

**2014 Modularization of Korea's Development Experience:
Policy Implementation and Governance during the
Era of the High Economic Growth in Korea:
with an Emphasis on Korea's Monthly Economic Trend
Report Meeting and Export Promotion Meeting**

2014



MINISTRY OF
STRATEGY
AND FINANCE



KDI SCHOOL
KDI School of Public Policy and Management

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Preface

The study of Korea's economic and social transformation offers a unique window of opportunity to better understand the factors that drive development. Within about one generation, Korea transformed itself from an aid-recipient basket-case to a donor country with fast-paced, sustained economic growth. What makes Korea's experience even more remarkable is that the fruits of Korea's rapid growth were relatively widely shared.

In 2004, the Korean Ministry of Strategy and Finance (MOSF) and the Korea Development Institute (KDI) launched the Knowledge Sharing Program (KSP) to assist partner countries in the developing world by sharing Korea's development experience. To provide a rigorous foundation for the knowledge exchange engagements, the KDI School has accumulated case studies through the KSP Modularization Program since 2010. During the first four years, the Modularization Program has amassed 119 case studies, carefully documenting noteworthy innovations in policy and implementation in a wide range of areas including economic policy, administration-ICT, agricultural policy, health and medicine, industrial development, human resources, land development, and environment. Individually, the case studies convey practical knowhow and insights in an easily accessible format; collectively, they illustrate how Korea was able to kick-start and sustain economic growth for shared prosperity.

Building on the success during the past four years, we are pleased to present an additional installment of 19 new case studies completed through the 2014 Modularization Program. As an economy develops, new challenges arise. Technological innovations create a wealth of new opportunities and risks. Environmental degradation and climate change pose serious threats to the global economy, especially to the citizens of the countries most vulnerable to the impacts of climate change. The new case studies continue the tradition in the Modularization Program by illustrating how different agents in the Korean society including the government, the corporations, and the civil society organizations, worked together to find creative solutions to challenges to shared prosperity. The efforts delineated include overcoming barriers between government agencies; taking advantage of new opportunities opened up through ICT; government investment in infrastructure; creative collaboration between the government and civil society; and painstaking efforts to optimize

management of public programs and their operation. A notable innovation this year is the development of two “teaching cases”, optimized for interactive classroom use: Localizing E-Government in Korea and Korea’s Volume-based Waste Fee System.

I would like to express my gratitude to all those involved in the project this year. First and foremost, I would like to thank the Ministry of Strategy and Finance for the continued support for the Modularization Program. Heartfelt appreciation is due to the contributing researchers and their institutions for their dedication in research, to the former public officials and senior practitioners for their keen insight and wisdom they so graciously shared as advisors and reviewers, and also to the KSP Executive Committee for their expert oversight over the program. Last but not least, I am thankful to each and every member of the Development Research Team for the sincere efforts to bring the research to successful fruition, and to Professor Taejong Kim for his stewardship.

As always, the views and opinions expressed by the authors in the body of work presented here do not necessarily represent those of the KDI School of Public Policy and Management.

December 2014

Joon-Kyung Kim

President

KDI School of Public Policy and Management



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Summary

Chapter 1 Introduction: Significance and Roles of Monthly Economic Trend Report Meeting and Export Promotion Expansion Meeting	METRM and EPEM were actively engaged in Korea's high economic growth during the 1970s as means for efficient policy adjustment. METRM was initially organized to understand economic trends. Since January 1965, the meeting became regularly scheduled and functioned for the President, as the final decision maker, to promptly respond to the changes of international and domestic economies and any crises; and implement and evaluate economic policies as a whole. EPEM, introduced in January 1966, was the key government means responsible for policy implementation on export-oriented industrialization. President Park personally checked the export records every month through EPEM and discussed supporting policies to promote export.
Chapter 2 Operation Structure and Contents of METRM	While the Economic Development Plan formed economic policies on five-year and one-year spans, METRM promptly reacted to any sudden changes and adjusted short-term economic policies. In METRM, economic officials met with the President, shared information and thoughts and the administrative office and the ruling party pursued a single, common direction. The participants were the President, Deputy Prime Minister, economic ministers, figures from the ruling party and other power elites at the center of politics and economy of the time.
Chapter 3 Operational Structure and Contents of EPEM	While METRM was focused on an overall implementation of economic policies, EPEM had a clear policy goal of managing "export promotion." EPEM was a large-scale meeting system chaired by the President. In addition to inviting the relevant government departments, also included were private sector, state monetary agencies and support organizations. EPEM took the lead on export-oriented economic growth by pursuing public consensus, setting export goals and evaluating records.

<p>Chapter 4 Policy Implementation of METRM and EPEM</p>	<p>This research highlights three cases: 1) Saemaeul Movement; 2) Food Production Increase Policy; and 3) Forestation Policy as successful cases achieved by METRM. Case selection was based on: 1) core state agenda that had high effectiveness of policy implementation; 2) issues that were reported repeatedly at the meeting and reviewed personally by the President; 3) clear involvement of the general population in (non-administrative) policy recommendations.</p> <p>The main objective of EPEM was simple and clear: "export promotion." EPEM had an additional effect on policy focus depending on the domestic and international economic circumstances.</p> <p>In the early stage of industrialization, policies promoted export based on changes in the economic environment at different times, which focused on improving the international balance of payments.</p> <p>In the 1970s, policies supported heavy and chemical industry under the banner of promoting industrial products-focused exports, targeting and achieving a 10 billion US dollar mark. In the late 1970s, policies liberalized import and strengthened trade cooperation to balance import and export after achieving the 10 billion US dollar mark.</p>
<p>Chapter 5 Success Factors of METRM and EPEM</p>	<p>The success factors of METRM are as follows: First, it created visible outcomes based on the promoted authority of the meeting by the President' chair and a cooperative system among relevant ministries. Second, it enhanced trust in government by promptly reviewing both short-term and long-term economic issues and implementing appropriate policies to follow.</p> <p>The success factors of EPEM are as follows: 1) tenacity and leadership of the President; 2) pursuit of mutual agreement of the public on export-oriented industrialization; 3) concentration of resources in the export industry; 4) private sector's efforts to promote export; 5) regular monitoring at the monthly meetings, 6) systematic contribution of the Ministry of Commerce and Industry and 7) promoting an export-friendly international economic environment.</p>
<p>Chapter 6 Conclusion and Policy Implications</p>	<p>Key lessons drawn from operating METRM and EPEM are as follows: First, to successfully implement policies, the organization's duties and policy objectives must be clear. Second, tenacity and strong leadership of the Final Decision Maker have significant impact. Third, systematic and systemic implementation is mandatory. Fourth, flexible policy reaction for rapidly changing environment is crucial. Fifth, it is important to be aware of the possible limitations and side effects of successful policies.</p>

Chapter 1. Introduction: Significance and Roles of Monthly Economic Trend Report Meeting and Export Promotion Expansion Meeting

Korea, especially during the high economic growth of the 1970s, experienced remarkable outcomes based on effective policy implementation. In this process, the Monthly Economic Trend Report Meeting and the Export Promotion Expansion Meeting are considered key players. Transcripts of the Two Conference System through the 1970s are available. Taking this matter into account, this research is reviewing how the Two Conference System contributed to policy implementation and establishment of good governance, eventually drawing lessons for the developing countries interested in improving effectiveness in policy implementation. More specifically, this research introduces several exemplary case policies which were dealt with through the Two Conference System and analyzes the success factors for each case.

METRM was first held in January 1965, initially intended to understand trends. However, it evolved into an official conference system where the President was the chair and final decision maker, able to promptly respond to any crisis, to changes of the international and domestic economies and monitor and evaluate the economic policies of each ministry. EPEM, introduced in January 1966, was the key government agency responsible for policy implementation for export-oriented industrialization. President Park Chung-hee, at the time, had a clear philosophy of “national consensus” and a slogan of “prioritization of export”. He personally engaged himself in EPEM, reviewing export records, discussing support policies and encouraging export activities. Other developing countries like Malaysia, Thailand and the Philippines also organized an agency to review economic plans but they reached neither the level of Korea’s long-term consistency nor the strength of policy capacity. This implies that it is more critical to actually implement the conference system or agencies than to organize them.

Chapter 2. Operation Structure and Contents of METRM

Weekly reporting on economic trends in the early days of the Park Chung-hee Administration, soon after the “May 16 Revolution” broke out in 1961, was the root of METRM. In January 1965 METRM became regularly scheduled and this developing administrative system started operating on top of an existing administration. While economic development plans formed economic policies on a five-year or one-year span, METRM promptly reacted to sudden changes and adjusted short-term economic policies. In METRM, economic officials met with the President, sharing information and thoughts. The administrative office and the ruling party pursued a single, common direction. It also

functioned as a confirmation process for the policy implementation. It positively influenced establishment and implementation of the economic policies. The participants were the President, Deputy Prime Minister, economic ministers, figures from the ruling party and other power elites at the center of politics and economy of the time. The Monthly Economic Trend Report Meeting can largely be divided into four sections: 1) reports on the monthly economic trends and the activities of economic ministries; 2) special reports; 3) reports on successful cases of the Saemaeul Movement (from May 1971); and 4) President's comments and instructions. A total of 144 METRMs were held from January 1965 until September 1979, when President Park Chung-hee passed away.

Chapter 3. Operation Structure and Contents of EPEM

The legal ground of the EPEM was regulation by the Export Promotion Committee. The Export Promotion Committee was the first policy adjustment agency with the Prime Minister as the chairperson and the relevant Ministers as members of the Committee. It was February 1965 when the President began to chair the Committee. Since 1969, however, the name of the Committee changed to EPEM and the President chaired the Meeting (National Archives of Korea).

The policy topics discussed at EPEM were certainly unique. While METRM was focused on an overall implementation of economic policies, EPEM had a clear policy goal of implementing "export promotion". However, the characters of the policy topics discussed at the EPEM changed over time, in response to the changes of economic environment. At the early stage of industrialization, it pursued expansion-oriented export policies by securing the foreign currency funds. Later when the industrial section took the lead on export increase, the focus of export promotion policy turned to export-oriented industrialization. In the late 1970s, after achieving the 10 billion US dollars mark in exports, the U.S. government, a major importer of Korean products, put pressure on Korea to open the market. Korea initiated liberalization policies such as opening the industrial products market. The name of the EPEM also changed to the Trade Promotion Meeting, focusing mainly on balanced performance of export and import.

In general, the program of EPEM was similar to that of METRM. The President chaired the monthly meeting, the Ministry of Commerce and Industry and Ministry of Foreign Affairs reporting on the export records and discussions were based on the recommendations of the private sector participants. The President would give comments and instruction at the end of the meeting. EPEM functioned as a leading actor of effective export promotion from consistent operation of a systematic monitoring mechanism of policy implementation.

Chapter 4. Policy Implementation of METRM and EPEM

This research is introducing the three projects of 1) Saemaeul Movement, 2) Food Production Increase Policy and 3) Forestation Policy as successful cases achieved by METRM. Case selection was based on: 1) core State agenda that had high effectiveness of policy implementation; 2) issues that were reported repeatedly at the meeting and reviewed personally by the President; 3) clear involvement of the general population in (non-administrative) policy implementation.

First, Saemaeul Movement that began in the 1970s is an exemplary example of a successful policy; providing foundation to a comprehensive development of the rural communities, reducing the income gap between the urban and rural areas and contributing to balanced development among regions. The experience and detailed records of Saemaeul Movement became a model for poverty eradication of the United Nations and are registered as Memory of the World by the United Nations Educational, Scientific and Cultural Organization (UNESCO). The experiences of 150 community leaders were presented at METRM as successful and independent cases from 1971 to 1979. The governors of the counties or the leaders of Saemaeul personally reported at the meetings. Their reports enabled the participating policy makers of relevant ministries to hear actual experiences from the field and encouraged participation of the people with the President's medal, cash prize and reward.

Second, Korea got into its stride in the 1970s with a Food Production Increase Policy, becoming completely self-sufficient in its staple grain, rice, with production of approximately 6.4 billion kg in 1977. It meant escaping from the miserable "barley hump (the spring austerity period)." The private professionals took the lead in research and development to invent a new variety of rice and the government expanded farmland and provided agricultural machinery. Such particular policies were tuned in accordance to the regular reports on the progress and outcome and inter-ministerial discussion at METRM. Special reports on food production increase were first delivered at METRM in June 1973 and were brought up at the meeting more often than any other issue throughout the entire period from 1972~1979.

Third, Forestation Policy was a clairvoyant policy that was considered as an exemplary case that succeeded on long-term investment for the future. The first Ten-Year Erosion Control Plan (1973~1982) was established and the President personally followed-up with the progress and details at METRM. Guidance on forestation from the President was gathered by the Ministry of Agriculture and Forestry with no issues. The President brought

back the results to METRM and reviewed plans to complete. 94 percent of the wasted land was reforested during President Park's presidency and the plan was finished in 1978, 4 years earlier than the initial target schedule. The Food and Agriculture Organization of the United Nations (FAO) stipulated Korea as the only developing country that succeeded in forestation after the Second World War.

According to the analytical framework of Smith (1973), there are four factors contributing to the success of these policies. First, in terms of policy, in addition to clear policy objectives, the President maintained continual interest and provided consistent support. Second, in terms of the policy target group, the residents (people) were relatively voluntary and active in participation. Third, in terms of implementation organizations, new administrative agencies exclusively in charge were established and the officers actively engaged themselves, maximizing their contribution. Fourth, in terms of environmental factors, financial independence from the success of the first and second Five-year Economic Development Plans and the foundation of National Tax Service contributed to success of the projects/policies.

Unlike METRM, EPEM had a clear policy goal to implement; namely, export promotion. While analyzing the policy implementation cases of EPEM, there was no case that could have been distinguished from the macro level objective of export promotion. Yet, particular policy focuses changed along with the economic environment under main policy direction of export promotion.

Export promotion policies in the early economic development period pursued "reduction of current account deficit, promotion of foreign capital inducement for economic development and allocation of financial resources for repayment of foreign debt". Such export promotion policies had no intention to foster specific industries and simply established objectives to solely promote export, providing industry-neutral taxing, commercial, budgetary and administrative incentives to export activities. Such expansion-oriented export policy was imposed even before the early 1960s when industrial development policies were implemented to induce foreign capital but was effective throughout the entire era of high economic growth.

Export-oriented industrialization was promoted in the 1970s. During the First Five-year Economic Development Plan, the Park Administration emphasized improvement of international balance of payments based on export increase, without being aware of the possibility of exporting industrial products (Kang 2008). However, increase in export of industrial product was apparent in the First Five-year Economic Development Plan and

the government rushed to develop policies to increase industrial product export. Export-oriented industrialization policy began its stride in the early 1970s by fostering heavy and chemical industrialization. The government imposed export promotion policy by fostering the steel industry, machinery, shipbuilding and electronics. Thus, the role of EPEM was not limited to merely increasing export but influenced strategic investments for particular industries for export. Such policy implementation eventually led to achieving the 10 billion US dollar mark in export in the late 1970s.

On January 26, 1977, the Minister of Commerce and Industry said “Import liberalization should be considered by stage in response to the international pressure to increased export, but with the President’s approval, it would be better to change the name from EPEM to Trade Promotion Meeting.” Korea realized the limitation of the lopsided export promotion policies along with the remarkable growth of export and the economy. Pressure from the export partners increased for trade and the export policies dependent on government’s protection and support were no longer sustainable. Meanwhile, for continued increases in heavy and chemical industry exports, strengthening competitiveness in the international market became a new policy subject. Liberalization of industrial products and opening of markets began to be one of the new policy subjects to consistently increase export in a changed trade environment.

Chapter 5. Success Factors of METRM and EPEM

The success factors of METRM can be divided into two categories: the mechanism that enabled the Two Conference System (hardware) and the contents considered in the meetings (software).

First, in terms of hardware, METRM was able to create visible outcomes based on the promoted authority of the meeting by the President’ chair and a cooperative system among relevant ministries. The ultimate Decision Maker personally chaired the meetings in the conference room of the Economic Planning Board. This made the implementation of plans effective and promoted in depth evaluation of the issues. The hands-on officers from ministries reported to the President directly, the participants spoke up in the debates and appropriate policy measures were ordered when necessary. The participants of METRM were important figures in economic development planning and implementation. They could share a sympathetic consensus on economic trends, share information and discuss timely, both short-term and long-term economic issues. Through METRM, effectiveness of policy implementation improved through teamwork among related-ministries and the establishment of well-adjusted economic policies.

Second, in terms of software, METRM examined the short-term and long-term economic issues and formulated proper measures in a timely manner. It also enhanced trust in government (*fede pubblica*) by improved effectiveness of policy implementation in general. METRM promptly reacted to unexpected changes in the situation that were missed in the Economic Development Plans, changing and formulating policies systematically at the cross-ministerial level when necessary. This was possible through special reports of the relevant ministries on the major economic issues and cross-ministerial formulation of policy at every meeting. Especially the Korea Development Institute (KDI) under EPB effectively supported the government's establishment of economic development strategies. Meanwhile METRM increased policy effectiveness along with consistently encouraging participation of the people. In this sense, at least in the economic side, METRM contributed to enhancement of trust in government and eventually succeeded in running the meeting itself.

It is not easy to point out the success factors of EPDM that are clearly different from those of METRM. Nonetheless, a somewhat distinctive success factor of EPDM in comparison to METRM is the clear objective of EPDM. While METRM monitored and evaluated the economic trends and economic policies as a whole, EPDM was distinctive with a very specific policy objective.

The success factors of EPDM are as follows: 1) tenacity and leadership of the President, 2) pursuit of mutual agreement of the public on export-oriented industrialization, 3) concentration of resources on export industry, 4) private sector's efforts to promote export, 5) regular monitoring at the monthly meetings, 6) systematic contribution of the Ministry of Commerce and Industry and 7) an export-friendly international economic environment.

Tenacity and leadership of the President are the vital factors of success of EPDM. President Park promoted export with a strong conviction of "national consensus" and a slogan of "prioritization of export." The President emphasized the significance of export and drew a public consensus, set an export target at the state-level and consistently monitored the policy implementation and process through EPDM, eventually reaching the desired export outcome.

With the public consensus, the regulations for promotion of the strategic industries were introduced and such legal basis enabled the government to establish Funds for Promotion for each industry and, in particular, the National Investment Funds to concentrate the resources and support strategic industries.

The concentrated support of the government along with private sector's efforts to promote export is considered as the most immediate success factors. The government's systematic incentive system is also considered a critical factor that induced dedicated effort from the private sector.

In terms of policy implementation, the most apparent success factor is the monitoring system from the regular monthly meetings. Since the first EPEM in February 1965, the President was present reviewing the export records and amending export promotion policies at almost every monthly EPEM until September 1979. EPEM gained national authority with the presence of the President and the policy objectives discussed at the meeting were implemented with top priority.

The most significant actor in improving policy outcome was, without doubt, the Ministry of Commerce and Industry. The role of the Ministry of Commerce and Industry in developing and executing policies derived from the President's policy ideology cannot be overlooked in any way. Also, a relatively friendly international economic environment should not be undervalued in Korea's continued export-oriented economic growth.

Chapter 6. Conclusion and Policy Implications

Key lessons drawn from operating METRM and EPEM are as follows. First, to successfully implement policies, an organization's duties and policy objectives should be clear. Second, tenacity and strong leadership of the Final Decision Maker are significant. Third, systematic implementation is mandatory. Fourth, policy must be flexible to react to a changing environment. Fifth, it is important to be aware of the possible limitations and side effects of successful policies.

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Growth in Korea: with an Emphasis on Korea's Monthly Economic Trend
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Chapter 1

Introduction: Significance and Roles of Monthly Economic Trend Report Meeting and Export Promotion Expansion Meeting

1. Historical Background and the Significance of Introduction of the Meetings
2. Contribution of the Two Meetings on Korea's Economic and Social Development
3. Comparison with Foreign Cases

Introduction: Significance and Roles of Monthly Economic Trend Report Meeting and Export Promotion Expansion Meeting

1. Historical Background and the Significance of Introduction of the Meetings

Korea, just like any other developing countries, had gone through colonization in the early 20th century. Koreans were under Japanese control for 35 years from 1910, when its sovereignty was taken away, until its independence in 1945. Korea became independent on August 15, 1945 with the surrender of the Japanese Combined Fleet and the Government of the Republic of Korea was established three years later, on August 15, 1948. The Government of the Republic of Korea exercised a multi-faceted effort to reconstruct the impoverished economy from colonization. However, the Korean War (1950~1953) significantly hampered progress and added new challenges. The Korean War Armistice Agreement was signed on July 27, 1953, creating a ceasefire but a division between two Koreas set in.

