

Entering a new slowdown

GLOBAL ECONOMY



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The impact on exporting economies could be massive. International investment flows could also shrink, especially originating from Europe.

The IMF is right in asking Europe to prioritize its policies, focusing on new measures to enable the economy to grow, a financial firewall to prevent public debt contagion, and more fiscal integration. Little has been done on policies to stimulate

partners, and a source of capital.

It might be in the best interest of the major Asian economies to help Europe overcome its problems by importing more goods and services. After all, if your customer runs out of money to spend, you are bound to suffer a similar fate in this interconnected global economy.

Europe faces tough choices. Short-run fiscal austerity coupled with a persistent credit crunch is

economic growth, European governments will find it very difficult to meet their fiscal austerity targets.

Asian countries, and emerging economies in general, have a lot at stake in the European crisis. Their economic model relies heavily on exports, and their growing financial surpluses need to be invested wisely so that the foundations for future growth regionally and globally are in place.

The European crisis represents an opportunity for the major Asian economies to begin adjusting to the new global economy of the 21st century.

Emerging economies must play a more important role in international capital markets and in international multilateral agencies given that they already represent half of global GDP and about 75 percent of global foreign exchange reserves.

Most importantly, growth in Asia, Latin America, Africa, and the Middle East cannot continue to be primarily based on exports. Domestic demand must become a more important engine of growth.

The stability and dynamism of the global economy in decades to come will mostly depend on this important transformation in emerging economies.

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the economy, and governments continue to hesitate when it comes to making the European Financial Stability Facility work.

Asian economies navigated the turbulent waters of the last five years rather well, but they are also being affected by the recent European troubles. They are not immune to a European meltdown or to a prolonged recession in the eurozone, which is one of its main trading

bringing the economy to its knees.

Rather than prioritizing deficit reduction, European countries ought to relax financial restrictions on both the public and the private sector to let the economy grow, issuing at the same time a firm and verifiable commitment to fiscal balance in the medium run.

One cannot possibly grow and reduce the deficit within one single year. One must prioritize. Without

The European crisis is pulling the rest of the global economy into a new slowdown. The numbers indicate that the eurozone may have already entered into recession during the last quarter of 2011.

The simultaneous fiscal austerity programs across Europe and new banking regulations are strangling demand growth, and therefore economic growth. Consumers and investors are understandably jittery and unwilling to play their role in the economy. Public and private indebtedness has not come down significantly.

The World Bank predicts a global growth rate of between 2.5 and 3.1 percent for 2012 and 2013. Global trade is forecast to grow by 4.7 percent at most, one of the slowest rates of the last few years.

North Korea risks on the radar

MACRO ECONOMY



Lee Myong-hwal
Director and senior research fellow at Korea Institute of Finance

Korea, the situation is similar to those in 1994 in that both periods are punctuated with serious economic difficulties and recessions. In the 1990s, the closed system of Kim's ruling had devastated the North Korean economy.

In recent years, however, sustained international economic sanctions, food shortages, currency reform failures, and the tight control exerted over domestic markets all led the North Korean economy to hit rock bottom.

So any attending difficulties visiting the economy in addition to all other factors could very well tip the country into political instability.

Considering the political aspects, risks associated with the power succession that is currently taking place will ultimately unfold. This is noticeably different from the period after the Kim Il-sung regime.

From the time Kim Jong-il was named the "legitimate successor" in 1974 to Kim Il-sung's death in 1994, Kim Jong-il had twenty some years to establish himself through his supporters in the party and the military.

Yet, Kim Jong-un, who was officially pronounced the legitimate successor in September 2010, has been paying much of his attention on stabilizing his succession and has not

been able to eliminate the possibility of political instability and risks due to the limited preparation time that he has had.

From the South Korean economic point of view, the current situation is more vulnerable to the North Korea risk than the time of Kim Il-sung's death. In the early 1990s, the global recession hit the South Korean economy, which led to sluggish exports and the phenomenon of the "three lows" — low interest rates, low oil prices, and low exchange rate.

However, the recovery in domestic consumption and construction investment enabled a return to stable economic growth.

In contrast, today, Korea's overall economy has slowed from the eurozone's fiscal crisis and the sluggish U.S. economic recovery, which hurt exports and weakened domestic demand.

As a result, unlike the early 1990s when domestic demand was an impetus for economic growth, the real economy may contract and become seriously affected if the North Korea risk persists.

South Korean financial markets may also exhibit more volatility due to the rising impact of foreign investors, which is a new development since the mid-1990s.

When the equity market was liberalized in 1992, the number of foreign investors' KOSPI-listed holdings was minimal, taking up a little over 10 percent at the time of Kim Il-sung's death.

But today the shares by foreign investors have shot up to some 30 percent of market capitalization and over 6 percent in the bond market.

