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## **MODERNIZATION OF SOUTH KOREA: ORIGINS, ACHIEVEMENTS, AND THE EXPERIENCE FOR UKRAINE**

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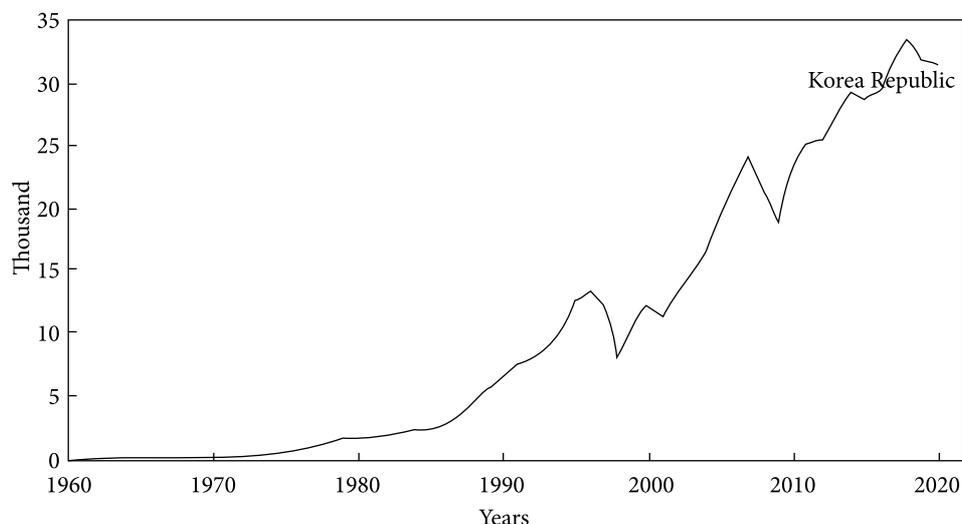
*The reasons for the phenomenal economic achievements of South Korea in modern times are analyzed. Confucianism is considered as a model of comprehensive relations, which has proved its ability to dynamically modernize and creatively assimilate achievements of other cultures. The effective synthesis of the values of Confucianism and Protestantism in the process of modernization of the Republic of Korea is noted. It is shown that the South Korean experience of economic modernization and development is useful for Ukraine.*

**Keywords:** *the Republic of Korea; economic modernization; modern technology; Confucianism; Protestantism; value system; welfare state; strategic conflict; competitive democracy.*

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In the early 60s, hardly any analyst could have foreseen the economic breakthrough of the Republic of Korea into the group of the most developed countries in the world. More so, South Korea had been devastated by the Korean War and in the

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**Fig. 1.** GDP of the Republic of Korea per capita in current prices, \$  
Source: World Bank indicators for 1960—2020.

first half of the twentieth century the industrial and relatively rich in natural resources north of the then united Korea was significantly ahead of the agricultural South in terms of industrial development.

In 1945, about 65% of Korea's heavy industry was in the north [1, pp. 184—185], while two-thirds of all labor was concentrated in the south. In the first years after the Korean War, the Republic of Korea remained one of the poorest countries in the world: its average income in 1960 was only \$158 a year<sup>1</sup>.

Currently, according to the latest comparable UN data (2017), the nominal GDP per capita of Republic of Korea is almost 44 times ahead of the Democratic People's Republic of Korea: nearly \$30,000 in the South against \$685 in the North<sup>2</sup>. The ROK's impressive economic growth performance for 1960-2020 is illustrated on Fig. 1.

With a population comparable to Ukraine, the Republic of Korea is now one of the ten largest economies in the world (in 2020, GDP of Republic of Korea amounted to \$1.6 trillion), ranked 9th in the world in terms of foreign exchange reserves (in early 2021 — \$442.7 billion), is a member of the G20, is a world leader in a range of crucial cutting-edge technologies, including semiconductors, cell phones, ships, and automobiles [2].

The period of incredible growth of the Korean economy is often called the «Miracle on the Han River». This river has about the same natural, economic, cultural, and symbolic significance for the Republic of Korea and its capital Seoul as the Dnieper for Ukraine and Kyiv.

<sup>1</sup> GDP per capita (current US\$). Korea, Rep. (1960—2020). World Bank, 2021, available at: <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=KR> (accessed on: 11.01.2021).

<sup>2</sup> National Accounts Main Aggregates Database, 2017 (Select all countries, «GDP, Per Capita GDP — US Dollars», and 2016 to generate table). United Nations Statistics Division (accessed on 17.01.2019).

Despite the existence of a number of fundamental academic works devoted to the study of the relationship of Confucianism with modernization, industrialization, and economic growth (by Kyong-Dong Kim, Sungmoon Kim, Jennifer S. Oh, Chong-Min Park, Joseph Wong, Doh Chull Shin, Andrew Swiston, Igor Tolstokulakov, Ezra F. Vogel, Wei-Bin Zhang, Ukrainian scholars Leonid Leshchenko, Yuri Mazur, Kan Den Sik et al.), the problems, opportunities, and prospects for applying the modernization experience of South Korea («arguably, the most Confucian in its legal, political, and cultural practices» [3, p. 6]) for European transition economies, particularly for Ukraine, still remain practically unexplored.

Thus, **the purpose of this article** is to analyze genetics, factors, and mechanisms of the South Korea's case of phenomenal economic and social modernization in those aspects that are of theoretical and practical value for modernization reforms in Ukraine.

## **UKRAINE AND THE REPUBLIC OF KOREA — PIVOT STATES**

The Republic of Korea is of special interest to Ukraine. After all, in terms of geopolitical parameters, Ukraine and the Republic of Korea are pivot states — for Eastern Europe and East Asia, respectively — which have strategic assets of military, economic and «soft power» that are of strategic interest to major world actors. After all, the core states are usually at the crossroads of spheres of influence of large powers, and for the latter, in fact, is a tool to ensure their influence in a particular region. For example, the United Arab Emirates (UAE) is a core country in the Middle East, Kazakhstan — in Central Asia, Indonesia — in Southeast Asia [4], and South Korea — in East Asia [5].

