briefing. Officials said the new rules were, in fact, a part of a worldwide effort to better regulate financial institutions to avoid a repeat of the global financial crisis that pushed the world's economy into its deepest recession since the 1930s. LOPSIDED MARKET Seoul also argues that Asia's fourth-largest economy has special reasons to act as it is more exposed to market gyrations than its peers because of its high short-term foreign debt. The debt is equivalent to 60 percent of foreign reserves -- nearly twice the ratio in Indonesia or Malaysia -- and largely reflects an imbalance in the forward market caused by heavy dollar selling by shipbuilders and other big exporters. This drives down the cost of obtaining dollars, encouraging financial markets players, both foreign and local to borrow dollars and use the proceeds to buy South Korean assets. In addition, banks dealing with exporters borrow dollars to balance their positions, which additionally exposes South Korea to a sudden dollar squeeze, similar to that which followed the collapse of Lehman Brothers in September 2008. Bankers said the authorities may succeed in somewhat curbing short-term dollar borrowing, but the controls may backfire when it comes to their ultimate goal -- limiting sharp market swings. "The measures may cause market volatility to rise further in the near term. Doing arbitrage trade in South Korea will be unprofitable to foreign banks and they may move it out of South Korea," a head of a foreign bank branch in Seoul said. Figures provided by authorities showed the new curbs, that have yet to be signed off by a presidential committee on regulatory reforms and are expected to come into force in October, would mainly affect foreign bank branches.

Non-UQ– Economy Down – General

South Korea’s economy has devastating structural problems – rigidity and a lack of investment and transparency are hurting it.

U.S State Department 5/28 (U.S Department of State, Bureau of East Asian and Pacific Affairs, [<http://www.state.gov/r/pa/ei/bgn/2800.htm>] AD: 6/22/10)JM

Economists are concerned that South Korea's economic growth potential has fallen because of a rapidly aging population and structural problems that are becoming increasingly apparent. Foremost among these structural concerns are the rigidity of South Korea's labor regulations, the need for more constructive relations between management and workers, the country's underdeveloped financial markets, and a general lack of regulatory transparency. Korean policy makers are increasingly worried about diversion of corporate investment to China and other lower wage countries, and by Korea's falling foreign direct investment (FDI). President Lee Myung-bak was elected in December 2007 on a platform that promised to boost Korea's economic growth rate through deregulation, tax reform, increased FDI, labor reform, and free trade agreements (FTAs) with major markets. President Lee’s economic agenda necessarily shifted in the final months of 2008 to dealing with the global economic crisis. In 2009, the economy responded well to a robust fiscal stimulus package and low interest rates.

South Korea’s economy is unstable – a lack of investors and capital plagues it.

Olsen 6/13 (Kelly, Associated Press staff writer, [<http://www.washingtonexaminer.com/economy/south-korea-announces-steps-to-battle-financial-volatility-caused-by-swings-in-capital-flows-96238644.html>] AD: 6/21/10)JM

South Korea has suffered when international capital flows suddenly reverse during periods of turmoil, such as the 1997-98 Asian economic crisis and the 2008 meltdown, when investors take out their money and flee to assets — often dollar-denominated — perceived as safer. In both cases, South Korea saw capital rush out of the country. That caused the won to plunge and strongly crimped the ability of local banks and corporations with foreign currency loans to secure dollars to pay them back.

South Korea’s economy will remain unstable as investors won’t invest in a country that could go to war at any moment.

The Hankyoreh 5/26 (The Hankyoreh is a daily newspaper in South Korea, [<http://www.hani.co.kr/arti/english_edition/e_business/422572.html>] AD: 6/21/10)JM

The “Korean Risk” has once again reared its head in the Korean financial market, already experiencing rising instability due to the European financial crisis, in the aftermath of the aftereffects of the sinking of the Cheonan. “Korean Risk,” also known as the “Korean Discount,” is a phenomenon in which the rating of the Korean economy falls due to the geopolitical dangers of inter-Korean confrontation, and has not been easy to find in the local financial market since the June 15 Joint Declaration of 2000. Three Misfortunes Over the Market On Tuesday, local stocks and the exchange rate fell by the largest amount this year. In particular, as the “North Korean risk” has appeared following the Cheonan sinking, the foreign exchange market went into a state of panic. For a fourth day, spooked foreign investors sold their Korean stocks, dumped won and bought dollars. After the government’s announcement that North Korea sank the Cheonan in a torpedo attack, the won-dollar exchange rate climbed 9 percent (103.4 won) in just four trading days. That is the extent of the falling value of the Won. The government and financial authorities intervened Tuesday to put out the flames, but could not stop distress selling. “The market was gripped by a trend in which figures and levels made no difference, and if it had not been for the intervention of authorities, the won would have shot past the 1300 mark,” said one foreign exchange dealer. Experts say that the turmoil in the local financial market Tuesday was due to three misfortunes: the continuing problems in Europe, with Spain nationalizing banks, U.S. President Barack Obama’s financial regulations, and Korea’s geopolitical risk. “A dumping is taking place because bad news is flooding in at once, and since nobody is buying, the stock prices are falling,” said Oh Hyeon-seok, head of the investment strategy team of Samsung Securities. “Since the market has been overshooting low, it could drop to as low as 1500.” Kang Hyeon-cheol, the head of the investment strategy team of Woori Investment and Securities, said Asian stocks had dropped by 2 percent in price due to the European risk, and in the local market, stocks dropped an additional 1 percent due to the North Korea risk. Government Seeking to Reduce Impact on Credit Rating Just last weekend, when the government was inspecting the impact of the Cheonan sinking, it believed the negative impact on the market would be temporary. This was mostly based on the Korean economy’s sufficient capability to absorb external influences, considering its quick economic recovery, financial health and sufficient foreign currency reserves. With the local financial market falling much further than expected, however, the government has begun holding emergency meetings to prepare measures. A Financial Supervisory Service official said it appears foreign investors believe the government’s measures following the sinking of the Cheonan to be stronger than expected.