Korea, with heavy damage from 35 years of colonization and the Korean War, seemed completely irrelevant to the word 'hope'. Korea was one of the least developed countries and lacked financial resources necessary for economic development, depending heavily on foreign aid. Most people thought the Korean economy could not develop further. The Korean War destroyed public facilities, infrastructure and industrial facilities. The compounding financial losses from the Korean War were marginally addressed with foreign aid. Aid as a share of the government budget was 40 percent during 1954~1956; rose to 50 percent during 1957~1958; and dropped to 35 percent during 1959~1960. The average economic growth rate was 4.1 percent from the end of Korean War in 1953 to 1960. Growth rate of the manufacturing industry was five times higher than that of agriculture, forestry and fishery but it lacked an economic structure and focus to develop as a primary industry.

Especially during the 1960s, the Korean economy was 36.8 percent agriculture, forestry and fishery and 13.8 percent manufacturing. Domestic investment and private investment were 10 percent and 5 percent of GDP, respectively. Households were consumed with daily survival and corporations did not have good enough credit to borrow investment resources from abroad.¹ Plus, the government struggled to actively attract foreign capital and due to insufficient market function effectively mobilize those resources domestically.²

Meanwhile, the Park Chung-hee Administration, which came to power through the May 16 Military Revolution in 1961, pursued state-led economic development policies.³ As a result, the country achieved economic development in a relatively short period of time, though the time is criticized for the problems of wealth gap that came along.

1. Kim, Heung-ki, ed. (1999), *The Korean Economy in Glory and Disgrace: 33 Years of the Economic Planning Board*, Maeil Business Newspaper, 1999, pp.24~26.
2. Economic Planning may be described as a deliberate governmental attempt to coordinate economic decision making over the long run and to influence, direct and in some cases even control the level and growth of a nation's principal economic variables (income, consumption, employment, investment, saving, exports, imports, etc.) to achieve a predetermined set of quantitative economic objectives. The rationale for development planning can be summarized as follows: the first reason is market failure. Markets in developing economies are permeated by imperfections of structure and cooperation and therefore governments have an important role to play in integrating markets and modifying prices. The second reason is resource mobilization and allocation. This argument stresses that developing economies cannot afford to waste their very limited financial and skilled human resources and therefore, the government needs to choose and coordinate investment projects so as to channel these scarce factors into their most productive outlets. The third reason is attitudinal or psychological impact. It is often assumed that a detailed statement of national economic and social objectives in the form of a specific development plan can have an important attitudinal or psychological impact on a diverse and often fragmented population. Through an economic plan, it is possible to mobilize popular support and overcome sectionalism. The fourth reason is foreign aid. The formulation of detailed development plans has often been a necessary condition for the receipt of foreign aid. (Todaro, Michael P. and Stephen C. Smith, *Economic Development*, 11 ed. Prentice Hall, 2012.), pp.513~516. [Recited in Han, Seunghee, 2013. Modularization of Korea's Development Experience: Operation of the Economic Planning Board in the Era of High Economic Growth in Korea, Ministry of Strategy and Finance and KDI School, 2014, p.40].
3. Korea's founding government, the Rhee Syngman administration also formulated a long-term economic development plan. However, it was a plan that had been hurriedly prepared for the purpose of receiving US aid and President Rhee, a supporter of a liberal economy, did not believe in government-led economic planning. This long-term development plan was eventually scrapped. A long-term national plan was also put together under the President Yoon Bo-seon and Prime Minister Chang Myon administration, shortly before the late President Park administration, but for political reasons it was never implemented.

Table 1-1 | Annual GDP Growth and Industrial Composition (1953~1961)

(Unit: percent)

	GDP Growth	Industrial Composition			
		Agriculture, Forestry and Fishery	Manufacturing Industry	Light Industry	Heavy and Chemical Industry
1953	-	47.3	9.0	78.9	21.1
1954	5.6	39.8	11.8	78.4	21.6
1955	4.5	44.5	11.6	79.9	20.1
1956	-1.3	46.9	11.6	80.2	19.8
1957	7.6	45.2	11.2	80.5	19.5
1958	5.5	40.7	12.8	78.6	21.4
1959	3.9	33.8	14.1	78.4	21.6
1960	1.2	36.8	13.8	76.6	23.4
1961	5.9	39.1	13.6	78.6	21.4
Annual Average	4.1	41.6	12.2	78.9	21.1

Source: Ko, Young Sun. (2008), “Korean Economic Growth and the Role of the Government: Past, Present and Future”, *Sixty-year History of the Korean Economy*, Korea Development Institute.

Korea, at the time, carried out distinct growth strategies that differed from most other developing countries. When faced with scarce natural resources and low foreign exchange reserves as in Korea in the early 1960s, many countries tend to opt for an import substitution strategy. However, Korea, in the early 1960s, stressed a strategy that promoted exports led by the government. As the country had a relatively abundant and well-educated workforce, it primarily focused on manufacturing labor-intensive products⁴ and gradually increased its exports. The state also intended to form a “group” to take lead of economic development, trying to function as the market and the private corporations instead of the fragile private sector alone. It led to the advent of ‘*chaebols*’, or large conglomerates, later on.

4. In the early 1960s, the trend in advanced economies had already started to shift from a labor-intensive to a capital-intensive industry. Korea, on the other hand, had an abundant well-educated workforce and therefore held relatively favorable conditions for making labor-intensive products. Kim, Heung-ki, ed. (1999), *The Korean Economy in Glory and Disgrace: 33 Years of the Economic Planning Board*, Maeil Business Newspaper, 1999, pp. 97–98. Furthermore, placed in a situation where the government assumed the roles of the market and private companies, because of the vulnerable state of private companies at the time, the government was intent on fostering a “group” that could spearhead economic development. This later led to the emergence of the so-called *chaebols* (large conglomerates).

Korea formulated and implemented four Five-year Economic Development Plans from 1962 to 1981, reaching an average annual GDP growth of 9.1 percent during President Park’s presidency (1961~1979). Other Asian countries in similar situations as that of Korea at the time, recorded average annual GDP growth of 7.4 percent in Thailand, 5 percent in Indonesia, 4.2 percent in India and 4 percent in the Philippines (Maddison 1995).⁵ Compared to other countries at the time, it is apparent that Korea accomplished rapid economic growth. GNI per capita was \$82 in 1961 but increased 19 times to \$1,636 in 1979. Exports increased at a high average rate of 38 percent from 1961 to 1979. As previously mentioned, upgrading of industrial structure continued. Population below the poverty line dropped from 40 percent to 10 percent. Unemployment rate continuously improved from 7.1 percent at the end of the first Five-year Economic Development Plan dropping to 4.5 percent at the end of the fourth Five-year Economic Development Plan. It made a huge contribution to high economic growth as well as relaxation of employment matters.

Table 1-2 | Comparison of Five-year Economic Development Plans

(Unit: percent)

	First (1962~1966)		Second (1967~71)		Third (1972~76)		Fourth (1977~86)	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
GNP Growth Rate	7.1	7.8	7.0	9.7	8.6	10.1	9.2	5.6
Unemployment Rate ¹⁾	14.8	7.1	5.0	4.5	4.0	3.9	3.8	4.5
Prices (GNP deflator)	-	19.3	-	13.9	-	21.0	8.8	19.9
Export Growth Rate (Real)	28.0	38.6	17.1	33.8	22.7	32.7	16.0	10.5

Note: 1) End of period.

Source: Economic Planning Board (1982), *Economic Policies of the Development Era: The Twenty-Year History of the Economic Planning Board*, p.223.

5. Few cases like the Asian Tigers, including Korea, reduced the gap with developed countries having continued growth. Historically most developing countries experienced temporary growth depending on their leadership but fell back, even worsening the wealth gap with other developed countries (Ko 2008). Several scholars have had long discussions on reasons for consistent development in certain countries in East Asia. World Bank enumerates stable macro level economies, investment in human resources, integrating into the global market through international trade and relatively transparent and effective bureaucratic systems as the success factors of these East Asian countries. In other words, these countries could continuously develop due to the government’s devoted creation of fundamental conditions for market evolution. However, scholars with developmental state views insist that East Asian countries could succeed because of active government intervention in the market to resolve the extensive government failure in the developing countries (Ko 2008). Either way, they are both claiming the significant role of the government behind the lasting economic development in these countries. Indeed, the government’s active involvement is a key factor for remarkable growth of the economic scale and GNI per capita in Korea. The fundamental foundation of the Korean economic development lies in export-oriented economic development policy, imposed since the early industrialization period by the strong leadership of the government (Refer to Han, Seunghee (2013) p.25 for further information).

A distinctive feature of the Park Administration is the Two Conference System of METRM and EPEM that began in the mid-1960s. These monthly meetings were regularly chaired by the President.⁶ As mentioned later, the revolutionary forces of the Military Revolution initially held Weekly Economic Trend Report Meetings in the early days, but after awhile these meetings lost regularity. Since January 1965, regular meetings were held under the name of METRM. A total of 146 METRMs were held for 177 months, from January 1965 until September 1979.⁷ METRM and EPEM were hosted by EPB and the Ministry of Commerce and Industry, respectively. While EPEM was held at the President's Office, METRM was held at EPB with the President participating. President Park provided strong support, evident by his attendance at the opening of EPEM on August 28, 1974, soon after his wife was shot on August 15.⁸

METRM, in the early days, functioned as an economics institution for the President and the bureaucrats from the military clique. As time passed, however, the President better understood actual domestic and international economic trends, coming up with economic plans and countermeasures. Its function expanded to analyzing, coordinating and evaluating the economic policies of each ministry and carried out the effective application of policies. As a result, although the METRM was initially organized to analyze economic trends, as the meeting gained consistency, it functioned for the President, as the final decision maker, to assist prompt response to the changes of international and domestic economies; react properly to any crisis; and monitor and evaluate economic policies as a whole.

EPEM played a pivotal role in the Korean government's pursuit of export-oriented industrialization. In the beginning of every meeting, export records, by item and export market, were reported in accordance to the annual target set in the beginning of the year. Then the progress of Comprehensive Policies for Export Promotion was reported to the President. President Park Chung-hee, at the time, had a clear philosophy of "national

6. A distinctive feature of the Park Administration is the Two Conference System of METRM and EPEM that began in the mid-1960s. They were chaired by the President regularly on a monthly basis. President Park regularly chaired METRM and EPEM, as well as the Cabinet Meeting, the National Basic Operational Plan Review and Analysis Meeting, Defense Industry Promotion and Expansion Meeting. The major objective of these meetings, though differed in detail, was to properly understand the problems at hand concerning the economy, review the core state agenda to promote high effectiveness of policy implementation. This research is mainly looking into METRM and EPEM that borrowed a public-private partnership format to improve effectiveness.

7. Kang, Gwang-ha et al. (2008), *The Policy-Decision Making System during the Rapid Economic Growth in Korea: Economic Planning Board and Inter-Ministerial Committees*, Korea Development Institute, pp.107, 174.

8. President Park was highly passionate and sincere about METRM, missing just one meeting in May, 1972. He was present at all EPEM from 1965 to 1979 except for three times in 1967 (April, May, October), one time in 1972 (April) and one time in 1976 (April).

consensus” and a slogan of “prioritization of export”. He personally engaged himself in EPEM, reviewing the export records, discussing supporting policies and encouraged export activities. As such, the initial intension of the government for EPEM was to reduce current account deficits by promoting foreign capital inducement but it changed over time to fostering export industries along with the changing international economic environment. Its increased roles established a concrete foundation for Korea to eventually become a global trader and an export-oriented manufacturing base in the future.

Korea’s trade and export policies changed in the 1970s. This was largely because Korea’s rapid increase in exports was confronted by trade barriers from major advanced economies. Korean policymakers became aware of the need to develop more sought after export items. Furthermore, Korea’s circumstances called for developing its own defense industry, in response to the US announcement that it would reduce the role of the US military in the Asian region, including Korea. Against this backdrop, in the 1970s, Korea modified its initial “neutral” export promotion policies to focus on targeted industrial development. With the focused financial support on industrialization, rural exodus led to decreased population in agricultural industries starting in the mid-1960s. With the development of manufacturing industries, problems like erosion of farmland and building needed roads and factories arose. Prolonged Low Price of Grains Policy decreased incentives for production increases and shrunk agricultural industry. It led to a widening wealth gap between the urban and the rural areas, among regions and among industries. All in one, the key features of Korean economic development strategies were focused on supporting heavy and chemical industry and modernization of the rural area that had been relatively excluded.

In the 1970s, Korean economy actually went through several qualitative changes. The Saemaetul Movement, initiated in 1971, created the foundation for comprehensive development of the rural areas and communities and attempted to reduce income gaps between the urban and the rural areas. Along with the Saemaetul Movement, rural household income grew to equal or higher than that of urban families from 1974 to 1977. Through the first Erosion Control Project: Ten-Year Forestation Plan (1973~1982), 94 percent of the wasted land was forested during President Park’s presidency and the plan was finished in 1978, four years earlier than the initial target schedule. Food Production Increase Policy also went well, becoming completely self-sufficient in its staple grain-rice, with production of approximately 6.4 billion kg (40 million *seok*) in 1977. Rice import, which had lasted for almost 30 years, ended. Export reached the 10 billion US dollar mark on December

22, 1977, three years before its targeted schedule and only 13 years after reaching the 100 million US dollar mark on November 30, 1964. The industrial structure was upgraded by fostering export industries such as heavy and chemical industry.⁹

Table 1-3 | Comparison of Income between Urban and Rural Areas (1965~1978)

(Unit: 1,000 KRW, fold)

Year	Rural Household Income	Urban Household Income	Difference between Urban and Rural Household Income	
	(A)	(B)	Absolute (B-A)	Comparative (B/A)
1971	30	38	8	1.27
1972	36	43	7	1.21
1973	40	46	6	1.14
1974	56	54	-2	0.96
1975	73	72	-1	0.98
1976	96	96	0	1.00
1977	119	117	-2	0.98
1978	157	160	3	1.02
1979	186	219	34	1.18

Source: Korean Statistical Information Service (KOSIS.CO.KR). Recited from Cho, Suk Joo (2013) *Village Community Activation Measures through Reevaluation of Saemaewul Movement*, p. 55.

Such qualitative changes in the Korean economy in the 1970s were the result of the effective implementation of government policies considered in the regularly held METRM and EPEM started in the mid-1960s.¹⁰ The two meetings represented the cooperation and implementation system that President Park pursued in various ways: public-public; public-private; and private-private. Whether government policy creates positive outcomes depends on whether ‘good’ government policy is executed properly. The Two Conference System’s historical contribution lies in public, private and academia working together to gather high-level, broad perspective information and then categorize that information, focus on planning, decision-making, implementation and modification to create an effective mechanism.

9. First:Second:Third (Production, %): Year 1960: 37:16:47 → Year 1979: 21:26:53.
First:Second:Third (Employment, %): Year 1960: 64:8:28 → Year 1979: 36:24:40.

10. Lee, Yong Hoon. (2011), *Historical Background of Park Chung-hee Administration’s Economic Development Policies* (presented at the 50th Anniversary for May 16 Military Revolution Academic Seminar, May 13, 2011).

In fact, many developing countries failed in their development experiences, not due to poor planning but due to lack of implementation capacity. These countries were able to find a plausible field to develop, analyze the cost and benefits of development and plan appropriate policies. However, promptly reacting to an unexpected obstacle that development plans and industries encountered in the market, realizing the mismatches in planned cost and benefits, reporting to the central government, comprehensively analyzing and coordinating the development policies are difficult for many developing countries.¹¹

Most of the transcripts of the METRM and EPEM are from the 1970s. This research is seeking answers to a few questions from the transcripts. First, what is the background when introducing and operating METRM and EPEM and what is an overall outcome? Second, who are the participants and how are the meetings managed? Third, what are the specific exemplary cases that enhanced effectiveness of the government policies? Fourth, what are the success factors and limitations?

As such, this report focuses on the operation and contribution of METRM and EPEM in Korea's export-oriented development policy implementation.¹² Specifically, main objectives, outcome and success factors of the exemplary cases considered in the two meetings are analyzed to draw lessons for other developing countries. Moreover, operation and implementation of METRM and EPEM are identified to aid government officials of developing countries to benchmark Korean economic plans and development experience.

2. Contribution of the Two Meetings on Korea's Economic and Social Development

2.1. Contribution of Monthly Economic Trend Report Meeting

Korea, especially during the 1960s and the 1970s, had a strong will for economic development, widely prevalent among the government, the private sector and the people. They had a deeply engrained sense of trust among each other, which is said to bring such

11. Waterston, Albert, *Development Planning: Lessons of Experience*, Johns Hopkins Press, 1965, pp.332-368. Recited from Lee (2011).

12. The Two Meeting System was introduced in the mid-1960s but the research focuses mainly on the 1970s because of the available meeting transcripts. Moreover, it is assumed that there might have been control board procedures at a cross-ministerial level, among the ministries with primary responsibilities like EPB and the Ministry of Commerce and Industry. However, it is not discussed in the paper due to lack of relevant data.

miraculous economic development.¹³ Trust, in this sense, indicates a specific expectation or believing in someone representing social capital.¹⁴ The reason why trust is considered as representing social capital is that it brings about productive effect, in other words, reduction of transaction cost.¹⁵ Societies lacking trust have to pay high economic and social cost. Several researches already have concluded that trust leads to economic prosperity and enhances social security. For instance, Fukuyama (1996) stressed ‘trust’ as a pivotal factor that determines economy and social status of a country.¹⁶ In other words, when people trust each other, transaction cost of economic activities drops, large-scale organizations operate better, government becomes effective and commercial development increases.¹⁷

It is noteworthy that President Park Chung-hee chaired METRM and EPEM from 1965 to 1979, inviting ministers of each ministry and economic officials to form a sense of public trust for the state’s economic development policies. Public trust¹⁸, in this sense, indicates trust toward the administration and the Congress holding the power. METRM took lead on forming public trust in two ways.

The first factor concerns, reduction of uncertainty of information. METRM was held regularly every month, releasing the key issues dealt at the Meeting via media and enabling the people to be aware of the economic policies and their reviews and modifications. President Park Chung-hee, as the final decision maker of the country, personally chaired the meeting, actively engaging in formulation, adjustment and evaluation in detail, adding comments and recommendations. This process was transparently released to the public via media, reducing uncertainty of information for the people on policy implementation in general. Everyone, from entrepreneurs to laborers, could make decisions regarding their economic lives and quickly modify it when necessary, based on the information provided

13. Oh, Young Ho. [2013], *Return of the Trust Economics*, Medici Media.

14. Lee, Jae Hyuk. [2006], “Trust and Civil Society: Comparison between Korea and the U.S.”, *Korean Journal of Sociology*, 40 [5], 2006, p.62.

15. In general, subjects taking part in trade, take the risk of the counterpart not following the promise. In response to such risk, various measures can take place like monitoring the counterpart, insurance or introducing a third party as a mediator. In this process, it creates additional cost and the transaction cost increases.

16. Fukuyama, Francis [1996], *Trust: The Social Virtues and the Creation of Prosperities*, New York: Free Press Paperbacks.

17. Lee, Byung Ki. [2009], *Policy Objective of Accumulation of Social Capital and Economic Growth: Political Implication of Trust*, Korea Development Institute, p.11.

18. Lee, Jae Hyuk. [1998], “Social Structuration of Trust”, *Korean Journal of Sociology*, 32, 1998, pp. 311~335. Lee, Jae Hyuk traced Pagden [1988] to determine features of social relations by distinguishing *fede private* and *fede pubblica*. The former is referred to as the commonly used sense of trust in interpersonal relations, while the latter is a sense of trust toward systems and regulations, which is rather abstract.

by at METRM. For instance, corporations often managed their production and chose investment accordingly with METRM outcome.

The second factor relates to fulfilling the public expectation in cases of economic crisis. For instance, President Park Chung-hee urged the related ministers at METRM to come up with alternative policies to reduce oil consumption in response to the economic crisis like the first and the second Oil Crisis, reviewing the policy measures to solve aftermath of the crisis. The President's guidance was considered in depth at the following METRM, fulfilling the publics' expectation of problem-solving capacity in cases of crisis thus reducing anxiety associated with uncertainty. Moreover, actual adoption of the discussed issues, in actual economic policies, increased public trust with the government's economic development policies and plans.

All in all, METRM during the 1960s and the 1970s built public trust with the government's economic development policies and plans on becoming a 'developed country'. It also indicates that METRM played a critical role in coordinating policies from different ministries for economic growth and social development.

2.2. Contribution of Export Promotion Expansion Meeting

While some point out the limitations and side effects of an export promotion policy that risked the entire country in the early stage of industrialization, most evaluations are, in general, positive. As a newly independent country, Korea established a government, excluding the north half, in 1948 and almost immediately went through a devastating civil war without a proper state system. As a result, the Korean economy fell to the world-poorest, relying on the aid from other countries like the U.S.

