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Volume 38, 2009 - Issue 2

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Original Articles

Eclipse or reconfigured? South Korea's developmental state and challenges of the global knowledge economy

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Pages 278-303 | Published online: 20 May 2009

Cite this article https://doi.org/10.1080/03085140902786751

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Abstract

Globalists and former students of the Asian developmental state maintain that the latter has succumbed to the forces of globalization. They believe that the global knowledge economy involves the thorough integration of the global economy, continuous innovation and networks rather than hierarchies and that these factors are foreign to the operational logic of the developmental state and thus render it obsolete. This article contends that the global economy is not as open as supposed, and that the challenges posed by the knowledge economy, while genuine, tend to be uneven. Focusing on Korea's information technology sector and relying on documentary and interview data, the present article suggests that, while the Korean state no longer relies on its erstwhile finance and regulation strategies, it has continued to articulate development visions and sought to achieve them through deploying public resources to

structure the market. Rather than going into eclipse, the Korean developmental state has been reconfigured.

Keywords:

Korea | developmental state | information technology | knowledge economy | globalization

Acknowledgements

The author would like to thank the editor and two anonymous reviewers for their very helpful comments and suggestions. The research for this article was supported in part by the General Research Fund of the Research Grants Council of Hong Kong, Project Number 241308.

Notes

1. Even though Castells (1996) and Ó Riain (2000b) focus on information technology, they highlight knowledge as a source of productivity and examine networks that can facilitate research and innovation. Notwithstanding the difference in terminology, their viewpoints are not entirely dissimilar in regard to the notion of a ‘knowledge economy.’

2. Computer architecture, or standards, helps to ‘define how programs and commands will work and how data will move around the system – the communication protocols and formats that hardware components much adhere to, the rules for exchanging signals between applications software and the operating system, the processor's command structure, the allowable font descriptions for a printer and so forth’ (Morris & Ferguson, 1993, p. 88, cited in Hart & Kim, 2002, p. 3).

3. The analysis of Korea's performance in the information technology sector is based mainly on KISDI (2004), Ko (forthcoming) and MIC (2002a,b,c, 2004, 2005a,b).

4. The export value of software has fluctuated greatly. If we consider the figure for 2002 rather than that of 2003, then Korea's software exports have increased six times since 1997.

5. PPP means ‘purchasing power parity,’ a unit that supposedly reflects the real price level across countries, and is used for international comparisons in place of standard exchange rates.

6. Having highlighted the achievements of Korea and Ireland, it is important to note the absolute advantage of the United States and Japan. In 2002, the US contributed to 26.5 per cent of total global ICT production, while Japan contributed 16.3 per cent (OECD, 2004, p. 40). In 2003, the respective contributions of the US, Japan, Korea and Ireland to total OECD R&D expenditure were 42.1 per cent, 16.8 per cent, 3.6 per cent and 0.2 per cent, respectively (OECD, 2005, table A-2).

7. Korea also ranked first in broadband subscriptions, whereas Ireland ranked twenty-third. However, it did not perform well in the availability of professional IT services, the level of corporate web pages or email usage (KISDI, 2004).

8. Major reorganization of the Korean government had taken place since President Lee Myung-bak took office in February 2008. The names of the ministries mentioned here have changed since then. See below.

9. It is notable that strategies adopted by the flexible developmental state (Ó Riain, 2000b), including encouragement of technical education and provision of funding to software firms that attain early export and to sub-suppliers of transnational corporations, are similar to those provided by the developmental state of Taiwan in the 1980s.

10. As the globalization of finance is not the focus of this essay, I make only two brief points. First, governments of larger economies have always had greater leeway in making monetary and fiscal policies (Weiss, 2003). Second, it is arguable that the financial crisis of 1997–98 materialized because Asian states were experimenting with liberalization and relinquished their time-honoured means of taming private enterprise (Haggard, 2000; Pempel, 1999). It was not globalization but rather the retreat of the state that fed the crisis.

11. The figure would be 36.22 per cent if all non-industry funds were counted.

12. This is a rough estimation based on the 2007 conversion rate of one USD to 7.366 CNY.

13. The interview with former Minister Chin was found on a Korea government website. Please refer to Chin (2006) for the citation.

14. The informants, who are not native English speakers, made a few grammatical errors during the interviews. The author does not try to make corrections when quoting the informants in this article.

15. The share of IT in all ventures hovered between 40 per cent and 47 per cent from 2000 to 2003 (Ko, forthcoming, pp. 18–19).

16. Joseph Wong has also argued for the importance of a ‘standard’ as a tool for the Taiwan government to regulate its biotechnology sector (personal communication, 28 May 2007).

17. Having said this, one should not rule out the importance of bank loans as a means to tame conglomerates. According to the director of a private think-tank, because Korean chaebols were not allowed to own more than 5 per cent of a bank, it was very difficult for them to raise capital. The stock exchange was also not a desirable venue to raise capital for a family-owned chaebol, which was why the government could still rely on bank loans, as a last resort, to control a chaebol (Interview, 1 August 2005).

18. Government resources can also be classified according to their ‘nature’ (e.g. finance, arbitration, rule-making). Finance and arbitration have already been covered in the article. Rule-making capacity deserves some mention here. According to Woo-Cumings (2001), the Korean government's ability to devise detailed rules and regulations was important to its success in implementing policies. The informatization policy, which is discussed later, provides a good illustration. Significantly, the Basic Act on Informatization Promotion formed the legal basis for subsequent policy-making and policy implementation. Furthermore, the MIC was said to have studied existing laws to make sure that they were compatible with the development of an information society and, as of March 2002, a total of 187 acts and decrees had been enacted or revised (Ko, forthcoming).

19. Regarding the building of research capacity, the Korean government has also set up a 4.4 billion won scholarship fund for students pursuing IT studies abroad and supported collaboration with foreign universities in IT training (Ko, forthcoming).

20. In 2002, 86 per cent of Korea's IT-related R&D funding was channelled into the ‘Leading Technology Development Programme’, which supported such areas as next-

generation mobile communications, digital TV/broadcasting, optical subscriber networking and embedded software. In the same year, 11 per cent of funding was directed towards the ‘Industrial Competitiveness Development Programme’, the purpose of which was to support applied technologies that could be commercialized within a short period of time. The remaining 3 per cent was given to support young SMEs with innovative ideas (Ko, forthcoming).

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