No Link- South Korea Econ not affected by troops

US military doesn’t contribute in large to South korea economy

Lim 7 (Wonhyuk, Fellow @ The Korea Development Institute, Nautilus Institute, Policy Forum Online 07-086A, 11/27/7, <http://www.nautilus.org/fora/security/07086Lim.html#top>) JPG

As for the spillover effect on bilateral economic relations, it is important to recall that even the acrimonious exchange of words in the security area from 2002 to 2005 did not have a significant economic impact on investment and trade ties between the U.S. and ROK. For the United States, the ROK is now the seventh largest trading partner, ahead of such Western European countries as France and Italy; whereas, for South Korea, the United States is the third largest trading partner, after China and Japan. Although ROK-U.S. interaction has had a positive influence on the ROK's institution-building efforts in the economic area, this effect should not be overstated. On balance, the ROK's accession to the GATT/WTO, OECD, and other international norm-setting institutions has had a greater impact on economic liberalization than has the ROK's alliance relationship with the U.S. It should also be noted that many non-U.S. allies, including China, have adopted global economic norms as part of their requirements for joining international organizations. Moreover, the ROK's economic development since the 1960s has reduced its dependence on the U.S. In particular, as Figure 2 shows, China's increasing relative importance to the ROK in economic terms has become unmistakable in recent years. In 1991, the year before the ROK and China normalized relations, China bought only 1.4 percent of the ROK's exports while the U.S. accounted for 25.8 percent. By 2003, however, China's share of the ROK's exports had increased to 18.1 percent while the U.S. share had declined to 17.7 percent. Of course, as the controversy over the ancient kingdom of Koguryo in 2004 suggests, the increasing economic importance of China does not mean that the ROK would lean toward China at the expense of the U.S. The ROK's more diversified economic portfolio just means that it has more independence.(13)

No Link – Korea Fills-In

If the US withdraws, Korea will take over the bases which means no one loses jobs

Washington Times 9 (3/5/9, Washington Times, http://www.washingtontimes.com/news/2009/mar/05/mission-changing-for-us-troops-in-korea/ ) JPG

The project will cost $13 billion, 90 percent of which is being funded by South Korea to persuade the [United States](http://www.washingtontimes.com/themes/?Theme=United+States) to keep its troops here. If the U.S. ever decides to withdraw those forces, the South Koreans will inherit the modern base.

These changes are part of a realignment of U.S. forces throughout the Pacific. Nearly half of the 17,000 Marines in Okinawa, Japan, are to be moved to Guam. That central Pacific island, which is U.S. territory, is being built into a major air and naval base. A small base in Singapore is coming in for more use; U.S. forces train more in Australia; and the U.S. hopes someday to gain access to Indonesian bases.

A2 – “US K2 Foreign Investment”

South Korea Foreign investment will stay strong from various sources – semiconductors and auto mobiles

Lammers 6 (David, News Editor @ Freelance Journalist, 5/4/6, EETimes India, <http://www.eetindia.co.in/ART_8800416738_1800007_NT_16b02381.HTM>) JPG

South Korea's economy is booming, led by strong advances in chip, display and cell phone production. But foreign electronics companies tend to overlook the country in the rush to gain a foothold in China, a South Korean official said.

Speaking on the opening day of the World Conference on Information Technology, Tong-Soo Chung, director of the [Korea Trade Investment Organization](http://www.eetindia.co.in/SEARCH/ART/Korea%2BTrade%2BInvestment%2BOrganization.HTM) ([KOTRA](http://www.eetindia.co.in/SEARCH/ART/KOTRA.HTM)), said foreign investments in the country are now only about one-sixth the total going to China. But sales per employee are higher for foreign companies investing in South Korea, he claimed, and about 85 per cent of foreign companies are making money in South Korea.

Foreign direct investment in South Korea was Rs.51,910 crore ($11.6 billion) in 2005, down from Rs.57,280 crore ($12.8 billion) in 2004, according to KOTRA. Much of that is in the auto industry, with GM-Daewoo ranked as the largest single investment, Chung said.

In addition, the country's electronics production is growing rapidly, increasing by 15 per cent in 2005. Chung said South Korea's electronics giants have big investment plans, both at home and abroad. Samsung Electronics, already the second largest semiconductor vendor with about Rs.76,075 crore ($17 billion) in revenues last year, plans to invest Rs.1,47,675 crore ($33 billion) over the next seven years in a domestic semiconductor-production complex. Samsung plans to triple its annual chip production to a staggering Rs.2,72,975 crore ($61 billion) by 2013, said Chung. Also, Samsung is said to spend several billion dollars on a 300mm wafer production facility, to be built alongside the company's existing 200mm wafer fab.