The Republic of Korea has been at war with its northern neighbor for more than 70 years, and its capital, Seoul, is within artillery range of the enemy. Thus, the Republic of Korea since 1950 and Ukraine since 2014 are at the epicenter of strategic conflicts in Eurasia, in which the most important interests of global states have clashed.

At the same time, beyond the intra-Korean conflict, the Republic of Korea is sandwiched on a relatively small peninsula between three giants with their geopolitical ambitions — the Chinese, Japanese and Russian Empires or their successors. Only after the Second World War was there a great power — the United States, which became the guarantor of military security and peace on the Korean Peninsula, providing military-political (security) conditions for modernization and sustainable development of the Republic of Korea for almost seventy years.

Apart from being comparable in terms of population, Korea and Ukraine have a common position on key issues of world order and promising bilateral relations. At the same time, the Republic of Korea has managed to overcome the devastating effects of war, poverty, and corruption and has built one of the world's most industrialized and innovative economies in a short historical period. Today, Ukraine faces similar challenges, so the South Korean experience of economic modernization and development is important and relevant for Ukraine.

## **DRIVES AND COMPONENTS OF THE «MIRACLE»**

The driving force behind South Korea's «economic miracle» were several hundred large corporations belonging to 63 family conglomerates (financial-industrial groups) — the so-called «chaebols». They emerged as part of government industrialization programs in the 1960s, when the government selected companies for public projects under the Managed Capitalism program and supplied them with funds from foreign loans and Korean banks.

The Ukrainian scholar Yuriy Kindzerskyi notes the fact that the reforms in South Korea began and were successful under a strict dictatorship of General Park Jeong-hee, who came to power in a military coup in 1961 and ruled the country as a President from 1963 to 1979. His rise to power is associated with the beginning of the «economic miracle» in the country amid the suppression of political opposition. Citing the example of the Republic of Korea, Dr. Kindzerskyi doesn't in any way call for the need to establish a dictatorship in Ukraine. It is a statement of the indisputable fact of how the political elite through the dictatorship managed to build a state-of-the-art developed high-tech economy [6, p. 15].

By the 1990s, however, these corporations had become financially independent, but continued to enjoy government support, including tax holidays. According to McKinsey, the 30 largest companies in Korea (including, for example, Hyundai, Samsung, LG Electronics) now own 40% of the country's corporate assets, and they account for 36% of all sales in the South Korean market [7]. Of course, economic concentration also raises some of the structural challenges currently facing the economy and society, including declining competition and family-related corruption risks. However, the country, especially after the Asian financial crisis of 1997-1998, has accumulated solid experience in solving them, particularly through the concentration of previously widely diversified chaebols on «breakthrough» export-oriented areas and building networks of foreign branches, delegating many business areas to small and medium businesses.

The unprecedented growth rate in the modern history is still widely analyzed and discussed by many reputable scholars and international financial organizations. In its working paper the International Monetary Fund remarked that «In the early 1960's, Korea's income per capita was less than 10 percent of that in the United States, which is taken as the reference economy. Per-capita income growth then exceeded 10 percent per year for some 10-year periods — nearly unparalleled in the historical experience» [8, p. 6]. After the Asian Financial Crisis, the growth slowed down, but it still remained high enough, raising Korea's per capita income level to two-thirds of U.S. income [8, p. 6].

In the World Bank's Doing Business ranking, South Korea is among the top five countries in the world in terms of ease of doing business<sup>3</sup>. All this provides a high level of investor activity, growth in production, communications and, ultimately, economic growth. South Korea's export-oriented policy is one of the most important factors in its success: the country is now one of the ten largest exporters in the world.

The Republic of Korea, according to UNESCO (2018), is the leader in spending on science and research: 4.53% of GDP is the second highest in the world after Israel (4.95%) and ahead of the two world innovation leaders — the United States

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<sup>3</sup> World Bank's Doing Business. World Bank Group. 2020, 149 pp., p. 4, available at: <https://documents1.worldbank.org/curated/en/688761571934946384/pdf/Doing-Business-2020-Comparing-Business-Regulation-in-190-Economies.pdf>

(2.84%) and Japan (3.26%)<sup>4</sup>. According to Bloomberg, in 2020, South Korea led the top ten world leaders in innovation, overtaking Germany, Switzerland and the United States — not least due to activity in the patent field, although development and production potential of the country also played an important role [9].

The Korean government has spent and continues to spend heavily on developing high-tech Internet infrastructure because it believes that every Korean citizen will benefit from connecting to the global community. Moreover, Korea is one of the few countries in the world that invests public funds in national startups (more than a quarter of all venture capital expenditures).

The Republic of Korea is one of the most successful countries in the world in terms of combating the coronavirus pandemic. Seoul efficiently pursued a strategy of «trace, test and treat» (3T): tracing contacts of infected patients through information & communications technology, testing on a massive scale and isolating infected individuals. During the entire period of the pandemic in a country with a population of 51.5 million people, as of April 19, 2021, 115 thousand people were infected (for comparison, in Ukraine — 2 million) with a relatively small number of victims — 1.8 thousand (the number is 41.5 thousand in Ukraine). Among doctors the number of patients is less than 1% at the beginning of April 2021, and no deaths have been recorded among health workers. South Korea is currently in the final stages of developing its own vaccine against COVID-19 and is also producing antibody-based drugs against the infection. Many states, e.g. Kazakhstan and South Africa, turned to the ROK's government for help in tackling with the coronavirus health crisis. South Korea exported its test kits around the world and donated some to its partners in Southeast Asia and other regions. Moreover, the RK's government is devising a plan to export the above 3T approach as the national COVID-19 management strategy through the «K-Quarantine» model [10].

The IMF Working Paper estimates the impact of COVID-19 on the Korea's economic performance as limited. Pre-COVID potential growth was estimated by the IMF at about 2.2-2.4 percent in the 2020's before declining to reach about 2 percent per year in the 2030's. There are also two trends already in motion before COVID-19. «Overall growth in global trade has fallen, reflected in slowing import growth in Korea's trading partners. Global demand has also shifted toward services, in which Korea's market share is lower. Both these trends were already likely to persist and could accelerate owing to the pandemic, as producers seek more localized supply chains and economic activity becomes more digitalized. By contrast, the trend toward digitalization of activity does favor Korea's relatively techintensive composition of exports» [8, p. 21].

