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CONFRONTATION IN KOREA

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The economic consequences of a military confrontation, particularly a more or less domestic military confrontation, for the economy of a typical Third World country are well known. Nigeria in the period of its confrontation with the Ibos, Vietnam in the 1960s, the Philippines facing the Muslim rebellion in the South, Malaysia during the Emergency and during its 1969 racial riots, and many other examples come to mind. Foreign capital flees the country. Domestic capital does likewise to the maximum extent possible--as one sees in Zimbabwe today. National priorities become focused on military issues to the exclusion of economics. Heavy military spending causes massive inflation. The road to power, prestige and prosperity becomes a military or a political route rather than a business route, so that the best people are channeled out of the productive sectors. Security problems become an incentive or an excuse for extension of military command authority into the economy, into the universities, and more generally, throughout the society, to the ultimate disadvantage of both the economy and the military. Security fears and ideology come to dominate economic calculation in decisions made throughout the society. The economic consequences typically are inflation, stagnation and rigidity. Frequently these are accompanied by corruption, since government control of so much of society so often implies, particularly in the context of a stagnant Third World economy, thousands upon thousands of poorly paid bureaucrats looking for a way to beat inflation.

While this description hardly fits all such Third World military confrontation situations perfectly, it certainly represents an archetypical

1967 for Hong Kong constitute symbols of the international confrontation which both Hong Kong and Taiwan have experienced. Finally, Singapore, a tiny city-state which has experienced PRC ambitions much less directly than Hong Kong and Taiwan, but which has over its entire history faced various forms of confrontation and dissension with its comparatively huge neighbors, Malaysia and Indonesia, has also had its history, its polity and its economy shaped by fears of confrontation, conquest or subversion.

All of these states, including South Korea, have avoided the stagnating and disintegrative fate of most other Third World nations in the face of confrontation. More important, several have, in the face of confrontation, achieved extraordinary economic success not only in direct economic growth but also in income distribution and in maintaining national control over their economic affairs. Few Third World countries have solved any one of these three problems. Each of South Korea's non-communist neighbors has grown an average of around 10 percent per year during its post-World War II period of industrialization. South Korea, Taiwan and Japan are three of the non-communist world's six most egalitarian economies. (The others are Canada, Australia and Libya.)* South Korean economy is notable for the extent to which its major industries are owned by Koreans, for the rate at which technological knowledge and organizational know-how have been transferred from the advanced economies, and for the extent to which foreign investors are small and medium-sized businesses with small market shares, rather than gigantic corporations with monopolistic positions.

* Shail Jain, Size Distribution of Income: A Compilation of Data (Washington, D.C.: The World Bank, 1975).

The challenge Taiwan faced appeared to many observers to be self-evidently overwhelming. South Korea's position facing North Korea, China and the Soviet Union appeared almost equally overwhelming. But in each case something weakened the challenge, something strengthened the response, and indigenous resources proved impressive. During this period China was extraordinarily weak, and the Soviet Union feared a nuclear confrontation with the United States. China and the Soviet Union were for most of the past generation at each other's throats and therefore unable to coordinate policies to a strong degree. North Korea, although extremely formidable by comparison with South Korea in the 1950s and early 1960s, faced internal problems which prevented an overwhelming challenge to South Korea. Perhaps most important, during this period the United States was a committed ally of South Korea. As the recent history of Uganda has shown, it is not enough to have a weak opponent (in this case Tanzania). As the recent history of Vietnam shows, it is not enough to have the U.S. on one's own side. But the combination of weak and divided opposition, together with support from the United States, provides at least the preconditions for organizing a response.

In addition to these external resources, South Korea possessed substantial indigenous resources. The indigenous resources were not of the kind which appear on an economic balance sheet. South Korea in the 1950s and early 1960s was one of the world's poorest states, and there was every expectation that it would continue to be so. It lacked natural resources. It lacked infrastructure. It lacked financing. It lacked economic organization of any competence or scale. But it did possess some less tangible resources. Extraordinary cultural unity was perhaps the most important.

military quality in many basic Korean cultural attitudes, in many basic Korean social structures, in the straightforward style of Korean speech, and perhaps even in the abandonment of discipline and inhibition at certain times as represented by kisaeng parties. Such qualities are naturally bred by centuries of confrontation--despite the anti-military traditions of certain periods of Korean history. These qualities serve Korea well in eras of confrontation.

