

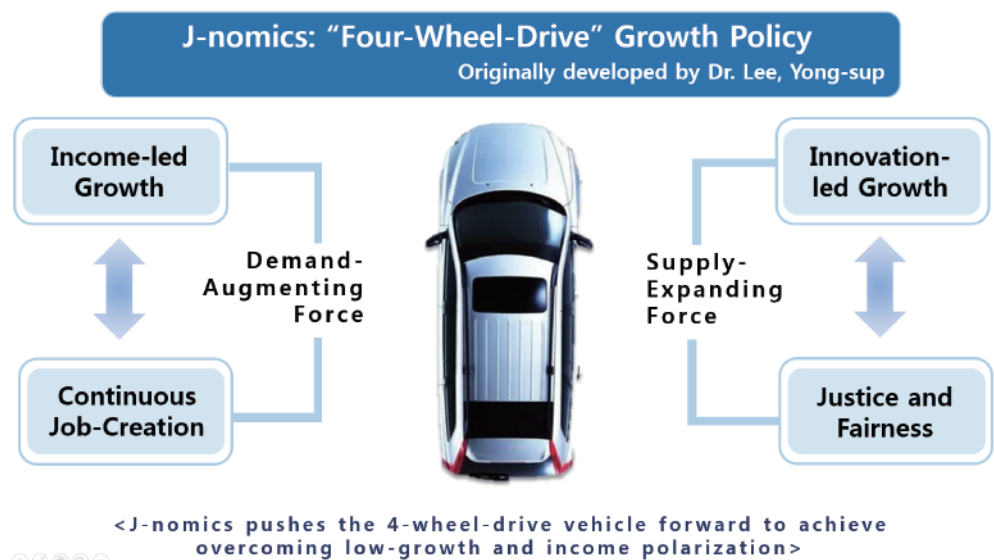
J-nomics welcomes foreign direct investment with “four-wheel-drive” growth policy

It has been a little over six months since President Moon's government was launched, and many people around the world want to know his economic philosophy and his administration's economic policy measures. In South Korea now, more than 17,000 foreign-invested companies are doing business. Many of them are producing high-tech parts and equipment and are business partners of Korean firms. These companies are also very eager to know about the new government's policy toward foreign direct investment (FDI).

President Moon's economic philosophy and policy are well contained in 'J-nomics'. The term 'J-nomics' is the combination of the first letter 'J' of his first name 'Jae-in' and 'nomics' from 'economics'. Part of J-nomics was already revealed in President Moon's inaugural speech.

As such, the new government focuses on three objectives: generating enough quality jobs, improving the social safety net and reforming family-controlled big businesses. Deputy Prime Minister and Minister of Strategy and Finance Kim Dong-yeon said, “To shift the paradigm, the future economic policy will focus on four directions: income-led growth, job-focused economy, innovation and fairness.” Some critics argued that the income-led growth policy is a short-term demand-side stabilization policy and is not appropriate as a long-term growth policy. The debate over the pertinence of income-driven policy was partly due to some misunderstanding of the J-nomics on the part of the critics.

To avoid potential confusion and to correctly publicize the spirit of the J-nomics and its focus on policy measures, Dr. Lee Yong-sup, vice chairman of the Presidential Committee on Job Creation has recently made special efforts. He paraphrased the J-nomics as a fourwheel-drive vehicle as featured in the image



above. This vehicle moves towards the goal of overcoming persistent low growth and income polarization. To achieve this task, the government assigns a special role to each wheel. The front wheel on the left is to move forward with the force of income-led growth. The rear wheel on the left is to move with the force of continuous job creation. The two wheels on the left side are generating a demand-augmenting force.

The front wheel on the right is to move forward with the force of innovation-led growth. The rear wheel on the right is to move forward with the force of justice and fairness. Increasing justice and fairness certainly helps strengthening social cohesion. There is no doubt that social cohesion increases labor productivity. The two wheels on the right side are generating a supply-expanding force which makes it possible for the vehicle to keep on going.

In the new economy propelled by the government's reform initiative, chaebols can adopt the global standards. They will become highly competitive in the global market by focusing on transparency and

honesty on a long-term basis.

By partnering up with foreign investors, they can also learn the global standards. If they take advantage of the global supply chain, chaebols can be more cooperative with foreign business partners and their subcontractors.

In addition, by joining the global supply chain, they can improve their business ethics a lot. In the global supply chain, they can eliminate their bullying practice. They have to treat the SMEs and foreign producers as reliable business partners. This conforms well to the spirit of J-nomics, justice and fairness.

When chaebols are successfully reformed, their stakeholders—business partners, consumers, producers and the government—will all be happier. All in all, J-nomics absolutely welcomes FDI with its four-wheel-drive growth policy.

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