



MSCI: Quantum Jump of Korean Capital Market

Speakers

Chris Ryan (MSCI, Managing Director & Head of Asia Pacific)

William Pesek (Syndicated Columnist)

David Chon (Pioneer Investors, CEO)

Moderator

Yongbeom Kim (Financial Services Commission, Standing Commissioner of Securities and Futures Commission)

The Korean capital market is at a crossroads. Currently, Korea is an emerging market under the Morgan Stanley Capital International (MSCI) index. However, many believe that it's time for the Korean capital market to upgrade itself to a developed market in order to compete globally. On Oct. 20, 2015, a panel of experts at the 16th World Knowledge Forum discussed whether Korea should remain in the emerging market, or take a dive into the big leagues.

Chris Ryan, the Managing Director & Head of the Asia Pacific of MSCI, said that Korea could choose to remain the biggest fish in the emerging markets.

However, China is opening up, he explained. China has a massive IPO pipeline, which will tie Korea's market to Shanghai. "Currency volatility will be pushed around by China. It's inevitable as [China] grows," Mr. Ryan said.

"I sleep with volatility and wake up with volatility," said David Chon, CEO of Pioneer Investors. "You can sleep in the Himalayas, but you can't hide from it," he added. Mr. Chon believes that Korea's volatility on the financial market will not change, but that "the global market is slave to China."

The threat of China was echoed by other panellists. "What Korea does well has been commoditized by China," said William Pesek, syndicated columnist who writes on Asian financial affairs. Cars and TVs are a few examples of consumer products where China is moving into Korea's manufacturing territory.

Mr. Pesek also pointed out that Korea is "uncomfortably sandwiched by China and Japan."

So, what can Korea do?

Mr. Chon proposed that Korea needs to export dollars and successfully invest abroad. He called on Korea to take a leading role in determining what Korea should be, and to "score some goals, and [plan] an offensive scheme to attack." He also called on Korean companies to take more charge if they want to transform from supporting industries to leading industries.

"Changes need to be company-induced," said Mr. Chon. "You can no longer be the best in Korea, you need to compete in the world Olympics."

Mr. Pesek and Mr. Ryan agreed that Korea needs to innovate. Mr. Pesek wanted South Korean President Park Geun-hye to “put more meat in [the] creative economy.” Mr. Ryan proposed that one area for innovation could be from services.

“China is a threat from a volatility point of view, but a benefit from services perspective,” he said. Mr. Ryan also believes Korea could take advantage of being in the East Asian ‘sandwich’ and give China what it desires in services.

Another area for innovation would be the startup industry, according to Mr. Pesek. However, Korea’s business conglomerates or ‘chaebol,’ such as Samsung and LG, are huge hindrances to a thriving startup industry. He stated that the chaebol tend to absorb competition. “Chaebol reform is [the] core of everything,” he said.

Mr. Pesek also offered a warning to President Park to “not go in the direction of Japan” because Japan was a very disruptive force on the global market during the 1980s and 1990s. Now, Japan has a ‘complacency factor.’

Although Korea is stuck between two East Asian forces, the panellists offered ways Korea could take advantage of China’s demand for services, and learn from Japan’s follies. The experts also called on Korean companies and government to take a lead in creating a Korean financial market that is competitive and creative.