

South Korean Politics and Economic Development 1960-98

Modern Korean Society

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South Korea going from poverty to affluence

- In 1966 per capita GDP in South Korea was \$129
 - \$1105 per capita in 1975
 - Just getting enough food was a struggle for many people
 - In 2019 South Korea's per capita GDP was \$40,000+ (PPP)
- In 1965 South Korea was 34% urban, and many urbanites lived in squalid squatter settlements (in the mid-1970s when *Over the Mountains* was being researched it was about 50:50 urban/rural)
 - In 2019 82.5% of South Korea's population lived in cities of more than 50,000 people, and most squatter settlements have been replaced by high rise apartments
- In 1965 only 43.3% of South Korean elementary school age kids were in school, 12.4% went to high school, and 3.1% to college
 - In 1995 99% of kids attended through middle school, 90% of South Korean kids graduated from high school (higher rate than US), and 36.5% were attending college.

Four Themes

- Political Development
 - From authoritarianism after 1961 military coup, back to democratization in 1987
- Economic Development
 - From import substitution before 1961 to export promotion 1962-1996
 - Light industry 1962-1972
 - Heavy and Chemical Industrialization 1972-1996
- Urbanization and Class
 - Predominantly urban after 1975, problems of squatters in the 1960s and 1970s
 - Worker-student alliance 1980-1987, heyday of unions 1987-1992
- Educational Development
 - Universal elementary education 1960s, vocational and academic high schools 1970s and 1980s, college 1980s and on

South Korean Political Development

- Politics since 1948
 - Six republics, two military coups, democracy since 1987
- Economic Development
 - Import substitution 1953-1961
 - State-led Economic Growth 1962-1996 (Five Year Plans led by Economic Planning Board)
 - Heavy and Chemical Industrialization in 1970s and 1980s with FDI strictly limited
 - Globalization and Deregulation 1997 to the present (following IMF bailout)

Turning Points in South Korean History

- April 19, 1960 Student Revolution (4-19 학생 혁명)
 - Student Revolution ended the First Republic
- May 16, 1961 Military Coup (5-16 군사 정변, 군사혁명)
 - Park Chung Hee led coup d'état ended 2nd Republic and established his power until his death
 - Supreme Council for National Reconstruction followed by 3rd Republic in 1963
- October 1972–Martial Law followed by Yusin Constitution
 - Park Chung Hee indirectly elected president, partially appointed National Assembly (4th Republic), multi-seat constituencies

Political Turning Points (2)

- May 18, 1980 Kwangju Democratization Movement--(5-19 광주민주화운동/광주민중항쟁)
 - Uprising in Kwangju against Chun Doo Hwan's December 12th 1979 coup and May 17, 1980 declaration of martial law (following the October 26, 1979 assassination of Park Chung Hee)
- Chun Doo Hwan President of 5th Republic from October 1980
- June 1987 Democratic Uprising (6월 민주 항쟁)
 - June 10-29 (10 days in June) -demonstrations over the deaths of demonstrating students culminating in Rho Tae Woo's June 29th Declaration accepting direct election of the President, etc.

Political Turning Points (3)

- June 1987 Democracy Movement (6월 민주항쟁) and Rho Tae Woo's June 29th Declaration accepting democratic reform, with 6th Republic Constitution from October 1987
 - Direct election of the president
 - Single-seat constituency
 - Respect freedom of the press and association (and refrain from suppressing labor)
- 1993-7 Kim Young Sam first civilian president since 1961
- November 1997 IMF bailout and Asian Financial Crisis
- 1998-2002 Kim Dae Jung first opposition president

Beginning of Economic Growth (to 1961)

- **Import Substitution**—initial economic development strategy
 - Erect high tariff barriers to imports (tax on imports) to protect inefficient infant industries
 - Keep value of the currency high—to facilitate cheap import of raw materials
 - License foreign exchange—to make sure that only raw materials and necessities are imported, not luxuries
 - Keep cost of food low through imports (but this also lowers the living standard of the rural sector)
- **Pitfalls of this strategy** (that can work for a short time)
 - High tariffs tend to rise the price of goods domestically which enriches domestic producers at the expense of consumers whose standard of living is lowered (because of high prices/poor quality)
 - Inefficient domestic producers can make a windfall with shoddy goods, and have little incentive to improve
 - Because of government licensing and possible waiving of tariffs, this kind of economy gives bureaucrats much scope for corruption

