

This PDF is auto-generated for reference only. As such, it may contain some conversion errors and/or missing information. For all formal use please refer to the official version on the website, as linked below.

# Development and Geopolitics in East Asia

<https://www.e-ir.info/2012/03/08/development-and-geopolitics-in-east-asia/>

JAMES NEWMAN, MAR 8 2012

### **Does the South Korean developmental state provide a model that can be applied elsewhere?**

Since the mid-20<sup>th</sup> century, one of the most important events in the global political economy has been the rise of the industrialising countries of East Asia including South Korea. The social, political and economic transformation of South Korea in the last four decades has been remarkable as the country has undergone rapid industrialisation and economic expansion. In the 1960s, South Korea was one of the poorest twenty five countries in the world with a per capita income of less than half of Ghana and Honduras.[1] Former United States policymakers described the country as a “hopeless case”. [2] However, four decades later South Korea surprised US policymakers by becoming one of the richest countries of the world outside Western Europe and North America and is now a member of the OECD.[3] According to several major human development studies, South Korea's progress has been very impressive due to its improvements in income growth, infant mortality, life expectancy and education.[4] South Korea industrialised to such an extent along with the three other East Asian tigers (Singapore, Taiwan and Hong Kong) that it has become widely known as one of the miracle economies.[5] Naturally, there has been much debate among IR scholars over the exact reasons for this miracle with neoclassical economic, developmental statist and cultural explanations.

Throughout my dissertation, I will argue that the South Korean developmental state does not provide a model that can be applied elsewhere. I do not refute the idea that the developmental state approach can be used as an explanatory factor to understanding South Korea's miraculous growth, but I do however argue against the new wave of statist theorists (including Stiglitz, Weiss and Chang) who claim that it should be used as a model to be applied elsewhere. As I will demonstrate later on, statist explanations are insufficient in explaining the South Korean miracle as whilst they note the importance of the strong state, there is no systematic analysis of its origins. Why should South Korea be so different from so many other third world countries where the norm according to Joel Migdal was for ‘strong societies and weak states’?[6] Thus, throughout my piece of work I will try to explain the numerous reasons that led to the development of a strong interventionist state in South Korea and why it would be hard to replicate this model elsewhere in other developing nations.

With regard to time period, I will refer to the South Korean miracle as starting from the early 1960s and ending with the 1997-8 financial crisis. Firstly, I will set the scene by explaining the original developmental state literature by Johnson, Wade and Amsden, who argue that this is an important explanatory variable in South Korea economic development. I will then examine the more recent authors such as Stiglitz, Weiss and Ha Joon Chang who go further in arguing the development state provides a useful model that other states should follow. Secondly, while I accept the importance of the developmental state as an explanatory factor I will argue that these theories ignore other factors which explain how the developmental state came into existence in the first place. Therefore, I argue against the viewpoints of the latter theorists by explaining the unique – and therefore non-replicable – combination of socio-historical and political factors which led to the emergence of the South Korean developmental state. These factors are fourfold: the role of Japan (its colonial influence and later its overseas aid); post war US hegemony (US investment as part of a Cold War strategy to minimise communist influence in Southeast Asia); the role of War (Cold War, Vietnam and Korean wars which shaped the political and economic institutions that promoted economic growth) and internal dictatorship and political repression (as the South Korean state chose to pursue economic and political policies ahead of any individual freedoms). Thus, by the end of this dissertation I will have convinced the reader that the developmental state approach, which has contributed to economic growth in South Korea, cannot

# Development and Geopolitics in East Asia

Written by James Newman

provide a model that can be applied elsewhere given the unique socio-historical factors which gave rise to it, and the suppression of human rights it entailed.

## SECTION 1: LITERATURE REVIEW OF THE DEVELOPMENTAL STATE THEORIES

Unsurprisingly, South Korea's miracle after the Second World War has produced a considerable amount of literature within global political economy academia attempting to interpret the phenomenon. According to Robert Wade "Over the past two decades a literature big enough to fill a small airplane hanger has been produced on the causes of the East Asian economic success".[7] However, no agreement over the nature and causes of South Korea's remarkable development has been reached and explanations are contentious. In this section, I will define the concept of the developmental state invented by Chalmers Johnson and then examine the literature from the early 1990s which argues for the developmental state as an explanatory variable for explaining South Korea's economic growth. Finally, I will review the more up to date literature on the developmental state including Stiglitz, Weiss and Chang, who use the developmental state theory to argue that it can be used as a model for other developing countries as opposed to neoliberal and Washington Consensus policies. As implied in my introduction I will go on to criticise the applicability of the developmental state to other developing countries and the socio-historical factors which support my argument will be outlined in the later section 2.

