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Strategy for economic development in South Korea: lessons for Nigeria

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STRATEGY FOR ECONOMIC DEVELOPMENT IN SOUTH KOREA: LESSONS FOR NIGERIA

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INTRODUCTION

The growth of Asia was a transforming event in the economic history of the second half of the twentieth century. East Asia's economic performance over the past three decades by far outweighed all other regions of the world. The average growth rate exceeded that of other regions put together by 1.7 per cent annually. Most Asian economies benefited from this success story (figure 1).

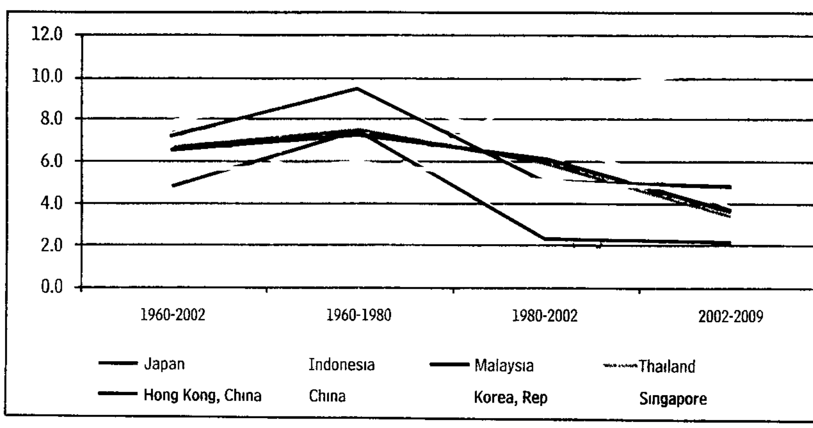
The first are China and Japan, followed by the "Tigers": South Korea, Singapore, Hong Kong and Taiwan, then the newly industrializing countries of Thailand, Malaysia and Indonesia, followed most recently by India. All East Asian countries have achieved high rates of growth for at least two decades. Similarly, the shares of East Asian countries in global trade have risen sharply from 14.1 per cent in 1953 to 24.1 per cent in 2002 and 29.3 per cent in 2010[23]. Over the last forty-five years, Korea has been one of the impressive performers in this outstanding group.

These growth rates have unquestionably increased the relative importance of these countries in the global economy (figure 2). For instance, Korea expanded its share of global income more than four and a half times between 1990 and 2009. Her GDP per capita was only US$82.0 in 1962, stood at US$16,000 in 2005 and exceeded US$30,200 in 2010(CIA, World fact book). The country is now the fourth largest economy in Asia (after, Japan, China and India) and the twelfth largest in the world (Economy watch, 2010). Her export-led growth provided the basis for rapid and sustained economic growth, such that by 2005 the country became the world's eleventh largest exporting nation and thirteenth largest importing nation in the world (CIA, 2005).

The economic condition in Korea in the 1950s was worse than Nigeria: a largely rural peasant economy, outrightly without natural resources. It has the highest density of people on arable land in the world. Exports were just about 3.0 per cent of GDP, 88.0 per cent of which were primary products. It depended mostly on foreign aid transfer for more than 10.0 per cent of her GDP and it was the third poorest country in Asia. Her GDP per capita was comparable to any poor country in both Africa and Asia in the 1960s. Although like Nigeria in the 1960s, but relatively worse, the country was devastated by civil war in the early 1950s (Economy watch, 2010).

The Nigerian economy within this period had a relatively brighter prospect of development than Korea. Nigeria's rate of economic growth approximated 5.0 per cent per annum and around 1966 the country became the world's tenth largest exporter of petroleum in the world (Carl, 1967), but all efforts made so far to develop the country have failed. In this paper, the factors that accounted for speedy growth of

Figure 1: East Asian Real GDP growth rate, 1960-2010



Source: World Development Indicators & World Bank, 2009.

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[23] *estimate*

the Korean economy are examined, while some useful lessons were drawn for Nigeria.

The paper is organized into six sections. After this introduction, section two presents an overview of Korea's economic development, section three looks at the success factors. Section four examines the emerging challenges while section five draws some lesson for Nigeria from the Korean experience and section six concludes the paper.

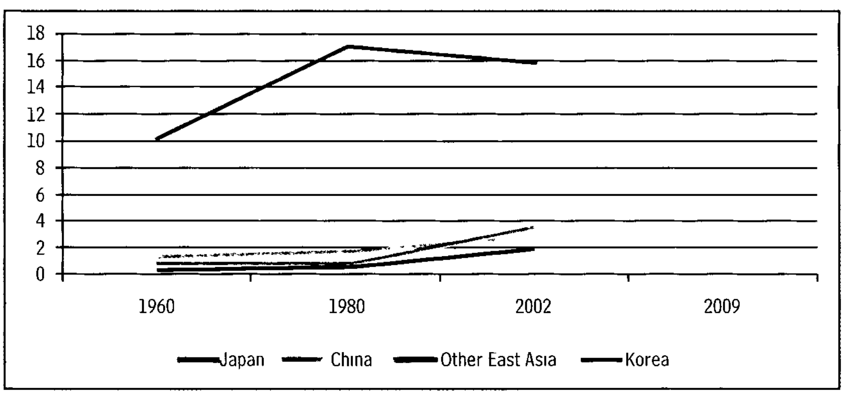
2. Overview of Korea's Economic Development

According to Tairu (2006), from the period of liberation of Korea in 1945 to date, the country's growth experience can be categorized into six different stages, namely: reconstruction period (19451960), the period of export-led boom (1961-1972), the period of crisis (1973-1983), period of reformation (19841995), period of slowdown and restructuring, 1997-2005 and the period of global downturn and quick rebound (2006-2009).

