

CHADRASHEKHAR RAJE

PERSPECTIVES AND
PROBLEMS OF
DEVELOPING NATIONS
VOLUME 2



Perspectives and Problems of Developing Nations: Volume 2

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Published by The InfoLibrary,
4/21B, First Floor, E-Block,
Model Town-II,
New Delhi-110009, India

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ISBN: 978-93-5590-831-5

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Table of Contents

Part 3	Nation-Building of Africa and its Mission	
Chapter 5	Internalizing Development of Africa	2
Chapter 6	Positive Signs and Reasons for Hope for African Development	32
Part 4	Apprehensions of Korean Model of Development	
Chapter 7	Korea's Path of Development: New Challenges and Policy Responses	48
Chapter 8	Conceptualizing the Korean Development Model	77

Part III

Nation-Building of Africa and its Mission

Internalizing Development of Africa

Internalizing Development: The Question of Intent

One would think that by now, more than 50 years since the majority of Sub-Saharan African countries gained independence, they would have completed the task of nation-building. But the reality is that a big mismatch exists between Africa's legal, political and economic institutions in name and what these actually deliver in practice. This appears to be an outcome of a serious lack of ownership and a failure to 'internalize' development. Such a perception is shared by African scholars.¹

Before people can 'internalize' development (that is, being oriented towards development as individuals), some kind of visions or schemes for development at the national level to which people can ascribe would be required. Hence, the government's 'moral authority'—which derives from leadership, credibility, performance, etc.—is vital to encouraging people to actively comply with government initiatives. Certainly, the formation of a national consensus and unity will be a huge boost for development. But as many Africans would divulge, their national identity, sense of nation and patriotism are comparatively weak and

ambiguous. This, together with the weakness of the role of the states, has impeded the ability of African countries to pursue development. As a result, many African nations have spent decades following independence with the facade of development, like electoral democracy and economic liberalization, without substantively making much progress in the essence of nation-building and modernization.

There is a popular saying that poverty should not be passed on to the next generation. The task of development has to be taken seriously by African countries because they are certain to face mounting social, economic and political pressures that can erupt and unleash untenable consequences.

As far as the political system is concerned, the 'hybrid regime' that is typical of Sub-Saharan Africa has proven to be unsuccessful and should also be redressed. Africa's hybrid regimes which combine the formality of liberal-democratic polity with neo-patrimonial authoritarianism are the outcome of the adaptation of the Western political system to 'local needs'. The problem is that they have the attribute of being neither democratic nor transformative, but in essence are status quo-oriented. Rather than being transitory, this type of polity coupled with problematic electoral democracy appears to be assuming permanence in Africa.

The downsides of this kind of system are that it seemingly satisfies (even if in a minimalist fashion) popular demand, while protecting the vested interests of the privileged class, so that it is ultimately status quo-promoting. But what may be a comfort zone for political leaders can turn out to be exactly the opposite of what 'national development' requires. David Booth and Dianna Cammack rightly point out the clear gap that exists between formal democratic institutions and the reality in Africa: 'The trouble with democracy, as a substantive reality and not just a set of formal arrangements, is that its effectiveness depends on social and economic conditions that are not yet enjoyed in most developing countries'.²

African countries should pause and think about how to comprehensively and meaningfully alter their approach of development rather than following the same course that will only yield the same results. This is a critical task of 'internalizing' development, and it comes down to the basic question of intent. There are so many variables that can have an

impact on the livelihood of nations, but African countries should be able to discern between 'external variables' and 'internal variables' and understand their implications.

The reason why Sub-Saharan Africa's 'development frame' has been ineffective in comparison to other regions like East Asia is that Africa got the priorities or sequencing wrong: it treats the external variables as the 'principal' variables while relegating the internal variables to a 'secondary' status. Sub-Saharan African countries have always tended to seek explanations and solutions 'outside' of themselves, and they continue to do so, even though they talk about ownership. Many Asian countries, and particularly South Korea, understood that development is what comes from within, like taking action to catch up with rich countries with a strong sense of responsibility and ownership.

South Koreans could have placed the blame for the country's predicaments on a range of external factors like the colonial legacy, the Korean War, geopolitics, geographical and natural conditions, etc. They could have relied on foreign aid without making strenuous efforts for development, leaving the nation's destiny in the hands of outsiders and external dynamics. If this had been the case, Korea would never have even come close to what it achieved.

So the real question lies in the *intent* of Sub-Saharan African nations. How much do African leaders, elites and the general public want to see change? What is the thinking of political leaders and are they really prioritizing national development or are they more interested in amassing wealth for themselves and simply staying in power as long as they can? What is certain is that economic transformation and the overall national development that entails structural changes will not occur as a result of technical prowess and the introduction of systems only.

One of the misguided thoughts that is widely held in the region is that people cannot do things and need assistance from outsiders because they lack the necessary 'capacity'. But capacity is not something that can be injected into someone and then have an immediate effect like vaccination; there is the 'knowledge' part and the 'application' part, and while the former can be gotten from others, the latter is totally up to oneself. In the absence of determination and implementation, knowledge will end up merely as knowledge. When there is a willingness to

learn, it will simply be a matter of time before knowledge and skills will be acquired. Nothing can happen all at once and everything is achieved through the 'building-block' approach, as no one has skills and expertise from the beginning.

An overwhelming number of invitation programmes for capacity-building, study tours, conferences, education, cultural exchanges, etc. are offered to Africans of various backgrounds by donor countries and organizations. Many entry points are provided, but apparently many Africans are not fully taking advantage of these programmes to promote their individual and collective capacity.

Edmund Phelps, the recipient of the Nobel Prize in Economics in 2006, rightly points out that 'economic growth is dependent on the character of the nation'.³ Mindful of this, it will be worthwhile to figure out what would be the 'missing links' to development. In my view, they are the following three elements: (1) a sense of nation or national identity; (2) 'development-mindedness'; and (3) a strong role played by the state—coherent industrial policy, prioritization of agriculture-rural development, etc. For African countries, securing these missing links is certainly achievable if there is the intent to do so.

But we also need to take account of the realities such as the 'odd' electoral democracy, the influence of the internet/social media and globalization, the government's policy of providing handouts, etc. The development of ICT enabling greater access, sharing of information and inter-connectivity, along with economic globalization, are also affecting the lives of African people. These would make people conscious of global trends and raise their expectations of the things to come.

This, coupled with the dependency syndrome which seems to have only been exacerbated over time by the government's policy of providing handouts, has fostered a troubling environment where people's demand keeps growing to the extent that meeting these demands becomes unsustainable. The paradox is that while political leaders and civil servants struggle to respond to people's demands with what available resources they have, the population do not become any more empowered in terms of becoming more responsible and productive. Social pressure mounts when African states continue to fail to deliver public services and mismanage the economy.

African countries and the international community alike should take a long hard look at what takes place underneath the facade of African dynamics. Let us take economic growth, for example. It is true that over the last decade or so, many Sub-Saharan African countries have achieved quite impressive growth and this is to be commended. However, when one looks at the substance, growth was led by extractive industries (and now the downturn because of this), and multi-nationals or foreign companies were the ones that profited the most. Business, investments and economic growth did not translate into meaningful industrial transformation, the creation of a manufacturing sector or the creation of significant job opportunities for the masses.

When African economies are assessed in terms of the key parameters of economic development like industrial structure, infrastructure and agriculture, there is hardly any country that would qualify as a success.⁴ A raw materials or commodity-based industrial structure, absolute shortage and poorly maintained physical infrastructure, a rudimentary and non-competitive agricultural sector, etc. are the causes and at the same time the reflections of chronic weaknesses of the Sub-Saharan African economies.

Many countries are belatedly prioritizing the expansion of physical infrastructure and the increase in power-generating capacity. It is surprising to see that the countries are still struggling to achieve the minimum level of the most basic features of infrastructure, like roads, railways and electricity supply. This is often attributed to a lack of funding, but human failure, which manifests itself as mismanagement, diversion of funds, lack of will and follow-up actions, is more responsible for such deficiencies.

In many cases, the conditions and efforts for 'economic take-off' were not put together from the start. Rural-agricultural development, a backbone for economic transformation, has not been given due attention and pursued energetically because of a lack of understanding of the basics of economics and a reluctance to foresee the problems ahead. When it comes to the formulation and, more importantly, the implementation of national policies, the myopic approach has always incurred heavy costs.

Many things that people are hoping for in developing countries may not easily come about when the leaders' and people's way of life and work patterns are steadfastly maintained. The situation is that people are unwilling to change their attitudes and yet they want to become better off. But how you change without changing? This demands a holistic and long-term view of the problems and solutions, and self-reflection.

What African countries can easily do if they have the willingness to do so is to hold national dialogues, leading to action-oriented national campaigns to enhance people's awareness of national tasks and to build a national consensus on the way forward. Nation-building is far from being achieved in the region. The identification and pursuit of societal and national objectives and values are vital for the nation to move forwards, and common goals or interests should be established at the national as well as the community level.

But what will be counterproductive is sectarianism or sectarian interest-seeking at the extreme, especially when the social fabric and social capital are weak, as is the case in Africa. There is no shortage of public gatherings or events, and very long hours are spent conducting protocols and listening to what everyone has to say. These should become venues for leaders and the people to engage in fruitful discussions and debates on public agendas and how to work together to achieve national goals.

A Sense of Nation and National Identity

It is generally recognized that the sense of nation and national identity in Sub-Saharan African nations are not as strong as in many other nations in different regions. A high level of ethnic diversity is what stands out as a distinct characteristic of Sub-Saharan Africa, but ethnic diversity in itself cannot be correlated to instability or considered to be a direct cause of underdevelopment. And ethnicism and loyalty to the state do not necessarily come into direct conflict. This is all the more so when people realize that the state and their ethnic entity are at different levels. What impact ethnical divergence or multi-ethnicism would have on the nations would vary from country to country, and the

overall outcome of the studies on ethnicity and development tends to be inconclusive.

Crawford Young talks about Africanism, territorial nationalism and ethnicity as 'the ambiguous triple helix of identity' and concludes that they operate on different tracks: 'Territorial nationalism usually does not compete directly with ethnicity; in contrast to what happens in Europe, in Africa ethnic groups are never referred to as "national minorities" juxtaposed to a titular nationality ... the prevalence of multilingualism lowers the temperature of language issues that are so volatile in India, Sri Lanka, Turkey, Belgium or Canada'.⁵

One thing that is quite remarkable and should be taken note of regarding territorial nationalism in Sub-Saharan Africa is that the territorial boundaries of African states that were drawn during the peak of the colonial era remain virtually intact today, long after the independence of nations. While the artificially set linear territorial boundaries did not match the ethnic identity map, Africans have been able to maintain their existing state boundaries. A more accurate way of putting it may be that they have opposed the fragmentation of their territory or, because of the apparently huge task that any effort for re-alignment of territories would entail, they might have accepted living with what has already been given. Pierre Englebert and Kevin C. Dunn point out that 'for all the talk of the emphasis on ethnicity in Africa, one of the most salient and puzzling features of African politics is actually the surprising degree of national identity that African states have managed to produce among their citizens, and the extent to which the latter profess nationalist sentiments despite their subnational divisions'.⁶ As mentioned by these authors, this is somewhat paradoxical, given the colonial origins of these states.

Considering the degree of Africa's ethnic diversity, nationalism in this region (or, to be more precise, territorial nationalism) can be viewed as quite remarkable. But in reality, Sub-Saharan Africa's nationalism is neither forceful nor ideological. It is rather weak, as is in the case for the role of the state. Territorial nationalism might have been maintained because it is conveniently in compromise with ethnicity, not superseding it. Another reason could be that from the standpoint of ethnic entities, since the ethnic composition is complex, they would see no point

in seceding to form a separate state entity when they lack the capacity and self-sufficiency in terms of resources and infrastructures, as well as being impeded in terms of geographical remoteness, etc.

Nationalism, which originated in Europe centuries ago, evolved in other regions around the world in the twentieth century with the rise of anti-colonialism and doctrine of self-determination during the independence struggles of the colonized. In the process of fighting for independence, the inhabitants of colonial territories became a nation. By the early second half of the twentieth century, 'nationhood' became universal and the international political norm. Sub-Saharan African countries, in the wave of independence, strived for nation-building which was necessary in order to gain not only internal legitimation but also international respectability. Crawford Young points out that 'the nation-building project generally did succeed in representing territorial nationalism as a higher form of identity distinct from ethnicity, existing on a different identity track. Ethnicity was deemed legitimate within a purely cultural and private kinship realm but not as a discourse of statehood'.⁷

In Sub-Saharan Africa, ethnic tensions can be latent, subdued, sporadic or exploited, but they do not often degenerate into all-out violence, although there are some exceptions to this. It would be fair to say that in the case of Sub-Saharan Africa, ethnicity does not directly challenge or pose a danger to territorial nationalism. In some instances, a high degree of ethnicity can have a moderating effect on potential cracks or the break-up of a nation. Uganda provides a good case study in this respect. It is viewed as the most ethnically diverse nation on earth, but its very multi-ethnicity makes the predominance of any single ethnic group virtually impossible as others will be united against it. Ethnic checks and balances, even if they are far from ideal, are having an effect. The people of Uganda have lived through tough times and lengthy civil wars in the past, during the eras of Idi Amin and Milton Obote, the Bush Wars and the fight against Joseph Kony and his Lord's Resistance Army. And over the course of time, they have learned the lessons of the dangers of ethnical sectarianism getting out of hand. Rwanda, by African standards, is one of the least ethnically diverse countries, but it experienced the most horrific genocide in Africa.

The 'backtracking syndrome' is also at work here. At the time when Sub-Saharan African countries gained independence, a major feature of nationhood was about differentiating it from, and transcending, tribalism or ethnicity. At the beginning, many African leaders considered that ethnicity would soon become a relic; the Guinean leader Sekou Toure declared that 'in three or four years, no one will remember the tribal, ethnic or religious rivalries which, in the recent past, caused so much damage to our country and its population'.⁸ Like Toure, subsequent nationalist leaders of the new African nations vehemently rejected ethnic nationalism, seeing it as a threat to their states.⁹ But, as it turned out, this was all an illusion. Ethnicism never withered, but the existence of states itself was not seriously threatened either. Later on, the leaders themselves would often take advantage of ethnicism for their own political purposes.

Nation-building with the sense of nation or patriotism at its core is not the task of leaders or government only, but should also be supported and driven by the people. If the masses have no part in it, there is no point in pushing for nation-building in the first place. How nation-building was achieved in most other countries was through 'movement' rather than in a customary fashion. The realization of nation-building without the people's support and fervour is hard to imagine.

So why has nation-building still not been accomplished in Sub-Saharan African countries? Why has the weakness of nationhood in Africa continued for so long? Many have attributed this to colonial legacies and the way in which post-colonial transitions took place. Normally, new nations around the world have developed a sense of nation and national identity over the course of their history or through their struggle for independence. But as some have pointed out, Sub-Saharan Africa's independence by and large did not feature 'vehement' struggles in a political sense, as was the case in many other countries outside the region, and the colonialists' state apparatus was virtually handed over to them. Since independence was not earnestly fought for, the result is a weak sense of nation and patriotism.¹⁰ The mismatch between the euphoria of independence and the reality that unfolded thereafter in Sub-Saharan Africa is still repeating itself in the

twenty-first century in a rather dramatic fashion in South Sudan: no sooner had South Sudan become independent than it was drawn into a much deeper turmoil of constant internal conflict and chaos.

A sense of nation—the feeling of togetherness as a nation—that has a special meaning and value of its own as an integral part of people's lives and which matters for their livelihood is what constitutes an essential foundation for nation-building and national development. But in Africa, not only is this noticeably weak, but it is also often misinterpreted or purposely distorted.

Many still blame the 'colonial legacy' for this, but what should be considered even more seriously is the 'Africans' legacy of missteps'. It does not make logical sense to blame the former while being silent about the latter, which is much more pertinent to the reality of Africa today. So how can the sense of nation and patriotism, which should have been cemented a long time ago at the outset of independence, be erected at this time of ever-heightening liberalization and inter-dependence on a global scale? I believe this will be a true test of the commitment and readiness of Sub-Saharan African countries to move on to the next stage of development. The answer is simple: make conscientious effort now before it become even more difficult.

Development-Mindedness

Now, we are coming down to the crucial part in the discourse on development: development-mindedness. It seems that everyone in Africa wants to see their country develop, but not many seem to genuinely understand, let alone do, what it takes to being about that development. This could be due to many things, but in my view, what is most fundamentally missing is 'development-mindedness'.

So what is development-mindedness? It is a matter of definition and I have purposely simplified it to mean what is 'functional'; it falls within the realm of 'work ethics'. Development-mindedness is a mindset that is conducive to the development or *fulfilment of one's work*. This book takes a logical viewpoint (of 'structural functionalism' in sociology) that a nation ('the whole') is made up of its members, the individuals ('parts'

or 'entities'), and that national development is the aggregate sum of their actions. I base my proposition on the premise that human factors or actions are the single most important component of national development, because the essence of development lies in 'doing' or 'taking action', and not on 'possessing' materials or resources.

So, what constitutes development-mindedness? In an effort to search for the answer to this question, I had to think about what cycle people generally go through or what the things are that people have to do in order to successfully achieve their aims. What I have deduced is the following, 'KPOP': (1) knowledge; (2) practising (embodying); (3) owning; and (4) passion (devotion). The sequencing may not necessarily occur in this order and could vary, and these elements tend to be interactive. I may refer these elements, which are pertinent to national development, as 'steps' or 'phases' for the sake of convenience.

The first thing anyone must do is to *know* what and how to do things. But know-how itself will be of no help if it is not put into practice. As the saying goes, knowing and doing are two very different things. It should also be plain that practising involves 'embodying' process, and these two tend to go together. 'Practising' means going beyond just knowing—to really digest and put into action what needs to be done. The next phase is taking 'ownership', which means that the individuals themselves are 'taking charge' of their work in an active, responsible manner. This would entail broadening of thinking on the planning and execution of tasks. The last phase is 'passion', where people show genuine devotion and motivation for their work. This is what really pushes people to excel and reach the culmination of their work.

This rule applies to everybody from all walks of life and at every level: national leaders, politicians, bureaucrats and public service workers, CEOs and businessmen, labourers, farmers, students, specialists, technicians, academicians, etc. 'Knowing'—that is, acquiring knowledge or expertise—is an initial but important step. One learns through natural process, studying and training in various forms. Many upper and middle-class people are well versed in the category of 'know-how' and have a grasp of the issues and the way forward, thanks to their enthusiasm for, and early exposure to, higher education and frequent contacts with the outside world. In fact, their ability to express themselves in an

organized manner impresses many visiting foreigners. In elite circles and the well-to-do class, their level of knowledge and expression is up to the 'world-class'. But the domain of 'knowing', while essential, is only an introductory part, and it has to be followed by the 'main body' of embodiment, application, ownership and passion.

But 'knowledge' is by no means a given. This is especially true for ordinary people like the youth and the rural populace. What is encouraging to see is that at least the students are enthusiastic and have a yearning for education in many parts of Africa. Of course, a great disparity in terms of the quality of education exists between urban centres and rural areas, where teachers' absenteeism is very high and the contents of education or knowledge imparted often have little relevance to reality.

Practising or applying knowledge is a much more challenging part. The main issue here is twofold: either very little work has been done or things are done improperly. No doubt, a widespread propensity of inaction and non-implementation is evident in Africa. Even worse, people frequently apply their know-how not to where it is due, but to do things that are detrimental to society and the public interest. This is common among civil servants throughout Sub-Saharan Africa. Government departments, law enforcement authorities and local governance bodies are deeply entrenched in irregularities, corruption and abuse of power, so that the problems have become institutional and undermine what little progress is made.

The picture outside the public sector is no less bleak. Sometimes workers have little regard for the most basic things. We can see many instances where knowledge, practice, ownership and devotion are all missing. Many things break down easily, but people tend not to mind and take it for granted. What is clearly visible and can be very easily fixed is often ignored. For example, I heard a story of local employees at a training institute in Uganda who did not bother to do anything about newly purchased classroom chairs. They were new and in good condition, except for a few loose joints that could be easily fixed manually. The employees were blaming the product and saying it was now useless. The principal of the institute, a foreigner, was at a loss in relation

to their utter irresponsibility, and he fixed the chairs himself by simply tightening up the screws.

Unnecessary wastage and loss due to such indifference and carelessness is beyond our imagination. In general, some point out that it is not only the ‘commoners’ but also the ‘capitalists’ of Africa who are known to be wasteful.¹¹ In Sub-Saharan Africa, the ‘mismanagement’ is so prevalent, ranging from something small to something on a national scale, that ‘good management’ is considered rather rare. Probably the more profound harm done is that people become numb to the seriousness of the problem. A question that comes to mind is: ‘If expectations and standards for work are set at such a low level, will development ever be possible?’ A testimony by an Asian national who runs a mechanic shop in Kampala is reflective of this; he half-jokingly said ‘a good thing about working in Uganda is that customers don’t complain about my work, even when my equipment they purchased is not working properly. Better still, they never call me up late in the night to ask me to come and fix it’.

In our world, this KPOP combination can sound like an ideal type. But logically speaking, if the mindset or work ethics cannot keep pace with basic standards, what are the chances of progress? As such, strenuous efforts should be made to bring about the enhancement of quality and productivity of work to meet the acceptable ‘standards’. Let us take an imaginary salesman, for example. In the phase of ‘knowing’, the salesman has to learn the basics—the nuts and bolts of sales and marketing, and company rules and policies. The next ‘practising’ step would require him to *act* as a salesman, ‘embodying’ the routines, being customer-friendly, service-oriented, keeping up with his work schedule and so on. Then in the ‘ownership’ stage, he would be going beyond routine work to have a sense of responsibility and attachment towards his organization. And finally, he would become fully devoted to his work, exhibiting the level of passion to make him a competent and professional businessman.

It is generally recognized that many African nations suffer from mismanagement or a lack of management capabilities. The reason for the scarcity of successful and sustainable businesses run by those native to the region is due to this. And the reason why government projects and

services fail time after time, businesses go bankrupt, factories, hotels and restaurants need foreign managers to keep their business and reputation alive, etc. is because of this shortcoming in development-mindedness.

The human factor of ownership, responsibility and implementation is particularly important. But so much time has been wasted looking elsewhere for answers without addressing the real root causes of the problems of the region. Everybody involved, including the development partners, will have a share of responsibility for this, but no one could deny that the primary responsibility rests squarely with the African people.

