

## Changing Economic Environments and Their Implications for Korea\*

*Angel Gurría*

Thank you very much, Chairman and Ambassadors. And we also have the privilege of having several members of Parliament, and very importantly, the Chairman of the Korean Football Association. For a Mexican, this is very important. And thank you all for being here, for rising so early and joining us today. It's always a very great privilege for a speaker for people to come to listen, but at 7 o'clock in the morning, it is a double privilege. I can tell you that I really appreciate it.

It's my first visit, indeed, as Secretary of the OECD. It is not my first visit to Korea, but in my new capacity. Let's talk a little bit about the state of the world today, and then we can have some questions and answers, which normally are also more interesting.

How is it looking today for the world economy? Well, essentially, it's looking good. The problem with economies and international institutions, and mostly, also, with members of the media is that we always try to find the problem. It's more newsworthy. Also, if we economists say that there's a good outlook, they say, "tell me something more. Tell me what's going to break, what's going to drop, what's going to stop." Something has to go wrong at some point in time. Of course, something's going to go wrong at some point in time, however, the fact of the matter is that we have had one of the longest economic expansions now. And 2004, which was the best economic year in 30 years, 2006 is looking pretty good also, 2005 was a little down. 2007 might be a little down, but still growth. The only question is maybe less growth. So basically, the next 15 to 18 months, all of '06, and into 2007 looking steady.

And it's also interesting because the growth is much better distributed in the sense that the United States is going to grow less; still positive, but less, given higher interest rates. We will talk about the United States in particular, with the housing market. We have to see if the housing market is a soft landing, a so-so landing, or a harsh landing. But interestingly, Germany and France are back. France had a very good strong second quarter. In Germany, they are playing leaps and lags. In the first quarter the

---

\* Transcription of a speech given at the Distinguished Lecture Forum on Thursday, September 21, 2007

numbers were not good, but the mood was positive. In the second quarter, the numbers got very good, and the mood started to deteriorate. But the numbers were catching up with the mood. Now in the third quarter apparently the mood is pretty bad. We'll have to see what happens with the numbers. But the fact of the matter is that Germany has a new government with a coalition, trying to see whether it can work, and whether it can deliver decisions of structural change, and the necessary reforms. But nevertheless, growth in Europe in general is about 2.7%, much better than the 1% of last year, which was very weak.

Also, the good news that Japan is back in the game for the second year in a row now, after four years of having recession and deflation. Japan, of course, there are several things about the Japanese case. Growth has continued. Before, it was being led only by consumption, because interest rates were so low. But now investment is happening, banks are lending money for long terms, companies are borrowing, and rates are still relatively low, frankly. Medium and long-term rates are still very low. I think there is a good atmosphere of confidence. The political transition is known. Yesterday, Mr. Abe was installed as the official candidate. He's certain to lead the LDP, and eventually he will get his own mandate, I suppose. That's predictable, no drama in the transition, which is good, because uncertainty about political transition is always a problem. So for Japan, good news: they're back in the game- strongly back in the game.

And of course the emerging markets lead by China and India are doing fantastically. India is doing 8-9%, and China is cooling off. It's only about 10%. The first quarter was 11.3%, or something like that. It's going to be 10-11%. India and China together, growing at 8, 9, or 10%, are a formidable element of the world out there. Somehow developing countries are doing well also, like Brazil and my own country Mexico. They are doing well, but not like the tigers or dragons. They are doing fantastically well.

Core inflation is tame. Inflation generally has been rather low, notwithstanding the fact that oil prices are high. Actually, the tightening, meaning the increase of interest rates by all the central banks in the possibility that maybe there could be more inflation worked quite well. The Fed decided yesterday not to increase interest rates, which is a very interesting decision, because for the second time, it leaves rates untouched. This means that the Fed is basically with the view that there is no imminent pressure on the prices. So this benign outlook, even if it's not very newsworthy is looking good. Actually the latest inflation in August in the United States was -0.4%. No wonder the Fed came

out with no change in rates, because core inflation was negative.

You here are doing pretty well, but you are always doing pretty well. You've been doing pretty well now for some time. The thing in the case of Korea is that you are not changing course. It's continuing to be steady growth, looking good, and with a number of improvements in various areas, which we can discuss if you want. I'm very glad that Korea joined the OECD. We can always show that Korea is a very good example. Maybe one day very soon Chile will join us, and I can show a very good Latin American case of good conduct and good success. We can show the rest of the world that, "yes, it can work."