Reconstruction Period

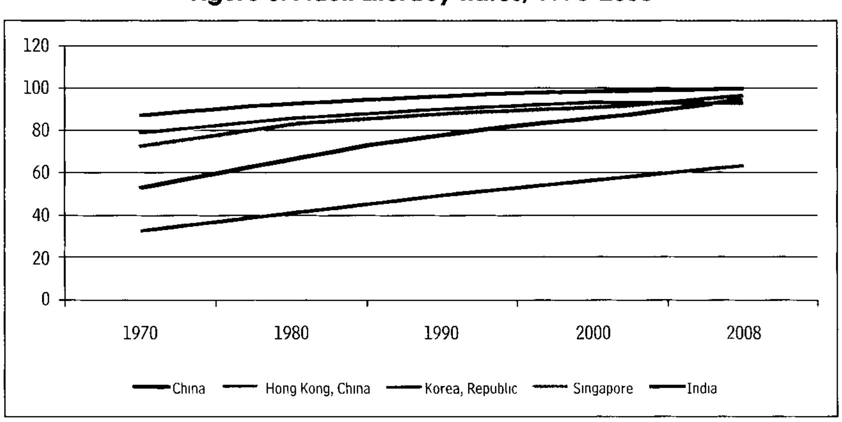
After the country's independence in 1945, Korea's major task was that of survival as a nation. This was because the country had acute shortage of natural resources, grossly insufficient domestic market, scarcity of managerial manpower and raw materials. Manufacturing was undergrowing. For instance, in 1948 it was just about 15.0 per cent of its level in 1939 (Kim and Roemer, 1979). During the Japanese rule, the ownership of capital was heavily concentrated in the hands of the Japanese who lived in Korea. Also, between 1950 and 1953 the country witnessed a civil war which further damaged the economy. The country lost about one and half million people during the war and over 30.0 per cent of capital stock was destroyed. After the war, there were immense efforts to rebuild the country. The country embarked on protectionist trade policy and Import Substitution Strategy (ISI) with huge investment in education (figure 3). In 1953, government began to give preferential treatments to some selected industries by allowing them to borrow funds from banks at preferential rates and purchasing foreign exchange at concessionary rate. Domestic currency was over-valued and imports highly restricted by high tariffs and imports licensing systems. Within this period exports were insignificant, amounting to just about 3.3 per cent of Gross National Product (GNP). More so, most of the exports were primary commodities such as agricultural and fishery products as well as minerals ores, with no value addition. The country relied massively on foreign aid. It was estimated that within this period the foreign aid financed more than 70.0 per cent of total imports and contributed about 95.0 per cent of foreign savings (Collins & Park, 1989).

Figure 2: East Asian Share of World GDP



Source: World Development Indicators, 2009.

Figure 3: Adult Literacy Rates, 1970-2008



Source: World Development Indicator, 2009

The economy began to improve in 1954 as GDP growth rate rose to about 4.1 per cent, although due to large population, per capita income grew only by 0.8 per cent and inflation was alarming. For instance, few months after the liberation in 1945, the Seoul wholesale price index soared 1600 per cent due to extreme social and political unrest (Jong-Wha Lee, 2006). During the period 1954-1961, annual wholesale inflation rate averaged 14.3 per cent.

Period of Export-Led Boom

The country's unequaled period of economic growth started in the early 1960s. This period witnessed the establishment of growth and development strategy that resulted in a remarkable transformation of the economy that catapulted Korea to the status of Newly Industrializing Country

(NIC) by 1970. During this period, government policy shifted away from ISI towards export orientation. General Park Chung Hee, who overthrew the government of the second republic in May 1961, demonstrated his commitment to economic development. He carried out comprehensive, effective and efficient trade reforms as well as export promotion policies. In 1964 the domestic currency was devalued by about 100.0 per cent against the US dollar. This eliminated the bias against export industries. Interest rates were reformed in favour of high domestic savings. The government established specialized banks and nationalized some of the existing commercial banks. Importation was further liberalized to accommodate more capital and raw materials required for production of exportable goods. Extensive direct export incentives such as: tax exemption, wastage allowance and export credit at preferential rates were introduced. This aggressive export drive culminated into rapid growth and structural changes. GNP began to grow at an average rate of 8.7 per cent. The share of mining and manufacturing sector in GDP rose to an average of 20.8 per cent between 1962 and 1973 from an average of 14.1 per cent between1954-1961, while that of agricultural sector fell to 32.7 per cent from 40.9 per cent within the same period (table 1).