This is where mindset change approach can come in. Instead of waiting for the lengthy process to be completed in a sequence, if the mindset change campaign can cause the people to be self-driven and passionate, that is, to go directly to the fourth stage, then stages one, two and three will be taken care of easily and almost automatically. This is the reverse engineering of development-mindedness. Those who feel passionate about doing something will be driven to learn, execute and own the things they want to do *of their own accord*. The reason why 'knowing' is not often followed by 'practising' and 'devoting' is that people are, for some reason, 'involuntary' or 'half-hearted'. In such a situation, coercing people would be counterproductive.

This 'reverse engineering' method can succeed where conventional approach fails. There are examples of such a model of development being tested and applied in Africa. The National Farmers Leadership Centre (NFLC) situated in Kampiringisa in the Mpigi District of Uganda is a prominent case in point. This institution, constructed by the Korea International Cooperation Agency (KOICA) in Uganda, was formally opened in May 2016, following the completion of all the facilities, but it had actually been operational for about a year and a half by this point.

During its trial operating period, in January 2015, about 50 Ugandan farmers from the Millennium Village Project in the Isingiro District were selected for a two-week mindset change and agriculture-livestock development courses. What I witnessed was striking. I have not seen such remote villagers attending a training course this elated, energetic and determined. They were said how much gratified

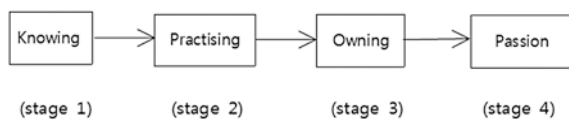


Fig. 5.1 Basic stages of development-mindedness (KPOP)

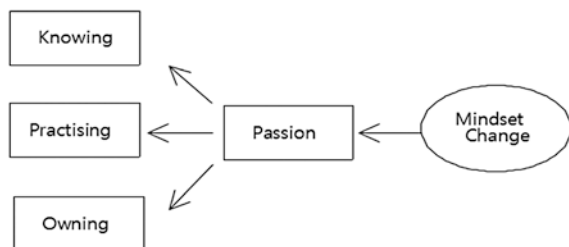


Fig. 5.2 Reverse engineering of development-mindedness

they were, and impressed by, the mindset change training which was something they had never experienced before. What was surprising is that this Canaan Farmers School style mental-disciplinary programme had such a strong appeal to the locals. The aim of this course was to ‘reform’ the trainees’ mind to become self-confident and disciplined.

The benefits of this programme are having a sense of self-esteem, confidence, responsibility and being motivated to work. Those on the programme have to wake up at 5 a.m. every morning to participate in jogging and cleaning-up exercises before having breakfast and starting their classes. To my amazement, I later learned that these farmers, long after having returned to their villages, had stuck to this daily routine, chanting ‘I can do it’ slogans well before dawn. And this sounds almost like magic because it is all done *voluntarily*. The reason why it appeals to them in such a way may be because it felt innately ‘natural’ for them.

Figures 5.1 and 5.2 illustrate the basic stages of evolution of development-mindedness and the reverse engineering scheme respectively. The sequencing shown in Fig. 5.1 need not be taken literally; it is simply to illustrate a general idea and the order may vary depending on the individuals involved and the relevant circumstances.

Figure 5.2 shows the logic of the mindset change programme that was successful in South Korea. A successful drive for mindset change has the advantage of instantly impacting human attitudes and behaviour. Instilling people’s mind with a can-do spirit, positive motivation and encouraging them to work cooperatively so that they become the spontaneous agents of rural transformation is the logic behind the *Saemaul Undong*, the New Village Movement. When people are motivated and passionate, their intensity of learning and practising will naturally become greater, if not automatic.

Figure 5.3 illustrates a repetitive pattern in Sub-Saharan Africa: the ‘backtracking syndrome’. The biggest problem here is not so much the scope or level of knowledge, but the low level of intensity of actions like, in many cases, a surprising lack of attention to basics and details. It cannot be emphasized enough that what is steady, consistent and predictable is much better than what is irregular, arbitrary and unpredictable. The advantage of the former is that over time, it will have positive accumulative effects, while the latter will entail so many impediments like slow and meagre performance, frustration, uncertainty, rise in costs and loss of confidence.

As shown in the figure, backtracking syndrome is represented by ‘regressions’, the act of falling back and failing to stay on track towards progress. People may give up very early in their work or may not quite make it to or keep up with the ‘practising’ or the ‘owning’ phase. ‘Tentative actions’ is when the ‘embodiment’ of knowledge has not properly taken root in the individuals. While the term ‘backtracking

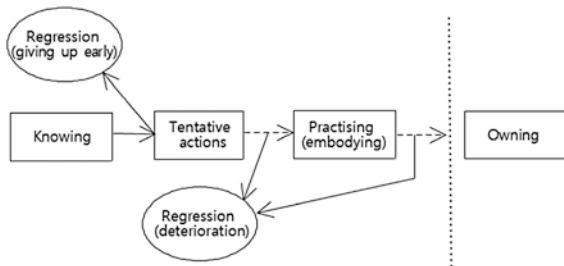


Fig. 5.3 ‘Backtracking syndrome’

syndrome' is used here for the first time, this is a common and recognizable phenomenon typical of Sub-Saharan Africa that many locals frankly acknowledge. Moreover, it occurs both in individuals and in organizations, including the government.

The Strong Role of the State

The weak role played by states poses another major vulnerability for Sub-Saharan African countries. From a broader context, the perceived lack of capacity and credibility of African governments seems to be due, in no small part, to the issue of the mindset or development-mindedness. The inefficiency or poor output of governments is deemed to be more attributable to lack of commitment and the problem of 'not doing' the basics than to the matter of policy choices because there are always many ways to make policies work.

As for the role of government in economic development, different theoretical perceptions have been put forward: the neoclassical view, the revisionist view, 'market-friendly view', the 'functional approach' and so on.¹² But today, the prevalent view in the development community is that the government's role matters and is important for economic development. No doubt, the successes of 'developmental states' in Asia is a powerful testament that developing nations can indeed achieve fast and successful economic transformation based on the positive role of state.

I believe that the developmental states model still is very relevant and deserves to be examined because its lessons and applicability can certainly benefit African countries. Jordan Kyle points out that 'between 1960 and 1995, the economies of 10 East Asian countries – Taiwan, South Korea, Singapore, China, Thailand, Hong Kong, Indonesia, Vietnam, Malaysia, and Japan – grew faster than those of nearly any other country in the world ... In each of these economies, the government played a significant role in development process'.¹³

Nations should not treat the maxim 'actions speak louder than words' as a cliché. Countries in the region had ample time for nation-building and economic transformation, but the desperation was lacking. Thandika Mkwandawire is absolutely right that 'neither Africa's

post-colonial history nor the actual practice engaged in by successful “developmental states” rules out the possibility of African “developmental states” capable of playing a more dynamic role than hitherto’, but equating a scholarly ‘misreading (in this case Myrdal’s concept of “soft state” that he coined in 1968)’ to ‘denying Africa of the opportunity to think creatively’ is far-fetched.¹⁴ As long as the leaders and society as a whole fail to take measures to rectify the situation and scholars continue to justify the reality on their behalf, little progress can take place; taking responsibility and ownership is key.

The tasks requiring direct action to be taken by a nation, like nation-building and economic development, should not left to be initiated, planned and shaped by theorists and directed by international organizations that do not and cannot bear responsibility on behalf of developing countries. South Korea and other Asian countries did not develop because they were guided by theories and the donor community. Explanations or model-building comes after, not before, the accumulation of results and samples. If Sub-Saharan African countries find themselves at odds with the international development community, the chances are that this is due mostly to donor fatigue exacerbated by the slow-paced, non-committal response of the former. Everyone involved in the partnership suffers from consequences like delays, breakdowns and rising costs when parties repeatedly renege on their obligations. International recognition and favourable terms are won on the basis of merit, not on insistence.

The role of the state is deemed to have become more important in light of growing global challenges and inter-dependence. It is true that globalization in the form of greater economic and social inter-dependence calls for complex decision-making processes, which take place at various levels (namely sub-national, national and global), paving the way for a growing multi-layered system of governance.¹⁵ The need for enhanced cooperation and regulation on a wider scale in the international arena justifies the more robust and effective role of states in the process. Imagine the uncertainty and chaos that would ensue should states start reducing and abandoning their role. The emergence of global civil society or world government that was once imagined by transnationalists seems less likely than ever.

African countries have every reason to push for a strong state in which the government plays an active role in relation to economic and social development. Developed countries and international organizations, on their part, should be supportive of Africa's endeavour in this regard. Economic stability and predictability that countries around the world need would come from credibility in actions. The question is how African countries can move in this direction. With respect to the success of East Asian economies, debates have taken place as to whether this was due to policy choice, i.e., selecting the right policies, or to initial conditions like better state capacity and autonomy, higher human capital formation, etc. While both policy choices and initial conditions were proper, the more fundamental and decisive factor was the latter, as stressed by Keun Lee.¹⁶ But 'initial conditions' should not be taken literally as something already given that cannot be replicated. The lesson for African countries is that there is no shortcut to development, but that it is achievable when the necessary effort is indeed made.

Western nations undertook a variety of mercantilist policies to increase national wealth and pursued aggressive industrial policies to develop and transform their industries; the latecomers to industrialization followed this course in order to catch up with the forerunners. Ha-Choon Chang observes that the role of the state was central in the initial stages of the evolution of economics and in Western Europe the role of states increased with the emergence of nation states and the development of capitalism. During the golden era of capitalism, the rise of the state both in terms of economic theory and practice was dramatic.¹⁷

The states were not only preoccupied with exercising sovereignty for the defence and maintenance of order, but also actively promoted economic transformation. European countries have incessantly pushed forth, tested and refined the state's functions or roles in order to meet domestic and international needs or challenges. The welfare state, which is seen as a distinctive combination of democracy, welfare and capitalism, is another example of the state playing an active role in the social and economic wellbeing of its citizens.¹⁸ Originating in Europe, the welfare state has spread to different regions, taking different forms as it has done so. Others have retained significant government roles, as can

be seen in the strong regulatory role played by the US government. Western nations, which started economic development in the primary industry, are still materially involved in protecting and promoting the agricultural and other sectors.

Today, developing and developed nations alike need to have a strong and well-functioning government to handle various economic and social tasks, in addition to security challenges that take many different forms. The role or intervention of active government to promote economic growth in itself should not be regarded as simply being protectionist or anti-free market. Despite all the clamour of neo-classical liberalism and neo-liberalism in the theoretical or academic realm, in practice, how many countries would indeed fit the description of 'laissez-faire capitalism' or a 'night-watchman state?' In reality, there is no such thing as a free market without the government's involvement. Even in the most neo-liberal economies such as the US, the 'invisible hand' is a myth. Today, the role of government in developed countries remains robust and is even upscaled to meet the challenges of economic globalism.

So what are the lessons to be drawn for Sub-Saharan Africa? One of them could be that the so-called adverse international development regime that many hold accountable for Africa's continued economic plight, such as structural adjustment policies, the Washington Consensus and neoliberalist policies, cannot be an excuse of giving up the strong role of government. Since independence, Sub-Saharan African countries have had every opportunity to build a consolidated and effective state to push for economic development with the backing of the international community.

Back in the 1950s and 1960s, the centrality of the role of the state and the need for market regulation was widely accepted, and there was a general perception that economic development called for industrialization, following the path of many Western economies.¹⁹ At the time, Gerschenkron, who analysed the cases of France, Germany and Russia, which wanted to emulate Great Britain, suggested that a backward economy might take a considerably different form of development from the advanced economies and that 'there could even be advantages for late industrializers because they might be able to leapfrog into more

technologically advanced sectors, by learning from and imitating the pioneers'.²⁰ He later argued that 'the greater the degree of backwardness, the more intervention is required in the market economy to channel capital and entrepreneurship to nascent industries'.²¹ Hence, in this period, the goal of development was growth and the agent of development was the state.

Despite an optimistic worldview on the part of 'modernization' and 'big push' theorists, and the developmentalist zeal of first-generation African leaders, the disappointing performance of African countries in this regard brought about a great shift in development thinking around the late 1970s and early 1980s influenced by neo-liberal thought, which was well reflected in the World Bank's report *Accelerated Development in Sub-Saharan Africa*, commonly known as the Berg Report.²² The report attributed the failures of Africa's development to all the negativities of African governments' problematic intervention, missteps and mismanagement.²³

The essence of the problem was not the strength of government or governmental intervention per se, but rather the failure of states to assume their roles as developmental states. In the meantime, countries in East Asia, namely the NICs, were making strides in terms of economic growth and development. Without addressing the fundamental problem of underperforming or dysfunctional government, the pendulum shifts in policy adoptions are not likely to bring about the desired outcomes.

Liberalization and privatization have become popular catchwords and norms for Sub-Saharan Africa's leaders, policy-makers and business sectors. But many have also cast doubts, in hindsight, on the appropriateness of this policy orientation, especially with regard to the manner in which they were implemented, in the absence of sound governance and oversight of the state. The United Arab Emirates case of Dubai provides a good example of a successful marriage of proactive economic liberalization and highly disciplined and effective government oversight.

Fortunately for the United Arab Emirates, it has the riches, the oil, but many other resource-rich countries have not capitalized on their resources. Generally, the hallmark of the strong role of the state in developing countries should be industrial policy. Developing countries,

as latecomers to industrialization, should be able to drive economic development forward with a sufficient level of ability and authority. The more a country lags behind others, the more it will need to exert itself through an industrial push to catch up with the others, instead of leaving everything up to the markets. The word 'transformation', which has become fashionable in the region, implies making real change and breaking the status quo, which is contrary to the general inclination of African states. It is an irony that people want change and yet they themselves are not willing to change.

Regarding the Korean model of latecomer development, Keun Lee argues that Korea's sustained economic growth is due to the capacity of the people and enterprises rather than the role of government, departing from the conventional debates on the state-market dichotomy. According to Lee, the real lesson to be learned from Korea is not the role of government, but the fact that it was able to build up the capabilities of people and companies, thus inducing sustained growth for decades.²⁴ He makes a powerful statement that neo-classical economics focuses on macroeconomic stability and trade liberalization, but these are hardly connected to capacity-building, and such 'bias in economics dates back to the intrinsic limitations of neoclassical economics when the word "capabilities" (and by implication, "learning") did not exist'.²⁵ The classical theory advocates effective allocation or 'optimization' of resources, with an implicit assumption that the necessary resources are already available. But for developing countries, optimization of resources cannot be their preoccupation because they lack such resources as capacity to begin with, and so the more pressing and critical task for them is how to build such capabilities.²⁶

Sung-Hee Jwa proposes that economics must take governments and business firms into account alongside market mechanism because governments and corporations also drive the economy. Hence, he calls markets, governments and corporations the 'holy trinity' or the three key entities of economic development. He claims that markets are old as human civilization and are not a new feature of the capitalist world. As the case of South Korea shows, what also matters is the role of the government and firms in addition to market mechanism. Korea in the 1960s and 1970s, during the tenure of President PARK Chung-Hee,

successfully combined these three components to achieve the ‘miracle on the Han River’, according to Jwa (2015, 2017). Its secret was *sin-sangpilbhur*, a Korean axiom meaning ‘reward good deeds and punish wrongdoings’, which he termed ‘economic discrimination (ED)’. He argues that the sustained economic growth of Korea during the tenure of President Park was possible because economic policy-making and implementation was insulated from political influence; the strict application of ‘economic logic’—efficiency, incentives and competitiveness—while disallowing political influences and considerations for welfare was the key to success.²⁷

The examples of South Korea and other East Asian countries demonstrate that governments and firms can be formidable ‘pro-capitalist’, ‘pro-market’ agents or forces complementing and reinforcing market mechanism. In this respect, Jwa’s theorizing work on the ‘extended market mechanism’ that brings government and firms into the equation is a valuable contribution to economics. In developing countries in particular, market distortions and failures often occur not necessarily due to too much government intervention, but more often due to weak institutions and a weak role played by the government; this is all the more true in view of their imperfect economic environment.

When the functioning of government is meagre, not only will government projects fail, but the general public will suffer the most. Since poor public service delivery reflects a lack of discipline amongst and responsibility of civil servants, this will have a negative effect on the society as a whole. In many countries in the region, the spirit of ‘serving the people’, whether it concerns public service by government workers or customer service by the private sector, is markedly weak. The perennial poor delivery of service lowers people’s expectation of service and they take this to be the norm. This translates into less pressure on those on the government payroll to do their job. Hence, the vicious cycle of poor service and performance, wastage of public resources, marginalization or disempowerment of the public, and weak accountability in the public sector continues. Furthermore, officials are engaged in widespread corruption, aggravating the problem in the public sector. According to the Mo Ibrahim Foundation’s Index on Governance

released in October 2016, the level of red tape and corruption in governments in Africa has increased over the last ten years.

Agricultural-rural development in the wider context of industrial policy deserves the special attention of African leaders because this should be the bedrock of industrialization and economic transformation for any developing country. There is clearly a renewed advocacy for agricultural development in the community of African elites, Africanists and international development organizations.

David Henley sheds light on Asian states' pro-poor agriculture-rural development policies, which African countries have not been able to successfully adopt and implement. He views that the divergence in performance between Africa and Asia boils down to the ways of combining rapid economic growth with mass poverty reduction, and the fact that African leaders have never shown a serious intention to pursue such pro-poor development: 'Their development models, implicitly or explicitly, have focused not pragmatically on mass outreach and rapid impact in the battle against poverty, but on ideas of technological and cultural modernity based on conditions in already rich countries'.²⁸

Joe Studwell outlines the crucial roles that governments of Asia played in economic development: (1) the restructuring of agriculture as a highly labour-intensive household farming to maximize output alongside land ownership reform that provided land for small farmers; (2) using the proceeds from surpluses in agriculture to build an export-oriented manufacturing sector; and (3) intervening in the financial sector to direct capital towards the small farming and export-oriented manufacturing sector.²⁹

Let us revisit the classical economic growth theory of Walt Rostow. This is a theory of modernization development postulating that developing countries go through the following five stages: (1) traditional society; (2) establishing conditions for take-off (underdeveloped economy); (3) economic take-off (developing economy); (4) drive to maturity (developed economy); and (5) high mass consumption (post-industrial economy). The first stage, traditional society, is associated with the country having the majority of its people engaged in subsistence agriculture. The second stage is entails change in order to build up the conditions for growth and take-off. It is characterized

by the massive development of raw materials, increase in capital use in agriculture, and the mobilization of funding and investments. There is also a shift from an agrarian to an industrial or manufacturing society, and trade and other commercial activities are broadened. In the third, take-off stage, urbanization increases, new industries expand rapidly and a technological breakthrough occurs. This is characterized by dynamic economic growth and the reinvestment of increasing profits in new industrial plants. The fourth, drive to maturity stage features the diversification of the industrial base, the expansion of multiple industries, the shifting of manufacturing from investment-driven capital goods to consumer durables and domestic consumption, and the rapid and large-scale development of social infrastructure. The fifth stage is about high mass consumption, with the industrial base dominating the economy and with widespread consumption of high-value consumer goods.³⁰

An important point to make here is that economic development started from the agricultural-rural sector. For non-Western countries, the development path need not follow such an order, but this is not the central issue. What should be recalled is that not only the East Asian economies but also the Western economies that have industrialized much earlier have taken the course of achieving economic transformation on the basis of successful agriculture-rural development.

In *Common Wealth*, Jeffrey Sachs lays out his version of the economic development stages of poor countries rising to the status of wealthy economies in which agricultural development plays a key role: (1) subsistence economy; (2) commercial economy (large boost in agricultural productivity); (3) emerging market economy (expansion of infrastructure); and (4) technology-based economy. And he observes that 'once the economy gets an initial surge in food productivity (stage 2), it begins to grow and prosper on its own. This is because the initial surge in wealth allows private citizens and the government to make investments in health, education and infrastructure'.³¹

All in all, we can argue that what is fundamentally lacking in Africa that East Asian countries and much earlier Western economies were able to do during the early phase of their development are: (1) the construction and operation of strong government functioning mechanisms; and (2) an effective policy drive for rural-agricultural development.

So why haven't most of the countries in the Sub-Saharan African region been able to take advantage of these historical facts and lessons? The models of development did not emerge out of a vacuum; they are the outcome of decades or even centuries of efforts. It is up to developing nations to figure out what best suits their situation, given all the facts and experiences. What is obvious is that true economic transformation takes objective, consistent and broad-scoped thinking, planning and, most of all, action.

After popular optimism of the 'Africa rising', indications of the flaws in the economic state of Sub-Saharan Africa continue to show themselves. For example, the deterioration of the economic situation in Zambia has threatened to send the copper-rich country that was hailed as a middle-income nation to a point of near-collapse. For decades, Zambia reaping heavily from its sole mineral export, copper, which accounted for nearly 70% of the country's export earnings, and was the second-biggest copper producer in Africa behind the Democratic Republic of Congo. But today, Zambia provides a lesson on the perils of overdependence on a single commodity and a handful of multinational mining companies. Declining copper prices and a severe electricity shortage were the biggest reasons for its fall from grace. Zambia's economic growth rate, which had averaged seven per cent annually for the previous five years, fell to an estimated 3.4% in 2015, leading to speculation that it might have to turn to the IMF for assistance.³² Fortunately, however, for Zambia and other resource-rich African countries, commodity prices are on the road to recovery in 2018.

Nigeria is just one of many countries that have suffered in recent years from over-reliance on oil production without having proper governance in place. As of early 2017, as the largest oil-producing nation in Sub-Saharan Africa, where oil income accounted for 35% of its GDP and 75% of government revenue, Nigeria was facing a serious shortage of electricity even in Lagos, following a 35% fall in the value of its currency over the previous year amid rampant corruption, which saw billions of dollars of oil revenue disappearing into thin air. Nigeria has been the biggest tomato-producing country in Africa, but was importing tomato pastes from abroad because it did not have sufficient manufacturing facilities to make the product domestically.³³

Rick Rowden noted that: 'Africans were told to simply privatize, liberalize, deregulate, and get the so-called economic fundamentals right. The free market would take care of the rest. But this advice neglects the actual history of how rich countries themselves have effectively used industrial policies for 400 years, beginning with the U.K. and Europe and ending with the 'four tigers' ... This inconvenient history contradicted free market maxims and so has been largely stripped from the economics curriculum in most universities'.³⁴ It is up to African countries to decide how they want to develop but they should be at least cognizant of historical facts and lessons to be able to make the right decisions.

