The world enters the year 2012 offering a solution to the Eurozone crisis. The decision by the European Central Bank to offer a 36-month liquidity facility for banks, for the first time, and the decision by the European Council to take steps towards tighter fiscal integration have been well received by financial markets. The tests and interrelated problems of sovereign debt and deteriorating banking assets seem less acute now than a month ago. If the single currency is to survive, there is little doubt that some form of fiscal unity needs to be accomplished. Such a union would signal to bondholders that they need not be so concerned about insolvency in the long run. It also reduces the risk that yet another country will need to be bailed out or to restructure its debt. The good news on the financial front, however, may not be enough to spur the eurozone from entering a recession in 2012. In part, this downturn is being caused by excessive fiscal austerity. In spite of the quantitative easing by the European Central Bank, credit conditions have not improved enough to help businesses invest and create jobs. In countries in which households and firms depend on bank credit to a greater extent, the recession will be longer and deeper. Credit is the blood of the market economy. New innovative firms like the ones envisioned by Joseph Schumpeter as the engine of growth cannot play their role without credit.

**While Europe sorts out its internal problems, the rest of the global economy must think about alternative mechanisms for global growth.**

A European recession will affect the global economy as a whole. The European Union represents some 30 percent of total global output and nearly 15 percent of consumption. Countries that export manufactured goods or natural resources will suffer slower demand and possibly falling prices. Asia, in particular, stands to lose the most, unless major economies like Japan, South Korea and China prop up their domestic consumption.

Europe's response to the sovereign debt crisis is in part limited by the fact that not all 27 member countries agree on what is needed to overcome the difficulties of the present time. The United Kingdom has already announced that it is not in favor of tighter fiscal and political measures.

A protracted U.S. economic recovery can also weigh on the Korean economy. If this vicious cycle continues, Korea's household debt problem can spin out of control. With the sharp rise in household debt, it is largely concentrated in the non-banking sector, precautionary measures should be taken especially against any further deterioration of household debt by multiple lenders. A restricted U.S. economic recovery could also weigh on the Korean economy.

Several global and domestic risk factors could bog down the Korean economy in 2012.

- Korea’s current account surplus is expected to fall to about 3.1 percent as international oil and other commodity prices stabilize.
- The the Korean foreign exchange market will likely see heightened volatility as the exchange rate responds sensitive to any geopolitical developments coming out of North Korea.
- The excessive level of household debt has the potential to deepen the economic slowdown by discouraging consumption and reducing overall consumption and held down income growth, lowering the ability of households to service their debt.

Korea’s current account surplus is expected to be down to about 12.6 billion as export growth slows along with the global economy. Entering 2012, the continued flight-to-quality will most likely keep the value of the won low against the U.S. dollar. A steady reversal in global risk appetite and an economic recovery is expected to raise the annual average exchange rate to around 1,100 won to the greenback.

The parliaments of other member states may also impose limits or simply opt out. Rather than abandon these plans altogether, it would be better for Europe and for the global economy if a core group of countries, those in the monetary union, take steps toward more integration.

While Europe sorts out its internal problems, the rest of the global economy must think about alternative mechanisms for global growth. The global economy needs a renewed commitment to free trade. It also needs the emerging economies to develop their domestic consumption markets faster, allowing their citizens to buy goods and services more freely. Otherwise, Europe's problems could become the world’s.

**Opinion**

**Lee Myung-hee**

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The year 2012 is one of the black dragons in the lunar calendar. Every 60 years in the lunar calendar, the Year of the Black Dragon has a special place in Korean history. The 1952 Japanese invasion into Korea is one example. In 2011, the Korean economy experienced a steep slump, mainly due to global risk factors such as the eurozone’s fiscal crisis, downturn of the U.S. credit rating and a delay in its economic recovery. Unfortunately, the outlook for the Korean economy isn’t any better for 2012. The eurozone’s fiscal crisis will continue to slow Korean exports, and excessive household debts will weigh on domestic demands as it would North Korea-related geopolitical risks.

These factors are expected to continue to produce an economic growth of up to 3 percent in 2012, lower than that of 2011.

Korea's consumer price index (CPI) is expected to fall to about 3.1 percent as international oil and other commodity prices stabilize. The Korean foreign exchange market will likely see heightened volatility as the exchange rate responds sensitive to any geopolitical developments coming out of North Korea.

A protracted U.S. economic recovery can also weigh on the Korean economy, and so does the possibility of a hard landing in China.

The Chinese economic recovery has not improved enough to help businesses invest and create jobs. In countries in which households and firms depend on bank credit to a greater extent, the recession will be longer and deeper. Credit is the blood of the market economy.

The economy’s response to the sovereign debt crisis is in part limited by the fact that not all 27 member countries agree on what is needed to overcome the difficulties of the present time. The United Kingdom has already announced that it is not in favor of tighter fiscal and political measures.

Several global and domestic risk factors could bog down the Korean economy in 2012.

- The eurozone’s fiscal crisis poses a global risk that looks like it won’t go away anytime soon, which may cause instability in financial markets and a subsequent contraction in the real economy.
- A protracted U.S. economic recovery can also weigh on the Korean economy.

While Europe sorts out its internal problems, the rest of the global economy must think about alternative mechanisms for global growth.

The global economy needs a renewed commitment to free trade. It also needs the emerging economies to develop their domestic consumption markets faster, allowing their citizens to buy goods and services more freely. Otherwise, Europe’s problems could become the world’s.

**Schumpeter as the engine of growth**

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In a survey by a Korean job portal asking people in their mid-20s to list what makes them feel most like a Korean, 60 percent of respondents said “family.” The most typical Korean is someone who values family above all else.

In the longer term, issues surround- ing household debt by multiple lenders. A restricted U.S. economic recovery could also weigh on the Korean economy.

The focus of Amway Korea’s global initiative program last year through which we had been having hiring substantial interest to the regular employees the more our mentoring program, in particular, has helped provide hands-on training as well.

Many economists are putting forward new solutions to Korean as long as the unemployment problem is not going to get worse. Despite these circumstances, however, we would like to offer one piece of advice to young job-seekers: give plenty of thought to and maintain a clear vision about “your dream” instead of searching for security only. Encouraging young people to choose a career of their own and to pursue meaningful opportunities, one of the most important roles of corporate management. For example, companies can partner with universities to organize training specific to the demand of the industry. They also should absorb the young workforce by offering more internship opportunities. Global companies with social missions for nurturing talent needs must also take responsibility and initiatives to address the issue of youth unemployment.

To this end, our company, Amway Korea, introduced a global internship program last year through which we had been having hiring substantial interest to the regular employees the more our mentoring program, in particular, has helped provide hands-on training as well.

For the words of blessing they would like to hear most, every second person said “make lots of money.” We can see that the tough conditions in the job market and consequent financial difficulties are one of the biggest problems facing our young generation.

The problem of unemployment is becoming a serious social issue that we now have a nomenclature “spec-poor” — short for “specification poor,” referring to qualified graduates who have high English test scores and excellent academic records from reputable schools but still struggle to find jobs. Young Koreans of today are in all competition to get a better “specs,” missing out on opportunities. Global companies with social missions for nurturing talent needs must also be the key to reducing the level of youth unemployment.

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What is your dream for the Year of the Black Dragon?

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