Randall Jones, who is the economist in charge of writing the economic report of Korea and Japan was expressing to me that he believes that you have been doing a good job now for several years, so it's looking good to him.

Now what are the risks? I see four of them. One is oil price. Oil prices have been coming down in the last few days, in the last few weeks, but its one of those things where anything can happen. It flares up when a pipeline breaks, when a pipeline is blown up in Afghanistan or in Iraq, or something happens, then it changes by five or ten Dollars very quickly. Of course, one must remember that we're talking about \$68 per barrel (against \$75 at the peak), but we're still talking about three times the price that it was only three or four years ago, so it's an extraordinary situation. What is fantastic is that very little of that went to the final prices. The advantage was that there was still more to be used that was unutilized. That acted as a buffer. But now capacity is being used, not full capacity, but at a very high rate. Therefore, any new increases in prices are going to go through to the price indicators very fast. There's more vulnerability to that.

There's a little better situation in terms of investment in refining. This is a big structural problem. Refining is as much a problem as is the availability of crude oil. And we are looking with the International Energy Agency, which is an agency that is member of the OECD family, to see what the availability, to look at the alternative sources of energy for the next few decades, and to look at how both the investment as well as the environmental consequences of those alternatives are going forward. But I would say that the problem of short-term spike in the prices is real. Right now, prices are behaving in the correct way, meaning they are coming down a little bit, which is okay.

These so-called "external imbalances": What does this mean, "imbalances?" We are very strange, economists. The other day I said to a journalist (I was joking, but he put it into the newspaper), that economists call for gradual removal of accommodation. Somebody who was sitting next to me asked, "What do you think that means?" "Well, it looks like 'they are taking away your bed, but slowly.'" Gradual removal of accommodation means that the central bank is increasing interest rates little by little. But who understands that they're going to increase interest rates, the gradual removal of accommodation? When we say imbalances, we mean the Chinese accumulating Dollars, and the Japanese already were (the "Tigers"). The Americans have a huge current account deficit, one of the biggest in their history, if not the biggest. So there's a problem of dis-accumulation, a very low savings rate, and of too much saving in China.

Why is there too much saving in China? Because the Chinese have only one child now, before the children would take care of the parents, but now the child goes off to the city to work. Then the parents will stay in the cities. There's no such thing as a very well organized social security system. Therefore, you basically have uncertainty, and in the face of uncertainty, people save. It's a very natural, very human reaction. And also, the Orientals have these Asian ethics or Asian habits. I remember when I was here in 1985, and there was an IMF, World Bank meeting. Korea was in a campaign to join the IDB, which only happened last year. Which shows you how dedicated the Koreans are; it only took them twenty years, but they got there. You say, "We apologize because our savings rate is only 35%," or something like that. But I think in those days, the Japanese' was about 40%. Of course, the Japanese' has come down; they started to consume. The Koreans' is still saving a lot. You just have fantastic savings rates here.

I remember Sakakibara, who you just had here recently as a speaker. We gave him a hard time, and said, "Saki, you go and tell the Japanese that they have to spend more. They have to help the world economy!" So he goes there and says, "We are going to reduce taxes temporarily." What did the Japanese do? They saved the difference, because they heard the word "temporarily". "At any time they are going to put the taxes back, so I save." We said, "No Sakakibara, come back to the table. Why did you tell them 'temporarily?' They have to spend the money, to help the world economy, and to buy goods from Germany, the United States, and everywhere else." So Sakakibara goes back and says, "We're going to cut the taxes permanently." What did the Japanese do? They saved the difference.

But that was the beginning of a big Japanese deficit. This is why they started making more infrastructure and roads, and they started this very big investment program. Japan now has 160% debt-to-GDP, the highest in the world. That was then. So I'm saying the problem with Latin America is that we do not save enough. But Asians save too much. According to the world balance of savings the Americans don't save enough, they consume too much, and the Asians save too much. And the problem is that all these savings are accumulating here in Asia, and you are financing the US current account deficit, and the problem is, how long will this last. If the people lose their confidence in holding the Dollars, maybe they will get rid of the Dollars. Maybe the Dollar will weaken, and the Americans will say that it should not weaken too much, or there will be inflation. Then the Fed can raise interest rates, and everybody will raise interest rates defensively, and of course the recovery can slow down or it can even stop. It's not a scenario of crisis, but it's a scenario of the recovery suddenly losing strength. Not a good scenario, of course. We don't want that.