Notes

1. See George J. Sefa Dei and Paul Banahene Adjei (eds), *Emerging Perspectives on African Development* (New York: Peter Lang Publishing, 2014), p. 5.
2. David Booth and Diana Gammack, *Governance for Development in Africa* (London: Zed Books, 2013), p. 87. Booth and Gammack argue that evidence tends to support E. A. Brett's thesis ('Problematising the Democratic Imperative: The Challenge of Transition and Consolidation in Weak States', draft paper, London School of Economics, 2012) that open democratic processes have only ever been established in countries that have strong states, cohesive societies and liberal capitalist economies'. And they make an important case that 'careless promotion of elections and economic liberalisation – the trappings of democracy and capitalism – in countries where inter-communal relations and political settlement are fragile can be very costly in terms of violence and human life'.
3. 'Secrets Behind Korea's Economic Success', Korea Foundation DVD (October 2014).
4. In this respect, South Africa can be categorized as a different class. But when we discount the 'white minority run-economy' if we can describe it as such, then the situation is comparable to other countries in the region. There are 'pockets' of developed or industrialized areas in countries like Kenya and Nigeria, but when we see them from the holistic perspective of the 'national economy', they lag considerably behind other regional economies.

5. Crawford Young, *The Postcolonial State in Africa* (Madison: University of Wisconsin Press, 2012), p. 332.
6. Pierre Englebert and Kevin C. Dunn (2013), pp. 89–90.
7. Crawford Young (2012), p. 312.
8. Ibid.
9. Asongazoh Alemazung, 'Leadership Flaws and Fallibilities Impacting Democratization Processes, Governance and Functional Statehood in Africa', *African Journal of Political Science and International Relations* 5, no. 1 (January 2011), p. 32.
10. Edward Kirumira, Principal of the College of Humanities and Social Sciences, University of Makerere, speaking at the workshop 'Colonial Legacy and National Development: Comparative Post-colonial Impact Assessment and Lessons Learned between South Korea and Uganda', 15 August 2015, Sheraton Hotel, Kampala, Uganda.
11. See Thandika Mkandawire, 'Thinking About Developmental States in Africa', http://archive.unu.edu/hq/academic/Pg_area4/Mkandawire.html. See also Thandika Mkandawire, 'Thinking About Developmental States in Africa', *Cambridge Journal of Economics* 25 (May 2001), pp. 289–313.
12. Oh-Seok Hyun (President, Trade Research Institute, Korea International Trade Association), 'The Role of Government and Economic Development', November 2006 (PPT presentation), <http://siteresources.worldbank.org/PSGLP/Resources/Session2Oh.pdf>. The government's role involves the mobilization and allocation of resources, the stabilization of the national economy and the promotion of technological development. The neo-classical view emphasizes a stable macroeconomic environment, the absence of price controls and other distorted policies, a reliable legal framework, free trade, investments, etc. The revisionist view is that industrial policy and interventions in financial markets are not easily reconciled within the neo-classical framework, and some policies in some economies are much more in accordance with models of state-led development. The market-friendly view prescribes the appropriate role of the government in the market-friendly strategy (the World Bank's *World Development Report*, 1991). The functional approach identifies successful cases like South Korea, considering that South Korea achieved rapid growth based on the 'three functions of growth': accumulation, efficient allocation and rapid technological catch-up.

13. See Jordan Kyle, 'Perspectives on the Role of the State in Economic Development—Taking Stock of the "Developmental State" After 35 Years', *IFPRI Discussion Paper* 01597, January 2017.
14. Thandika Mkandawire, 'Thinking About Developmental States in Africa' (2001).
15. Guido Bertucci and Adriana Alberti, 'Globalization and the Role of the State: Challenges and Perspective', paper drawn from *United Nations World Public Sector Report*, 'Globalization and Public the State' (2001).
16. Keun Lee, *Economic Catch-Up and Technological Leapfrogging: The Path to Development and Macroeconomic Stability in Korea* (Cheltenham: Edward Elgar, 2016), p. 15.
17. Ha-Joon Chang, *Globalization, Economic Development and the Role of the State* (London: Zed Books, 2003), Korean translation (2006) by Bookie Publishing House, pp. 37–39.
18. T.H. Marshall, *Citizenship and Social Class and Other Essays* (Cambridge: Cambridge University Press, 1950).
19. John Harriss, 'Development Theories', in Bruce Currie-Alder, Ravi Kanbur, David M. Malone, and Rohinton Medhora (eds), *International Development: Ideas, Experience, and Prospects* (Oxford: Oxford University Press, 2014), p. 39.
20. Ibid. See Alexander Gerschenkron, *Economic Backwardness in Historical Perspective: A Book of Essays* (Cambridge, MA: Belknap Press, 1962). Gerschenkron stresses the importance of capital for overcoming technological gap confronting 'backward' nations. He argued that state intervention compensated for inadequate supplies of capital, skilled labour or entrepreneurship in late-developing economics.
21. Ibid. See Albert Fishlow, 'Review Essay on Gerschenkron's *Economic Backwardness in Historical Perspective*', for the Economic History Network (www.eh.net/node/276).
22. Ibid., p. 42. The Berg Report faults Africa's 'inappropriate state dominated policies' for leading governments to take on more than they could handle, distorting economic incentives and creating all the opportunities for unproductive rent-seeking.
23. Thandika Mkandawire (2001), p. 289.
24. Keun Lee, 'Korean Model of Latecomer Development: Capability-Building and Smart Specialization Leading to Structural Transformation', a policy report, Center for Economic Catch-up, Seoul National University, December 2016, pp. 2–3.

25. Ibid., p. 3.
26. Ibid.
27. Sung-Hee Jwa's PPT presentation 'Korean Economic Development and Saemaul Undong: Experience and Lessons' (8 September 2015, Kampala, Uganda) and the presentation paper at the Korea Forum for Progress (1 September 2015, Seoul, Korea), 'Success Factors of Saemaul Undong' (Korean). Dr. Jwa, Sung-Hee is the Chair Professor of the Park Chung-Hee School of Policy and Saemaul, Yeungnam University, Korea.
28. David Henley, *Asia-Pacific Development Divergence: A Question of Intent* (London: Zed Books, 2015), pp. 209–210.
29. Joe Studwell, *How Asia Works: Success and Failure in the World's Most Dynamic Region* (London: Profile Books, 2013).
30. W.W. Rostow, *The Stages of Economic Growth: A Non-communist Manifesto* (Cambridge: Cambridge University Press, 1960), pp. 4–16.
31. Jeffrey Sachs, *Common Wealth*, 2008, <http://www.povertyeducation.org/stages-of-economic-development.html>.
32. 'Declining Copper Prices a Large Factor in Zambia's Economic Tumble', *Globe and Mail*, 26 October 2015.
33. *Nigeria Crossroads*, CNN International, broadcast on 3 May 2017.
34. Rick Rowden, 'Here Is Why "Africa Rising" Is Just a Myth', *The Observer* (Uganda), 6 January 2016, p. 24.

Positive Signs and Reasons for Hope for African Development

Positive Signs and Reasons for Hope

The challenges and tasks facing African countries may seem daunting, but this does not warrant an overtly pessimistic judgement, as there are in fact positive aspects in the countries that when properly recognized and utilized can be instrumental in the development of the region. Africa's problems, which have been cited by so many, are exhaustive, but I have reason to be optimistic and believe that Africa can indeed succeed in transforming itself. Here I would like to explain why.

I can think of at least seven reasons to be positive. First of all, the root cause of underdevelopment of Sub-Saharan Africa is essentially a matter of 'intent' rather than being structural or environmental in nature. Second, there is a prevalence of openness and pragmatism in the region. Third, Africa's political, economic and social structures are not 'fixed', but dynamic. Fourth, there is great potential for development because of the 'cushions' they have: an abundance of land, including vast fertile soils, untapped natural resources and a growing young population that can be turned into 'assets'. Fifth, there have been so much disappointments and shortcomings that now the time is ripe

for accepting the inevitability of 'change' and doing things differently on the part of Africans and the international development community alike. Sixth, an increasing number of Africans are beginning to understand that not only the world but also their sub-regions are becoming ever more competitive and that they need to develop competitiveness in order to survive and prosper. Seventh, there are a number of very positive traditions or customs conducive to development in Africa that have been overlooked, forgotten or underestimated, but which should be duly recognized or brought back into play.

Regarding the first question of intent, changing the mindset of the people is by no means easy and some say that it can be the most difficult thing to do. But when mindset change actually does occur, even partially and incrementally, it can unleash a powerful force that brings about changes beyond people's imagination. Mindset change is important not only for development but also for dealing with social problems like violence, killings and abuses that plague the people, because such problems cannot be resolved through law enforcement alone. If the mindset change of the individuals takes place *collectively*, its impact will be huge and can bring about a sea change. As much as there are aspirations for growth and prosperity in the region, there has to be an equal level of seriousness for mindset change.

I do not see Africa's development problem as a fundamentally structural one that cannot be overcome despite human efforts to do so. Africans are not subjected to perennial wars, natural disasters and diseases on a grand scale, although it tends to be big news when these do occur. Africa is a huge continent and except for some limited trouble-spots and isolated cases, the vast region is mostly calm, peaceful and stable. There is nothing that coercively suppresses the people from developing. Wars are man-made and epidemics are, strictly speaking, also man-made. To treat Africa differently from the rest of the world by depicting it as always being in a more adverse state than other regions is simply wrong. I have met so many locals who were very proud of their heritage, and some even suggested that Africa lags behind other regions because it is blessed with an overabundance of so many things.

What is also striking is that there is a genuine passion for education and learning among the populace. In every circumstance, education is

the key and it will make all the difference. But apart from regular academic teaching, subjects on socialization or 'national ethics' should be newly introduced and pragmatic, vocational skills training must be expanded. In the end, Africans have to, and eventually will, come to terms with this critical matter of 'intent' because this is unavoidable, if not quintessential.

The second reason is closely related to the first one. I personally think that the most attractive and promising feature of the people in Sub-Saharan Africa is that they are predominantly open-minded and pragmatic, and not ideological, self-closing or dogmatic. In fact, I find virtually everyone—elites, intellectuals and the general populace—in the Sub-Saharan African region to be very receptive and friendly. Nearly all African countries are seen to pursue pro-development, pro-liberal market economy policies and want to very much enhance business in collaboration with foreign firms and partners. Religious extremists and terrorist organizations are mainly confined to Somalia and northern Nigeria. What is interesting, however, is that South Africa, which is economically the most advanced country in Sub-Saharan Africa, is perhaps the most ideologically charged nation in the region, mostly due to the legacy of apartheid.

Third, Africa's political, economic and social structures are not 'fixed', but are dynamic and still in the making. I think that many will agree that this is true, which is why I am rather optimistic about the future of Africa. I have a sense that in due course, Sub-Saharan African countries—and if not all of them, then at least an increasing number of them—will experience an 'awakening' with respect to their reality and will take charge of their destiny.

Fourth, Sub-Saharan Africa is promising in terms of its sheer size of the 'untouched' fertile land mass. It is also abundant in untapped natural resources and boasts a growing young population, which should be regarded as a potential asset rather than an economic and social burden. Some point out that the demographic dividend could be a huge advantage for Africa: 'You don't need to stay long in any African city to feel the entrepreneurial energy on the streets. For those of us who grew up on the continent, it is very much a fact of life. But for those visiting, perhaps for the first time, it can seem overwhelming. There is no

single reason, of course, for this bustle and energy. But a big part of it comes from the fact that Africa has the youngest population of any continent.¹ It is a matter of how people perceive things and what choice of actions they take.

These are all valuable ‘cushions’ that Africa can take advantage of in the future exigencies of this world. Ironically, the uncertainties of the world like global climate change, shortage of foodstuffs, the impact of ageing society in industrialized countries, etc. may make Sub-Saharan Africa increasingly attractive. There is also a special ‘affection’ and eagerness on the part of international community to recognize its positive developments.

The fifth point I want to make is that now many people appear to be craving something new and different that can work. People are literally fed up with the rampancy of corruption, mismanagement, breach of laws, and irresponsible and immoral acts that mar the basic functioning of society and the state. In this respect, we should acknowledge that there is an apparent variance on this point across the African continent: at one end of spectrum, some countries are viewed in a positive light, giving rise to optimism, while at the other end, certain countries are suffering from prolonged crises involving unending internal conflict, destabilization and human suffering. Even within a country, the situation may vary depending on the region, but hopefully good practices will prevail and spread.

The sixth argument is that even in Sub-Saharan Africa, ‘competition’ has set in as a stark reality. By now, state leaders, elites and businessmen should know that economic performance or capacity is what matters. They are not only competing among themselves for foreign development assistance, but also—and more importantly—for trade, investment and tourism. Competitiveness is becoming a key word in Sub-Saharan Africa and there will be countries ‘running away’ and receiving increased recognition and opportunities, while others lag further behind. The pursuit of equality and welfare is like a double-edged sword for development: it can hurt if it is too little or too much. But the principal driver of economic growth is competition and comparative advantage.

Lastly, Africans nations and donors alike should ‘rediscover’ the valuable ‘gems’ of Africa that have been underestimated. African people greatly value recognition, like earning academic certificates and degrees, and winning citations and awards. The sense of pride that I see in ordinary African people for being honoured for their achievements is immense. Another positive element is the tradition of community-based self-help work. In Uganda, this is called *Bulungi Bwansi* (for the good of the nation) and in Rwanda *Umuganda* (coming together for a common purpose), while in Burundi it is called *Ibikorwa Rusangi*. Many other countries, including Ethiopia, have similar traditions. In Uganda, the *Bulungi Bwansi* movement has weakened following the influx of foreign aid and the popularization of the ‘welfare’ policy of the government that exacerbated the dependency syndrome of the local populace. The situation is more or less the same in most other African countries.

It will not be difficult for devoted Africanists to soon recognize that ‘Africa has rich, ancient traditions of what we call public work—self organized communal labours. These are crucial foundations for a democratic way of life that existed long before Europeans brought the term to the continent’.² But many such traditional virtues have been neglected, discouraged or sabotaged with political intent by African rulers after independence. The unwholesome electoral democracy prevalent in the region is seen to have smothered the voluntarism that would have really empowered the people.

In any case, we should neither be naive and optimistic nor overly pessimistic and cynical. Only being truthful and candid about the problems will be of help. As the saying goes, ‘truth will set you free’.

The Task of the Donor Community

What are the things that donors should do to improve the situation and the efficiency of aid? Compared to what African countries need to do, which are basically fundamental things, the tasks facing donors are more technical in nature, including features like coordination,

know-how transfer, supervision, etc. But the reality obliges donors to not only carry out such technical tasks but also to constantly 'press' others, the aid-recipients, to do their necessary part as well. From the donor community's perspective, aids provided to African countries since their independence were not having desired outcomes and African countries needed to assume greater responsibility as aid recipients. The end of the Cold War brought about fundamental changes in international political dynamics and this led to a basic change in donors' stance as well:

The 1990s was an era of the re-examination of aid's effectiveness and imposition of 'conditionality' with increased donor fatigue and call for good governance to root out corruption. Emphasis was also placed on reducing aid dependence as well as liberalization and privatization, while there was a resurgence of the poverty alleviation objective.³

As for the development doctrine in the 2000s, the development community ran out of 'big ideas'. Following the turn of the century, it seems that no one was confident to lay out a clear prescription in terms of theory and policy. Instead, the international community came up with action-oriented plans like the Millennium Development Goals (MDG), and the problem of aid fragmentation was seriously considered. Since the new millennium, while the Washington Consensus has been 'muted', there have been bits of everything without a clear aid policy-orientation.

Development paradigms before the MDGs lacked formal international agreement, but the MDGs emerged as the first ever of their kind in terms of their formality (although the agreement was incomplete) and specific action goals. The MDGs were mainly the outcome of the work by a small group within the OECD Development Assistance Committee (DAC) and UN Secretary General Kofi Annan's Millennium Declaration, which lacked the formal approval of the UN General Assembly. Hence, developing countries tended to view MDGs as part of the developed countries' agenda, but the SDGs were an outcome of much more broader deliberations and were formally adopted at the UN summit. Therefore, it can boast greater legitimacy in that both developed and developing countries can claim its ownership.⁴

Good governance is also rightfully stressed, as political stability and sound institutions are vital to sustainable growth. The need for industrialization and building infrastructure, and private sector participation in the funding for development, among other factors, are also underscored. On the other hand, the fact that SDGs have a very broad scope in terms of issue areas and items, and that these goals are designed to be taken up on a voluntary basis by the states will likely prompt both developing countries and developed countries to act in a discretionary and selective manner suited to their national interests.⁵

So, what should the task be for the donor community? First, the international community should take a long hard look at the reality and limitations of existing approaches, and realize the need to be more open-minded and creative about making improvements. Second, the donor community as a whole must forge closer collaboration, and where it is appropriate and possible to do so, should try to be less competitive and be more complementary.

We have seen the evolution of the aid doctrine since the 1950s. At the multilateral level, the aid doctrine and policies have been driven by developed countries through their organizations, namely the OECD DAC, along with the World Bank and IMF. While international organizations ensure the consistency, predictability and stability of international aid policies, as well as providing specialized or tailored assistance for a whole range of needs, bilateral donors are the major funders of international organizations and at the same time are their collaborative clients or partners on the ground.

Looking back, the MDGs were touted by the UN as ‘the most successful anti-poverty movement in history’.⁶ But it would be fair to say that the MDGs had limited success in terms of the overall development of Africa, as the goals were focused on poverty reduction and assistance for ‘basic needs’. The lessons learnt are already incorporated to a certain extent in the action plans of the SDGs, and as this is the general framework of development at the global level, the UN is doing its fair share to spearhead this. But the UN cannot be guarantors of Africa’s transformation, and it is only at the national level of African countries that the successful implementation of the SDGs can be achieved.

While the donor community has inherent limitations, it also provides a meaningful support that we can call 'limited external governance'. To understand the value of this 'limited external governance', one only needs to think what would have happened if foreign aid personnel—officials, experts, workers and volunteers—were suddenly withdrawn or aid programmes were stopped. Hence, the basic challenge regarding aid is twofold: how to overcome dependency syndrome and how to improve the overall governance. And I think the theme of enhancing aid effectiveness captures both. But things have to change and can change for the better. One way to do this is by avoiding the 'Samaritan's dilemma'.⁷

Aid can end up just as one-time transfers of wealth or can be 'wealth creating' if used properly. Therefore, the principle of 'rewards and punishments' should be applied and the tools of incentives and competition should be employed, along with consideration of the needs of African countries. Foreign aid should be value-adding and 'giving credit where it is due', 'reward based on merit' or 'effective resource reallocation' ought to be the catchphrases that donors should be honouring.

I have already mentioned that democracy and governance are basically an outcome of development rather than its precondition. Western countries were not democratized when they were industrializing, and the East Asian economies achieved rapid growth under authoritarian political regimes and imperfect governance. Of course, the better the governance, the better it will be for development. This is all the more true for Sub-Saharan African countries. Corruption, irregularities and political repression were also common in East Asian countries, but Asian nations were much more development-oriented in terms of state leadership, policy focus and work ethics compared to African nations.

Countries that rank high in terms of development in the region, such as Mauritius, Botswana, Namibia, Cape Verde, the Seychelles and South Africa, all boast high marks in governance and democracy. But needless to say, the ideal condition for developing countries will be to have both strong work ethic and good governance. While it will be no easy feat to achieve both at the same time, if at least steady improvements can be made in these, the countries will no doubt make great progress.

The vast majority of official development assistance (ODA) is provided by the OECD Development Assistance Committee (DAC) members. The DAC is comprised of 29 countries, plus the EU, of which all except for two (Japan and South Korea) are Western countries. In 2016, the OECD DAC's net ODA totalled USD 142.62 billion, which represents an 8.9% increase compared to 2015; the top five donors were the US (USD 335.9 billion), Germany (USD 246.7 billion), the UK (USD 180.1 billion), Japan (USD 103.7 billion) and France (USD 95.0 billion); the DAC has provided USD 267.4 billion to Africa, of which 88.9% has been directed at Sub-Saharan Africa.⁸

The official donors, which comprised 20 countries in 1960, has now become 48, including non-OECD DAC members that report to the OECD DAC. This excludes some countries like China, India, and Brazil that do not report to the DAC.⁹ In Africa, the non-OECD DAC, emerging donors such as China, India, Brazil, Kuwait, Saudi Arabia, Turkey and the United Arab Emirates—the so-called seven emerging donors—have been active to varying degrees for many decades.¹⁰ China, the outright biggest donor in this group, is estimated to have dispensed USD 7.1 billion in 2013, making it the sixth-largest donor in the world.¹¹

So what does diversification of donors mean for Africa? We may start by comparing traditional donors with emerging donors. The OECD DAC is the mechanism that spearheads established donors' development agenda; it is the body of policy consultations and coordination and lays out principles and guidelines for its member states. Among them is the criterion for evaluating development assistance: relevance, effectiveness, efficiency, impact and sustainability.¹² And the emphasis it places on aid recipients' governance is clearly enunciated.¹³ The basic difference between the established donor community and the emerging donors can be summed up by the words 'governance' and 'concessionality'. According to Courtney Meyer, 'the emerging donors have begun to establish a new status quo, one without policy strings attached and one which focuses on infrastructure, innovation, exports and health, rather than governance'.¹⁴

Among the emerging donors, China is the most important provider of aid to Africa that resembles ODA provided by the OECD DAC,

and according to one study, China's share represented about 76% of the total commitments from the seven emerging donors for Africa over the period from 2003 to 2012.¹⁵ Hence, the role of China's aid to Africa and its implications on the current aid architecture in Africa will be an interesting and noteworthy theme of Africa's development. There is a need to view the relationship between traditional donors and emerging donors in terms of possible partnership, but basically the relationship is seen as being competitive. Yet, in reality, they can be complementary in nature, even enabling some kind of division of labour. But forging a meaningful and systemic collaboration between the two donor groups, while ideal, would be not so likely, at least in the near future, for the following reasons: (1) political and strategic calculations; (2) a technical logjam; and (3) inherent limitations in the capacity of recipient countries. However, some degree of de facto division of labour can emerge, given the basic differences in their fields of assistance.

From the traditional donors' perspective, their aid 'leverage' towards African countries could be curtailed if countries like China, which pursues a fundamentally different aid approach compared to the OECD DAC, provides African countries with an alternative to traditional donors' aid. Some leaders even express publicly that the West's support mostly goes into 'consumptive' areas that do not yield sustainable economic benefits and want Western countries to invest more in infrastructure building like China. Many Sub-Saharan Africans admit that their leaders have been trying to play the West off against other non-Western players to elicit as much benefit from all these countries as possible.

How much commonality in substance will the BRICS countries find with one another and whether BRICS will prevail as a coherent and forceful body wielding influence on the global stage is still uncertain. This is true because China, India, Russia, Brazil and South Africa all derive their economic power and status from their links with the global economic system in which the Western world is dominant; furthermore, these countries' interests and positions could diverge more than converge when it comes to regional and international politics.