Link Turn– South korea Defense Spending Module

A.Empirically, US reduction in troops have led to increased Korean defense spending

Feffer 9 (John, Co-Director of Foreign Policy in Focus at the Institute for Policy Studies, Korea Economic Institute February 2009 4(2), http://docs.google.com/viewer?a=v&q=cache:0W1bvIaCRigJ:www.keia.org/Publications/AcademicPaperSeries/2009/APS-Feffer.pdf+Troop+Control+Would+Cost+W1+Trillion+in+Opportunities&hl=en&gl=us&pid=bl&srcid=ADGEESjlk5qYLOxQgZk7qfzKahAHBa7oWnjFsZbHXhxKAsOFxuHeTJ9r2JwMNUtCUxdOdih8HrlF1-56NO4UnQ8Ty77Hiz1vLCneWNoOx\_W0MNl\_dhsmGJHWuk3HX2xRm90EpQIkr6pF&sig=AHIEtbTmLYC1IZcgjlagPSrfJZSoZ9QEPA) JPG

Chief among these has been the United States. Signifi- cant spikes in South Korean military spending have oc- curred three times in South Korean history, each one corresponding with perceived or actual changes in U.S. defense posture in the region. The first, Park Chung-hee’s emphasis on a self-reliant defense, came in the wake of U.S. troop reductions pushed through by President Rich- ard M. Nixon in the early 1970s.28 The second came at the end of the 1980s when Roh Tae-woo used similar language—the “Koreanization of Korean defense”—in response to U.S. military transformation at the end of the Cold War.29 Finally, the efforts by Kim Dae-jung and par- ticularly Roh Moo-hyun have represented a third wave in Korean military spending, again a modernization effort in response to U.S. global force transformation. In this most recent modernization, the drawdown of U.S. troops, the relocation of U.S. bases, the removal of the U.S. trip wire, and the handover of wartime military con- trol—changes largely planned since the 1990s but accel- erated during the tenure of Secretary of Defense Donald Rumsfeld—all contributed to intensifying fears of en- tanglement prominent among Roh Moo-hyun supporters and raising fears of abandonment.30 South Korean offi- cials began to look into acquiring many if not all of the high-tech capabilities provided by the United States in or- der to fill the anticipated gap. As military analyst Hamm Taik-young points out, the traditional “division of labor [was] between U.S. software and Korean hardware.”31 So, South Korea rushed to acquire surveillance and com- mand, control, computers, communications, and intelli- gence (C4I) capabilities. But in the alliance relationship, the United States has also traditionally provided naval and air force power, while South Korea has concentrated on the army.32 So, in its modernization, South Korea also began to beef up naval and air power (KDX-III, F-15K), and army firepower (self-propelled artillery).33 The shift in wartime military control created additional anxieties that U.S. forces—such as battle groups—would be either unavailable or delayed if requested by South Korea in an emergency.34 This anxiety persisted despite arguments that, although the shift in wartime control would weak- en alliance cohesion, “it would not necessarily trigger a reduction and withdrawal of American forces.”35 Gen. Walter Sharp’s recent reassurances about U.S. commit- ments and capabilities did little to assuage these anxieties since Washington is simultaneously planning to transfer 40 Apache helicopters from South Korea to Afghanistan, forcing Seoul to consider additional helicopter purchases to compensate for the loss.36 The United States influenced South Korean military spending in other ways as well. There are the costs of the alliance in general (South Korea will pay 760 billion won in 2009 for joint operations and will increase its share each year until 2013) and the ongoing base relocation in particular (South Korea will pay 5.59 trillion won for the Yongsan relocation while the United States will provide 4.4 trillion won). Then there is the cost of maintaining the interoperability of allied forces through the import of U.S. military goods. In 2007, South Korea bought about $900 million worth of arms, 95 percent of which came from the United States.37 This figure will likely grow as the U.S. Congress recently upgraded South Korea’s mili- tary procurement status to the level of Australia, New Zealand, Japan, and NATO members. The United States has used interoperability as a way to influence South Korea’s purchasing decisions, for exam- ple, twisting arms to persuade South Korea to purchase Boeing F-15Ks rather than French Rafales or Russian Sukhoi Su-35s.38 Also, as the United States upgrades its forces in line with RMA, South Korea has no choice but to do the same, for the dance partner who fails to follow the lead will eventually be exchanged for another. These overall alliance costs fall into the category of “asset spec- ificity,” namely the capabilities that have built up over the course of the U.S.-ROK military alliance and that require continual funding to sustain.39 Also part of the economic equation is the large amount of money that United States Forces Korea has directly contributed, through purchas- ing, to the Korean economy.

Link Turn– South korea Defense Spending Module

A.Korean military spending significantly boosts exports and is the biggest stimulator for private sector innovation

Feffer 9 (John, Co-Director of Foreign Policy in Focus at the Institute for Policy Studies, Korea Economic Institute February 2009 4(2), http://docs.google.com/viewer?a=v&q=cache:0W1bvIaCRigJ:www.keia.org/Publications/AcademicPaperSeries/2009/APS-Feffer.pdf+Troop+Control+Would+Cost+W1+Trillion+in+Opportunities&hl=en&gl=us&pid=bl&srcid=ADGEESjlk5qYLOxQgZk7qfzKahAHBa7oWnjFsZbHXhxKAsOFxuHeTJ9r2JwMNUtCUxdOdih8HrlF1-56NO4UnQ8Ty77Hiz1vLCneWNoOx\_W0MNl\_dhsmGJHWuk3HX2xRm90EpQIkr6pF&sig=AHIEtbTmLYC1IZcgjlagPSrfJZSoZ9QEPA) JPG