As previously discussed, this impoverished economic situation started improving with the First Five-year Economic Development Plan implemented by the military government that came into power in 1961. Under the strong leadership of the President, the government initiated industrialization through attracting foreign capital, inducing investment, and promoting export. Such economic policy enabled continuous economic growth largely based on an abundant dominant labor force and public consensus on economic development, as well as the friendly international economic environment at the time.¹⁹

19. Cho, Soon. (1987), "Economic Development and Social Development", Cho, Soon and Choo, Hak Jung ed. *Theory and Practice of Korean Economy*, Seoul National University Press.

Table 1-4 | Changes in Major Indicators

	1961 (A)	1990 (B)	B/A (i.e. fold, times, etc.)
GNP	2.1 bil. USD	23.79 mil. USD	113
GNP per Capita	82 USD	5,569 USD	68
Export	41 mil. USD	65 bil. USD	1,585
National Budget	57 bil. KRW	27.456 tril. USD	482
Pavement Rate	4.1 percent	71.5 percent	67.4% p
Telephone Diffusion	0.4 percent	36.1 percent	35.7% p
Waterworks Diffusion	17.3 percent	77.8 percent	60.5% p

Source: Hong, Eun Joo *et al.* (2013).

As described in <Table 1-4>, the Korean economy in 1961, before industrialization, GNP per capita was \$82 and suffering from severe poverty of surviving four days on a dollar. The national budget was 57 billion KRW. It was unimaginable to consider financial independence or relief for the poor while making money out of the surpluses of the food aid received from the Peace Program (Public Law 480) of the U.S.

With continuous effort on export-oriented industrialization for 30 years, however, the Korean economy ended up where no one has ever imagined. Comparing the economic indicators of years 1961 and 1990, GNP reached \$23.79 million in 1990-113 times that of 1961, while GNP per capita increased by 68 times to \$5,569. With strong state-led export-oriented industrialization, \$41 million in exports skyrocketed 1,585 times to \$65 billion in 1990.

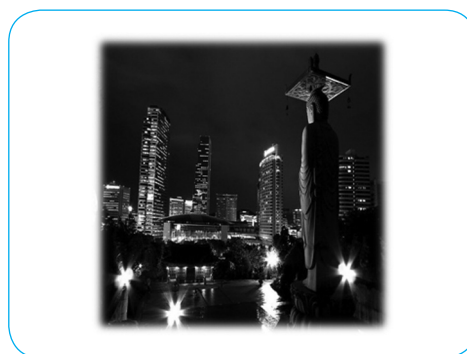
Of course, the Korean economy inevitably underwent several side-effects from state-led export-oriented industrialization from the 1960s to the 1970s that created overinvestment, leading to insolvent enterprises and accumulated foreign debt, as well as changes in international economy and trade environment like the Oil Crises. However, such transitional periods was well-resolved and the export-oriented industrialization pursued for 30 years was not a mere macroeconomic indicator but enhanced living standards of the people. Amenities like pavement rate, telephone diffusion and waterworks diffusion increased exponentially.

Figure 1-1 | Seoul of 1955



Source: Working Paper by the Bank of Korea (2012).

Figure 1-2 | Seoul of 2012



Source: Working Paper by the Bank of Korea (2012).

It is undeniable that state-led export-oriented industrialization led to remarkable development of Korean economy but it also created unexpected economic and social side-effects, arising as new policy objects. In terms of economy, political authority was centralized to the administration in the process of state-led export-oriented industrialization. Economic power was highly concentrated to the central government, and accordingly all kinds of private economic activities were strictly controlled by the government. Interest rates of financial institutions, exchange rate, and even the prices of major agricultural products and raw materials were under the government control. The government also took control of the financial institutions, deciding private investment and regulating inflow of foreign capital.²⁰

On the other hand, in pursuit of export promotion policy and heavy and chemical industrialization policy, government support was focused on a few *chaebols*, intensifying their economic power. With the slogan of “prioritization of export”, General Trading Companies (GTC), the most important actors in reaching the export goals, received significant financial support and favoritism from the government. This favoritism to the few *chaebols* fostering heavy and chemical industry later led to their concentrated and dominant power in the Korean economy.²¹

The power exercised by the centralized economic authority of the central government and by the selected *chaebols* arguably caused human rights issues for laborers and equity issues of wealth distribution. It may be difficult to clearly draw a direct causal relationship

20. Ko, Young Sun. (2008), “Korean Economic Growth and the Role of the Government: Past, Present and Future”, *Sixty-year History of the Korean Economy*, Korea Development Institute.

21. Cho, Soon. (1987), “Economic Development and Social Development”, Cho, Soon and Choo, Hak Jung ed. *Theory and Practice of Korean Economy*, Seoul National University Press.

between these socioeconomic problems and export-oriented industrialization, nonetheless, to foster export industries and exceed the export goals in a short period of time, human rights protection became less a priority, eventually bringing about equity issues on wealth distribution. Human rights and wealth distribution were potential factors causing instability in Korean society. This instability increased as personal income levels rose and acknowledgement on human rights and non-economic values gained public attention.²²

3. Comparison with Foreign Cases

Whether a country is developed or developing, for an economic development strategy to be successful, not only must the strategy be sound, but it also must be supported by a properly functioning and accountable bureaucratic administration. To enhance policy effectiveness, so-called “good governance” requires “capacity” and “accountability” of the implementing organization. Some cases, like Korea in the 1960s and the 1970s, a strong central government, systematically managing and coordinating development as the commanding institution improved effectiveness. It is common that absence of such administrative oversight in several developing countries factor in their failure. Moreover, the strength of a leader’s involvement in supporting the implementing and coordinating organization is another major factor for improvement of policy performance.

For instance in Malaysia, such an administrative organization occupied a National Operations Room under the Prime Minister’s Office. Monthly reporting on their nationwide development progress produced positive results.²³ Thailand and the Philippines benchmarked and established and operated a similar organization but did not succeed due to lack of strong will of the leader.²⁴

Lee (2011) compares the National Operations Room of Malaysia and the Two Conference System of Korea:

Neither long-term consistency nor strength of policy capacity of National Operations Room of Malaysia is comparable to those of the Two Conference System of Korea. Regardless of the size of the government, no one can stay away from the ‘failure of government’. Nonetheless, the strongest and the

22. *Ibid.*

23. Lee, Yong Hoon. (2011), “Economic Historical Background of Park Chung-hee Administration’s Development Policies”, [presented at the 50th Anniversary for May 16 Military Revolution Academic Seminar, May 13, 2011].

24. Waterson. (1965), pp.360–362. Recited from Lee [2011].

most comprehensive intervention of the government in the economy had a significantly low level of failure of government, largely due to well-operated Korean market economy that borrowed the public-private partnership format to supplement and alternate market, create information, evaluate and distribute.

Lee (2011) refers to using a public-private partnership format while propelling state-led development policies as the reason the Two Conference System of METRM and EPEM did not fail. Also in reality, looking at the successful cases of Saemaeul Movement reported at every METRM, the government did not support the project uniformly. It sought to provide proper incentives to the communities with a good will and capacity.

Lee (2011) also described distinctive factors of METRM and EPEM of Korea, unlike other developing countries as follows:

Perhaps he was a well-trained leader for economics reality (...) A piece of luck that previous administrations did not have was a group of outstanding businessmen. Cooperation between the Park Chung-hee Administration and the group of businessmen developed into Public-Private Partnership Format at METRM and EPEM. Public Private Partnership, represented by the Two Conference System, created an extraordinarily effective system of planning, decision, implementation and supplementation of development policies.

Clearly distinctive from other developing countries, METRM and EPEM in the 1970s practically contributed to effectiveness of government policies. In other words, the state-led economic development facilitated market efficiency through public-private partnerships. It had a mechanism of constantly reviewing and supplementing policy implementation, unlike similar cases of other developing countries. The key point is effectiveness of implementation, rather than establishment of the system itself.

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Report Meeting and Export Promotion Meeting

Chapter 2

Operational Structure and Contents of METRM

1. Regularization Procedure of METRM
2. Roles of METRM
3. Contents and Progress of METRM

Operational Structure and Contents of METRM

1. Regularization Procedure of METRM

METRM was first introduced in 1961 by the early Supreme Council for National Reconstruction of the May 16 Military Government. President Park Chung-hee began receiving reports on domestic economic trends soon after the May 16 Military Revolution in 1961.²⁵ The revolutionary forces of the Military Revolution insisted on the revolution pledges that “the military government will do its best to resolve the financial difficulties of people suffering from despair and poverty and reconstruct the state, autonomy and economy.”²⁶ Moreover, such domestic economic trend reports were probably very efficient in promoting understanding of economic circumstances among government officials since those with actual power after the Military Revolution were former military officers. Nobuyuki (1996) claims “realism, purposive approach and military-style enforcement” as distinctive features of President Park Chung-hee’s presidency. Realism, in this context, refers to precisely understanding the domestic and international issues and implementing the system based on effective choices. Purposive approach is to define a clear objective and announce it to the public, encouraging public participation. Military-style enforcement of top-down command and control was fully utilized effectively, along with realism and purposive approach.²⁷

25. Kang et al. (2008).

26. Extracted from the “Pledges of the Revolution [1961]” by Army Lieutenant General, Chang Do Young.

27. Nobuyuki, Kasai. [1996], “韓国・台湾の発展メカニズム” 服部民夫・佐藤幸人 編, ‘韓国の開発戦略と発展メカニズム再考’, JETRO.

It is presumed that in its early days, the Domestic Economic Trends Report was held sporadically in accordance with requests by the military government. There is an article on *Hankookilbo* (*The Korea Times*) that there was a regular briefing on economic trends in September 1961 but this meeting was held weekly, not monthly.²⁸ The term “METRM” appears in newspapers in 1962,²⁹ implying that economic trend briefings initially were held every week and changed to METRM later on. Additionally, research of press releases reveals economic trends were reported to President Park Chung-hee, the chair of METRM. Following is the extracted article from the Seoul Economic Daily from May 27, 1962.

“Chairman Park Gets Briefings and Orders” The chairman of the Supreme Council Park Chung-hee ordered to review the output of tax reform and to research and rectify contrariety, after getting monthly economic trend briefings at the Conference Room of EPB on 26th. The President also made orders to follow the recommendations in the reports by the Private Sector and the negotiation outcomes with the U.S. Business Leaders Group (...) According to the monthly economic trends reported by EPB, production activities markedly increased since March, the price level is at a steady state, price index of early May is 217.3 and economic forecast seems promising and is likely to continue.³⁰

The basic format of the meeting was to report on the monthly economic trends by EPB and conclude with Chair Park Chung-hee’s instructions. This later formed the basis of METRM. Of course, it is unclear whether the reports were regularly received. It is possible that the reporting cycle varied from its onset in May 1962. Kang *et al.* (2008, p. 105) claims:

It is confirmed that briefings on June 30, August 25 and September 24 in 1962, February 23, March 23, April 27 and May 27 in 1963 were conducted before the transfer of power to civil government. Without press releases, it is unclear whether briefings were held in other months. If the report itself did

28. *Hankookilbo* (*The Korea Times*) of September 5, 1961. Recited from Kang *et al.* [2008] p.103. “EPB will be briefing on the current (after the Revolution) conditions and progress of various policies on domestic industrial status, financial trends, price level, production, etc. to the Supreme Council. It will determine effects of both short-term and long-term policy and pursue resolutions. The first briefing took place Monday, the fourth of September. The Supreme Council and the Prime Minister ordered these briefings to properly understand the problems at hand, promptly evaluate the situation and obtain information on the progress of projects of various ministries. The major objective was to combine the scattered individual initiatives and applying decisions in a comprehensive manner.”

29. *The Seoul Economic Daily* of May 27, 1962, p.1. Recited from Kang *et al.* [2008].

30. Kang *et al.* [2008] pp.104~105.

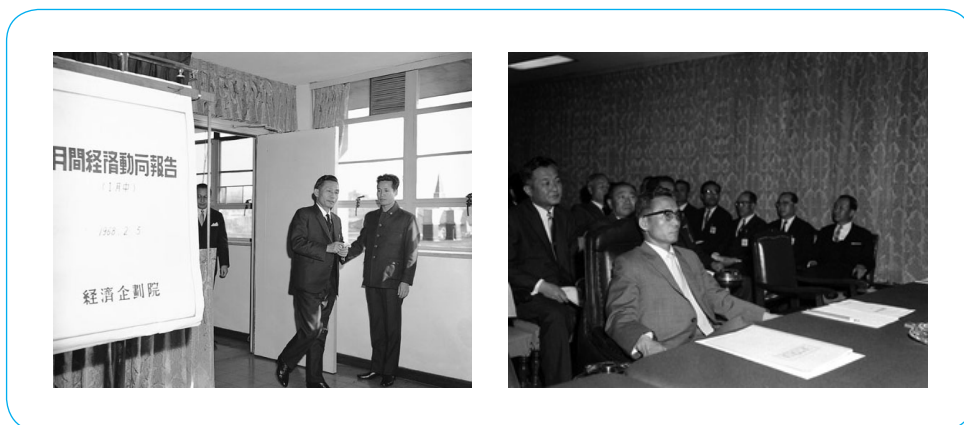
not take place, it is hard to say whether the Monthly Economic Trend Report Meeting was or was not yet systematized, compared to the days since Chang Key-young was assigned as the Deputy Prime Minister.

According to the media, it is noteworthy that METRM became regularly scheduled in January 1965, about eight months after Chang Key-young was appointed as Deputy Prime Minister. Kim, Heung-ki's claim supports this idea.

METRM was invented for the Revolutionary Forces, who were economic outsiders, to learn economics. At these Meetings, economic trends were reported every month, discussing possible solutions when necessary. It began soon after the Revolution but it was not until the Deputy Prime Minister Chang Key-young's appointment when the Meeting was systemized and held every month.

According to Kang et al. (2008), METRM became routine in the beginning of 1965, when the power struggle within the military government ended and control was transferred to the civil government once the political turmoil had subsided. It was when Chang Key-young was appointed as the Minister of EPB that an administrative system for development started operating on top of the administration. The METRM system, though sporadic, continued after President Park Chung-hee passed away on October 26, 1979 through the Choi Kyu-hah Administration. It was abolished during the Chun Doo-hwan Administration.

Figure 2-1 | President Park Chung-hee at METRM



Source: Presidential Archives, National Archives of Korea, e-Visual History Picture.

2. Roles of METRM

As previously mentioned, the new government which commenced after the May 16 Military Revolution in 1961 had a strong will for development and emphasized practicality. The revolutionary forces of the Revolution established EPB on July 21, 1961, just two months after the Revolution, creating an agency solely in charge of economic development. It clearly shows the strong will of the military government to rescue the country from poverty. Two months later, on September 4, 1961, weekly economic trend briefings began. The main objective was to “promptly generally review the domestic economic issues and comprehensively understanding the progress of policy implementation of various ministries.”³¹ Such economic trend briefings in the early days, actually provided information and knowledge to the military government officials who were not experienced with economic circumstances. Since the inauguration of Chang Key-young as the Deputy Prime Minister (May 1, 1964), economic trend briefings became regularly scheduled, starting with the briefing held on January 12, 1965. METRM gradually involved current issues and reviewing and coordinating policies.³²

The five-year economic development plan, with its time horizon of implementation being five years, became more serious during the Park Chung-hee Administration. It was a procedure of policy decision-making, involving the countries economic development objectives and the practical strategies to support them. However, such intermediate-term plans are unable to reflect various economic and social circumstances that arise during the plans time horizon. The government continuously sought for ways to implement its policies in concert with its objectives amid changing reality. Especially during the period of the second five-year economic development plan, policy implementation plans were annually formulated and implemented, within the range but apart from the five-year-based plans.³³ Such annual plans were also crafted to monitor and evaluate the progress of five-year plans.

31. *Hankookilbo* (*The Korea Times*) of September 5, 1961. Recited from Kang *et al.* (2008) p.103.

32. Kang *et al.* (2008), p.102-106.

33. In the beginning, the one-year economic development plans were made under the name of Overall Resources Budget (ORB). The name was changed to Annual Economic Management Plan in 1978. When ORB was first introduced, “ORB was largely about distribution of the total available resources, including the government as well as the investment plans of the private sector. Since the third five-year economic development plan, however, the goal of planning focused on policy proposal, rather than resource distribution. Thus, the name ORB was changed to Annual Economic Management Plan [Han 2014, p. 57].” The Annual Economic Management Plan did not include the investment plans of the private sector like ORB. The features and ranges of the one-year plan were changed, along with the change in name.

While the economic development plans reflected economic policies on a one-year or five-year basis, METRM was modifying economic policies in the short-term in response to the rapidly changing reality. A systematic mechanism that kept the main development policies, while responding flexibly to external factors and evaluating in a timely manner, was required. To do so, a well-functioning communication channel was necessary between the planning and the operating agencies. The reporting structure had to be simple and respect the director's authority. Political leaders with a strong will and having timely analysis(s) was necessary. Evaluation on the implementation of plans was needed to modify and adjust the initial goals and strategies over time.³⁴

In this sense, METRM had a strong communication channel, which played a significant role in implementation of plans. In other words, 1) METRM reviewed and modified the major policies with all the principal actors present. 2) The President not only personally chaired the meeting, but also was highly enthusiastic. 3) The meeting itself performed the function as a communication channel but the participants were strongly motivated to study hard and be prepared for impromptu questions from the President. METRM contributed to decision-making and adjustment of economic policies. Gathering people with different opinions in one place, sharing thoughts and making decisions were done quickly, with less friction. It also enabled monitoring and evaluating policies already in practice.³⁵ Economic government officials and the President could share information and perspectives with each other. Moreover, economic government officials, the President and the party could seek common direction. It positively influenced formulating and implementing economic policies.³⁶

METRM reviewed the progress of the major policies while functioning as the final stage for policy making. The meeting can be divided into four levels of policy process: policy-making, policy implementation, evaluation and feedback. METRM played an important role in the final stage of policy making and with evaluation.³⁷

34. Kang, Gwang-ha. (2000), *Five-Year Economic Development Plan*, pp.55-62.

35. Han, Seunghee. (2014), *Establishment and Operation of the Economic Planning Board in the Era of High Economic Growth in Korea*, Ministry of Strategy and Finance (MOSF), p.50.

36. Kang *et al.* (2008), pp.140-142.

37. *Ibid.*

3. Contents and Progress of METRM

3.1. Participants

The key participants were the President, Minister of the EPB, relevant ministers, figures from the ruling party and related officers in the field. The Governor of the Central Bank, heads of related financial organizations, the Special Assistant to the President, the Chair of the Policy Board of the ruling party, Chairmen of various committees also participated. All the participants were the power elites at the center of politics and economy, driving economic development in the 1960s and the 1970s. They understood and discussed current economic trends throughout the meeting and reviewed and evaluated major economic policies. This indicates that they had decision-making power over policies that influence the national economy as a whole. President Park Chung-hee, the Prime Minister, Economic Ministers, members of the Economic-Science Council consistently attended the meeting,³⁸ implying that the President viewed the meeting as an important means for adjustment, examination and evaluation of economic development policies.

In June 1971, with the President's order, 'report on successful cases of the Saemaeul Movement' was added to the meeting' agenda expanding the participants from only government officers to now include the people. The Saemaeul Movement was added to METRM largely due to the Third Five-year Economic Development Plan (1972~1976) which addressed innovative development of agricultural and fishery economies in the rural areas, specifically, 'income increase of farmers and fishermen, environmental improvement of rural areas, increase in pavement and provision of electricity.'³⁹ Thus, outstanding Saemaeul community leaders, county governors, leaders and men of merit came to METRM and reported their own successful cases. The President invited them to the meeting, 'enabling the policy makers to make use of their experiences and encourage the farmers to participate and exchange thoughts.'⁴⁰ Also, by spreading a successful case of a certain area, other areas were able to benchmark⁴¹ and the movement expanded, intensified and developed.

38. *Ibid.* pp.139~140.

39. *Ibid.* p.109.

40. *The Seoul Shinmun* (Seoul News Paper) of June 7, 1971.

41. Ministry of Strategy and Finance (MOSF), 2014, p.69.

Initially METRM was an unofficial and confidential meeting with a selected few professionals but its role changed into a propellant of the Saemaeul Movement in the 1970s and more of a political ritual.⁴²

3.2. Program of METRM

After reporting on successful cases of Saemaeul Movement was added in the 1970s, the meeting was divided into four sections. In the first section, ‘monthly economic trend reports’ and ‘briefings on the work of economic departments’ were presented. Focusing on the international and domestic economic indicators, government officials of economic departments reported to the President on industrial production, construction, financial affairs, monetary affairs, foreign transactions, price level and other economic trends. Ministries then held briefings on the ‘main office activities of the month’. Through these reports, the President, as the final decision maker, was made aware of the current state of the economy as well as the latest situations of individual economic departments and thereby was able to review and evaluate the data collectively.

