



Parahyangan Catholic University
Faculty of Social and Political Sciences
Department of International Relations

Accredited A

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Contribution of Samsung Electronics to South Korea's Economy
Reviewed from Employment, Exports, Gross Domestic Product
and Gross National Product (2011 – 2016)

Thesis

By

Monica Donnavina Setiawan

2013330102

Bandung

2018



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Thesis Validation

Name : Monica Donnavina Setiawan
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Hereby state that this thesis is the result of my own work and has not been previously proposed by any other party(ies) to attain academic degree. Any idea, information, or opinion from other parties are officially cited and written accordance to the valid scientific writing method.

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Bandung, January 2018



Monica Donnavina Setiawan

Abstract

Name : Monica Donnavina Setiawan
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Title : Contribution of Samsung Electronics to South Korea's Economy
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As one of the country that is currently standing as the world's major economy, South Korea is a country that is home to Samsung Electronics, a corporation known for its electronics products ranging from smartphones, tablets, televisions, home appliances, and more. Currently standing at the 7th rank of Best Global Brands, Samsung Electronics make up for about 20% of South Korea's economy, setting itself as a significant contributor to the country's economy. The huge portion Samsung Electronics take up in the country's economy will raise the question on how far and how significant Samsung Electronics actually is for South Korea. Therefore, the writer would like to further research on the contribution of Samsung Electronics to South Korea's economy reviewed from the employment, exports, Gross Domestic Product, and Gross National Product. In order to find the answer, writer uses the pluralism theory which states and recognizes other actor beside states that could be a significant entity in international relations system. Writer also uses the definition of multinational corporations or MNCs from Thomas Oatley and Michael J. Carbaugh in the discussion of Samsung Electronics as MNC that operates globally and indirectly projects the image of South Korea. The writer will analyze the presence of Samsung Electronics as MNC and how Samsung Electronics contribute to South Korea's economy.

Keywords: South Korea, Samsung Electronics, Multinational Corporation

Abstrak

Nama : Monica Donnavina Setiawan
NPM : 2013330102
Judul : Kontribusi Samsung Electronics terhadap Perekonomian Korea Selatan
Ditinjau dari Ketenagakerjaan, Ekspor, Produk Domestik Bruto, dan
Produk Nasional Bruto (2011 – 2016)

Sebagai salah satu negara yang kini menduduki posisi atas dalam raja perekonomian dunia, Korea Selatan merupakan negara asal dari Samsung Electronics, perusahaan yang terkenal dengan berbagai produk elektroniknya yang bisa kita lihat dalam bentuk ponsel pintar, *tablets*, televisi, peralatan rumah, dan berbagai macam produk lainnya. Samsung Electronics yang kini tengah menduduki posisi ketujuh dalam urutan Merk Terbaik Dunia merupakan penyumbang bagi 20% aktivitas perekonomian Korea Selatan, di mana hal ini menjadikan Samsung Electronics sebagai aktor ekonomi yang penting bagi Korea Selatan. Kontribusi yang besar ini tentu akan memunculkan pertanyaan seberapa besar peran Samsung Electronics untuk Korea Selatan. Oleh karena itu, penulis melakukan penelitian dengan memfokuskan pada kontribusi Samsung Electronics bagi perekonomian Korea Selatan yang ditinjau dari sektor ketenagakerjaan, ekspor, Produk Domestik Bruto, dan Produk Nasional Bruto. Penulis menggunakan teori pluralisme yang mengakui dan menyatakan keberadaan aktor lain selain negara yang dapat menjadi entitas yang penting dalam sistem hubungan internasional. Penulis juga menggunakan definisi tentang perusahaan multinasional dari Thomas Oatley dan Michael J. Carbaugh dalam diskusi tentang Samsung Electronics sebagai perusahaan multinasional yang beroperasi dalam skala global dan menjadi citra Korea Selatan bagi dunia. Kemudian, penulis akan menganalisa bagaimana Samsung Electronics berkontribusi terhadap perekonomian Korea Selatan.