Central to any self-sufficient military is an indigenous capacity to produce arms. The Park Chung-hee regime stressed the importance of heavy industry, whether ships or jet fighters, in building up the technological self-suf- ficiency of the country and reducing reliance on outside actors. This was equal parts national pride, strategic mili- tary thinking, and a belief in the positive interactions be- tween the military and civilian economies (through spin- on and spin-off effects). In the U.S. context, economic benefits are usually expressed through spin-off: namely, the technologies developed by the military then revolu- tionize the civilian sector (such as the Internet). But in Korea, as in Japan, the emphasis has been on spin-on: namely, the contributions that a developed civilian sector can have on the military (such as sophisticated commu- nications technology). There have been some spin-offs in Korea, such as the kimchi refrigerator that took advantage of imported Russia military technology.55 With spin-ons, however, the Korean defense industry has leveraged the know-how and resource base of already powerful firms

specializing in IT, electronics, shipbuilding, machine tools, and so on to turn ploughshares into swords.56 Now, after government assistance helped the defense industry through the difficult years when capacity rates were even lower than they are today and several firms went out of business, Korean firms make a range of prod- ucts.57 These include the K-1 tank, the KDX destroyer, surface-to-air missile systems, short-range ballistic mis- siles, and the K-9 howitzer. Between 2001 and 2007, when the Korean government focused investments in the IT sector, localization rates in defense sectors connected to IT and telecommunication rose from 72 percent to 85 percent. A similar rate increase took place in precision guidance weapons (56 percent to 74 percent during the same period), but there was a slight decline in the rate for aerospace.58 Still, after enormous effort, South Korea is not self-suffi- cient in arms production, except in a couple areas (small arms, ammunition, and armored vehicles). “Even after more than 30 years of significant public and private in- puts in infrastructure and technology, South Korea still possesses only limited capacities for self-reliant arms production,” conclude military analysts Richard A. Bitz- inger and Mikyoung Kim. “In general, indigenous arms production has turned out to be neither technologically feasible nor cost-effective.”59 But that hasn’t stopped South Korea (and many other countries) from pursuing this chimera.60 Indigenous arms production, however, does not simply reduce the costs of foreign inputs. It can also boost the economy through exports, a particular focus of Roh Moo- hyun.61 In 2006, Korean foreign military sales amounted to $250 million. By 2008, the figure had grown to more than $1 billion.62 These sales have included aircraft to Turkey, Indonesia, and the Philippines as well as war- ships to Malaysia. Arms exports allow manufacturers to reap greater economies of scale, gain necessary hard currency, and increase employment in the defense sector. They also raise the capacity of Korean defense industries, which operated between 1999 and 2004 at a roughly 50 percent rate compared with an industry average around the world of roughly 80 percent.63

Link Turn- US-South korea FTA Module

A.Troop reduction leads to stronger economic US- South korea alliance

Bandow 3 (Doug, Sen. Fellow @ CATO Institute & former foreign policy asst. to Former Pres. Reagan, CATO Institute Policy Analysis No. 474, <http://www.cato.org/pubs/pas/pa-474es.html>) JPG

Cutting the U.S. security commitment to South Korea does not mean ending close cooperation and friendship between the two countries. Intelligence sharing and port access rights would be beneficial for both nations. Depending on the direction inter- Korean relations take, the ROK might become interested in cooperating with Washington in developing a missile defense and possibly nuclear weapons. Cultural ties between the two states would remain strong. Family and friends span the Pacific, as a result of the millions of Americans who have served in South Korea and the hun- dreds of thousands of Koreans who have immigrated to America. More than 1.2 million Americans identified themselves as Korean in the 2000 census.117 Indeed, Americans are like- ly to receive a warmer welcome if our fractious military relationship is replaced by one based on commerce. An equal, cooperative relation- ship between the governments is more likely once the ROK is no longer dependent on America for its defense. Finally, economic ties will remain strong after an American troop withdrawal. Korea is America’s seventh largest trading partner, with two-way trade totaling $57.4 billion in 2001.118 An obvious step forward would be a free trade agreement. In May 2001, even before congressional approval of President Bush’s Trade Promotion Authority, Sen. Max Baucus (D-Mont.), then chairman of the Senate Finance Committee, introduced legis- lation authorizing the U.S. Trade Representative to negotiate such an agreement.119 The ROK has already inked a trade accord with Chile and is discussing the possibility of doing so with Japan.120 Investment flows both ways. The United States is a leading source of foreign direct investment in South Korea. At the same time, total Korean investment in America rose above $3.1 billion, 40 percent of the ROK’s total. The United States competes with China as the lead- ing destination for Korean overseas investment and is ahead of all other nations.121 That trend is likely to continue as South Korean business- es grow in size, expertise, and resources. In sum, South Koreans have built a vital, powerful, and growing nation. The best way for America and the ROK to achieve the sort of “equal” relationship desired by so many Koreans is to eliminate the ROK’s status as an American defense protectorate.

Link Turn- US-South korea FTA Module

**B. free trade agreements in the pacific will bolster our position as the regions hegemon – without US-led free trade Russia and China will take over**

**Colucci 9** (6/8/Lamont, former State Department diplomat and asst professor of politics and govt at Ripon College in Wisconsin, “Free Trade Exigencies; South Korea Pact a Key to Our Pacific Position.” Questia, <http://www.questia.com/read/5031344032?title=Free%20Trade%20Exigencies%3b%20South%20Korea%20Pact%20a%20Key%20to%20Our%20Pacific%20Position>) JPG