Switch to Export Promotion

- 1962–Park Chung Hee establishes the Economic Planning Board (EPB 경제계획부)
 - Lowered tariffs
 - Devalued the currency (making exports cheaper and imports more expensive)–switched from hwan 圓 to wŏn 원
 - Nationalized all banks and had the government appoint their heads and allocate finance
 - Began five-year plans (seven plans 1962-1997)
 - Focused initially on labor intensive light industries (textiles, garments, athletic shoes, human hair wigs)
 - Switched to metric system, and from Tan'gi calendar (starts in 2333 BC) to Western calendar (thus ROK founded in Tan'gi 4281, that is 1948)

How did they do it?

- INDUSTRIALIZATION THROUGH LEARNING
 - Interpretation of Alice Amsden in *Asia's Newest Giant*
 - Kind of "late development" (like Japan): **Did not invent new products and processes, but learned how to do existing ones and make them cheaper and more efficient**
- (1) raise the rate of investment to more than 10% percent of GDP
- (2) increase education and facilitate technology transfer
- (3) move population from low productivity agriculture to high productivity manufacturing, and then move up the valued-added chain
- (4) export right off because the domestic market was too small to support a heavy industrial base

Where did they get the money?

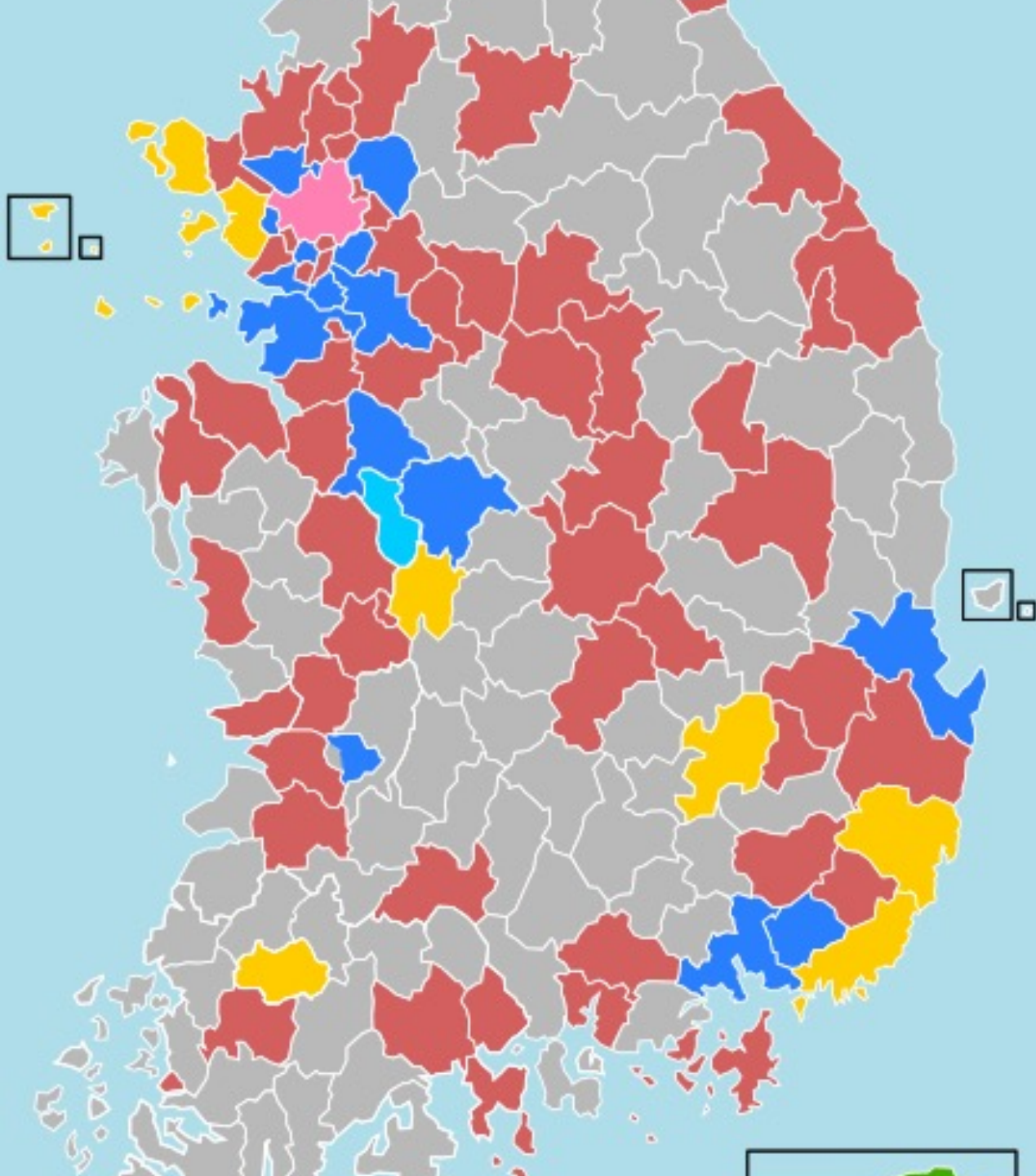
- South Korea-Japan normalization treaty (1965)
 - In compensation for past exploitation Japan provided \$300 million in economic aid, \$200 million in loans, and \$300 million into an economic trust to settle all claims between Korea and Japan
 - These paid for P'ohang Iron and Steel, Soyang Dam, the Gyeongbu Expressway (between Seoul and Pusan)
- Recycling of Petrodollars
 - Oil sales are denominated in dollars, and petrostates had more dollars than they could use that they deposited in New York Banks
 - South Korea borrowed large sums cheaply as sovereign debt (debt guaranteed by the government), put the money in state-owned banks, and directed the banks to loan the money to *chaebŏl* (large family-own conglomerates) who agreed to carry out government economic plans and establish various industries