Finally, South Korea possesses the extraordinary organizational talents of a Confucian society. Confucian societies are the archetype of bureaucracy, which is the pattern of successful social organization in the period of early modernization. It is easier for a peasant from a Confucian culture to adapt to the authority patterns of a textile or automobile factory than it is for a Buddhist or Hindu or Russian peasant. It is far easier to create national governing institutions in a society which has institutionalized the values and patterns of large-scale bureaucratic organization over a period of centuries than it is in African tribal society or in cultures where informal or non-bureaucratic forms of organization predominated prior to the arrival of Westerners. The Confucian ideals of hierarchy, of merit as the legitimate route to social mobility, of government's paternalistic responsibility to the people, and of the national leader as a moral exemplar have all served South Korea well. (Confucian contempt for the merchant has been cast aside, and Confucian political hierarchy is a central focus of controversy.) It is noteworthy that most of the societies which have responded to political-military confrontation with 10 percent growth rates, with relatively egalitarian income distributions, and with successful forms of economic nationalism have been Confucian cultures. Japan, Korea, Taiwan and Singapore are in fact

South Korean Domestic Institutions

While cultural unity, ideological unity, Confucian social organization, traditional ability to cope with confrontation, and a form of nationalism consistent with the U.S. alliance all facilitated South Korean response to a challenge, ultimate responsibility for responding to the challenge lay with South Korean institutions. Regardless of the number of favorable facilitating conditions, if South Korean politics and South Korean institutions were inherently ineffective, then nothing in the supporting institutions would save the South Korean system in the long run. The Iranians had many favorable facilitating conditions, but the Iranian system was destroyed by domestic political and institutional weakness. Iran's leader was a political-military megalomaniac who managed also to be a coward. The principal institutions through which the Shah governed Iran were corrupt and incompetent. Oil and a rapid rate of economic growth were accompanied by extraordinary social inequality. For various reasons the Shah came to be despised by all segments of Iranian society. How has South Korea avoided this situation in the past, and what are its prospects for avoiding a similar situation in the future? To the extent that this question can be answered in terms of the effectiveness or ineffectiveness of South Korea's domestic institutions, it can explain both the economic success to date and much about the prospects for the future.

It is well to recall that in the 1950s South Korea did not avoid the fate of stagnation, inflation, corruption and collapse. Syngman Rhee's semi-dictatorial government managed to encompass most of the principal vices of weak regimes in military confrontations. Rhee himself had longstanding nationalist credentials and often expressed an economic program that encompassed economic growth in the form of socialism, but his government failed

engaged in violent physical attacks on one another. Mutual slander became a principal form of competition between the factions. Moreover, within the new and the old factions, there was equally serious factionalism. Both factions were led by political weaklings. Chang Myon, leader of the new faction, was a passive, indecisive figure, who managed to get on very well during the Japanese period and therefore lacked strong nationalist credentials. Chang maintained his position in part by reneging on a promise to his principal rival that, in return for stepping aside in Chang's favor in 1956, the latter would receive the nomination for the vice presidency in 1960. After the death of this rival, Cho, the old faction also nominated a weakling, Yun Po Sun, whose main virtue was that he never offended anyone. He also had managed to do well during the Japanese period, and had served as an official in the Syngman Rhee government, thereby impairing both his nationalist and his democratic credentials. Chang Myon subsequently became prime minister and Yun Po Sun became president. Chang Myon repeatedly demonstrated political and physical cowardice, for instance by going into hiding when a conflict was likely. "Yun's ascendance and stature on the political scene, was primarily due to his wealth, some interest and ambition in politics, and his inability or unwillingness to undertake any activities such as business or scholarly work."^{*}

The party structure of the day ensured the rise of such weaklings to the highest political positions. Syngman's Rhee's intimidation campaigns weeded out some potentially strong political figures. The rest were weeded out by the determination of the opposition party factions to bring to power

^{*} Sung Joo Han, The Failure of Democracy in South Korea (Berkeley California: University of California Press, 1974), p. 114.