Basically, what we're telling the Americans is to get their act together, in terms of the fiscal deficit. They are, by the way; The US fiscal deficit is thinning; coming down because the receipts are very good, because of the economic activity. But the current account is not going to be sold unless we resolve the great problem of the other parts. The US is devaluing against the Euro, but the problem is that it is not devaluing against the Yen. The Yen is weakening, which is incredible, and the RMB is steady. The Chinese buy the Dollars, or they got the Dollars from the surplus, and then pressure builds and they use these assets to go out and buy physical assets and reserves in other parts of the world. So basically, they are financing the US, as we said. How long will this happen? We don't know. It cannot continue to happen indefinitely, and at some point in time, it could unravel in a way that is not very positive to the growth of the world. That is something that we have to keep an eye on.

Hopefully the Chinese can make their exchange rate more flexible, more responsive to market conditions. That would be one element. It's not the magic solution, but it would be one element. If the Americans bring down the deficit, it's another element, and of course, in the case of Japan, if the Japanese currency behaves in a more predictable fashion. We now have the question of oil, or we have the imbalances.

The other issue is protectionism. In the Doha Round, right now the talks are suspended,

which is a very bad omen. We should get them back on track. In trade, if there is no progress, sometimes there is regress. You go back, and protectionism starts rearing its ugly head. Then the anti-China lobby in the United States (like the anti-Japan lobby a few years ago), and people who want to post quotas on everything- all the protectionists come out of the closet. They start taking control. That's not good for the world. Also, it's very bad for the developing countries that would be the greatest beneficiaries of a liberalization of trade.

We at the OECD have calculated that the benefit of liberalizing trade is about \$100 billion. If you include services, services can add about \$500 billion of benefits. Another \$100 billion if you take trade facilitation into account. So you're talking about \$500-\$700 billion, which are benefits almost the size of the Mexican economy. Accruing mostly to the developing countries in case we can successfully do the Doha Round. But there are many benefits that happen that you never know. More trade is done, more people get together, more investments get together, more technology changes hands, management styles change from one to another, and there's a lot of learning processes. The world feels more comfortable because there are rules.

The difference is a rules-based world, or a world in which everybody is litigating instead of having rules, or where the strongest countries win and the poorest countries lose because there will be very high protection, because if you don't organize this, the poorest countries may produce things competitively, but they may not be able to take their products to the port or the railway, or the airport because they don't have the infrastructure or the facilities. It has to be a complete package. But also we have a problem that this protectionism in trade is giving rise to protectionism in investment. We have news everyday that yogurt factories are strategic, so governments will not allow the yogurt factory to be bought by a foreign country. Of course, if yogurt is strategic, steel is even more strategic; energy is even more strategic; banks are even more strategic; ports; oil. So everything is strategic now; you can't buy anything. It's interesting because companies are being bought and sold everyday, worth billions. Mergers are being bought and sold everyday. But there are these cases where somehow government focuses on this, and it looks like there is a new wave of protectionism. Nationalist champions are being invented in order to stop these mergers. That's something we're worried about. We just had a seminar about that and we're working on that. We're going to report to the G8 next year on this investment protectionism. Those are some of the new challenges.

As for the housing market, in August, it was almost -6%, year on year of housing starts in the United States. That's not a soft landing. Maybe it will be a little softer next month, but we are looking at a disinflation that is maybe a little too fast.

So what to do? In each one of these areas we are working with the countries. We are making sure that countries adopt the best practices, that they are fiscally prudent, that they have a monetary policy that does not accelerate too much, that does not react mechanically; a monetary policy that respects the fight against inflation, but also the need to continue the recovery process. Central bankers sometimes do not like to be told what we think. They say, "Leave me alone, I'm fighting inflation." But we are here to promote growth. Of course, we do not close our eyes to the possibility of inflation. Growth has to happen in a stable environment. However, beating inflation is not the only objective of economic policy. You also have to have jobs. So that's also important.

