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## Economic Connectedness in the 21<sup>st</sup> Century

For thousands of years, land and sea trade has been recorded between peoples and states. Although unrecorded, indigenous trade between cultures is believed to have taken place for tens of thousands of years prior to recorded history. Indeed by 3,000 B.C., the recording of maritime trade between various advanced civilizations has been found.<sup>1</sup> Trade is known to have taken place from ancient Egypt to the Arabian Peninsula, to the Philippines, Vietnam and China. The great Silk Road extending some 4,000 miles initially occurred during the Han Dynasty (206 B.C.-220 A.D.).<sup>2</sup>

In the 21<sup>st</sup> century, e-commerce, electronic media and technology, sophisticated aircraft and sea vessels, and the like, provide global commerce and connectivity. Within nations, governmental policies and economic philosophy often determine the standard of living of tens of millions of people. GDP growth and per capita income are a standard measurement of economic success.

Having just returned from a two-week trip to Seoul, South Korea and Hanoi, Vietnam, your author was awestruck by the significant economic, infrastructure, and social progress the South Koreans have made over the 61 years since the end of the Korean War in 1953. Seoul has one of the most modern major cities in the world. The massive city is organized, sophisticated and dynamic. Modern freeways, boulevards, high-rise skyscrapers and living areas abound. Impressive is an understatement!

South Korea, an agrarian economy prior to the Korean War, and whose cities were nearly totally destroyed during the War, maintained a dictatorship until 1987. After the War, military dictators directed a controlled economy, along with a quasi-free market environment. Along with individual and small businesses, a few significant large family monopolies controlled the largest firms, or the Chaebol,<sup>3</sup> which formed a structured economic oligarchy. Massive U.S. military assistance and economic aid have significantly benefited South Korea economically since the Korean War.

Vietnam, an agrarian economy prior to its wars, has made significantly less economic progress than South Korea. They have suffered 29 years of fighting the “First Indochina War” against French Colonialism (1946-1954) and the “American War” (1954-1975). Vietnam continues to be a socialist “government-controlled” state, which affects its overall economic policy. It did not enjoy the benefit of the U.S. military and economic assistance until recent years.<sup>4</sup>

It is apparent to the observer that a government’s economic policies, which encourage or discourage foreign aid, and which may or may not attract capital formation and commerce, are significant factors in the rate of economic growth. In spite of the post-war socialist central economic planning of Vietnam and the years of dictatorship in South Korea, two thousand years of entrepreneurial capitalism is very healthy at the small business level in each country. This was verified by onsite observation.

South Korea and Vietnam are each examples of the global economic transition taking place in developing countries and economies throughout the world. Per capital GDP (in USD) figures are as follows:

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<sup>1</sup> <http://www.livescience.com/4823-ancient-trade-changed-world.html>

<sup>2</sup> [http://en.wikipedia.org/wiki/han\\_dynesty](http://en.wikipedia.org/wiki/han_dynesty)

<sup>3</sup> <http://www.sjsu.edu/faculty/watkins/chaebol.htm>

<sup>4</sup> [http://en.wikipedia.org/wiki/Economy\\_of\\_Vietnam](http://en.wikipedia.org/wiki/Economy_of_Vietnam)

	1984	2009	2010	2011	2012	2013
S. Korea	\$5,497	\$19,519	\$19,488	\$20,625	\$21,225	\$21,562
Vietnam	\$234	\$775	\$808	\$854	\$896	\$931
United States	\$28,387	\$44,873	\$43,234	\$43,952	\$44,439	\$45,336

Source: Trading Economics <http://www.tradingeconomics.com/>

South Korea and Vietnam households have quadrupled in personal income in the last thirty years. South Korea is now the 15<sup>th</sup> largest economy in the world. The discipline and industriousness of the citizenry is pervasive. South Korea is, in my opinion, a first world country. In the next decade it is likely to become an even greater world economic factor. South Korea is also very advanced technologically.

Education appears to play a significant role for economic growth and prosperity as well. Vietnam and South Korea are focused on education. Every hotel employee and guide we encountered had graduated from college and spoke excellent English. Many small business leaders and sales people speak English well. Korean students, from what I was told, study six days per week from 7:00 AM until 5:00 PM. 15-year-old students from South Korea ranked among the top in the world in the 2012 Programme for International Student Assessment (PISA) test. Vietnamese students had a higher average score in math and science than the ones from the United States. By comparison, U.S. students ranked 21<sup>st</sup> in science and 17<sup>th</sup> in reading.<sup>5</sup>

As an Infantry Officer and Advisor to the South Vietnamese Army in 1967 to 1968, and having “backpacked” for many months in the Central Highlands of Vietnam, I was impressed by the economic progress this country has made. The repression of the French Colonialists has long since passed as have the scars of past wars. The pride in their country is evident, as is their desire to seize the opportunities of the 21<sup>st</sup> century. It will likely take a few more generations for Vietnam to evolve from a third world country.

Interdependence through global trade and communications is empowering third world and emerging countries to develop at a much more rapid rate. Should the leading nations of the world act in a prudent and responsible manner, the outlook for the world is the brightest in human history. Investors will benefit from this economic growth.

- Roger L. Johnson

<sup>5</sup> PISA 2012 Results in Focus. <http://www.oecd.org/pisa/keyfindings/pisa-2012-results-overview.pdf>



**Clockwise from top left:** Seoul Incheon Int'l Airport; Residential high-risers in Seoul; A street market in Seoul; Authentic Vietnamese lunch with locals; A village house in rural Vietnam; A busy main road in Hanoi, Vietnam. Pictures by Roger Johnson