Just as democratic South Korea provided an outstanding example of leadership division and incompetence, so authoritarian South Korea provides an unusual example of regime unity and skill. South Korea had the advantage of being a homogeneous society which had reacted with relative uniformity to the horrible experience of a brutal Northern invasion. The society therefore provided the basis for building a unified regime. Patriotic, modern, and honest elements within the military outmaneuvered and purged their competitors within the military and, under the leadership of Park Chung Hee, proceeded to undertake the same kind of institution building within the government that had previously occurred within the military. The result was an imposition of unity upon a previously factionalized policy and the introduction of merit principles into hitherto corrupt bureaucracies run solely on the principle of patronage.

Rather than maintaining direct power, as so many other Third World military regimes have done, the Korean military quickly retreated from direct exercise of political authority, partly driven by its own motives and partly by U.S. pressure, and proceeded to co-opt the most dynamic civilian leadership. National priorities became focused on economic rather than exclusively military objectives; during a period when U.S. military budgets varied from 10 percent of GNP down to 5, South Korean military budgets remained around 4 percent of GNP until the U.S. withdrawals of the 1970s provoked a crisis of confidence. Wave after wave of the finest available professional talent was drawn into the Korean government by a civilianized leadership determined to impose modernity upon the country. Japanese-trained officials were replaced by American military-trained personnel. Then came a wave of Koreans trained by American civilians,

primarily a public relations screen to justify disengagement from Korea in 1948-49. However, during the Korean war, effective South Korean military units were trained, and key institutions were created, namely the Command and General Staff school, the National Defense College, and above all, the Korea Military Academy. The Korea Military Academy became a base of near-fanatical patriotism, honesty, and emphasis upon modern military training. Young officers like Park Chung Hee, trained at the Korea Military Academy, then cleaned up small units of South Korean military and later used those units as bases to overthrow the government and to conduct a purge of corrupt and incompetent senior officers.

By the late 1960s, the loyalty and discipline of the South Korean military were unchallenged by any observer. In some ways, their discipline became superior to their American counterparts. Unlike the American Army in Korea, the Korean Army has no drug problem. By the late 1960s, North Korean infiltrators penetrated primarily through the U.S. division because South Korean forces were more effective than U.S. forces in stopping infiltration. By 1971, South Koreans manned the whole border of the demilitarized zone without any serious allegation that military risks resulted from such heavy responsibilities. South Korean troops proved extremely effective in Vietnam, partly because of superior discipline and partly because they did not rely so heavily as Americans on mobility and firepower. A feeling that their performance in Vietnam had been superior to American performance finally terminated a morale problem that had existed ever since the defeat by North Korea in 1950. The institutional development of the South Korean military reflects an increasing emphasis upon patriotism, discipline, honesty, and competence, a pattern of consistently superior performance under varied

problems, which include a traditional overemphasis on rote learning, and a dissonance created by an effort to square democratically oriented textbooks with South Korean political realities, the system has performed well in both quantitative and qualitative terms, has adjusted to changing social circumstances, has successfully attracted an extraordinarily talented cadre of teachers and administrators, has changed successfully away from an impracticable American model administrative system to a more centralized South Korean system, and has successfully linked itself to the economic planning institutions and to the president's office through a series of think tanks and other institutional innovations.

A third institutional complex consists of those institutions oriented toward promoting growth of the urban industrial economy and of trade. These institutions, along with the rural development institutions, have faced a nearly impossible task. "In 1934 the Japanese governor estimated that every Spring he saw about half the Korean farmers scouring the countryside for bark and grass to eat."^{*} The Korean economy in the 1950s and the early 1960s grew slowly and was marked by massive unemployment. However, after the institutional reforms promulgated by the Park Chung Hee government, Korea's growth rate soared, based largely on industrialization and trade growth. From 1962 to 1977, Korea's average economic growth rate was 10.3 percent; from 1970 to 1977, it was 10.8 percent; since the 1973 oil embargo, it has exceeded 11 percent. Unemployment has largely disappeared. Social infrastructure has kept up with economic growth and with urbanization,

^{*} Irma Adelman and Sherman Robinson, Income Distribution Policy in Developing Countries: A Case Study of Korea (Stanford, California: Stanford University Press, 1978), p. 38, citing T. Hataka, History of Korea (New York: Clio Press, 1969), p. 126.