Kata kunci: Korea Selatan, Samsung Electronics, Perusahaan Multinasional

Preface

First and foremost, the writer would like give the highest gratitude to the God for his grace in helping the author through all the processes in writing this thesis, entitled “Contribution of Samsung Electronics to South Korea’s Economy Reviewed from Employment, Exports, Gross Domestic Product, and Gross National Product (2011 – 2015)”. The writer wrote this research to analyze how Samsung Electronics contributes to the South Korea’s economy. The wishes on providing better insights in regards to the particular issue related to this research to the readers. The writer chose this topic since this topic is interesting and on how MNC can contribute significantly towards a country’s economy.

Furthermore, the writer is grateful for every actors involved in this thesis, particularly Dr. Aknolt Kristian Pakpahan as the supervisor of the author, for his guidance, insights, patience, and every support he has provided. His vast knowledge in regards to the multinational corporation has been a great help in writing this research which taking the topic on multinational corporation. The writer is also very grateful for the support of her beloved family and close friends who have given their unending support and patience.

Lastly, the writer acknowledges that this thesis might be far from perfect, due to the lack of several issues. Realizing there are areas to be improved, the author is open to any comments and suggestions in regards to this thesis in the future.

Acknowledgement

First and foremost, I am truly grateful to the Almighty God for his countless blessing in completing this thesis.

Second, I would like to express my gratitude to my advisor Dr. phil. Aknolt Kristian Pakpahan for his unending support and patience to the completion of the thesis. I would like to also thank 'Bang Tian', as most students would call him, for his immense knowledge in regards to the topic thus contributing greatly in the writing process.

Next, I would like to thank my family that is my mother, father, brother, and grandma for their continuous support and trust for me. They are my biggest supporters and motivation in life therefore the gratitude is considered as countless. Without them, it would be impossible for me to complete this research as the way it is.

Furthermore, to my 'trichel' that have become my source of strength and laughter since High School, Stephanie Djojoseputro and Iner Peranitaka Crystalline, I thank you girls for sticking through thick and thin in life. I really wish this friendship will last eternally. We don't really say such things to each other but I love you both and please stay in my life forever as supportive bestfriends in every circumstance possible.

If I have 'trichel' since High School then I have '5 cumi' in my college years. Moudy, Vera, Ardine, and Gia have marked their presence as significant since college year started especially Moudy and Ardine whom I knew at the very first day of college. I thank God for sending four of you into my life and writing colourful pages during the friendship made so far. I wish we would stay just the way we are and keep supporting each other. Just like Stefi and Iner, please stay in my life forever as I hold you all dearly.

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CHAPTER I

INTRODUCTION

1.1 Background of the Problem

States along with its system mainly exist to establish, maintain, and defend basic social conditions and values as it is territory-based social organizations. These values which are namely security, freedom, order, justice, and welfare are the core that should be developed further. As we can see the world has its various countries along with its various system and condition. Among those nations, the five basic values can be seen as developed at its minimum or higher level and even steadily increased for the past centuries in developed countries.¹ Welfare, as previously mentioned, is one of the values that should be highly upheld and one means to achieve welfare is by having economic activity. Economic activity will be one means to help a country to achieve the welfare by providing a system that is necessary for people to fulfill their needs.

In relations to the international economy, every government has its preference to run the economic activity in its sovereign area. However due to the huge changes that have occurred since 1987 in relation to the end of Cold War along with impact of globalization, the actors in international economy are no

¹ Robert H. Jackson and Georg Sørensen, *Introduction to International Relations: Theories and Approaches*, Fifth edition (Oxford: Oxford University Press, 2013).

longer dominated by states. The increase of participation of non-state actors has significantly altered the international economy system and the relations built among countries which further enhances the integration between international trade and countries through foreign direct investment (FDI) by multinational corporations (MNCs). This integration then reckons the progressively important role of the MNCs which has resulted in a significant movement towards internationalization of both services and industrial production.²

Though there is disagreement on the matter of implication of FDI by MNCs towards the international trade and international distribution of wealth and economic activities, many believe, however, that there is also the distribution of power along with the impact on patterns of international trade. It is also believed that besides the perception on MNCs being above politics and a facilitator of rational organization and utilization of the world's scarce resources, there is also an ongoing notion on MNCs pursuing their own private interest and or benefiting those of their home countries.³