During the 1962 1973 period, the real value of total exports increased by 29.7 per cent, per annum. Eventually, the share of exports in GNP rose sharply from an average of 3.3 per cent between 1954 and 1962 to 13.8 per cent between 1962 and 1973. Remarkably, this impressive growth of exports was accompanied by changes in composition, as the share of industrial exports increased significantly from 27.0 per cent in 1962 to 86.0 per cent in 1973. Although, inflation rate measured by Consumer Price Index (CPI) recorded double-digit growth throughout this period, it was fairly low, averaging 12.3 per cent between 1962 and 1973(Jong-Wha Lee, 2006).

Period of Crisis

In the early 1970s Korean government became increasingly worried about the declining competitiveness of the country in the world market and government refocused on the promotion of new strategic export industries and import substitution of intermediate inputs and capital goods. Massive investment programmes were introduced to promote and expand Heavy and Chemical Industries (HCI), such as shipbuilding, steel, machinery, petro-chemical and electronics. This was done by providing long-term subsidized loans, through National Investment Fund, more tax holidays and investment tax credits were introduced. This led to excess capacity in the HCIs, whereas loans continued to accumulate in the financial sector as a result of colossal lending to those industries. The HCIs drive, however gave a major boost to the growth of the Chaebol[24] which radically transformed the industrial structure and market concentration (OECD, 1994).

As a result of increases in the prices of oil and raw materials, coupled with the world recession of the 1970s, performance of the Korean economy weakened, hence export slowed. Inflation rates measured by CPI rose from 3.2 per cent in 1973 to 20.0 per cent in 1974. The country consider: "within this period, the country also witnessed expansionary monetary policy, which led to persistent deficit in current account due to excessive foreign borrowing to finance investment projects (Jong-Wha Lee, 2006). Consequently, external debt grew rapidly throughout the 1970s reaching $US25.0 billion, about 45.0 per cent of GDP (Collins and Park, 1989).

Another prominent crisis nearly crashed the Korean economy in 1980 the second oil shock and crop failure affected the gradually recovering economy. These, coupled with the assassination of General Park in October 1979, led to political and

Table 1: Korea's Key Economic Indicators

Indicator	1954-61	1962-73	1974-82	1983-92
Real GDP Growth Rate	4.1	8.7	7.1	9.1
Manufacturing Sector	11.5	18.9	12.7	11.8
Per Capita GDP Growth	0.8	6.4	5.5	8.0
Share in GDP				
Agriculture	40.9	32.7	19.9	10.3
Mining and Manufacturing	14.1	20.8	28.7	30.7
Other	45.1	46.5	51.3	59.0
Real Export Growth Rate	10.2	29.7	13.0	11.8
Exports, as share of GNP	3.3	13.8	31.6	34.9
Fixed Investment/GNP	10.5	19.8	29.8	32.4
Current Account Surplus/GNP	0.2	-4.0	-5.3	1.2

Source: Bank of Korea, 1995

[24]*This is a family-controlled industrial conglomerate in South Korea*

social unrest. This was the period when Korea first recorded a negative growth rate of -2.7 per cent, while inflation surged to 22.4 per cent (Charles and Mosayeb, 2006).

However, the country recovered immediately from the crisis, largely due to improved harvest and a stabilization policy launched by the administration of General Chun (Jong-Wha Lee, 2006). The GDP rose to 6.2 per cent in 1981. The BOP improved slowly, the current account deficit-GNP ratio declined from 8.5 per cent in 1980 to .9 per cent in 1983. The economy further stabilized and inflation rate dropped to 6.6 per cent in 1982 from 17.7 per cent in 1981.

Period of Reformation

In 1983 the economy began to recover, performing fairly well, with GDP growing at 12.0 per cent. Inflation dropped significantly to less than 4.0 per cent between 1983 and 1988; signifying that the economy had begun to respond to the various anti-inflationary measures adopted by the government through tightening of both monetary and fiscal policies. For instance, money supply was controlled strictly such that M2 growth rate slowed from 21.3 per cent in 1982 to 7.2 per cent in 1984 and the overall government budget deficit as a ratio of GNP fell sharply from 4.7 per cent in 1981 to 1.0 per cent in 1985 (Collins and Park, 1989). External trade and financial markets liberalization was aggressively pursued. The government shifted attention from direct intervention in industries towards guidance; hence preferential lending rates were abolished. State owned commercial banks were privatized and more importantly foreign investment was partially deregulated (Haggards et al, 1994). There began also aggressive financial support for Small and Medium Enterprises (SMEs).

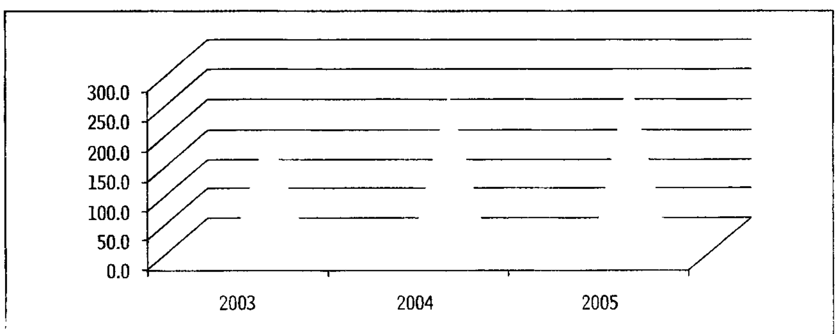
Consequently, BOP further improved steadily as current account deficit fell drastically to 0.9 per cent of GNP in 1985 from 1.9 per cent in 1983. The country recorded a surplus of $4.3 billion in 1986. Within this period, inflation grew at a single digit rate of 5.7 per cent, while growth rate averaged 9.2 per cent, annually. There were high savings and investment, while unemployment was very low (Corsetti, Pesenti & Roubini, 1998). This impressive performance culminated into South korea's accession to the Organization for Economic Cooperation and Development (OECD) in December 1996.