In the second section, economic government officials gave ‘special reports’. The content of the ‘special reports’ consisted of: 1) reaction to situations that were unexpected during the stage of formulation of economic plans and 2) monitoring the progress of the economic plans.⁴³

In the third section, men with merit from outstanding rural areas, cities, work places, schools, etc. and who had achieved clear results of the Saemaeul Movement, were invited to report ‘successful cases of Saemaeul Movement’. The contents of the reports were diverse and included cases of making reforms based on the basic values of ‘diligence’, ‘self-help’, and ‘collaboration’ to cases of increasing income or success in cultivation experiments. As the Saemaeul Movement expanded from the rural areas to schools, cities and factories, successful case reports on new regional units were added.

42. Lee, Yong Hoon. (2011), “Economic Historical Background of Park Chung-hee Administration’s Development Policies”, p.8 (presented at the 50th Anniversary for May 16 Military Revolution Academic Seminar, May 13, 2011).

43. Kang *et al.* (2008), p.117.

The fourth section consisted of intensive interaction by the President.⁴⁴ The President asked questions to the ministers, hands-on workers and reporters and provided necessary guidance after hearing their answers and opinions.⁴⁵

3.3. Frequency of METRM

As previously mentioned, METRM was held a total of 144 times from January 1965 to September 1979. <Table 2-1> shows the date and frequency of METRM by year (1965~1979). It was held every month except for May in 1965 and January and February in 1966. In the period from 1968 to 1974, the meeting was consistently held every month except for January when the New Year on-sight briefing to the President was conducted. It indicates how METRM was made part of an official meeting system for understanding international and domestic economic trends and effectively implementing and monitoring economic policies. Later from 1975, the frequency began to decrease. The meeting was held nine times in 1975, eight times in 1976, eight times in 1977, seven times in 1978 and just four times in 1979.

Table 2-1 | Monthly Economic Trend Report Meetings (1965~1979)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total (number of times)
1965	12	5	-	3	5	8	13	5	6	7	5	8	11
1966	-	-	7	11	5	7	4	4	5	7	14	8	10
1967	5	6	8	6	12	12	7	7	11	10	6	5	12
1968	-	5	6	8	6	5	8	3	5	5	5	6	11
1969	-	11	5	7	12	12	14	5	16	22	5	5	11
1970	-	5	5	6	5	11	6	7	7	7	5	7	11
1971	-	5	6	7	5	7	5	5	7	5	5	6	11
1972	-	9	6	10	12	5	5	7	7	5	7	6	11
1973	-	5	5	11	7	11	5	6	5	8	5	6	11

44. Cho, Gap Je is evaluating President Park Chung-hee's leadership in 12 ways. One of them is 'democratic policy decision making.' He said "President Park never comments in a meeting. He lets everyone debate and when pros and cons arise regarding the issue, he draws a conclusion and orders necessary instructions. Unlike the political structure at the time, decision making process of economic policies was democratic." Refer to for further information on: http://www.chogabje.com/board/print.asp?c_idx=30812&c_cc=BB [2014.8.18].

45. Kim, Heung-ki, ed. *The Korean Economy in Glory and Disgrace: 33 Years of the Economic Planning Board*, Mael Business Newspaper, 1999, p.83.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total (number of times)
1974	-	5	5	12	6	5	5	13	5	10	5	6	11
1975	-	-	7	8	8	5	12	-	5	6	5	8	9
1976	-	-	5	-	10	8	12	-	7	6	9	8	8
1977	-	-	8	-	10	9	7	-	9	13	8	13	8
1978	-	-	17	12	-	9	-	-	7	11	10	15	7
1979	-	-	-	13	9	8	-	-	11	-	-	-	4

Note: The number indicates the date when a METRM was held, unless otherwise stated.

Source: Kang, Gwang-ha *et al.* (2008), p.107.

There are two speculations on the reason of decreased frequency since 1975. One is ‘fatigue of growth’, namely a pattern of long-term meetings, not necessarily producing new facts or policies.⁴⁶ The other is greater power of the President’s Senior Advisor for Economic Affairs and the Ministry of Commerce and Industry compared to the EPB in the mid-late 1970s when heavy and chemical industry was fostered and self-help of national defense was promoted.⁴⁷ Building a global-scale *chaebol* by fostering heavy and chemical industry was planned by Oh, Won Chul, the President’s Second Secretary for Economic Affairs and a handful of technocrats who were the driving forces of the development age. The plan was kept so secret that even the Minister of Finance, who was in charge of supplying resources, did not know about financing heavy and chemical industry until the heavy and chemical industry fostering policy was officially announced. Even the risk-averse EPB officials who were in charge of economic development policies were not invited to the planning process.⁴⁸

46. Kang *et al.* (2008), p.108.

47. *Ibid.* p.148.

48. Lee, Dae Kun *et al.* (2007), *New Korean Economic Development History: From Late Chosun Dynasty to High Economic Growth*, p.261.

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Growth in Korea: with an Emphasis on Korea's Monthly Economic Trend
Report Meeting and Export Promotion Meeting

Chapter 3

Operation Structure and Contents of EPEM

1. International and Domestic Environment of Korean Economy
2. Export Promotion Committee
3. Role of EPEM
4. Contents and Progress of EPEM

Operation Structure and Contents of EPEM

1. International and Domestic Environment of Korean Economy

When established in 1962, the Park Chung-hee Administration set “urgently solving the economic distress of the Korean people struggling in despair and hunger and reconstructing a self-sustaining economy” as his top priority. He personally monitored economic trends, sought for resolutions and set the government’s economic development policies. When running short on accumulation of capital, the military government, buried in the idea of national prosperity and defense, had wasted resources on hasty investment.⁴⁹ For the purpose of intense economic development, the Korean government could not help depending upon foreign aid, concession loans, or foreign exchange earnings from export to raise fund for investing in industrial facilities.

The First Five-year Economic Development Plan, based on the military governments strong will for economic growth, set its target growth rate to 7.1 percent. It needed a total of 100 billion KRW for investment for the designated period. It planned to get 1/3 with foreign capital such as foreign aid and loans. The Korean economy was highly reliant on

49. Ko, Young Sun (2008) stated that “to mobilize domestic capital for economic development, the Emergency Currency Measures was imposed in May 1962 but failed because the expected capital did not appear. Moreover, the government made investments aiming for demonstration effect, which was unrealistic and wasted foreign currency. In early 1962, Korea announced that it would domestically produce Datsun Automobiles, increasing import of complete cars and parts. It was a waste of money considering the economic circumstances of the time. It eventually ended in September 1963. Further, it tried to domestically produce television receivers with concessional loans, which ended in July 1962.”

the U.S. for aid, but it sharply reduced its development aid, thereby increasing the amount of concessional loans and exports required to achieve the growth rate.

In such economic conditions, the government was running the Export Promotion Committee for export promotion whose chair was the Prime Minister. However, the perception on export within the government was nothing better than a ‘measure for accumulation of foreign currency in terms of international balance of payments’. Neither running the Export Promotion Committee nor adjusting policies among ministries was astute or effective.⁵⁰

Internationally, Korea was heavily reliant on the U.S. The U.S. was hoping for the economic independence of Korea through technical assistance and economic development support to compensate for the reduced amount of aid. It thought that accelerating economic development was the most effective way to win the competition with the communist bloc. This idea led to the U.S. government’s policy transfer based on differentiation of military aid from economic aid, eventually reducing the former and increasing the latter.

The U.S. government demanded depreciation of Korean won in exchange rate, export promotion, reduction in defense expenditure, and resolving relationship with Japan for economic development of Korea. Meanwhile, it introduced Development Loan Fund, instead of grants but it was not phased-in as it had planned.⁵¹ Regardless of the policy transfer of the U.S., concessional loans did not increase as much because the U.S. government did not trust the Korean economic development plan. The U.S. government insisted that the plan aiming for 7.1% average annual growth rate required too much investment for its economic capability.⁵²

To fulfill the enthusiastic economic development goals of the military government that came into power in the early industrialization period, a great amount of foreign capital was needed since domestically accumulated capital was falling short. With the continued reduction of foreign aid, loans were not available as planned. Thus, accumulation of foreign capital through export was the only way to raise investment resources for the desired economic growth.

50. Kang *et al.* (2008), p.108.

51. Woo, Jung-en. (1991), *Race to the Swift: State and Finance in Korean Industrialization*, Columbia University Press.

52. Kang *et al.* (2008).

2. Export Promotion Committee

When the inducement of concessional loans for economic development was not available as planned and the foreign exchange reserves were almost gone, the Chair of Supreme Council for National Reconstruction Park Chung-hee encouraged export. Claiming “export prioritization” and developing effective export promotion policies, exports of industrialized products began to rise from the latter half of 1962.

The government established the Export Promotion Committee to coordinate export promotion policies smoothly among departments. The Export Promotion Committee Regulation (Decree No. 1113, December 1962) was enacted with the Prime Minister as the Chair of the Committee. It reported to the Prime Minister and was established to discuss the important policies along with the comprehensive plan for export promotion. The Ministry of Commerce and Industry was in charge, planning the practical export policies, introducing them to the Committee, coordinating with related-departments and approving at the final stage.⁵³

However, the Export Promotion Committee with the Prime Minister as the chair was not able to coordinate policies effectively among departments. Once achieving the 100 million US dollar mark in 1964, the Ministry of Commerce and Industry gained confidence and vied to operate a government-wide export promotion system. Yet, the Ministry of Commerce and Industry did not have confidence with the export promotion policies imposed by the Committee under the Prime Minister due to lack of mobility in formulating and implementing policies. The Minister of Commerce and Industry, at the work report meeting on the new year on-sight briefing to the President in January 1965, recommended that the President personally chair the Export Promotion Committee. The President accepted and since February 1965, EPEM was chaired by the President (Shin 2000, Kang *et al* 2008).⁵⁴

Since 1969, the Export Promotion Committee invited not only the government ministries, but directors of economic organizations, professors, mission chiefs and even political and legal figures, changing its name to EPEM (National Archives of Korea). Since 1977, EPEM expanded the range of participants to the CEOs of export companies. It also stressed the significance of import as well as export, changing its name to the Trade Promotion Meeting.

53. *Ibid.*

54. Shin, Kuk Hwan. (2000), “Glorious Footprints and Hardship—President Park Chung-hee’s Journey to National Prosperity through Export.” President Park Chung-hee Commemoration Service Association Inc.

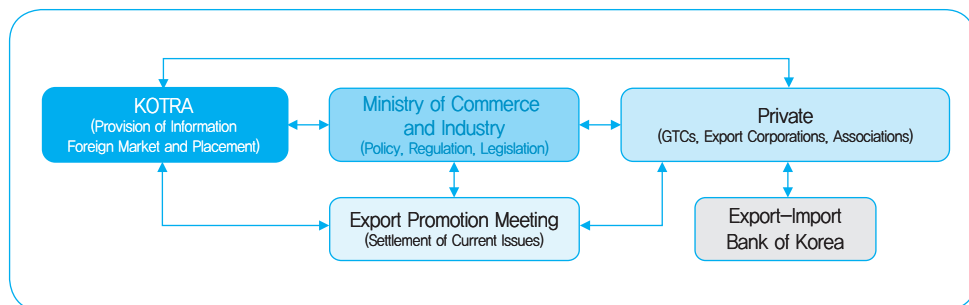
This change in name reflected the government’s effort in responding to criticism by the international community that Korea is encroaching the global market through governmental subsidies.⁵⁵

3. Role of EPEM

EPEM was a joint consultation that concentrated cross-country efforts from government departments, government-affiliated organizations and private companies to achieve the goal of export promotion.⁵⁶

As [Figure 3-1] shows, EPEM functioned as an evaluating and adjusting agency when the Ministry of Commerce and Industry introduced policy, regulation and legislation. EPEM was established and was operated to discuss and modify the policies in accordance with current issues. In such a policy process, EPEM invited private sector figures like the President of the Korea Chamber of Commerce & Industry (KCCI), the Korea International Trade Association (KITA) and other export industries, improving the validity of the policies and enhancing participation and accountability.

Figure 3-1 | Implementation System of Export Promotion



Source: Choi, Dong Kyu. (1992), *Government during the Development Era: Role of the Bureaucracy in the “Miracle of Han River”*, the Korea Economic Daily.

55. Choi, Dong Kyu. [1992], *Government during the Development Era: Role of the Bureaucracy in the “Miracle of Han River”*, the Korea Economic Daily.

56. Choi, Dong Kyu [1992] stated “the export acceleration system was formed by the Ministry of Commerce and Industry, the office in charge of planning policies and the Korea Trade-Investment Promotion Agency (KOTRA), the agency in charge of implementing policies of developing markets in other countries, who quickly processed the export-oriented policies, increasing export and supporting industrialization. Since 1965, EPEM enabled the export-related agencies to dynamically operate, establishing the Export-Import Bank of Korea in 1969. 12 general trading companies (GTC) were set up in 1975, systematizing the private sector to be export-oriented.”

However, the practical contents of export promotion policies were not as unilateral. They changed flexibly along with the changes in international and domestic circumstances.

The background for state-led export promotion in the early period of economic development can be explained in two ways (Kang *et al.* 2008). One is that export promotion policies in the early economic development period pursued a “reduction in the current account deficit, promotion of foreign capital inducement for economic development and allocation of financial resources for repayment of foreign debt.” Such export promotion policies had no intention to foster specific industries and established objectives to solely promote export, providing industry-neutral taxing, commercial, budgetary and administrative incentives to export activities. Such expansion-oriented export policy was imposed even before the early 1960s when industrial development policies were implemented to induce foreign capital. This was effective throughout the entire era of high economic growth.

Government support policy was planned and implemented by industry for export promotion while supplementing the First Five-year Economic Development Plan. During the First Five-year Economic Development Plan, the Park Administration emphasized improvement of the international balance of payments based on export increase, without being aware of the possibility of exporting industrial products (Kang *et al.* 2008). However, increase in export of industrial product was apparent in the process of the first five-year economic development plan and the government rushed to develop policies to increase industrial product export.

Export-oriented industrialization policy began its policy transfer in the early 1970s by fostering heavy and chemical industrialization. Before, export promotion policies were implemented to attract resources to invest in and foster fertilizer, textile, cement and etc. However, export promotion policy in the late 1970s is not merely about improving international balance of payments. The government sought for a developed industrial structure and granted markets to enhance the level of the economy, looking into heavy and chemical industries like steel industry, machinery, shipbuilding and electronics. As export-oriented industrialization policy took hold, EPDM was not limited to merely increasing export but influenced strategic investments for particular industries for export. Such policy implementation patterns eventually led to achieving 10 billion US dollar mark in export in the late 1970s.

Achievement of the 10 billion US dollar mark in export changed the international status of Korea. In the first EPEM of 1976 (January 26), when reaching the 10 billion US dollar mark in export was imminent, the Minister of Commerce and Industry said “Import liberalization should be considered by stage in response to the international pressure to increase export, but with the President’s approval, it would be better to change the name from EPEM to the Trade Promotion Meeting.” Korea realized limitation of the lopsided export promotion policies along with the remarkable growth of export and economy. Pressure for trade increased from the export partners and the export policies dependent on government’s protection and support were no longer sustainable. Meanwhile, for continued export increases in heavy and chemical industries, strengthening competitiveness in the international market became a new policy subject. Liberalization of industrial products and opening of markets became new policy subjects as means to consistently increase exports in a changed trade environment.

In the transfer process of policies, EPEM not only functioned as a venue for discussing various support policies for export promotion, but also reviewed the export records of the private export companies, analyzing problems and coming up with resolutions. It also monitored the process of export promotion policies and their implementation progress.

4. Contents and Progress of EPEM

4.1. Participants of EPEM

The legal ground of EPEM is the Regulation of the Export Promotion Committee (Decree No. 1113). As <Table 3-1> indicates, the Export Promotion Committee was composed of 13 people, including the Chair, the Governor of the Bank of Korea, heads of relevant institutions and the private sector. Since 1967, the participants of the meeting were extensively expanded to 26 people including the Prime Minister and other ministers, Governors of Bank of Korea and other major banks and heads of relevant institutions.

Table 3-1 | Changes of the Export Promotion Committee Participants

History	Participants
Decree No. 1113 (Dec. 29, 1962)	Chair: Prime Minister Members (12): Minister of EPB, Minister of Foreign Affairs, Minister of Finance, Minister of Agriculture and Forestry, Minister of Commerce and Industry, Minister of Health and Social Affairs, Minister of Transportation, Minister of Public Information, Governor of the Bank of Korea, Head of the Korea Trade Promotion Corporation, Head of the Korea Chamber of Commerce & Industry (KCCI), Head of the Korean Trade Association
Decree No. 1346 (Jun. 11, 1963)	Chair: Prime Minister Members (13): addition of Head of the Entrepreneurs Association of Korea of the Export Industry Promotion Committee
Decree No. 1655 (Mar. 2, 1964)	Chair: Prime Minister Members (14): addition of the Minister of Construction
Decree No. 1903 (Aug. 7, 1964)	Chair: Prime Minister Deputy Chair (new): Minister of the EPB Members (15): addition of Heads of the National Agricultural Cooperative Federation and the National Federation of Fisheries Cooperatives
Decree No. 2953 (Mar. 22, 1967)	Chair: Prime Minister Deputy Chair: Minister of the EPB Members (25): addition of Cabinet Committee, without an appointment (economy), members of the Economic-Science Council (economy), Director of the Office of Planning and Coordination, Head of the Fisheries Agency, Governors of the Korea Development Bank, the Small and Medium Industry Bank, the Korea Exchange Bank, Chairman of the Korea Federation of Small and Medium Business, Head of the Korea Tourist Service, CEO of Korea Shipping Corp., Ltd.

Source: Export Promotion Committee Regulations.

In reality, however, the scope of participants extensively expanded after the President began to chair the meeting and was based according to the agenda. Usually, the meeting was held in the President's Office but the venue changed to the Capitol Building when there were too many participants.

At the March meeting in 1968, there were 76 participants including the mission chiefs from the U.S. and Japan. The participants reached 130 in January 1972, including entrepreneurs from the private sector, when everyone gathered to balance accounts from the previous year and discuss the new export target.⁵⁷ The third meeting of 1967 was a large-

57. Kang *et al.* (2008).

scale conference with 97 participants from different fields. Apart from the regular members, practitioners of relevant departments, professors, figures from legislation and jurisdiction, heads of the industry and regional figures all joined the meeting.

Table 3-2 | Participants of the Third Export Promotion Expansion Meeting in 1967

		Participants	Example
Central Government	Ministers and Vice Ministers	18	Prime Minister, Secretary of Home Affairs, Minister of Finance, Minister of Health and Social Affairs, Minister of Transportation, Minister of Construction, Cabinet Committee, without an appointment, Deputy Minister of Foreign Affairs, Deputy Director of the National Tax service, Director of the Fisheries Agency, Director of Korea Forest Service
	Practitioner	17	Director of Trade Bureau of the Ministry of Foreign Affairs, Director of the Financial Bureau of the Ministry of Finance, Director of the Customs Bureau of the Ministry of Finance, Director of the Tax Bureau of the Ministry of Finance, Director of the Tax Collection Bureau of the National Tax Service, Director of the Trade Bureau of the Ministry of Commerce and Industry, Director of the Industry Bureau of the Ministry of Commerce and Industry, Director of the Agricultural Bureau of the Ministry of Agriculture and Forestry, Director of the Fishery Bureau of the Fisheries Agency
Financial Institutions		6	Governors of the Bank of Korea, Development Bank, Korea Exchange Bank, the Small and Medium Industry Bank, Heads of the National Agricultural Cooperative Federation and the National Federation of Fisheries Cooperatives
Government Investment Agencies		4	Head of the Korea Trade Promotion Corporation, Korea Tourist Service, CEO of Korea Shipping Corp., Ltd.
Academia		3	Park Yi Hwan, Yoo Jin Soon, Lee Chang Ryul
Legislation and Jurisdiction		4	Deputy Chairs of the the Policymaking Committee of the Republican Party, Commerce and Industry Committee of the National Assembly, Head of the Joint Smuggling Investigation Headquarter
Private Sector		16	Head and Deputy Chair of the Korean Trade Association, Head of the Korea Chamber of Commerce & Industry (KCCI), Vice President of the Korean Businessmen's Association, CEO of Dongmyung Timber, CEO of Goldstar, CEO of Cheil Jedang Corp., CEO of Kyung Nam Wool Textile Co., Ltd.
Regional Figures		29	Mayor of Busan, Governor of Gyeongsangnam-do Province, Customs Director of Busan, Head of the Regional Chamber of Commerce in Masan
Total		97	

Source: Kang *et al.* (2008), *The Policy Decision Making System during the Rapid Economic Growth in Korea: Economic Planning Board and Inter-Ministerial Committees*, Korea Development Institute.