In January, North Korea demanded that the United States normalize relations before the North would abandon its nuclear weapons program. North Korea since has launched a multistage rocket, quit the six-party talks, restarted its nuclear reprocessing facility at Yongbyon, performed a second nuclear weapon test, test-fired two short-range missiles, announced its own version of the reset button by declaring the Korean War armistice over, and now plans to test launch an intercontinental ballistic missile. In this security context **the United States should push for the free-trade agreement with South Korea**, known as KORUS-FTA. In a prior column, this author discussed the necessity for **a U.S.-Japan free-trade** agreement, but that **cannot occur while the agreement with our other East Asian ally languishes**. **The KORUS-FTA is the linchpin for any future Asian free-trade agreements.** **The agreement** was signed by both nations in June 2007 and **would eliminate tariffs on 95 percent of most goods and services. South Korea is the 10th-largest economy**, our seventh-largest trading partner and our sixth-largest market for agricultural goods. A number of independent and government studies indicate that the KORUS-FTA would add $20 billion in bilateral trade, increase U.S. gross domestic product by up to $11.9 billion, and raise U.S. exports by 49 percent. On average, current American exports face higher tariffs in South Korea than the other way around. Although 70 percent of South Koreans believe it would promote friendly relations with the United States, there is great opposition by forces against free trade and various people in the new Obama administration. Secretary of State Hillary Rodham Clinton said, as a candidate for president, While I value the strong relationship the United States enjoys with South Korea, I believe that this agreement is inherently unfair. There have been outstanding issues over items like U.S. beef exports, pharmaceuticals and products produced at Kaesong industrial complex. However, **President Obama must reassure the world of his free-trade credentials**. There is consternation in many capitals over perceived protectionist sentiment and its dubious partner, isolationism. This issue is another victim of the lack of media attention to international affairs. Aside from South Korea and Japan, the other democracy in Asia with which a free-trade agreement is needed is Taiwan. This agreement would seem easier, as Taiwan is not only our ninth-largest trading partner, but it also would provide an overall boost for U.S. manufacturing (Taiwan exports no automobiles), agriculture and especially the high-tech sector. As with South Korea, the stakes are high politically and diplomatically. **Rejection of free-trade agreements with East Asia's democracies run counter to American values and economic interest**. **Bolstering free trade** with Japan, South Korea and Taiwan **sends a message of solidarity, stability and commitmen**t. **It is also a warning to potential aggressors**. The negative **outcomes of a KORUS rejection are legion and would send an ominous statement to Tokyo and Taipei. It will prove the unreliability of American diplomatic commitments** to a political and military ally, which has risked much domestically in pushing for the agreement. **Rejection would play into the hands of the expansionists in Moscow and Beijing who seek to diminish our influence in the entire Pacific**. There will be a chilling effect with other countries that plan to seek a free-trade agreement with the United States as this entire scene of political theater plays into the hands of the propagandists in Pyongyang. There is more at stake here than an economic agreement; **there is our entire presence in the Pacific**.

Presence Bad – Korean & US Econ

US presence in Korea has an overall negative effect on both economies and kills Korean productivity

Lutz 9 (Catherine, Professor @ Watson Inst. For Int’l Studies @ Brown Univ., 7/30/9, New Statesmen, http://www.newstatesman.com/asia/2009/07/military-bases-world-war-iraq) JPG

Critics of US foreign policy have dissected and dismantled the arguments made for maintaining a global system of military basing. They have shown that the bases have often failed in their own terms: despite the Pentagon's claims that they provide security to the regions they occupy, most of the world's people feel anything but reassured by their presence. Instead of providing more safety for the US or its allies, they have ­often provoked attacks, and have made the communities around bases key targets of other nations' missiles. On the island of Belau in the Pacific, the site of sharp resistance to US attempts to instal a submarine base and jungle training centre, people describe their experience of military basing in the Second World War: "When soldiers come, war comes." On Guam, a joke among locals is that few people except for nuclear strategists in the Kremlin know where their island is.

As for the argument that bases serve the national economic interest of the US, the weapons, personnel and fossil fuels involved cost billions of dollars, most coming from US taxpayers. While bases have clearly been concentrated in countries with key strategic resources, particularly along the routes of oil and gas pipelines in central Asia, the Middle East and, increasingly, Africa, from which one-quarter of US oil imports are expected by 2015, the profits have gone first of all to the corporations that build and service them, such as Halliburton. The myth that bases are an altruistic form of "foreign aid" for locals is exploded by the substantial costs involved for host economies and polities. The immediate negative effects include levels of pollution, noise, crime and lost productive land that cannot be offset by soldiers' local spending or employment of local people. Other putative gains tend to benefit only local elites and further militarise the host nations: elaborate bilateral negotiations swap weapons, cash and trade privileges for overflight and land-use rights. Less explicitly, rice imports, immigration rights to the US or overlooking human rights abuses have been the currency of exchange.

The environmental, political, and economic impact of these bases is enormous. The social problems that accompany bases, including soldiers' violence against women and car crashes, have to be handled by local communities without compensation from the US. Some communities pay the highest price: their farmland taken for bases, their children neurologically damaged by military jet fuel in their water supplies, their neighbors imprisoned, tortured and disappeared by the autocratic regimes that survive on US military and political support given as a form of tacit rent for the bases. The US military has repeatedly interfered in the domestic affairs of nations in which it has or desires military access, operating to influence votes and undermine or change local laws that stand in the way.

No MPX- South korea Econ Not Key to World

South Korean economy is reactive to global trends- proves it’s not a front runner Business and Technology Report 10 [May 1, http://www.biztechreport.com/story/440-high-tech-and-educated-labor-force-will-take-korea-top-next-decade]

**Q: What are the important problems the Korean economy is facing today and what are your solutions to those problems?** A: South Korea is an export-based economy. When the international market isn't good, our exports decrease, but when the international market is vitalized, our exports also increase. So we need to make some changes to the export-based economy. The international market is in a period of recovery, so it wouldn't be a great hardship for us to change our export-based economy, however, in order for South Korea to be of help to the international economic recovery, we need to develop our domestic market as well. We need a new economic policy that can create a harmonious balance between our export-based economy and our domestic economy.