Period of Slowdown and Restructuring

In 1997, the country's exchange rate collapsed. Most of the Chaebol became bankrupt and had to seek protection from creditors. The excessive lending to the conglomerate (i.e. Chaebol) led to sharp deterioration in non-performing loans (NPLs), hence economic slowdown in 1998. The country experienced a 'tech wreck' in 2001 arising from sluggish world demand for IT related products upon which the economy was heavily dependent for export growth. In 2002 came a credit card bubble which was followed by weak domestic demand. In 2003 the economy entered another economic downturn. Domestic demand weakened, but real export grew remarkably in 2004 and 2005 to an historic high of 20.0 per cent, while output grew by 4.6 per cent (Charles and Mosayeb, 2006)

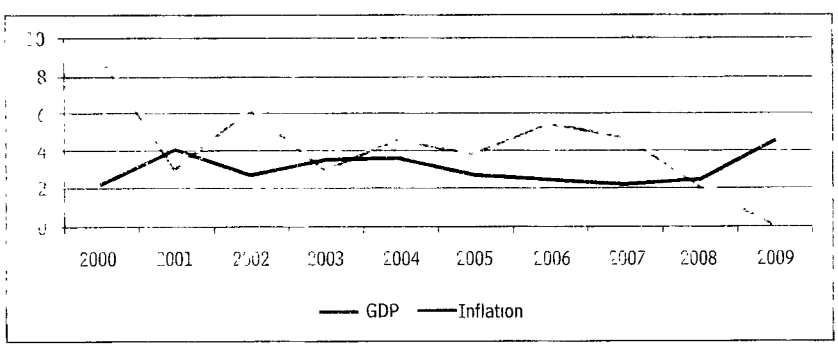
The country's economic performance within this period was largely due to: reform effort in the financial sector, opening to international competition, strength in the Information and Communication (ICT) sector, as well as strong demand from China. There was also significant inputs from labor due to high literacy rate which resulted from colossal investment in education (Charles and Mosayeb, 2006).

Figure 4: Growth Rate of Export, 2003 2005 (US$billion)



Source: Sung Hoon, 2006.

Figure 5: Growth Rate of GDP and Inflation in Korea, 2000 2006



Source: Kosis database 2009, World Bank Development Indicator, 2003, World Economic Outlook, 2006.

Period of Downturn and Quick Rebound

Although, due to the global downturn in 2008 arising from global financial crisis that started in the US, the real GDP growth slowed to 2.2 per cent and further declined to 0.2 per cent in 2009 and rebounded to 6.1 in 2010. The inflation rate slowed down from 4.6 per cent in 2009 down to 3.0 per cent in 2010. The country is now the 6th largest economy in the world[25], the fourth in terms of foreign reserves, first in shipbuilding, fifth in steel and automobile and first in Dynamic Random Access Memory (DRAM) semiconductors manufacturing. It was rated A+ (domestic), A (foreign) and AA- (T & C assessment) by Standard and Poor's in 2010, A1 with stable outlook by Moody's and A+ by Fitch rating agency. This impressive performance has led to dramatic improvements in the quality of life, as infant mortality dropped to as low as 6.16 deaths/1000 live births, life expectancy rates increased to as high as 77.04 years, literacy rate stood at 99.0 per cent, while population below poverty line reduced to as low as 15.0 per cent (figure 5).

3. Success Factors

Korea had experienced and is still experiencing rapid development. This is, in spite of the inherent domestic economic weakness, Asian financial crisis of the 1990s and the recent global economic downturn resulting from mortgage crisis that started from the US. How has the Korean economy attained this goal of robust and steady economic advancement is an issue worthy of examination. Some of the prominent factors behind the success story of Korea are:

Strong Political Leadership and Institutional Building

The first Korean government established in 1948 carried out early reforms and well prepared planning. It embarked upon a land reform, making land distribution more egalitarian. It gave administrative support to indigenous firms by giving some of them privileges to buy foreign currencies at concessionary rate and borrow funds from banks at preferential rates. The government also erected tariff barriers and imposed prohibition on manufacturing imports so as to protect the infant industries. General Park Chung Hee's administration shifted the policy strategy to that of stimulating growth through exports promotion (EP). He gave various types of favour to exporting firms according to their exports performance.

By placing firms under intense competition from foreign companies and by widening contacts with the developed world, productivity was accelerated and growth became faster. In the 1970s the government intervened heavily in the financial markets, directing banks to make available low interest loans to Chaebols. Successfully expanding the capital-intensive industries more rapidly than the rest of the economy in Asia, the HCI drive generated a lot of export expansion and consequently export targets were met. The President often convened monthly export meetings with the HCI committee in order to deliberate on the achievements, and where possible, strategies were modified.