## **MODERNIZATION UNDER THE OMOPHORION OF CHRIST AND CONFUCIUS**

An outstanding philosopher of the twentieth century Albert Schweitzer called for the harmonious development of all aspects of culture, both material and spiritual, with the inevitable supremacy of its moral side [11]. This is the cultural

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<sup>4</sup> The race against time for smarter development. UNESCO Science Report 2021, available at: <https://www.unesco.org/reports/science/2021/en/race4smarter-development> (accessed on: 15.01.2012).

Do young people believe that contemporary Korean society is still influenced by Confucianism?

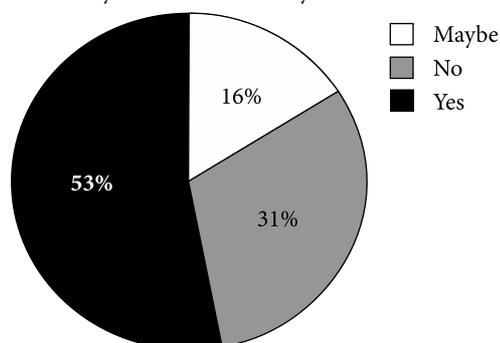


Fig. 2. The contemporary South Korean youth's attitudes to Confucianism

Source: [13, p. 36].

and value paradigm put forward today by the Republic of Korea as a country of centuries-old and systemic Confucian tradition, which is at the same time a leader in modern economic modernization in Asia and a developed structural democracy. South Korean society is multi-religious and religiously tolerant: the largest religious community is made up of Protestant Christians (about 20% of the population), there are also a significant number of Buddhists (15.5%) and Catholics (8%)<sup>5</sup>. However, 56% of the population is non-religious<sup>6</sup>, which brings Korea

closer to such Central European countries as the Czech Republic or Estonia.

Only less than 1% of South Koreans consider themselves religious Confucians. However, the influence of Confucianism as a philosophy of life, value system and practical ethics in the country is extremely high.

Dr. Isabelle Sancho in her lecture has presented variety of diverse views on Confucianism and its role in the contemporary Asian countries and territories. The text contains multiformity of pros and contras regarding the role of Confucianism and its influence on modern and contemporary society, especially in the Republic of Korea. However, Confucian values and norms are still influential in Korea [12].

An important indicator of the popularity of ideas in the society is their support by young people and the impact of those ideas on the younger generation of the country. Bianca Mitu refers to the survey conducted in January — February 2015, which used a sample of 250 Korean young people studying in the UK universities, that clearly indicated that majority of the respondents believe that the contemporary Korea is still influenced by Confucian ideas [13] (Fig. 2).

The majority of «the Korean Miracle» analysts accept the importance of the role played by the Confucianism in the outstanding development of South Korea. They also recognize that Confucianism has changed in response to the challenges of the world contemporary developments and remains the dominant way of life in the Republic of Korea. Confucian culture regulates the customs and the consciousness of the Koreans. Therefore, any discussion about the Korean development should start with a discussion about Confucianism, because even in contemporary Korea the Confucian tradition remains intact, more so than in neighboring East Asian countries such as China and Japan [14, p. 34].

<sup>5</sup> Population distribution in South Korea in 2015, by religion. Results of the 2015 Population and Housing Census. Statista, available at: <https://www.statista.com/statistics/996013/south-korea-population-distribution-by-religion/> (accessed on: 08.12.2020).

<sup>6</sup> Results of the 2015 Population and Housing Census. Statistics Korea. December 19, 2016, available at: <http://kostat.go.kr/portal/eng/pressReleases/1/index.board?bmode=read&aSeq=361147> (accessed on: 01.02.2021).

We believe that one of the strongest features of the Confucian culture is syncretism, which «adsorbed the idea of profit seeking, competition and rationalisation of economic activity, but retained its emphasis on collectiveness, family and harmony in the society. Combined with the continuing Confucian emphasis on education, merit, hard work, discipline and high achievement motivation, these values form a potent underpinning for economic growth. Confucianism encompasses a broad array of moral, social, philosophical and religious ideas, values and practices, which can adapt themselves to address any number of unique circumstances» [14, p. 36].

Confucius taught that the improvement of the situation in the country should begin with the example of the rulers: if they behave honestly and nobly, the citizens will soon follow their example. At the same time, Confucianism defends the self-worth of conscientious and diligent work, since only it can maintain human harmony with Heaven and society.

The basic moral commandment of Confucianism is, «Do not do to others what you do not wish for yourself.» In essence, Confucianism is an exemplary model of social and personal relations that has absorbed the wisdom and experience of thousands of years of civilization, proved its exceptional viability, ability to dynamically modernize and creatively assimilate the achievements of other cultures and civilizations.

We dare to say that the unique synthesis of values of the two most competitive systems of work ethic in the modern world — Confucianism and Protestantism, the combination of political institutions of Western, especially Anglo-American democracy, with the Confucian tradition ensured the phenomenal success of South Korean modernization. In essence, the «Miracle on the Han River» is the South Korean Renaissance, Reformation, Enlightenment, emancipation, democratization, industrial, scientific & technological, information revolution and the achievement of the sixth technological mode — milestones passed by the West for more than 500 years [15], which the country managed to overcome in the course of one generation.

In this context, it should be emphasized that Confucianism and its ethical standards are by no means a doctrine infinitely far from the realities of modern Ukrainian society. First, Confucianism does not have any signs of theosophy, mysticism, or occultism, but appeals to reason, being one of the most rationalistic teachings of human civilization. Secondly, Confucius never limited his teaching to ethnic, geographical, or historical and cultural frameworks, but turned primarily to universal human values and categories. That is why Confucian values were deeply introduced and widely applied in such ethnically, culturally and politically heterogeneous societies as imperial, early republican (under Sun Yat-sen and Chiang Kai-shek) and contemporary post-reform (as a result of Deng Xiaoping's reforms) multiethnic China, feudal Korea of the Joseon dynasty era (late 14th — late 19th centuries), the Republic of Korea of the rigid authoritarianism period (1961-1987) and, lastly, the ROK's modern pluralistic democracy with a relative quantitative predominance of the confessionally Christian population.

