

Rise of Park Chung-Hee and Economic Development of South Korea

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ABSTRACT

Park Chung Hee was one of the most influential leaders in South Korea's modern history. His rise to power in 1961 was followed by a period of political and economic instability, as the country was still recovering from the Korean War and rampant corruption. This paper explores the rise of Park Chung-hee to power and his role in the economic development of South Korea. Through an analysis of Park's leadership style, policies, and economic strategies, this paper explores his contributions to South Korea's economic development and gives an account on how he transformed South Korea from a war-torn, impoverished country into one of the world's most advanced economies. The findings suggest that Park's policies were instrumental in transforming the South Korean economy from an agricultural-based one to an industrial powerhouse, and the lessons learned from his policies continue to shape South Korea's economic strategy till date.

Keywords: Park Chung-hee, economic development, South Korea,

1. INTRODUCTION

The economic development of South Korea is considered one of the most remarkable success stories in modern history. The country's journey from a war-torn and impoverished nation in the 1950s to a leading global economic power in the 21st century is attributed to various factors, including government policies, investment in education and technology, and cultural values such as hard work and discipline. This paper explores the role of Park Chung-hee, the former President of South Korea, in this economic transformation. Specifically, it analyses how Park's policies, leadership style, and legacy contributed to the economic development of South Korea. Park Chung-hee was a transformative leader, as well as, a controversial figure who played a significant role in shaping the modern history of South Korea. Park's rise to power was characterized by authoritarianism and strong-arm tactics. While some hail him as the architect of the nation's economic miracle, others criticize his authoritarian regime and disregard for civil liberties. However, there is no denying that Park Chung-hee's economic policies played a pivotal role in transforming South Korea into an industrial powerhouse.

2. MILITARY COUP AND RISE OF PARK CHUNG HEE

The economic progress of South Korea is intimately tied to the leadership of its former president, Park Chung-hee, who played a crucial role in establishing the foundations for the country's economic development. Park Chung-hee was born in 1917 in Gumi, a small town in the North Gyeongsang Province of Korea (now North

Korea). He joined the Japanese Imperial Army in 1940 and fought in World War II. After Korea's liberation in 1945, he joined the newly formed Korean Army and rose to the rank of Major General. Later he became the head of a military regime in Korea, which he established with the support of Colonel Kim Jong-pil through a coup on May 16, 1961. This military takeover witnessed the removal of the corrupt Syngman Rhee government, followed by the subsequent civilian government led by Yun Po-Son.

The alliance developed between the Rhee government, United States administration and the dependent capitalists did not lead Korean economy to flourish due to corruption. The corruption in state and the imbalance in the political system of South Korea in the late 1950s made hard-core military officials to think themselves as the last hope in the collapsing nation. Military officials were alarmed by the North Korean threat, corrupt state, unstable political system and stagnant South Korean economy (Yun Kyung-chol 1986). On May 16, 1961, Park Chung-hee along with 1600 soldiers, marched to the palace of President and overthrown the government. The coup brought down the second republic without bloodshed and any significant resistance by the government (J. Oh 1968; S. Han 1974). Some section of the South Korean population, despite their anti-military sentiments, supported a Military coup of 1961. On the other hand, United States was sceptical about the military coup, hence did not strongly opposed coup but constantly pressurised Park to hold a democratic election. Park Chung-hee with his leadership skills soon emerged as the most powerful leader of Korean political system. He skillfully manipulated alliance of junta and removed his rivals. Henderson (1968) stated that over two thousand senior military officials were dismissed by Park Chung-hee to ensure safety to his regime. Park changed all the members of Supreme Council for National Reconstruction (SCNR) with his trusted officials (Lovell 1970).

Park's views for Korea were quite clear and inclined towards dictatorship. In one of his interviews in 1962, he said, "There are two kinds of democracy. One pursues complete freedom. The other is guided democracy. The latter will suit South Korea" (Lie 1998). He also said, "to believe that democracy would rise from past confusion was tantamount to believing that a rose could blossom in a garbage can." Lie (1998) believed that with the military revolution Park's intended goals were *egalitarianism* and *materialism*.