I can only say that I wish we had more members like Korea. I was being told about this "Miracle of the Han River" that you have here. The wonderful thing of the Miracle of the Han River is that it is not a miracle, because you cannot explain miracles. Miracles happen somehow, and that's why they are called miracles, because they came from somewhere. Forces beyond one's explanation made them happen. In Korea, it did not come from heaven; it came from the Koreans. It came from enlightened economic policy, and the very hard work of the Koreans for many decades, from choosing the right alternatives, from sacrificing. Yesterday I was in the Korea University Business School, and I was telling the young students there, "Understand that today you have it very, very good, but for the generation before you, the people about my age or a little older, the baby boomers, there was not a very great boom to talk about. They had to tighten their belt, they had to work very hard, and they had to sacrifice in order to let you live the way you are living today." And some of them looked at me with surprise, like saying, "what are you talking about?" Nobody spoke English a few decades ago, the computers were not there, and laptops were not there. So effectively what you have is not a miracle, but a very admirable effort that a little bit more than one generation took a highly underdeveloped country to a country that is now converging on the average of the OECD, which is a very great effort in and of itself.

A lot of challenges that have to do with the labor market, challenges that have to do with competitiveness, challenges that have to do with the social security system,

challenges that have to do with the environment. But everybody has challenges. The question is, "Are we moving in the right direction?" In this benign context of international economy that I've just described, I'd say that Korea is doing it right. Thank you very much.

### **Questions & Answers**

**Q** My question concerns specifically Russia. Russia was very humble and accommodating to western ideas, democracy, and etc. when Putin needed a lot of money. But he has got a lot of money these days, and now we see a tremendous change in his attitude, and the Russian's attitude, and most recently in the last few days we heard that Russia is canceling the Sakhalin II project, ostensibly for environmental reasons, but everybody suspects that it's because Putin just wants to gain more Russian interests in the project. But Russia is very interested in joining the OECD, so he has to be talking to you very often. I would like to know what you suggest to Russia to become a good member of the OECD in the future, and to become a good member of the community right now.

**A** Russia asked to join the OECD ten years ago, and nine years ago we said yes. That's it; they have not joined yet. You're right. My impression is that ten years ago, Russia required the embrace of the OECD as a way to tell the world that they were back in a market economy. They are the single largest exporter of oil, now. Not potentially the largest producer, but today they are exporting more than Saudi Arabia, which is quite remarkable, if you think about it (if you include gas and oil). They are getting half a billion Dollars everyday of exports, just of energy. So maybe they feel less vulnerable. Joining the OECD is not just a matter of signing in a form and paying a fee. You have to adopt a certain number of conventions, a certain number of understandings, a certain number of guidelines, and what we call the culture of the OECD. And something called "like-mindedness," which is a guide to potential accession. This basically talks about values, principals, and best practices in the day-to-day conduction of business, not just about politics or democracy or philosophy, but also about business. All these things are being taken to account. I now have a mandate to look hard at the question of enlargement and engagement, because in many cases what I said was, "we do not have new members, but we have to engage with Russia,



with Brazil, with India, and with South Africa." We have to engage. We cannot ignore them.

We are working very hard with China. For example, with China we did the survey of the Chinese economy, we did agriculture for China, we did the sector of regulatory issues and governance issues, and right now we're doing the environment, which promises to be very interesting. Actually, today I'm delivering the environmental study of Korea to the president of Korea. We are also going to present it with the Minister of the Environment.

We are doing the economic survey of India this year, and we have done Russia before. We are engaging with the non-members. But whom they accept as a new member is the ultimate political decision of the OECD. The problem is that in the last nine years, Russia has not really become a member. There's growing signs of frustration on both sides. My concern is that we should not let it drift away. If they're not full members, we should engage in a vigorous dialog with them.

**Q** Regarding the rule-based world you mentioned. As the membership of the OECD increases very much, are the peer pressure and guiding principles still Euro-centric?

**A** There are thirty members in the OECD, of which nineteen are members of the European Union, plus three more that are members of the European Free Trade Agreement: that is Norway, Sweden and Iceland. Effectively, of thirty members we have twenty-two European members. Who are the non-Europeans? They are the APEC: Korea, Japan, New Zealand, Australia, Mexico, United States, Canada, and then Turkey, which is neither APEC, nor Europe, nor Asia, nor is yet a member of the European Union. It is a founding member of the OECD. Remember that the OECD was the Marshall Plan, originally. So the countries that have strategic value were part of it. That's why Turkey is still negotiating to be a member of the European Union, but it is a founding member of the OECD. So it is Euro-centric in the sense that it is one country, one rule, one vote. This means it is not quota-based like the IMF or WorldBank, which is like a business. Here, Luxembourg's vote is the same as the United States', at least theoretically. In practice, one small country can block anything, and they do.