While I argue that the South Korean developmental state does not provide a model for other developing countries, I do however acknowledge that the developmental state approach is still important as an explanatory factor in understanding the South Korean miracle and hence I will describe the theory. Without a basic definition of the developmental state any form of literature review cannot be achieved, therefore this will be addressed first. A developmental state can be defined as "a state whose politics has concentrated sufficient power, autonomy and capacity at the centre to shape, pursue and encourage the achievement of explicit developmental objectives, whether by establishing and promoting the conditions and direction of economic growth, or by organising it directly, or a varying combination of both." [8] Thus, unlike the neoclassical explanation of the South Korean miracle, which focuses on free market forces, the developmental state approach focuses on the dominant role of the state in driving economic policy. The theory argues that strong states do not decide simply on the overall economic strategy that is to be adopted but also intervene to plan and execute most aspects of economic policy such as the allocation of capital.[9] Essential to the state's role in developing the economy is an industrial policy which plans the overall goals of the economy and the means for attaining them. The state and its various agencies (such as the Economic Planning Board in South Korea) make sure that the industrial policies (which include a competitive advantage for chosen industries) are followed.[10] Thus, they argue a strong state is crucial in promoting high levels of economic growth, productivity and international competitiveness. The term 'developmental state' was first presented in detail by Chalmers Johnson in his book 'MITI and the Japanese miracle' in 1982.[11] He argued that the Japanese state intervened in the economy through a small group of elite bureaucrats with the aim of promoting economic development.[12]

Later many other developmental statisticians including Amsden and Wade further developed Johnson's theory using other East Asian countries including South Korea as their cases studies. In 1989, Alice Amsden argued that one of the causes of South Korea's economic success was that not only had "Korea not gotten relative prices right, it had deliberately gotten them wrong".[13] Amsden emphasised the extent to which it was the state rather than the market that directed capital into particular industrial sectors and selected groups of companies, whilst at the same time it imposed strict performance criteria to ensure that resources were used efficiently.[14] As a way of late industrialising economies catching up with their more industrialised competitors, Amsden highlighted the role of government in promoting technological adaptation.[15] In 1990, Robert Wade (when referring to Taiwan) emphasised the importance of capital accumulation and the high levels of investment in particular industries which resulted from government manipulation of the credit system.[16] This system would give a few key industries and companies a comparative advantage when they moved into the very competitive international marketplace.[17] Wade also argued that in the East Asian economies market failure was likely on a number of fronts and that the state therefore needed to step in and govern the market.[18] The statist approach acknowledges the role of the government and the state's

## Development and Geopolitics in East Asia

Written by James Newman

contribution to promoting sustained, rapid economic growth in South Korea. Thus as the authors illustrated above have all argued, the developmental state approach is very important in explaining South Korea's miraculous growth.

However, after the 1990s another set of developmental state theorists appeared who, whilst criticising the neoliberal agenda of the World Bank, went one step further and argued that the South Korean developmental state should be used as a model for other developing countries. Joseph Stiglitz often celebrates the Korean miracle as according to him its "success is the best argument for the good that globalisation can do for other developing countries." [19] Stiglitz argues in his book 'Making globalisation work' that the Korean government made sure that the benefits of growth did not just benefit a few but were widely shared. He claims that the government focused "not only on price stability but on real stability, ensuring that new jobs were created in pace with new entrants to the labour force". [20] Globalisation was measured and paced as the Korean government intervened carefully, but extensively, in the economy. According to the author, the Korean success can be compared to the United States and other countries in the industrialised world as it showed how much government has a large role to play. [21] In his article 'Some lessons from the East Asian Miracle', Stiglitz also highlights the active role of the government in creating market institutions such as long-term development banks and capital markets, and in establishing an institutional infrastructure that enabled markets to work more effectively. [22] Thus, for Stiglitz the South Korean miracle has many lessons for the third world "particularly the use of incentives and organizational design within the public sector to enhance efficiency and to reduce the likelihood of corruption." [23]

Similar to Stiglitz, Ha-Joon Chang claims that South Korea's spectacular growth can teach us a lot about the whole process of economic development and can provide a model for other developing countries. Instead of pursuing the Washington Consensus policies (including liberalised international trade, deregulation and privatisation) South Korea used interventionist trade and investment and industrial policies and institutions such as business groups, lifetime employment and a bank based financial system. [24] The country did not conform to the neoliberal ideals of a free standing enterprise which pursues shareholder values in a stock market based financial system. [25] In his book the 'East Asian Development Experience', Ha-Joon Chang explains the reasons for how and why state intervention worked in South Korea. [26] Chang describes the South Korean developmental state as involving the establishment of long term targets for growth and structural change, investments in productive facilities and infrastructure, the supply of an adequate labour force with industrial competence and discipline, and technological catching up and development. [27] As an alternative to neoliberalism, Ha-Joon Chang describes the Korean economic miracle as "a result of a clever and pragmatic mixture of market incentives and state direction." [28] Thus, Ha-Joon Chang believes that the South Korean miracle can provide a model for other developing nations due to the success of its developmental state.

In agreement with Stiglitz and Chang, Linda Weiss advocates the role of the South Korean state as often being the facilitator of the changes identified with globalisation, as it not only abolished many of the restrictions on outbound capital flows, but also moved directly "to facilitate the globalisation strategies of national firms". [29] She points to evidence where South Korea acted as a catalyst for the internationalisation strategies of corporate actors and "took the bull by the horns" in providing a wide array of incentives to finance overseas investment, promote technological alliances between national and foreign firms, and encourage regional relocation of production networks. [30] She illustrates how states with strong domestic policies can adapt to assist firms in adjusting more effectively to the external environment by creatively adapting its tools and internationalising state capabilities. For example, in South Korea there was a reorientation of the Export-Import Bank, which had been authorized to shift from export financing to the support of overseas investment. [31] Thus, Linda Weiss demonstrates how South Korea and other East Asian countries can be examples of how strong states (those with fairly firm control over socioeconomic goal settings and robust domestic linkages) can develop their economies.