4.2. Program of EPEM

Though not designated by law, EPEM was held once a month, when it was first established in 1965. There was no official format for EPEM but it usually was based on the work reports of Ministry of Commerce and Industry and Ministry of Foreign Affairs who were primarily in charge. EPEM can largely be divided into five sections: 1) the keynote speech of the Minister of Commerce and Industry; 2) the work report from the Ministry of Commerce and Industry; 3) the work report from the Ministry of Foreign Affairs; 4) suggestions from the field with a period for questions and answers; and 5) the President's comments and directives. This sometimes lasted three hours.

The work report of Ministry of Commerce and Industry consisted of 1) the export record of the previous month, 2) response to the President's instructions and 3) review of implementation plans and progress of the major export promotion policy. The work report of Ministry of Foreign Affairs was mostly about the trading partner's status and possible counterplans. Meanwhile, when unexpected policy issues arose, 'special reports' were presented. Within the six EPEM in 1972, there were two awards given to men of merit for export and for four special reports on tourism promotion, a report on Japan by the trade research group, a progress report on development of industrial products from the farming families and a research report on Malaysian economy.

Table 3-3 | Programs of Export Promotion Expansion Meetings in 1972

	January	June	August	October	November	December
1	Awards to Men of Merit for Export	Presidential Secretaries' Special Report ¹	Awards to Men of Merit for Export	Minister of Commerce and Industry's Keynote Speech	Minister of Commerce and Industry's Keynote Speech	Minister of Commerce and Industry's Keynote Speech
2	Minister of Commerce and Industry's Keynote Speech	Minister of Commerce and Industry's Special Report ²	Minister of Commerce and Industry's Keynote Speech	Minister of Commerce and Industry's Work Report	Minister of Commerce and Industry's Work Report	Minister of Commerce and Industry's Work Report
3	Minister of Commerce and Industry's Work Report		Minister of Commerce and Industry's Work Report	Ministry of Foreign Affairs' Work Report	Ministry of Foreign Affairs' Work Report	Ministry of Foreign Affairs' Work Report

	January	June	August	October	November	December
4	Ministry of Foreign Affairs's Work Report		Ministry of Foreign Affairs's Work Report	Minister of Commerce and Industry's Special Report ³	Practitioners' Speech and President's Questions	Special Report ⁴
5	Practitioners' Speech and Question and Answer		Practitioners' Speech and Government's Response	Practitioners' Speech		President's Comments
6	President's Comments		President's Comments	President's Comments		
Total Hours	two hours two minutes	one hour 11 minutes	two hours 59 minutes	two hours 24 minutes	one hour 31 minutes	one hour 59 minutes

Note: 1. Tourism promotion.

2. Report on Japan by the trade research group.

3. Progress report on development of industrial products from farming families.

4. Research report on Malaysian economy.

Source: Kang *et al.* (2008), *The Policy Decision Making System during the Rapid Economic Growth in Korea: Economic Planning Board and Inter-Ministerial Committees*, Korea Development Institute.

The President's comments and instructions consisted of policy recommendations for export promotion, recognizing the effort of the export industry or government officials of the relevant departments, emphasizing the significance of export and encouraging export activities. Nonetheless, they were not mere comments but precise guidance generated from detailed review of specific policies.

President Anyone from the Cement Association? Do you have plans
Park Chung-hee for producing silo or clinkers? You know, it would be nice if you do produce these things. (...)

President Mr. President, we are discussing with Ssangyong Cement
of the Cement Industrial Co., Ltd. and seeking for a way to accomplish it.
Association

President The government will fully support it. Give it a fair try.
Park Chung-hee

President of the Cement Association We reviewed the circumstances. We had some difficulties like the port situation and the authorization issues, but (...)

President Park Chung-hee If they cannot do it, we can produce it with our money. Half can be our investment and the other half from concessional loans. You know, splitting the investment is a solution.

Source: Transcript of the First EPEM (January 25, 1971).

The agenda was not always limited to export promotion. Several times, projects related to the economy were considered, with their implementation encouraged without delay. The President asked questions to the officers in charge of the policies and the representatives of the relevant companies, insisting on accuracy, thoroughness and calm from all of the parties.

President Park Chung-hee Minister of Transportation, is the reconstruction of the broken bridge and railroad on track?

Minister of Transportation (not recorded)

President Park Chung-hee You said it will be done by the end of the month, right?

Minister of Transportation (not recorded)

President Park Chung-hee Ministry of Agriculture and Forestry should buy crops like red beans, mung beans and whatever else is dropping in price. You have enough funds, right?

Government Officer Yes, Mr. President!

President Buy those items and when the prices rise again, you should
Park Chung-hee release the items so the price does not go too high. We must be vigilant and not relax when the price drops or be anxious when it rises.

Source: Transcript of the Eighth EPEM (September 27, 1972).

Figure 3-2 | President Attending Monthly Economic Trend Report Meeting



Source: Weekly Trade (KOTRA).

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Chapter 4

Policy Implementation of METRM and EPEM

1. Analytical Framework for Policy Implementation
2. Policy Implementation of METRM
3. Policy Implementation of EPEM

Policy Implementation of METRM and EPEM

1. Analytical Framework for Policy Implementation

Pressman and Wildavsky (1973) define policy implementation as “an action to carry out, to accomplish, to fulfill and to complete.”⁵⁸ In general, policy implementation is a series of processes of performing government policy decisions.⁵⁹ Traditional perspective believes that when a policy is decided upon, implementation naturally occurs but with complex socioeconomic circumstances. However, scholars no longer think that automatic implementation of policies is possible. Research on decision-making and evaluation stages during policy implementation was conducted in the 1970s.⁶⁰ This research revealed that the reasons for failed policies are not solely on policy decision-making, but also on the implementation procedures as well as external conditions such as challenges with the policy target group. Some scholars even argue that the roles of policy implementer’s are more important than roles of policy planners. Of course, this view does not claim that policy implementation is more significant than anything else in the policy cycle. Nonetheless, this notion seems to be attracting attention when considering traditional policy models’ which stress the policy planning stage.

58. Pressman, J. and A. Wildavsky, *Implementation*, University of California Press, Berkeley, CA, 1973.

59. Berman, P., “The study of macro-and micro-implementation,” *Public Policy*, Vol. 26 No. 2, 1978, pp.155-184. The definition of policy implementation is presented by various scholars. Yet, this study takes Berman’s definition as appropriate without more thoroughly reviewing the definitions of others.

60. It is generally acknowledged that the first research on policy implementation was done by Pressman & Wildavsky (1973). When the U.S. Economic Development Administration’s policy on unemployment relief work based on ‘Public Work and Economic Development Law’ in the outskirts of Oakland failed in 1965, they investigated the causes in their book. After this investigation, more scholars involved themselves in researching policy implementation.

What are the success factors of policy implementation? Answers can be drawn from investigating factors that influence policy implementation. Actually, effectiveness of policy implementation is directly related to the specific policy and the way it's implemented. Relatively more research had been done on how policies were planned and effectively implemented in the early 1970s. This research identifies various approaches based on the influence factors on policy implementation.

In the late 1970s, Lipsky (1980) and other scholars proposed what is called the 'bottom-up orientation.'⁶¹ This approach, often called 'a street-level bureaucracy theory', examines the stages after policies are decided. Since the largest influence in the implementation process is not the decision maker but the professional practitioner who has knowledge to resolve policy problems, considering street-level bureaucrats and the policy target groups offers a better understanding of the issue at hand. In other words, it is a method that focuses on the very bottom, street-level bureaucrats. For policy implementation, negotiation is more important than orders or coordination. This was a trendy approach in Europe. However, this approach overemphasizes the role of street-level bureaucrats, while overlooking the framework of implementation that macro-level decision makers' can control, such as the systematic structure of implementation and distribution of resources.

On the other hand, a top-down perspective was advocated by Mazmanian and Sabatier (1983). Exactly the opposite of bottom-up orientation, it views the policy decision maker as the most influential factor in policy implementation.⁶² It focuses on how the policy goal and the implementation results match, with the practitioners' roles being highly limited. This approach assumes that the policy goals are clearly defined and the policy tools are well-suited. It also assumes that the policy planners are well aware of the capacity and commitments of the implementing staff. However, this approach views the decision makers of the central government as the major actors and overlooks the significance of the street-level bureaucrats and the target groups. When there is no agreement on the policy goals or the central government or the street-level bureaucrats do not cooperate and refuse to implement, this argument is no longer valid.

61. Lipsky, Michael. (1980), *Street-Level Bureaucracy*, New York: Russell Sage Foundation.

62. Mazmanian, Daniel A and Paul A. Sabatier. (1983), *Implementation and Public Policy*, Glenview: Scott.

In some cases like national security and legal judgment, a top-down perspective is more appropriate than a bottom-up perspective. However, as previously mentioned, the two approaches have shortcomings and to overcome these shortcomings, Sabatier (1986) tried to synthesize the two approaches.⁶³

Considering the policy implementation experiences and success factors of Korea in the 1970s, a combined perspective is most suitable. Korea at the time was able to accomplish high economic growth and qualitative improvement of the economy, basically because it imposed policies that maximized the ‘potential to develop’ within the Korean society and economy. More than anything else, the final decision maker, the President, had a strong will for development. The central government, as the highest authority, monitored the development sites across the country and coordinated the relevant policies. METRM and EPEM are the typical meeting systems that facilitated this effort. The bureaucratic system at the street-level was functioning properly, with devoted and accountable bureaucrats dispersed on a regional basis. Plus, the private sector had a strong will to move away from poverty and thus intensified their efforts. Korean policy implementation could succeed in the 1970s, due to these factors.

Several scholars with various perspectives provided an analytical framework for considering success factors of policy implementation. Smith (1973) considered clear and ideal policy, the target group, implementation organizations, environmental factors and other factors.⁶⁴ Larson (1980) focused on the failure factors of policies and that the analysis of policy implementation needs to consider these four factors: ‘vague or unrealistic targets,’ ‘poor implementation procedures,’ ‘inter-governmental complexity’ and ‘forces in the economic environment.’⁶⁵ Mazmanian & Sabatier (1983) presented ‘tractability of the problem,’ ‘ability to statute to structure implementation,’ and ‘non-statutory variables affecting implementation,’ as factors that influenced the implementation process and elaborated on these aspects in detail.⁶⁶ Among the different approaches, Smith’s (1973) argument is a combined approach, whose analytical framework is used in this research to analyze the success factors of policy implementation.

63. Sabatier, Paul A. (1986), “Top-Down and Bottom-Up Approaches to Implementation Research: A Critical Analysis and Suggested Synthesis,” *Journal of Public Policy*, Vol. 6 No. 1, 1986, pp.21-48.

64. Smith, Thomas B. (1973), “Policy Implementation Process”, *Policy Sciences*, June 1973, pp.202-204.

65. Larson, James S. (1980), *Why Government Program Fail: Improving Policy Implementation*, New York: Praeger, pp.2-7.

66. Mazmanian, Daniel A and Paul A. Sabatier. (1983), *Implementation and Public Policy*, Glenview: Scott, pp.20-35.

In closer examination of Smith's (1973) framework, he divided policy implementation into four parts. First, an idealized policy is controlled as a perfect interaction induced by the policy maker. It is divided into formal policy, type of policy, intensity of support and image of the policy. Among these, formal policy, type of policy and image of the policy are academic factors, therefore this research focuses on intensity of support. Smith (1973) suggests that intensity of support is about how much the government is interested in implementing the policy and whether the necessity of the implemented policy is derived from the need and demand of the society. As will be discussed later in the paper, the stated Korean economic policies in the 1970s were based on absolute interest and support from the final decision maker, the President. Moreover, there was a country-wide, social consensus that Korea, in the state of extreme poverty, needed to strategically implement economic development policies.

Second, a target group is referred to as a group that is directly influenced and required to show behavioral adaptation in accordance with the policy implemented. All approved policies have target groups, based on the policy(s) specific objectives. Also the features of the target groups influences policy implementation. For example, the degree of organization or institutionalization of the target group, the leadership of the target group and other features of the target group influence policy implementation.

Third, the implementing organization, in other words, the street-level bureaucratic structure with its members, leadership and capacity, influences policy implementation. More specifically, whether the implementing organization has stability, whether the members are qualified and so on, affect its capacity to implement policies. Also, whether the leadership style of the administrative organization is authoritarian, democratic or laissez-faire influences policy implementation.

Fourth, environmental factors refer to external conditions that both influence and are influenced by policy implementation, for example; politics, economy and cultural and social conditions.

In Korea, METRM and EPEM during the 1970s, had their own small differences but they served to plan policies, encouraged their implementation and evaluated the implementation results, operating as a useful vehicle that maximized the policies outcome. The Two Conference System enabled Korea to consistently and effectively implement policies during the development period. Exemplary cases of successful policy implementation of key policies are later introduced in detail.

2. Policy Implementation of METRM⁶⁷

2.1. Saemaedul Movement

2.1.1. Background and Significance

a. Background

In the early 1960s, about 80 percent of the entire population in Korea consisted of farmers. Most people lived in devastating poverty and could not survive another day. The Korean economy accomplished a relatively high growth rate in the 1960 but the national economy was still impoverished in the early 1970s.

On April 22, 1970, President Park Chung-hee mentioned ‘Making Saemaedul’ for the first time in public, triggering the Saemaedul Movement as a government policy.⁶⁸

Without the autonomous will of the residents of the community, it will not prosper even in 1000 years. With the will of the community, it will be able to stand alone within a couple of years, just with a little help from the government. Street-level bureaucrats should create such an environment. We should not blame destiny for poverty but be self-reliant, independent, work together and make our own counties. With self-help and independence, I strongly believe that all the counties will turn prosperous. (...) We can call it ‘Making Saemaedul Movement’ or ‘Making a Frugal County Movement.’

As such, Saemaedul Movement first began with the name ‘Making the Saemaedul Movement’, and later became a sensation and one of the top policy priorities of the government.

67. This research presents three policy case studies: 1) Saemaedul Movement, 2) Food Production Increase Policy and 3) Forestation Policy. In selecting the cases, three factors were considered. First, was it considered at the meeting as one of the main topics that had a relatively high opportunity for success? Second, was it repeatedly reported at the meeting and reviewed and adjusted personally by the President? Third, in the policy implementation process, does it have a clear division of roles for not only the central government that makes policy decisions but for street-level agencies that implement policies and for the target groups (civilians)? The three cases studies presented seem to meet the conditions well. At the beginning of the meeting, the Chairperson introduces the order; Directors of Departments and Bureaus of the EPB reported on the industrial production, price level, export and import, employment and so on of the previous month. There are records on the President’s personal emphasis on price stability and orders of necessary countermeasures to the relevant ministries. However, this is not included as a case study in this paper because it is not only a difficult example of policy implementation but price stabilization policy was not effective.

68. On April 22, 1970, President Park introduced Sindo-1-ri Community, Chungdo-eup, Chungdo-gun, Gyeongsangbuk-do Province as an outstanding case, advocating ‘Making Saemaedul’ campaign at the national governors’ conference for counter-drought measure. This day was designated as the Saemaedul Movement Day.

b. Significance

This state-led Movement was pushed ahead to ‘eradicate poverty, improve living conditions and reform awareness.’ President Park emphasized that to get away from poverty: first, residents should be sincere and diligent with a practical attitude; second, have the attitude of self-help and independence when overcoming difficulties; and third, mutual cooperation grounded on community spirit and mutual trust is necessary. These later became the core values of Saemaeul Movement: ‘diligence, self-help and collaboration’.⁶⁹ This state-led Saemaeul Movement was pushed ahead to ‘eradicate poverty, improve living conditions and reform awareness.’ To get away from poverty: first, residents should be sincere and diligent with a practical attitude; second, have the attitude of self-help and independence when overcoming difficulties; and third, mutual cooperation grounded on community spirit and mutual trust is necessary. These later became the core values of Saemaeul Movement: ‘diligence, self-help and collaboration’.

Stressing the objective of the Saemaeul Movement on living well, the Movement tried to eradicate poverty with 1) farmers’ voluntary participation, 2) mutual objectives and the joint foundation of the community, 3) creation of community’s mutual benefit. Also, to increase the income of the rural farming families, employment promotion projects were held during the agricultural off-season. However, reforming attitudes of frustration and resignation toward an uncertain future needed to be prioritized. The ‘Live Well Campaign’ targeted changing awareness to confidence and progressive ideas of you ‘can do’ it. As a result, the campaign made remarkable contributions to modernizing the Korean economy and eradication of poverty.

69. Huh, Jang and Chung, Sung Eun. (2013), *Collaborative Model and Strategy Setting Plan for Rural Development of Developing Countries*, pp.94-95. ‘Diligence, self-help and collaboration’ are the three core values of Saemaeul Movement. “Diligence means making good use of oneself to develop individually and as a the group. Self-help is self-establishment of oneself to be independent. Collaboration is self-expansion for effectiveness and sustainability of development.” “First, diligence is to inspire sound morality and encourage participation of the community members and enthusiastically push ahead. Second, self-help is to be on one’s own and not be reliant on someone else for oneself and the community to prosper. It is finding problems and resolving, not merely waiting for someone to approach for help. Thus, self-help connotes independence, ownership of freedom and responsibility and confidence that enhances a sense of duty (Chung 2011). Third, collaboration is about cooperating with others for oneself and the community to prosper. In other words, it is about gathering minds and power. The Saemaeul Movement is aimed for living well. To live well, every one of us should be diligent, self-helping and collaborating and practice the values of the Saemaeul Movement (Ministry of Home Affairs 1975). The three values are not independent from one another. It is to be cherished and practiced all together. This is the core value of Saemaeul Movement (Ministry of Home Affairs 1975).

According to the survey⁷⁰ conducted in 1998 by *Chosun Ilbo* and Gallup Korea, celebrating the 50th anniversary of the establishment of government, many people pointed to the Saemaeul Movement as the largest achievement of Korea in the past 50 years. The Saemaeul Movement, implemented cross-nationally, is considered as an important driving force to growth, development of the Korean economy and modernization of the country in the 1970s.

2.1.2. Policy Outcomes and Their Significance

a. Policy Outcomes

In 1962, a national planning system and a performance-based budget system were introduced to efficiently support economic development efforts. Furthermore, by adopting a special accounting system for economic development, support could be provided for the efficient implementation of the Five-year Economic Development Plan. In other words, the previous economic development project budgets were implemented in a fragmented and inefficient manner through unsuitable general accounting methods. Once integrated into a special accounting system for economic development, the method of providing funds became more efficient.⁷¹ The key point is as follows:

Looking at the case of the Saemaeul Movement, it is obvious that competition and education are significant. The government, at the time, divided 35,000 communities according to their improvement output. In 1972, about half failed. Four years later, no single community failed. There's no secret to this. Failed community leaders were educated and trained by the outstanding community leaders and given opportunities to learn lessons from successful experiences. If the government supported failed communities without supporting the outstanding communities, the result would have been the opposite.

The results of Saemaeul Movement can be divided into four parts.

70. *Chosun Ilbo* conducted a survey on July 15, 1998, celebrating the 50th anniversary of establishment of government on 'Fifty-Years of Achievement of Korea'.

71. Economic Planning Board (1982), *Economic Policies of the Development Era: The Twenty Year History of the Economic Planning Board*, pp. 50-51.

First, it established a foundation for collective development of the rural areas⁷². The Saemaeul Project contributed to establishing infrastructure by improving the living conditions in the rural areas, expanding production facilities and increasing welfare for the rural areas. Development of agricultural water and farmland readjustment promoted by the Food Production Increase Policy improved land usage. Through invention of a new variety of rice, Korea became completely self-sufficient in this staple grain. Garden products and cash crops were produced, changing a food-for-self system to a commercial system. The result was that rural income increased. Through the ‘Saemaeul Library Movement’, people learned how to live a civilized life, as well as farming techniques. Through the ‘Saemaeul Credit Movement’, parts of the financial windfalls covered community development costs, contributing to thrift and saving while promoting cooperation for mutual help in establishing a foundation for a free economy. The Saemaeul Movement had a positive collective effect on the economy, education, environment and infrastructure.