It is the South Korean experience of the effective synthesis of Confucian and Western values in socio-political and economic modernization which is of practical use for Ukraine when implementing the bilateral political, trade and economic, investment, technological, educational, and cultural cooperation. That is especially

evident in building up the national economy's international competitiveness, for example, in the areas of structural reforms, improving corporate management, combating corruption, etc.

## **DEVELOPMENT FINANCE**

In the series of successful economies, the Republic of Korea is a special example for Ukraine, as in a historically short period of time it managed to become one of the most technologically advanced countries in the world, becoming a member of the G20. In addition, Korea has managed to become one of the leading investment countries at the global level and take a high place among the world leaders in accumulated gold and foreign exchange reserves.

Like Korea in the 1960s, Ukraine is in a difficult financial situation due to a cumulative foreign debt that requires more and more borrowing. Although the real financial situation is somewhat different from that reflected by the Ministry of Finance in official reports, as significant amounts of financial resources are constantly deliberately withdrawn from circulation by those who should contribute to the country's financial stability and development.

At present, our financial problems are reminiscent of the famous biblical parable of the talent buried in the ground, especially after reading financial declarations of domestic politicians and high-level officials. The meaning of this parable was completely transformed in the process of human development, and now the biblical saying has acquired a completely different meaning, which is that laziness or circumstances did not allow a person to develop and realize his creative talent, that is, he «buried his talent in the ground.»

In the Bible, the original is about something different — the ability to manage money, which means the common concept in the modern world of «money management», because «talent» in Biblical times meant weight of silver or a silver coin of certain denomination<sup>7</sup>.

A biblical parable about how a master, before going to distant lands, summoned his slaves and gave one five talents, another — two, and the third — one. The first two slaves put money into circulation, and the third simply buried his talent in the ground to preserve the lord's property.

When the master returned home, he demanded a report from the slaves. The first slave gave him back ten talents instead of five, the second instead of two — four, and the third gave the same one talent, explaining that he had saved the money by burying it in the ground. The master praised the first two slaves, and called the third cunning and lazy, because the slave did nothing to make a profit, simply burying the talent in the ground.

Judging by the declarations of highly placed Ukrainian politicians and officials, the range of cash money stored at home is from several thousand to millions, and one of the political leaders boasted a hoard of several tens millions of US dollars. If the declarations contain false information, then there are legal methods of punishment for financial fraud, but if it is the case, the role of those citizens in the economy was described almost two thousand years ago.

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<sup>7</sup> Bible (King James Version), available at: <https://www.biblegateway.com/> — Matthew 25: 14-29.

Thus, in modern Ukraine, outside the banking system, according to various estimates, there is an amount almost equal to the country's annual budget. That is, huge financial resources are hidden outside the economy, which are so lacking to finance development programs and economic reforms.

The constant «shortage» of financial resources for innovative development has led to such a shameful phenomenon as subsidies, to which almost half of Ukrainian households were doomed. Instead of supporting family, small and medium-sized businesses so that citizens can legally earn and pay moderate taxes to the state, the owners of successful «home banks» have long ago doomed the vast majority of the country's citizens to varying degrees of poverty.

The example of Confucian Korea, where the goal is to achieve harmony between rulers and subjects, and the state serves as a mechanism for establishing fair order and harmony between people, could be adjusted and effectively applied in Ukraine.

By its very nature, the Confucian economy emphasizes the importance of mobilizing countries' internal financial resources for the economy modernization and development goals. The success of the Marshall Plan for reforming and rebuilding the post-war Europe also relied to a decisive extent on the own (about 80%) financial resources of the countries participating in the project [16].

## **PECULIARITIES OF SOUTH KOREAN DEMOCRACY**

It should be noted that the modern structural democracy of the Confucian tradition (South Korea, Taiwan, to a lesser extent Japan), which was mightily influenced by the Anglo-American value system, especially Protestantism, may be more suitable for Ukraine and therefore easier and more successful in Ukraine than the model of democracy and organization of society directly borrowed from the West.

Confucian society does not mean the absence of problems. The latter arise, of course, even quite acute ones. But the South Korean democracy of the Confucian tradition has learned to solve them quickly and efficiently. Alarm signals from the media, NGOs and individuals are usually met quickly, and an urgent and adequate action is taken.

The main Korean parties, despite repeated name changes, are primarily ideological, offering a voter a specific project of societal development. For example, the Joint Democratic Party, whose candidate Moon Jae-in won the 2017 presidential election and became the country's president, was formed in 1955. That is, the party is already more than 65 years old. All these years the party professes social liberalism. And the origins of the main opposition the People Power party, which is on the right-wing conservative flank of the political spectrum, date back to the early 1960s.

Moreover, the leadership of the latter had enough political will not to hide under the new name of the party, but to publicly apologize to the people in December 2020 for the mistakes of the former presidents of the country who represented this party.