Besides the ongoing debate on the impact of MNCs towards international trade patterns, MNCs remain significant actor in the international system. By expanding their business through FDI, namely in terms of services, manufacturing, or commodities; MNCs are able to have abundant subsidiaries around the world. The overseas expansion also frequently associated with

² Robert Gilpin and Jean M. Gilpin, *Global Political Economy: Understanding the International Economic Order* (Princeton, N.J: Princeton University Press, 2001), p. 209

³ *Ibid*, p. 210

mergers, takeovers or inter-corporate alliances with firms of other nationalities. Therefore acquiring profit or financial return on the investment is not the sole purpose of FDI as MNCs wish to establish a permanent position in another economy.⁴

The growth of FDI also keeps increasing since the MNCs are reckoned as important actor. For instance the average rate of FDI grew by four times amount the growth of world output and three times amount the growth rate of trade in between 1985 and 1990. This growth kept increasing as the annual flow of FDI has been two times greater since 1992 to nearly \$350 billion. However at that time the rapid development of FDI remained at certain areas namely United States and Europe and merely small portion of United States' FDI went to the developing countries. Even though throughout the 1990s there was approximately 15% growth annually in less developed countries, the concentration of FDI among those nations remained highly uneven as it targeted only particular areas namely Latin America, especially Mexico and Brazil, and in the emerging market of East and Southeast Asia.⁵

Nevertheless as a significant actor in the global economy, MNCs have grown to be major determinants of trade flows and of the location of industries and other economic activities. As FDI is mostly located in capital and technology-intensive sectors, the firms have become the key holder of expansion

⁴ Robert Gilpin and Jean M. Gilpin, *op.cit*, p. 278

⁵ *Ibid*, p. 289-290

of technology flows to both industrialized and industrializing economies. Thus the economic, political, and social welfare become the essential elements entailed to it.⁶ The relations can be further analyzed as the relations of MNCs to home country as the extension of country's doings, image, as well as the contributor towards its revenue. For that reason, MNCs' relation with its home country's government is significantly intense.

1.2 Problem Identification

After the Korean War (1950-1953), South Korea was one of the poorest countries in the world for over a decade. It further worsened the fragile economic system in South Korea which was heavily dependent on agriculture and financially dependent towards United States foreign aid. Even its gross domestic product (GDP) per capita was \$79 which was lower than some sub-Saharan countries' GDPs. However South Korea was able to rise from this poor condition by developing its economy in a surprising means which then coined as the "Miracle on the Han River". This phrase was particularly used to refer to the "Miracle on the Rhine" that depicted the economic rebirth of West Germany following the World War II.⁷

The Miracle of Han River was first introduced by Chang Myon, the prime minister of the Second Republic of Korea in 1961 to encourage the

⁶ Robert Gilpin and Jean M. Gilpin, op.cit, p. 290

⁷ Lee Sang M. and Yoo Sangjin, "The K-Type Management: A Driving Force of Korean Prosperity.", Management International Review, 1987

citizens to stand up and bear the struggle in order to achieve the similar upturn. Even though the Second Republic of South Korea only existed for a year, it was able to set out a significant impact on the development of South Korea namely through ideology and policy. The end of the Second Republic of Korea was marked by the coup led by General Park Chung Hee. Following the start of military junta under Park Chung Hee, the government started to initiate the developmental projects (The Five-Year Plan 1962-1966). Despite the first Five-Year Plan did not result on the economy of South Korea becoming self-reliant, it generated a period of growth and modernization in order to obtain long-term economic success and policy reform.⁸

Furthermore the development of South Korea's economy can be seen from the increase of its per capita income which was at \$103 in the early 1960s to \$7,435 in 1993. The growth rate was also boost from the average of 3.4% annually during 1954-1962 to over 10% annually since 1965. The exports number was also increased from \$40.9 million in 1962 to \$76 billion in 1993. The development of South Korea economy later transformed South Korea into a model case of the Newly Industrializing Economics.⁹

During the industrialization period of South Korea which was marked during the presidency of Park Chung Hee, the rise of *chaebol* groups was

⁸ Ann Sasa List-Jensen, *Economic Development and Authoritarianism: A Case Study on the Korean Developmental State* (DIIPER & Department of History, International and Social Studies, Aalborg University, 2008), http://vbn.aau.dk/ws/files/13994106/DIIPER_wp_5.pdf.

