

South korea was very underdeveloped



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Introduction

In the beginning of the twentieth century, South Korea was very underdeveloped. It was a country consisting of minimal economic activity to compete in the Global markets. South Korea was still integrated with North Korea as one state under the Rulership of Japan. Agriculture played a big role in the economic progress of Korea under the communist system. It was only a matter of time before Korea would be divided into the north and south After WW2 and the Korean War. But the South would prove to be much more prosperous than the North, through opening up its markets, its affiliations with The United States of America and turning into a Democratic state. Its economic transformation pushed South Korea become a competitive country in the Global market within three decades towards the end of the twentieth century. The following essay will take a brief look at Koreas economic progress in the first half of the twentieth century, and then focus on how South Korea started to progress economically after WW2. It will also look at what political and economical reforms took place in order to ensure economic Liberty of South Korea.

1st Half Of 20th Century Korea Loses Independence

In 1910, Korea lost its independence to Japan, Korea became a province of the Japanese state. Initially Korea had been ruled by the Yi state, Korea was known to consist of Raw materials which could be beneficial to other countries economic wealth. Other western countries such as France, US and the USSR had attempted to overthrow the Yi state even before the twentieth century, but Korea fought and resisted western domination. Japan on the other hand had surrendered to the USA and had become an Industrialized

economy, it needed raw materials in order to expand its economy. This was going to happen at the expense of Korea. The Japanese had backing of the USA, and could easily occupy Korea by 1905 after signing a treaty with the USA called the Taft-Katsura Agreement, stating that the USA will acknowledge the Japanese occupation of Korea. The Japanese finally got Korea to sign the treaty of annexation with it in 1910.

The Yi state had proven to be weak in terms of resistance to external forces, as it had now lost independence, it had also lost its power to influence its Korean people to fight of colonialism. Japan could now have access to raw materials and foodstuffs, Korea would now have to become a highly productive Agricultural state for the benefit of Japans economic growth. This would hinder with the growth of the Korean economy, limiting it to a more rural, underdeveloped economy until the mid twentieth century, after the Korean war and WW2.

The Japanese took over most of the fertile land through their own landlords, and would increase their exports of foods to Japan, this signaled the beginning of exploitation of the Korean people through cheap agricultural and rural labour. South Korea experienced a high industrial growth, but the Capital and profits were all focused towards Japans growth. Japan invested high capital towards industries in Korea. Even though there was high exploitation of Korea, there had been attempts by the Korean people to protest against Japanese rule, in 1919 people protested against Japanese rule but were unsuccessful as 6000 people lost their lives to Japanese Forces. There was always a Government- General appointed by the Japanese government to keep control of Korea. He could lead in a dictatorial way and

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all Koreans who did not abide by his law could be arrested by the police, he had total control of the Korean affairs.

From 1910 onwards, the Government-General implemented a survey where useful agricultural land could be determined, if land was found to be useful to the economy of Japan, the general took control of it. Many of the Korean citizens lost their land as a result. By 1930, the Government-general owned 40 percent of the total agricultural and forest lands of Korea, most of the land would be sold by the Japanese government to Japanese development companies, land could also be sold for a cheap price to Japanese individuals looking to start farming in Korea. The land policies implemented by the Director general increased poverty in Korea for the farm population which formed the majority of the Korean population. This explains why Korea experienced so much poverty and why many of its citizens turned out to be peasants, the General's land policies took many of the Korean citizens and farmers land in the wealthy areas of Korea. The Japanese did not determine their land policies with the interests of Korean people at heart, at the same time a lot of Korean peasants suffered as most of the money they made from harvesting on the rented land paid for the rent.

Korea was known to be a major exporter of rice when it came to agriculture, most of its rice was exported to Japan at the expense of Korean cheap labour, the land allocation system seemed to be prospering. From 1912 to 1936, over half of the total rice production was being exported to Japan, this was possible because the Koreans were forced to lessen their rice consumptions. In the Mining sector, the Government-General also implemented a Mineral assessment with some major Japanese Corporations

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in an attempt to extract mineral resources from Korea. Korea had great resources such as gold, silver, lead, iron and coal. These resources worked highly to the advantage of Japan as they could exploit them during WW1 for military armaments production, the Military armaments could be sold by the Japanese to the Allies.