Early days of military rule witnessed the end of *yangban* rule in political power, which was already initiated with April Revolution. Junta removed aging *yangban* elite and placed young, enthusiastic non-*yangban* officers in the charge. Also, to eradicate corruption, junta displayed its authority over state bureaucracy and dependent capitalists by firing around one sixth of the total South Korea's civil servants and arresting leading entrepreneurs falling in charges with illicit profiteering (Yun Kyong-chol 1986).

On the other hand, United States was continuously demanding an electoral democracy for South Korea. United States was not much against the military coup, but the military regime. Junta could not afford to risk the U.S. support for their military assistance, which alone accounted for over 70 per cent of the total expenditure of South Korea for defence (Eckert et al. 1990). When in July 1961, the military government initiated the discussion of economic assistance possibilities with United States, United States lay down two major conditions: (i) arrested political leaders release, and; (ii) commitment of civilian controlled government, i.e., democracy (Berger 1964). Due to the pressure of United States, Park agreed to hold a democratic election to restore civilian controlled government by the summer of 1963. In order to express its satisfaction, U.S. promised: "all possible economic assistance" to Park administration.

In July 1962, a committee was set up by the government in anticipation of the prospective return to “civilian rule.” The committee was guided to formulate a new constitution which could provide the strong presidential system. With the advice of Rupert Emerson, a Harvard University professor, a new constitution was drafted by the nine members of SCNR and 21 civilian advisors. New constitution suggested a Presidential rule which would be elected by direct popular vote. It also gave the president power to appoint Prime Minister and cabinet ministers.

However, young military officers were not willing to accept civilian rule which they thought as abandoning fate of Korea in “chaos and corruption.” They tried to influence Park Chung-hee to continue military regime. Park Chung-hee yielded to the demands and announced the extension of military rule for additional four years. This event startled United States and dismayed to such an extent that U.S. president declared military rule an “unconstitutional government” and thus denied the request for assistance of US \$25 million to support the “Five Year Plan” (J. A. Kim 1975). At the same time, Korea was undergoing food crisis, which made junta to turn to United States for emergency food relief. United States used these food negotiations to force junta to reverse their decision to continue military rule and hold elections. Park was quite dubious about the success of Five-Year Plan and was also threatened by the famine. Hence, Park agreed to U.S. demands. Park Chung-hee decided to contest the presidential election of 1963. By that time, Park Chung-hee with the “brain-trust” of Kim Jong-pil, organised the Democratic Republican Party (DRP) in 1962 which proffered political base for Park’s election campaign as the “emergence of new leadership.” DRP was “to be highly structured along a hierarchical, single command system” (Eugene 1971). Park Chung-hee fought the October presidential election and won by just 1 per cent of the vote (refer to Table 1).

TABLE 1: Result of Presidential elections, 1963 (votes in per cent)

Candidate	Party	Per cent of total votes	Per cent of valid votes
Park Chung-hee	Democratic Republican	42.61	46.65
Yun Po-son	Civil Rule	41.19	45.10
O Chae-yong	Autumn Wind Society	3.70	4.05
Pyon Yong-tae	People’s Justice	2.03	2.22
Chang Yi-sok	Newly Emerging	1.80	1.98
Invalid votes		8.67	-0-
Total		100	100

Source: History of elections in the Republic of Korea, ed. Central Election control committee, Seoul, 1964

In November 1963, DRP won 110 seats out of 175 seats in National Assembly. Although, DRP received 32.4 per cent of total votes, it was declared victorious because of splintering of oppositions. Even though, DRP was victorious in both the elections but the election result showed that South Korean population was not willing to have military regime and wants complete democracy in the nation. A weak mandate had been given to the military government. To secure his rule, Park needed to enhance his popularity. In order to gain popularity, park required to suppress poverty, abolish corruption, counter Communism, promote economic growth and incite nationalism. Later anti-Communism and economic growth became the two ideological pillars of Park’s regime.