To bring to a close, given South Korea's economic performance post 1960 and the nature of its rapid growth, the nation's miracle has attracted countless journal articles, books and official reports analysing the changes that have taken place. Neoclassical and cultural narratives have both been very popular within the field of international political economy. However, more recently the developmental state narratives have generated more attention beginning with Johnson's book on the MITI and the Japanese miracle. Other authors such as Wade and Amsden acknowledge the role of the government and the state's contribution to promoting sustained, rapid economic growth in South Korea.

# Development and Geopolitics in East Asia

Written by James Newman

More recent writers such as Stiglitz, Weiss and Chang go even further, to argue that not only is the developmental state theory an exemplary factor in understanding the South Korean miracle but that it can be used as an alternative model for the third world instead of developing countries pursuing neoliberal and Washington Consensus policies. However, the new wave of developmental state theorists do not stress the importance of socio-historical factors (such as the role of Japan, post War US hegemony, the role of War and the country's dictatorship) when portraying the South Korean developmental state as a replicable model.

## SECTION 2: SOCIO-HISTORICAL FACTORS LEADING TO SOUTH KOREA'S GROWTH

Whilst acknowledging the significance of the developmental state as an explanatory factor I will argue that these theories do not take into account other factors which explain how the developmental state came into existence in the first place. Thus, I will argue against Stiglitz, Chang and Weiss by looking at the unique – and therefore non-replicable – combination of socio-historical and political factors which led to the emergence of the South Korean developmental state. There are four important factors: the role of Japan (its colonial influence and later its capital with the Plaza Accord); post war US hegemony (US assistance with regards to trade and security during the Cold War); the role of War (Cold War, Vietnam and Korean wars which shaped the political and economic institutions that promoted economic growth) and internal dictatorship and political repression (as the South Korean state implemented economic and political policies ahead of any individual freedoms). Thus, by end of section 2, I will have convinced the reader that the developmental state approach, which has contributed to economic growth in South Korea, cannot provide a model that can be applied elsewhere given the distinctive socio-historical factors which gave rise to it, and the suppression of human rights it entailed.

### *A: ROLE OF JAPAN*

It would be impossible to study the post-1961 South Korean economic development without examining Japanese imperialism. First, I will look at the importance of Japanese colonialism on South Korea's rapid economic development after the 1960s and then describe how this distinctive historical trajectory led to the developmental state of South Korea. Afterwards, I will examine how Japan was a driver for South Korea's economic growth as it provided vast amounts of capital and aid with the signing of the Plaza Accord in 1985. Thus, South Korea's developmental state was strongly shaped by key social and historical events experienced under Japanese imperialism. This opposes the view of new wave developmental statist who contend that it is a viable model to be reproduced in the third world.

While the productive capacity created by the Japanese industrialisation effort was largely destroyed in the Korean War it nevertheless left a deep imprint on the South Korean political economy. For instance, the very first actions of the US following the surrender of Japanese forces in the southern part of Korea in 1945 was to begin to resurrect the method of Japanese rule in order to restore the rule of law.[32] A strong centralised and bureaucratic state, increased agricultural productivity, the development of an industrial sector which included heavy industry as well as the processing of agricultural products and a clearly defined class structure were said to be the result of Japan's colonial policies during the period from around 1900 to 1945.[33] Thus, Japanese colonialism had a massive role in the economic development of South Korea as "the grooves that Japanese colonialism craved on the Korean soil cut deep" and from the early 1960s onwards South Korea "can be argued to have fallen back into the grooves of an earlier origin and traversed along them well into the 1980s".[34]

Japanese imperialism also had a major part in forming what is now known as the developmental state in South Korea. Unlike Western imperialism, Japan always sought to exercise a more intensive form of control over its colonies and integrated its colonies into its own economic structures.[35] Due to Korea's geographical and cultural proximity, it was possible for Japan to fully integrate the country into its own structures. The Japanese state pursued highly interventionist financial and industrial policies in order to ensure that capital flowed to strategically important industries and firms.[36] Japan's state capitalist colonial project was strongest in Korea as it was the most important and closest of Japan's colonies. Korea was integrated into the Japanese economic blocs as an important site of

# Development and Geopolitics in East Asia

Written by James Newman

industrial production.[37] In order to facilitate economic exploitation and political control the Japanese constructed a highly repressive, efficient, modern state in Korea.[38] The colonial state in Korea exerted an exceptionally widespread and highly concentrated form of control over all aspects of social and economic life.[39] The parallels between the colonial state and the developmental state are striking as both states ruthlessly exploited labour and directly intervened in the economy. Therefore as Cumings argues, what caused history to repeat itself in this manner was not a coincidence; it was due to the structural legacies of Japanese colonialism.[40]

With regards to South Korean economic growth from the 1960s to the 1990s, according to Bruce Cumings, Japan should be viewed as both the engine of growth and as the model for the nation's successful development.[41] From the late 1960s onwards Japan started to pour substantial amounts of aid into South Korea and during the 1970s Japanese foreign direct investment also began to flow into the country.[42] Japanese capital became the major factor in driving South Korea's miracle economy forward. In addition, South Korea saw itself as moving down a similar path to development that had been followed by Japan and, therefore, sought to adapt some of the policies that had enabled Japan to achieve rapid and sustained economic growth. After the Vietnam War, Japan came to play an ever greater economic role in the development of South Korea as Japanese foreign direct investment rose steadily into the 1980s.[43] After the increase of the price of oil in 1979-80, South Korea became Asia's largest borrower as Japan gave \$10 billion in aid and loans.[44] Thus, Japan's investment and aid to South Korea had an increasingly significant impact on the region's economic development.