Urbanization

- Rather than gradually make agriculture more productive, the plan was to move people out of low-productivity agriculture into high-productivity manufacturing—this means rapid urbanization
- The chaebŏl established huge state-of-the-art plans in Seoul-Incheon and in the Southeast (P'ohang, Ulsan, Pusan, Kimhae, Masan)—areas most safe from North Korea with good harbors
 - This caused people to leave agriculture entirely and move to large cities where workers lived around factories and developed worker culture (as opposed to commuting to rural factories as was common in Japan and Taiwan)

South Korean Concentrated Industrialization

- Light pink, orange—industrial cities
- Blue—other cities
- Dark pink—smaller cities
- Workers, pollution, and disputes largely in orange areas (Seoul, Inch'ŏn, Pusan, Ulsan)
- By 1974 44% of South Korea's industrial workforce in Seoul and Pusan, by 1984 50% in Seoul and 40% in Taegu/Ulsan/Pusan/Ch'angwŏn



The Move to Heavy and Chemical Industrialization

- First and Second Five-year plans very successful speeding up the growth rate to 7-8%
- In 1972 Park Chung Hee launched the HCI plan
 - Iron and steel, petrochemicals, shipbuilding, electronics, non-ferrous metals, machine tools, and automobiles
 - At the time the IMF and USAID didn't support because South Korea's domestic market not big enough
 - South Korea model—build state-of-the-art plants, keep labor cheap, undercut the competition and build scale by exporting