In 2020 the strength of democracy everywhere in the world was severely tested by the outbreak of the Covid-19 pandemic. While, according to the Economist Intelligence Unit's Democracy Index 2020 Report, a large majority of

Table 1. Democracy Indices of 5 Advanced Democracies in East Asia and Australasia as well as the USA, France, China, and North Korea by the end of 2020 compared to 2019 preceding the COVID-19 Crisis (Data for 2019 are given within brackets) (on a 10-point scale)

Country	Overall score	Global Rank	Regional rank	I Electoral process and pluralism	II Functioning of government	III Political participation	IV Political culture	V Civil liberties	Regime type
New Zealand	9.25 ↓ (9.26)	4 (4)	1 (1)	10.00 (10.00)	8.93 ↓ (9.29)	8.89 (8.89)	8.75 ↑ (8.13)	9.71 ↓ (10.00)	Full democracy
Australia	8.96 ↓ (9.09)	9 (9)	2 (2)	10.00 (10.00)	8.57 ↓ (8.93)	7.78 (7.78)	8.75 (8.75)	9.71 ↓ (10.00)	Full democracy
Taiwan	8.94 ↑ (7.73)	11 ↑ (31)	3 ↑ (5)	10.00 ↑ (9.58)	9.64 ↑ (8.21)	7.22 ↑ (6.11)	8.13 ↑ (5.63)	9.71 ↑ (9.12)	Full democracy (Flawed democracy)
Japan	8.13 ↓ (7.99)	21 ↑ (24)	4 (4)	8.75 (8.75)	8.57 ↑ (8.21)	6.67 (6.67)	8.13 ↑ (7.50)	8.53 ↓ (8.82)	Full democracy (Flawed democracy)
<b>South Korea</b>	<b>8.01 ↑ (8.00)</b>	<b>23 (23)</b>	<b>5 ↓ (3)</b>	<b>9.17 (9.17)</b>	<b>8.21 ↑ (7.86)</b>	<b>7.22 (7.22)</b>	<b>7.50 (7.50)</b>	<b>7.94 ↓ (8.24)</b>	<b>Full democracy (Flawed democracy)</b>
France	7.99 ↓ (8.12)	24 ↓ (20)	14 (14)	9.58 (9.58)	7.50 ↓ (7.86)	7.78 (7.78)	6.88 (6.88)	8.24 ↓ (8.53)	Flawed democracy (Full democracy)
USA	7.92 ↓ (7.96)	25 (25)	2 (2)	9.17 (9.17)	6.79 ↓ (7.14)	8.89 ↑ (7.78)	6.25 ↓ (7.50)	8.53 ↑ (8.24)	Flawed democracy (Flawed democracy)
China	2.27 ↑ (2.26)	151 ↑ (153)	26 (26)	0.00 (0.00)	4.29 (4.29)	2.78 ↓ (3.33)	3.13 ↑ (2.50)	1.18 (1.18)	Authoritarian (Authoritarian)
North Korea	1.08 (1.08)	167 (167)	28 (28)	0.00 (0.00)	2.50 (2.50)	1.67 (1.67)	1.25 (1.25)	0.00 (0.00)	Authoritarian (Authoritarian)

Source: Based on Economist Intelligence Unit indicators for 2019 and 2020; Economist Intelligence Unit. (2021). Democracy Index 2020. In sickness and in health? 73 p., P. 9–13, available at: <https://www.eiu.com/n/campaigns/democracy-index-2020/> (accessed: 12.02.2021); Economist Intelligence Unit. (2020). Democracy Index 2019. A year of democratic setbacks and popular Protest. 73 p., P. 10–14, available at: <https://www.in.gr/wp-content/uploads/2020/01/Democracy-Index-2019.pdf>

countries, 116 of a total of 167<sup>8</sup> (almost 70%), recorded a decline in their total Democracy Index score compared with 2019, South Korea (along with Japan and Taiwan) moved from the «flawed democracy» category to be classified as «full democracy» (see Table 1). Thus, it took the 23<sup>rd</sup> position in the global rating list (a head of the USA and France), having joined the group of only 23 countries being «full democracies»<sup>9</sup>.

At the same time, some structural features of South Korean democracy still need further improvement. As can be seen from components of the rating of the five «full democracies» in Asia and Australasia, the Republic of Korea has a very high rating (9.17 out of 10.00) in terms of «Electoral process and pluralism» but still lags significantly behind the leaders in terms of political culture, and civil liberties (see Table 1).

### **THE «KOREAN WAVE»**

Heavily state-supported expansion of Korean culture and the beauty industry has allowed the national economy to cope fairly quickly and effectively with the effects of the 1997 Asian financial crisis.

The «soft power» of South Korea — its films, music, brands (from cars, smart phones, high-tech to the beauty industry) — not only reformatted the collective consciousness of world business and society, changing their perception of their country of origin: South Korea gradually became associated not with the Korean War and the Korean «Berlin Wall», along which about a million soldiers of the opposing armies were trained for battle, but with Samsung, Hyundai, Kia, LG, AmorePacific, with the image of a country of ultra-modern urban elegance, impressive dynamism and refined femininity. Today, the price of the Hyundai brand only exceeds \$ 60 billion, and the beauty industry giant AmorePacific is one of the seven largest cosmetic companies on the planet.

Rapid growth and expansion of «soft power» are creating entirely new industries (for example, offline games production) and allow capitalizing and focusing on the growth of national power and prosperity of the previously unclaimed creative energy of millions of people.

The worldwide recognition of Korean «soft power» is reflected in the name of the very phenomenon of its rapid spread since the late 1990s — Hallyu, or «Korean wave». And the «Korean wave» is not a separate surge, but a phenomenon of powerful and growing geocultural energy. Today, according to the most modest estimates, the «Korean wave» brings the country more than \$12 billion a year [17].

A kind of triumph for South Korea's «soft power» was the film «Parasite» (directed by Bon Joon-ho) — an incredible hybrid of drama, comedy, and thriller, shot in just four months with a modest budget for world film hits of \$11.4 million, having collected at the box office a worldwide total of more than a quarter of a

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<sup>8</sup> 165 independent states and two territories (Hong Kong and Taiwan).

<sup>9</sup> Economist Intelligence Unit. (2021). Democracy Index 2020. In sickness and in health? 73 p., P. 9-13, available at: <https://www.eiu.com/n/campaigns/democracy-index-2020/> (accessed: 12.02.2021); Economist Intelligence Unit. (2020). Democracy Index 2019. A year of democratic setbacks and popular Protest. 73 p., P. 10-14, available at: <https://www.in.gr/wp-content/uploads/2020/01/Democracy-Index-2019.pdf>

billion dollars<sup>10</sup>. The film won the Golden Palm Branch of the Cannes Film Festival in 2019 and won the Oscar in four nominations in 2020. This is the first non-English-language film to win an Oscar for Best Picture in the nearly century-long history of this most prestigious film award.