3. ADMINISTRATION AND POLICIES

Park Chung-hee dedicated the military government of 1961 to boost the South Korean economy. As soon as military government came into power took steps to get moving the nation’s economy like side lining the stabilisation program, centralising the private commercial banks or reverting the ownership and initiated different institutional reforms focusing on financial system. During its early days in office, military government created a bank to fund small industries, expanded agriculture “credit program” and waived off major portion of low-income farmer’s debt. In early 1960s, government feared that inflation might attack again as they believed that rich business people and moneylenders were holding a large amount of cash and whenever that cash comes in the market, it would raise the prices. To counter this government decided to carry out another reform, a monetary reform. Government changed the currency denominations and simultaneously froze bank deposits. The long-term effect was to initiate a shift from “financial assets holding” to real assets holdings. Government since the land reforms were introduced in 1952, was prohibiting its citizens in land holdings over certain dimensions. The immediate effect of a change in the denomination of currency was the sudden halt in businesses. However, these reforms backfired due to poor crops and famine threat and accelerated the inflation for almost two years. The instability directed to a recommencement of annual stabilisation programs agreed by both the governments. These situations were, later used by United States to gain the upper hand in re installing electoral democracy in 1963.

Park Chung-hee, in early years of military regime, was trying to gain autonomy in policy makings and less dependency on United States, as suggested by Special National Intelligence Estimate (SNIE) report of 1961. The autonomy and independence from United States would ensure legitimacy to the military regime in South Korea. At the same time, the regime was willing to maintain its cooperative relation with the United States. Hence, after the Economic Planning Board was structured in 1961, the first meeting for general economic matters and future cooperation was attended by all the primary economic policy makers. This shows the willingness of military regime to maintain its cooperative relationship with United States.

Since the new government was not elected and came into power by coup, their policy was first directed towards economic development, prior to political liberalisation. Therefore, Park government declared their primary goal to boost the economic development along with curbing corruption (Mason et al 1980).

Park pointed out his goals which would fully strive for “self-sufficiency”. He stated that assistance from United States would play a significant role in Five-Year Program for economic growth. The volume of assistance from United States decreased gradually since the early 1960s. However, it was later fulfilled by the investments from different institutions as loans and supplementary resources from Japan after 1965.

TABLE 2: Five-year plans under Park Chung-hee

Year	Five Year Plan
1962-1966	Objective: create an industrial framework that could function independently.
1967-1971	Objective: reform the industrial structure as well as implement “import substitution” industries.
1972-1976	Objective: develop heavy and chemical industries and “export-oriented” industrial structure.

1977-1981 Objective: encourage the growth of industries that could successfully compete in global export markets.