Therefore, an increase in country risk caused by North Korea issues could trigger a capital flight of foreign investors and destabilize Korea's stock and foreign exchange markets.

Even though the recent North Korea risk poses new problems, the financial markets have been quite stable. The problem lies in the coming days.

Since the power transition and subsequent succession process may take longer and proceed less smoothly than expected, the recent North Korea issue might linger for quite some time while volatility is expected to rise in the financial markets with any negative news that might be forthcoming.

Consequently, we should take into account all potential risks related to North Korea and focus more on risk management to cope with any events on the horizon.

Man in charge

Emphasis on human resources and nurturing youth



Chae Eun-mi
Managing director of FedEx Korea

During difficult economic times, many companies around the world go all out to operate in the most cost-effective way. It is very natural that corporations try to save every penny in their pockets. Some global companies close down underperforming offices overseas; some restructure their organization; and some begin a round of lay-offs.

This last practice is what I don't like to see. I have always felt that employees are the essential asset of one's company.

From my experiences working in Korea, Koreans are among the hardest working people in the world. They genuinely enjoy facing tough challenges and working through them, they are quick learners, and they are adept at finding ways to improve.

In my humble opinion, they are the main driving force of Korea's economy and fuel companies to succeed in and out of Korea.

Moreover, in a country where other resources that drive up the economy are relatively lacking, it is critical for business in Korea to put strong emphasis on its human resources. So, personally and as a managing director, I strongly believe in strengthening the "assets" rather than dismissing them in the blink of an eye.

Working as the managing director of FedEx Korea is a happy experience for me, because the company's philosophy reflects what I want to accomplish as an executive. And more importantly, the philosophy fits very well in Korea.

FedEx is acknowledged as a great company to work for by its employees because our company is based on a philosophy called "people-service-profit" (p-s-p). We view "people" as a top priority. More specifically, we support the belief that when the employees — the internal customers — are satisfied with their work, the quality of service to external customers will be carried through accordingly. Ultimately, improved inter-

nal service will lead to customer satisfaction, thereby creating profits for the company.

Operating under the p-s-p philosophy, FedEx Korea has accomplished quite a feat. We were selected as the Best Employers in Korea for four consecutive years from 2007 to 2010, and we were admitted to the Best Employer for Women in Korea' in 2011. More importantly, our employee turnover rate of 2.94 percent truly showcases how effectively the p-s-p philosophy has been for us.

However, our practice of putting emphasis on people — human resources — before profit does not end there. Knowing the importance of people in Korea's economy, FedEx Korea also tries to reach out to nurture and develop young people — the future leaders of Korea. This is achieved through our corporate social responsibility activities. Two major activities that align with our corporate p-s-p philosophy come to my mind. One is the FedEx-JA (junior achievement) international trade challenge and the other is the FedEx career camp.

Now in its fifth year, the FedEx/JA international trade challenge helps students in the Asia Pacific region become familiar with the realm of world trade. From their experience, students enhance their knowledge of product distribution, promotion and sales.

They also get a chance to develop their aptitude for competition, teamwork, risk-taking and self-confidence. By providing practical knowledge and know-how, we cultivate our young people and help them realize their potential as future business leaders.

Another program aligned to our emphasis on people is the FedEx career camp. We initiated this program in 2011 to provide practical assistance to university students about to launch their careers.

The participating students, who are sometimes cut-off from mainstream global career opportunities because they attend universities outside of Seoul, participate in activities including one-on-one resume clinics, a mock interview session and group projects.

Again, FedEx Korea tries to deliver concrete assistance to future leaders in Korea and to help them succeed in their career paths.

With a lack of natural resources that fuel a nation to develop, putting emphasis on our people is a good strategy for strengthening business prowess and success in Korea. I believe that nurturing talent, looking after employees and bringing on young people so they are a stronger "asset" to their future companies, are key to the growth of this country's economy.

오늘 오전, 바람 잘 날 없는 김고독 사장의 경영 고민

바는 사람은 많은데, 날 도와주는 사람은 왜 이렇게 없나?

#1 내가 사람들은 좀 많이 알고있지? 바인이 뭐죠?

스스로 마당발이라고 자랑하는 김사장. 비결을 묻는 사람들에게 그는 어깨를 으쓱대며 핸드폰을 꺼내든다.

#2 "여기에 들어있는 사람들만도 수 천명이야. 그제 다 이 모임 저 모임 할 것 없이 열심히 얼굴을 비춘 덕이지."

#3 이런 그가 신상품 설명회를 주최하며 사람들을 초대했다. 최소 수 백명은 올 거라고 예상한 그는 큰 호텔에서 가장 넓은 장소를 빌렸다.

#4 그런데 이게 웬일인가. 설명회장에 모인 사람은 고작 40명에 불과했다. 사람을 많이 알고 있는 김 사장. 대체 뭐가 문제였을까?

여기 바로 그 해답이 있습니다!

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