This proves that the Korean Mineral and Land occupation was of high importance for a country like Japan, and they were going to exploit it for as long as they could, as long as Japan kept growing and developed a strong competitive economy for itself. But this was just one of two major economic factors Japan were interested in, the manufacturing sector also became an interest in which the Japanese were focused on. They would achieve through intense industrial development and cheap labour, since many of the farmers had lost their agricultural land.

Korea started to experience mass industrialization through Japan, this could be seen as the beginning of Manufacturing on a large scale for Korea. The government-General encouraged many Japanese businesses looking for cheap production to invest their Capital in Korea. He achieved this through the new policies of manufacturing, which opened doors to Japanese investors to bring in their Capital at very low costs. The Japanese had control of almost 90 percent of all manufacturing Capital in Korea, this also applied to the mining industry, The Japanese companies had almost 95 percent of the coal mining industry of Japan. These percentages were achieved by 1945. The Industrialization of Korea pushed many peasants into becoming wage workers, by 1944 600 000 Koreans were working in factories and another 350 000 working in mines.

The situation for Korean workers in the factories was so bad that the wages they got paid by 1935 were 50 percent less than in 1927.

Peace and comfort did not happen and the Korean people suffered a lot from discrimination and exploitation during the period 1910 to 1945. The Japanese used a military dictator ruling style and got rid of any opposition from the local people. The people of Korea had no backup and could not express their feelings or voice their opinions as to how they wanted Korea to be run, or how their lives could be transformed from impoverished to better standards of living. This probably happened because Political and social groups were banned.

The Japanese, in 1930, formed a basic structure, in the decade that followed national industrial planning was implemented through the political economy. This meant that planning could be extended to Japan in order to give major industries in Japan a chance to bring in their corporations into Japan through direct investment. State policies were formed by the Japanese, in order to regulate and control the market from the use of foreign technology. This was achieved through a licensing system which would control market entry. The new state policies also introduced big banks and large companies owned by the Japanese, towards the end of the 1930's there were four major industries responsible for the occupation of the majority of the Korean population. These companies were Mitsui, Mitsubishi, Sumitomo and Yasuda, they dominated the Japanese economy more than any other industries.

These industries belonged and originated in Japan, but because Korea and Japan were so close to each other Geographically, and Japan had direct

control of Korea, it meant Japan could easily expand their economic activities into Korea and integrate them into the Japanese markets. This the Japanese managed to achieve through investments in railroad, ports, communications and massive industrialization in Korea. Because the growth of the Korean economy was pushed by the colonial state and the economic activities were undertaken by a few major Japanese corporations, the Japanese's industrialization of Korea did very little to give the Korean businessmen some sort of power or leaderships in some of the industries or politics.

In terms of politics, Korea's economy might have been occupied by the Japanese, but from the time Korea was declared a colonized state, there were underground movements which planned to help Korea regain its dignity and independence. These groups consisted of former Korean politicians who were in exile and had affiliations with the Soviet Union, USA and China. The group affiliated with the USA was run by a man called Syngman Rhee, he fled to the USA with the hopes of making friends with politicians from the state and gaining their support for Korea's independence. Another group which was in China, was one led by Pak Hon-Yong which was a communist movement. Finally there was the group ruled by Kim Il Sung, this group was an anti-Japanese Guerilla communist group Kim would later become the long standing ruler of North Korea. There was little influence or success in their attempts to gain the independence of Korea by these groups. But one group which proved to have greater influence later, would be the group run by Kim Koo, right after the split with Rhee due to disputes and disagreements.

This group was the anti-Japanese Guerilla, it formed close links with the Japanese Nationalists. Koo became president of the organization in 1931,

with the support of the of one of its branches which were in Hawaii and USA. Rhee who was in the US at the time had tried several times to influence the US group but failed. By 1940, the Provisional Korean exile government, based in China which was set on fighting for Korean independence, it managed to influence the Chinese government and was given the chance to form a general staff for strategic planning against Japanese colonialism. This would lead to the famous Pacific Korean war, where the Chinese and Koreans would fight side to side against Japan in Manchuria and China. Korea would invade Manchuria and declare war on Japan, which would take two and a half years before the Koreans could finally win with the support of the US and USSR

During the duration of the war, Rhee became president of the provisional Government, in which nine Korean organizations supported by 10 000 Koreans backed the government. They set up a meeting in Washington and formed allies with the USA in order to determine how they would help the US defence on strategies of attack on Japan. What Rhee was mainly concerned about was the future of Korea after the war, how would it be run and under what economic policies would it be run? In 1942, during the talks of the future of Korea with the Allies, Rhee's conditions were not met and the meeting was unsuccessful. In 1943 at the Cairo conference, Churchill, Roosevelt and Chiang Kai-shek resolved the issue stating that Korea would be declared an independent and free state.