However, Japan's role as a catalyst for economic development took a quantum leap in 1985 as a result of the US government's search for a long term solution to the increasingly troublesome problem of America's rapidly growing trade imbalance with Japan.[45] The signing of the Plaza Accord in 1985 which doubled the yen against the US dollar was a crucial turning point. From then on Japan poured vast amounts of capital into South Korea in an effort to find low cost export policies for its manufacturing sectors.[46] Japan's total FDI (Foreign Direct Investment) rose from \$20.5 to \$157 billion and consequently trade between Japan and South Korea rose sharply.[47] The Japanese provided the capital and technology and the Americans supplied the market as South Korea imports increased. As the South Korean economy industrialised it acquired much of its technology and capital equipment from Japan as trade and investment ties were reinforced by the relationships that had been established during the colonial times.[48] Thus, with the Plaza Accord of 1985 there was an influx of capital which strengthened the economic and political institutions and consequently increased prosperity in the region.

Therefore, one cannot underestimate the importance of Japanese colonialism on the rapid economic development experience by South Korea from the 1960s onwards. It is also important to note the unique nature of South Korea's developmental state model which was based on structures developed during the period of Japanese colonialism. Its state institutions were later strengthened by Japanese capital and aid starting in the early 1970s and continuing into the early 1990s after the Plaza Accord. Thus, the fact that South Korea's developmental state was strongly moulded by major specific historical events under Japanese colonialism challenges the feasibility of its replication. Thus, Sitglitz, Weiss and Chang do not sufficiently take into account the role of socio-historical factors in Korea under Japanese rule when explaining the country's miraculous growth from the 1960s to the 1990s.

## *B: POST WAR US HEGEMONY*

Alongside Japanese colonialism, US imperialism played a major role in causing South Korea's miracle. According to World System theorists such as Wallerstein, American hegemony can be seen in terms of its dominant military power and its role as the major centre of capital accumulation in the world.[49] The US-hegemony explanation for South Korea's miracle has a number of strengths as due to geopolitical reasons South Korea benefited from US policies in a way that most other areas of the world did not. Firstly, it stresses the importance of taking an historical approach to the development of the successful South Korean economy as the US has intervened in South Korea on numerous occasions. As a result of the geography of the Cold War, South Korea was a significant beneficiary of American assistance as the US sought to retain its dominant position. Finally, the factors illustrated above both help to underline America's commitment to maintaining the security of the region. Thus, because the South Korean developmental state was strongly influenced by post war US hegemony, it would be extremely difficult to duplicate the country's miracle.

## Development and Geopolitics in East Asia

Written by James Newman

It is important to highlight America's role in injecting capital and providing the demand for East Asian exports into the region during the 1950s and 1960s through various types of aid, foreign direct investment (FDI) and increased trade.[50] Under US occupation, Japan's monetary and trade policies were rearranged to support a revival of trade as there was a goal "to commence the rollback of Soviet control and influence in the area".[51] However, according to US advisors one important problem emerged: how could Japan survive without a hinterland? Southeast Asia was the preferred candidate for Japan's hinterland as it would provide markets for Japan's textile and light industrial exports, in exchange for raw materials which Japan badly needed.[52] Particularly important to Japan's pre war political economy was the triangular structure of the arrangement between the United States, Japan, and Southeast Asia (including South Korea).[53] This triangular trade meant that each country could have "certain advantages in production costs of various commodities" (commonly known in neoclassical economics as the comparative advantage in the product cycle). [54] The establishment of US hegemony from the late 1950s onwards was seen as providing the framework for the development of transnational production as the US government encouraged American manufacturers to relocate to the region. South Korea was an extremely important factor in the America's plans as it provided markets for Japanese industrial exports, which consequently aided the country in achieving its economic miracle.[55]

The historical involvement of the US and its injection of capital into the region helped to underline America's commitment to maintaining the security of the region. This interest in security helped to sustain a reasonable level of stability for those societies outside the theatres of war and ensured that friendly governments were kept in power no matter how authoritarian they were.[56] Japan was seen by the US as of strategic importance between East and West as according to Dean Acheson if "Japan were to be added to the Communist bloc, the Soviets would acquire skilled manpower and industrial potential capable of significantly altering the balance of world power".[57] Thus, during the Cold War, Japan was the base for US power in Asia with the country representing everything anticommunist opposed to other communist nations in the region such as China.[58]

Thus, similar to Japanese colonialism, US hegemony has had long lasting effects in South Korea and has been instrumental in producing the miracle. Thus, looking at the history of the Cold War, South Korea benefited from American aid as the US sought to retain its dominant global position. The establishment of US hegemony provided a triangular trade with Americans encouraging manufacturers to relocate to the region. In addition, South Korea was part of the America's foreign policy of maintaining the security of the region whilst keeping out other communist nations. Thus, due to the fact that South Korea's developmental state was strongly shaped by major geopolitical events under post war US hegemony casts doubt on the achievability of its duplication. Thus, Sitglitz, Weiss and Chang do not adequately allow for the impact of socio-historical factors in South Korea under US imperialism when explaining the nations' miraculous growth.