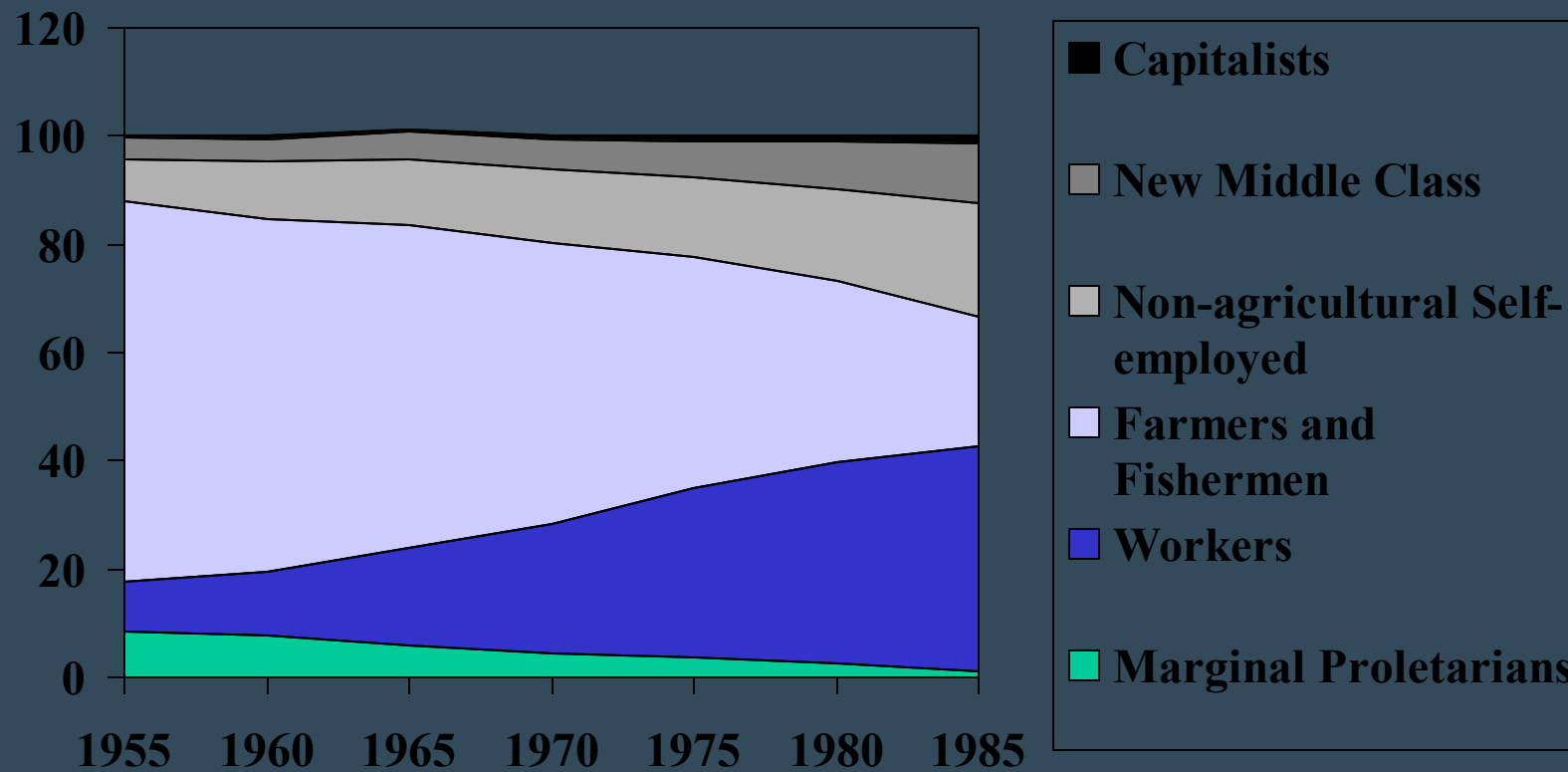
HCI and Education

- In industrialization through learning South Korea was relying on “the creation of competitiveness on the basis of an abundant and relatively well-educated labor supply.”
 - 1968 abolished middle school entrance exam, instituted national university qualifying test (대학입시예비고사), established correspondence education
- However, technical expertise was in short supply since South Korea had never had an industrial economy
- High School equalization policy (고교병준화) from 1972 in big cities (Seoul, Pusan)
 - To break the link between high status schools and teachers—teachers rotated, students admitted by lottery within their school district
- The 3rd 5-year Plan (1972-7) called for a comprehensive technological education system
 - 1973 divided high schools into academic (인문고교) and vocational (실업고교)—agricultural, technical, business to train students for industrial employment
 - By the 1990s almost 90% of students graduated from high school, and about half of these were from vocational high school