The film's main ethical message: deception, insidiousness, and brute force — this is not the way to achieve wealth and prosperity in such a successful and forward-looking country as the Republic of Korea. And this is a moral message for the whole modern world, for all people and nations that strive for sustainable development today.

And here Ukraine with its most melodic language, with its rich cuisine, with its army of educated and creative people — from witty IT people to beautiful and wise Roxelanas, with its huge potential of international tourism has something to learn and borrow, through fruitful cooperation, from South Korea partners.

The Republic of Korea has long prioritized the development of certain sectors of the economy and provides them with appropriate government support. For example, the number of foreign tourists in Korea has been growing rapidly in recent years. This is primarily due to the international expansion of Korean culture and the largest sporting events hosted by Korea: the World Cup in 2002, the Asian Games in 2014, the Winter Olympics in 2018. If in 1998 4.28 million tourists visited Korea, already 14 million did in 2018.

## **WAITING FOR BIG INVESTMENT PROJECTS**

On the other hand, in Ukraine, in the conditions of preservation of the clan-oligarchic economy, the priority for certain branches within the framework of economic policy are practically not carried out. But each business has its own characteristics, a different cost structure, as a result a different effect on the economy.

For Ukraine, unfortunately, the Republic of Korea until recently remained on the periphery of relations, despite the unprecedented rate of economic growth, high-quality medicine and huge investment opportunities.

Several years ago, representatives of the business community of the Republic of Korea studied the possibility of opening a large car plant in Ukraine under the Hyundai or KIA brand. This is a potential multibillion-dollar investment, hundreds of thousands of cars, billions of dollars in export revenue. One such investor and one built plant could provide orders to approximately 150-200 Ukrainian subcontractors of medium and small businesses. Each job created in such a plant would lead to the creation of 10 more jobs in other industries. The cumulative impact of employment and the emergence of subcontractors would result in a significant increase in the purchasing power of the population and GDP growth.

Unfortunately, in early 2019, the headquarters of Hyundai and Kia Automotive closed their offices in Ukraine and refocused on other countries. The official reason is a sharp drop in sales of new cars over the past few years. Instead, Ukrainians have spent an average of about \$ 2.3 billion a year on imports of used cars over the past 5 years! And this, according to experts, is still quite a conservative assessment of the Ukrainian market of imported used cars with foreign registration. So, instead

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<sup>10</sup> Parasite. Box Office Mojo. IMDb.com, Inc. Seattle, WA, US, 2021, available at: <https://www.boxofficemojo.com/release/rl1258849793/> (accessed on: 30.03.2021).

of protecting the interests of the domestic high-tech producers, oligarchic lobby supports importing used foreign junk into the country [6, p. 33]. In fact, the available import of used cars costs Ukraine much more than the direct spending of citizens and becomes a visible brake on the country's innovative development. Thus, the already adopted anti-oligarchic laws and those that are still pending may help altering the situation for the better. At the same time, the causality of the phenomenon of second-hand cars mass imports to Ukraine is not limited only to the government's policy and the oligarchic lobby's influence on it but is deeply rooted in the mass traumatized consciousness of the post-Soviet Ukrainian society, in which the models of personal consumption have still little to do with such spiritual and moral values like patriotism, social responsibility or solidarity.

Many South Korean companies are currently focusing on Central and Eastern European countries, where they are opening factories and investing billions of dollars. For example, Kia Motors Corporation has opened a car factory in Slovakia, Samsung SDI has opened a plant in Hungary to produce batteries for electric vehicles.

Until 2014, more than 20 Korean companies-investors worked in Ukraine, then their number decreased to 12. As of 30.09.2020, according to the National Bank of Ukraine, the volume of direct investments from the Republic of Korea into the economy of Ukraine amounted to a modest \$ 74.2 million, and Ukrainian investments in the ROK are totally absent<sup>11</sup>. The reasons for such insignificant investment cooperation between Ukraine and the ROK are well-known: distrust of the law enforcement and legal system, corruption, and insecurity of property rights.

In a recent interview, the Ambassador of the Republic of Korea to Ukraine, Mr. Ki-chang Kwon, noted that the few remaining in Ukraine Korean entrepreneurs face discomfort of the local business climate, and investing in Ukraine for small and medium-sized Korean entrepreneurs is quite risky [18].

Thus, the South Korean company GS Construction invested \$24 million in 2019 in the construction of two solar power plants in the Transcarpathian region with a capacity of 12.6 and 11.5 MW. However, before their construction was completed, there was a certain «green» tariff for renewable electricity, but in early 2020 the Ukrainian government significantly reduced it. This undermined the planned return on investment, so that the above business became unprofitable for foreign investors. And despite appeals to government agencies, the problem still remains unresolved.

Several Korean small and medium-sized companies had a negative experience in Ukraine. The reason is the fraudulent financial schemes of Ukrainian partners, under which the Koreans investments were de facto expropriated by local Ukrainian partners. Korean companies have repeatedly appealed to the Ukrainian courts, but all court decisions were slow and not in their favor. Some lawsuits between Korean companies in Ukraine have been going on for 10 years. There are several complaints from South Korean and EU investors on the Ukrainian Prime Minister's desk now asking for a fair and speedy settlement of investment disputes [18].

Many years of litigation are a bad signal for foreign investors about insecurity of investments in Ukraine. This forces Koreans to refrain from investing in the

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<sup>11</sup> Trade & economic, and investment cooperation of Ukraine with the Republic of Korea. Embassy of Ukraine in the Republic of Korea, 2021, available at: <https://korea.mfa.gov.ua/spivrobitnictvo/400-torgovelyno-jekonomichne-spivrobitnictvo-mizh-ukrajinoju-ta-korejeju> [in Ukrainian].

Ukrainian economy. It is known that Ukraine has a powerful agricultural sector, a tangible potential in space, defense, and IT industries. According to the Korean side, investors are interested in these industries. This is confirmed by the presence of the Samsung Research Center in Kyiv, which employs about 600 Ukrainian engineers involved in the development of apps for phones and software of the Korean company.