Emphasis on Investment in Human and Capital Inputs

The Korean government invested massively on human and capital inputs, as well as infrastructure and technology overtime. Educational standards were extremely high. The proportion of people graduating from high school in Korea in the 1990s was higher than anywhere else in the OECD. Korea made tremendous progress in term of education (figure 3). The literacy rate in 2005 was 98.0 per cent and grew to 99.0 per cent in 2009 (UNDP report, 2009). Between 1980s and early 1990s the country concentrated on acquiring and incorporating the most advanced technology available in the world. In addition, the public and private sectors of the economy strategically focused on competitiveness through technological self-sufficiency as well as the adoption of new technology from Russia and China. Technology transfer, incorporation and assimilation formed the basis for the Korean skill and capital acquisition.

This contributed significantly to rapid development of the country as real GDP grew remarkably from 8.9 per cent in 1995 to 10.9 per cent in 1999 and despite the recent global financial crisis, Korea's real GDP growth was still impressive. It grew by 5.5 per cent and 4.8 per cent in 2006 and 2007, respectively (figure 6).

Stable Macro-Economic Policy

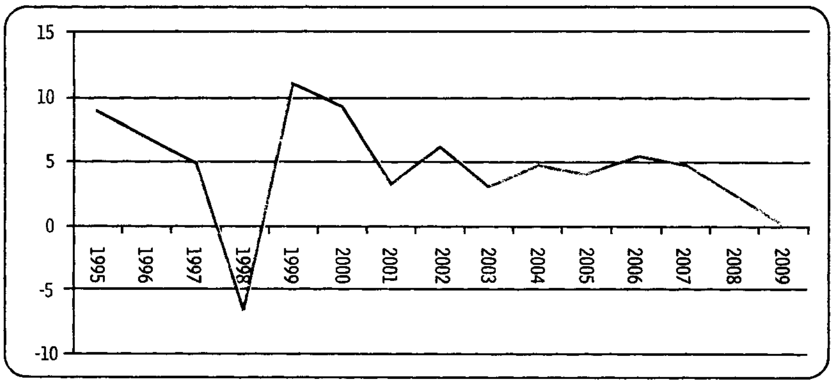
Inflation was kept low enough to encourage long term investments in physical capital. Macroeconomic policies were generally guarded, with narrow budget deficits and small size of the government spending. Exchange rate was pegged against the US dollar while inflation which was 4.1 per cent in 2001 dropped gradually to 1.64 per cent in 2010.

Outward-looking and Industry Oriented Development Strategy

The government of Korea, in its attempt to achieve the set goals of economic development did not only set up Exports Promotion Agencies (EPAs) but adequately financed them to ensure that they

[25] *In terms of exports*

Figure 6: Real GDP growth in Korea after the crisis



Source: World Development Indicator, 2009

carried out their functions accordingly. For instance, the Export-Import Bank of Korea (KEXIM) alone, one of the EPAs in the country, -received between 1998 and 2005 capital injections, totaling W2.4 trillion (US$2.4 billion) from the government. The country's national development bank Korean Development Bank (KDB) - one of the strongest among the Korean financial institutions received between 1998 and 2005 over W10.4 trillion (US$8.8 billion) to strengthen the bank's capital base. This is, in addition, to the banks constitutional ability to access immediate funds support from the Central Bank. The bank contributed significantly to the development of high-tech and information related industries as well as SMIs. The bank also played a prominent and active role in the restructuring of the Korean corporate and financial sectors after the 1997 Asian financial crisis.

Investment in Research and Development (R & D) Centres

The government encouraged local industries to expand their investments in R & D through incentives such as accelerated depreciation allowances, investment tax credits, deferral of income tax payments and duty-free imports of selected capital goods. The government was also involved with business development in support of strategic industries, in addition to its own direct funding of R & D to develop key technologies. The most recent example is the planned investment of $27.25 million in the research and design of High-Definition Television (HDTV) technology (Tairu, 2003).

The government is also active in creating and promoting a conducive atmosphere for the development and enhancement of Science and Technology (S & T) within the country. This is done with the co-operation of the academia, industry and the media communities. Investments in technology have increased more than 20-fold from US$480.0 million in 1980 to US$10.0 billion in 2000 and above US$20.0 billion in 2009, while technology investment per GDP has rose sharply from 0.84 per cent to 2.68 per cent during the same period (world fact book, 2010). Even in the middle of the foreign currency crisis of 1997/98 and the resultant economic hardship, Korea was able to increase investment in R&D from 3.6 per cent of government budget to 4.7 per cent, which amounted to US$3.85 billion in 2002. The government had initiated a nationwide science movement whose objective is to create a favourable environment in which the general public can apply scientific knowledge to daily living. This type of nationwide public support for science and education has provided a strong foundation for individual and community support for local technological infrastructure development.

4. Emerging Challenges

Although, the Korean economy has made a remarkable improvement over time, some fundamental challenges have emerged in the developmental process. Some of these challenges are quite critical, such that if immediate and appropriate attention is not taken, it could result into adverse socio-economic problems in the near future.