The 10th BRICS summit that was held in July 2018 in South Africa gathered many African heads of state as the host, South Africa, was promoting BRICS-Africa business and investment. The summit was held

under the theme: 'BRICS in Africa: Collaboration for Inclusive Growth and Shared Prosperity in the Fourth Industrial Revolution'. As expected, China's investment charm offensive highlighted the event, along with the call for free trade and multilateralism by the participants. Many African leaders voiced their wish to collaborate with BRICS for employment opportunities for the youth, industrialization and infrastructure development.

The traditional donors, in principle, may want to espouse China and draw it closer to the OECD DAC framework. However, considering China's strategic stance in Africa as well as its foreign policy orientations, I see little reason why China would want to adapt itself to the OECD DAC regime, which essentially reflects Western values. In this sense, everyone—traditional donors, China and other emerging donors, and Sub-Saharan African countries—would all want to maintain the status quo because the current dynamics in regional aid architecture serve their interests under the given circumstances.

The 'technical logjam' that I mentioned above relate to the difficulty of coordinating aid policy among donors. Given that aid coordination is difficult enough among the OECD DAC members, we can only imagine how challenging will it be to coordinate both the OECD DAC members and emerging donors. The third element, 'inherent limitations in the capacity of recipient countries', is another reason why concerted action or coordination between traditional donors and emerging donors will not easily occur. Donors do not simply give away aid and African countries do not simply take aid as it comes. Both sides have to work out arrangements and plans, and follow procedures. If the two groups were to engage in some sort of consultation or coordination mechanism with regard to aid plans for Africa, naturally, aid recipient African countries would have to be brought on board as well.

ODA is here to stay, despite all the criticisms it has attracted. Considering the trend and the demand of African countries, in all likelihood, the amount of global ODA will continue to increase for the foreseeable future, barring extraordinary circumstances like a drastic downturn in the global economy. The proliferation of donors means that while it would be difficult to establish formal coordination mechanisms among donors, nonetheless, some kind of donor

‘inter-connectivity’ could emerge across the board, leading to a de facto ‘division of labour’ among donors.

The growth of donors and inter-connectivity or inter-dependence among various donors or donor groups also needs to be considered. There is no denying that today’s engine for economic growth is global free trade and investment, and that the rise of emerging economies is attributable to them being closely integrated into the global economy. Different countries with different political regimes may have different ways of running their economies, but the universal ticket to national pre-eminence depends on wealth creation and this can only come by actively engaging in global economic transactions.

In this regard, China draws our attention in light of its perceived growing influence and assertiveness on the global stage and especially its aggressiveness in advancing into African markets. Is China a rival, a potential threat to the existing development norm and order or can it be a benign force, a constructive partner of traditional donors? Economically, China’s growth has been possible by taking advantage of the global market economy, and many countries have also benefited from China’s economic power. The trend seems to be that China is economically increasingly linked to the world. When I visited the Brookings Institute in July 2009, I found an interesting book entitled *Power and Responsibility* in its bookstore. This book advocated resurrecting US global leadership by building partnerships and institutions for cooperation with traditional and emerging powers, mindful, as the authors pointed out, that rising powers such as China ‘recognize that their economic growth relies on a strong and resilient international and finance system’.¹⁶

With respect to China’s economic rise, the principal architects of US foreign policy at that time seemed to have concluded that there was no cause for concern as long as China was integrated into the prevailing international regimes. Their logic was that the US might no longer be the hegemonic superpower it once was, but that it has sufficient power to lead the world through smart multilateralism. This seems to be the correct perspective. Joseph Nye asserts in his book *Is the American Century Over?* that the US will remain the strongest power in the world, with no visible sign that its status will be altered in the foreseeable

future. He recognizes that China poses the biggest challenge to the US, but China still lags considerably behind it in the three aspects of power: military, economic and soft power.¹⁷

On the third point that there should be a division of labour among donors, we should see this from the standpoint of international collaboration and coordination, being mindful of the difference in the ‘lifetime experiences’ of donors. To a certain extent, this is already happening in a natural way, as donors would have certain areas of expertise that they would wish to impart to developing countries.

Notes

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3. Erik Thorbecke, ‘The Evolution of the Development Doctrine and the Role of Foreign Aid, 1950–2000,’ in Fin Tarp (ed.), *Foreign Aid and Development: Lessons Learnt and Directions for the Future* (London: Routledge, 2000), pp. 17–45.
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- (Goal 12) ensure sustainable consumption and production patterns; (Goal 13) take urgent action to combat climate change and its impacts; (Goal 14) conserve and sustainably use the oceans, seas and marine resources for sustainable development; (Goal 15) protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss; (Goal 16) promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels; (Goal 17) strengthen the means of implementation and revitalize the global partnership for sustainable development.
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Part IV

Apprehensions of Korean Model of Development

Korea's Path of Development: New Challenges and Policy Responses

Historical Background, Liberation and State Building

There is an advantage in studying the Korean case of development because it provides a clear-cut picture of economic transition due to its 'compressed' story or timeframe of dynamic economic development spanning only 50 years. There are different ways to describe and analyse its phases of development. First, it can be divided into decades: (1) the 1950s: post-war reconstruction; (2) the 1960s: laying the groundwork for a self-supporting economy; (3) the 1970s: upgrading industrial structure and rural development; (4) the 1980s: transition to an open and liberal economy; (5) the 1990s: globalization and structural adjustment.¹ Or we can divide the period into: (1) liberation and state-building (1948–1959); (2) export promotion and industrialization (1960–1979); (3) stabilization and liberalization (1980–1997); and (4) economic crisis to the present day (1997–).² Another way of defining the phases can be as follows: (1) state-building; (2) economic take-off; (3) policy adjustments and liberalization; and (4) new challenges and policy responses.³

At this juncture, it would be useful to briefly sketch Korea's historical heritage. One thing that stands out on the global map is that Korea is a nation in the Far East surrounded by neighbours much bigger than itself. Moreover, it is the divided nation and there is a psyche among Koreans and outsiders that Korea is a small country. But when the area of the Korean Peninsula, South and North Korea combined, which is about 220,000 square kilometres, into account, it is not actually under-sized as it approximates the size of the UK or Italy. In terms of population, South Korea's population is over 50 million and North Korea has over 24 million, making a total of 74 million, which is larger than that of UK, France or Italy and a little less than Germany, which stands at 81 million.

Historically, Korean society is a composition of varied peoples who gradually forged together culturally and ethnically as a homogeneous nation. Scholars point out that the core cultural traditions of Korea are shamanism and Confucianism: its shamanism was able to survive into modern times and has influenced the Korean way of life in general and its 'sub-consciousness', while Confucianism (or Neo-Confucianism to be more precise) has heavily influenced the social consciousness and cultural orientations of the majority of Koreans for many centuries.⁴ Kyong Ju Kim points out that: 'In Korean Shamanism, the notion of absolute truth and goodness is denied. Everything is placed on a continuum ... and everything can change depending on the vicissitudes of society and nature.'⁵

Korea has only been divided since 1945, when it was effectively partitioned by the US and the Soviet Union following the end of Japanese colonial rule. Before this division, Korea was one of the oldest continuously unified states in the world. The Korean Peninsula became unified in 676 and remained so until the mid-20th century. And today, it is considered as one of the most homogeneous nation on earth. Korean people merged into a single ethnicity sharing one language. It was their language in particular that bound them together and distinguished them from their neighbours.

There were times when China seemed to wield considerable influence over Korea, and Korea imported China's ideas about government and

politics, as well as its culture, but Korea maintained its independence, cultural distinctiveness and national identity:

Koreans were fiercely independent. Much of their history has been the story of resistance to outside intruders. Korea's position as a tributary state was usually ceremonial, and for Koreans it did not imply a loss of autonomy. Chinese attempts to interfere in domestic affairs were met with opposition. Indeed, some today view the Korean past as a saga of the struggles of a smaller society to resist control or assimilation by larger, more aggressive neighbours.⁶

Another notable feature of Korea is the remarkable continuity of its history:

From seventh to the twentieth century only three dynasties ruled Korea. The second ruled for almost five centuries and the third for more than five centuries; both were among the longest-ruling dynasties in history. The two dynastic changes that did take place did not bring about a vast upheaval. Elite families as well as institutions were carried over from one dynasty to another. This, along with a Confucian concern for examining the past, contributed to a strong sense of historical consciousness among Koreans.⁷

In the nineteenth century, Korea remained a 'Hermit Kingdom' adamantly opposed to Western demands for diplomatic and trade relations. Over time, a few Asian and European countries with imperialistic ambitions competed with each other for influence over the Korean Peninsula. Japan, after winning wars against China and Russia, forcibly annexed Korea and instituted colonial rule in 1910. The colonization process stimulated the patriotism of Koreans. Korean intellectuals were infuriated by Japan's cultural assimilation policy, which even banned Korean-language education in schools. On 1 March 1919, a peaceful demonstration demanding independence spread nationwide. Although it failed, the 1 March independence movement created a strong bond of national identity and patriotism among Koreans, and led to the establishment of a provisional government in Shanghai, China, as well as an organized armed struggle against the Japanese colonialists in Manchuria.

Koreans rejoiced at Japan's defeat in the Second World War in 1945. However, their joy was short-lived as the liberation did not instantly bring about the independence for which the Koreans had fought so fiercely. Rather, it resulted in a country divided by ideological differences wrought by the emergence of the Cold War. Korean efforts to establish an independent government were delayed as the US forces occupied the southern half of the peninsula and Soviet troops took control of the northern half.

In November 1947, the UN General Assembly adopted a resolution calling for general elections in Korea under the supervision of a UN commission. But the Soviet Union refused to comply with the resolution and denied the UN commission's access to the northern half of Korea. The UN General Assembly then adopted another resolution calling for elections in areas accessible to its commission. The first elections in Korea was carried out on 10 May 1948 south of the 38th parallel, and accordingly the new government was inaugurated on 15 August. Meanwhile, the communist regime was set up on 9 September with the support of the Soviet Union.

The American military government, which was in charge of South Korea between 1945 and 1948, tried to introduce a modern market economy system there. The sale of confiscated Japanese-owned properties during the US military rule was an important first step towards establishing a market economy based on private property ownership. Divestiture continued under the newly established Korean government and sales reached the peak during the Korean War in the early 1950s. By 1958, as a result, most Japanese-owned properties were converted into privately owned assets. Such an achievement is deemed significant in light of the tendency towards socialism, even on the part of right-wing politicians, at the time.⁸

It is said that the colonial government's land surveys and registration conducted in the 1910s established the first modern system of property rights in Korea, which significantly reduced land transaction costs. But measures to protect small farmers were not followed, leading to a wide disparity in land holdings. After independence, the Korean government tackled the increasing demand for agricultural land reform by

enacting the Farmland Reform Act in 1949 and revising it in 1950. The land reform was based on the principle of 'compensated forfeiture and non-free distribution', whereby the government bought farmland from landlords at predetermined prices and sold it to farmers at below-market prices.

Agricultural land reform contributed not only to state-building, but also to redistributing wealth and reducing income inequalities. Everyone was now placed on a more or less equal footing, and individual effort and ability rather than family wealth became the most important determinant for people's success. Many believe that the Koreans' typical diligence and their emphasis on education were motivated by this perception of equal opportunity. However, on the negative side, restrictions on farmland holdings hampered the growth of large-scale farming and contributed to the low productivity growth of the agricultural sector in later years.⁹

Syngman Rhee, an intellectual educated in the US and former independence fighter, was elected as the first President of the Republic of Korea in 1948. His foresight was instrumental in establishing a separate government in South Korea, laying the groundwork for a democracy and a market economy. He strived to rebuild the economy with a series of reconstruction plans aimed at expanding economic infrastructure, building key industries like cement and steel, and increasing the production capability of manufacturing.

Rhee's desire to construct a self-sufficient Korean economy with such plans was in direct conflict with the US government's intention to rebuild an East Asian economic bloc with industrialized Japan at its centre. The US urged Korea to liberalize its market, stabilize the value of the Korean currency and expand cooperation with Japan. To Rhee, this implied nothing but the revival of the Greater East Asian Co-Prosperity Sphere and the re-colonization of the Korean economy. Rhee made full use of Korea's geopolitical value to frustrate America's efforts, while promoting import-substitution industries through reconstruction plans.¹⁰

The Korean government also differed with the Americans on the issue of what kind of foreign aid it would receive. The Korean government preferred project assistance, while the US government wanted to

provide non-project assistance to private enterprises for civilian use. In the end, the preference of the US prevailed, with non-project assistance making up 73% of the total, while project assistance made up only 27%. In any event, various reconstruction plans envisioned by Rhee's administration failed to spark economic growth in Korea, as they were not substantively executed.¹¹

On 25 June 1950, North Korea launched an unprovoked invasion into the South, triggering a three-year war that devastated the nation, with millions losing their lives. In the South, 42–44% of manufacturing facilities and 40–60% of power-generating capacity were destroyed. Basic infrastructure like housing, schools, health centres, water and sewage, roads and communication facilities were utterly razed. The scale of total civilian damage reported was bigger (1.05 times) than Korea's GNP of 1953.¹²

Hence, the economic policy objective was then to bring the nation back to life from the ashes of war, restoring and rebuilding basic infrastructures, and stabilizing people's livelihoods. In order to do this, massive funding was necessary, but the only thing Korea could do was to turn to foreign assistance. From 1945 to 1960, South Korea received a total of \$2.94 billion in aid, of which the amount provided by the US accounted for over 80%.¹³ Although the government tried hard to build the necessary structures for industrialization, there was an inherent limitation in that Korea's economic performance in the 1950s was wholly dependent on foreign assistance, the vast majority of which came from the US

The US aid comprised projects, non-projects and technical assistance: projects were mainly for the restoration or expansion of social infrastructure like power, communications, transportation, education and health facilities; non-projects mainly included the supply of necessities such as wheat, oil, fertilizer, raw rubber, spun rayon, medicine, etc.; technical assistance was minimal in terms of scale and involved training and consulting. The ratio of projects to non-projects was around 4 to 1 on average.¹⁴

In the post-war reconstruction period, the government's economic policy focused on rehabilitation following destruction, and its efforts to curb inflation was largely successful. The assistance provided by the US was crucial, but there were also friction between Korea and the US over

the usage of aid funds. While the Korean government wanted to use the resources to purchase more equipment and build factories, the US insisted on allocating them primarily for commodities and raw materials to increase the counterpart fund. Non-project aid (the commodities), were sold to civilians and the profits were turned into a counterpart fund that was in turn used for reconstruction projects.

Rhee was finally ousted from power in 1960 by student demonstrations protesting against his protracted rule and election frauds as he was strengthening his authoritarian rule. The situation deteriorated when many demonstrators were shot by the police. Rhee announced he was stepping down and took refuge in Hawaii. Shortly afterwards, the Constitution was amended and the cabinet system and bicameral national assembly were adopted.

Under the new Constitution, the regime led by Prime Minister Jang Myeon was launched, but the political situation became extremely fragile with political struggles and protests by students continuing unabated. In May 1961, a group of young army officers led by General Park Chung-Hee seized power in a military coup. In the presidential election that was held in October 1963, after two years of military rule, Park Chung-Hee, having retired from the military, was elected President and was inaugurated in December.

The Economic Take-off Period

The government led by President Park set up a five-year economic development plan under the slogan of 'modernization of the fatherland' and achieved rapid economic growth by implementing an export-oriented policy. Subsequently, a heavy and chemical industries (HCI) plan was boldly but successfully launched.

In the following decades, Korea achieved unparalleled economic growth. It was one of the poorest countries in the world in 1948 when the government was formed following independence from Japan. Korea is considered a unique case of an aid recipient having successfully turned into an advanced country in terms of full-scale economic

transformation and democratization in the latter half of the 20th century. Korea's rapid development has been dubbed 'the Miracle on the Han River'. This began with the all-out efforts launched in the 1960s. The country vigorously pushed ahead with the development of national land, the construction of the Gyeongbu Expressway and subway lines, the Pohang Iron and Steel Company (POSCO), and the creation of heavy and chemical industry.

After having become President, Park proclaimed that economic development would be the central feature of his administration. He and his policy team were well aware of the importance to reaping economic success in order to legitimize their seizure of power by force. The new government set out to depart from the foreign aid-dependent economy and lay the groundwork for a self-sustaining economy so as to terminate the vicious cycle of poverty and to realize high economic growth. Although Korea at that time was a predominantly agricultural nation and food shortages were serious, the government focused on industrialization. In the early 1960s, over 40% of the Korean population was suffering from absolute poverty and the government believed that the only way to offset this was by achieving high growth through industrialization.¹⁵

It seemed that the regime did not have a clear ideology or scheme on free market economy from the very outset, but somehow it managed to adopt active export promotion, which in effect turned out to be a critical factor for its resounding performance. Initially, export promotion was pursued in response to the rapid depletion of foreign exchange reserves.¹⁶ Exports began to quickly increase following the devaluation of the currency in 1960 and, encouraged by the success, the government undertook more serious efforts to promote exports in 1964–1965. First, a new exchange rate regime was put in place in 1964, and various ad hoc export subsidies and the export-import link system were phased out, while a comprehensive and consistent export incentive mechanism was introduced. Key measures were export credits that were extended to exporters who turned in letters of credit, and tariff exemptions on imports of intermediate inputs. And these incentives were reinforced by administrative measures like 'export targeting', the holding of monthly

export promotion meetings, the establishment of the Korea Trade Association and the Korea Trade Promotion Agency, etc.¹⁷

Industrialization was the focus of the five-year economic plans that began in 1962. With the first five-year plan (1962–1967), the government laid out its ambition to modernize the industrial sector and enhance its international competitiveness by rapidly expanding the key areas (cement, fertilizer, industrial machinery, oil refineries, etc.).¹⁸ The government promoted exports, but maintained restrictions on imports to contain current account deficits and protect domestic industries. Tariff rates began to decline slowly in the early 1970s, but their levels remained high until the early 1980s.

In the early 1960s, the government increased its intervention in domestic financial markets to support the economic growth strategy. It took full command of commercial and special banks, while strengthening its grip on the central bank. The primary role of the monetary authorities during the government-led growth period was to supply ‘growth money’ and price stabilization was treated as being a far lower priority. One of the key measures was the credit programme: by controlling the financial sector, the authorities were able to provide vast amount of directed credit with low interest rates and share the investment risk with private enterprises.

In pursuing the five-year development plans, the most fundamental problem the Korean government confronted was the question of how to come up with the funding. To encourage domestic savings from which capital can be funnelled to development projects, interest rates were raised substantially in 1965 to match the demand and supply of capital. Accordingly, savings grew rapidly. In addition, the taxation system was reformed and strengthened in 1966, greatly increasing revenues. These encouraged an active pursuit of development projects and government expenditure was greatly enhanced.

But the major injection of the necessary funds had to come from abroad and there was a large increase in foreign borrowing during this period. While foreign capital inflow was encouraged to fill the gap in domestic savings, capital liberalization remained selective and partial. What was of significance in terms of the accumulation of capital funds was the agreement reached between Korea and Japan in 1966

to normalize their diplomatic ties in return for Japan's reparation payments of \$500 million and commercial loans of \$300 million. The payments were used to build the POSCO and make investments in various sectors.

The success of the first five-year plan encouraged the government to continue pushing ahead with its ambitious plans. The emphasis of the second five-year plan (1967–1971) was placed on HCIs, including the steel, machinery and petrochemical industries. The Steel Industry Promotion Act was enacted in 1969 to support the construction of a large-scale integrated iron and steel mill and other kinds of mills by granting them tax exemptions. For other industries, similar laws were introduced to provide financial and tax incentives: the Machinery Industry Promotion Act (1967), the Shipbuilding Industry Promotion Act (1967), the Textile Industry Modernization Act (1967), the Petrochemical Industry Promotion Act (1970) and the Nonferrous Metal Producing Business Act (1971).

What the government considered as particularly important then and which later proved to be a strategic move was the construction of an integrated iron and steel mill and a petrochemical complex. The Pohang Iron and Steel Company (currently POSCO) and Ulsan petrochemical complex, which were built in the early 1970s, had to rely almost entirely on foreign technology and capital, and they faced a multitude of difficulties at the outset.¹⁹ Meanwhile, a Korean oil refinery had already been built as early as 1964.

In hindsight, Korea undertook a very bold and seemingly inconceivable number of projects of such magnitude despite of its 'capacity', but it successfully undertook what other developing nations were not able to do, which is the 'synchronization' of all fronts of industrialization. And this was done despite doubt, disapproval and reluctance on the part of donors. But scepticism turned into praise as Korea continued to deliver results that far exceeded the international community's as well as its own expectations.

Projects were also vigorously pursued to ease the shortage in the economic infrastructure, like power and roads. What is remarkable is the fact that soon after electric power development projects were launched from 1962, the supply of electric power came to exceed demand by

the mid-1960s. Another major accomplishment to facilitate economic activity was the construction of roads, the most noticeable being the completion of major expressways: the Seoul-Incheon, Seoul-Busan and Honam Expressways were opened in 1968, 1970 and 1973, respectively.

The economic achievement in the 1960s was a resounding success in view of the situation in which Korea found itself. Despite various challenges, Korea was able to fulfil the first and second five-year development plans with a level of performance exceeding targets and expectations. The GDP growth registered 8.5% and manufacturing sector growth 17.0% on average during the 1960s; per-capita income jumped from USD 82 in 1961 to USD 253 in 1970, a threefold increase. Unemployment rate fell from 8.1% in 1963 to 4.4% in 1970. The driving force behind rapid industrialization was strong exports. During 1962–1971, exports increased annually by 38.6% on average. And the timing was just right, with the favourable international trade environment in the 1960s.²⁰

Korea made good use of labour, which it had in abundance, and also financial capital, which was scarce and had to be borrowed from overseas. The light industries of labour-intensive manufacturing such as wig-making, clothing and footwear absorbed the surplus labour force discharged from rural areas. As these industries launched their production in industrial complexes near urban areas, they also contributed to the growth of large cities and the urbanization of the population.