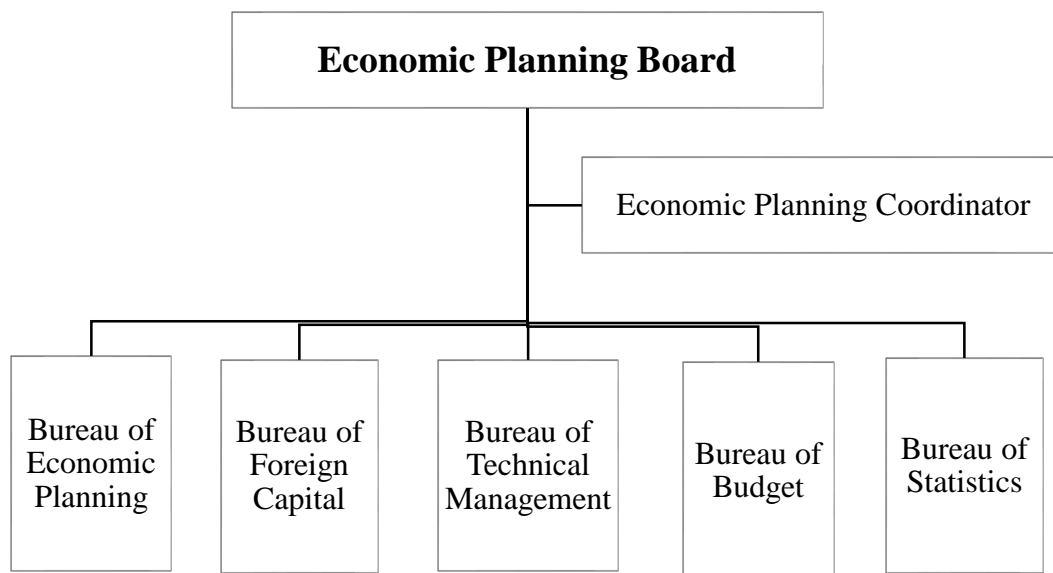
3.1. ECONOMIC PLANNING BOARD

Earlier in 1958, a council named Economic Development Council (EDC) was organised by Korean government within the Ministry of Reconstruction. This council was led by Minister of Reconstruction which functioned to develop a plan for economic development. In order to maximise its impact on development, it established public sector investment plans and strategies. This council was replaced by Economic Planning Board (EPB) in July 1961. The chairman of the board was equivalent to a cabinet minister in rank. The EPB was assigned the task for development planning and coordination, preparation of annual budget, coordination of foreign aid activities and luring foreign investment. EPB absorbed Bureau of Budget (under Ministry of Home Affairs) and took over the responsibility of planning from Ministry of Reconstruction (Mason et al. 1980).

EPB consisted of five bureaus: Bureau of Economic Planning, Bureau of Foreign Capital, Bureau of Technical Management, Bureau of Budget and Bureau of Statistics. An Economic Planning Coordinator was placed under the Minister of the Board to coordinate economic plans with United States and organise ‘working group meetings’ (refer to Figure 1).

The bureaus of EPB resulted in closer cooperation between officials of South Korea and United States. However, the Korean government invited technical advises from United States on policy making and economic planning only when they considered it as necessary (Ahn 1992). According to a report from U.S. Embassy, in 1961 Park Chung-hee required to appoint an American adviser in the economic field, who could work closely with him and with his military government. The advisor would have assigned responsibility to coordinate the relations between United States and South Korea as well as to fuel activity in areas which were not progressing recently. With this advisor, United States looked forward to influencing South Korea’s economy indirectly.

FIGURE: 1 Organisation chart of EPB on October 2, 1961



Source: Economic Planning Board (1982)

In the mid-1964, Park administration adopted an “Export-Oriented” Industrialisation (EOI), and EPB played a central role in its implementation. Since 1961, EPB officials were changed time to time. In 1964, three new ministers, Chang Kyung, Pak Chung-hun and Kim Chong-yum supported “free-market” system. Earlier, Park government was reluctant in adopting “free-market” system despite the recommendation of IMF, as they feared for its negative impact on newly established industries and political response (Kim C. 1990). After the appointment of these ministers, they pushed economic liberalisation through “export-first” which they referred as “liberalising imports and fulfilling export goals” (Kim C. 1994). Park Chung-hee encouraged bureaucracy to focus on South Korean export industry. In January 1965, Park Chung-hee announced that his administration would give the highest priority to increase export. For the same, Park personally monitored all the firms and guaranteed the alignment of all ministry’s plan with the state’s export-oriented policies. Park’s political will and confidence in the growth of South Korea resulted in the innovation in industry development. Post-1963, South Korea recorded substantial average increase in export earnings (refer to Table 3).

TABLE 3: South Korean exports,1963-1971

Year	Export Target	Exports	Growth Rate
1963		86.8	58.4
1964	100	119.1	37.2
1965		175.1	47
1966		250..3	42.9
1967	300	320.2	27.9
1968		455.4	42.2
1969		622.5	36.7
1970	1000	835.2	34.2
1971		1067.6	27.8

Source: Kim Hyung-A (2004).

The self-sufficiency in the export industries was achieved during the Vietnam War, where the exports to Vietnam holds major section in total exports of South Korea. Cement export to Vietnam in 1967 was US \$1.5 million which reached to US \$6.1 million by 1970; fertilizer exports in 1968 was US \$1.2 million, reached to US \$4.7 in 1970 (Pak Kun-ho 1993). The revenue generated by the Vietnam War played an important role in domestic and stimulated industrial exports (Naya 1971).

3.2. INDUSTRIALISATION POLICIES

Park Chung-hee recognized that Confucianism played a significant role in Korean society for centuries (Whan 2005), with its emphasis on family compliance, hierarchical respect, and self-development. However, he realized that Confucianism alone could not solve South Korea’s economic stagnation after the Korean War. Therefore, he implemented policies to modernize and industrialize South Korea, including the systematic transfer of technology

from the West. According to Kwon (2008), Park Chung-Hee provided a distinct and definite path for the policy framework of South Korea, which he referred to as a national renaissance through modernization.