Diminished Capital Input and a Decline of the Workforce

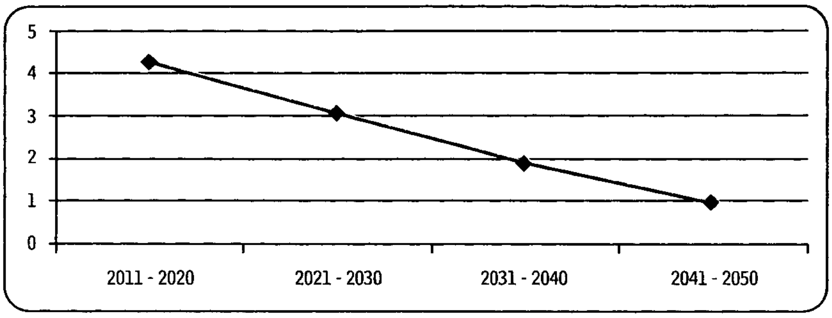
The nation's economic growth slowed down in 2009 and experts forecast further slowdown (figure 7). The growth potential is not expected to go beyond 1.0 per cent from 2041 up to 2050. This is attributed largely to ageing nature of the population. The nation would become a completely aged population in 2019 when 14.0 per cent or more of the population would be sixty (60) years of age and above. This development calls for urgent attention as it signals a serious threat to the economy. The negative implication of having such a large population of old people is colossal.

In another development, Korea has two classes of workers: two third of employees are regular workers, who enjoy high level of employment protection in the OECD, while there are temporary workers, with fewer rights representing the largest proportion of the workforce. If this problem is not dealt with immediately; there is likely going to be a trade dispute in the near future.

Widening Income Gap

The fact that the present administration has placed more emphasis on achieving greater equality in wealth distribution notwithstanding, the income gap between the 'haves' and the

Figure 7: Potential Growth Rate Forecast 2011-2050



Source: Korean, Ministry of Finance and Economy

'have-nots' is on the increase since the financial crisis in 1997 and further worsened by the recent global financial crisis that started in the US. The average monthly income of urban households in the top 20.0 per cent grew by 2.8 per cent in 2005 to 2.98 million won, while those in the bottom 20.0 per cent rose by 2.0 per cent to 1.62 million won. The top 20.0 per cent earned 5.43 times the income of the bottom 20.0 per cent in 2005. The average household income of the highest 10.0 per cent grew by 24.2 per cent in 2007, while the lowest 10.0 per cent grew only by 2.7 per cent (Korean National Office of Statistics, 2006).This growing disparity is attributed largely to the deregulation of labour and capital markets (Florence, 2006).

Inadequate Financial Sector Regulation

There are a lot of complexities in the regulation of a rapidly evolving financial sector. The credit card boom and bust of years 2001 and 2002 are good examples. Tax incentives rapidly encouraged the use of credit cards. Between 1999 and 2002, there was on the average, four credit cards for every Korean adult. The credit card companies could not obtain credit to cover their growing portfolio of deteriorated assets, until government intervened in 2002 through the Korean Development Bank (KDB). This type of intervention is not without cost.

Poor Reputation for Korean Corporate Governance

Due to poor reputation of the Korean corporate governance, local firms continue to pay a premium for equity capital; therefore price earnings ratios remain below other countries price indicators, including regional competitors such as Taiwan, India and Thailand (Stanley, 2004). According to Korean Fair Trade Commission's report (2005), there are wide disparities between ownership and control of the ten largest Chaebols. The percentage of shares owned directly by the controlling families has really fallen to less than four per cent, but they maintained excessive control over the conglomerates. This is seen by foreign interests as a case of discrimination against other shareholders. The government has to put pressure on companies to improve their corporate governance. This, if done will improve the image of the companies, hence attract more capital to the country.

Less Focus on Environmental Protection Programmes

Although, the Korean government has shown some level of concern over the emerging environmental problems, yet much needs to be done to curb the destructive impact of decades of developmental activities on the environment. Besides, the induced urban environmental degradation such as air pollution in large cities, water pollution from the discharge of sewage and industrial waste continue to pose challenges to the Koreans. The country is also faced with some natural disasters such as acid rain, occasional typhoons which result into high winds and floods and low level of seismic activity, thereby further worsening the environmental issues. More attention, therefore, needs to be paid to environmental sustainability considering the pace of socio-economic development in the country.

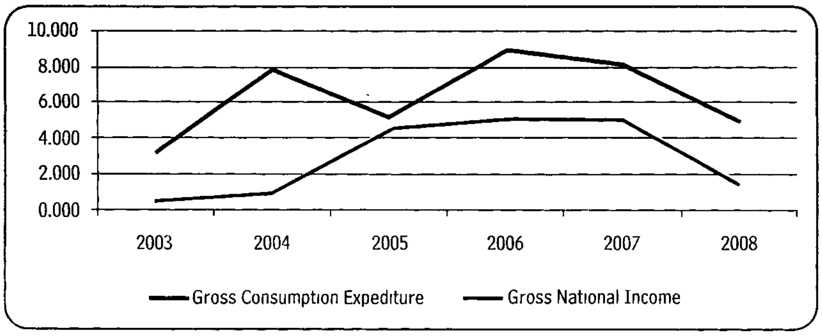
Dwindling Domestic Demand

The task of stimulating consumption in a productive economy is very crucial, since failure could lead to fall in prices resulting from demand shortage, output reduction and consequently loss of jobs. The level of consumption in Korea rises more slowly than the rise in income (figure 8). National income grew by 3.2, 5.1 and 4.9 per cent, respectively in 2003, 2005 and 2008, but consumption expenditure sluggishly increased by 0.5, 4.6 and 1.6 per cent, respectively. The need for stimulating domestic consumption is to help the country off-set export demand shocks.