The success in building up a manufacturing industry in Korea was due to a number of factors, including the entrepreneurial skills of early generations of pioneering businessmen who started as small traders, and the unlimited supply of labour from the agricultural sector that generated explosive growth in the light industry sector. Wage levels in Korea were one of the lowest in the world, and the workers were relatively well-educated and diligent, making labour-intensive industries of Korea competitive.²¹

Rather than restraining its ambitions, the government launched a full-scale drive towards HCIs in 1973. Six strategic industries—steel, nonferrous metal, machinery, shipbuilding, electronics, and chemical engineering—were selected under the HCI initiative.²² The committee to drive forward HCIs was created and the targets were set to achieve

per-capita income of USD 1000 and annual exports of USD 10 billion. The reasons for adopting HCI drive were twofold: national security and the need to upgrade industrialization to ensure exportation. First, concerns about national security grew with North Korea's increased military provocations and US government's announcement in 1968 that its ground troops would be gradually pulled out of Korea. Second, the government felt it was necessary to upgrade the industrial structure to compete with newly industrializing countries over export markets.²³

In the 1970s, compared to the 1960s, the level of wages, savings and exports all increased, along with the heightening of industrialization. As wage levels rose and competition from low-wage economies intensified, capital-intensive, high-productivity manufacturing assumed importance over labour-intensive, low-productivity manufacturing. The share of services increased continuously in terms of both value-addition and employment, while that of agriculture declined. Within manufacturing, HCIs increased their share at the expense of light industries. Meanwhile, the domestic saving ratio increased from an average of 15 in 1961–1970 to 23% in 1971–1980, while the investment ratio increased from 19 to 29% respectively in these periods.

The focus of industrial policy shifted from the export drive in the 1960s to the building of HCIs in the 1970s. To successfully undertake an ambitious task of upscaling industrialization, the government intervened more forcefully in the economy in the 1970s. The HCIs required not only enormous capital but also significant technological expertise. Very few, if any, Korean firms were able to take up such a task without the proactive support of the government. The Vietnam War became another source of foreign currency income to support industrialization as Korea received US economic aid for its military participation in this war. The government's bold intervention and active support led to the inflow of investment in HCIs. The growth of HCIs registered an average of 20.0% over the period from 1971 to 1979, driving the growth of the overall manufacturing sector, which stood at 18.2% over the same period.

In summary, what Korea was able to achieve in the 1960s and 1970s is unique and unmatched in the history of industrialization and development. The growth was led by the manufacturing sector, the output

of which grew annually by 17% in the 1960s and 16% in the 1970s. Korea was considered to be a high-risk country in the international capital market, so it experienced difficulties in terms of finding lenders. Furthermore, because its natural resources were not abundant, Korea only had human resources to rely on to build the economy: an abundant labour force and the hard work of the people.

The role of the government was critical in accelerating the growth of manufacturing. During the first and the second five-year economic development plans that were undertaken in the 1960s, the government invested heavily in physical infrastructure to lay the foundations for export-driven industrialization. It established state-owned enterprises in key industries and mobilized other policy measures, involving foreign exchange, taxation, finance and customs regulations to promote exports.

The export structure underwent dramatic changes. In 1970, the primary industries amounted to 17%, the light industries 70% and the HCIs 13% of total exports. By 2008, these shares changed to 2, 6 and 92% respectively. The share in the gross value addition of sectors also underwent huge changes (comparison between 1953–1960 and 2001–2009): agriculture 41.9 → 3.4%; manufacturing and mining 13.4 → 27.3% (it reached 30.0% in 1987); public utilities construction 3.7 → 9.6%; and services 41.1 → 59.6%.²⁴

This pattern of structural change is similar to that experienced in other developed countries. It has been pointed out that the industrial structure of Korea in the early 1960s was comparable to that of the UK in 1700, the US before 1880 and Japan in the early decades of the twentieth century. In all these countries, during the process of industrialization, the manufacturing and service industries replaced the agricultural sector in terms of their importance to the national economy. What sets Korea apart from these developed countries is the speed with which it achieved structural changes. Korea's industrial structure in 1990 came close to that of the UK in 1890, the US in 1950 and Japan in 1970.²⁵

Korea's phenomenal economic growth in the 1960s and 1970s, accompanied by economic and industrial structural changes, placed it on the path of transformation that other advanced countries had taken. Exports and industrialization are not the only things that were

pursued actively by the government; vigorous campaigns were waged for rural development (*Saemaul Undong*) and the promotion and application of agricultural technology (the Green Revolution and the White Revolution) that benefited and enhanced the productivity of this sector. All these measures contributed to the economic growth and modernity of the nation.

The pace and energy with which the massive mobilization of labour and capital, heavy investment in technology and the effective reallocation of resources from less to more productive sectors were carried out made the difference. But what Korea was always conscious of and targeting was foreign trade and markets. For Korea, foreign trade played a pivotal role by encouraging innovation and accelerating resource reallocation, learning from advanced countries and taking advantage of the rapidly expanding global market.

The Period of Policy Adjustments and Liberalization

The 1980s marked an important turning point in the economic development strategy of Korea. The government's deep intervention in allocating resources in the 1960s and 1970s was the crystallization of a state-led economic development strategy. The impetus behind the five-year economic development plans was the role played by the government, with markets playing 'supplementary' roles. This was deemed inevitable in the early stages of development where the market mechanism was imperfect.

However, as Korea's economic scale grew and the role of the private sector increased, it became harder for the decision-making of bureaucrats alone to manage the allocation of resources. Thus, entering into the 1980s, the thinking in the government was that the greater involvement of the private sector and markets was necessary. Among other things, this was especially so in light of the side-effects of the HCI drive in the 1970s: misallocation of resources (excess and duplicate investments), inflation and income inequality.

Tackling inflation had been a concern of the government as early as 1978, but the new government formed in 1980 took up the task of stabilizing the economy much more prominently.²⁶ A radical departure from the past was made in the early 1980s, as the government emphasized price stability over economic growth. The 'growth-first' strategy gave way to 'consolidating growth on the basis of stability'. Private initiatives were encouraged and liberalization of the market began. Greater attention was paid to social policies, and public spending on health, welfare and education was increased.

Of course, there were downsides to such an aggressive growth strategy. Reconciling rapid growth, concentration of resources and efficiency on one the hand, and equality, stability and fairness on the other would not be an easy task in any case, and all the more so for a newly developing country with scant resources. Still, a factor that was in Korea's favour was that the transitions were swift and progressive, in effect considerably mitigating the overall 'costs' of fast-paced development.

The commonly cited problems faced by Korea during this period are as follows: financial repression since the 1960s that held back the financial sector from developing into a fully competitive service industry; large business conglomerates, namely the *chaebols*, increasing their influence on the back of government support; increasing economic disparity amid the phenomenon of concentration of economic wealth and power; and a failure to establish sound worker–management relations (until labour movements arose in the mid-1980s).

Corporations also wanted greater autonomy from economic institutions. The financial market became increasingly liberalized in the 1980s and early 1990s, particularly as many *chaebols* that were the proprietors of non-bank financial institutions demanded deregulation. Deregulation began to emerge as an important priority in the late 1980s and continued to be addressed seriously in the 1990s.²⁷

Meanwhile, import liberalization measures were announced in 1978, but progress proved sluggish owing to the second oil shock that picked up speed in 1984. In 1986, Korea registered a current account surplus for the first time and the surplus increased in the following years. In 1989, the government began to reduce quantitative restrictions amid

intensifying trade conflict with the US. As Korea's trade performance and economic status improved, in January 1990, it moved into a different category of the General Agreement on Tariffs and Trade (GATT) provision and was no longer allowed to impose trade restrictions for balance-of-payment purposes. The average tariff rate dropped from 34.4 to 9.8%, while import liberalization from quantitative restrictions increased from 60.7 to 92.0% between 1981 and 1995.²⁸

Compared to trade liberalization, the opening of the capital market was markedly slow, as there was a major concern over the control of the domestic money supply and the real exchange rate movement. When the current account showed large deficits in the late 1970s and early 1980s, restrictions were strengthened on capital outflows. But when the current account moved into a considerable surplus in the latter half of the 1980s, the government relaxed restrictions on outward FDI while tightening other regulations. The public sector halted borrowing from abroad and started to repay foreign debts. Then in 1990–1993, the government began liberalizing long-term capital inflows.

In November 1997, a foreign exchange crisis hit the country, forcing it to turn to the IMF for a bailout. This was the first ordeal Korea had to face after decades of rapid economic growth. The crisis was such a great shock as it was totally unforeseen. Even immediately before the outbreak of the crisis, there were no warning signs or abnormalities that could be detected. Foreign exchange reserves were quickly depleted and a drastic devaluation of the currency ensued as international creditors rushed to withdraw their loans to Korean banks. Many explanations have been put forward for this, ranging from the weak fundamentals of the Korean economy, including 'crony capitalism', to the intrinsic instability of international financial markets.²⁹

At the time, Korea's macroeconomic indicators were sound, but there was an external shock coming from a worsened terms-of-trade shock wrought by plummeting semi-conductor prices and a substantial increase in external liabilities (especially short-term ones). The increase in non-performing loans and the low profitability of businesses led to the bankruptcy of *chaebols* and the general shortage in liquidity afflicted businesses. The Asian regional financial crisis exacerbated the situation for

Korea, so that the international credit rating agencies began to downgrade Korea, causing the financial crisis fallout at the end of November 1997.

The crisis inflicted extreme hardship on the Korean people, but worked as a catalyst for improving the fundamentals of the economy. The IMF bailout required Korea to undertake austere economic measures and wide-ranging structural reforms. The sudden depreciation of the Korean currency wreaked havoc on businesses and the austerity policies were difficult to bear and unpopular. But the nation, led by the new administration of Kim Dae-Jung, faced the challenge head-on. Poorly performing businesses were driven out of the market and industrial restructuring was pushed ahead. In just two years, the country recovered its previous growth rate, levels and current account surplus. In the process, some 3.5 million people joined in the campaign to collect gold to help the government repay the fund borrowed from the IMF, something unheard of in global history.

The Korean economy came out of the crisis in an entirely different shape: it became much more open to international capital flows; transparency of corporate management was substantially enhanced; and the functioning of financial market improved substantially.³⁰

New Challenges and Policy Responses

Despite Korea's remarkable economic success in the past, concerns have been raised on the growth potential of the Korean economy. Economic growth began to slow down in the 1990s with the decelerating growth of the working-age population. Income distribution also started to deteriorate in the early 1990s, with the expansion of the knowledge-based economy and globalization leaving low-skilled workers at a disadvantage. At the same time, productivity gaps between manufacturing and services, between HCs and light industries, and between large and small companies widened, and access to quality jobs has become more difficult.

In 2008, Korea was hit by another financial crisis, this time a global one, coming from the heart of Wall Street, the global financial centre. Korean financial markets were thrown into disarray. The sudden capital

outflow led to a plunge in the stock market and domestic banks faced serious difficulties in foreign debt servicing. A precipitous fall in exports and investment also battered the industrial sector. But the repercussions were considerably less painful than had been the case in 1997, as Korea's economic output went back into positive growth in the first quarter of 2009. This time Korea was able to recover from the crisis even more rapidly because, among other reasons, the vulnerability of the financial and corporate sectors had been reduced as a result of the reforms and restructuring that had been undertaken following the 1997 crisis.

From the standpoint of maintaining economic competitiveness, Korea has confronted two basic challenges since the 1990s: technology development and market opening. Korea had to tackle the reality of developed countries not wanting to transfer advanced technology to newly industrialized nations like itself, while also having to worry about new competitors. It decided that the best way to respond was to develop new industries based on new technologies, while improving the technology for existing industries so that their productivity could be boosted.

In the early phases of development, Korea was able to benefit from learning technology from developed countries, but as this became increasingly difficult, the government and industry had to gear up technology development of their own. Since the mid-1990s, Korea has relied more on technologies that it developed on its own than on foreign-adopted technology. In the 1960s and 1970s, state-financed research institutes had already been established to foster development in key industrial sectors, and full-scale efforts were launched in this field in the 1980s. And since the 1990s, Korean enterprises were able to expand their own research and development (R&D) activities and set up private-sector research institutions.³¹ Not only the Ministry of Commerce and Industry but also the Ministry of Science and Technology actively supported technological development. During the period from 1982 to 1991, the Ministry of Science and Technology invested a total of 964.2 billion won, of which 65% was allotted to core industrial technology (semi-conductors, computers, etc.), 18% to public technology and 17% to basic technology.³²

The major investment in corporate R&D was vital for the Korean firms to develop core technologies in order to attain self-reliance in such

new areas as semi-conductors and telecommunications in addition to existing industries. The rise of the ICT industry in the 1990s, which was possible due to developments in technology, marked a key turning point in the industrial development of Korea.³³

A series of developments like the launch of the World Trade Organization (WTO) in 1995, Korea's entry to the OECD in 1996 and the 1997 Asian financial crisis pushed Korea towards the full opening of its market. Korea has constantly adapted to international markets and globalization trends: at an early stage, Korean manufacturers were encouraged to focus on export markets rather than depend on a limited domestic market; and later, in the era of full-fledged globalization, Korean manufacturers took the next step of 'industrial globalization' by diversifying partnerships, establishing production facilities overseas, etc., which has contributed to the increased competitiveness of Korean industry in its respective sectors. This brought Korea into the top five rankings of countries in the fields of automobiles, shipbuilding, electronics and steel.

The IMF financial crisis in the late 1990s forced the Korean industrial sector to restructure, and some industries, like ICT, came out stronger and more competitive following the crisis. However, the primary industries faced great difficulties. By the 2000s, the challenge was how to go about restructuring industries, yet being mindful that while some were able to handle changes in terms of market opening and technological advancement, others were having trouble meeting these challenges. Also, there was the question of how to effectively select and promote future engines of growth.

After the era of rapid economic growth followed by the liberalization and stabilization period, since the turn of the century, Korea has been pursuing 'new growth engines' that will sustain economic dynamism and growth in order for it to secure the status of an advanced economy. Up to the 1980s, Korea successfully implemented an 'industrial targeting' policy for economic transformation. But with the advent of the WTO regime in the mid-1990s, the government's direct fiscal and monetary support for businesses was no longer possible and only its indirect support in R&D was allowed. Hence, Korea's industrial policy turned into technical development policy, and from the 2000s, the

government started to nurture new growth industries by focusing on technological development.

In 2001, Kim Dae-Jung's government promoted the so-called 'five technological industries': IT, biotechnology (BT), nanotechnology (NT), environmental technology (ET) and cultural technology (CT). In 2003, the Noh Mu-Hyun administration announced ten industries that would spearhead growth: robots, future cars, next-generation semi-conductors, digital TV and broadcasting, new-generation mobile communication, display, intelligent home networks, digital contents/SW solutions, next-generation batteries, new biomedicine and organs. In 2009, the Lee Myung-Bak administration presented a vision for a new growth engine and strategy, with emphasis on green growth, high-tech fusion and a high value-addition service industry. The overall performance of these initiatives was mixed, showing partial success.³⁴

Then, the Park Geun-Hye government laid out the vision of achieving a 'creative economy' and planned to develop future engines of growth in 2013. In 2014, the government announced economic goals of a 4% economic growth rate, USD 40,000 GDP per capita and a 70% employment rate.³⁵ This was to be realized through a three-year plan for economic innovation built on the three pillars of 'strong fundamentals', a 'dynamic and innovative economy' and 'balancing domestic demand and exports'.³⁶

However, this administration came to a halt with the impeachment of President Park in March 2017, before these goals could be attained. What should be noted is that since Korea recovered from the Asian financial crisis in the late 1990s, it has experienced a steady slip in its economic growth rate, which reflects the typical trend in developed economies. During the four years of Park's administration (2013–2016), GDP growth averaged 2.9%, the lowest ever. Since the late 1990s, when Korea suffered the IMF crisis, the administrations had achieved an average growth rate of 5.1% (Kim Dae-Jung 1998–2002), 4.5% (Roh Mu-Hyun 2003–2007) and 3.2% (Lee Myung-Bak 2008–2012).³⁷

The new President Moon Jae-in, who was inaugurated on 10 May 2017, pledged to enhance the livelihood of ordinary people, taking care of employment, reforming business conglomerates, reining in collusion

between political and business circles, and promoting equal opportunities.³⁸ Evidently, Korea has already entered the phase of slow growth, given its industrial structure and income level and the size of its economy. But managing the economy and meeting people's demands is likely to be increasingly difficult with heightening global and domestic competition, and an increase in people's demands and expectations amid the enhancement of their living standards, socio-political awareness and rights.

Besides upgrading technology and focusing on developing new growth engines, Korea's task is to nurture development and enhance the competitiveness of existing industries which are vital for the overall socio-economic stability of the nation. The issue becomes tricky in the case of the primary industries, especially the agriculture sector.

What characterized Korea's economic development for some 50 years was its exceptionally high economic growth: for the period from 1961 to 2004, the average GDP growth rate for Korea was 7.1%, compared to a global average of 4.0% (83), 3.3% for developed nations (22), 5.7% for East Asia (5), 3.7% for Latin America (22) and 4.9% for South Asia (4).³⁹ What was the key to Korea's high growth was the accumulation of capital, and until the IMF financial crisis, the accumulation of capital led the economic growth; however, since the IMF crisis, the per-capita accumulation of capital rate dropped sharply and increases in productivity led the growth.

Manufacturing drove Korea's rapid economic growth. Over the period from 1953 to 2000, Korea's manufacturing averaged a high growth rate of 13.1% annually. Although Korea maintained one of the highest industrialization ratios in the world of close to 30% even after it dipped slightly in the 1990s, it is deemed to have reached its limits.⁴⁰

But as Korea achieved high growth, the problem of 'bipolarization', the widening of the disparity between large corporations and small and medium-sized enterprises (SMEs), and between exporting and domestic-oriented industries, has surfaced. Too much concentration of economic power in the *Chaebols* and their overexpansion alongside such problems as moral hazard, loose management and bad debt have rekindled debates and deliberations over how to appropriately regulate and control their activities. How to deal with low growth and worsening wealth distribution,

balancing or simultaneously pursuing economic growth and strengthening welfare remain fundamental tasks for the nation. In addition, matters such as revamping the ever-growing service sector and fostering innovative SMEs to attain a position of global competitiveness are drawing increased attention.

Recapping the Overall Achievements

In 1962, when Korea launched its first five-year development plan, its per-capita income was only USD 87, lower than most African countries at that time. Korea's drastic economic transformation is summed up in its attainment of '20-50 club' status in recent years. This is a measurement of economic development that combines population size and the level of per-capita income. Literally, it means having a per-capita income of over USD 20,000 at the same as having the population of over 50 million. When Korea entered this club in 2012, it was only the seventh country in the world to achieve this feat. The other countries are Japan (1987), the US (1988), France (1990), Italy (1990), Germany (1991) and the UK (1996). Furthermore, Korea has reached another milestone of the '30-50 club' in 2018. As of 2017, Korea is the eleventh-largest economy.

In terms of trade volume, Korea was the fifth-largest exporter and the seventh-largest importer as of 2014. In 2012, Korea has achieved, for the first time, a landmark total trade volume of over 1 trillion dollars, making it the eighth major trading nation. In terms of foreign reserves, Korea ranks sixth in terms of foreign exchange reserves with 369.6 billion dollars (2015), while it ranked thirteenth in the Human Development Index (2013). In addition, it topped the rankings in the Bloomberg Innovative Country Index for five consecutive years (2014–2018).⁴¹

By every account, Korea has already entered the threshold of advanced economies, which is also symbolized by its joining of the OECD DAC in 2009. This has all taken place without Koreans themselves being well aware of their achievements. The work to be done is how to explain the reasons for success and draw lessons from it.

Coming up with a credible 'Korean model of development' that can be benchmarked in practice by the African countries will be an even more significant task, but the purpose of this book is to try to invite and provoke greater deliberations in this field in the years to come. In this vein, making sense of what has transpired and what indeed were the key factors that drove Korea to success is deemed to be important.

In my view, the essence of the Korean model of economic development in its simplest terms can be broken down into two main elements: (1) compressed economic growth; and (2) effective social mobilization for change. Korea's development is considered so impressive and unique because it has somehow found a way to 'accelerate through' industrial transformation and also has been able to instil the 'can-do spirit' into its people and has induced them to be active agents of development.

This has taken place against the backdrop of positive role of the government. And there were four fundamental cornerstones upon which compressed economic growth and effective social mobilization were realised: land reform; empowerment of the people; revolution in education; and governmental reform. These seemingly basic but 'profound' reform measures were taken at appropriate moments, in some ways helped by 'pressures'—constraints, limitations and adversities Korea faced as a nation. Of these, I think land reform and empowerment of the people were most crucial.

Based on such measures, Korea's economy evolved, but the whole picture of Korea's development will not be complete without adding to it the important aspect of social dynamics, that is, the formation and evolution of social or popular mindset change and action-oriented campaigns. Addressing Korea's development from a purely economic dimension misses the point entirely. With regard to East Asian developmental states, so many academics and experts have already mentioned the key role of the state. But in the case of Korea, besides the government's critical intervention, the people's mindset and action-oriented movements played an equally important part in Korea's overall development.

Korea in the 1950s, after having gone through the Korean War, focused on reconstructing the war-torn nation, relying heavily on foreign aid, mostly from the US, and employing import-substitution as

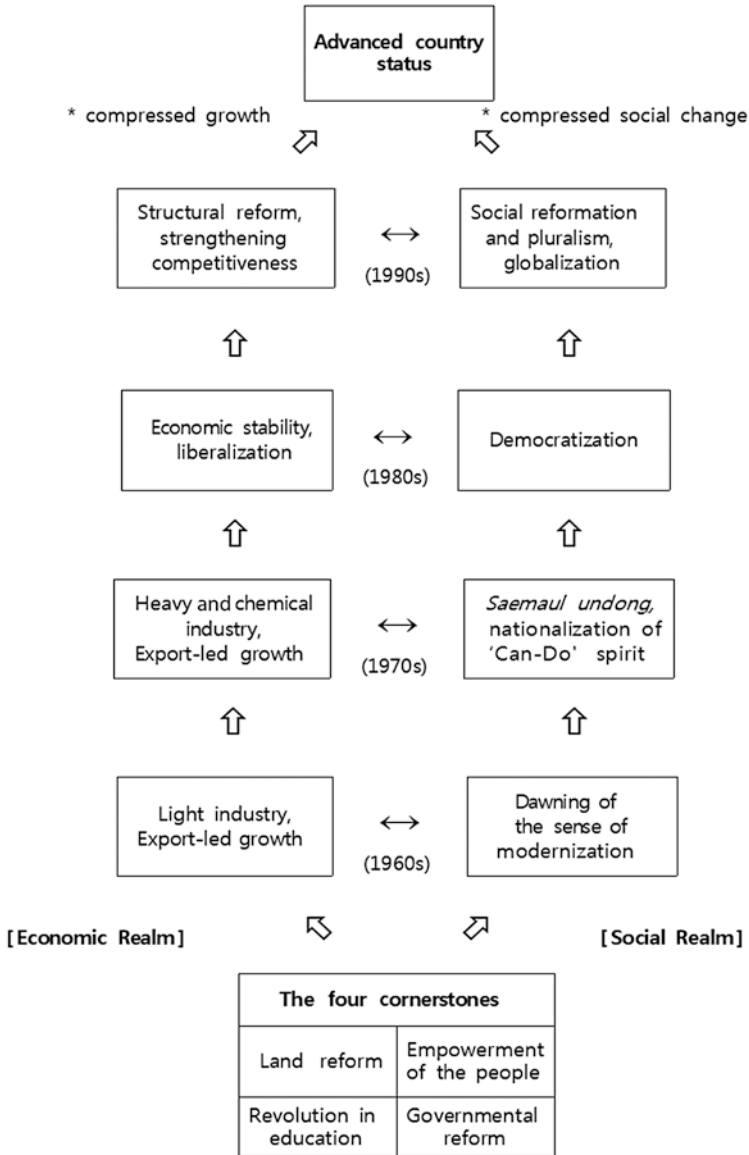


Fig. 7.1 Schematic itinerary of Korea's development

a mainstream economic policy. It was in the early 1960s that Korea embarked on a full-scale and systematic effort to develop its economy. But earlier, in the 1950s, a number of crucial measures such as land reform and government-driven campaigns to empower the people were enacted. Broadly speaking, we can say that the compressed economic growth of Korea lasted until the end of the 1990s, with Korea achieving the status of an advanced economy at the turn of the new millennium. Figure 7.1 above provides an illustration of a summary of Korea's path of development that I have mentioned. This cannot be considered as a road map because Korea did not pre-plan the scheme of development over a period of decades to achieve compressed growth.