The war continued and as it progressed a trust agreement was signed by the USA and the USSR, stating that they would help Korea get back on its feet economically and politically. The USSR declared war on Japan in 1945, while <https://assignbuster.com/south-korea-was-very-underdeveloped/>

the USA who had declared war on Japan earlier had now occupied the South of Korea by sending their troops to the South of Korea. The USSR would now send its troops to the North of Korea as the treaty of Cairo stated. This signaled the birth of what would become two separate worlds in Korea, the Division between North and South. The South would prosper tremendously due to its Global economic policies and affiliations and friendships with the allied powers that supported capitalism. The north on the other hand, would suffer due to their strict policies of Nationalization, independence and the support of a communist system as a way towards economic transformation.

New Era, Korea Gains Back Independence

By December 1945, a provisional government was set up by a joint group of allies; USA, United Kingdom and China. But the provisional government have to always consult with the allied powers who would have the task of being in charge of Korea for a period of five years. But right-wing parties of Korea were against the five year deal, as they did not want Russia making any decisions, as they believed it had ulterior motives towards Korea. Therefore they organized the anti-trusteeship organization.

In the meantime, a more democratic committee was set up in the Southern part of Korea, it had Rhee as its permanent chairman. The USA established an assembly where elections would take place, but half of the assembly could be appointed and the other half could be voted for. Right wing groups of Korea saw it as the development of a Southern independent Korea and started to set up a separate state.

Soon several elections took place, with those favouring democracy being in opposition with those who believed in Communism. The Battle between USA/ South and USSR/north would ensue within Korea. By 1948, the Dispute was resolved, where the United Nations Temporary Commission in Seoul gave the Koreans a chance to vote in the South, as the Soviets refused them occupation in the North of Korea. South Korea became declared as an independent state by 1948, but it was called the republic of Korea instead. The USA then withdrew its troops from the South in order to avoid further conflict and to prove that it was not intending on occupying South Korea.

The new government under the rulership of Rhee had become an ally of America, and the best years of South Korea were to come. But in the beginning of the South's rulership, it had lost its supply of hydro-power, and coal from the North. At the same time its population was increasing at a high rate, south Korea experienced a major shortage of food and housing, unemployment became rife in the state. After the USA and USSR withdrew their troops, the North declared war on the South through its communist leader Kim Il Sung, but the USA sent troops in defence of South Korea. The war continued for several with Chinese, UN, Japan, Soviet Union and the USA involved. By 1953 the war ended and South Korea like North Korea were to reconstruct its state economically.

In 1961, Park Chung Hee became the new leader of the South Korea and he intended to strengthen South Korea's relations with the USA and mainly other states which were capitalist states. A lot of attention would be put on the economic growth of South Korea.

First Five-Year Plan

By 1962, South Korea introduced its first five-year plan in order to recover economically. South Korea approached Japan as a second major capital investor after the US in 1963 and Japan finally signed the agreement in 1965. Through these economic moves, South Korea would begin to prosper in terms of economic growth. The Korean economy was destroyed by the war. After the Korean War reconstruction was given support by huge amounts of foreign capital from, in the North from Communist countries such as Russia, China and East Germany and in the South mainly from the United States and serious government economic development programs. The greatest industrial improvements were made during the 1960s. North Korea made progress in industrial growth while South Korea concentrated on feeding its people.

When Park came into power there were certain obstacles he was faced with in reconstructing South Korea, his initial five-year plan started off at a very slow pace for developing the economy, as he was too focused on social policy first before moving towards economic policies. From Park's economic policy changes in 1964, South Korea would now start to go through three different Democratic rulerships, each with their own plans of action towards economic transformation. Park's government, of 1963-1973 focused on a sort of limited democracy that wanted to restrict democracy to a certain extent. Park wanted to follow Japan's idea of a military leadership, which had initially created a lot of economic progress in Japan.