### IS MUTUAL TRADE BREAKTHROUGH POSSIBLE?

Ukraine's exports to Korea are currently almost monocultural: in 2020, 87% of its volume fell on grain crops. Grain exports increased by 25.4% due to the commissioning of a grain terminal in Mykolayiv region in autumn 2019. The South Korean corporation «Posco International» has invested \$ 65 million in this terminal. Instead, the bulk of South Korea's merchandise imports are advanced goods: land vehicles (except rail) (29.5%), boilers and machinery (14.2%); optical devices and apparatus (7.9%), etc.<sup>12</sup>

Although over the past three years there has been an increase in trade between Ukraine and South Korea (in 2018 it increased by 21,2%, in 2019 — by 8.9%, and in 2020 — by another 2%, amounting to \$ 849 million with a negative balance for Ukraine of about \$ 146 million), but it should be noted that from 2012 to 2017, our bilateral trade has been constantly declining and decreased over this period by almost 2.5 times — from \$ 2 billion to \$ 800 million<sup>13</sup>. However, there is significant potential to restore the volumes of mutual trade: according to our diplomats, by the end of this year they may well reach \$ 1.5 billion<sup>14</sup>.

On the part of Seoul, political and institutional conditions for this are quite favorable: in January 2021, the Government of the Republic of Korea included Ukraine in the list of priority countries for bilateral cooperation under the Comprehensive Plan for International Development Cooperation for 2021-2025, as a country with high potential for economic and diplomatic cooperation. But there is a simple rule in Korea for the development of business cooperation with other countries. They first carefully consider business projects and business processes, and only then «build walls.»

The political dialogue between the two countries obtained specific economic content in March 2021, when the Ministry of Infrastructure of Ukraine and the South Korean National Railways signed a memorandum on the joint development of high-speed Euro rail in Ukraine. The agreements provide for grant funding of the Terms of Reference in the amount of \$ 2 million for the construction of a high-speed railway, on which trains will be able to move at a speed of 250 km / h. The project will take 4-5 years to implement, and the length of the Kyiv — Lviv — State Border route will be almost 2,000 kilometers. The agreement is a follow-up of a successful project between Ukraine and South Korea in the field of supply of high-speed Hyundai trains and their maintenance.

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<sup>12</sup> Ibid.

<sup>13</sup> The Geographic Structure of the Foreign Trade in Goods for 2012-2020. State Statistics Service of Ukraine, available at: <http://ukrstat.gov.ua/> [in Ukrainian].

<sup>14</sup> The Ukrainian-Korean Business Council established. Chamber of Commerce and Industry of Ukraine, 2020, Nov. 9, available at: <https://ucco.org.ua/press-center/ucco-news/stvoreno-ukrayinsko-koreysku-dilovu-radu> [in Ukrainian] (accessed on: 20.01.2021).

The above area of cooperation undoubtedly has great potential given the large territory of Ukraine and the need to develop railways based on European standards: in Ukraine it is advisable and realistic to organize the production of high-speed locomotives and wagons on South Korean technology as well as to cooperate in infrastructure modernization.

If soon we finally solve the problem of «Europlates» (used cars that have a foreign registration) which is destructive for the finances, economy, and the image of Ukraine, we might return to implementing the project of building factories to produce Korean brand cars and electric vehicles in Ukraine.

In this respect, the example of Uzbekistan, which according to the Economist in 2019 became the country most advanced in the implementation of modernization reforms, can be illustrative for Ukraine. Uzbekistan has founded and successfully developed such a high-tech industry as the automotive industry from scratch. Over the past year, the volume of car exports in monetary terms increased by 30.4% to \$ 208.7 million. And although for now car imports to Uzbekistan still exceed exports, but only by 2.3 times<sup>15</sup>; for comparison, in Ukraine, this indicator has exceeded 300 times in recent years<sup>16</sup>, while the domestic output of motor vehicles has dropped to less than 2% of the 2008 level<sup>17</sup>.

According to experts, there are about 5,000 IT companies in Ukraine with more than 100,000 highly qualified employees<sup>18</sup> who, in cooperation with South Korean companies, may create unique products. Therefore, it is quite natural that a top manager in the field of information technologies was elected the Chairman of the Ukrainian part of the Ukrainian-South Korean Business Council, established under the auspices of the Chamber of Commerce and Industry of Ukraine in November 2020<sup>19</sup>.

Besides, an active cooperation in the field of electronics and IT technologies, there is the interest of the parties and the potential for cooperation in the field of renewable energy, in aerospace and aviation, in the agricultural sector, as well as in pharmaceuticals, cosmetics and, sure, health.

Given the unique practical experience of the Republic of Korea's economic development in the context of a long-term military confrontation with its northern neighbor, cooperation in the defense sphere would be especially useful for Ukraine.

In addition, Ukraine would benefit from the positive experience of the ROK in the development of such areas as private entrepreneurship, small and medium business support system. Adaptation of this experience to Ukrainian realities will help to practically solve the problems of microcredit and attract investment in the real sector of Ukraine's economy.

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<sup>15</sup> Foreign Trade Turnover in the Republic of Uzbekistan (January — December 2020). State Committee of the Republic of Uzbekistan on Statistics, 2021, Jan. 20, available at: <https://stat.uz/ru/press-tsentr/novosti-goskomstata/7404-vneshnetorgovyj-oborot-v-respublike-uzbekistan-yanvar-dekabr-2020-goda> [in Russian] (accessed on: 11.03.2021).

<sup>16</sup> Ukraine exported cars for \$5 million. AUTO-Consulting. Kyiv, 2019, July 26, available at: <http://autoconsulting.com.ua/article.php?sid=44469> [in Russian] (accessed on: 10.03.2021).

<sup>17</sup> Zelensky wants car industry development strategy drafted. UNIAN, 2020, Sept. 28. Available at: <https://www.unian.info/economics/car-production-zelensky-wants-industry-development-strategy-drafted-11161901.html> (accessed on: 08.12.2021).