### *C: THE ROLE OF WAR*

Along with the Japanese imperialism and post war US hegemony, the role of the Cold War and the conflicts in Vietnam and Korea were important in shaping the unique political and economic institutions that promoted the rapid growth of South Korea's economy. New wave developmental statist ignore the role that War played in the South Korean developmental state when arguing it can be used as a model to be replicated by other developing nations. Author, Richard Stubbs argues that the key to the analysis of South Korea's economic success is war and the geopolitics of the region.[59] The fighting of war, the preparation for war, and America's use of South Korea as part of its battle against communism had a profound effect on its economic growth.[60] Firstly, the Korean War facilitated South Korea in more ways than one in particular with the centralisation of political power as the conflict created a need for a strong military and bureaucracy. Secondly, the Cold War meant that for the Americans, South Korea was still an important ally and a bulwark against its communist neighbours North Korea and China. Thirdly, the war in Vietnam strengthened the existing political and economic institutions and secured South Korea's dictator, Park Chung Hee's hold on to power.

It may appear perverse to argue that the Korean War saved South Korea but it did have a major impact on eventually producing its miracle economy. Firstly, it created the conditions in which key resources were channelled into the society as a large amount of capital (mostly in form of American dollars) were made available to the economy which

## Development and Geopolitics in East Asia

Written by James Newman

was on the brink of collapse.[61] South Korea benefited from high levels of US military and economic assistance. Designing to stop the spread of communism, the US army based in South Korea taught important technical, administrative and organisational knowledge and skills to both the public and private sectors.[62] The US also pressured the South Korean government to push through various land reforms, (which resulted in a more equitable income distribution), increase its food supply (which alleviated inflation) and redirect its capital (from land speculation towards investment in manufacturing).[63] Secondly, the Korean War helped to centralise political power in South Korea as it created an environment in which there was a need for a strong central political institution such as a strong military and a revitalised bureaucracy.[64] The Korean War “came to Rhee’s rescue” as Syngman Rhee (South Korea’s president at the time[65]) presented himself as an anti communist leader who needed to be wholeheartedly supported in the fight against the expansion of Asian communism.[66] The US administration did not want a change of leaders as deploying such a large number of troops and resources essentially meant a long term commitment to South Korea. Thus, through different means the Korean War helped South Korea’s economic development.

Although the Korean War came to an end in 1953, the Cold War was still ongoing for the Americans as they needed to maintain their full commitment to the stability and security of one of their major allies in the battle against Asian communism.[67] Thus, during the Cold War, the South Korean army was greatly strengthened by the US as it increased in size from 75,000 in 1950 to over 600,000 by the end of the War.[68] South Korea’s military had some of the most up to date military equipment and subsequently was one of the largest armies in the world at that time.[69] In addition, the war forced the US to introduce a long term aid package for South Korea as after the war ended the US pledged a \$200 million in economic aid.[70] The amount of aid for South Korea was only just under half the aid given to the whole of Latin America over the same period.[71] During the years from 1953 to 1972, South Korea, under US guidance, adopted an import substitution approach to economic management with the majority of US aid projects going towards transportation and manufacturing.[72] However, in 1963, due to problems with inflation, an export oriented approach was given priority by US pressure and consequently resulted in a lot of success as its economy grew dramatically.[73] Hence due to Cold War politics, South Korea was at the centre of US military aid and US led economic guidance, both having positive outcomes on the country’s further development.

Although Vietnam itself suffered from the destructive aspects of war, the South Korean economy benefited from the war’s developmental effects as the economic boom solidified existing political and economic institutions. One of the major reasons for South Korea’s remarkable record of economic growth during the last half of the 1960s and the early 1970s was due to US spending on the Vietnam War.[74] During the war, the US added more than \$2 billion in military aid to South Korea between 1965 and 1970.[75] Capital also flowed into South Korea as a result of other US policies. The South Korean government’s decision to send troops to Vietnam strengthened confidence among US and European firms that the US would be willing to defend the South against an invasion from the North.[76] Consequently, between 1965 and 1967 South Korea received commercial loans from the US, West Germany, Italy and Great Britain. South Korean exports to Vietnam and to the USA helped support Park Chung Hee’s (leader of South Korea between the years of 1961 to 1979)[77] export manufacturing strategy which was initiated in 1963.[78] For example, in 1966-7, Vietnam took significant quantities of South Korea’s steel products, transport equipment and chemical products.[79] At the same time, South Korea’s exports to the US war fuelled economy increased tenfold from 1966 to 1973.[80] The Vietnam War consolidated the hold on power of the Park Chung Hee’s regime in South Korea. In 1963, after two and half years of military rule Park received only 36% of the total votes to his major opponents 25%.[81] However, after the Vietnam War Park’s fortunes began to change with a huge increase in government funds. A portion of the funds coming into South Korea found its way into Park Chung Hee’s party and underwrote its political activities.[82] This further strengthened the political and economic institutions of South Korea for years to come.

Hence, major wars such as the Second World War, the Korean War, the Vietnam War and the Cold War had a comprehensive outcome on South Korea’s economic development. These wars created the circumstances which drove the US to invest substantial resources in the country as the role of war had a huge impact on the development of the political organisations and institutions as well as the economic policies of the region. Together with Japanese imperialism and post war US hegemony, the role of successive wars has been ignored by new wave developmental statist as factors contributing to the South Korean developmental state and challenges the theory that it can be used as a replicable model for other developing nations.