5. Lessons for Nigeria from the Korean Experience

Probably due to the recent reform effort of government, growth in Nigeria has recorded some marginal improvement, inspite of global economic downturn arising from the recent global financial crisis, with real GDP increasing from 2.3 per cent from 1991 to 5.4 per cent in 2000, 10.2 per cent in 2003 and above 6.0 per cent in 2009 (figure 9). Also, other economic indicators remain modest as inflation rates declined from 10.0 per cent in 1980 to 7.5 per cent in 1990, 6.6 per cent in 2000, and 5.4 per cent in 2007. However, it increased to 12.4 per cent in 2009 (figure 10), while external debt burden reduced significantly due to the discount in debt portfolio for Nigeria in 2006.

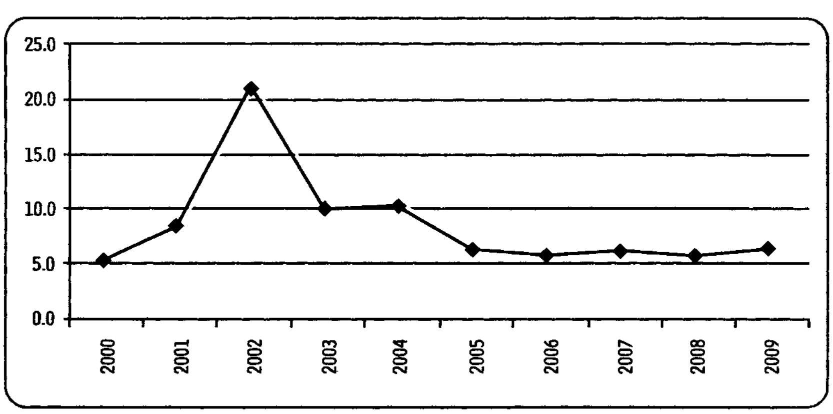
Figure 8: Annual Consumption Expenditure & Gross National Income for Korea 2003 - 2008.



Source: World Bank, 2009

From all indications, the country's economic performance over the years has been relatively unsatisfactory, considering the growing level of abject poverty, social exclusion and general economic misfortune. In PPP terms, Nigeria's per capita GDP which was US$1,113 in 1970 was estimated to be US$1,084 in 2000, representing a fall of 2.7 per cent. Although, it hovers around US$1,175 in 2009, this places Nigeria in the list of poorest countries of the world despite her abundance resources. The prospect of meaningful development in the country especially in the face of a rising spate of corruption, wastage and absence of bold and determined leadership remains bleak. The possibility of reducing poverty by half by 2015 in accordance with the Millennium Development Goals (MDGs) agreement remains doubtful. For Nigeria to attain possibly the position of any of the "Asian Tigers", particularly Korea despite its emerging challenges and regardless of the changing structure of the world economy, it should learn, to a great extent, from the experience of the Korea. First, the political stability and general security of the country is essential. Economic development cannot be achieved in the face of political, ethnic and religious violence. Nigeria has been experiencing religious and political violence since the inception of the democratic government in 1999. Virtually all the six geo-political regions of the country have had their own share of one political cum religious crisis or the other since 1999. How can the country, for example, attract the highly required FDI when it is constantly in crisis? Asian countries in general and Korea in particular are hot spots for FDI because of the assured security and presence of law and order.

Figure 9: Growth Rate of Real GDP in Nigeria



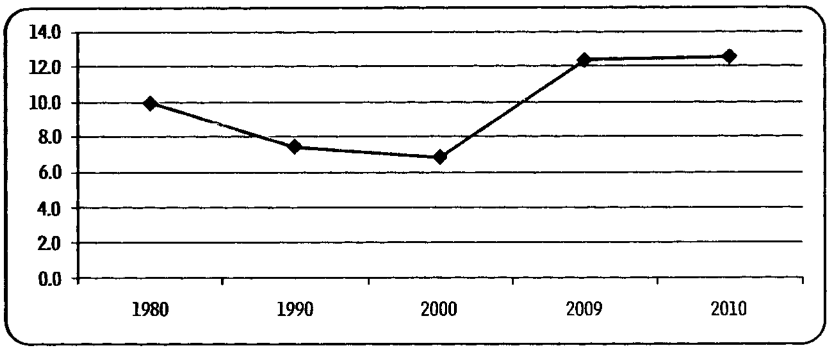
Source: CBN Statistical Bulletin, 2009.

The potential for highly profitable foreign investment in Nigeria is great, but many foreign investors are still unaware of the past and current opportunities in Nigeria. Various types of violence have created negative image for Nigeria, hence preventing her from realizing her ambition. Nigeria must borrow a leaf from Korea.

