As we usher in a new year, the Korean economy is confronted with daunting challenges. In addition to existing troubles, 2016 will bring new challenges from the United States, including the end of the zero interest rate. Doomsayers are also quick to warn of Japan’s ‘Lost Decades’ redux in Korea and pundits are forecasting yet another crisis. Such economic challenges and crises have frequently emerged in the past, disrupting the growth of the Korean economy. Yet despite such major hurdles, the country has been able to overcome setbacks time and time again.

Major challenges in the past pressed Koreans to find solutions, while crises provided opportunities for change. As such, these changes have ultimately made the country more resilient. For example, the 1997 financial crisis emphasized the significance of the social safety net, as well as the prudential regulations in the financial sector. Corporate restructuring made big firms substantially reduce the debt to equity ratio. Without these measures, Korea would have faced more serious repercussions during the 2008 global financial crisis.

Based on the country’s history, some believe that Korea can always bounce back from economic blows. Sluggish trade performance, however, still remains a major concern for the nation. In 2011, Korea joined the ranks of countries topping USD 1 trillion in trade volume, becoming the 9th country in the world to achieve such a milestone. But last year was a different story, as it fell short of that mark. As a country with a trade dependency ratio at almost 100 percent, this news is rather alarming.

The silver lining in this situation is the recent ratification of the Korea-China FTA. An FTA with China—the world’s second largest economy and Korea’s largest trading and investment partner—would greatly spur the Korean economy. Now, Korea is the only major trading nation connected to the U.S., the EU, and China through a bilateral FTA. Thanks to its active trade policy and FTAs, the country has emerged as the center for global trade. While securing preferential market access with the U.S., the EU, and China improves the competitiveness of Korean firms, it also provides an important strategic advantage to foreign companies entering the Korean market.

As a major manufacturing powerhouse, Korea excels in the fields of design, research and development (R&D) and marketing, carving out a place for itself in the sprawling global value chain. Foreign investment in these areas would set in motion serious change to the economic climate, producing a win-win outcome for investors and businesses alike. Linking investment with promising sectors would transform challenges into opportunities, especially in the fields of biomedicine, entertainment, financial services and tourism. It would also pave the way for a new life industry.

A word of caution, however, as possibilities alone do not guarantee brilliant outcomes. What separates good outcome from chance is the political will and the ability to implement vision into action. To create a vibrant life industry, outdated regulations should be revamped. Despite the urgency for regulatory reform, however, political lobbying and populism stands in the way. While it is true that Korea has a remarkable track record for overcoming crises, these situations could have been avoided in the first place if reforms were not delayed. Needless to say, reform, no matter how painful it may be, is always less painful than going through crisis. The reason why Japan found itself mired in a deep and prolonged recession for decades is the failure to make much needed changes. Korea should be wise enough not to repeat such mistakes in the future.

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