Table 4-1 | Outcome of Saemaeul Movement by Project

	Achievement	Project
The Saemaeul Project	<ul style="list-style-type: none"> - Contributed to improvement of rural living conditions - Established substructure of rural areas through expansion of production basis and welfare - Promoted concepts of diligence, self-help and cooperation 	<ul style="list-style-type: none"> - Support for long-cherished wishes of the villages (building bridges and roads, reconstructing small streams, sewer pipes, roofs, building village assembly halls)
Agriculture and Fishery Production Foundation Project	<ul style="list-style-type: none"> - Food production increase - Upgrading farmland usage - Preservation of farmland 	<ul style="list-style-type: none"> - Development of agricultural water - Farmland readjustment project and drainage improvement
Saemaeul Cooperation Group Project	<ul style="list-style-type: none"> - Encouraged unity and interaction among the community members and the region 	<ul style="list-style-type: none"> - Joint community implementation for large-scale projects

72. Lee, Kyung Jun and Kim, Ui Chul. (2011), pp.180~181. Saemaeul Movement changed the rural areas greatly. County was equipped with better, interconnected roads, given community buses and provided with motorcycles. In 1970 electricity was only provided to 27 percent of the rural areas, but increased to about 99 percent, of about 2,780,000 households, in 1979. *Chogajip* (thatched-roof house) were all gone and the waterworks were provided to all households in the rural areas. Until 1978, rural communities were provided with telephones and the utilized the village assembly hall, as a conference hall, group purchasing hall and public day-care facilities.

	Achievement	Project
Special Project on Income Growth of Farmers and Fishermen and Special Project on Saemaeul Income Growth	<ul style="list-style-type: none"> - Changed from self-only system to commercial system and increased incomes - Fostered participation and competition - Shared experiences among farming families, bureaucrats, governing agencies and agricultural cooperatives 	<ul style="list-style-type: none"> - Commercialization and specialization for increased demand for garden products, cash crops, etc.
Rice Invention and Green Innovation	<ul style="list-style-type: none"> - Self-sufficiency in its staple grain, rice through production increase and increase in income - Development of farming techniques 	<ul style="list-style-type: none"> - Invention, cultivation and provision of new rice, named '<i>tong-il rice</i>'
Saemaeul Library Movement	<ul style="list-style-type: none"> - Provided knowledge and information - Taught farming techniques 	<ul style="list-style-type: none"> - Provision of books on civilized life and farming techniques - Managing village library and establishment of Saemaeul Library Association
Saemaeul Credit Movement	<ul style="list-style-type: none"> - Fostered thrift and saving - Promoted cooperation for mutual help - Established foundation for free economy 	<ul style="list-style-type: none"> - Establishment and enforcement of Saemaeul Credit Cooperative (Investing parts of windfall as working expenses in community development)

Source: Huh, Jang and Chung, Sung Eun. (2013), *Collaborative Model and Strategy Setting Plan for Rural Development of Developing Countries*, Korea Rural Economic Institute, p.95~96.

Second, a graded support system (incentive system) of ‘support outstanding villages first’ encouraged voluntary participation. President Park Chung-hee, in February 1972, provided a guideline⁷³ of government support on the Saemaeul Movement. He announced, that “the government will first support the communities having enthusiasm and strong will to unite with self-help and independence” and applied a graded supporting system by rating the villages based on ‘support outstanding villages first.’⁷⁴

The Support system of ‘support outstanding villages first’ did not support villages unconditionally but graded support conditions based on the output of each village.

73. Extracted from President Park Chung-hee’s overall comment at the first round of inspection on February 7, 1972.

74. Kim, Jun Kyung. (2012), *Modularization of Korea’s Development Experience: Korean Economic and Social Change and the Significance of Saemaeul Movement*, Korea Development Institute, p.27.

This method was introduced to encourage participation of people and promote village development and awareness reform. Later, the Saemaeul Movement evolved into a long-term development plan, based on the results derived from ‘support outstanding villages first.’ The Korean government “from 1973, all rural villages will be rated based on their beginning stage, self-help stage and independent stage, supporting outstanding villages first.” At the same time, it adopted strategies to support villages in their beginning stage to develop into self-help and independent stage villages.⁷⁵ Such a graded supporting system encouraged community members to develop the village to its independent stage. Adoption of a ‘supporting outstanding villages first’ system based on providing incentives to outcomes, encouraged voluntary participation through competition. As a result, Korea achieved remarkable results in 1977 with zero beginning-stage villages, three percent in the self-help-stage and 97 percent in the independent-stage.

Table 4-2 | Progress of Saemaeul Movement by Year (1972~1979)

(Unit: number of places)

	1972	1973	1974	1975	1976	1977	1978	1979
Basic Stage Villages	18,415 (53%)	10,656 (31%)	6,165 (18%)	4,046 (11%)	302 (1%)	-	-	-
Self-Help Stage Villages	13,943 (40%)	19,763 (57%)	21,500 (62%)	20,930 (60%)	19,049 (54%)	11,709 (33%)	6,114 (18%)	976 (3%)
Independent Stage Villages	2,307 (7%)	4,246 (12%)	7,000 (20%)	10,049 (29%)	15,680 (45%)	23,322 (67%)	28,701 (82%)	33,895 (97%)
Total	34,665 (100%)	34,665 (100%)	34,665 (100%)	35,031 (100%)	35,031 (100%)	35,031 (100%)	34,815 (100%)	34,871 (100%)

Source: Ministry of Home Affairs, *Ten-Year History of Saemaeul Movement*. Recited from Kim, Jun Kyung. (2012), *Modularization of Korea’s Development Experience: Korean Economic and Social Change and the Significance of Saemaeul Movement*, Korea Development Institute.

Third, the income gap between the urban and the rural areas decreased, contributing to a balanced development among regions. The Saemaeul Movement encouraged confidence’, creating the foundation for comprehensive development of the rural areas and communities and contributed to a reduced income gap between the urban and the rural areas. This research, as previously discussed in Chapter 1, shows that in 1971, when the Saemaeul Movement first began, urban household income was higher than that of rural households. However,

75. Huh, Jang and Chung, Sung Eun. (2013), *Collaborative Model and Strategy Setting Plan for Rural Development of Developing Countries*, p.95-96.

rural household income was either equal to or higher than that of urban households from 1974 to 1977. The Saemaeul Movement enabled balanced development by reducing the income gap between the urban and rural areas.

Fourth, a successful policy implementation model was created based on a mutually accountable administration system. The central government ran such a model to consistently implement the policies and reach the policy goals. Once the central government set a goal, objectives were established and the policy means were developed to reach the goal. Performance-based operation was emphasized, enabling successful policy implementation. Success of the Saemaeul Movement largely lies in monitoring and evaluation. From the central government to local governments and villages, the Saemaeul Movement had a systematic structure of monitoring. Such mutually accountable administration system led to effective policy implementation, eventually accomplishing a remarkable outcome.

Table 4-3 | Management Oversight and Evaluation of the Saemaeul Movement

	Scope of Accountability	Frequency of Site Visit
Section Chief and Higher from Ministry of Home Affairs	Every aspect of the Saemaeul Movement at Provincial Level	More than once a month
Section Chief and Higher from Province	Every aspect of the Saemaeul Movement at District (<i>gun</i>) Level	More than once a month
Section Chief and Higher from District (<i>gun</i>)	Every aspect of the Saemaeul Movement at Community (<i>eup</i> and <i>myun</i>) Level	More than once a month
Government Official from Community (<i>eup</i> and <i>myun</i>)	Village	More than two times a week

Source: Ministry of Home Affairs, *Ten-Year History of Saemaeul Movement*. Recited from Kim, Jun Kyung. (2012), *Modularization of Korea's Development Experience: Korean Economic and Social Change and the Significance of Saemaeul Movement*, Korea Development Institute.

b. Evaluation and Reaction to Policy

Korea's Saemaeul Movement has received much attention and interest from the international community, ultimately passing down its experience to several developing countries. Empirical knowledge on the Saemaeul Movement has been delivered to the government officials and professionals of 107 developing countries since 1970.

Table 4-4 | Performance of Saemaeul Education on Foreign Officers (1973~2011)

(Unit: person)

Year	Total	Education		One-day Seminar	Year	Total	Education		One-day Seminar
		Number of Participants	Number of Countries				Number of Participants	Number of Countries	
Total	24,119	4,171	107	19,918	1991	687	37	3	650
					1992	413	50	10	363
					1993	485	26	2	459
1973	6	0	49	6	1994	591	85	14	506
1974	5	0		5	1995	843	46	1	797
1975	59	0		59	1996	576	102	12	474
1976	349	87		262	1997	325	62	19	263
1977	442	1		441	1998	208	95	16	113
1978	414	66		348	1999	240	101	24	139
1979	329	1		328	2000	450	109	20	341
1980	275	4		271	2001	212	41	6	171
1981	825	134		691	2002	366	39	15	327
1982	853	135		718	2003	542	0	0	542
1983	523	92		431	2004	1,005	20	1	985
1984	725	191		534	2005	911	90	3	821
1985	518	138		380	2006	1,836	310	2	1,526
1986	380	131		249	2007	879	128	15	751
1987	289	41		248	2008	1,617	89	3	1,528
1988	256	73		183	2009	1,044	317	44	727
1989	337	50		287	2010	1,731	395	54	1,336
1990	481	43		438	2011	2,092	842	68	1,250

Note: This table is based on information from the National Council of Saemaeul Movement, the 20-Year History of the Saemaeul Movement and the Annual Report on Saemaeul Education. Site visits are not included due to missing information. In the one-day seminar, 29,009 people who made site visits are not counted. Including the site visitors, the total is 53,127. Since 2000, the one-day seminar count includes the National Council of Saemaeul Movement.

Source: Huh, Jang and Chung, Sung Eun. (2013), *Collaborative Model and Strategy Setting Plan for Rural Development of Developing Countries*, p.95~96.

Through various Saemaeul Movement Projects (project⁷⁶) conducted by government officials and public institutions, Mongolia, Nepal, the Democratic Republic of the Congo and Uganda organized their own Saemaeul-like Association. Implementing a Saemaeul-like Movement named ‘New Village Movement’ in China, with a 900 million person farming population, is being planned as part of the 11th Five-year Economic Development Plan (2006~2010). President Obama of the U.S. visited Kenya, his father’s homeland, in July 2010 and stressed in a public speech “to escape from poverty, the Korean Saemaeul Movement should be used as a model.” The Saemaeul Movement is included in Britannica, a British encyclopedia, as an indigenous term. In France, the Saemaeul Movement of Korea was included on Baccalauréat, the French written exam for college entrance.⁷⁷

The United Nations World Food Program’s (WFP) and the United Nations Economic and Social Commission for Asia and the Pacific adopted the Saemaeul Movement as a poverty eradication model.⁷⁸ The WFP signed an MOU with the Korean government in May 2011, implementing a ‘Saemaeul Movement’ in Rwanda and Nepal. Since 2001 UNESCAP implemented pilot projects in Vietnam, Laos and Cambodia. The UNWTO STEP Foundation has been implementing a ‘Korean-style Millennium Village Construction Project’ in Tanzania and Uganda as part of Poverty Eradication Project in Africa since 2009.

The experiences and detailed records of the Saemaeul Movement became models for poverty eradication of the United Nations and are registered as Memory of the World by the United Nations Educational, Scientific and Cultural Organization (UNESCO). This was done during the 11th UNESCO IAC (International Advisory Committee of the UNESCO Memory of the World⁷⁹) Meeting held in Gwangju from June 18 to 21, 2013. ‘UNESCO Memory of the World’ includes approximately 22,000 documents including transcripts of the President’s speeches, approved documents, official documents from administrative departments on the Saemaeul Movement, business papers on village-level activity, successful case reports and letters from the leaders of Saemaeul, letters from the people,

76. Huh, Jang and Chung, Sung Eun. (2013), *Collaborative Model and Strategy Setting Plan for Rural Development of Developing Countries*, p.99. From 2011 to 2012, Saemaeul Movement ODA budget is 79.5 billion KRW. About 80 percent is from KOICA while the Ministry for Food, Agriculture, Forestry and Fisheries and Gyeongsangbuk-do Province is supporting 9 percent and 8 percent, respectively. Categorizing by project, the largest portion is projects (39 percent), sending voluntary groups (24 percent), supporting international organizations (21 percent) and invitation for education and training (15 percent).

77. Lee, Kyung Jun, Kim, Ui Chul. (2011), pp.185~186.

78. Press Release, Cultural Heritage Administration, June 19, 2013.

79. The International Advisory Committee of the UNESCO is the consultancy agency in the information communication sector, playing a significant role in registration of Memory of the World.

textbooks on Saemaeul education and relevant photos and films. Most of all, the Saemaeul Movement was a successful case of public-private partnership for development of a country.

Figure 4-1 | Registered Documents on the UNESCO Memory of the World



Source: Google, <https://www.google.co.kr/search>.

2.1.3. Policy Implementation Procedure and Success Factor Analysis

a. Policy Implementation Procedure

a) Policy Implementation Step

Implementation of the Saemaeul Movement can be divided into four stages, depending on the degree of application of government policies. Stage 1 is the initial stage from 1970 to 1971, when the Saemaeul Movement first began and was state-led. Stage 2 is from 1972 to 1973, when the foundation was established for the Saemaeul Movement and actual outputs could be considered. Stage 3 is from 1974 to 1976, when the number of successful villages of Saemaeul increased and the Movement expanded to urban areas and factories.⁸⁰ Stage 4, is the final stage, from 1977 to 1979, when the scale of the Saemaeul Movement expanded, leading to increases of income and the amount of GNI per capita by specialization of unit and region.

80. Lee, Kyung Jun and Kim, Ui Chul. [2011], p.179. Laborers in the urban areas and factories were mostly from the rural areas. Deeply touched by the Saemaeul Movement and changing thoughts of people in the farming areas, people came to embrace the Saemaeul Movement in their regions and work. President Park Chung-hee developed this idea and ordered relevant offices to develop an 'Urban Saemaeul Movement', 'Factory Saemaeul Movement', and 'School Saemaeul Movement'. The "Urban Saemaeul Movement was about keeping the living environment clean, following public order, knowing ones neighbors, respecting parents and elders. Factory Saemaeul Movement was about harmonization between labor and management and increasing productivity, later developing into an environmental protection movement.

Table 4-5 | Process of Development of the Saemaeul Movement during the 1970s

Stage	Contents	
Stage 1 (1970~1971)	- Creating Saemaeul: Improving living condition - Saemaeul Education: Reform awareness	- Rural Saemaeul Movement
Stage 2 (1972~1973)	- Establishment of agency in charge of Saemaeul Movement - Income increase through group work	
Stage 3 (1974~1976)	- Expansion through Saemaeul education - Regional balance development strategy for urban and rural areas - Expansion of Saemaeul Movement from rural areas to urban areas and factories	- Rural Saemaeul Movement - Urban Saemaeul Movement (School, work, etc.)
Stage 4 (1977~1979)	- Expansion of Saemaeul Movement - Increase of income by specialization of unit and region	- Factory Saemaeul Movement

Source: Based on the transcript of METRM.

In stage 1, the Rural Saemaeul Movement was implemented, mainly to improve living conditions. It was the initial stage when the Saemaeul Movement was effectively planned and promoted. A systematic structure was formed to deliver support from the central government to the local governments and consistently implement policies. The Making Saemaeul project began in 34,665 villages and the government provided 300~350 bags⁸¹ of cement to improve living conditions by reconstructing roofs, expanding the entrance roads, setting public wells and so on.

In stage 2, income increased with active participation of the people and the size of the Movement expanded. From 1972 to 1973, the foundation for the Saemaeul Movement was set with active participation of the residents of villages. The government practiced a graded support system (incentive system) of ‘support outstanding villages first’, encouraging voluntary participation. As a result, the Making Saemaeul project evolved into a project for increasing incomes.

In stage 3, the traditional rural Saemaeul Movement expanded to urban areas and factories. From 1974 to 1976, Saemaeul education was largely expanded and strengthened to enhance

81. Lee, Kyung Jun and Kim, Ui Chul. [2011], pp.174~176. During the time of Saemaeul education to the leaders of communities (eup and myun), Kim Sung Gon, Congressman of the Democratic Republican Party and the CEO of Ssangyong Cement Industrial Co., Ltd., the largest cement company at the time, was seeking a special loan to resolve the problem of inventory accumulation due to over production. President Park Chung-hee instructed Kim Jung Ryum, the Chief Secretary, to “come up with a way to use the surplus cement on Making Saemaeul projects in the villages with poor performance.” There were 2.5 million households in the rural areas. A village, on average, had about 80 households. Each household was provided with about four bags of cement.

qualification and capacity of the Saemaeul leaders, contributing to a greater outcome. The ‘Factory Saemaeul Movement’, initiated in 1974, contributed to harmonization between labor and management thus increasing productivity. Expanded to the ‘Urban Saemaeul Movement’, community spirit of the residents was aroused. The Saemaeul Movement spread from the rural areas to the cities and factories, in a relatively short period of time.

In stage 4, the Saemaeul Movement expanded and developed to a cross-national level, at least in part contributing to increased GNI. Especially from 1977 to 1979, the Saemaeul Movement was implemented in regions and units, which later led to a groundbreaking leap in productivity and income. GNI per capita was 818 USD in 1976, but increased to 1,676 USD in 1979.

b) Final Report and Evaluation

Leaders of outstanding Saemaeul reported on 1) current status and conditions of the village, 2) contents of Saemaeul Movement, 3) income growth projects and 4) things to be done. The leaders typically added the significance of their efforts and voiced their commitment as Saemaeul leaders.

Reports on successful Saemaeul cases began in June 1971 with President Park’s order. There were two reasons for this. One was to enable the participating policy makers of relevant ministries to hear on-hands experiences from the field. The other was to encourage participation and self-esteem of the people. As previously mentioned, METRM was mainly about monitoring the current economic issues and understanding the economic trends both in and out of the country, mostly coordinating policies among relevant ministries and departments. When successful cases of Saemaeul Movement were added from June 1971 and thereafter, METRM was given an additional function of evaluating policy outcomes.

Below is a press report of June 7, 1971 when METRM was held.⁸² This article is stating the reason why successful cases of the Saemaeul Movement should be added to METRM, which had been also stated by President Park Chung-hee.

“Encourage Farmers/Diligent Farmers in the Economic Meeting Presided by the President”

President Park Chung-hee received reports on monthly economic trends at the Conference Room of the EPB on the 7th. He said “Have governors and

82. Kang *et al.* (2008), pp.108-109. “It is interpreted that successful cases of Saemaeul Movement were added to METRM because the major goals of Third Five-year Economic Development Plan included ‘increased income of farmers and fishermen, improvement of living conditions of rural areas, expanded diffusion of electricity and road’.”

diligent farmers participate in METRM and report the successful cases of modernizing rural areas so street-level bureaucrats implementing central policies in eup and myun can reflect on-hands experience.” President Park also emphasized the significance of “encouraging farmers to gather and cooperate while the government provides agricultural machinery and financially supports agricultural industry”. He urged to “invite diligent farmers, fuel developers, cash crop inventers so the policy makers can reflect their experiences while encouraging participation and exchange of thoughts of the farmers”. The first case was Kang, Pan Young, the governor of Geochang-gun, reporting on successful water supply.

At every METRM, relevant ministries and agencies made special reports, as shown in <Table 4-6>. In the 1970s, many more successful cases of the Saemaeul Movement, along with these special reports, were reported. In 1979, when President Park passed away, METRM itself decreased in number⁸³ and the successful cases reports of Saemaeul Movement also declined to single-digits. The reports mostly covered the successful cases of rural Saemaeul Movement in the early 1970s, which later added cases of the school, factory and urban Saemaeul Movements. These reports were sometimes followed by the President’s comments and suggestions.

Table 4-6 | Frequency of Reports at METRM by Issues (1972~1979)

Year	Special Report	Successful Cases of Saemaeul Movement
1972	21	10
1973	18	16
1974	31	18
1975	13	23
1976	12	18
1977	11	20
1978	13	14
1979	4	7
Total	123	126

Source: Author, on the basis of Park, op. cit.

83. Until 1974, METRM was held every month, except for January(s), but it began to decrease.

The two reasons for adding successful cases of the Saemaeul Movement are previously discussed, but METRM's function as a venue for the President and the farmers to share experiences and information on successful cases is a notable feature. For example,⁸⁴ President Park was once given a report on a case of patrolling the National Agricultural Cooperative Federation in Hapcheon, Gyeongsangnam-do Province, he stressed the significance of authentic experience and stated as follows:

Successful cases were gathered together at the National Competition in Gwangju. The Ministry of Home Affairs is working on writing documents, the Ministry of Culture and Public Information is producing films and so on, but I believe the government needs to put effort on introducing the experience of authentic lessons to the people. Of course, the successful cases of the Saemaeul Movement would mean more to the farmers, but people in the urban areas and other classes need to know that the devotion of the leaders of Saemaeul in the rural areas is changing the rural areas rapidly. It will enhance confidence in Saemaeul Movement to the general public and give hope that we can live better lives once we put in a little more effort. It will also raise the morale of our farmers.

