

# Korea in the 21st Century

**BY Alvin Toffler**

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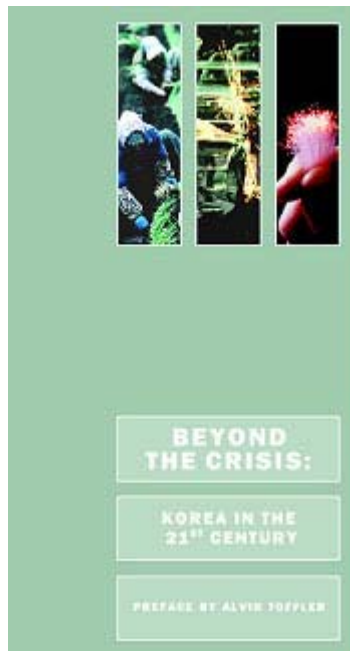
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*The following is the preface to a paper published in June 2001 by Alvin Toffler and Toffler Associates® at the request of the Korea Information Society Development Institute (KISDI) about what steps Korea must take to become a Third Wave economy in the twenty-first century. It was delivered to and discussed with President Kim Dae-jung on June 7, 2001.*

**Beyond the Crisis: Korea in the 21st Century**

## PREFACE

**BY Alvin Toffler**



Korea today faces a choice that will affect all Koreans and their children for decades to come. Either Koreans, themselves, make the choice or they allow others to make it for them. It is the choice between becoming a dependent country with a struggling low wage economy or a country with a leading edge economy and a leading role in the global economy.

The choice must be made soon.

Speed is necessary because the world is now going through the most rapid and radical redistribution of economic power in several centuries. Some countries will greatly benefit. Others will be left out. Korea must avoid falling behind.

The force driving this restructure is the rise of a new form of wealth creation on the planet. It has been called the "new economy," the "information society," or the "Third Wave economy."

Approximately 10,000 years ago the invention of agriculture sent a slow moving wave of change across the earth, and gave rise to ancient civilizations based on peasant labor. Several centuries ago the industrial revolution triggered a second great wave of change. This introduced a completely new system for wealth creation. It shifted labor from farm to factory and, despite many transitional hardships; this Second Wave brought higher living standards wherever it occurred. The industrial powers also gained enormous economic, political and military power. Some used that power to colonize the poorer countries.

The result was a world divided into two layers. At the bottom were First Wave agrarian countries. In them peasants continued to scrape a bare living out of the soil. Even today peasant-based economies have the lowest standard of living.

Hundreds of millions still live as their distant ancestors did, lacking clean water and the elemental necessities for decent survival.

On top were the Second Wave industrial powers - major players in world trade, with dominant roles in the international institutions and organizations that influence the world economy.



Korea, with a poor, underdeveloped economy heavily dependent on backbreaking rural labor, was part of this world system. Like many other countries it occupied a low rung on the world economic ladder.

Then, in the 1960s Korea made a historic choice. A decision was made to leap up many rungs in the ladder and join the ranks of the leading industrialized nations. And once that choice was made, Koreans astonished the world. In a single generation, as a result of hard work, intelligent action and unbending commitment, Korea completed a transition that had taken some countries several centuries.

From 1960 to 1980, the shift toward a more productive economy in Korea was reflected in a new, more urbanized way of life. Farm families as a percentage of total population fell from nearly 45% in 1970 to below 10% in 1997. Industrial exports soared. Agricultural and raw material declined to 10 per cent of exports. Heavy investment in industrial technology, the rise of the chaebol, and changes in the education and social protection system made Korea an important player in the global economy while clearly raising the material standard of living of its people in almost every category. On the eve of the Seoul Olympics, the Economist called Korea "a textbook example of development." Korea led the so-called "Newly Industrialized Countries" or NICs.

### A Tri-Sected World

What has happened since? Why have Korea and the other NICs undergone severe economic difficulties in recent years?

One can point to the financial crisis, increasing competition from other exporting nations, corruption scandals, over-borrowing by chaebols, loose lending practices by banks and many other problems. There are many reasons. But a crucial factor is the arrival of a revolutionary new form of wealth creation that makes industrial-era economic models increasingly obsolete.



This new, Third Wave economy is based, as we know, on innovative applications of knowledge - creative mind-power instead of brute muscle-power. In the Third Wave, innovative knowledge becomes the most important factor of production, capable of reducing reliance on all the others. Data, images, symbols, culture, ideas, and processes can drive down requirements for labor, capital, inventory, raw materials, and energy. As President Kim Dae-Jung told a November 1999 World Bank symposium: "In the 21st century...intangible elements such as knowledge, information and cultural creativity will be the source of a nation's competitiveness."

As a result, the entire structure of the global economy is changing. Peasant economies are still on the bottom, but traditional industrial economies of the kind Korea built so successfully

are no longer on top. Emerging knowledge economies now occupy the highest position. The global economic system is increasingly tri-sected. And that changes Korea's place in the world.

Korea -- if it is to provide jobs and increase the standard of living of ordinary Koreans - must once more leap to a higher rung on the ladder. It must either join the world's most advanced knowledge-based economies or it must see more jobs disappear, more wages decline, and more suffering by the people. The gap between the world's leading and lagging economies is widening. Korea has to decide whether it will continue to be a Second Wave nation - or join the leading, increasingly Third Wave, innovative economies on top.

This report strongly urges Koreans to make a commitment to the development of an advanced Third Wave economy.