Secondly, Nigeria must strive to remove the bottlenecks in establishing business in Nigeria, tackle the problem of infrastructure, as well as invest aggressively in human capital and Research and Development (R & D) because these are essential conditions required to place an economy on the path of sustainable development. For example, Korea's aggressive investment in education stands out unique in the sense that the feature of the country's educational expansion did not increase gradually but through sporadic jumps. The first major increase occurred in 1946 when primary school enrolment surged by 56.1 per cent from 1.4 million to 2.2 million, while secondary school enrolment increased by 62.5 per cent from 8,000 to 13,000 (table 2). Similarly, Korea's overseas spending on education alone, amounted to US$2.5billion and US$3.4 billion in 2004 and 2005, respectively (Euromonitor, 2005).

The on-going economic reforms must be carried out with vigor. Sound macroeconomic policies must be put in place. What Korea has done over the years is a massive investment in these key areas. To jump start the economy, Nigeria must follow suit. In Nigeria, virtually all the available infrastructures are in a deplorable condition, investment in education is poor, adult literacy is still very low. For instance, Nigeria recorded adult literacy rate of all time high of 62.0 per cent in 2005 as against 98.0 per cent for Korea in the same period. Nigeria must invest heavily in infrastructures, human capital development, Research and

Figure 10: Inflation Rate in Nigeria, 1970 2009



Source: CBN Statistical Bulletin, 2009.

Development (R & D), as well as provide good leadership devoid of corruption, rather than instigating baseless political cum religious crises.

Thirdly, there is need for an outward orientation with strong incentives for exports and commitment to growth through trade promotion. Nigeria should also look at the possibility of removing the existing bias against exports. The situation where some agricultural commodities are listed in the exports prohibition list does not augur well for the country. Regardless of the fact that export subsidies and import substitution subsidies are prohibited by the World Trade Organization (WTO), exports promotion agencies should still be adequately funded to facilitate export expansion and diversification. This is possible since the prohibition does not cover R & D, environment, regional development and more so, there is an enabling clause for Less Developed Countries (LDCs). What Korea did in the 1970s was to promote exports through government agencies by providing incentives such as; tax relief, tax exemption, tax holidays, export loans at preferential rates etc. The on-going system of making foreign exchange available to end users Wholesale Dutch Auction (WDAS) - and the deregulation of the foreign exchange market should be sustained. This will help to achieve a realistic exchange rate and serve as incentives for exporters. It will also enable the exporters to acquire inputs for exports at competitive prices.

Fourthly, policy summersault must be seriously addressed. The country has to carry-out a medium to long term plan of where it plans to be in terms of vision, including the time frame. Vision 20:2020 is a good example in this case, but it must be consistently implemented, monitored and possibly modified, if necessary for the purpose of achieving the desired goals.

6 Conclusion

Nigeria is blessed with more favourable environment than South Korea for economic development. Thus, Nigeria has abundant natural resources including large population with about 50.0 per cent productive labour force, yet recording poor performance. It would be recalled that Korea emerged from one of the poorest nations of the world to a leading manufacturer of microchips, LCD panels and automobiles, and eventually a proud member of group of twenty (20) leading industrialized nations of the world. South Korea is probably the best single example of how international market forces, if cleverly exploited, can turn the poorest of nations rich in an amazingly short period of time.

Korea's success story cannot be attributed to the state alone. It was a total synergy effect from the government, the private sector and the public. The country implemented industrial policies that are growth friendly. The Korean technocrats realized from the onset, advantages inherent in using low-cost labour to produce and export cheap manufactured goods to the industrialized world, hence concerted effort of the state and the private sector was directed towards institutional building, research and development, investment in capital and human resources, as well as domestic production and outright promotion of exports. For Koreans, it is no more a miracle, but the fruit of their sweat, diligence and patience. South Korea has indeed offered a priceless lesson in economic development. Now it is Nigeria's turn to strive to accomplish an economic miracle along the Korean model.

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APPENDIX

Table 2: Number of Student by School Level, 1945 - 2010 (in thousands)

	Elementary School	Secondary School			Higher/Tertiary Institution
Year		Middle	High	Total	
1945	1366	-	-	81	8
1946	2159	-	-	125	10
1947	2183	-	-	198	14
1948	2426	-	-	278	-
1949	2771	-	-	322	-
1950	2658	-	-	382	-
1951	2073	-	-	267	-
1952	2369	312	133	445	31
1953	2259	324	179	503	38
1954	2676	420	224	644	63
1955	2947	475	265	740	78
1956	2997	459	289	748	90
1957	3171	440	284	724	84
1958	3316	398	279	677	74
1959	3558	472	271	743	76
1960	3662	529	263	792	93
1961	3855	621	282	903	134
1962	4089	655	323	978	116
1963	4422	666	364	1030	105
1964	4726	667	400	1067	113
1965	4941	751	426	1177	106
1980	5658	-	-	-	648
1985	4857	-	-	-	1456
1990	4869	-	-	-	1691
1995	3916	-	-	-	2225
2000	4030	-	-	-	3003
2003	4185	-	-	-	3223
2010	3837	-	-	3423	4244

Source: McGinn, et al (1980), cited in Jong – Wha Lee and www.nationmaster.com and tradingeconomics.cim