# Development and Geopolitics in East Asia

Written by James Newman

## *D: DICTATORSHIP AND POLITICAL REPRESSION*

In conjunction with the numerous wars within the region and US and Japanese colonialism, South Korea endured political repression from the early 1960s to 1990s. From the early 1960s through to the late 1980s and early 1990s the South Korean people suffered a dictatorship under several leaders (Park Chung Hee, Choi Kyu-hah and Chun Doo-hwan).[83] This had huge implications on the state and its ability to control its economic and political institutions and consequently influenced what was later to become the developmental state. This again needs to be taken into account when suggesting that the model can be applied to other developing nations today. First, I will explain how Park Chung Hee began to establish his control over the South Korean population through repression and the economy vis-à-vis the Economic Planning board which continued to function in the country for decades. Secondly, I will illustrate how the state transformed the rural population into an urban labour force which tied in with the country's export led industrialisation and subsequently led to the miracle of South Korea. Thirdly, I will describe how the state then controlled the South Korean work force by eliminating trade union laws and any unemployment benefits. Thus, South Korea's developmental state was made possible by a dictatorship with no consideration for social welfare or political freedoms of its people. This poses a serious challenge to the view that the South Korean developmental state model should be applied to other nations especially if it were to entail the violation of fundamental Human Rights.

In 1961, Park Chung Hee came into power and quickly established his control over the country's political life. He declared martial law and dissolved the National Assembly and all political parties.[84] Demonstrations were made illegal and the press was censored. New anti communist laws, which gave the state greater power to arrest and convict opponents were also passed.[85] The Park regime had all the ingredients of a dictatorship as within one month of the coup the Korean Central Intelligence Agency (KCIA) was established. Its goal was "to supervise and coordinate both international...and government intelligence agencies including that of the military" (which grew from 3,000 in 1961 to 370,000 by 1964).[86] With regards to the economy, Park established his control with the creation of the new planning agency called the Economic Planning Board as Park demonstrated a strong commitment to transforming South Korea into an advanced capitalist economy.[87] In order to achieve this objective the state would do all in its power to support and discipline private capital. Business was expected to follow the state's orders when investing in different sectors of the economy as the state offered the bourgeoisie everything they could have possibly desired except freedom from intrusive controls.[88] This system continued to be present throughout the dictatorial regimes after Park's as they all directed the South Korean economy and population through labour and political repression.

Underpinning the entire system of state led industrialisation was the repression of labour and small farmers. The growth rate Korea achieved throughout the Park regime would not have been possible without the active use of state policy to create a large, cheap, disciplined proletariat.[89] Under pressure from the US and suffering from domestic economic instability, South Korea switched from an import substitution to an export led growth strategy which generated various social tensions but also high levels of economic growth.[90] The state sought to transform the countryside by controlling agricultural price levels. The main purpose of this policy was to expand the size of the proletariat by making the lives of small farmers so unpleasant that they were eager to leave their land and work dangerously long hours for subsistence wages in the cities.[91] This led to the proportion of the Korean population involved in farming fall from 72% to 28% between 1960 and 1980. [92] The successful transformation of South Korea's rural population into an urban labour force was key to the country's rapid export led industrialisation. Taken together, the state's highly focused and integrated industrial, agricultural, financial and labour policies were a powerful force for growth. Thus, when South Korea switched from import substitution to export led growth it resulted in a rapid increase in manufacturing production and exports (from 13.1% in 1962 to 36.9% in 1972) as the South Korean miracle had begun.[93]

In addition, the state was active in controlling and shaping the working classes' political and material development. The state made it illegal for workers to strike or form independent trade unions; workers who broke these laws risked not only prison but also severe beatings and torture.[94] Under the Park regime, the South Korean workers endured both the highest rates of industrial accidents and the longest working hours in the world.[95] In addition, the state offered workers no unemployment benefits or protection against ill health or old age.[96] South Korea's economic



# Development and Geopolitics in East Asia

Written by James Newman

growth still enabled the country to achieve a steady decline in unemployment rates. However, unfortunately, only a minority of those employed could be classified as permanently employed.[97] For many of those forced to work as self-employed or unpaid family workers, earnings were insufficient to enable them and their families to escape a life of poverty. Women made up the majority of those who travelled from the country to the cities with 60% aged from 10 to 29.[98] It was these women who became the backbone of South Korea's light manufacturing labour force, making possible the country's early export growth. Working conditions for these women were brutal as they had to work for an average of 15 hours a day and were sometimes forced to work throughout the nights.[99] In 1969, in exchange for such long hours, the average worker was paid a monthly wage of only \$50 to \$70 as most workers had no savings and survived emergencies only by borrowing from friends and relatives.[100] Thus, the state chose to pursue economic and political policies ahead of any individual freedoms by keeping its labour class weak and powerless.