Park's administration implemented policy of transferring technology systematically to promote industrialization (Kim 1997). The government ensured the smooth transfer of technology and established a system for learning and diffusion of the acquired technology. The motivation behind this policy was driven by a desire to bring South Korea to the same level as other developed countries in the Western world (Kwon 2008).

3.3. "EXPORT-ORIENTED" INDUSTRIALIZATION

The history of industry in Korea can be traced back to the Japanese colonial period, during which many industries were established to support the Japanese economy. South Korea inherited some of this infrastructure and educated labor, which provided a foundation for the development of light industry. Under President Syngman Rhee, South Korea began to industrialize through import substitution industries. However, the corrupt Rhee government devastated the economy. President Park Chung-hee then implemented policies to support big businesses, particularly the *chaebol*, and directed the private sector to develop manufacturing industries such as electronics, automobiles, and semiconductors.

Kang (1989) argues that President Park pursued a strategy of capital concentration by supporting large corporations. The government played an active role in directing the private sector, particularly *chaebols*, to implement the development agenda focused on developing manufacturing industries such as electronics, automobiles, and semiconductors. Some government-supported industrial products were intended for the export market as there was little demand domestically. Credit facilities were also provided by the government to support exporters, and credit allocation was regulated to prioritize economic and industrial sectors. The South Korean government also obtained foreign loans from Japan and the United States.

The government provided credit and regulation to support these industries, which were geared towards export markets. South Korea's export success began in the period of 1964-1974 (refer to Table 3), with the export of light industrial products and intermediate goods. The development of the world economy during this period facilitated South Korea's success and allowed the country to enter the western markets.

3.4. SAEMAUL UNDONG MOVEMENT

Saemaul Undong, also known as the New Community Movement, was a socioeconomic development movement initiated in South Korea in the late 1960s. The movement aimed to modernize rural areas by improving living conditions and increasing productivity. *Saemaul Undong* originated in 1971 when President Park Chung-hee's administration introduced the idea in response to the rural-urban development gap that arose from the government's focus on export-driven industrialization (Sumarto 2006).

President Park initiated the New Society Movement with the goal of narrowing the economic disparity between rural and urban areas (Mochtar 1996). The movement aimed to educate and enlighten rural communities through a "new public education" that would alter traditional beliefs and behaviors and break the cycle of poverty in rural areas. The *Saemaul Undong*'s strategy involved encouraging self-help, mutual cooperation, and voluntary participation from the local population. The movement focused on three areas: people's mindset, physical

infrastructure, and economic development. *Saemaul Undong*'s success was attributed to the government's commitment to providing financial and technical support, empowering local leaders, and fostering a sense of community ownership. The movement resulted in improved living standards, increased agricultural production, and a reduction in the urban-rural income gap. *Saemaul Undong* became a model for other developing countries seeking to promote rural development and address poverty.

In all, *Saemaul Undong* was a community-based rural development program that aimed to improve economic, social, and attitudinal conditions in rural areas. Its objectives included income generation, improvement of living environment and basic rural infrastructure, and capacity-building and attitudinal change. Between 1970 and 1979, the focus of *Saemaul Undong* was on rural areas, and the program generated positive outcomes such as increased farmer incomes and job creation. Additionally, the implementation of *Saemaul Undong* led to an increase in rural investment, rising from 10% in the 1960s to 20% in subsequent years.

4. CONCLUSION

Park Chung-hee played a significant role in the economic development of South Korea. His legacy continues to shape South Korea's economic and political landscape even today. His focus on economic development and export-oriented policies helped to transform the country into a modern industrialized nation, and his emphasis on education and skills development helped to create a highly skilled workforce that continues to support the country's high-tech industries. However, his authoritarian rule and human rights abuses cannot be ignored. In addition, Park's economic policies were not without controversy. Critics argue that his policies were too authoritarian and led to a concentration of wealth and power in the hands of a few conglomerates. Also, the focus on export-oriented policies and *chaebol* development led to an over-reliance on a few key industries and created a widening income gap between the rich and poor. Another criticism of Park's policies is that they were not environmentally sustainable. The focus on heavy industries led to pollution and environmental degradation, which had long-term consequences for the health of South Koreans and the environment. Nonetheless, Park Chung-hee's economic policies continue to be studied and analysed by policymakers around the world as a model for economic development.

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