As such, leaders of successful Saemaeul cases reported to the President-chaired METRM and were given presidential awards, boosting their self-esteem. Moreover, the process of listening to the reports from the field and suggesting appropriate policies greatly contributed to success of the Saemaeul Movement.

b. Success Factors and Limitations

a) Success Factor Analysis

The Saemaeul Movement pursued development involving both public and private sectors. In other words, the government motivated the people to work hard and live better lives while initially supporting necessary costs. The government aimed to provide the conditions for the community residents to grow independently. It viewed financial support as a prerequisite for success of the Saemaeul Movement. As previously mentioned, the Saemaeul Movement, initially, provided cement and iron bars for free with the condition of joint performance to 34,665 rural villages.⁸⁵ This way, the Saemaeul Movement could improve with the government's financial support. Leaders of Saemaeul functioned as the

84. Extracted from the recorded file of METRM in 1973.

85. As regards cement, the government required the communities to return the empty bags of cement, to prevent any wasting.

communication channel between the government and the residents. Also, a government-wide implementation system was structured to closely cooperate with one another. An agency in the central government was created to be in charge of the entire system and reach down to the street-level bureaucrats, thus implementing policies more effectively. A top-down development approach was getting ready to change to bottom-up.⁸⁶

The success factors of the Saemaeul Movement can be analyzed based on the four factors of policy implementation: 1) idealized policy (intensity of support and the source of the policy), 2) target group (self-awareness, voluntary participation of the farmers and Saemaeul leader's role), 3) implementing organization (leadership, qualification and capacity) and 4) environmental factors.⁸⁷ Several researchers point out the success factors of the Saemaeul Movement from various perspectives, as can be seen in <Table 4-7>. Though there are differences in degree, they can generally fit into Smith's four categories.

Table 4-7 | Success Factors of Saemaeul Movement by Researcher

Researcher	Success Factor
Kim, Jin Bok (1972)	Farmers' self-awareness, strong will to develop and cooperative spirit
Ministry of Home Affairs (1980)	<ol style="list-style-type: none"> 1. Public attitude on "We can do it" 2. Strong motivation of "Let's live a better life" 3. Introduction of a new type of social education system 4. Appropriate support system and management 5. Strong leadership full of tenacity
Yoo, Hoon (1980)	<ol style="list-style-type: none"> 1. Positive attitude and cooperation of the people 2. Support from the government 3. Commitment of the Saemaeul leaders
Lee, Jil-Hyun and Rosen, P. (1980)	<ol style="list-style-type: none"> 1. Cross-national implementation of policies and involvement of the entire country from the President to the individual residents in villages, who voluntarily took part in the projects 2. Saemaeul values came from the heart of the people and were practiced in daily lives 3. All the activities were directly or indirectly related to production and income increase, making public benefit for the community and the residents 4. Graded support system of the government, encouraging development and competition among villages 5. Long-term sustainability due to stable political leadership

86. Huh, Jang and Chung, Sung Eun. (2013), *Collaborative Model and Strategy Setting Plan for Rural Development of Developing Countries*, pp.96-97.

87. Smith, Thomas B. (1973), "Policy Implementation Process", *Policy Sciences*, June 1973, pp.202-204.

Researcher	Success Factor
Hwang, In Jung (1980)	<ol style="list-style-type: none"> 1. Organizational strategy of the Saemaeul Movement 2. Political structure and governmental support 3. Sociocultural conditions of the Korean rural (farming) areas
National Council of Saemaeul Movement (2010)	<ol style="list-style-type: none"> 1. The government's top priority on poverty eradication 2. Aiming at harmonized development 3. Strong political power involved in government practices 4. Visual effects that improved people's participation 5. Development of public awareness
Chung, Gap Jin (2009)	<ol style="list-style-type: none"> 1. Active participation of the people 2. Appropriate support from the government 3. Effective implementation strategies
Gwak, Jong Moo (2009)	<ol style="list-style-type: none"> 1. Setting appropriate goals, considering the will of the people to escape from poverty and the socioeconomic conditions 2. Successfully implementing a comprehensive system of 'effort-output-reward-satisfaction', starting with the tangible projects like environment changing projects and increasing rural income 3. Establishing a virtuous cycle of economic structure that increased income of rural areas and led to benefits for manufacturing and service industries 4. Successfully educating and training Saemaeul leaders as the driving forces of innovation 5. Appropriate leadership of the President and his consistent interest
Go, Gun (2010)	<ol style="list-style-type: none"> 1. Strategic unit of agricultural development 2. Comprehensive agricultural development strategy 3. Voluntary participation and democratic decision-making 4. Saemaeul leader and education 5. Catalytic and strategic support

Source: Huh, Jang and Chung, Sung Eun. (2013), *Collaborative Model and Strategy Setting Plan for Rural Development of Developing Countries*, pp.97~98.

First, in terms of policies, the Saemaeul Movement had the strongest intensity of support since it was one of the top priorities of the government. The President provided consistency for the policy, encouraging relevant staff and frequently monitoring and evaluating the processes. This functioned as a key factor for successful policy implementation. The biggest influence in policy implementation is rationality gained through METRM chaired by the President and his site visits. He would first get reports on the successful Saemaeul Movement cases and progress every month, suggesting recommendations if necessary on-the-spot. Such instruction, after necessary modification, was applied to new policies and their implementation. Moreover, the President visited sites, conducted inspections and ordered necessities for specific communities, applying these experiences to policies. The

President's orders became a ritual, directing appropriate policies or support systems after site visits. President Park, through METRM, reviewed the progress or results, heard the voices of the on-hands practitioners in the field and enabled policy implementation.

Second, the target group also contributed to the successful implementation of policies. 'Target group' defined by Smith (1973) refers to a group that is required to show behavioral adaptation in accordance to the policy implemented. In the case of the Saemaeul Movement, the target group would be the street-level farmers or factory laborers. The Saemaeul Movement was developed for the village unit, considering this cultural feature of Korea that has a strong solidarity. Noteworthy is that Saemaeul leaders and women leaders' roles were significant in implementation of the Saemaeul Movement in the village unit. They were not assigned by the government, but elected by the community residents. To give an impression that they were the leaders of the people and not government agents, they worked without compensation. However, they were empowered to set and implement goals, run the village meetings, develop organizations, mediate conflicts and even work as the director of the organization. Moreover, the villages were not merely following the orders of the government passively, but were proactively pushing ahead.

Qualifying and educating Saemaeul leaders was constantly pursued. The education was held through the Saemaeul Leader Training Institute, whose education was distinctively different from that of schools. It was case-oriented, field-oriented and practice-oriented. The core value was on reforming awareness. Education at the Saemaeul Leader Training Institute was different from ordinary education in three ways. First, to motivate and inspire Saemaeul leaders, their peers' success stories were presented. It was a typical awareness reforming education. Saemaeul leaders shared their experiences and their successful cases. Successful cases were actual cases, which gave a sense of reality to the leaders. Also, leaders of villages falling behind were invited to the outstanding villages to stay for a certain period of time and observe development processes, residents' participation, growth of common fund, business promotion, etc. They gained confidence and developed into outstanding villages by benchmarking the environment improvement projects and income increase projects of outstanding villages. Moreover, through sharing one another's experience and knowledge, the leaders were later encouraged to discuss in groups and proactively make plans for their own villages and take ownership. It was a practical teaching method. Group discussion passed experiences and knowledge from peer Saemaeul leaders, not lectures from professionals. Thoughts like 'I can do it since he did it' or 'I want that in my village' were prevalent, promoting mutual learning. It was about sharing personal and actual experiences and knowledge on success and failure, not someone teaching another. It was highly effective.

Third, in terms of the implementing organization mentioned by Smith (1973), Saemaeul Movement had several success factors. In other words, the Saemaeul Movement operated an administrative organization that could consistently do its work to reach the central government's goal. The Ministry of Home Affairs implemented the Saemaeul Movement, while other relevant ministries and departments engaged themselves in related organizations. On January 16, 1973, Presidential Decree No. 6458 reorganized the office, establishing the Saemaeul Training Section and the Saemaeul Monitoring Section in the Department of Region in the Ministry of Home Affairs. Along with the organization, another key success factor is the government officers' assignment to regions. Through regional assignment, they could monitor the progress of the Saemaeul Movement and actually function in running new projects. Success of the Saemaeul Movement was reliant on the monitoring and evaluation of management and oversight, setting a systematic monitoring structure from the central government to local government and villages. Monitoring and evaluation was strictly done based on a mutual accountability system. Through such an evaluation and management system, government officials could check with progress, transparently obtaining information, documenting and analyzing for necessary modification or supplementation. With the strict monitoring and evaluating system, bureaucrats made visits to the villages and checked project process. The Ministry of Home Affairs required bureaucrats of section chief and higher rank at the Ministry to be in charge of cities and provinces; government officers of section chief and higher rank at the cities and provinces to be in charge of *eup*, *myun* and *dong*. They made compulsory visits to the sites they were in responsible for, at least once a month, monitoring the progress of the Saemaeul Movement. At the *eup*, *myun* and *dong* level, every village had one bureaucrat who was in charge of the village. They had to make at least two visits to the village in a week, monitoring the progress and begin new projects. That way, local governments and residents enhanced cooperative relationship, building a mutual responsibility and administrative system.

Fourth, environmental factors contributed to a successful Saemaeul Movement. Korean agricultural villages at the time still had the tradition and culture of local community, which made community development projects suitable. Through land reform under the U.S. military government after independence from Japanese colonization, most farmers, though still poor, became independent farmers. Building the village assembly hall and expanding road,

farmers sometimes had to donate their land. With a relatively high literacy rate,⁸⁸ learning techniques through farming education was rather easy. Traditional women's associations and village funds in the form of a cooperative association were key to a successful Saemaeul Movement. Farmers could reserve funds from the village fund. It enabled expansion of resources for investment by borrowing farming capital from the village fund, operating as a financial institution for commoners. Along with this, Korea went through tax reform with establishment of National Tax Service in 1966, contributing to remarkable growth in national tax income, eventually leading to the government's financial independence in 1974 and mobilization of domestic capital supplied funds for implementation of the Saemaeul Movement. In this sense, such environmental factors positively influenced the Saemaeul Movement.

b) Limitations

The Saemaeul Movement had problems with its implementation.

First, "due to Saemaeul Movement's political significance in the 1970s, excessive management of its bureaucrats was a problem." According to Lee Jae Chang (2013), the former governor of Pyeongtaek County, unilateral performance of the administrative structure, from the President to street-level, and performance-based tradition fostered more effective driving of the bureaucrats.

Second, the Saemaeul Movement became a cross-national movement as it expanded to cities and factories from agricultural areas. However, performance in the cities and factories was insufficient, compared to agricultural areas.

Third, Saemaeul Movement promoted harmonized development between urban and rural areas and reduced the income gap between the two. Income gaps declined from 1974 to 1977, when the income of agricultural families increased beyond that of urban families. However, since 1979, incomes of the urban laborers greatly exceeded agricultural incomes, limiting the harmonized development between the urban and the rural areas.

88. Kim, Jun Kyung. (2012), *Modularization of Korea's Development Experience: Korean Economic and Social Change and the Significance of Saemaeul Movement*, Korea Development Institute, pp.22-24. He stated that "In 1945, the illiteracy rate of adults (12 years and older) was about 78 percent. The U.S. military government held a cross-country illiteracy abolishment campaign. Public schools were established to teach reading, writing, social life, science and other necessary knowledge for adults. The adult students were required to attend 200 hours or 70 days (three hours per day) of mandatory education. Classes were usually held during the agricultural off-season. As a result ... adult illiteracy rate significantly dropped from 78 percent in 1945 to 42 percent in 1948, falling to near 10 percent in the late 1960s. In the 1970s when the Saemaeul Movement began, most adults, except for the senior population, could read."

2.1.4. Implications

In the background of success of Saemaeul Movement, there was the government's strong will to effective policy implementation, as well as the people's participation encouraged by Saemaeul leaders who played as the intermediate actor. Notably, flexible policy implementation and sustained outcomes were possible due to support of President Park Chung-hee through METRM. Regarding policy implementation, consistent policy goals and implementation led to effective outcomes. Additionally, without expansion of the Saemaeul Movement through education and devotion of Saemaeul leaders, success would have been impossible.

2.2. Food Production Increase Policy

2.2.1. Background and Significance

a. Background

Korea was not able to recover its agricultural productivity, largely due to a wartime economy that destroyed its agricultural production foundation during Japanese colonization and the 1950~1953 Korean War. The government put continuous effort on increasing food production but failed due to lack of investment and insufficient agricultural supplies like fertilizer, pesticide, agricultural machinery and so on. With the land reform in 1950, although 90 percent of the farmhouses became independent, production did not increase. With the inflow of surplus crops from the U.S., the price of domestic crops dropped and the hardship of farmers continued. In the 1960s, the situation did not get better and the people suffered from "barley hump (the spring austerity period)" in May and June every year. Increasing food productivity and rescuing people from hunger was a priority goal of the government.

In 1962, the government implemented the first five-year economic development plan, largely focusing on increasing agricultural production and modernization of the production process. To reach the food production increase goal, it modified the the third five-year increased production agriculture plan (1962~1966) and established a Seven-Year Increased Production Agriculture Plan (1965~1971). The aim of these long-term plans was to expand farmland through Land Reclamation Projects and promote production-based facilities like readjustment of arable land and granting water supply. However, due to poor harvests of rice in 1962 and barley in 1963, the food situation rapidly worsened and the prices of crops skyrocketed. Although in the Third Five-year Plan for Increased Production Agriculture the size of arable farmland expanded and production increased (except for 1962 and 1963), the goal of self-sufficiency for food was not achieved.

Since food supply showed little improvement, President Park Chung-hee ordered on January 8, 1964 to adjust the third five-year increased agricultural production plan and establish long-term and short-term plans for food production increase and self-sufficiency. The government, in August, created and announced a Seven-Year Increased Production Agriculture Plan (1965~1971). Its primary goal was to increase food production by 6.2 percent every year and become self-sufficient by 1968, and export surplus crops from 1969. During this time, the government provided various rewards and incentives to encourage food and compost production. However, rice production was extremely poor due to droughts in 1967 and 1968. In 1971, the final year of the Seven-Year Plan, grain production was still inadequate.

In the 1970s, the government was able to aid the agricultural sector, primarily due to the success of the first and the second five-year economic development plans. Based on the positive economic outcomes, the government set increases in food production as their number one priority. It promoted developing a base for agricultural production including large-scale and comprehensive agricultural development projects, agricultural water development, readjustment of arable land and granting water supply, preservation and expansion of farmland, agricultural machinery projects, development and provision of high-yield varieties of grain and an agricultural price support policy. Progress of these policies were constantly reported to the President at METRM and supplemented when necessary. President Park Chung-hee at the time, viewed ‘self-sufficiency of food was not merely an agricultural policy, but important in entering into an industrialized society and for national security’. More specifically, President Park ordered the administration to effectively promote food production increases and control consumption. The central and local governments pushed the relevant policies ahead.

b. Significance

With priority on increasing food production and mobilizing central and local administrative power, rice production reached about 3.4 billion kg (30 million *seok*) in 1974 and approximately 6.4 billion kg (40 million *seok*) in 1977. It became completely self-sufficient in its staple grain, rice, accomplishing the Green Revolution and 30 Years of rice import was stopped. No previous administration had accomplished self-sufficiency in rice. Especially in the 1970s, the government made detailed strategies for farming, from crop preparation through harvest. Interest and support from the final decision maker, the President, made a material contribution to the Food Production Increase Policy, viewing it as the most important economic issue to be considered at METRM. Mechanisms for monthly reports, with prompt feedback and support for the policy were provided. Forming

partnership with professionals from the private sector resulted in creating new varieties of crops and developing farming techniques. Vitalization of food production using abandoned land, setting correct schedules and adoption of regional production accountability all led to food production increases.

Self-sufficiency in rice meant escaping from the miserable “barley hump (the spring austerity period)” and no longer relying on foreign aid. The foundation of agricultural production was established, eventually promoting modernization of the Korean economy. Behind the scene was the government’s constant effort to implement effective policies and draw attention to achievements.

2.2.2. Policy Outcomes and Their Significance

The primary achievement of food production increases is self-sufficiency in rice. However, several projects were conducted to increase food production, like developing new variety and providing agricultural machinery, are meaningful as they are. Accordingly, it would be useful to distinguish the achievements of the Food Production Increase Policy into two parts: food production and food production assistance.

First, reaching the rice production of 6.4 billion kg (40 million *seok*) in 1977 was a significant achievement. It is also notable that it broke the world record by producing 494kg per about 900m².⁸⁹ Accordingly, at the Saemaeul Leaders Competition on December 9, 1977, he said “we were able to increase food production every year, overcoming several years of environmental devastation.” He said:

(...) We broke the world record by producing 494kg of rice in 900m². We used to get aid from others and pay so much foreign capital to import rice and the shortage of food was getting even worse. Now we are self-sufficient in rice and are worrying about the leftover crops. We put continuous effort to save properly, mixing other crops when making rice cake and prohibiting rice wines. Now we have enough rice for us to eat and have leftovers, all achieved within just a few years. This proved the value of Saemaeul Movement ‘We can do it.’ ‘We can live well’. (...)

89. President Park Chung-hee wrote “Accomplishment of Green Revolution” on December 20, to commemorate production of 6.4 billion kg [40 million *seok*] in 1977 and the world record of producing 494kg per about 900m². President Park’s speech at the Saemaeul Leaders Competition on December 9, 1977 was engraved on the monument.

Figure 4-2 | Green Revolution Monument with President Park Chung-hee's Writing



Source: Google, <https://www.google.co.kr/search>.

As previously discussed, rice production reached 100 percent self-sufficiency in 1976. 1976 was the last year of both the Five-year Increased Production Agriculture Plan and the third Five-year Economic Development Plan. In 1976, production of rice reached 526,000 tons and production of barley reached 185,000 tons, meaning 100.5 percent and 97.9 of the self-sufficiency rate respectively.⁹⁰

Second, developing and supplying a new variety of rice was introduced. A new variety is a key means to increase food production, so the government also tried to increase the amount of harvest per unit area. Korean rice development had been attempted in the 1950s and the 1960s. Japonica-type species were the prevalent type until the end of the 1960s. However, it was fragile to insects and disease like rice-blast disease and stripe-virus disease and therefore not effective for increased rice production. Professor Huh, Moon Hoi of Seoul National University conducted research at the International Rice Research Institute (IRRI) in the Philippines in 1966, developing a more suitable kind of rice for Korean soil and climate. In this research, he developed 'IR667' by e-way crossing IR8 and making 666 cross combinations. Confirming its high rate of harvest, the government began

90. Nonetheless, in 1978, the rice blast disease destroyed *tong-il rice*, the variety that contributed to self-sufficiency. Bad years in harvest continued for three years. In 1980, cold-weather damage diminished rice production and import of foreign rice was inevitable.

seed multiplication. In 1971, it was named ‘*tong-il rice*’ and was supplied to farmhouses. ‘*Tong-il rice*’, unlike expectations, had serious failures in certain regions in 1972, but by supplementing other regions, it recorded an extremely bountiful harvest. That year, 350kg of local rice was produced per 900m² while 481kg (37.4 percent more) of ‘*tong-il rice*’ was produced in the same sized area. An additional 126 million kg (1,102 thousand *seok*) of rice was produced in another 121,000ha. Pure income increase for farming families was 22.6 billion KRW. Rice production exceeded 3.5 billion kg (30,860 thousand *seok*) in 1974 for the first time.⁹¹

After the success of ‘*tong-il rice*’ the Rural Development Administration developed and supplied 15 varieties of rice, including ‘*yusin*’, ‘*nopung*’, ‘*mil-yang 23*’, ‘*mil-yang 30*’, and ‘*suwon 264*’. Rice production increased greatly with development and supplement of new ‘rice varieties’, signifying the increased rate of harvest per unit area.

Figure 4-3 | Miraculous Rice, ‘*Tong-il Rice*’



Source: Google, <https://www.google.co.kr/search>.

91. Lee, Jong Suk. “Half-century of Korean Economy: Supply of *tong-il rice* and the Green Revolution” edaily of July 14, 2012.