In combination with US hegemony and several wars, a dictatorship under several leaders (Park Chung Hee, Choi Kyu-hah and Chun Doo-hwan) took place in South Korea until Roh Tae-woo came into power in 1988 when the country gradually stabilised into a democracy.[101] For three decades, the South Korean people suffered under dictatorship rule which had massive consequences on the state and its capacity to dominate its economic and political institutions. This shaped what was later to become the developmental state as Park began establishing his control over the economy through the means of the Economic Planning Board. With the state transformation of the rural population into an urban labour force the country changed its import substitution policy to export led industrialisation. This resulted in high levels of growth which kick-started the South Korean miracle. However, the state controlled its labour proletariat by getting rid of all trade union laws or any unemployment benefits. Thus, the South Korea's developmental state was achieved through the means of a dictatorship backed by the United States in a Cold War context. On moral grounds, the fact that South Korea endured decades of dictatorship and political repression challenges the view that the developmental state can provide a desirable model for other developing nations as Stiglitz, Weiss and Chang all argue for.

## CONCLUSION

Overall, I have argued that whilst the developmental state approach contributed to economic growth in South Korea it cannot provide a model that can be applied elsewhere due to its unique socio-historical factors which gave rise to it, and the suppression of human rights it entailed. Firstly, I explained the original developmental state literature by Johnson, Wade and Amsden, who argue that this is an important explanatory variable in South Korea economic development. I then examined the more recent authors such as Stiglitz, Weiss and Ha Joon Chang who go further in arguing that the development state provides a useful model that other states should follow. Secondly, while I accepted the importance of the developmental state as an explanatory factor I argued that these theories ignored other factors which explain how the developmental state came into existence in the first place. Therefore, I argued against the viewpoints of the latter theorists by explaining the unique – and therefore non-replicable – combination of socio-historical and political factors which led to the emergence of the South Korean developmental state. These factors were fourfold: the role of Japan (its colonial influence and later Japanese capital with the Plaza Accord in 1985); post war US hegemony (due to the geography of the Cold War, South Korea benefited from US assistance with regards to the triangular trade which boosted the economy and the stability of the region); the role of War (Cold War, Vietnam and Korean wars which shaped the political and economic institutions that promoted economic growth) and internal dictatorship and political repression (as the South Korean state chose to pursue economic and political policies ahead of any individual freedoms). To conclude, throughout my dissertation, I have argued against the new wave of statist theorists (including Stiglitz, Weiss and Chang) who claim that the South Korean developmental state should provide a model that can be applied elsewhere.

[1] Kindleberger (1965) p12-13

[2] Pirie (2008) p1

[3] Pirie (2008) p1

# **Development and Geopolitics in East Asia**

Written by James Newman

- [4] Chang (2006) p1-2
- [5] Chang (2006) p1-2
- [6] Migdal (1988)
- [7] Wade (1992) p270
- [8] Leftwich (1995) p401
- [9] Richter (2000) p141-3
- [10] Richter (2000) p141-3
- [11] Johnson (1982)
- [12] Johnson (1982)
- [13] Amsden (1989) p139
- [14] Amsden (1989)
- [15] Amsden (1989)
- [16] Wade (1992)
- [17] Wade (1992)
- [18] Wade (1992)
- [19] Stiglitz (2006) p57
- [20] Stiglitz (2006) p31
- [21] Stiglitz (2006) p48-9
- [22] Stiglitz (1996)
- [23] Stiglitz (1996) p174
- [24] Chang (2004)
- [25] Chang (2004)
- [26] Chang (2006)
- [27] Chang and Shin (2003)
- [28] Chang (2007) p15
- [29] Weiss (1997) p23
- [30] Weiss (1997) p20-1

# **Development and Geopolitics in East Asia**

Written by James Newman

[31] Weiss (1997) p20-4

[32] Stubbs (2005) p12-13

[33] Cumings (1984)

[34] Kohli (1994) p1269

[35] Kohli (1994) p1269

[36] Hart Landsberg (1993)

[37] Hart Landsberg (1993)

[38] Cumings (1984)

[39] Cumings (1984)

[40] Cumings (1984)

[41] Cumings (1984)

[42] Hart Landsberg (1993)

[43] Hart Landsberg (1993)

[44] Stubbs (2005)

[45] Stubbs (2005)

[46] Stubbs (2005)

[47] Stubbs (2005)

[48] Stubbs (2005)

[49] Wallerstein (1995)

[50] Bernard (1996)

[51] Cumings (1984) p19

[52] Cumings (1984) p19

[53] Cumings (1984) p19

[54] Cumings (1984) p19

[55] Gills (2000)

[56] Bernard (1996)

[57] Cumings (1984) p18-19

# **Development and Geopolitics in East Asia**

Written by James Newman

- [58] Gills (2000)
- [59] Stubbs (2005) p12-13
- [60] Stubbs (2005) p12-13
- [61] Haggard (1990)
- [62] Haggard (1990)
- [63] Haggard (1990)
- [64] Stubbs (2005)
- [65] Burkett and Hart Landsberg (2000)
- [66] Haggard (1990) p56
- [67] Haggard (1990)
- [68] Burkett and Hart Landsberg (2000)
- [69] Burkett and Hart Landsberg (2000)
- [70] Stubbs (2005)
- [71] Pirie (2008)
- [72] Stubbs (2005)
- [73] Burkett and Hart Landsberg (2000)
- [74] Stubbs (2005)
- [75] Pirie (2008)
- [76] Burkett and Hart Landsberg (2000)
- [77] Burkett and Hart Landsberg (2000)
- [78] Pirie (2008) pp66-9
- [79] Stubbs (2005)
- [80] Stubbs (2005)
- [81] Pirie (2008) pp66-9
- [82] Stubbs (2005)
- [83] Galenson (1992) p14-17
- [84] Hart Landsberg (1993)