⁹ Ann Sasa List-Jensen, *op.cit.*

supported by the government in order to trigger economic growth. *Chaebol* is the family-owned conglomerates whose business are managed by family members. In order to strengthen its power, many *chaebol* form alliances namely through marriage. *Chaebols* were originated from the firms that are figured in the dramatic growth during this period. Moreover these *chaebols* were further accountable for 60% of the growth of the South Korean economy during the Miracle of The Han River.¹⁰

Today these conglomerates are well known in South Korean economy. Samsung, Hyundai, and Daewoo are some of the most well-known conglomerates, while Samsung being the largest one. Samsung was first founded by Lee Byung Chul in 1938 as a trading company and over the next three decades it was able to expand its business areas. Nowadays it is a multinational corporation of which business ranges from advertising, construction, entertainment, financial services, food processing, hospitality, insurance, information and communications technology, medical and health care services, securities, retail, textiles, and also shipbuilding.

As the major force behind the Miracle of the Han River, Samsung was able to escalate into bigger business by starting to rise as an international corporation in the 1990s. The business kept growing bigger and in 2004 under one of its subsidiaries, Samsung Construction and Trading Corporation which

¹⁰ George E. Ogle, "The Miracle with a Dark Side: Korean Economic Development under Park Chung Hee," Institute for International Economics, 2003.

was responsible for overseas sales operations, Samsung was given the privilege to handle the project on building the Burj Khalifa (which also previously handles the building of the Petronas Towers in Malaysia and Taipei 101 in Taiwan), which is currently the tallest structure in the world. It is believed that although this projects is the metaphoric for the strength of Samsung, the multinational corporation itself symbolizes the significant growth and position of South Korea on the global scale.¹¹

Moreover, the flagship division of Samsung, the Samsung Electronics, contributes in a considerably amount towards the revenue of Samsung. Although its initial sales on its first mobile phone in 1988 were poor and were overshadowed by Motorola in early 1990s, it did not stop Samsung to preserve this division despite the frequent topic of discussion on abandoning the consumer-electronic business in 1997-1998. The vision of CEO Yun, at that time, which was that based on the belief in the power of digital convergence, along with the ability of global marketing initiatives possessed by Eric Kim, were able to advance Samsung's status to prestige levels.¹²

The enhancement of Samsung did not stop there. In 2011, it was able to seize the number one position as smartphone maker which was previously possessed by Apple. Therefore Samsung is now well positioned alongside Apple

¹¹ Stan Grant, Kristie LuStout, and Kyung Lah, "Dubai Skyscraper Symbol of S. Korea's Global Heights," CNN, 2009, <http://edition.cnn.com/2009/BUSINESS/10/19/korea.dubai.tower/index.html> accessed in October 2016

¹² Tony Michell, *Samsung Electronics: And the Struggle For Leadership of the Electronics Industry* (John Wiley & Sons, 2010), p 151-153

at the forefront of the world's largest and most worthy consumer electronics markets.¹³ Samsung also takes significant portion of South Korea's exports which was approximately at 28.2% in 2012.¹⁴ Additionally, in 2011, Samsung was responsible for 20% of its GDP which was nearly equal to its government spending.¹⁵

Domestically, Samsung holds the power within the country. Samsung's activities is deemed as lucrative for the economic development. Though there is sentiment on the power Samsung holds, it never escalates into major issues as government is seen as supportive towards Samsung. For instance during the period in which Samsung has obstructed price-fixing investigations, it only resulted on minor fines and the presidential pardon given to its chairman in the name of national interest.¹⁶

Samsung, even if it remains powerful in the country as a major contributor to South Korea's exports, tax revenue, and employment, we should never diminish the role it plays on the global scale. In 2011, 84% of its electronics revenue was produced outside South Korea. This further reinforce the role Samsung plays domestically and as the extension of South Korea on the

¹³ Chloe Albanesius, January 2012, "Samsung Beats Apple as 2011's No.1 Smartphone Maker," PCMAG, accessed October, 2016, <http://www.pcmag.com/article2/0,2817,2399445,00.asp>.