Notes

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2. Il Sakong and Youngsun Koh (ed.), *The Korean Economy: Six Decades of Growth and Development* (Seoul: Korea Development Institute, 2010).
3. In this book, I will freely use different categorizations where it is deemed suitable for the sake of convenience and ease of explanation.
4. Kyong Ju Kim, *The Development of Modern South Korea: State Formation, Capitalist Development and National Identity* (London: Routledge, 2006), pp. 44–47.
5. *Ibid.*, p. 45.
6. Michael J. Seth, *A Concise History of Korea* (Lanham, MD: Rowman & Littlefield, 2006), p. 2.
7. *Ibid.*, p. 4.
8. Sakong and Koh (2010), p. 11.
9. *Ibid.*, p. 12.
10. Jung-en Woo, *Race to the Swift: State and Finance in Korean Industrialization* (New York: Columbia University Press, 1991), p. 52. It is argued that Taiwanese government was much more cooperative than Korea with the US.
11. Sakong and Koh (2010), p. 13.
12. LEE Dae Geun, *Korean Economy in the Post War 1950s* (Seoul: Samsung Economic Institute, 2002) (Korean), p. 253.

13. Edward S. Mason, et al., *The Economic and Social Modernization of the Republic of Korea* (Cambridge, MA: Harvard University Press, 1980), p. xxx.
14. Chuk Kyo Kim (2016), p. 17.
15. Ibid., p. 25.
16. Sang-cheol Lee, 'Switching to an Export-led Industrialization Strategy and Its Outcome', in Dae-geun Lee (ed.), *New Korean Economic History: From the Late Joseon Period to the High-Growth Period of the 20th Century* (Seoul: Na-nam, 2005) (Korean), p. 394. The decrease in US aid to Korea from 1958 is said to have contributed to Korea's foreign reserve crisis, prompting the government to shift from a fixed exchange rate system to a unitary fluctuation exchange rate system in 1964.
17. Sakong and Koh (2010), pp. 17–19. 'Export targeting' refers to a practice of setting a target for each year's total exports by adding up the export forecasts of individual firms. In the Monthly Export Promotion Meetings, government officials and business representatives gathered to monitor export performance, compared it to export targets, identified problems and sought solutions. The President himself chaired these monthly meetings. The Korea Trade Promotion Agency (KOTRA) took charge of building overseas networks, helped the marketing activities of domestic firms and collected market information.
18. The new government set an ambitious task of achieving 7.1% growth, but was confronted with various obstacles from the start, so that the target economic growth rate was later lowered to 5% for 1964–1966. The government tried to mobilize domestic capital through monetary reform in 1962, but failed, and in 1963 faced a foreign exchange crisis amid lukewarm support from the US for the Korean regime. However, at the end of the first five-year plan, Korea actually exceeded the goal of 7.1%.
19. Sakong and Koh (2010), pp. 20–21.
20. Chuk Kyo Kim (2016), p. 33.
21. Sakong and Koh (2010), p. 21. By deepening the industrial structure and upgrading the export mix, the share of HCIs in total industrial production was to be increased from 35 to 51% between 1972 and 1981, and their share in total exports from 27 to 65%.
22. Chuk Kyo Kim (2006), pp. 32–34. Governmental support to HCIs took various forms: providing long-term credit and tax incentives

to selected industries, establishing and expanding vocational schools and training centres to supply skilled manpower, creating government-funded research institutions to carry our R&D activities as a public good.

23. Sakong and Koh (2010), p. 104.
24. Bank of Korea, <http://ecos.bok.or.kr>.
25. Sakong and Koh (2010), pp. 87–90.
26. The need for change was initially brought up within the government, resulting in the announcement of the Comprehensive Economic Stabilization Program in April 1979.
27. The Fair Trade Commission, which was set up in 1981, formulated deregulation plans in consultation with the private sector and related ministries. In 1990, the Administrative Deregulation Committee was set up in the Prime Minister's Office to direct deregulation efforts across government in compliance with the Comprehensive Economic Vitalization Program. These efforts were carried on by the Kim Youngsam government from 1993.
28. Kwang Suk Kim, *Korea's Industrial and Trade Policies* (Seoul: Institute for Global Economics, 2001) (Korean), p. 82.
29. Some of the factors cited were that Korea failed to take appropriate measures to counter the reckless management of banks; moral hazard arising from business–politics ties; a failure to put in place a fair and transparent process; excessive dependence on foreign loans (short-term debts), etc.
30. With the lifting of restrictions on inward FDI at the end of the 1997, FDI flowed in and the accumulated amount of FDI inflows reached USD 100 billion in October 2004, making Korea the fifth largest foreign reserves–possessing country in the world. Corporate governance was strengthened by such measures as requiring *chaebols* to prepare consolidated financial statements and applying stiffer penalties. And, most importantly, interest rates were fully liberalized.
31. DoHoon Kim and Youngsun Koh, 'Korea's Industrial Development', in Il Sakong and Youngsun Koh (eds), *The Korean Economy: Six Decades of Growth and Development* (Seoul: Korea Development Institute, 2010), pp. 111–112.
32. Chuk Kyo Kim (2006), p. 165.
33. Kim and Koh (2010), p. 112. The success of the ICT sector also helped create a new development vision for Korean HCIs just as they were

- emerging from the period of industrial rationalization and were searching for ways to achieve future-oriented growth.
34. DoHoon Kim, 'In Search of Future Growth Engine: Tasks and Solutions', *Korea Economic Forum* 8, no. 2 (Seoul: Korea Economics Association, 2015) (Korean), p. 54.
 35. According to OECD Data, <https://data.oecd.org/emp/employment-rate.htm>, employment rates are calculated as the ratio of the employed to the working-age population. The employment rate is different from the 'unemployment rate', which refers to the percentage of the total labour force that is unemployed but actively seeking employment and willing to work. Thus, these two concepts are not the two sides of the same coin.
 36. These three pillars or strategic goals are in turn each composed of three sub-tasks. 'Strong fundamentals' consists of public sector reform, developing a principled market economy and building a strong social safety net. As for 'dynamic and innovative economy', the sub-tasks are developing creative industries, investing for the future and making inroads into overseas markets. 'Balancing domestic demand and exports' is composed of expanding domestic demand, de-regulating to improve investment, and job creation to stimulate domestic demand.
 37. *Yonhap News* (Korean), 10 March 2017, <http://www.yonhapnews.co.kr/dev/9601000000.html>. See also Evan Ramsdat, 'South Korea's Economic Challenges After the Park Geun-hye Era', *CSIS Newsletter*, 17 March 2017. In 2016, exports dropped by 5.9% to USD 495.5 billion, registering a decrease for two consecutive years. This marked the first time that Korea had experienced a two year-consecutive drop in exports since 1957–1958. Although exportation is showing signs of recovery, there is weariness that it is largely being driven by a limited number of products like semi-conductors. However, the employment figure improved with an annual increase of 388,600 thousand jobs compared to around 250,000 in the previous two administrations. But the employment rate (for 15–64 year olds) registered an average of 65.4%, falling short of the 70% target. On the other hand, the unemployment rate did not improve, being recorded at 3.5%, about the same level as Roh's (3.5%) and Lee's (3.4%) government. The 'youth unemployment rate (for 15–29 year olds)' was at a record high of 9.0%.
 38. 'Inaugural Address to the Nation by President Moon Jae-in', unofficial translation by the Ministry of Foreign Affairs, Republic of Korea,

- 10 May 2017. See also Mael Business News (Business Department), *Moon Jae-in nomics* (Seoul: Mael Business News Korea, 2017) (Korean).
39. Chin Hee Hahn and Shin Sukha, 'Understanding the Post-crisis Growth of the Korean Economy: Growth Accounting and Cross-Country Regressions', in Takatoshi Ito and Chin Hee Hahn (eds), *The Rise of Asia and Structural Changes in Korea and Asia* (Cheltenham, UK: Edward Elgar, 2010), pp. 97–110.
 40. The heavy industry ratio (the portion of heavy industry in the total manufacturing sector) continued to increase from 58% in 1980s to 88.5% in 2007, and Korea tops the world in this category.
 41. 'The U.S. Drops Out of the Top 10 in Innovation Ranking', *Bloomberg Technology*, 23 January 2018, <https://www.bloomberg.com/news/articles/2018-01-22/south-korea-tops-global-innovation-ranking-again-as-u-s-falls>.

Conceptualizing the Korean Development Model

Conceptualizing the Korean Development Model

Below, in Fig. 8.1, I have attempted to construction, with a schematic map, what can represent a model of Korea's development. While Fig. 7.1 depicts how the course of Korea's development unfolded, Fig. 8.1 expresses *what* actually made the transformation possible, that is, the central elements of development.

In sum, the Korean development model starts with the four cornerstones. Based on these cornerstones, the economic realm and the socio-political realm of Korea each realized a 'compressed' developmental process with more or less common characteristics in each stage of development. The top row representing economic domain and the bottom row representing socio-political domain show a full range of Korea's development.

Choi, Joong-Kyung observes:

among the countries that were disconnected from Western industrialization up until the beginning of the 20th century, Korea is the only country

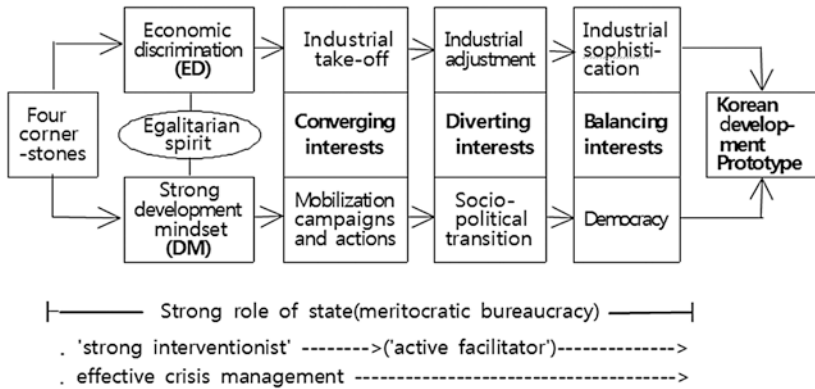


Fig. 8.1 Korea's development model

that achieved both Western industrialization and Western democracy. Both Israel and Singapore are also regarded as having achieved industrialization and democratization, but there were historical reasons ... Israel was formed by a Jewish population that came from Western industrial countries. Singapore was a small city economy and had been a base for the UK's East India Company for a long time, and this was exposed to Western-style industrialization from early on.¹

In the economic domain, the rule of 'economic discrimination' (ED) was the principal driving force for growth during the rapid industrialization period. The rough timeline for 'industrial take-off' was the 1960s and 1970s, while 'industrial adjustment' occurred in the 1980s and 1990s, and 'industrial maturity' took place the period from 2000 up to the present day. As mentioned earlier, 'economic discrimination' is the concept coined by Professor Jwa, Sung-Hee. This concept is instrumental in understanding the success of Korea, particularly in the economic take-off period.

Meanwhile, in the socio-political realm, the emergence and expansion of a 'strong development mindset (DM)' in the nation was critical in terms of motivating individuals and mobilizing the general public to work harder in order to attain a better life and the modernization of the nation. There is no denying that the economic domain and the

socio-political domain must have had a substantial correlation or interactions. In my mind, what reinforced the rationale and effectiveness of both the DM and ED was the 'egalitarian spirit' typical of Koreans up to now. If we recognize that ED and the strong DM were crucial factors for development, 'egalitarian spirit' is more of a psychological element deeply ingrained in people's minds that expeditiously matched well with those two factors to produce maximal outcomes.

I have already pointed out that Korea boasts notable historical continuity and homogeneity as a nation. In the twentieth century, Korea's liberation from colonial rule and the Korean War largely demolished the existing socio-economic hierarchy and the vested interests structure. After being devastated by the Korean War, the nation had to start again from scratch and everybody was literally on an equal footing. The Korean people were all very poor, so there were basically two tendencies: either people could resign themselves to their lot or they could try to do something special to get out of the misery in which they found themselves. Fortunately, the nation did not opt for the former because unlike many Sub-Saharan countries blessed with abundant natural resources and a favourable climate, making year-round farming possible, Korea's land was resource-poor, rugged and mountainous, making an easy lifestyle simply unsustainable. And a strong sense of egalitarian-mindedness in the people prompted them to jump on the bandwagon of social mobilization.

An egalitarian mindset was important because this encouraged competition and emulation among the people to 'keep up with the Jones', as if they were saying: 'If others can do it, why can't I?' People were envious of their neighbours' or acquaintances' wealth or success, and this made them exert greater effort to try to catch up with them. I think the can-do spirit of Koreans is rooted in this egalitarian thinking. It has also been observed that: 'Korea's development is also remarkable because it constituted development with equity, with rapid poverty reduction and no increase in inequality throughout the development process.'²

In addition, socio-cultural norm that emphasizes 'saving one's face' and maintaining one's dignity, along with the typical 'shame culture', has contributed greatly to the emergence and expansion of a hard-working, self-sacrificing populace. As illustrated in Fig. 8.1, the period

of 'industrial take-off' can be characterized as an era of 'convergence of interests'. The interests of the country's leader, the government, the people and companies converged, leading to phenomenal and unparalleled economic growth. In the early 1960s, Korea had just experienced the troubled government of Rhee, Syng-Man, who was ousted following popular opposition. The cabinet system administration that was newly formed also found itself unpopular and in turmoil, and as a result, the military, led by a group of young officers, staged a coup with the rationale of saving the nation.

The strong role of government based on meritocratic bureaucracy is the hallmark of Korea's success, particularly in the rapid industrialization period, but is also the overarching feature in the overall development of Korea that continues to this day. What started as the government's strong interventionist stance in the early 1960s over time underwent adjustments and changes so as to become that of an 'active facilitator'. But this does not mean that the government's function has basically 'weakened'; instead, it reflects changes in government policy.

What is not marked in the Korean development model diagram, but is deemed as another important feature for the success of the nation is the timely and effective management of crisis or, even better, *taking advantage of a crisis*. This notable feature has crystallized on many occasions throughout Korea's development path. Not only was Korea able to successfully cope with crisis time after time, but it also came out stronger than before. The responses to crises or challenges were bold and immediate. And Korea made many correct policy choices when confronted with big challenges or tasks. Even when some of these turned out to be failures, the government was on track to fix them.

The collapse of Rhee's government and the ensuing new government at the turn of the 1960s was in itself a crisis for Korea. But as it turned out, the 1960s marked an important turning point in relation to Korea's development. So, what enabled Park Chung-Hee's government to be successful in driving forward its policies? A combination of factors must have been in effect, but the 'right timing' of the advent of a new state leadership and the 'synchronization' of policies, national demands and aspirations, etc. should also be recognized. The test for the new

democratic politics in Korea failed due to various reasons. The people were wary of politics, and uncertainty and instability prevailed. Park came from a poor peasant family and his style of leadership was perceived to be down to earth and in touch with the grassroots. Korea was at a low point in every aspect and people were willing to support and take part in new initiatives.

Meanwhile, because of North Korea's propaganda and the perception held by some South Koreans that North Koreans might be better off living under a communist state, there was a constant pressure on the government to outperform North Korea in terms of economic development. This was all the more reason for Park to vigorously launch the national modernization campaign in order to consolidate the legitimacy of his rule.

This was a time when the Cold War was at its peak, with the threat of North Korean communist military adventurism being very real. The ongoing Vietnam War was a stern reminder of what might happen in the Korean Peninsula. South Korea was in competition with North Korea on multiple fronts: economic, military, political and ideological. It was also in a fierce contest with the North to win the 'approval' of the international community. Korea depended heavily on the US for its military capability and national security, but this also represented a vulnerability for Park's regime.

There were also disagreements with the US in certain areas, such as Korea's pursuit of its export-drive policy instead of import-substitution. President Park was at times wary of a possible US military pull-out from the South, knowing all too well that the US security commitment to Korea hinged on the decisions taken in Washington, DC and that it should not be taken as a given. This led Park to hasten economic development in order to try to acquire industrial capability including defence.

'Modernization of fatherland', the motto of Park Chung-Hee's government, was timely and appropriate for the nation, and it would have been hard to argue against its logic, given the circumstances in Korea at the time. Rather than being populist and trying to cater to the short-term needs of the masses, Park emphasized the great challenges that lay ahead and the magnitude of the work that needed to be done to pull the nation

out of poverty. The term 'modernization' implies moving from 'backwardness' to modernity, realizing economic development and adopting advanced modes, systems and institutions necessary to upgrade the nation so as to join the ranks of the rich nations. Hence, the government asked people not only to support the vision and policies but also to actually participate vigorously and physically in the 'mobilization' campaigns.

But the effectiveness of winning popular support and generating social mobilization hinged on the government's leadership and performance, and the development momentum of the nation was sustained because the government was able to deliver concrete results promptly. During the take-off period, Korea's policies and industrial structure underwent big and continuous changes. Korea's conversion from protectionism and import-substitution in the 1950s to export-oriented policies in the 1960s is hailed by many experts as the most dynamic transition since the Second World War. It was in 1962 that the first five-year economic development plan was launched. The targeted goal of economic growth was set at a very high level of 7.1% average annual growth, but the actual growth rate attained exceeded this, reaching 8.5%. The second five-year economic development plan (1967–1971) yielded an even more remarkable result of 9.7% average annual growth against the original goal of 7.0%.

What was also remarkable about President Park was that he took very bold economic measures against the advice of international organizations and principal donors by pursuing an export-drive policy, establishing Pohang Iron and Steel Company (POSCO) and building the eight-lane Gyeongbu Expressway. Choi, Joong-Kyung, who served in Korea's Ministry of Finance and the World Bank, observed that:

at the time, the projects seemed like nonsense and the tasks appeared impossible. President Park Chung-Hee was not an economist. He witnessed the success of other countries that faced similar situations as Korea and he believed in his intuitions. The case of West Germany (which had success with an export-drive policy and hardly had any natural resources) caught his attention. The unified Germany still continues to adopt [an] export-drive policy. As a small country with a small domestic market and with scarce natural resources, such a policy is almost inevitable.³

According to Choi, for an economy to achieve successful development, four basic elements are required: a strong and stable leadership with a clear vision; well-organized economic development plans; a competent bureaucracy to carry out these plans; and the financial resources necessary to execute meet them. In the case of Korea, these conditions were met and 'without any doubt, the late President Park Chung-Hee was the architect who exerted leadership and created the strong foundation of the modern Korean economy. The zeal for education and a competitive and objective civil service exam made it possible to recruit and maintain a competent bureaucracy. Through visionary leadership and the efforts of an efficient bureaucracy, it was possible to establish highly effective five-year economic development plans'.⁴

In the 1950s, Korea was seen as a 'hopeless' and high-risk country, with the possibility of war breaking out again in the eyes of foreign agencies, including the United States Agency for International Development (USAID) and the World Bank. Korea was unable to obtain the necessary loans to push forward with its economic development scheme in such circumstances where Samuel D. Berger, the US ambassador to Korea, made a negative report to his headquarters regarding Korea's development plans and the World Bank was equally reluctant to extend financial assistance to Korea. Despite the unreceptive mood of the international community towards Korea's needs, in 1962 Korea was finally able to sign a commercial loan agreement with West Germany. By the terms of agreement for a loan of USD 150 million, Korea had to send nurses and miners that West Germany needed and the salaries of the workers were set as collateral.⁵

The first job assigned to the Korean nurses who were sent to an alien country was cleaning stiffened dead bodies. The miners worked so painstakingly hard, risking their lives in caves over 1000 metres deep underground fighting geothermal heat. The Korean workers' zealous work deeply impressed the people of West Germany and so President Park was invited by President Heinrich Lübke to visit West Germany in December 1964. Anxious to greet their President, who has come all the

way to West Germany to meet them, Korean miners and nurses gathered in an auditorium all dressed up: the miners in suits and the nurses in traditional Korean dress. Prior to the Korean President's speech, they all began singing the Korean national anthem but none of them could finish the song because they were all sobbing. President Park put his prepared speech into his pocket and said repeatedly 'let's work hard'. He went on 'let's work hard until our bodies turn into shatters so that our sons and daughters would not be sold to a foreign country'. The Korean workers cried out 'we will do anything. Please help our country, please help our President', as they knelt down and bowed low to the ground for the President of West Germany. Leaving behind sobbing Korean workers, on his way back to the hotel, President Park could not hold back the tears. President Lübke give him a handkerchief and comforted him by saying 'we will help you; the people of West Germany will help your country'.⁶

Through such hardships and the sacrifice of the people, Korea was able to build the stepping stones towards modernization. In addition, sending troops to Vietnam helped accelerate the economic growth of Korea as the soldiers' combat allowance money was used to fund the Gyeongbu Expressway. The Korean government also obtained a reparation payment of USD 500 million and commercial loan of USD 300 million from Japan following the normalization of diplomatic ties with Japan in 1965. The payments were used to build the Pohang Iron and Steel Company and other investments. Money earned by Korean construction workers from construction sites in the scorching desert heat of Middle East in the 1970s was another valuable foreign currency inflow for Korea. Fabric, shoe and wig factories were packed with teenage boys and girls who were saving money to pay for their younger siblings' education.