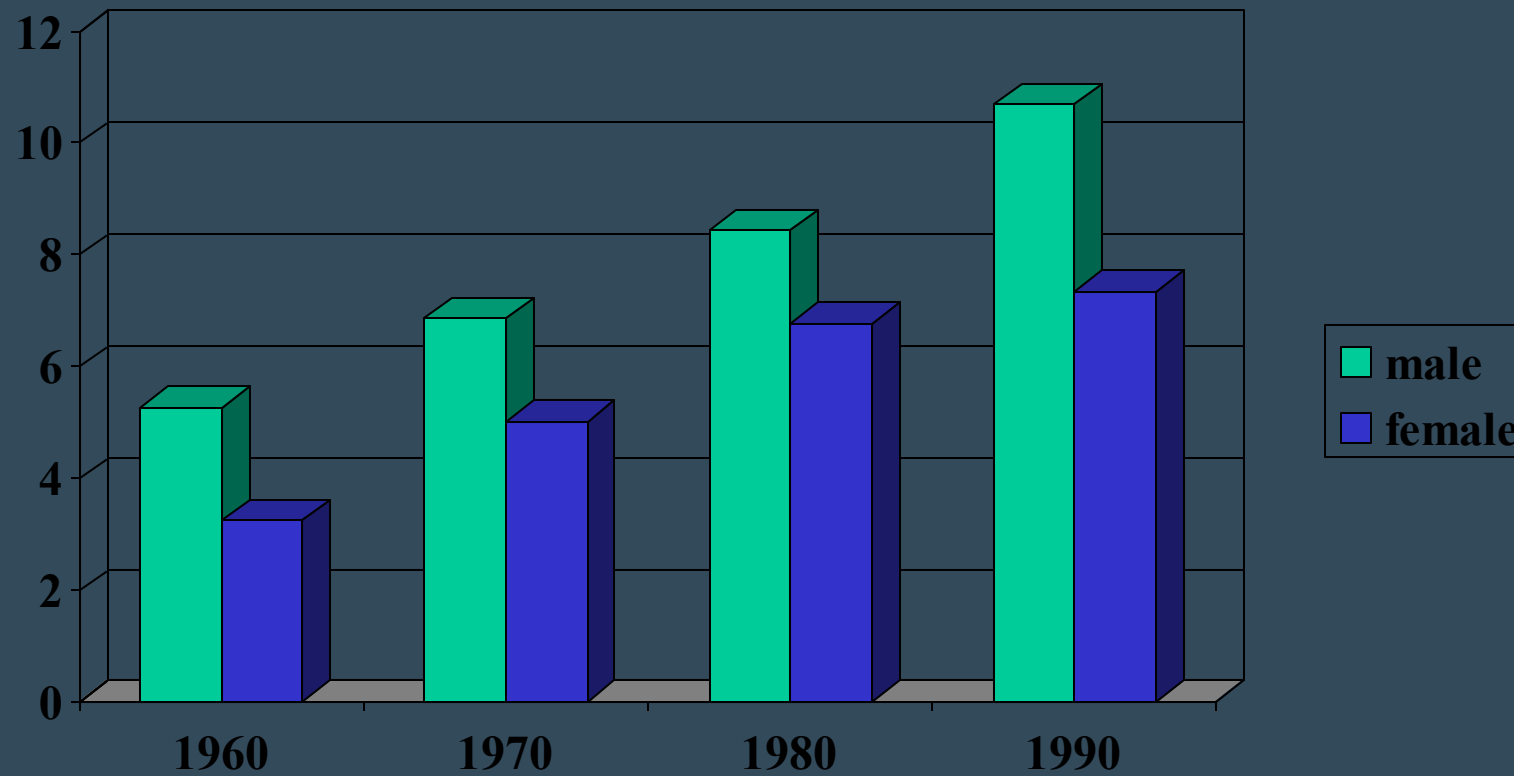
Old and New Middle Class

- Old Middle Class
 - Middling landowners, Shopkeepers, Journeymen Craft persons, Clergy, Lawyers
 - Based on ownership of property, or private education
- New Middle Class
 - Engineers, teachers, civil servants, middle management
 - Based on educational qualifications rather than property

