

South Korea's New Deal: Will It Lead the Digital and Green Industry?

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Even with the South Korea's widely recognised success in its handling of COVID-19, the crisis is by no means over. Now, the South Korean government has recently announced its plan to recover the national economy via two main pillars of the New Deal plan: Digital New Deal and Green New Deal. In its handling of COVID-19, South Korea has showcased its advanced ICT capabilities with robust healthcare infrastructure. However, now the government is faced with a related but largely different issue of the nation's economic recession amidst the on-going COVID-19 crisis. Will South Korea be able to once more serve as the global role model and prove its governability to its citizens through the implementation of the Digital and the Green New Deal?

The government has announced that it will mobilise all its fiscal capabilities for the recovery plan by spending USD 63 billion by 2025, with the aim of not only being a temporary measure but also as part of a greater national development strategy to leap ahead of fellow countries by leading the way as a pacesetter nation. It will first reduce unemployment via financial subsidies and creation of jobs, but most importantly, restructuring the current economy to be able to create new jobs in the fields of digital and green industries via the government's financial input.

The Digital New Deal plan will invest in three main areas: Artificial Intelligence, non-contact services industries and digitising Social Overhead Capital (SOCs). South Korea has demonstrated relative strength in these

At the height of global recognition for its handling of COVID-19, the Moon Jae-in administration is looking ahead with its New Deal plan, being touted as an innovative economic recovery plan, allocating around USD 63 billion till 2025. The plan is split into two pillars, the Digital and Green New Deal. The former focuses on the future through investments in the areas of 5G wireless communication and AI, while bringing the rest of South Korea up to speed in digitalisation. The latter plan tackles climate change by committing to the greenhouse gas emissions target laid out in the 2015 Paris Agreement. Both plans are set up for long-term job creation amid the impending Fourth Industrial Revolution. Nonetheless, lack of specificity and inclusivity are the points of contention, and with the administration's economic track record taken into consideration, there remain doubts amid optimism on the future of the New Deal plan.

industries while tackling the COVID-19 crisis, which has demonstrated competence via telemedicine and advanced remote-learning based ICT technologies. Whether it will lead to success and create a virtuous cycle of economy is not only dependent on taking a leap by nurturing these industries aggressively and pre-emptively to establish South Korea's position in the digital market, but also on the extent to which the government can care for the socially impoverished people in limbo that are often left behind in the times of crises.

Initially introduced at President Moon Jae-in's inauguration, but not treated as a high priority recently, Moon's strategy for "innovative inclusive growth" aims to better redistribute wealth and opportunities via policies in economy, education and labour. Under President Moon, minimum wage increases have on one hand generated positive outcomes by reducing income inequality, but on the other hand have negatively impacted manufacturing industries and increased the rigidity of the labour market due to the higher costs of labour.

President Moon's administration is preparing to nurture job growth across three new innovative sectors while ensuring that the traditional pillars of the Korean economy remain sound. President Moon and his cabinet have championed new jobs across digital infrastructure targeting fifth-generation mobile communication and artificial intelligence, non-face-to face industries and the digitalisation of SOCs. At the same time, the government plans to inject USD 8.3 billion to stabilise employment and offer financial subsidies for the unemployed and financially displaced. Additionally, the government plans to create public sector jobs and has raised USD 33 billion to protect seven core industries that are affected the most, namely, aviation, shipbuilding, automobiles, general machinery, shipping, power generation and telecommunication, in addition to USD 32 billion for small and medium-sized business financial subsidies. Thus, South Korea's New Deal is not about large-scale civil engineering projects but an aim to restructure the economy and pre-emptively increase global market share in the most innovative digital industries by planning not only projective measures for post-COVID-19 but beyond that as well.

Another pillar of South Korea's New Deal is the green industry. The Green New Deal will focus on three major investments: green transformation of the city, space and living; restructuring the ecosystem of the green industry innovation; and expansion of low carbon and distributed energy. The government will spend USD 1.4 billion by 2022 to select the top 100 companies to lead the innovative green industries and restructure the industry. A government official has argued that

adding the Green New Deal as part of the economic recovery plan is symbolic in a sense that the government is showing its willingness to do due diligence in face of the 2015 Paris Agreement which aims to reduce 37 percent of greenhouse gas emissions by 2030.

The idea of a Green New Deal was suggested during the legislative election of the majority party which aims for zero net emissions by 2050 and to lead investment in renewable energy and clean air. Lee Nak-yeon, a former prime minister and current Director of Committee of Overcoming the COVID-19 Crisis, has stressed the implications of the Green New Deal in the aspect of job creation while agreeing on the integral path to digital transition. The specific plans will be announced in July, thus whether this would generate the desired results is rather uncertain at the moment.

Reactions to the government's New Deal plan have been two-fold. Environmental activists and the general public welcomed the decision of including an environmental agenda, considering the rise in the country's greenhouse gas emissions, making it the world's seventh largest carbon dioxide emitter. Also, many have hailed the decision to include the digital industry which gives South Korea higher chances to lead the market. On the contrary, some media have expressed concerns that the original plan of "a new deal for jobs" is on the verge of disappearing due to heavy investment in the two main pillars of the New Deal plan. While both the green and the digital industries aim to create jobs in the long-term, this won't lead to immediate job creation.

Beyond the opposition, structural challenges also remain; the government's plan has been criticised for failing to consider the implementation timeline as well as the predicted macro-level shifts in the labour market caused by the Digital and the Green New Deal. While the government is eager to deregulate the three new innovative sectors of mobile communication, non-contact services, and the digitalisation of SOCs, this cannot happen overnight. Although the government claims that the deregulation of these industries and digitalisation will go hand in hand with investment

in SOCs, especially in targeting the more outdated public infrastructures, the current regulations remain as a formidable obstacle. Finally, the inclusiveness aspect of the New Deal is another concern, or non-concern. The main debates about digitalisation and the Fourth Industrial Revolution (4IR) were about digital polarisation and automation causing job loss during the transition period. While some policy aspects have attempted to take the vulnerable and impoverished into consideration, some have criticised the New Deal as a repeat of the same 4IR policies without any attention towards societal challenges.

At present, debates over South Korea's structural inequality are particularly significant as President Moon did not once mention his own "innovative inclusive growth" strategy during his recent

third-anniversary speech. Instead, his use of language such as "economy", "employment" and "lead" suggests that he is now focusing on innovation rather than inclusion. The key question here is whether this strategy is sustainable; the main reason for the majority party's landslide victory at the latest legislative election held in April was due to the strong governability that his administration had demonstrated worldwide. However, before the COVID-19 crisis, debates about whether it was feasible and desirable to continue with an economic plan centred on income-led growth were prevalent. The government now needs to look for breakthroughs via more social dialogues with academia, business and labour sectors to realise the potential of the economy, and lead cutting edge industries as well as the inclusion of diverse economic and social strata.

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