Second Five-Year Plan

In 1964 with the attempt at the five-year plan for the second time, Park now shifted his economic plans more to industrial growth instead of a focus on food self-sufficiency. The goals of the plan was to increase energy production, grain production and create a demand for exports. Korea had started to have a growth rate of 8.5 percent in GDP and the growth of the industry sector had been the major contributing factor to the sudden growth of the South Korea economy. Even though South Korea started to develop, it was mostly due to America's contribution towards its economy. From the 1960's, Korea benefited from great relations with the United States. The relationship between the USA and South Korea was created because American policy-makers, saw South Korea as an important platform to confront the Soviet Union during the Cold war. American interests in South Korea allowed it to enjoy economic benefits in terms of aid, trade, capital, and technology from the U. S. It is said that South Korea could not have survived its economic prosperity if it wasn't for America's assistance in the 1950's and Korean access to its export markets since the mid-1960's.

America though, was not happy with Park's economic reforms in the first half of the 1960's because he had focused on agriculture in his early rulership. The United States had threatened to withdraw its financial aid to South Korea, because it was not gaining well enough due to Park's economic transformations in the early 1960's. America also had its own economic problems and couldn't handle having to back up a slow growing economy which did not follow a clear system of liberalized market and limited democracy. But the USA wasn't going to withdraw its aid that easily because,

it feared that with South Korea's deficit spending due to its economic strategies, South Korea would experience a foreign debt crisis and its economy would collapse.

Not prepared to let this happen, the US government started to put pressure on South Korea to start focusing on industrialization instead of agriculture and social policy. This the American government believed had to be implemented as South Korea could increase its exports and therefore lessen its foreign debt. America then put pressure on South Korea to strengthen its ties with Japan, because Japan could now become an investor in the South Korean labor raw material market. Therefore Japan would be able to provide aid and a market for exports in South Korea which could be very beneficial to the growth of its economy. The United States then began to issue more funds into the South Korean economy, US finance in South Korea paid for over 70 percent of imports, this gave the USA power to control the South Korean Government as the US expenditure on South Koreans obviously came with major conditions. As the result by 1964, the South Korean Government went into serious deals with the USA, and the conditions meant that South Korea would follow USA orders.

Over the next years after 1964 the Koreans would follow the US orders by stabilizing prices, creating more trade relations with other western countries, raising interest rates, devaluing the currency, taking down import barriers and increasing export incentives. This direction followed by South Korea would later be very beneficial to the country's economic wealth, as it would influence rapid economic growth in space of just 30 years.

Third Five-Year Plan

The third five-year plan was to be introduced by Park from 1972-1976, this was an important era as South Korea aimed at job creation, and mainly the need to focus on rural development and creation of rural labour and revitalization. A very important factor by which Park did not adhere to during this time was the American conditions, which stated to him that he had to loosen the economy for open trade and rather focus on gaining economic wealth for the country. Instead, Park took his own measures which would prove very successful before the fourth five-year plan. The government partly took control of over banks and controlled investment. During this period, the government imposed price controls, this they wanted to implement for a short period aimed at controlling certain inequalities in industries where high profits were being made by foreign investors.

These price controls were aimed at reducing inflation, but they were not imposed on all industries but a select major ones, which contributed highly to the economic wealth and the ones which were monopolistic in their markets. There were other areas in the economy where restructuring and mergers took place, where the government intervened during the rapid industrialization period which was to follow. The reason Park introduced this policy of government intervention was because by 1972, South Korea's economy had produced a high amount of industrial wealth, of which most of it lay in the hands of a select few owners and political leaders. This created an imbalance in the economic equilibrium of South Korea. At the same time, South Korea needed to solve its debts.

Fourth Five-Year Plan

The next step to be followed by Park would be very economic orientated, the Fourth Five-year plan. This plan was implemented from 1977-1981 more or less, it was regarded as the big push era of South Korea. Park now focused on heavy industrial policy by shifting towards electronics, machinery and shipbuilding to name a few. With this policy, Park wanted very minimal foreign borrowing of capital as his aim was to decrease the amount of debt South Korea was faced with. This five year plan would turn out to be a sort of disaster, caused by the oil crisis. Therefore the targets of this plan wouldn't be achieved to their full potential. At this point the South Korean Chemical industry boosted economic growth and was the major industry which contained the most foreign investment.