¹⁴ Chico Harlan, "In S. Korea, the Republic of Samsung," Washington Post, December 9, 2012, https://www.washingtonpost.com/world/in-s-korea-the-republic-of-samsung/2012/12/09/71215420-3de1-11e2-bca3-aadc9b7e29c5_story.html, accessed in October 2016

¹⁵ Jordan Weissmann, "Whoa: Samsung Is Responsible for 20% (!?) Of South Korea's Economy - The Atlantic," The Atlantic, accessed October 10, 2016, <http://www.theatlantic.com/business/archive/2012/07/whoa-samsung-is-responsible-for-20-of-south-koreas-economy/260552/>.

¹⁶ Ibid.

global scale. Therefore through this research the writer will further examines the role Samsung played towards South Korea's economic development especially from the elements that Samsung contributes significantly which are exports, employment, and also GDP.

1.2.1 Research Question

Based on the background and identification of the problem, the major question the writer must answer through this research is “**How did Samsung contribute towards the economy of South Korea reviewed from exports, employment, gross domestic product (GDP), and gross national product (GNP) in 2011 – 2016?**”

1.2.2 Scope of the Research

The scope of the research will be limited in terms of the period which is set in 2011 – 2016. The reason of this limitation and the usage of aforementioned specific year is because Samsung reached sharp increase during this period for its sales number which was started in 2011. The last year set in 2016 as the data available by the time this thesis was done was annual report from 2016.

1.3 The Objective and the Contribution of the Research

1.3.1 The Objective of the Research

The objective of this research is discovering the influence of Samsung towards South Korea's economy starting from 2011 by reviewing the number of export, employment, and GDP contributed by Samsung. Writer will also further engage the role of Samsung as MNC to be the representative of South Korea in global economy.

1.3.2 The Contribution of the Research

The contributions of this research are; first, this research will provide more insight in terms of Multinational Corporation's contribution for its home country as an actor in the market as well as a representative of a country in the global scale which in this research will be aimed at Samsung and South Korea. Second, the writer hopes this research will be able to contribute and provide the information needed for those interested on the issue. Therefore, the writer wishes humbly that this research can be a reference in the future.

1.4 Theoretical Framework

In the international relations study, international relations is the relations and interactions among nations which consist of governments' activities and policies, international organizations, non-governmental organizations, and

multinational corporations.¹⁷ What can be perceived from this definition is that the actors in international relations are not limited to states or governments. It should be noted that multinational corporations also take the role in the international relations and interactions.

To stress the role of non-state actors in international relations, writer will use the Pluralism theory in this research. Pluralists believed that international relations were no longer exclusive for states as other actors namely interest groups, transnational cooperation and international non-governmental organizations should be reckoned and taken into consideration.¹⁸ Viotti and Kauppi also further states pluralism as following

“Pluralists view world politics in terms of a multiplicity of actors. States are recognized as key actors in world politics, but they are not the only important ones. International Organisations such as the United Nations and the European Union (EU) are not simply arenas within which states compete for influence, but often independent actors in their own right that increasingly set the international issue agenda.”¹⁹

In this research Multinational Corporation will be an actor to be examined. Thomas Oatley in 2004 defined the multinational corporations as companies that control and regulate the production process in at least two countries.²⁰ Michael J. Carbaugh had had determined the four elements of MNCs

¹⁷ Robert H. Jackson and Georg Sørensen, *op. cit.*, p.3

¹⁸ Rumki Basu, ed., *International Politics: Concepts, Theories and Issues* (New Delhi ; Thousand Oaks, Calif: SAGE Publications, 2012), p.161

¹⁹ Paul R. Viotti and Mark V. Kauppi, *International Relations Theory: Realism, Pluralism, Globalism and Beyond* (Allyn and Bacon, 1999)

²⁰ Thomas Oatley, *International Political Economy: Interests and Institutions in the Global Economy* (Pearson/Longman, 2004)

before Oatley. The four elements were, first, it is a corporation that operates in two or more host countries whereas the parent company is located in the home country and it is the one which runs the whole coordinated business strategy. Second, the corporation conducts the research and development in the host country frequently. Third, the operational activities corporation conducted should be outside the country's border. Fourth, there is a capital movement, or marked as Foreign Direct Investment (FDI).²¹ These four elements would then be completed by Oatley by adding one more element which states that there is a managerial control outside the home country to give the permission to MNCs to create policy suited for the economic condition of the host country.