South Korea's rural development institutions have followed a parallel course. Rural development was slighted in favor of urban development until the early 1970s, but in the meantime the government built the basic infrastructure of roads and communications, created an agricultural extension network, introduced new varieties of rice, and subsidized fertilizer. Beginning in 1970, the government introduced the Saemaul program, which provides villagers with assistance in building roads, conference facilities, bridges, irrigation networks, reservoirs, and water distribution systems, and teaches villagers how to organize for development. The government successfully put the primary onus for planning projects on the villages themselves, and provided assistance only in return for large efforts from the villagers. It rewarded the most successful villages, rather than subsidizing the least successful. The result was rapid rural development which did not place a huge administrative or economic burden on the central government and which was driven by a chain reaction of expectations of success. As a result of this program and subsidized rice prices, South Korea went from being a major rice importer to being a rice exporter. Farm income has risen roughly in accordance with the extraordinary growth of urban income. The distribution of land and income has nonetheless remained remarkably egalitarian. Villagers who once lived in poverty reminiscent of Pakistan or Bangladesh now universally possess radios, cement, good housing, and piped water, and assume that they will dress well, send their children to competent schools, and increasingly even take vacations.

All these developments have put a strain on South Korea's income distribution programs. It is generally accepted among economists that economies at the level of development of South Korea's experience the most intense

factions that frequently immobilized them. Bribery and corruption were massive and omnipresent. The tenure of high officials other than the president was typically only a few months.

Since that time, South Korea has achieved an anti-communist national consensus and a consensus on the basic modes of urban economic development, rural economic development, and income distribution, although the presence of a small group of extremely rich entrepreneurs remains the subject of intense political controversy. The National Assembly is elected by honest elections, but is a largely powerless institution. Park Chung Hee is elected indirectly by a National Council for unification, which is in turn an elected council of non-political figures. The rules confining the National Council for Unification to non-political figures and allowing President Park to appoint one third of the National Assembly ensure the continuation in office of Park Chung Hee and also ensure continuing political controversy over such a system. Harsh methods in dealing with political opponents also ensure a degree of dissension. South Korea has successfully come to terms with the problem of the military in politics, having civilianized a formerly military government and ensured high professional military standards. A government which is relatively small in terms of proportion of the population and proportion of the economy exercises extraordinarily successful control over the nation's economy and other aspects of society. The government as a whole is honest, able to act, highly competent in achieving its goals, and able to attract the best talent available. In addition to ministries of the kind that other governments possess, the South Korean system includes a group of think-tanks reporting directly to the President on every major governmental function from education to income

and rising prices. The good fortune of urban workers attracts the poorest rural people to the cities, thereby ameliorating the income distribution of the rural areas and offering improved conditions to the emigrants. Thus agricultural income and urban income rise in tandem. Government works with business and with agriculture to assure rapid technological progress and to minimize social disruption. Thus, while South Korea faces difficult problems in the future, it addresses those problems with a base of institutional strength and competence that is almost unique in the Third World.

To return to the basic theme of challenge and response, the basic reason for creation of those institutions was the North-South confrontation. Acceptance of the stern institution-building measures of Park Chung Hee was predicated on fear of the North. Moreover, the way in which those institutions work day by day depends heavily, although invisibly, on fear of the North. There is in South Korea far less tolerance of incompetence and inefficiency than elsewhere in the world, including the United States. Men who grow old and weak in their jobs are replaced more quickly than elsewhere. Government decisions to bail out individual firms are much more economically rational than elsewhere. The ultimate cause of this efficiency is fear-- the fear that sloppy decisions will imperil the nation's future. The same fear is of course employed in the interest of regime stability, and sometimes in ways that appear politically self-serving whether or not they are intended to be. While the solid institutional base, and its efficient modes of operation, bode well for the future, and particularly for the future of the economy and military, the political residues of fear present the principal question mark regarding the brightness of South Korea's future.

with full American support. This conclusion goes against much political science literature on the subject, but the latter literature is based upon the analysis balancing of weights of men and equipment rather than upon a dynamic functional analysis of the kinds of advantages and disadvantages mentioned above. Korea's situation was greatly exacerbated by President Carter's desire to withdraw U.S. troops from South Korea, based upon the assumption that the popular political science analyses, rather than the dynamic military analyses, were correct.