South Korea had collaborated with Dow Chemicals from the USA, which was South Korea's largest business partner in industry sector, the problem now, was that Dow Chemicals was charged by the South Korean government for fixing its prices through its South Korean partner, this was aimed at creating profits which Dow chemicals used to transfer to its other plants out of South Korea. This led to the South Korean partner objecting to this plan, and the Government being in support of the South Korean partner intervened. Dow then decided to pull out of the joint business venture. This became a major knock to the state's economic stability.

South Korea during this period had also built a major Shipyard, probably one of the world's largest, the problem although was that, in building the shipyard, South Korea had to export most of its expertise, machinery, engines and tools from Japan. This created an imbalance of payments for

South Korea and increased her debts highly. Another major threat to the country's growth was the oil boom of the Middle East, South Korea struck a deal with the Middle East to start a huge construction programme in the Middle East region. South Korea then sent an estimated 293 000 male workers to the Middle East region between 1977-1979 for construction. This number was equal to over half of the South Korean manufacturing labour force. It became a problem because wages went higher in the manufacturing sector of South Korea but production became slower because of the shortage of workers in the industries.

While this happened, a lot of smaller companies were not making real profits, at the same time the state was spending highly on Industries for growth. Only the major foreign companies were profiting highly, causing the economy of South Korea to become unstable and unbalanced. This meant that industries could not meet the targets of the South Korean export sector, at the same time the lighter smaller manufacturing companies competition internationally. South Korea had become a country which imported a lot, which disadvantaged the economy during the rapid industrialization era. Technology and Capital goods had to be imported, causing South Korea to put itself in a position of overspending and having to borrow foreign Capital in order to increase growth.

By 1979 it was clear that government growth could no longer benefit the economy, Park had devised a plan to solve the debt problem by lessening imports and increasing exports in the smaller manufacturing industries which proved to be the major hub of the economy when they were combined. This caused further inflation, pushing the country into a recession GNP fell by 6.5

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percent in 1980. This was the first year of very poor growth since the Korean War, by the end of 1980 South Korea's debt increased at a very rapid rate from around \$20 million to about \$40 million in 1983. Park died in 1979, while he was a dictatorial leader, but to many South Koreans it was seen as a new era that would open doors to a more Democratic state, being able to improve the economic conditions of South Korea.

Unfortunately it was not the case, another military dictatorship occurred, this time by Chun Doo Hwan, this led to major strikes in the labour force which wanted better working conditions and better wages. The workers had been promised by their labour unions that after Park's fall, things would turn out for the better and the workers would be able to get better working conditions and wages. And an end to military dictatorships would occur, which was seen as having a negative effect on the economy and lives of the working class. Strikes continued for the whole of 1980.

Years Of Prosperity Through Exploitation

By August 1980 Chun retired from military and announced that he would become a candidate for national presidency position. Chun came into power after the internal election and formed the Democratic Justice Party. But this was just a front, he immediately after coming into power exercised his military dictatorships in order to stop protests. Brutal force and arrests were made on protestors and a new law which destroyed worker unions was implemented. This was done by Chun, so worker exploitation could occur, but this would be to the much benefit of the South Korean economy. In doing this, wages would be at minimal but production would increase. By creating forced labour conditions where wages fell and productivity increased, became

part of Chuns plan to improve the economy. The results were tremendously high, putting South Korea in the competitive Global arena as one of the leading export markets through its short term strategy of exploitative labour in the industries. By 1983 the economy was ready for expansion. The US supported this direction and became a major technological contributor towards South Korea, with Japan also being a major financial contributor.

Conclusion

In less than twenty years after the Korean war tore apart the South Korean economy, economic stability became the major all South Korean leaders focused on. South Korea turned out from one of the world's poorest nations to one of the richest in a short space of time. This it achieved through trial and error, and a open market, liberalized economy towards the rest of the world for investment and exploitation of its labour force. It became an Industrial hub of the world towards the end of the twentieth century. The rapid industrialization, as many would argue wouldn't have happened if the USA and Japan had not given financial support and guidance towards its economy. And most importantly, the rapid economic growth took place at the expense of the South Korean People's labour and hard work.

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