In their expansion to the global stage, MNCs have two factors that motivate the expansion which are first, the demand factor, and second, the cost factor. As mentioned by Bob S. Hadiwinata, the initial objectives of running a business is to dominate the market and to maximize the profit. Therefore in order to maximize the profit, MNCs need to clearly understand the demand that would lead them in improving their performance based on market's taste and response.²²

The second motive of MNCs' expansion is centered on cost factor. In relations to maximize the profit, lowering cost production is needed in order to

²¹ Robert J. Carbaugh, *International Economics* (South-Western College Pub, n.d.).

²² Aknolt Kristian Pakpahan. "Multinational Corporations Dan Implementasi Corporate Social Responsibility Dalam Perekonomian Global." *Graha Ilmu, Transformasi dalam Studi Hubungan Internasional*, January 2007, p. 214–215.

gain as much profit as possible. The expansion abroad will lessen the cost production due to the supply of natural resources and the low cost of labors. Those would help the MNCs in lowering their cost production and to compete with the companies in destination countries. Government of destination country's policies on tax could also trigger the expansion, especially those related to investment tax, foreign direct investment, and trade barriers.²³

Furthermore, Robert Gilpin also stated that MNCs are interconnected with national interest, which in the case explained was about United States. United States' MNCs were used as the extension of the country in gaining economic resources to strengthen the country's power in military and politics.²⁴ However it should be noted that since decades ago, MNCs have positioned itself as the extension of a country to position itself on the world stage.

Moreover, this research talks about national economy reviewed from employment, exports, GNP, and GDP. Employment based on oxford dictionary is defined as a state of being employed in paid employment full-time or part-time. Each country's policy differs in setting the minimum age of employment. Meanwhile exports is part of international trade that involves shipment of goods produced in a country to another country in a large scale for future sale or

²³ Ibid.

²⁴ Robert Gilpin et al., "The Political Economy of the Multinational Corporation: Three Contrasting Perspectives," *The American Political Science Review* 70, no. 1 (March 1976): 184, doi:10.2307/1960333.

trade.²⁵ On the definition of GNP and GDP, both are similar except for the contributors. GNP is an estimate of total value of all the final products and services produced in a given period by the means of production owned by a country's residents.²⁶ While GDP is the total value of everything produced by all the people and companies inside the country, whether they are citizens or foreign-owned companies.²⁷ To break it down as formula, GDP and GNP are calculated as follows:

$$\text{GDP} = \text{Consumption} + \text{Investment} + \text{Government Spending} + \text{Net Exports}$$

$$\text{GNP} = \text{GDP} + \text{Net Income flow from abroad} - \text{Net Income outflow to foreign countries}$$

Lastly, this research emphasizes the contribution of Samsung towards South Korea's economy. Contribution, as defined in Oxford Dictionary, is the part played by a person or thing in bringing about a result or helping something to advance.²⁸ Therefore writer will explain the result and or the advance of South Korea's economy by Samsung-related economic activities.

²⁵ "Export." Investopedia. Accessed January 6, 2018.

<https://www.investopedia.com/terms/e/export.asp>.

²⁶ "Gross National Product (GNP)." Investopedia. Accessed January 6, 2018.

<https://www.investopedia.com/terms/g/gnp.asp>.

²⁷ Kimberly Amadeo. "What Is GDP? Definition of Gross Domestic Product." The Balance. Accessed January 4, 2018. <https://www.thebalance.com/what-is-gdp-definition-of-gross-domestic-product-3306038>.

²⁸ "Contribution," Oxford Dictionary, n.d., <https://en.oxforddictionaries.com/definition/contribution>

1.5 Literature Review

The first literature review is written by Daekwan Kim, Seongdo Cho, and Gangok Jung which is titled **Wave of Home Culture and MNC Performance: The Korean Wave (Hallyu).**²⁹ The writers investigated how consumers' exposures to foreign cultural source (e.g. entertainment) was able to shape their attitude towards its country. The attitude was then conceptualized to influence the perceived product quality and corporate ability of the country's MNCs. The writers also further engage between the relations of these consumers towards the products of the MNCs. This study was examined in the context of the Korean Wave (Hallyu) using data consisting of 533 Indonesian consumers.

