

Again 2002? Maybe ... or maybe not

Four years after Korea's sensational World Cup success, the country is again gripped by football fever. Expectations run high, "Again 2002" is the slogan of the day. After all, the Korean team has matured compared to four years ago. Park Ji-Sung and Lee Young-pyo have done particularly well in the English Premiership. And Dick Advocaat is seen as a credible replacement for Guus Hiddink, who helped create Korea's football frenzy. Last week, one of my project teams conducted a bet on how far Korea's team would go. All five Korean participants believed their team would advance to the last 8; three even suggested the last 4. My colleague from Switzerland and myself were more cautious in our predictions, betting that Korea would reach the last 16. Even this beats the global pundits and bookmakers who give Switzerland better odds than Korea to advance beyond the group stages.

Koreans' enthusiasm and optimism are remarkable. The national psyche is turned on and sponsors are competing to create the most spectacular World Cup marketing campaign. Financial institutions are among the most active in riding on people's emotions. Special World Cup Deposit accounts offer variable rates depending on team and player performance (thus appropriately branded the "I Love Park Ji-Sung Account"). The financial

An Outsider's Insight

By Tariq Hussain



authorities are watching carefully to ensure that companies are not carried away. One executive working at a foreign bank notes: "We were also planning various promotion campaigns, but none of them come close to the Korean banks' all-out marketing drive."

So what does the World Cup fever mean for Korea's economy? Four years ago, the impact of hosting the World Cup was obvious. Government spending on infrastructure provided a boost during the run up, and private consumption increased notably during the event. The Korea Development Institute estimated that the World Cup added 1 percent to Korea's GDP that year. A second important effect was the increased recognition of Korea around the world. As the country took central stage, Korean products benefited from increased attention and recognition. Foreign visitor numbers also spiked, offering Korea an opportunity to present itself as a travel destination. None of this applies this time around.

Yet there were two other,

more subtle influences in 2002 which Korea may experience again this year. The first one was to unite the country in a way unprecedented since the early industrialization drive under President Park Chung-hee. Koreans rallied behind the national team, regardless of age, regional origin or political affiliation. This unity could have provided a much needed platform for cooperation. The ability to work toward a common goal and resolve conflicts in a constructive way is sometimes referred to as "social capital" — something that has eluded Korea in recent years. Lack of trust remains a key issue at all levels of society. Cross-country comparisons show that Koreans have very low trust in government, large business and even NGOs. Not surprisingly, Francis Fukuyama labels Korea a "low trust" society. Shortly after the World Cup, Korea fell back into bickering and conflict among various social and political groups.

National unity, or at least a broad consensus, will be essential to overcome Korea's struc-

tural issues and ensure continued economic success. Among them, the three most important ones are government reform (starting with a reduction in regulations), labor market reform (overcoming the increasingly unfair and inefficient dual labor market) and corporate reform (overcoming the outdated, chaebol-oriented economic structure). Yet who wants to talk of the need for change when the national team is riding high and being recognized around the world for its achievement? The World Cup celebrations in 2002 thus helped put an end to Korea's reform drive following the financial crisis.

Examples from other countries can also illustrate this phenomenon. For Latin American countries, success on the global football stage has long been a welcome distraction from economic woes. Even among the world's richest economies, World Cup euphoria can distract from more fundamental issues. Germany following the 1990 victory in Italy is a good case in point. At the time, Germany overcame England in the semifinals before beating Argentina to lift the trophy. As reunification was imminent, Germans were exhilarated to celebrate victory. And when Germany's Emperor ("Kaiser Franz" Beckenbauer, then coach of the national team) declared that German soccer would be invincible for years once players from East Ger-

many were included, excitement turned into euphoria. Politicians and ordinary Germans alike found it easy to forget about Germany's mounting structural problems which should have been addressed prior to reunification. The following decade saw dismal economic growth of 1.3 percent per year, far below OECD average. Today, Germany's fundamental problems have become even more pressing, but remain largely unresolved.

The football World Cup may be just another sport event. Yet with expectations running high in Korea, one is tempted to look at these wider implications. So what would be the best scenario? Of course, my heart says that the Korean team should go all the way — let the celebrations begin, let the "Red Devils" prevail and let there be "Again 2002." Yet my head says that Korea should do just well enough to create a wave of national unity — and then use that momentum not only to celebrate, but also push for much needed reforms.

This column appears on the first Monday of every month. Tariq Hussain is author of "The Diamond's Dilemma — Shaping Korea for the 21st Century" and country representative of Maxmakers Korea. He can be contacted at tariq@diamond-dilemma.com — Ed.