No MPX- Famine Module

No impact- Famine assistance used as a deterrent by North Korea

Marcus 3 [David, Clerk to Judge Allyne R. Ross, Eastern District of New York, April, American Journal of International Law, 97 A.J.I.L. 245, Lexis ]

The responses by the North Korean government to the food shortages range from the laughable to the counterproductive to the criminal. One initial response was the "Let's eat two meals a day" campaign. [n127](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n127) Another was the reduction of the grain ration to farm families by 35 percent, taking it far below subsistence level. This action further weakened productivity, as farmers faced the choice of letting their families starve or covertly squirreling away parts of their harvest, which led to urban food shortages. [n128](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n128) The government has stubbornly refused to reform its agro-economic practices, in spite of the undeniable evidence of their destructiveness. [n129](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n129) More disturbingly, North Korea has used famine victims as a political pawn, at times demanding food aid from Japan, the United States, and South Korea as a prerequisite to dialogue, [n130](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n130) and holding its own population hostage to make sure that the United States and others do not have too strong a bargaining position. [n131](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n131) This perverse treatment of its own citizenry reflects the North Korean government's desperate desire to hold on to power. [n132](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n132) As one official said, "'We're not going to beg too hard. We are not going to change and have openness. If those people die, they die.'" [n133](http://www.lexisnexis.com.ezproxy.uhd.edu/us/lnacademic/frame.do?reloadEntirePage=true&rand=1277171978503&returnToKey=20_T9597337640&parent=docview&target=results_DocumentContent&tokenKey=rsh-20.699450.3487401921" \l "n133)

No MPX- China Economy

China’s economy is resilient – its performance during the global recession proves.

Vassallo 1/27 (Sarah-Jane, journalist for Urban Magazine, [http://urbanemagazine.org/politics/chinese-policy-successes-in-the-recession/] AD: 6/22/10)JM

The People’s Republic of China (P.R.C.) in particular has fared better than many Western nations due to a strict government oversight of banks and a meticulous, state-led capitalist structure. Fourteen months after the initial collapse, the P.R.C. has reemerged relatively unscathed. Since the turn of the century, the Chinese economy has grown at an unprecedented double-digit rate due in large part to its export market. Although the global economic crisis has caused exports to slow and global demand to plummet, China has been able to recover and sustain its gravity-defying growth rates due to the flexibility of its market. In the immediate aftermath of the recession, sources reported that Gross Domestic Product (GDP) growth rates in the P.R.C. were expected to fall as low as 5% per annum, and would continue to fall within the coming years. Reported statistics have not come close to this level. They are still hovering around 9% and recent reports show that rates have stabilized. Financial analysts note that if China is to manage a swelling labour force and facilitate the transition of millions of peasants from the agricultural to the urban sector, a growth rate of at least 9% will be necessary. The Chinese economy has once again defied the odds and managed to float above the ups and downs of the market and emerge with minimal damage. BusinessWeek reports that growth will accelerate to more normal levels of 9.5-10.5% in 2010. Not even ‘The Great Recession’ has obstructed China’s path toward becoming the largest economy in the world.

Professor Victor Falkenheim, a China specialist at the University of Toronto provides several explanations for China’s ability to circumvent the wrath of the greatest financial crisis in decades. The government responded to the crisis with a number of social and economic stabilizing measures. “They have sustained economic growth based on loosening credit and providing a domestic stimulus…attempting to encourage domestic consumption to replace exports,” says Falkenheim. According to Falkenheim, the multi-billion dollar stimulus package has generated growth in the housing market, and has also managed to maintain growth by implementing a number of policies to satisfy various social sectors. For instance, to counter unemployment of university graduates, the government has created public service opportunities including village teaching and internship positions that are reasonably well paid. This “has mopped up a lot of youth unemployment.” Professor Falkenheim also cites the emphasis on programs to create social harmony and government subsidies to sustain development.

South Korea won’t affect China’s economy – its strong domestic market will make the ROK irrelevant.

Chu 2/16 (Yun-han, Professor of Political Science at National Taiwan University, [http://www.clubmadrid.org/img/secciones/Road\_to\_Sustainable\_Growth\_Eng\_Final\_Version.pdf] AD: 6/22/10)JM

Four factors contributed to the region’s stronger than expected economic rebound. First, the region was relatively well insulated from the global financial meltdown as it had inherited a relatively healthy state of financial systems prior to the sub-prime loan crisis and built up a huge foreign reserve as a hedge against a replay of the 1997 regional financial crisis. Asset bubbles were either not alarmingly threatening or they had been contained well before the current crisis as in the case of China. Second, most East Asian economies have shown considerable resilience, thanks in part to high household savings during good times on which they could fall back upon during lean times without having to make drastic cutbacks in private consumption. Third, the macro-economic fundamentals were quite healthy in most East Asian economies. Except for Japan, most governments were not heavily indebted and they still enjoyed spare fiscal capacity to borrow and spend. So most East Asian governments and central banks responded to the global financial crisis with decisive and firm fiscal and monetary actions. Last, but not least, the region’s resilience should be attributed to the rapid turnaround in the region's larger, less export-dependent economies. Although adversely affected, China and India are not in recession: their huge domestic sectors helped cushion the impact. Exports constitute just 35 per cent of China’s GDP and 22 per cent of India’s.

**MPX T/-** South Korea Econ Growth hurts Environment

Emerging IT and manufacturing industries force South korea pollution higher

 Business and Technology Report 10 [May 1, http://www.biztechreport.com/story/440-high-tech-and-educated-labor-force-will-take-korea-top-next-decade]

**Q: What do you think the main problem is in developing and implementing green technology in Korea and what can we do to solve it? What is your vision for Green Korea?** A: I don't think there are many domestic issues that are preventing the economic development of Korea. Citizens in Korea have been following the policies very well. But I do think there are problems internationally. A convention on global climate change was recently held in Denmark. Almost all nations were concerned about their own nation's situation and were passing on the blame and responsibility to other nations rather than trying to find and eliminate the causes of the contamination within their own country. It would be hard to immediately closedown the factories that were causing the pollution, and since the countries are trying to buy time, they are passing the responsibility to other nations. South Korea has already begun to show some changes in the amount of its carbon gas emissions. Korea has to continue to grow its IT industry to actively cooperate with other international countries.