The second literature review would be the one written by Edhie Prasetyo in 2008 titled **Kontribusi Nokia terhadap Perekonomian Finlandia ditinjau dari Sektor Ketenagakerjaan, Ekspor, dan Gross Domestic Product (2003-2007).** This literature examined the contribution of Nokia as a multinational corporation towards its home country, Finland. Edhie Prasetyo used the Pluralism theory along with the State and Market theory to explain the role of Nokia and its relation as well as its contribution. This research concluded that Nokia was a significant actor for Finland's economy as it creates job fields for 20,000 employees. Nokia also contributed 25% of the total exports as well as contributing 4% of the total GDP of Finland. Its writer also stressed the

²⁹ Daekwan, Kim, Cho Seongdo, and Gangok Jung. "Wave of Home Culture and MNC Performance: The Korean Wave (Hallyu)." Emerald Group Publishing Limited, n.d.
<http://www.emeraldinsight.com/doi/abs/10.1108/S1474-7979%282013%290000024012>.

dependency of Finland towards Nokia. This is the literature that writer finds the most inspiring for the conduct of this research. However the parameter used in this research is comprised of exports, employment, GDP and GNP, therefore adding one parameter that sets it apart from Edhie Prasetyo's work.

The third literature is written by Yungwook Kim titled **Do South Korean Companies Need to Obscure Their Country of Origin Image? – A Case of Samsung.**³⁰ It was written to analyze dissimilar effects of the country image on consumers' brand image and purchase intention by differently perceived national groups. Kim also emphasized Samsung as a multinational corporation of which products were in the market outside its home country and further engaged the relation of MNCs' products with its home country image.

Based on the aforementioned three literatures, there is none examining the contribution of Samsung as an MNC towards South Korea's economy reviewed from exports, employment, GDP and GNP. Therefore this research will add new elements in the research of MNC, Samsung, South Korea, and the relation of state and MNC.

1.6 Research Method

1.6.1 Approaches

³⁰ Yungwook, Kim. "Do South Korean Companies Need to Obscure Their Country-of-origin Image?: A Case of Samsung." *Corporate Communications: An International Journal*, Vol. 11 Issue: 2, 2006. <http://www.emeraldinsight.com/doi/abs/10.1108/13563280610661660>.

This research will use the qualitative method which is one of the research methods to discover and comprehend deeply on the matter of indication, facts or reality that are seen as problem. This method consists of five criteria which are deemed suitable for this research.³¹ First, Natural Setting. Qualitative researches tend to collect data in the field at the site where participants experience the issue. Second, Researches as the Instrument. In order to analyze the contribution of Samsung towards South Korea's economy, researches through data or any related documents will be fundamental. Third, Multiple Sources of Data. Multiple sources of data will be required to further exercise the previous criteria in order to produce an objective conclusion. Fourth is Interpretive. This criteria allows the writer to interpret information. Fifth is theoretical lens. Writer uses the concept or theory as the implementation of this criteria by using pluralism theory and the concepts of Multinational Corporations.

1.6.2 Technique of Data Collecting

The technique of data collecting is taken from Creswell's method. Creswell stated such method is entitled as inductive

³¹ John W. Creswell, *A Framework Design in Research Design: Qualitative, Quantitative, and Mixed Approaches*, 2nd (London: Sage Publications, 2003) p.175

approach.³² The writer will collect the data through books, electronic books included, journals, and articles from news to analyze the contribution of Samsung towards the economy of South Korea which will emphasize the focus on exports, employment, and GDP.

1.7 Research Management

This thesis will consist of four chapters. The first chapter is the introduction which will explain the introduction of the research such as the background of the problem, problem identification, theoretical framework, and also the research method.

The second chapter will explain Samsung Electronics as the MNC of South Korea. It will explain the history, vision and mission, business activity, management, capability and asset, and products of Samsung Electronics.

The third chapter will explain the contribution of Samsung as the MNC of South Korea towards the South Korea's economy. The contribution will then be differed in terms of exports, employments, GDP, and GNP.

The fourth chapter will be the conclusion to the research question. The writer will conclude how Samsung contributes towards South Korea's economy reviewed from exports, employments, GDP, and GNP.

³² John W. Creswell, Op.Cit. p.45