And yet another drama unfolded when Koreans achieved democratization. There are two common misperceptions held by many foreigners when it comes to the state of Korea's democracy. One is that Korea is still run by an authoritarian or non-democratic regime and the other is that Korea was democratized long ago and it achieved development under democracy. But neither is the case. First of all, the Korean democratic movement ran its full course and could possibly be the most

successful case of a Third World nation-turned full democracy since the second half of the twentieth century. Korea's compressed development featured 'compressed democratization' in addition to compressed economic growth and transformation. It would be no exaggeration to say that the level and dynamism of democracy exhibited by South Korea is highly exceptional in the non-Western world.

Korea's compressed democratization was fuelled by democratic uprisings or movements, although even during the absence of such events, there were ongoing awareness and a drive for democracy in society, albeit in a subdued fashion. In the post-war era, the first democratic movement erupted in 1960 against the Rhee Syng-man regime, culminating in the 19 April Revolution that finally toppled the government. But the new democratic government that was formed was seen to be incompetent and powerless, and was overthrown by a military coup just after a year.

If President Park lacked full legitimacy because he had taken power through a coup, his delivery on impressive economic development more than offset this, as shown by his landslide win in the 1967 presidential election. But he faced increasing opposition to his prolonged rule in the 1970s, as he announced a plan to amend the Constitution to allow him to run for a third term in October 1972. The new *Yushin* Constitution was legislated in December of that year. Park was assassinated in October 1980 by his aide, the chief of the intelligence service. The assassination is largely considered to be an outcome of a collision between the repression of Park's regime and the resistance of the democratization movement, which was preceded by years of confrontations and escalating tensions in political parties under the *Yushin* system. After Park's assassination, the prospect of democratization appeared to be evident in South Korea.

During the early years and up until the mid-term of Park's rule, successful economic development enhanced the legitimacy of the regime. However, by the time of Park's death, the regime had lost much of its popular support due to changes in people's attitudes and values brought about by economic growth and the enhancement in people's standard of living, and also because Park reinforced coercion to prolong his rule. There were high expectations that the end of Park's dictatorial rule

would open a new era of democracy, giving rise to the 'Seoul Spring', which was the period from 26 October 1979 to 17 May 1980.

But the 'neo-military forces' snatched power from the transitional government with a military coup and imposed martial law on 17 May 1980. General Chun Doo-Hwan soon became President and after his term finished, Chun's chosen successor, Roh Tae-Woo, a retired general and an army academy classmate, took over. In the meantime, a massive anti-government uprising occurred in the city of Gwangju on 18 May 1980, which is referred to as the Gwangju Democratization Movement. During this period, citizens rose up against Chun's dictatorship. During the course of the uprising, citizens took up arms by raiding police stations and military depots to oppose the government and the imposition of martial law, but were ultimately crushed by the army. Hundreds of people died in the process. There was another major democratic uprising in June 1987, which pressurized the regime to accommodate some institutional and policy changes demanded by the people and the opposition.

The democratization movement in the 1980s was no longer limited to the student and the dissident movement. Instead, it was aligned with social movements and particularly with the labour movement. Moreover, the opposition party which had been excluded from the political scene re-entered the political arena following the general election in 1985 and expressed opposition to dictatorship and support for democratization more clearly. Accordingly, the democratization movement was able to muster the largest coalition of social and political forces comprising workers, opposition party and dissidents, and students.

Although the democratic transition ended up in the emergence of the Roh Tae-woo regime, which succeeded the Chun Doo-Hwan regime, the political environment of Korea did change after the transition. Above all, the constitutional system began to operate normally under the amended Constitution in 1987 and subsequently, the arbitrary exercise of the state's power was considerably reduced. In addition, political and civil society, which had been repressed by authoritarian rule under the dictatorial regime, also became normalized due to democratization.

A normal political party system based on popular support was created, although it was under the influence of 'regionalism', and civil society also regained autonomy and developed rapidly afterwards.

The election of Kim Young-Sam, the leader of the democratic movement, as Korea's President in 1993 ushered in a new era of civilian rule. Then, after ten years of democratic transition since 1987, Kim Dae-Jung was elected President in the fifteenth presidential election held in December 1997. The emergence of the Kim Dae-Jung government was a historic feat because it marked the first 'parallel' regime change by election and also because the regime change was made by a democratic opposition party. The Kim Dae-Jung government was followed by a successive liberal government led by President Roh Moo-Hyun, who came to power in 2003.

After ten years or two terms of rule by liberal-progressive party leaders, the political landscape of Korea shifted back to conservative party rule as a businessman-turned politician Lee Myung-Bak from the conservative party became President in 2008. Then, the conservative party's candidate Park Geun-Hye, the daughter of the late President Park Chung-Hee, won the subsequent presidential election to become the first female Korean President in 2013. However, Park was implicated in a corruption scandal and faced massive public demonstrations demanding that she step down. She was removed from power after being impeached in March 2017.

The liberal party opposition leader Moon Jae-In became the new President in May 2017. Likewise, the political pendulum continues to swing back and forth between the conservative and liberal political parties since the peaceful transition of power was first realized in Korea in 1998.

Going back to Fig. 8.1, I have pointed out that in the 1960s and 1970s, the interests of the government and that of the people and businesses largely converged, producing positive synergy effects that led to high economic growth. But afterwards, the bond or unity between the government, corporations and the populace loosened, although it did not diverge strongly to cause instability of the country.

What characterized this era of the 1980s and 1990s is, I think, 'diverting interests'. I chose the word 'diverting' for a lack of better word, to avoid the word 'divergent'. This is to suggest that the interests of the government, the people and businesses started to 'differentiate' somewhat, but were not really in conflict with one another.

By this time, South Korea has extricated itself from poverty, so economic stability, distributional justice, workers' rights and democracy were higher priorities. One of the signs of change was that the Korean private business sector, especially the large business conglomerates, the *chaebols*, now wanted to be more autonomous vis-à-vis the government. Labour unions, opposition political parties, intellectuals and social activists wanted their voices to be heard and increasingly confronted the government and the establishment.

During the Park Chung-Hee era, modernization was the single most important goal of the nation and most of its energy and resources were devoted to achieving economic development. But afterwards, many things were set to change. The early success in economic growth is deemed to have set off a chain reaction of: economic development; social, political demands and changes; economic policy adjustments; evolution of democratization and social dynamism; deepening of economic reforms and sophistication of industrial structure, and so on.

But Korea might have started celebrating too early and was complacent without ever suspecting what was to come. To the shock of the whole nation, Korea was on the verge of bankruptcy and had to receive a financial bailout from the IMF in December 2007. Moral hazard and problems in corporate governance on the part of big business, the weakness of the government and its failure to monitor and regulate the problems, as well as excessive borrowing and spending by the people gave rise to a major crisis. This led to a change in the tide, the reassessment of unfettered free market economy and the re-alignment or rebalancing of interests. The 1997 Asian financial crisis and the 2008 global financial crisis were stern reminders to Korea that a sound regulatory role of government is very much in order and that economic globalization poses such a grave, immediate and extensive risks to economies if they lack the necessary discipline and governance.

For Korea, this was an occasion to become 'united' once again. To help the government pay back the IMF debt, the Korean people voluntarily launched a movement to donate gold. This was in effect a revival of the *Saemaul Undong*. Such an act of the people giving up their personal possessions for the public cause is unheard of in the world history. The business conglomerates had to undergo serious restructuring, and they became more conservative in their investment activities. The last phase of 'industrial sophistication' is still an ongoing process.

Politically, Korea has become a full democracy, while economically it is faced with increasing global competition. The interests of various players or entities in Korea can be said to be in the 'balancing' stage. They do not converge to the extent that they did in the 1960s or 1970s, but nor are they as divergent as was sometimes the case in the 1980s or 1990s. We can say they are somewhere in the middle.

Koreans have responded and adapted appropriately to challenges and crises. The '*Palli Palli* (hurry hurry)' culture, which is typical of the Korean people, is deemed to have been instrumental in bringing about the rapid development. There is a tendency that people cannot stand staying idle or doing nothing, because this will make them uneasy as if some kind of penalty will be incurred for doing so. They feel more comfortable keeping themselves busy.

Without question, the strong role of government was essential in propelling the nation forward. The government was effectually 'interventionist' during the high growth period, but even during later phases, its active role persisted in the form of engagement in regulating and 'facilitating' the national economy, which has become increasingly complex to manage.

Jongryn Mo and Barry R. Weingast explain Korea's development using an analytical method devised by North, Wallis and Weingast (2009) referred as the 'NWW approach'. They attempt to explain how the transition of Korea's political economy from an underdeveloped to a developed country took place, that is, from a 'natural state' or 'limited-access order' to an 'open-access order'.⁷ Countries have different levels of openness or accessibility in their political order and economic order, and when the disparity between these two becomes large, it causes social tensions that require 'rebalancing' measures.⁸

According to the authors, Korea's successful development came about because an increase in economic access was followed by a corresponding increase in political access (democratization).⁹

The Four Cornerstones of Development

Land Reform

The first major impetus for change in Korea came from the land reform, that was a powerful and innovative policy based on the land-to-tiller's and market-oriented principles. Korea's land reform is internationally known as one of the most successful cases of its kind. The Korean case of land reform stands out as it was rapidly implemented, resulting in the collapse of landlords who dominated rural communities at the time. This is in stark contrast to the disappointing results seen by many other developing countries in their land reforms.

Park, Hyung-Ho observes that:

Korea's land reform was implemented based on a compound combination of political, social and economic factors. In the way that Korea abolished a semi-feudal tenancy system as well as landlordism in a relatively short period of time, Korea's land reform is acclaimed as the most successful case of land reform all over the world. Therefore, a redistributive land reform at an early stage of development can be a crucial means to lay the basis for agricultural productivity gains while enhancing growth and poverty reduction prospects. Such government interventions can lead to both equity and efficiency gains.¹⁰

When Korea was liberated in 1945, it was an agrarian economy in which most of the population were tenant farmers without ownership of farmland. In view of the slave-like status of the tenant farmers who were subordinate to landlords, the 1948 Constitution that established South Korea guaranteed private land ownership and proclaimed the adoption of a capitalist economic system. While the land reform's social objective was to free the populace from the shackles of servitude, its

‘economic objectives were to improve agricultural productivity and the income of farmers by dismantling the oppressive tenant farming system, to encourage reinvestment, and to provide incentives through ownership of land and production’.¹¹

Korea’s land reform and the Korean War in effect brought about equality in income and property in Korea. The vested interest class of landlords was disbanded and educational opportunities were extended to the people, thereby promoting greater social migration and an egalitarian society. The land reform had a huge impact on Korean society. The proprietary class, the landowners, inherited lands handed down to them generation after generation from their ancestors, while tenant farmers remained where they were, leading to ‘the rich get richer, the poor get poorer’ phenomenon. But with the sudden collapse of the proprietary class, the conflict between these two classes also came to an end.

The land reform that was undertaken during the time of war was considered the most important measure during this phase of development. The government purchased the land and redistributed it to farmers in consideration of its market value. The government bought land by issuing land securities to the owners, and the farmers paid for the land in kind by instalments. In South Korea, landlords were compensated, unlike in North Korea, where land was confiscated and redistributed forcefully.

The land reform offered the chance for farmers, who made up about 75% of the Korean population, to farm on their own land. Being given the right of ownership was another big change for the vast majority of the populace. In itself, the reform did not have an immediate impact in terms of increases in agricultural production and income, due to the fact that war broke out and the new independent farmers, unlike the past landlords, lacked the necessary funds to invest in agriculture. However, it had a considerable impact in promoting the capitalist system and economic development in South Korea in the 1960s and afterwards. It helped South Korea nurture a capitalist society by giving property rights to farmers, unlike in North Korea, where collective farms were the norm. The guaranteeing of private farmland ownership in effect also created the necessary conditions for the guaranteeing of private property rights in other economic activities.

An important point to note was that the Rhee government promoted both land reform and education reform at the same time, so that human capital could be successfully accumulated in Korean society, and this led to successful industrialization after the 1960s. The land reform and education reform produced synergistic effects.

It has been pointed out that thanks to the land reform, farmers were able to increase production and own what they farmed. They could think of climbing the social ladder and becoming rich. That's how they worked harder and created more wealth. Thus, it laid the groundwork for economic development and overall social development.¹² Scholars have recognized that among the fast growing economies in the world, the case of South Korea, which has exhibited a remarkable degree of overall fairness in terms of income distribution, is exceptional. Many Korean experts argue that the roots of such success should be traced back to President Rhee Syng-Man's land reform, as there is a recognition that Korea was able to embark on a modernization path as an egalitarian society without this tension between the classes. Under such conditions, the possibility of acute conflict between the classes that has commonly occurred during the course of the progression of capitalism was shielded. It is said that this is the biggest benefit that Korea derived from the land reform.¹³

In the case of East Asian countries like Korea, Japan and Taiwan, the successful land reform helped bring about a large middle class, which acted as a cornerstone for economic growth and a social 'buffer' or balancer. This is in a stark contrast to many Latin American countries, where such a wide gap between the rich and poor exists due to their failure to properly enact land reform. The effective abolition of the social class system in Korea led to the realization of equal opportunities for all, and this in turn later gave rise to the spread of a 'can-do spirit' typical of Koreans.

Hyung-Ho Park states the lessons learned from Korea's experience of land reform: (1) the resistance of the privileged class on behalf of landlords should be overcome; (2) land reform should be accompanied by follow-up measures to ensure an increase in agricultural production and farmer households' income; (3) educational reform should be promoted

concurrently to maximize the social benefits of land reform; and (4) the government's ability to implement reforms is important.¹⁴

Empowering the People

As I have pointed out earlier and illustrated in the Korean development model in Fig. 8.1, strong development-mindedness (DM) and ED were the two key drivers of Korea's sustained development. What propelled and reinforced these two elements further was the egalitarian spirit of Korea that was fostered during this time. In turn, the government's policy of 'empowering' people, along with the land reform, significantly contributed to the burgeoning of this national ethos.

The Korean government, in the circumstances in which it found itself and with the means at its disposal in the 1950s, was naturally inclined to pursue 'miserly' policies that sometimes called on the populace to do its part or help out the country. This is in stark contrast to many Sub-Saharan African countries that in effect use the plague of their people and poor state of their economy as leverage to get more offerings or concessions from donors. Korea tried to turn things around by itself through self-reflection instead of 'outsourcing' the burden of finding solutions to its problems to the international community. This 'outsourcing' trend, rather than diminishing, is seen to be becoming more pronounced in Africa.

Because Korea was not only devastated by the war but was also poor in terms of its natural resources, it had to rely heavily on foreign aid. With the massive flow of aid, the society developed a dependency syndrome that was seen by the government and intellectuals to have reached an alarming level and was having a very negative impact on the country. In such an environment of poverty and despair, men became idle, drinking and gambling their life away, while women did most of the household chores and laborious work.

The campaigns to empower the people led by the government had two purposes: other than the need to motivate and instil a work ethos in the people, there was a requirement for large-scale labour mobilization for pressing public works like land reclamation and reforestation.

Because of Korea's lack of fuel due to its dearth in natural resources, the practice of timbering was widespread, meaning that many hills and mountains in populated areas were barren. This caused perennial flooding following heavy rainfall, accompanying mudslides, and sanitary and environmental problems.

Something had to be done to rectify this state of affairs, as well as to address people's problematic behavioural and 'mentality' issues, and the response came in the form of 'empowering the people'. This campaign started as early as the late 1940s under the Rhee government. The government wanted to change people's mindsets and values, and infuse a new work ethos: nothing would be free and everyone had to work hard; people were asked to work for food under the government-led projects and they were paid in wheat flour given by the US as aid. The materialization of such a policy showed the willingness of the people to change and empower themselves.

This kind of environmental protection public works initiative turned out to be a resounding success. The government was not only able to get people to participate in it actively, but also managed to sustain it in the long term. Preservation of the country's greenery through the planting of trees became a 'norm' for the people, and this public campaign has survived to this day. Nearly 21 million people participated in the land reclamation and reforestation programme led by the government. Over ten billion trees were planted over 30 years, bringing Korea's once-desolate landscape back to life. South Korea had been barren of trees after years of excessive deforestation and war, but trees once again covered 65% of the country. It was a remarkable achievement and the opportunities to make a living and to be rewarded for hard work helped establish a new set of values that would serve Korea well during its rapid development.¹⁵

I believe that the success of programmes to empower the people provided a useful basis for the *Saemaul Undong* that was launched in the 1970s. The former were the government-driven projects to conduct specific tasks, while the latter was essentially a bottom-up-style people's voluntary movement with the government's guidance and backing. The benefit of this was that it made people realize the value and necessity of collective work, and become used to the new culture of the

mobilization of the workforce that was absolutely necessary at the time to initiate effective development.

It was not only the government that tried to empower the people. The need to 'enlighten' the people was perhaps felt widely across the nation and certain entities were engaged in this effort. One institution that is renowned in this field is the Canaan Farmers School, which specializes in mindset change training. It is founded on the Christian faith, with the goal of creating a humanistic society and prosperous future through moral value education, community education and leadership education.

While the school was formally established in 1962, its origins can be traced back to a model village that was created in 1931 by the founder of the School Kim, Yong-Ki. At the time, Koreans were suffering from Japan's severe colonial oppression and he led a farming movement, which was in a way a nationalistic movement to bolster people's self-esteem, determination and hope. The vast majority of the people were farmers and the leader of Canaan farmers' movement saw a fundamental national challenge in the form of the mindset of the people, and waged a fight against the shortcomings of the populace, like powerlessness, idleness, over-indulgence in drinking and dissipation. He embarked on the farmers' enlightenment movement in a bid to change the culture of dishonesty and vanity. He claimed that independence would come about faster when there were a growing number of people with the right attitude. The motto was 'pioneering spirit'.

The Canaan Farmers School is said to have been an inspiration for President Park Chung-Hee to launch the *Saemaul Undong*. As Korea had attained high economic growth and the agriculture sector continued to shrink, the focus of this school also underwent some changes. I remember in the 1980s, when I was in my twenties, Canaan Farmers School was considered as a sort of mental-reform institution teaching the values of self-discipline, thrift and diligence, social responsibility and ethics, etc. Many groups of people from various backgrounds, including public officials, businessmen, students, leadership course trainees and farmers, entered the school to be trained. Individuals also enrolled on a voluntary basis. Decades later, the school extended its

scope of activities to international programmes or development projects both domestically and in foreign countries.

There were other similar mindset reform campaigns led by various religious entities and social groups, like the Catholic Church's revival of the moral rearmament movement with the motto 'it's my responsibility'. In Korean society, you can very often see civil society groups expressing slogans for the reforming of citizens' mindsets. This means that Korean society is basically a self-reflecting society and that the empowerment of the people is self-generated by the people. This is the opposite of how the 'empowerment' of the people is understood and pursued in some African countries, where grants to a large segment of poor people are provided in a way that makes them more dependent on the state.

Revolution in Education

It would not be an overstatement to say that Koreans understand the value of hard work and education probably more than anyone else. In the 1950s, illiteracy among adults was a staggering 77%, and an all-out war was waged to fix this. In 1954, the first campaign of the war was launched by making primary education compulsory. Primary education was deemed most important because in this period in one's life, people learn the basic knowledge and social skills that serve as the foundations for human development. What is even more important is that it made primary education accessible to girls. So, lack of money was no longer an obstacle to receiving primary education.

After 1945, enrolment in primary schools grew rapidly. In less than a decade, Korea reached an enrolment rate of 83% in primary education, up from only 54% in 1945. By 1959, primary education was within reach of everyone. The war on illiteracy was waged in community centres scattered across the country. Millions of adults learned to read and write in schools with US assistance. It was made compulsory that illiterate adults took up more than 200 hours and over 70 days of education. In five short years, illiteracy rate among adults fell to just 22%, which was a remarkable achievement. Within a decade of the launch of this

mandatory education, the number of primary schools grew from 2800 to 4600, and students from 1.36 million to 3.6 million. Universities also grew rapidly, from 19 to 68, with university students increasing from 8000 to 100,000. Numbers of middle-school students grew by 10 times, high-school students by 3.1 times and university students by 12 times.

When we look at the government budget in the 1950s, the portion spent on education accounted for about 20% of the total, which is seen as an impressive statement of the government's commitment to education, even in a time of war when defence spending took up about 50% of the entire budget. This laid the groundwork for what turned out to be an icon of Korea: a nation enthusiastic about education. It is often said that the ingredients for Korea's success lie in its human resources. About 17 years ago, when a Korean law-maker who was visiting Cote d'Ivoire was asked by his counterpart what brought about Korea's economic development, he replied without hesitation that 'it is the education and the will of the people'. I would add to this that what really made the difference was the education that went beyond regular academic studies, like inculcation and regeneration of social values, and pragmatic and action-oriented courses like technical training.

Governmental Reform

While three of the 'four cornerstones of development'—the land reform, empowerment of the people, and a revolution in education—were launched during the Rhee Syng-man government, governmental reform, namely the creation of Korea's National Tax Service, was undertaken during the Park Chung-Hee government.

In 1966, the National Tax Service, the first of its kind, was established. If educational reform was the war against illiteracy, establishing the National Tax Service was waging a war against deep-seated corruption in government and business. This was symbolic of the government's efforts to undertake self-reform to tackle corruption and improve services. The effect of the reform was almost immediate, as tax revenues grew by 51% on average from 1966 to 1969. The increase in tax revenue provided critical fiscal resources and helped Korea to become self-sustainable.

During the time of President Park's tenure in office, various efforts were made for nation-building and accordingly, many government agencies, mechanisms and policies were created or launched. To name just a few, within the five years since Park Chung-Hee assumed power, the Economic Planning Board, the Rural Development Administration, the Ministry of Construction, the Board of Audit and Inspection, and the Ministry of Science and Technology were established. These were all very important and foundational organizations, but President Park is said to have particularly favoured the National Tax Service, and this organization soon became an all-powerful and authoritative government watchdog and enforcer of national revenue collection.

It is widely accepted that a meritocratic bureaucracy was critical for Korea's fast development and this is one of the things that set Korea apart from most other developing countries. The advent of disciplined, capable and patriotic bureaucrats may have been bred by the Korean culture, but this would not have been possible in Korea without strong leadership and the commitment of the ruling elites to motivate government officials in such a way. Recognition and promotion were effective tools that were used to maintain the meritocratic bureaucracy.

The 'governmental reform'—in a wider context of rejuvenating and empowering the entire bureaucratic circle to become substantially more goal-oriented and 'functional'—took place during the time of Park's government. As we have seen, the principle of 'incentives and punishment' that the government applied to businesses was also in fact applied to civil servants and, in this regard, to the general public as well.

