

Development in South Korea after 1953

South Korea has developed from an underdeveloped country to become a developed country within three decades after the Korean War. South Korea's development achieve structural transformation and economic development after the 50-year period which is known as "rags-to-riches" development. The development of South Korea allows the country to become equivalent by international standards. This essay will focus on the development of South Korea after 1953 which includes industrialization organization, industrial organization, labor, the role of government, financing system, and labor.

Since the end of the Korean War in 1953, South Korea has gone through many economic and political difficulties. In part of the economy, per capita GDP was very low and manufacturing facilities were destroyed as the result of the Korean War. Moreover, the country's expenditure was drained to the national defense which made the allocation for investment and economic development extremely difficult. A large amount of the labor force was also in the army force. Nevertheless, South Korea was able to recover its country to become a developing country through five stages of economic development. The first period is from 1953 to 1961, which is the period that South Korea wanted to develop an industrial so they devoted themselves to build physical and human capital infrastructure that serve as the basis for industrial development. They also dispatched a representative to Pakistan to learn about the operation and technology. Later on, Park Chung-Hee became a military leader in 1961. The economy started to grow in the second period from the 1960s to the 1970s, South Korea began to venture into the foreign market, attracting foreign markets and expanding its social infrastructure. In addition, there was also a development of export expansion in the early 1960s which made South Korea move towards the evolution of Korea's development strategy. The economy of South Korea in this period was extraordinary making it in the ranks of the world's fastest-growing economies. Moreover, the employment rate also increases by about 3% per year and also a rapid increase in productivity by approximately 5%. In the early 1980s, the

world faced a recession result of the oil shock which made oil priced increased and South Korea devalued its currency, increasing the inflation rate making the government had to impose a stabilization program, at the same time strengthening programs for structural adjustment aimed to stabilized growth path because of the deepening structural distortion and imbalance in the economy. During the same period as the oil shock, the country also faced politically unstable due to the assassination of President Park. The GDP during this period was low, however comparing with other countries, it was still high. In the fourth stage, the economy of South Korea fluctuation between 1981 and 1996 but comeback when South Korea hosted the Olympic game. The period between 1983 and 1988 was the highest since South Korea's export doubled and GDP increased to 12% at its peaking rate. The economic plan for South Korea's economic development was successful and the country was growing rapidly since 1953. South Korea became a major global player in an international trade institution in the import and export industry.

As the economy of South Korea continues to expand, the business sector also grew over time. The major change in South Korea is industrial structure and organization which also make the increase in capital and technology-intensive industries and business enterprises. After the Korean War, the industrialization in South Korea changes from light consumer-oriented industries to high-tech industries because it faced competition from other developing countries by emphasizing the development of HCT's and investing in capital-intensive industries. Later on, South Korea was able to become one of the largest manufacturers of electronic goods. The famous brand for electronic goods was Samsung, LG, and Hyundai. As the business sector in South Korea grew, the dominance of large firms also grew. The government used the large business conglomerate groups in Korea known as the Chaebol as the principal agents of capital and plant exports. The Chaebol are the big family-controlled businesses that held a central role in the development of the Korean economy and they came from families with a background that allow them to establish a network of connection with political and financial power. It held a very large conglomerate engaged in numerous lines of business. They engage in almost every kind of business and they are also responsible for the successful expansion of South Korea's export capacity and dominated South Korea's economy. The government and the Chaebol gain economically advantage from each other because due to the limited number of conglomerates, the Chaebol can exercise monopolistic and oligopolistic economic power in the market, which shows that the Chaebol is able to expand its business faster than non-Chaebol business.

South Korea's industrialization was grow significantly after the Korean War, mostly between 1953 and 1994. The first manufacturing industry in South Korea is textiles which are developed slowly since the 1950s, and it is also one of the important exporting products of South Korea accounted approximately 20%. However, the textile industry declined later in 1986 due to the increase in export of other industries such as chemical fiber production. In addition, the most important factor that contributed to the expansion of the industry is manufacturing which also increases capital stock, labor, and productivity. Therefore, as manufacturing increased, it led the economy of South Korea with the fastest-growing number of enterprises and output which also increase GDP. One of the most important manufacturers of the countries is the HCIs such as iron and steel, petrochemicals and nonferrous metal grew, which the GDP and total production increased more than double between 1953 and 1957 from 19.5% and 73.1%. As the countries switch from light industries to heavy industries, the number of workers in manufacturing also rises to exceed the number of farmers. The laborers were also getting better education that result in a rising employment rate in the manufacturing industry between 1953 and 1965 which showed that the labor force was increasing with better education. Currently, is now spending the largest share of its GDP on research and development since South Korea gives extra attention to technology development and innovation to promote economic growth. South Korea believes that innovation and technology are the key factors that help the economic growth of its country.

To develop the country, South Korea's government took over the financial responsibility after the period of the Korean War. There are two sources of finance which are domestic and foreign savings. Domestic sources come from government revenue which are taxes, profit from government enterprises, and income from a public investment that use for the operation of the government. Furthermore, there is also a special revenue that comes from domestic savings and foreign sources such as loans and foreign aid. It is estimated that domestic savings on average financed approximately four-fifth of the total, while the rest is supplied by foreign sources. The government allocates funds to businesses in order to expand production facilities, purchase foreign input goods and promote economic activities (exporting activities). Moreover, the government also allocates funds to develop a country such as transport and communication, energy, agriculture, etc. The Ministry of Finance is the one who regulates and supervises all the activities of the banking system for the banking institution in South Korea making the banking institution controlled by the government directly and indirectly. There is a special type of loan called policy which is a loan that

had lenient repayment terms and a low-interest rate. Policy loan is made for purpose of supporting industries that worked well in South Korea and export financing. The policy loan was able to make possible the development of the light manufacturing industry, construction, steel, heavy, and chemicals industries. The advantage of policy loans helps encourage excessive borrowing by firms. However, the small firm has less chance of this kind of loan. South Korean government created the environment for financial incentives to promote business profit by supporting its selective industrial and financial policies for its own country which is strong and stable. Furthermore, as the export sector is important in South Korea, the exchange rate is also important. Exchange rates are important due to heavy reliance on the export sector, as the result, the central bank must use the interest rate to control the level of inflation which is maintained at 3%.

In conclusion, South Korea was able to develop its country rapidly and economic growth within 50 years. The industrialization of South Korea is successful as can be seen that many major industries are in the global market and has export success achievement as well. The government plays a big role by providing a direction to develop a country by directly and indirectly engaging in economic activities such as financial or guiding private sector activities, furthermore, the government also supports international investment and also encourages foreign investment. In this essay shown how South Korea develop its countries to become one of Asian tigers which I really admired.

Appendix

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