South Korean attempts to curb massive environmental degradation have failed

Hunter 98 [Jason, Woodrow Wilson Program Officer, January 7, Woodrow Wilson Center, Lexis] (Tumen River Area Development Program=(TRADP))

This was the promise but not the reality of TRADP. By the end of the decade, TRADP's ambitious goals were crippled. Driven by animosity between countries, the pain of converting planned economies, core-periphery governance conflicts, a historically driven heightened importance of borders, and anemic supra-national support, TRADP members dropped a multilateral framework for a "concerted unilateralism" approach in 1995. In that year, member states agreed to focus TRADP's efforts on creating an "enabling environment" for investment in the three riparian countries' individual development plans within the TREDA region. (In essence, the plan would use UNDP involvement as a seal of approval to attract investment to the otherwise poor investment climate of the individual country programs.) This has allowed economic growth to continue-albeit with redundant infrastructure projects, competition between states driving down tax incentives to unrealistic levels, and little real work on trade facilitation-but more worrisome is that the breakdown of multilateralism is threatening the ecology of the region, which, placed within the region's greater historical, political, and economic context, threatens the future of economic development, as well as the political security of Northeast Asia. These are strong words, but this is an extraordinary case. The interaction between environmental degradation and economic cooperation is a security concern for three reasons: 1) The absence of exogenous incentives for capacity building have left state environmental governance weak or non-existent. In early plans for the TRADP, state capacity was to be developed, cleaner technologies made available, and eventual harmonization of environmental standards was to occur. Without a multilateral framework, efforts to increase capacity have faltered, thereby decreasing incentives for compliance and increasing driving forces contributing to the pollution of transboundary waterways. 2) This has led to a transboundary political vacuum, which, due to the absence of mitigative channels for resolving conflicts over chronic or exigent environmental problems, is increasing tensions between riparian states. Although the TRADP is based upon the geographic attributes of the region's shared resource-access to the Sea of Japan, and the Tumen, Hunchun, and Gaya Rivers-there is no coordination in the management of the transboundary resources. The implications are best illustrated in TRADP's geography: an upstream China and North Korea with a large number of heavily polluting factories and other sources of point and non-point pollution, and a downstream Russia with scant interest in TRADP, stricter environmental enforcement, and an economic sector based upon the river and coastal area's natural resources. Given the stakes, without proper mid-level channels of communication, environmental problems could seep into the political realm very quickly. 3) This has led to a "tragedy of the commons" scenario in the TREDA. As the multilateral effort has failed to develop a sufficient community of interests among riparian states and without a pooling of costs of shared development, the effort states are free-riding on the shared water resources. I will return to these issues in a moment, but first I would like to back-up for a moment and give a fingernail portrait of the region's environment, and the TREDA's impact on it.

MPX T/- South Korea Econ Growth hurts Environment

South korea economic growth led to massive pollution

Shin 08 [Hang-Sik, Professor at the Department of Civil and Environmental Engineering, KAIST, October 15, http://www.feiap.org/doc/South%20Korea.pdf]

The Republic of Korea has achieved rapid economic growth since the 1960s but is experiencing an extreme level of unbalanced development in terms of environmental preservation and social

integration. Its development-oriented economic growth resulted in pollution load that exceeded the environment’s auto-purification capacity and decreased social solidarity and increased conflicts between regions, classes and generations. Hence, the level of Korea’s national sustainability was evaluated to be weak. In the economic part, Korea’s economic size has increased and the people’s income has risen as shown in its GDP increase, whose ranking rose to the 10th place among the 30 OECD member countries. However, a shortage of consideration of environmental issues in the economic development and industrialization process led to a weak socio-economic structure in terms of pollution comprising industrial structure, production and consumption patterns and people’s attitudes. In the environmental part, there are limits in improving the environment as post-pollution treatment is much more focused than pollution prevention. Pollution load has exceeded the receiving capacity of the ecosystem, thus threatening the sustainability of environment and increasing conflicts between development-oriented policies and environmental policies.

Economic growth forces pollution of South korea’s rivers, decreasing quality of life

Nguyen 6 [Dan, Bachelor of Environmental Studies, April 5, http://www.kewpid.net/notes/globalisation\_sk.pdf]

With the advent of globalisation however, an opportunity cost exists between economic growth and environmental management, and is sometimes referred to as “equity vs. efficiency”. In relation to South Korea, economic growth has led to a general degradation of its natural environment, especially with the pollution of its major rivers of Han and Nakdong. As little priority is currently being given to the Korean environment, the inevitable outcome is that global pollution levels would increase and quality of life would decrease as a result. In order to maintain ecologically sustainable development for the future, governments must accept some trade off of growth to accommodate environmental protection.