On Koreans' Temperament and Egalitarianism

As Korea went through a half-century of upheaval to enter the mature stage of development, it seemed timely that Koreans looked back and assess what their ingredients of success were with greater depth of perception. Over the years, a number of interesting works by Korean experts shedding light on the 'secrets' of the Korean people's temperament have emerged. Among them are Baek, Suk-Ki's

Koreans' Success DNA (2007) and Shin, Gwang-Chul's *Extremist Koreans, Extreme Creativity* (2013).

What is interesting to note in this regard is that recent efforts to find explanations for Korea's economic or developmental success from a Korean perspective are being increasingly drawn to the domain of national traits. Early observations both within and outside of Korea cited the general traits of Korean people as 'hard-working' or 'diligence'.

But recent studies on the temperament of Koreans have become more sophisticated. Baek observes that this temperament has evolved over the course of Korea's history. Traditionally, Koreans were known for their paternalism, veneration of literature, respect of traditional and moral values, respect for the elderly, originality and optimism, emotional sensitivity, etc. But on the other hand, they also showed vanity, disunity, disregard for economy and pragmatism, laxity in terms of morality, obsessions with the past, lack of ambitions, lack of rationality and courage, irresponsibility, self-righteousness, exclusivity and ignorance of the rule of law.¹⁶ However, as the people entered into a dramatic phase of transformation in the 1970s, they showed active and aggressive traits, blending Western rationality with their traditional values. Veneration of literature, social orderliness, courage, a challenging spirit, love of peace, ethics, paternalism, a taste for distraction and amusement, an egalitarian spirit, democratic values, creativity and humour were stressed. At the same time, emphasis on face-saving, emulation and accommodation of others, intervention in the affairs of others, superstitions, lack of cohesiveness, collective egotism, dichotomic thinking of what is just and unjust, and hastiness were pointed out as shortcomings.¹⁷

Baek lays out six uniquely Korean facets that drive Koreans to try to become 'number one' in the world: (1) emulating and meddling in others' affairs in order to surpass them; (2) employing full creativity and dynamism to create new values; (3) a *bibimbap* (mixed rice) culture of fusion and harmony (the icon of today's network society); (4) a *palli palli* (quick, quick or hurry, hurry) temperament, which is 'an advantage in the digital age'; (5) a *shinbalam* (love of merriment) spirit serving as an impetus for the creation of new cultures; and (6) a zealous passion for education.¹⁸

Shin, Gwang-Chul's work is much more historical, detailed and analytical in terms of identifying and tracing the many originalities and facets of the Korean national ethos. He traces back as far as the ancient Korean kingdoms and highlights Korean cultural heritage as evidence. Here, the word 'extremist' or 'extremism' is used as a term to depict not religious or ideological radicalism, but how Korea has accommodated and embodied different things that are so different or in contrast to each other. Reading his book, I came to realize that the Korean national flag is a good reflection of this: the circle in the middle of the flag is derived from the philosophy of yin and yang, the balance and harmony of opposing forces.

According to Shin, Koreans have traditionally accepted 'extremities' or 'opposites', and this would be quite unique in this world. The characteristics of Koreans are elaborated and summarized as the following four points: first, Koreans accommodate totally different and opposite elements, internalizing and socializing them; second, Koreans have the dynamism to 'traverse' between the two extremes to create new things; third, Koreans provide 'middle grounds' to avoid collisions between the extremes; and, fourth, Koreans have the ability to 'integrate' differing factors to bring about a greater whole.¹⁹

For example, when foreigners are asked to name one single trait that best describes Koreans, many would say it is the *palli palli* temperament. There are both positive and negative connotations to this, such as diligence, motivation and a positive work ethic, but also hastiness, quick-temperedness, social stress, etc. But interestingly enough, on the opposite side of *palli palli*, there is this trait of 'composure and perseverance' that is typical of Koreans. Patience, endurance and a 'never give up' spirit have been the hallmark of the Korean people. On the surface, these two may seem to have no links whatsoever, but what drove Koreans to achieve success was not only the *palli palli* spirit, but, perhaps more importantly, this contrasting 'composure and perseverance'.²⁰

In fact, South Koreans do have many inconsistent and conflicting attributes. For instance, when there is a 'get-together night' for office workers, everyone is expected to take part in the fun and revelry until very late into the night. They are allowed or encouraged to go to the

'limits'. Often they are told they should not worry about work the next day. But it turns out that no one is excused for tardiness and laxity, and they are expected to show up on time to work the next day as if nothing had happened.

In Korea, different thoughts and ideologies, religion and culture are all merged to be re-created. During the last 2000 years, Koreans were subjected to Confucianism in every aspect, spiritually as well as in daily life. While China and Japan came into direct contact with Western powers and half-coercively opened their doors to let in capitalism, Korea was more receptive to Western civilization and influence because the US liberated Korea from Japanese colonial rule. Koreans were so envious of Western ideas, science and technology to the point that Koreans' own traditions and values were being discounted, and hence the sense of Korean national identity was seriously curtailed. Korea's traditional values were considered obsolete and the strong sense of urgency to 'change' led to Korea's compressed economic development.

Having achieved modernization in an unprecedented manner and also having experienced the positives and negatives of rapid economic development in a competitive environment, Koreans have started to look back on their history and national identity. As Shin observes, now in Korea, traditional Confucianism and Western capitalism might be heading towards a collision. The ongoing talk of 'economic democracy' in Korea is consistent with the Confucian task of taking care of 'people's economic plight'. Confucianism values equality and humanism, while capitalism is based on competition and materialism. For a long time, Confucian values were seemingly put on the back-burner, but they have been flowing in the veins of Koreans and, according to Shin, are now on the rise.

Koreans may well be at a crossroads in terms of their value system and attitudinal orientations. They have achieved both unprecedented compressed economic development and democratization. Western ideas and system have fuelled the former, while the latter might be attributable to the 're-emergence' of the Confucian values of egalitarianism and humanism. Western countries experienced industrialization and rapid economic growth before realizing democracy, and the Korean model of development is consistent with this modernization. But there is no

denying that the innate Korean national ethos made this transition possible in such a compressed manner.

Na, Jong-Seok has written a very insightful book on Korea's Confucianism and democracy, in which he claims that Korea was able to achieve democracy based on its traditional Confucian values rather than through its adoption of the Western ideals of democracy. Na asserts that Korea's democracy has flourished because it is rooted in its Confucianism and, unlike conventional thinking, Confucianism and democracy are not conflicting values.²¹ This may be true, and it provides food for thought for other developing countries struggling with political challenges and social cohesion.

The rise in people's expectations, a rapidly ageing society, the increasing influence of globalization, along with other factors pose new challenges to Korea. As competition and the income gap increase, so does social tension. Furthermore, there are increasing concerns that the youth today are mentally vulnerable and weak. Thus, Korea finds itself in need of once again reflecting on its national values and the way forward. The new developments in the Korean Peninsula surrounding the issue of North Korea's denuclearization, if it continues to make progress, can have no small impact on the national visions.

As Korea fully embarked on the modernization drive, the egalitarianism spirit of Koreans re-emerged, albeit in a different form. The traditional egalitarianism was more of a 'passive' right or idealism bestowed or upheld by the kings and the leaders. The new modern egalitarianism in Korea was born in the very trying conditions, like the struggle against Japanese colonialism, the Korean War and the devastation of the land. As mentioned earlier, the 1950s set the stage for a series of bold reforms like the land reform that revamped the vested interests, leading the way towards a greater egalitarian mindset of the people.

The 1960s can be seen as a turning point in the history of Korean egalitarianism: 'passive egalitarianism' turned into 'proactive egalitarianism'. This proactive egalitarianism was built on the traditional egalitarianism and humanism with the new 'empowerment of the people' policy pursued by the government. The government's all-out modernization drive propelled the people to be more motivated and 'egalitarian

minded', and this proactive egalitarianism in turn helped the government's agenda of economic growth and rural development such as the *Saemaul Undong*. When Korea was well on its way to rapid industrialization, this egalitarian spirit was turning into a formidable force for political change. Korean democracy finally came of age in 1998 with the first-ever peaceful transfer of political power from the ruling party to the opposition party. What seemed impossible happened 'overnight' when votes were tallied for the presidential election, and the perennial opposition leader Kim Dae-Jung was declared the winner.

This showed that Korea is a land of surprises and dynamism that constantly reinvents itself. The year 2002 was marked by the 'eruption' of the Korean people's passion when Korea co-hosted the FIFA World Cup with Japan. It was an important occasion for the Korean people, especially the younger generation, to uplift their pride and confidence, and rediscover themselves. It was also the year when a tragic accident took place, in which two Korean junior high-school girls were hit by a US army armoured vehicle. The US military court's acquittal of the two servicemen in the vehicle sparked unprecedented anti-American sentiments and protests in Korea. In that year, the presidential election was won by Roh Moo-Hyun, the most progressive President the nation had ever seen. Roh's election ushered in a new generation of Korean politicians to power.

The *Saemaul Undong* (The New Village Movement)

In the 1960s, Korea posted record growth under the five-year economic development plans, but this policy drive, centred on industrialization, deepened the gap between urban and rural areas. Many people left rural areas to start new lives in the cities, and the growing discontent of the farmers became a political problem. Unemployment and poverty emerged as social issues, and the agricultural sector was faced with labour shortages, causing a rise in agricultural production costs and threatening the viability of the sector.

President Park Chung-Hee realized that economic development could not be fulfilled without rural development. It was necessary to improve the income of rural households and encourage people to remain in rural areas by providing more income-earning opportunities and employment. This called for drastic measures to reverse the problems caused by the unbalanced growth that was fuelled by rapid industrialization. The *Saemaul Undong*, which in the beginning had the appearance of a campaign for improving rural living conditions such as roads, housing, water supply, sewage and irrigation, soon turned out to be an all-out movement for transforming the rural sector and the nation as a whole.

The *Saemaul Undong* is a Korean community development model which contains the spirit of diligence, self-help and cooperation that is also shared in the urban areas as well. It is said that during those times, most rural areas in developing countries, including those in Asia, were trapped in a vicious cycle of poverty, despite the flow of international aid and the government's efforts. In this regard, the World Bank pointed out that it would be difficult to resolve the poverty situation without a special reform programme being in place.²²

Korea was no exception, and before the *Saemaul Undong* started in the 1970s, in rural areas, about 80% of households were thatched roof houses and only 20% had an electricity supply. As there were no village entry roads for vehicles, even cultivators could not enter the villages. The situation in Korea back then is comparable to or even worse than what most Sub-Saharan African countries are facing today. But Korea was able to overcome this common and perennial dilemma, the underdevelopment of the rural-agricultural sector of developing countries, and enter the next threshold of development because of the drastic or 'revolutionary' measures initiated by the Korean government in 1970.

Complementing this community movement was the government's efforts to develop new varieties of rice as part of the Green Revolution and conducting large-scale land reclamation projects to create farmland. In the early stages, the Ministry of Internal Affairs played a leading role in this campaign by providing cement and other materials through the local administrative network. Later on, more ministries took part in

conducting the movement-related programmes, such as assisting rural households to find alternative sources of work out of season, forming cooperatives for the production of rice and barley, supplying electricity to rural areas and building factories.

The *Saemaul Undong* was launched as a mentally reformatory movement to make villagers aware of the spirit of diligence, self-help and cooperation, and a mental reform was achieved through practice and action instead of words and theory. The secret of the *Saemaul Undong* lies in its practicality, and it was a success because people themselves practised it. As was suggested earlier, the *Saemaul Undong* could not have been launched at a more opportune time. There was a sense of urgency in the population to get out of the misery in which they found themselves, and with the limited resources they could rely on, it was like they had no other choice but to work hard in order to earn a better living. If Koreans did not embark on such a movement at that time, they could have missed the critical opportunity to do so. It would have become increasingly difficult for the Korean people to take on hardships or make 'sacrifices' for tomorrow as they might have already lost hope or motivation, or have fallen into the sinister trap of the vicious cycle of dependence that we witness today in many Sub-Saharan Africa countries.

The positive thing about the *Saemaul Undong* was that it bred a virtuous cycle of voluntary collective work producing concrete results, and this reinforced the 'can-do spirit' of the people, which, in turn, brought about competition among villages and widening participation in the movement. The spreading of the *Saemaul Undong* not only in rural areas but also in urban areas and factories was like a 'wild-fire'. What appears to have helped the farmers to be enthusiastic and confident was that Korea was already witnessing changes in the form of high growth in exports and industrialization in the 1960s.

At the beginning of the movement in 1971, the government is said to have provided 335 sacks (40 kg per sack) of cement to 33,267 villages, leaving it up to the villages to decide for themselves which projects they would use the cement for. As a result, villagers held community meetings in which they elected *Saemaul Undong* leaders and agreed on which

projects they would undertake and how they would undertake them following long discussions. For instance, if the villagers decided to construct a village entry road, they would work out specific plans on how to secure the necessary workers and land, and how to acquire and transport gravel and sand, the raw materials needed to make concrete.

The Korean government evaluated the projects of all villages in 1972, one year after enacting the movement, and named 16,600 villages (approximately half of all villages in Korea) as 'outstanding villages'. These outstanding villages were those that had successfully implemented *Saemaul Undong* projects and were provided with an additional supply of 500 sacks of cement and one ton of steel by the government. The villages that were not given additional government support were stimulated by the government's differentiated support system and, as a result, when all the villages were evaluated again a year later in 1973, some 6000 villages were found to have implemented *Saemaul Undong* projects with their own resources and without government support.

Against this backdrop, the government classified villages into three categories: basic villages, self-help villages and self-reliant villages. Different projects were implemented in accordance with the level of performance and the level of government support was varied as a result. The principle of prioritized support to successful villages was applied. The strategy of *Saemaul Undong* can be summed up as being three-pronged. First, the government played the role of jump-starting or igniting the villagers' participation by giving limited support to spur the spirit of diligence, self-help and cooperation. Second, villagers started with practical projects in which they can participate and benefit from, and implemented the projects in a democratic process. Third, villagers fully embraced the principle of prioritized support to outstanding villages designed to induce the spirit of self-help and cooperation.

Jai-Chang Lee elaborates and sheds insights on the spirit of the *Saemaul Undong*: as the *Saemaul Undong* is a mental reform movement, its underlying spirit is emphasized all the more; however, in the past, many developing countries around the world attempted to develop the rural sector through so-called community development movements without success; the most important reason for their failure was that

they were devoid of the component of mindset reform given that such type of rural transformation initiatives, in essence, requires mindset reform based on its own social-moral fabric like cultures, traditions and national spirit; this was in contrast to Korea's *Saemaul Undong*, which was implemented based on the home-grown spirit of diligence, self-help and cooperation.²³

There are many proverbs that underscore the virtue of the *Saemaul Undong* spirits: 'the early bird gets the worm (diligence)', 'heaven helps those who help themselves (self-help)' and 'two heads are better than one (cooperation)', to name but a few. In Korea, there was a traditional cooperative agricultural group called *durae* and a traditional culture called *hyangyak*, a village code of conduct followed within agricultural communities. These traditional Korean heritages became the basis of the *Saemaul Undong* spirit, and the people's strong yearning to escape poverty ignited the *Saemaul Undong* spirit of diligence, self-help and cooperation.²⁴

In the initial stage of the *Saemaul Undong*, the government supplied villagers with basic raw materials such as cement and steel, while providing them with some technical guidelines. The villagers were able to execute by themselves the projects to improve their basic living environment with the backing of the government. For example, kitchens, fences and sewages were modernized in households, and village entry roads were widened and paved, and public laundry facilities as well as public wells were constructed through the *Saemaul Undong* living environment projects. In addition, training was conducted in order to enlighten villagers with the *Saemaul Undong* spirit and to nurture their leadership.

The second stage involved building communal infrastructure and implementing production and income-generating projects with the SMU spirit and project experience that had been acquired. The main projects for improving infrastructure included the construction of bridges, clearing of village streams, paving farming roads and building irrigation facilities. Meanwhile, livestock breeding, horticulture, non-agricultural income-generating business, cooperative productions, greenhouse farming and speciality crop farming, such as of herbs, can be cited as examples of the income-generating projects implemented at

the time. During this stage, professional education on construction and farming as well as mental training was conducted.

In the third stage, various projects for common profit were implemented based on the SMU spirit accumulated through previous projects. Public funds were raised through the *Saemaul Undong* credit union, cooperative project committees, village stores and the selling of food during special events. In addition, public village facilities such as village libraries, barber shops, baby care centres, public storages, rice mills, workshops and public farming machines were provided.

The fourth stage saw the expansion of the *Saemaul Undong* to urban areas. SMU, which started as a rural development movement, further developed nationwide during this stage. Urban *Saemaul Undong* was implemented in the cities by promoting public order, kindness and cleanliness. Energy saving, the promotion of frugal lifestyles and the improvement of product quality as well as productivity were promoted through quality control campaigns in companies and factories.

In more recent times, efforts have been made to promote the *Saemaul Undong* as a new national movement that can adjust to changes in Korean society under such slogans as 'Green Korea, Smart Korea, Happy Korea, and Global Korea movement'. Good examples of the new *Saemaul Undong* are the national campaign to gather gold in order to recover from economic crisis, a win-win movement to promote cooperation between employers and employees in businesses, and various social service movements.

Even though great progress was made through the *Saemaul Undong*, trial and error could not be avoided. But the important thing was that improvements were made as villagers searched for ways to rectify shortcomings in themselves, while the government provided timely and adequate guidelines.²⁵

Lastly, according to the Korea *Saemaul Undong* Centre, the success factors of the *Saemaul Undong* can be identified as follows: (1) voluntary participation of villagers; (2) democratic decision-making; (3) dedicated leaders; (4) differentiated support by the government; and (5) grassroots-level (village unit) execution.²⁶

Notes

1. Joon-Kyung Choi, *Upside-Down Success Story of Korea's Economic Development* (Seoul: Daewon Publishing, 2013), translated by Christy Hyun-Joo Lee, pp. 6–7.
2. Irma Adelman, 'From Aid Dependence to Aid Independence: South Korea', http://www.un.org/esa/ffd/wp-content/uploads/2007/11/20071116_IrmaAdelman.pdf.
3. Joong-Kyung Choi (2013), Prologue XX.
4. Dr. Choi, Joong-Kyung, a former chief economic advisor to the President and Minister of Industry, Trade and Energy, also served in the World Bank as Executive Director and was appointed Ambassador to Philippines.
5. Chosun.com (Korean daily news), 1 September 2014, <http://pub.chosun.com/client/news/viw.asp?cate=C03&mcate=M1002&nNewsNumb=20140915514&nidx=15515>.
6. 'Miracle of South Korea' (2011) (video), [http://cafe.daum.net/yogicflying/Cia1/145214?q\(2012.3.1\)](http://cafe.daum.net/yogicflying/Cia1/145214?q(2012.3.1)).
7. M.O. Jongryn and Barry R. Weingast, *Korean Political and Economic Development—Crisis, Security and Institutional Rebalancing* (Cambridge, MA: Harvard University Press, 2013).
8. *Ibid.*, pp. 3–4.
9. *Ibid.*, p. 9.
10. Hyung Ho Park, *2012 Modulation of Korea's Development Experience: Land Reform in Korea* (Seoul: Ministry of Strategy and Finance, 2013), p. 121.
11. Jung Jay Joh and Young-Pyo Kim, 'Territorial Development Policy', in Sakong and Koh (2010), p. 183.
12. 'Miracle on the Hand River', DVD made by KDI (2012).
13. Kim Young-Sam, 'Korea Owes RHEE Syngman for the Nation's Egalitarianism', *New Daily Korea*, 9 April 2014, <http://web2.newdaily.co.kr/news/article.html?no=199491>.
14. Hyung Ho Park (2013), p. 122.
15. 'Miracle on the Hand River' (2012).
16. Suk-ki Baek, *Koreans' Success DNA* (Seoul: Maekyung Publications, 2007) (Korean), pp. 122–124.
17. *Ibid.*
18. *Ibid.*

19. Shin Gwang-chul, *Extremist Koreans, Extreme Creativity* (Seoul: Sam & Parkers, 2013).
20. Ibid., pp. 30–32.
21. Jong-seok Na, *Daedong Democratic Confucianism and 21st Shilhak* (Seoul: Dosochulpanb, 2017) (Korean).
22. 'Saemaul Undong in Korea', lecture given by Jai Chang Lee, President of the *Korea Saemaul Undong Centre* at Makerere University, Kampala, Uganda, 19 October 2012.
23. Ibid. Joong-Kyung Choi, in *Upside-Down Success Story of Korea's Economic Development* (2013), points out that many countries including China have tried to emulate the *Saemaul Undong*, and the *Saemaul Undong* in development economics is understood as a concept of Community-Driven Development (CDD) and is promoted as one of the main policy items by international organizations like the World Bank; however, the CDD is more of a NGO-led social development programme and thus differs from the prototype of the *Saemaul Undong*, which is self-help.
24. Ibid.
25. Typical mistakes or shortcomings include villagers being faced with technical gaps in the process of autonomous implementation. For example, there were cases of large bridges constructed by villagers breaking down after a while due to villagers' lack of technical skills; in some instances, villagers were burdened by some projects that were beyond their capacity of implementing. This is the consequence of too much emphasis on competition; also, some village projects aimed at only 'visible' results.
26. To elaborate, villagers' voluntary participation was induced through efficient and timely support from the government. Villagers became participative as their confidence was raised through the possibility of economic development and rural improvements as part of the government's efforts to make Korea industrialized. Second, *Saemaul* projects were implemented in a democratic way in which villagers made their own decisions. The government only provided technical guidelines, while villagers elected *Saemaul* leaders and selected the projects to conduct in their villages. This autonomous policy induced the spontaneous participation of villagers. Third, there were dedicated *Saemaul* leaders and their strong leadership was nurtured by the *Saemaul Undong*. The *Saemaul* leaders were unpaid voluntary workers who were elected

by villagers and played the role of a leader based on the *Saemaul* training they received at the *Saemaul Undong* Central Training Institute. *Saemaul* awards were given to leaders in accordance with their accomplishments to raise their morale. Fourth, the government prioritized support to well-performing villages to induce competition based on self-help spirit. The government also differentiated its level of support to villages categorized into three levels: basic villages, self-help villages and self-reliant villages. As a result, villagers worked harder on their projects to upgrade their village level and receive more support from the government. Fifth, *Saemaul* projects were executed in village units. Traditional villages in Korea were able to bring about cooperative spirit and common profit that worked for the *Saemaul Undong* (Jai Chang Lee, 2012).