# Development and Geopolitics in East Asia

Written by James Newman

[85] Hart Landsberg (1993)

[86] Pirie (2008) p75

[87] Galenson (1992)

[88] Hart Landsberg (1993)

[89] Haggard (1990)

[90] Haggard (1990)

[91] Hart Landsberg (1993)

[92] Pirie (2008)

[93] Hart Landsberg (1993)

[94] Hart Landsberg (1993)

[95] Hart Landsberg (1993)

[96] Haggard (1990)

[97] Pirie (2008)

[98] Hart Landsberg (1993)

[99] Pirie (2008)

[100] Hart Landsberg (1993)

[101] Hart Landsberg (1993)

## Bibliography

Amsden, A. *Asia's Next Giant: South Korea and Late Industrialisation*. (Oxford University Press, 1989)

Bernard, M. *States, Social Forces, and Regions in Historical Time: Toward a Critical Political Economy of Eastern Asia*. (Third World Quarterly, Vol. 17, No. 4, The Developmental State?: Democracy, Reform and Economic Prosperity in the Third World in the Nineties pp. 649-665, 1996)

Burkett, P and Hart-Landsberg, M. *Development, Crisis and Class Struggle: Learning from Japan and East Asia*. (St Martin's Press, 2000)

Chang, H-J. *The East Asian Development Experience: The Miracle, the Crisis and the Future*. (Zed Books Ltd, 2006)

Chang, H-J. *Globalisation, Economic Development and the Role of the State*. (Zed Books Ltd, 2004)

Chang, H-J and Shin, J-S. *Restructuring Korea Inc.* (Routledge Studies in the Growth Economies of Asia, 2003)

## Development and Geopolitics in East Asia

Written by James Newman

- Chang, H-J. *Bad Samaritans: Rich Nations, Poor Policies and the Threat to the Developing World*. (Random House Books, 5 July 2007)
- Cumings, B. *The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences*. (International Organization, Vol. 38 Issue 1 Winter, pp. 1-40, 1984)
- Galenson, W. *Labour and Economic Growth in Five Asian Countries*. (Praeger Publishers, New York, 1992)
- Gills, B.K. *The crisis of postwar East Asian capitalism: American power, democracy and the vicissitudes of globalization*. (Review of International studies 26 (3), July p381-403, 2000)
- Greenspan, A. *The current Asian crisis and the dynamics of international finance. Testimony of Chairman Alan Greenspan before the Committee on Banking and Financial Services*. (US House of Representatives, Federal Reserve Bulletin 84 No 3, 30 January 1998)
- Haggard, S. *Pathways to the Periphery: The politics of growth in the newly industrializing countries*. (Cornell University Press, 1990)
- Hart Landsberg, M. *The rush to development: Economic change and political struggle in South Korea*. (Monthly Review Press, 1993)
- Johnson, C. *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. (Stanford: Stanford University Press, 1982)
- Kindleberger, C. *Economic Development*. (New York: McGraw-Hill, 1965)
- Kohli, A. *Where do high growth political economies come from? The Japanese lineage of Korea's developmental state*. (World Development 22 (9) p1269-93, 1994)
- Krugman, P. *The myth of Asia's miracle*. (Foreign Affairs 73 (6), November/December 62-78, 1994)
- Leftwich, A. *Bringing politics back in: Towards a model of the developmental state*. (Journal of Development Studies 31:3:pp400-427, 1995)
- Migdal, J.S. *Strong societies and weak states: state society relations and state capabilities in the third world*. (Princeton, NJ: Princeton University Press, 1988)
- Pirie, I. *The Korean Developmental State: From dirigisme to neoliberalism*. (Routledge Studies in the Growth Economies of Asia, 2008)
- Pye, L. *Asian Power and Politics: The cultural dimensions of authority*. (Cambridge, MA: Harvard University, 1985)
- Richter, F.J. *The East Asian development model: Economic growth, institutional failure and the aftermath of the crisis*. (Macmillan press ltd, 2000)
- Stiglitz, J. *Making Globalisation work*. (W. W. Norton & Company; First Edition, September 17 2006)
- Stiglitz, J. "Some lessons from the East Asian Miracle". (The World Bank Research Observer, vol. 11, no.2 pp.157-77, Aug 1996)
- Stubbs, R. *Rethinking Asia's Economic Miracle: The political economy of war, prosperity and the crisis*. (Basingstoke Palgrave Macmillan, 2005)

## Development and Geopolitics in East Asia

Written by James Newman

Wade, R. *East Asia's economic success: Conflicting Perspectives, Partial Insights, Shaky Evidence*. (World Politics Volume 44, No 2 January pp270-320 1992)

Wallerstein, I. *After Liberalism*. (New York: The New Press, 1995)

Weii-Ming, T. *Confucian traditions in East Asian modernity: moral education and economic culture in Japan and the four mini dragons*. (Cambridge, MA: Harvard University, 1996)

Weiss, L. *Globalisation and the Myth of the Powerless State*. (New Left Review Issue 225 p3-27, September-October 1997)

The World Bank. *The East Asian miracle: economic growth and public policy*. (Oxford: Oxford University Press for the World Bank, 1993).

—

*Written by: James Newman Written at: University of Sussex Date Written: February 2012*