We sometimes have very great difficulty, for example, with issues in Europe because Cyprus comes up in a list. Sometimes Turkey will block decisions because Cyprus is in

the list. It's a very difficult situation because the OECD has nothing to do with this problem. At the same time, we are becoming the fighting ground of another war that we have nothing to do with. Decisions get blocked because of these reasons.

Euro-centric? I would say yes, but less than you would think, because the Europeans themselves are very aware of the fact that if they are very Euro-centric at the OECD, the non-European members will lose interest.

Let me just take a fast look at the numbers. APEC countries (only seven countries out of thirty) pay for about 60% of the OECD. I will say "we," but it's like the fly that is standing on the back of the bull, saying, "We are tilling the ground:" If you add the United States, with about 25%, Japan with about 22%, then Mexico, Canada, Australia, New Zealand, and Korea, we are altogether 60%, maybe more. Only seven countries pay for 60%, and all the others pay for 40%. So from the point of view of financing the organization, it's not so Euro-centric, it's APEC-centric. The problem is when you're talking about expansion, because when you're talking about expansion, in all of the European Union there are nineteen members that are already in the OECD. Why? The European Union are twenty-five. Well, there are six little members that are not yet members of the OECD. From the economic point of view, they do not add very much, but at the same time, that would be six votes. It would become even more Euro-centric. From the point of view of governance, it would be a big challenge.

When you are talking about enlargement, when you are talking about new members, when you are talking about engagement, you have to also talk about geographic balances. This is what members have in mind.

**Q** We have various negative reports on NAFTA, Mexico's free trade agreement with the United States, although there are many positive things that have already occurred for the Mexican economy. As a former Mexican cabinet member, how do you personally evaluate Mexico's joining NAFTA?

**A** NAFTA is a positive experience for Mexico. We have multiplied by five our exports, and we have multiplied by about ten our exports from manufacturing. Also, NAFTA has provided more foreign investment flows. NAFTA has provided more jobs; mostly the best jobs, because they are in the export sector. NAFTA has provided a lot of technology, a lot of associations, and a lot of challenges. Mexico actually practically

has no trade deficit, it actually has a trade surplus with the United States, because we export a lot of oil. But our trade surplus is higher than the totality of our oil exports, which means that we also have a trade surplus in merchandise. Being next to the United States is not so bad, from the point of view of business. There's a famous phrase attributed to a dictator of Mexico in 1877. He said, "Poor Mexico: So far from God, and so close to the United States." I remember to Israel once, and I mentioned this to Simon Perez, and he said, "Please let me borrow the phrase! I will use it the other way around. Poor Israel: So close to God, so far from the United States." I thought that was very revealing about relative priorities of countries. The other thing is what President Scalfaro of Italy said when I was foreign minister and I went to receive him at the airport. He said, "If only Italy had one hundred kilometers of border with the United States, Italy would be one of the most important countries in the world." I said, "Yes, Mr. President, so would Mexico. The problem is that we have 3,000 kilometers."

But anyway, NAFTA was almost an organic thing to happen to Mexico. The integration is a natural thing to happen. We have not had integration of people. Movement of people is not yet organized. At some point it will have to be. But we have a problem with some products like grain, like agriculture. Very simply, grains are not going to liberalize until the year 2008. So we still do not see the consequences. The numbers are very much in favor. The Mexican producers, much like the Korean producers are up to the challenge. I have absolutely no doubt that if you sign a free trade agreement with the United States, you will be in good shape. What is the logic of a free trade agreement between a very large country and a smaller country? The logic is that the small country fits several times into the big country. That means that the possibilities of increasing the exports from the United States to Korea are more limited than the possibilities of Korean exports to the United States. The United States is a huge market. Of course you have to compete with India, you have to compete with China, you have to compete with Japan, you have to compete with everybody. You've always had to compete anyway, but you didn't have the access. Now you are going to have the access. That's the difference.