South Korean Econ Resilient

South Korean economy resilient- strongest Asian tiger

Roach and Lam 10 [Stephen, chairman of Morgan Stanley Asia Lam, Korea and Taiwan Economist at Morgan Stanley April 27, The Business Times Singapore, Lexis]

SOUTH Korea sailed through the 2008-09 financial crisis with remarkable aplomb. Despite its heavy reliance on exports, South Korea registered only a single-sequential quarterly decline in real GDP during the global downturn, thus avoiding full-fledged recession. By the third quarter of 2009, South Korean growth had bounced back to nearly 3 per cent while unemployment - which even in the worst of the crisis never rose more than a single percentage point - had already begun to ease. Indeed, it took barely three quarters for South Korea's production and consumption to regain pre-crisis levels. Among Asia's 'tiger-economies' South Korea suffered least from the crisis and recovered the most rapidly. Why was the South Korean economy so resilient? Because its businesses and government leaders recognised the opportunity this crisis presented. The familiar rap on South Korea is that its economy is 'stuck in the middle', trapped between an advanced Japan and a rising China. South Korea's great dilemma - or so it's often said - is that it falls short of Japan on quality and can't hope to match China on price. And yet South Korean producers' performance in the wake of the financial crisis suggests the middle ground may offer advantages. In the post-crisis era, consumers the world over have turned cautious. The new mantra is value for money. South Korean companies are well positioned to capitalise on that new ethos with products that optimise the quality and price trade-off. South Korean exporters have, in fact, gained market share during the crisis. South Korea's global market share in phone handsets, for example, rose to 33 per cent in the third quarter of 2009, from 22 per cent at the end of 2007. In fact, in the US market alone, South Korean mobile phones are currently taking up almost 50 per cent of the market share. Its LCD-TV global market share also jumped to 37 per cent in 2009, from 27 per cent at the end of 2007, and it will soon replace Japan as the world's number-one LCD-TV supplier. South Korea's automobile global market share climbed to 9 per cent in the third quarter of 2009, from 6.5 per cent in the final period of 2007.

South Korean Econ Resilient

South Korean Exports ensure resiliency

Roach and Lam 10 [Stephen, chairman of Morgan Stanley Asia Lam, {Lam and Stephen are also having an affair- a juicy one} Korea and Taiwan Economist at Morgan Stanley May 10, Korean Times, Lexis]

There can be no mistaking the extraordinary resilience of the South Korean economy. On the heels of a 7.8 percent surge in real GDP in the first quarter of 2010, Moody's has just upgraded the sovereign bond ratings of Korean government debt. With good reason: Notwithstanding its high degree of dependence on exports and external demand, Korea sailed through the devastating 2008-09 financial crisis with remarkable aplomb. Moreover, it is now extending that impressive record in a still fragile post-crisis climate. This performance stands in sharp contrast with that of other economies in the region - all of which were hit extremely hard by the collapse in global trade. Not only did the Korean economy register just one quarter of sequential decline in real GDP during the Great Recession - thereby technically avoiding full-fledged recession - but the quality of its subsequent recovery is increasingly compelling. Significantly, South Korea's economic resilience is not just an outgrowth of the emergency policy actions that were put in place during the recent crisis. Instead, it is more a natural by-product of the nation's long standing commitment to a strategic development strategy. For an economy with exports running at about 35 percent of GDP in the four years heading into the crisis, that turned out to be key in the Great Recession. While the depreciation of the won in 2008 certainly played a supportive role in sustaining exports during the global downturn, it was hardly the decisive factor. In particular, Korean corporates were early in shifting their export focus to emerging markets - enabling them to temper the impacts of the crisis-related shortfall in the developed world. Emerging markets accounted for 45 percent of total Korean exports during 2000-05 and fully 54 percent in 2006-07. When the crisis led to a collapse in external demand from the developed world, the emerging markets share of Korean exports soared to 59 percent in 2008-09. In retrospect, this pre-emptive shift in the mix of Korean exports may well have been the most important factor behind the economy's remarkable resilience during the recent crisis. Moreover, South Korean producers' ability to thrive amid crisis reflects a relentless focus on improving product design and quality, as well as savvy and aggressive marketing efforts to enhance the global image and acceptance of South Korean brands. For example, less than a decade ago, Samsung Electronics had a reputation as a maker of lower-end consumer electronics, barely noticeable in global markets. But then the company figured out how to move up the value chain by building a strong brand image through product innovation. Those efforts have paid off handsomely: In 2009, Samsung ranked 19th on Inter-brand's Best Global Brands list - marking the sharpest improvement of any of the top 100 brands over the past decade. Moreover, Hyundai Motor and LG Electronics have made similar dramatic progress on the brand recognition front.

South Korean Econ Resilient

South Korean economy is a shapeshifter, ready to fill in when another area stagnates

Banker 10 [The, May 1, Lexis]

On the other hand, South Korea's large corporate sector has fared well in the past year, led by a resurgence in the IT, telecommunications and auto industries. What remains a relatively weak won exchange rate also helped exporters gain global market share. However, shipping and ship-building industries, a major source of export revenues for South Korea, the world's leading ship-builder, are still grappling with oversupply and diminished demand. "If the number of new ship orders does not pick up significantly in a few years, even big ship-builders may face difficulties," says Mr Chang. The construction sector, meanwhile, has stabilised after the Korean government's swift measures to boost domestic demand through infrastructure investment. Exporters in key industries are expected to continue to perform well as the global economy recovers. Mixed consumer outlook The outlook for the consumer segment in South Koreaor 2010 is mixed, however. Consumer sentiment has improved and the Korean economy is expected to grow between 3.6% and 5% in 2010. "As unemployment rates stabilise and start to decrease, we should observe stability in credit performance, helping to bring default rates down to pre-financial crisis levels," says Sergio Zanatti, head of the cards group at Citibank Korea.

South Korea’s economy is resilient – its government deals effectively with crisis.

Roach and Lam 5/10 (Stephen and Sharon, writers for the Joong Ang Daily, [http://joongangdaily.joins.com/article/view.asp?aid=2920179] AD: 6/22/10)JM

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