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Park Geun-hye's Biggest Challenge Might Not Be North Korea

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With North Korea in the news seemingly every day with a new provocation, it would be tempting to think that the greatest challenge Park Geun-hye will face during her term in office will be South Korea's belligerent neighbor to the north. In the last few months, North Korea has successfully tested a long range missile and nuclear weapon, while ratcheting up the rhetoric towards both the United States and South Korea.

While North Korea may be adept at stealing the media spotlight, it will likely be the bread and butter issues that all democratically elected politicians must address that will shape the core of Park's agenda – jobs and welfare reform. Simply put, Park was elected to fix the economy. Polling by the [Asan Institute for Policy Studies](#) indicates that the issues most important to South Koreans

are job creation, economic democratization (or chaebol reform), and wealth redistribution. Only 8 percent of South Koreans see North-South relations as a priority.

Given South Korea's recent economic performance, it might be counterintuitive that such a strong emphasis is being placed on the [economy](#). Unlike many countries, South Korea weathered the global financial crisis relatively well and was the first developed country to rebound. The net effect has been that the [unemployment rate](#) currently sits at 3.4 percent. While not as robust as in the immediate aftermath of the crisis, [economic growth](#) last year registered 2 percent. Many in Europe or the United States would be overjoyed to have those levels of unemployment or economic growth. Yet in South Korea there is a sense of unease about the economy.

To a degree, South Korea's troubles are rooted in its own successes, one of the great success stories of the second half of the 20th century. Not only has South Korea moved from one of the poorest countries in the world after the Korean War to one of the world's 15 largest economies, it is the only country to move from an aid recipient to a member of the OECD's Development Assistance Committee. But the development model put in place by Park Geun-hye's father, Park Chung-hee, has largely run its course.

Park Chung-hee pursued a development model that relied primarily on industrialization and exports for economic growth. In recent years, exports have grown to account for [more than 50 percent of South Korea's GDP](#). As a result, economic slowdowns in the European Union, the United States, and China have created a drag on the economy.

The focus on industrialization and exports has left the service sector relatively underdeveloped compared with other developed nations. At the same time, it fostered the development of the chaebols which now dominate the economy. This has left South Korea with a [services sector](#) that is only half as productive as the manufacturing sector and increasing inequality in recent years.

It is many of these trends that South Koreans are reacting against. The place of the chaebols in the economy, their impact on issues such as income inequality and opportunities for other business, as well as an underdeveloped social welfare system for a country of South Korea's level of development are all concerns.

Addressing these concerns and rebalancing the economy will not be easy for the Park administration. High levels of [household debt](#) will inhibit efforts to increase domestic consumption and lesson dependence on exports. Additionally, South Korea faces a demographic challenge. By the end of Park's term in office the size of [South Korea's potential workforce](#) will have begun to decline. As South Korea's workforce ages and declines in size, the economy will need to shift to a more service oriented economy to care for the elderly, while finding additional ways to increase productivity in order to maintain economic growth with a declining population.

In a shift from her father, Park has called for the creation of a ["creative economy"](#) that focuses on science and innovation. She has also called for chaebol reform that creates more space for small and medium sized businesses to grow.

In addition to addressing the economy, Park will also need to confront issues of inequality. Social spending in South Korea is about half of the level of the OECD average. [Economic inequality has been increasing](#) with the most recent data indicating that there has been a rise in poverty in recent years with 15 percent of Koreans living below the level of median income.

In a society where the family traditionally took care of the elderly, the shift to a modern industrial society has been wrenching. Nearly [1 in 2 seniors live in relative poverty](#), the highest percentage in the OECD. The number of Koreans over the age of 65 who [commit suicide](#) has quadrupled in recent years, as many elderly find themselves without family support and ineligible for government support.

Women also face greater challenges in South Korea's traditionally male dominated society. Despite similar or better educational attainment levels to men, the percentage of women in the workforce has not changed much in the last two decades. Only 10 percent of women are in managerial positions, in contrast to the OECD average of a third, and South Korea has the [highest gender pay gap](#) among OECD countries at 39 percent.

Data from the [World Economic Forum's Global Gender Gap Report](#) rates South Korea as having the largest gender gap in the developed world, ranking 108 out of 135 countries. South Korea does especially poorly in the World Economic Forum's rankings for economic participation and opportunity (ranking 116).

Only by working to address the challenges of economic reform, income inequality, and gender inequality will Park be able to put the South Korean economy on a sustainable foothold that will allow it to continue to prosper in the future.

While North Korea will remain an intractable problem which Park will have to manage during her time in office, like many of her counterparts in Asia she will spend much of her term in office working to boost economic growth and address issues of inequality. North Korea is the siren's call upon which all recent South Korean presidents have crashed. While times and methods have changed, Park would be wise to learn one lesson from her father – focus on the economy.

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