<sup>18</sup> The Ukrainian-Korean Business Council established. Chamber of Commerce and Industry of Ukraine, 2020, Nov. 9. Available at: <https://ucco.org.ua/press-center/ucco-news/stvoreno-ukrayinsko-koreisku-dilovu-radu> [in Ukrainian] (accessed on: 27.01.2021).

<sup>19</sup> Ibid.

Every cloud has a silver lining. In Ukraine, due to the pandemic and quarantine restrictions, but not least due to digitalization and computer literacy of the population, there is a boom in e-commerce. In terms of its growth rate, our country entered the top five countries in the second and third quarters of 2020, trailing only China, the United States, South Korea, and the United Kingdom.

The online speech of the Minister for Foreign Affairs of Ukraine Dmytro Kuleba on April 19 this year at the Boao Asian Forum (known as the Asian Davos)<sup>20</sup> could be considered remarkable from the viewpoint of turning the attention of the leadership of our state to the East Asian vector.

In particular, the head of domestic diplomacy stressed that Ukraine remains a strategically important logistics hub for multimodal container transportation between the EU and Asia. The Minister's support for Asian countries' trade liberalization efforts may be seen as Ukraine's commitment to developing long-standing bilateral free trade agreements with East Asian countries, particularly with the Republic of Korea. It may also be seen as the readiness to consider the institutional possibilities of involving Ukraine in the format of the Comprehensive Regional Economic Partnership established in November 2020 in which for the first time the long-standing competitors — South Korea, China, and Japan — as well as ASEAN countries, Australia, and New Zealand united in a common preferential trade area. In this regard, President of Ukraine Volodymyr Zelensky's visit to Seoul, being currently prepared by diplomats, of course, inspires certain optimism about the systemic intensification of our bilateral relations.

## CONCLUSION

Such a contrasting example of the two Koreas is in many ways instructive for our country. It convincingly testifies in favor of the fact that there are no a priori talented effective nations outside of historical circumstances and outside a certain system of values, social order and system of social institutions. It also says that in the modern dynamic and highly competitive world, relying on the baggage left over from previous generations, living turned to the «glorious past» and following the path of extensive development may doom the country, within the life of one generation, to vegetate on the margins of the world civilization.

On the contrary, consolidation of the nation, its political and business elite around the modernization project, as a national idea of the future, is capable of working miracles, as vividly and convincingly evidenced by the South Korean «Miracle on the Han River».

There is finally one more lesson — to become a completely different, it is not at all necessary to radically change the vision of the historical past, to throw away the common cultural or linguistic heritage. One just needs to form a fundamentally different picture of the future based on fundamentally different values and institutions and put this vision into practice.

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<sup>20</sup> Dmytro Kuleba called on participants of the Boao Asian Forum to jointly develop trade in the Western Europe-Ukraine-Asia triangle. Ministry of Foreign Affairs of Ukraine. Government portal. Official website, 2021, Apr. 19. Available at: <https://www.kmu.gov.ua/news/dmitro-kuleba-zaklikav-uchasnikiv-boaoskogo-azijskogo-forumu-spilno-rozvivati-torgivlyu-utrikutniku-zahidna-yevropa-ukrayina-aziya> [in Ukrainian].

Exactly the combination of a strong socially responsible state with competitive structural democracy and a social and work ethic based on a fusion of Confucian and Christian values that gave the effect of the «Miracle on the Han River». Ukraine does not even have that limited historical time it took for the modernization transformation of South Korea. Since today the world around is changing so rapidly and moving forward, it is time to remember and rethink a wise phrase from the beloved fairy tale of childhood — «Alice Through the Looking Glass»: «Now, here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!» [19].

With all due respect to national traditions, we in Ukraine need to discontinue «holy wars» for the past and focus on building the future by adapting and creatively integrating most competitive values and management technologies of the Confucian East and the liberal West.

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#### МОДЕРНІЗАЦІЯ ПІВДЕННОЇ КОРЕЇ: ПОХОДЖЕННЯ, ЗДОБУТКИ ТА ДОСВІД ДЛЯ УКРАЇНИ

Розглянуто причини і результати економічних досягнень Південної Кореї, яка за життя одного покоління спромоглася зробити ривок від злиденності до верхівки передових економік світу. Проаналізовано схожість проблем Республіки Корея, яка ось уже понад 70 років перебуває в стані війни зі своїм північним сусідом, і України з 2014 р., оскільки обидві країни є в епіцентрах стратегічних конфліктів в Євразії, в яких перетнулися найважливіші інтереси глобальних держав. Проаналізовано конфуціанство як модель суспільних і особистісних відносин, що увібрала мудрість і досвід багатогликої цивілізації, продемонструвала свою виняткову життєздатність, спроможність динамічно модернізуватися й творчо засвоювати досягнення інших культур та цивілізацій. Відмічено унікальний синтез цінностей двох найбільш конкурентоспроможних у сучасному світі систем трудової етики — конфуціанства і протестантизму, що забезпечили феноменальний

успіх південнокорейської модернізації. Доведено, що саме поєднання сильної соціально відповідальної держави з конкурентною структурною демократією і соціально-трудовою етикою на основі сплаву конфуціанських і християнських цінностей дало ефект «дива на Хангані». Показано, що Україна і Південна Корея мають спільну позицію щодо ключових питань світового порядку і перспективні двосторонні відносини, а південнокорейський досвід модернізації економіки і розвитку становить інтерес для України. Обґрунтовано перспективні напрями українсько-південнокорейського економічного співробітництва, такі як електроніка та ІТ-технології, відновлювана енергетика, аерокосмічна й авіаційна промисловість, сільське господарство, фармацевтика, косметика та охорона здоров'я. Україна отримує користь від позитивного досвіду Республіки Корея в розвитку таких сфер, як приватне підприємництво, система підтримки малого і середнього бізнесу, що допоможе практично вирішити проблеми мікрокредитування й залучити інвестиції в реальний сектор економіки України.

**Ключові слова:** Республіка Корея; економічна модернізація; сучасні технології; конфуціанство; протестантизм; система цінностей; держава загального добробуту; стратегічний конфлікт; конкурентна демократія.