The current Korean situation has been further exacerbated by a fundamental misunderstanding of the strategic situation. Early Carter administration analyses assumed that, since South Korea was gradually winning and had long-term prospects for continuing to win, North Korea would be decisively deterred from attack. However, a rational North Korean calculation would conclude just the opposite. It has been an axiom of military thought at least since Machiavelli that, when time is on the side of an opponent, now is the time to attack. This strategic situation is complemented by Kim Il Sung's personal situation, which probably gives him only a few more years as leader and therefore only a few more years to achieve his great, patriotic goal of unifying the Korean nation. In this situation, the American plans for withdrawal, until neutralized in the summer of 1979, appeared to many diplomats and generals to be very dangerous for future prospects of South Korea. It was recognition of this situation, and of the shared concern in Japan, in Southeast Asia, and even in China, that the Carter administration reversed its position.* The reversal of the Carter

* New intelligence estimates provided the primary justification for the Carter reversal, but the concerns of analysts pressing for reversal went much deeper.

combined with South Korea's export orientation, could easily make South Korea one of the world's great conventional arms exporters a generation hence. (The irony of this process is that it undercuts somewhat the Carter policy assumption that continued civilian economic growth will rapidly make the North Korean economy inferior, drastically undermines Carter administration civilian political goals in South Korea, and probably does more than any other single policy to undermine Carter administration goals in controlling the worldwide conventional arms trade.)

These developments occur at a time when the tradeoffs in the economy have become more severe and delicate than in the past. Rising domestic expectations have led to extraordinary wage increases, approximating 30 percent per year for the last three years. These wage increases have made South Korea less competitive internationally. Wage rises, energy prices rises, and a flood of currency from exports to the Middle East, have contributed to an inflation that appears to be raising prices at a rate in excess of 20 percent per year. (Official statistics are regarded as severely underestimating inflation.) Rising energy prices, a slowdown in the world economy, and rising Western protectionism are making the South Korea economic environment less favorable. None of this implies that Korea is headed for economic disaster; in fact, it has been desperately trying to reduce its growth rate to 9 percent, or about four times the historical average growth rate of the U.S. economy, in order to relieve inflation. The future does not hold collapse, but it probably cannot support the 10 to 12 percent annual growth rates of the recent past either.

Finally, the South Koreans are headed into a more difficult political environment. The meritocratic bureaucracies which the Park regime worked

some other leadership in the 1980s, the political situation of South Korea is becoming increasingly complicated and unpredictable.

All of this means that the 1980s are likely to be a more difficult decade for South Korea than were the 1960s and 1970s. This may mean that the economic growth rate will be 8-9 percent rather than 11.5 percent, that there will be a string of minor riots and street confrontations prior to a successful political transition, and that a gradual transition to South Korean military self-sufficiency will occur. If so, the 1980s will still be a decade of extraordinary South Korean success. Such a future will be supported by the existence of strong meritocratic institutions in both the public and private sectors and by the fact that, although South Korean institutions may be very weak by American standards, they are nonetheless very strong and even relatively open by Third World standards.

But there is a significant chance that sometime in the 1980s South Korea will experience more severe difficulties than these relatively optimistic suggestions imply. Particularly when the future of the country lies in the hands of one man, it is never completely possible to predict the future. It is difficult at best to extrapolate past military and economic success into future political performance. However, given the extraordinary capacities of South Korea's institutions, prospects for continued economic success are excellent. South Korean ability to respond to such challenges as the world energy crisis is vastly superior to that of the United States, even though the U.S. has large domestic supplies of oil and South Korea does not. The challenges of the future will be very severe and there is some risk of a stumble, but the challenges of the future are probably of smaller magnitude than the challenges of the