The other problem is that a free trade agreement today is less interesting than ten years ago when Mexico signed the NAFTA, because there are many more free trade agreements in the world. But it's still better than not having one. Signing free trade agreements scares people in smaller countries. It scared the Mexicans. When Mexico was negotiating with Central America, it scared the Central Americans so much that we

gave technical assistance to the Central American negotiators to negotiate with us. But of course, what has happened with the free trade agreements between Central America and Mexico is that their exports have increased by a multiple of the speed with which ours increased, simply because of the relative size. The theory is very obvious. It's not even an economic theory; it's a theory of physics: A little bit fits several times into a big space. I would encourage you that in negotiations, the devil is in the details. Negotiate hard. Take long tenures, and long delays in some cases in some sectors that you need still. The only thing is that you will be paralyzed because everybody will be asking for fifteen years. That doesn't make any sense. Agriculture is very sensitive, but it puts on a test. Very frankly, you should think of yourselves as a country that has grown for fifty years at 8% on average, or the last ten years at 6% on average, that has doubled or tripled its GDP per capita, now converging with the OECD. Now you're at 70% of the GDP per capita of the OECD. You're big boys now. So get ready, or you will never be, because all your concerns now will always be there. Except now there are conditions in the United States. They may not be going forward. Today the US is much more protectionist than it was when they signed the NAFTA with Mexico. I say that if there's a window of opportunity, jump through the window. Negotiate hard, and give yourselves the time, but take advantage of the opportunity, and you'll do well.

**Q** You said many nice things about Korea, and the current Korean economic status. From OECD's vantage point, what are the major Korean policy issues the Korean government has to deal with? What advice would you give to the Korean government?

**A** Let me just mention a few challenges for Korea. I speak here under the control of Mr. Jones, who is a great expert on Korea. He was actually a resident of Korea; he speaks Korean; he's a great expert, really. If I had to pick one, it would be the aging process of Korea. Together with the consequences of the aging process are the pressures on the pension system, and the pressures on the welfare system, and the healthcare system. I would choose that one as a phenomenon that has to be addressed because it can produce fiscal pressures, and fiscal consequences of rather important size.

You are getting old; so is everyone else. But the problem is that you are now having a negative dynamic of population, which means that you are losing population in absolute terms; more people are dying than are being born. Therefore, I think that here it's 1.06% or 1.2%, which is way below the replacement rate. I remember that in the recent State of the Union address by Putin, he did not mention the Americans, or about energy,

or about Chechnya, he spoke about demographics, about why the Russians (if they don't do something about it) are going to be 100 million, rather than 150 million. This changes the medium-term outlook of a society completely. It also implies the question of migration. In order to substitute some of the work that is now being done by Koreans (as the Korean economy grows it has less people), of course you have to organize yourself to receive flows of migration that will be doing part of the job. It has very serious consequences. Fiscally, it has enormous consequences. Fiscally it is very important because people will retire when they are fifty-eight or sixty, and work until they are 90. Right now you have increased your life expectancy to 78 years, which is a convergence with the OECD. You have increased that in 25 years, by the way; in a generation, which is quite remarkable. But of course it puts a lot of problems on the system. That one is big.

Maintaining high growth, and the shift from keeping the productivity-based growth, rather than just the export-oriented growth, that just means that the world is getting more difficult; the competition is getting tougher. That's no secret for you, you've been competing successfully now for a long time. You have some leaders in the world. You are applying IT and ICT quite well. You just have to keep at it, invest even more in R&D, invest even more in education towards the discovery of new knowledge, to then apply it to the markets, make greater connectivity between universities, government programs and companies, to use the talent of universities, in the full capacity of the universities. So, the only thing I can tell you, if you feel that I am being critical, is that I would probably say of every single country in the OECD. It's just a question of degrees. But I would say very uniquely, the problem of aging is quite bad, and also the development of a social safety network. Your network does not capture everybody. It's complicated in the replacement value, meaning how much people will make after they retire as a percentage of what they were making before they retired, is maybe too high, but it doesn't capture everybody who is maybe going to be without a job.

Then, some issues that have to do with labor markets, some rigidity. Some rigidity ends up in the product markets. Over-regulated product markets have to deal with that, and entry of competitors into the markets.

It's a question of balance, and a question of challenges that everyone is facing: how to best address the resource of education, what levels you give. As you are aging, you move up the ladder: first primary, then secondary, then high school, then universities,

then lifelong-learning, because you don't want people to leave their jobs too early, or be fired because of reorganizations. Then, you basically do not want a social security system that is conducive to people staying unemployed, because it is attractive to stay unemployed. In Korea, it doesn't happen too much, but you have some cases in Nordic countries, where it pays to stay out of a job. You don't actively seek to be reemployed, basically because it is attractive.

There are some issues in the environmental area, which I will mention when I present the environmental study, having to do with the fact that you spend a lot of energy per unit of the GDP that you produce. You are one of the highest energy spenders in the OECD per unit of the GDP, but that's because of the nature of your manufacturing system.

.