

CHAPTER 18 Technology Advancements in the Workplace

Korea Is Leaving Japan in the Digital-Age Dust

The Japanese should heed their neighbor's example: Korea's big leap to the Net has helped recharge its economy

by **Brian Bremner**

It's only a two-hour flight from Tokyo, but Seoul seems to be in another universe altogether when it comes to embracing the Digital Age. With South Korea's economy back on the fast track, its information technology sector in overdrive, and its citizenry going online in droves, South Korea is leaving out-to-lunch Japan in the dust.

Everyone I talked to in Seoul recently wants to know why Japan just doesn't get it. If the \$400 billion South Korean economy can bounce back from crisis conditions in three years, why can't the \$4.5 trillion Japanese economy get its act together? Japan continues to throw good money after bad, with civil-engineering projects like bridges and tunnels. South Korea is giving entrepreneurs tax breaks and exempting them from military service to take a flyer on a good tech idea.

Sure, South Korea's *chaebol* are burdened with massive debts and its banking system is a mess, but it's still experiencing rapid growth in high-tech startups. Japan has the same problems with its big companies and lenders, but not the same startup boom. South Korea's economy grew 10.6% last year, and info-tech spending and investment accounted for 40% of that burst.

And it shows no sign of abating. About half of South Korea's 45 million-or-so souls are expected to be online by yearend. There are already some 27 million mobile-phone users. Roughly 50% of all stock trading is done online. Consumers are on waiting lists for the latest broadband Internet connections. Avid competitors are flocking to 1,500-odd "PC parlors" scattered around the country to play Starcraft with kids on the West Coast. Japan doesn't come close to this kind of penetration or enthusiasm for the Internet Age.

The contrast is all the more remarkable given that just two summers ago, one could run across soup kitchens in major parks around Seoul, thanks

to the 1997 Asian currency crisis and the austerity plan the International Monetary Fund imposed in exchange for emergency loans. At one point, the jobless rate shot up to around 8%. But now President Kim Dae Jung's South Korea is gripped by techno-euphoria, and the results are astounding. The unemployment rate has been more than halved, and the economy is expected to grow another 8% to 10% this year. By contrast, Japan hovers just above the water line. I can't help but wonder why Japan—far richer, far more advanced economically—can't muster this kind of dynamism.

A couple of interesting theories are regularly thrown around by Seoul's high-tech types and government officials. Here are a couple of the more interesting ones:

Gadget-happy Korea: Koreans, as a rule, are very impatient. Instant gratification rules. If South Koreans can bank, shop, or make disastrous stock trades online, they will. Nor are they reluctant to snap up the latest thing, no matter how untested in the marketplace. "Koreans have a huge spirit of adventure," figures Young Hak Lim, executive director of Samsung Corp.'s Internet Business Div. A variation on this theme is that Koreans finally have an opportunity to expend pent-up energy, enthusiasm, and individuality. They've lived through the Korean War, military-led and repressive governments, and the borrow-and-spend boom years that saw the government channel their savings into building up major export industries. But now the barriers to foreign investment have crumbled and enshrined ways of thinking no longer hold. *Chaebol* executives are jumping ship for startups. And consumers are lapping up technology that makes their lives easier. Japan, in contrast, is approaching change with baby steps.

Usurious phone bills: In Japan, a couple of hours of daily Web surfing can add \$100 to a phone bill. NTT, the dominant carrier, continues to fleece consumers and has stifled innovation by doing the same to outside carriers that want to plug into its network to reach Japanese consumers. Yes, this is changing but not fast enough.

South Korea started introducing competition, albeit mostly domestic, into its telecom sector decades ago. And successive governments have made sure that phone charges aren't stratospheric. Internet-connection charges are about one-third of what they are in Japan. And by keeping regulations

to a minimum, Koreans enjoy the same kind of quick access to the newest broadband technologies that Netizens in Finland have. “Korea has an almost perfect infrastructure in place,” says Anyong Choi, a vice-president in charge of planning at Korea Telecom. By 2005, 94% of households will have access to world-class high-speed Internet connections.

Survival instincts: My favorite theory is that South Korea simply has no other choice than to hop on the New Economy express. The humiliation of an IMF bailout dispelled any doubts that the South Korean postwar economic model had run its course. A quasi-command-and-control economy made sense when South Korea was playing catch-up in industrialization, but it’s death to a knowledge-based economy. Plenty of people in Japan realize this, too. But rich countries can drag their heels for some time before they hit the wall. Japan’s massive budget deficits, dysfunctional political system, and sad-sack companies are surely bringing the day of reckoning closer. But the truth is that ordinary Japanese won’t

demand radical change from their leaders until they feel the kind of economic pain that South Korea did a few years back.

Japan still boasts some world-class high-tech players, such as Sony, but Korean companies, notably Samsung Electronics and LG Electronics, have closed the gap. South Korean mobile phones are world-class. Daeje Chin, CEO of Samsung’s digital-media business, says with a smile that his company now deserves to be treated as an equal to its Japanese counterparts.

A lot of other Koreans I talked to are willing to go a step further. Stick a fork in Japan, they say, it’s done. South Korea will be Asia’s information technology powerhouse going forward. That will surely strike some in Tokyo as typical Korean hubris, symptomatic of some deep societal insecurity. Perhaps, but those skeptics ought to get over to Seoul and take a hard look. It’s a happening place—at least in comparison to a Japan that seems locked in perpetual drift.

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