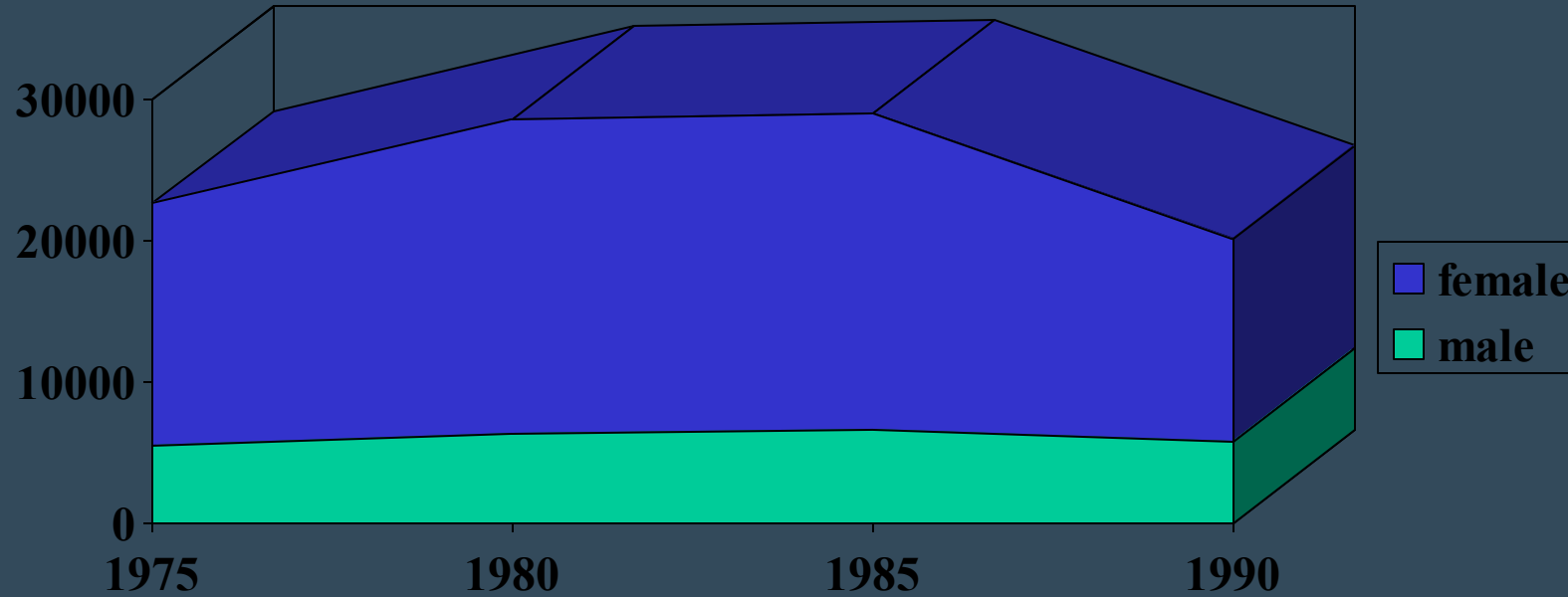
Sō Kwan-mo's Class Analysis



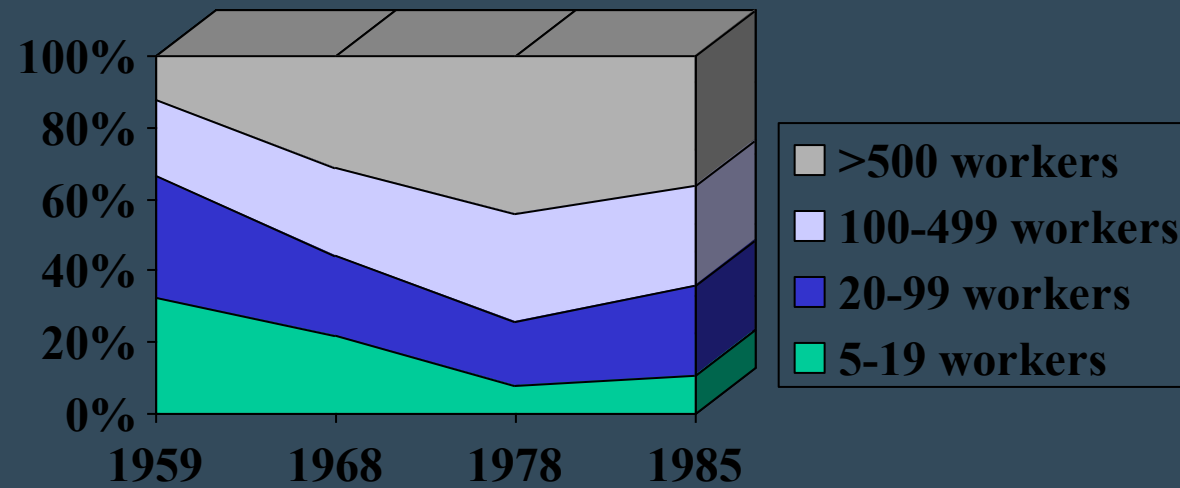
Distribution of Workers by Sex



Employment by Gender in the Masan FEZ



Distribution of Factory Workers by Size of Factory



Yusin Period 1972-1979

- Park Chung Hee promulgated the **Yusin** (renewal) constitution in October 1971, and implemented it 1972
 - Indirect election of the president
 - One third of the legislature appointed
 - Local administration centrally appointed down to county heads
- **Heavy and Chemical Industrialization (1972-1980)**
 - Iron and steel, chemicals, machine tools, shipbuilding, nonferrous metals, electronics
 - 1973 creation of vocational high school system to train “industrial warriors” (sanŏp chŏnsa)
- Financing through government-owned banks who borrowed money abroad and lent to those companies able to fulfill national plans
 - Chaebŏl (large conglomerates) were deliberately fostered so they could compete on a world scale
 - Chaebŏl had to export from day 1 because the Korean market was too small to support heavy industry by itself
- Labor repression to preserve South Korea’s low wages

Park Assassination and Kwangju Uprising

- President Park was assassinated on October 26, 1979
- At first a constitutional succession took place, but by December General Chun Doo Hwan had assumed control
- In 1980 widening student demonstrations for democracy spread, especially in March as new school term started
- May 17, 1980 National Martial Law declared
- Citizens of Kwangju somehow didn't get the message
 - Their demonstrations were brutally suppressed leading the citizens of Kwangju to join the students, and the police had to withdraw for four days (May 18-21, 1980)
 - Kwangju was then pacified by the Korean army with many deaths
- Many South Koreans became disillusioned with the US for not preventing the Kwangju massacre (i.e. US cares more about stability than democracy)

Fifth Republic

- General Chun Doo Hwan (1979-1987)
- Economic growth continued along with severe labor repression
- Following Kwangju a *labor-student alliance* formed for democratic reforms
 - Critique of US continued, as US was seen to support Chun
 - Labor felt democratic reforms would help it achieve its goals
 - Students felt labor's power was necessary to achieve democracy

Democratization

- Centerpiece of Fifth Republic was to be the 1988 Seoul Olympics
- Labor and students, knowing this, began demonstrating threatening South Korea with the loss of the Olympics if stability could not be maintained (think of Mexico City 1968)
- Roh Tae-woo, Chun's hand-picked successor, declared on June 29th 1987 that he would accede to democratic reforms
 - End to labor repression, direct election of the president, single seat parliamentary constituencies, proportional representation for appointed members of National Assembly