Table 4-8 | Rice Production by Year

(Unit: ha, kg, M/T)

Year	Aquatic Rice			Dry-field Rice			Grain		
	Area	Sheaf	Production	Area	Sheaf	Production	Area	Sheaf	Production
1960	1,116,826.8	273	3,043,925.6	4,306.2	61	2,619.9	1,121,133.0	272	3,046,545.5
1961	1,123,553.4	308	3,458,777.8	4,535.0	83	3,770.1	1,128,088.4	307	3,462,547.9
1962	1,133,707.0	266	3,011,055.5	5,297.9	73	3,859.8	1,139,004.9	265	3,014,915.3
1963	1,148,725.4	327	3,751,710.7	6,673.1	95	6,336.4	1,155,398.5	325	3,758,047.1
1964	1,181,495.4	334	3,940,938.8	13,718.2	99	13,552.1	1,195,213.6	331	3,954,490.9
1965	1,198,939.7	289	3,464,351.5	29,188.2	126	36,780.8	1,228,127.9	285	3,501,132.3
1966	1,199,355.1	323	3,870,504.3	31,979.2	153	48,776.0	1,231,334.3	318	3,919,280.3
1967	1,204,307.2	297	3,571,873.1	30,956.0	101	31,230.9	1,235,263.2	292	3,603,104.0
1968	1,126,991.9	281	3,165,980.1	23,905.9	123	29,355.0	1,150,897.8	278	3,195,335.1
1969	1,198,067.2	339	4,057,104.5	21,462.0	155	33,339.7	1,219,529.2	335	4,090,444.2
1970	1,183,542.9	330	3,906,780.8	19,787.4	164	32,479.4	1,203,330.3	327	3,939,260.2
1971	1,177,993.9	337	3,975,334.9	12,454.6	179	22,300.2	1,190,448.5	336	3,997,635.1
1972	1,177,810.7	334	3,933,443.3	13,290.2	179	23,746.4	1,191,100.9	332	3,957,189.7
1973	1,169,715.7	358	4,189,706.9	12,002.3	183	21,923.1	1,181,718.0	356	4,211,630.0
1974	1,189,045.9	371	4,416,994.3	15,369.9	181	27,864.1	1,204,415.8	369	4,444,858.4
1975	1,198,070.7	386	4,627,313.9	19,941.3	210	41,784.5	1,218,012.0	383	4,669,098.4
1976	1,196,172.9	433	5,179,601.7	18,731.5	189	35,360.9	1,214,904.4	429	5,214,962.6
1977	1,208,336.3	494	5,965,233.9	21,704.2	186	40,376.3	1,230,040.5	488	6,005,610.2
1978	1,219,071.4	474	5,779,141.5	10,678.3	168	17,986.0	1,229,749.7	471	5,797,127.5
1979	1,224,157.3	453	5,545,763.3	9,077.1	210	19,044.8	1,233,234.4	451	5,564,808.1
1980	1,219,840.7	289	3,529,539.5	13,197.0	157	20,717.5	1,233,037.7	288	3,550,257.0

Source: National Archives of Korea, Korea Rural Economic Institute, *Fifty Years of Korean Agricultural History*, recited 1999.

Third, efforts to preserve and expand farmland continued. Since the early 1960s, urbanization and industrialization proceeded rapidly due to the economic development strategies turning farmland into housing or industrial sites. The government modified the laws and regulations for reclamation, land development and land improvement projects. First, the Land Improvement Projects Act (December 1961) and the Reclamation Promotion Act (February 1962) were enacted to provide legal basis. In December 1972, laws were

enacted for farmland preservation. Accordingly, when using the land designated by land improvement projects, the user had to pay 1/3 the cost of the reclamation, land development and agricultural water development projects.⁹²

To expand farmland, several types of projects were performed: agricultural water development, reclamation, land development, readjustment of arable land, drainage improvement, large-scale comprehensive agricultural development, renovation and build-up of the seawalls. In the 1960s, agricultural water development (511,820ha), reclamation (8,109ha), land development (152,833ha) and readjustment of arable land (95,935ha) and other projects were completed, developing a total of 1,204,503ha. In the early 1970s, Korea acquired concessional loans for large-scale comprehensive agricultural development that it had been planning since late the 1960s. Accordingly, in the 1970s, readjustment of arable land and large-scale comprehensive agricultural development projects were completed, with a total of 933,172ha developed. Such efforts provided the foundation for self-sufficiency of food.

Table 4-9 | Development Performance by Projects during the 1960s and the 1970s

(Unit: ha)

Project	1960s	1970s
Total Area of Development	1,204,503	933,172
Agricultural Water Development	511,820	275,931
Reclamation	8,109	1,550
Land Development	152,833	27,550
Readjustment of Arable Land	95,935	196,972
Drainage Improvement	-	16,526
Large-Scale Comprehensive Agricultural Development	-	68,707
Renovation	370,810	214,751
Build-up of the Seawall	64,996	131,185

Note: Total area of development is based on completion record.

Source: Ministry of Agriculture and Forestry. (1992), *Fourty-five Year History of Agriculture-based Development of Korea*. Recited in Korean Society of Agricultural Engineers, "Transfer of Agricultural Production-based Development."

92. National Archives of Korea. Refer to Land Reclamation Project.

Fourth, provision of agricultural machinery contributed to increased agricultural production. Since 1969, approximately 300,000 people from the rural area moved to the cities. It was largely due to urbanization and industrialization from the high economic growth based on the first and second five-year economic development plans. Thus, agricultural mechanization was imperative for increasing productivity and overcoming the labor shortage.

From 1961, several kinds of agricultural machinery had been supplied to the agricultural areas, including power cultivator, power thresher, power sprayer, and so on. Later from 1967, water pumps and power sprayers as countermeasures against natural disasters were supplied at a fast rate. In the 1970s, mowers and automatic threshers were provided, mechanizing rice harvest. The power cultivator made the largest contribution on mechanizing the tilling operation and had positive impact on various other work like sowing, fertilizing, transporting and pumping, threshing and cleaning up.

Meanwhile, during the new-year report meeting to the President by the Ministry of Agriculture and Forestry in January 1971, the President ordered “since the small factories producing agricultural machinery cannot support the pace of agricultural mechanization, factories should be systemized so we can deploy agricultural machinery early. Discuss this issue with the Ministry of Commerce and Industry and come up with a proper plan.” Later on, the Ministry of Agriculture and Forestry and the Ministry of Commerce and Industry collaborated on a Five-Year Agricultural Mechanization Plan (1972~1976) and reported to the President. The President made the following suggestions⁹³: 1) Know the kind and amount of agricultural machinery that farmers want, 2) coordinate with factories to produce engine fuels (petroleum, diesel, gasoline), 3) combine the producers of agricultural machinery into a few large-scale ones (instead of 47 small producers), 4) review whether the Agriculture Promotion Corporation will be able to manage, dispose and lend large agricultural machines like tractors to the farmers and 5) promote local production of agricultural machinery, specifically the kinds and amount of machines designated by the Ministry of Agriculture and Forestry. Agricultural mechanization was made possible due to President Park’s great interest and it laid the foundation for production increases and addressed the labor shortage problem.

93. Park, Won Kyu, Kim, Byung Gap and Sung, Jei Hoon. (2006), “Introduction and Development of Agricultural Machinery”, *Journal of Agricultural History*, Vol.5 (2).

2.2.3. Policy Implementation Procedure and Success Factor Analysis

a. Policy Implementation Procedure

a) Policy Implementation Step

The Food Production Increase Policy during the President Park Chung-hee era can be divided into two periods, namely, the 1960s and the 1970s. First, in the 1960s, the policy focused on establishing a foundation for self-sufficiency of food. Especially with the initiation of the First Five-Year Economic Development Plan in 1962, the government focused on self-sufficiency through modernizing agricultural production and through increased food production. Also, it established the Rural Development Administration in 1962, an implementation agency that held experimental research on increasing food production. Later when the Seven-Year Increased Production Agriculture Plan (1965~1971) was approved and declared, its major objective was to balance unequal food supplies and achieve self-sufficiency in five years. In other words, the Food Production Increase Policy of the 1960s, the government reshuffled the administrative organization and started a research institute, setting out a long-term plan.

In the 1970s, the Policy focused more on self-sufficiency. Increased food production in the 1970s was one of the key national issues, planned and executed at a government-wide level. In 1973, the President established the Food Production Increase Committee reporting directly to his Office, improving administrative capacity. Beginning in June, the President received reports on the progress of Food Production Increase Policy at METRM,⁹⁴ seeking government-wide approaches for support. For effective implementation of the Production Increase Policy, the central government and local government worked closely together.

There were four major projects to increase production in the 1970s. First was a “deadline for farming”.⁹⁵ It originated in the thought of setting due dates and meeting conditions, such as ‘150 days of farming’ in 1973 and ‘exceeding 30 million *suk* (3.4 billion kg)’ in 1974. Second, supply of high-yielding species of rice, ‘*tong-il*’ rice. ‘*Tong-il*’ rice had a

94. At METRM, apart from a food production increase record, 1) current status on pesticide supply and management, 2) fertilizer supply and production increase, 3) establishment and management of protected nursery, 4) Follow-up and check-up on tube well and water pump, 5) pest control and 6) counter-drought measure were discussed.

95. Special Report [History of Military Government] ‘Deadline for Farming, More Precious than Life’ *Gangjin Ilbo* of December 11, 2012. The government, at the time, provided five policies with the objective of food production increase and the vision of self-sufficiency of food: 1) choose the rice variety recommended by the government, 2) promote collective cultivation, 3) establish protected nursery, 4) be strict on pest control schedule from seed disinfection to harvest, 5) be prepared to procure agricultural water. The government imposed a “deadline for farming”.

proven higher yielding rate of more than 30 percent, compared to other varieties. Third, supplying agricultural machinery. Providing agricultural machinery to the agricultural areas, it contributed to solving labor shortage problems and improving labor productivity. Fourth, implementing reclamation projects. The government enacted relevant laws and implemented a large-scale reclamation project to grant farmland. As a result, these projects accomplished production of 30 million *suk* (3.4 billion kg) in 1974 and exceeded 40 million *suk* (6.4 billion kg) in 1977, reaching self-sufficiency of its staple grain, rice. The Elaborate Food Production Increase Policy implemented by the government contributed to these accomplishments.

Table 4-10 | Process and Contents of Food Production Increase

Period	Policy	Contents
1960s	Establishment of foundation for self-sufficiency of food	<ul style="list-style-type: none"> - Establishment of Rural Development Administration - Establishment of Seven-Year Increased Production Agriculture Plan - Establishment of Agricultural Production Increase Headquarter
1970s	Self-sufficiency of food (rice)	<ul style="list-style-type: none"> - Introduction of a new variety of rice - Establishment of Food Production Increase Office - Agricultural mechanization

Source: National Archives of Korea.

b) Final Report and Evaluation

The Minister of Agriculture and Forestry, evaluating and planning for the next step, regularly reported the Food Production Increase Policy at METRM. The report typically included 1) rice transplantation record, 2) target and plans to be executed, 3) problems of the current system and suggestions for resolution and 4) other management issues effecting food production increases (diseases and insects, water supply, fertilizer supply, pesticide supply, farming education, etc.).

Special reports on food production increases were first held at METRM in June 1973. The agenda was on ‘pesticide supply status and management improvement’ and ‘status of increased production by contract’. In July and November of the following year, special report was made with the title of ‘status of Food Production Increase Policy.’ In 1974, METRM

was held 10 times and special reports on ‘increased food production’ were delivered eight times. From 1975 to 1979, meeting frequency dropped significantly, but special reports on ‘food production increase’ were delivered, one to four times every year. From 1972 to 1979, ‘food production increase’ was brought up in special reports in METRM more than any other issue, implying its significance in the national economy. Significance of ‘food production increase’ can be viewed in President Park Chung-hee’s speech at a METRM in March 1973, when he sought for long-term approaches. It is in line with his constant emphasis on self-sufficiency as an issue of national security. More specifically, President Park stressed how “we should start taking long-term approaches considering the trends of international economic conditions.” He listed a few: “One is fuel, specifically petroleum (...) another is food and the other is lumber”. Among these, the food issue was stressed as follows:

(...) We Koreans eat rice as a staple grain but we still do not have self-sufficiency of rice, importing quite an amount of rice. With food issues, we just think we can get it from the U.S. when necessary or get some of PL 480. We should stop thinking that way. We should hurry and reach self-sufficiency regarding the food issue. Of course, we have to import Japanese flour and some other things but we should have plans. We should have plans to reach self-sufficiency and beyond as soon as possible. We are all complacent about food, thinking that we can either import or just get aid from friendly nations. However, we should get rid of such thoughts right now and pursue self-sufficiency. The government should seek for long-term plans here and now.

(...)

As can be seen from his comments, increased food production was at the core of his main agenda. It was reflected in METRM, selecting and awarding the ‘King of Rice Production Increase’ every year.

Table 4-11 | Rice Production Increase Awardees by Year

Year	Name	Address	Variety of Rice	Production (kg/900m ²)	Others
1962	Kim Jin Seok	Samrye, Samrye, Wanju, Jeonbuk	'chunbonwuk'	594.4	
1963	Kim Myunggi	Hwari, Daejang, Hwasung, Gyeonggi	'jinheung'	701.9	
1964	Kim Chigyu	Naneum, Kimhae, Samdong, Kyungnam	'suwon 28'	643.1	
1965	Cho Yong Man	Suseongdong, Masan, Kyungnam	'nongrim 29'	756.6	
1966	Yoo Jae Young	Okjung, Namwon, Namwon, Jeonbuk	'ksabue'	680.6	
1967	Chough Bong Hwan	Heungsan, Juksan, Kimje, Jeonbuk	'nongrim 29'	687.7	
1968	Ham Chan	Maehwa, Sorae, Bucheon, Gyeonggi	'nong-gwang'	675.0	
1969	Han Gwang Ho	Sungdeok, Kimje, Jeonbuk	'nongrim 29'	660.2	
1970	Sohn Jae Soo	Yojang, Jindong, Changwon, Kyungnam	'chunbonwuk'	608.6	
1973	Cho Hwan Gu	Yunbong, Hansan, Seochun, Chungnam	'tong-il rice'	780.8	Dongtap Industrial Award
1974	Song Young Sik	Yakmok, Shimchun, Youngdong, Chungbuk	'tong-il rice'	802.8 (double)	"
	Han Ki Ho	Dalchun, Chungju, Chungbuk	'tong-il rice'	752.2 (single)	"
1975	Seo Gang Won	Silwang, Ansong, Ansong, Gyeonggi	'tong-il rice'	806.7	Euntap Industrial Award
1976	Yang Hae Sub	Daesuk, Sungduk, Kimje, Jeonbuk	'yusin'	845.2	"
1977	Lee Gwan Suk	Suksan, Yul, Ichun, Gyeonggi	'mil-yang 23'	898.0 (single)	"
	Lee Soo Chang	Ponam, Sukjuk, Chilgok, Kyungbuk	'mil-yang 23'	889.1 (double)	"

Year	Name	Address	Variety of Rice	Production (kg/900m ²)	Others
1978	Lee Il Saeng	Imjeung, Jihang, Youngil, Imjeung	'naegyung'	909.0 (single)	..
	Son Young Gil	Eochon, Danjang, Milyang, Kyungnam	'naegyung'	891.8 (double)	..
1979	Hwang Dae Young	Hwayang, Hyunduk, Pyungtaek, Gyeonggi	'naegyung'	886.5	..

Source: National Archives of Korea, Korea Rural Economic Institute, *Fifty Years of Korean Agricultural History*, recited 1999.

b. Success Factors and Limitations

a) Success Factor Analysis

As previously discussed, Korea became completely self-sufficient in its staple grain, rice, with production of approximately 6.4 billion kg (40 million *seok*) in 1977 and broke the world record by producing 494kg per about 900m². As Smith (1973) has mentioned, the success factors of the Food Production Increase Policy can be analyzed based on the four factors of policy implementation: 1) idealized policy (intensity of support and the source of the policy) 2) target group (voluntary participation of the farmers and the level of awareness) 3) implementing organization (implementation structure of policy, leadership, qualification and capacity of street-level bureaucrats and administrative organizations) and 4) environmental factors.⁹⁶

First, in terms of policies, Food Production Increase Policy not only had a clear goal but had consistently announced interest and support from the final decision maker, the President. The President constantly showed strong and clear will on the goal of food production increase, encouraging relevant staff and frequently monitoring and evaluating the processes. Smith (1973) was of the view that source of the policy derived from the needs and demands of the society formed a critical factor for successful policy implementation. To resolve poverty of the people in the 1960s and the 1970s, Food Production Increase Policy clearly came from the national needs and demands. The source of the policy was rather solid.

Second, the target group also contributed to the successful implementation of policies. A target group defined by Smith (1973) refers to a group that is required to show behavioral

96. Smith. [1973], pp.202-204.

adaptation in response to the policy implemented. In the case of the Food Production Increase Policy, the target group would be farmers. In the early 1970s, living conditions of the agricultural areas and the awareness of farmers fundamentally changed through the Saemaoul Movement. The basic values of the Saemaoul Movement, diligence, self-help and cooperation was accepted among farmers.⁹⁷ A foundation for self-sufficiency of food was established by building roads for farming and developing water supplies. The farmers themselves were eager to learn advanced agricultural techniques and follow the administrative guidance of the agriculture-related government agencies. Provision of grain varieties and agricultural mechanization had positive impact. They had a common ground in that they needed new agricultural methods and techniques to be self-sufficient. They were especially interested in elementary mechanization such as the motor cultivator for work like sowing, fertilizing, transporting and pumping, threshing and cleaning up. Moreover, the government in the 1970s imposed the high rice price policy and a two-tier pricing system on grain, increasing the purchased quantity of grain.⁹⁸ Specifically, it purchased ‘*tong-il rice*’ first, increasing the purchase quantity thus encouraging farmers to expand the cultivation area of ‘*tong-il rice*’. As such, response toward the government’s policies on food production increase was very high, which contributed to the remarkable outcome of the policy.

Third, in terms of implementation organization mentioned by Smith (1973), leadership of the administrative organizations in charge, qualification and capacity of bureaucrats, and so on influenced the implementation process of the Food Production Increase Policy. Though METRM is not a permanent organization, it was highly effective when reporting the current status of the policies related to increased food production and coordinating among relevant offices. Along with METRM, establishment of the Food Production Increase Committee, reporting directly to the President’s Office in 1973 played a significant role in planning and monitoring the relevant policies. The Chairman of the Committee was the Senior Secretary to the President for Economic Affairs and the members were Deputy Minister-level bureaucrats from relevant ministries. A working group reported to the Chairman. Major tasks included formulating short-term and long-term policies for increased food production and consumption reduction, coordinating among relevant departments and ministries, delivering the policies and monitoring their progress.

97. Korea Rural Economic Institute. (1999), *Fifty-Year History of Agricultural Policy of Korea*, p. 1288.

98. “The amount of rice purchased more than doubled from 507 million tons (12.8 percent of the entire rice production) in 1972 to 1 billion tons (20 percent the entire rice production) in 1976. Purchase of barley also increased from 366 million tons (20.8 percent of the entire barley production) in 1972 to 571 million tons (30.9 percent of the entire barley production). Refer to National Archives of Korea: <http://theme.archives.go.kr/next/foodProduct/pricingPolicy.do> (as of July 10, 2014).

The cabinet also set up Food Production Increase Committee offices at city and province levels and *eup* and *myun* levels to deliver the policies down to the local offices and get progress reports. In particular, each office was assigned with a certain amount of responsibility and a time limit. A mandatory production system was applied by city/province, city/*gun* or *eup/myun*. Target production for quantities of food crops like rice, barley and beans was designated beforehand and the new variety of rice was assigned to designated cultivation area. The farmers had to spray pesticides and check the equipment properly. The government officials devoted all their energy in monitoring policy implementation, especially whether the plans were on track and the targets were met. The deadline for farming was very well structured. From preparation period beginning in March 1 to the end of harvesting season in November 10, the period was divided into seven stages. The deadlines for farming had assigned tasks to be done within the designated time periods at different stages. It was so strictly enforced, that when the tasks were not done within the given time, the official in charge of the area was severely reprimanded.⁹⁹ Thus, the bureaucrats in charge of the region tried very hard to meet targets. The deadline for farming encouraged farmers to meet the targeted amount of production by concentrating administrative capacity. Deadline management contributed greatly to the success of the Food Production Increase Policy.

Fourth, various environmental factors contributed to a successful Food Production Increase Policy. Korea was far from escaping poverty while stuck in the “barley hump (the spring austerity period).” Government policy was desperately needed to produce and distribute enough food for the entire population. The government was able to rigorously invest in policies to better the food circumstances due to financial independence from establishing the National Tax Service and successfully implementing the First and the Second Five-year Economic Development Plans in the 1960s.¹⁰⁰ Moreover, the global food crisis in 1973 and 1974 forced both the government and the people to recognize the

99. Korea Rural Economic Institute.(1999), *Fifty-Year History of Agricultural Policy of Korea*, p. 1289. When the targeted production amount was not met, the officer in charge was severely reprimanded. Several figures, including city mayors, county governors and town mayors, were demoted with removal from the position or warnings for not securing enough cultivation area for rice, not producing enough dike-bean, not paying much attention to check-up and maintenance of wells or water pumps or not performing prevention for diseases and insects.

100. *Ibid.*, p. 1289. “Green Revolution was made possible because new varieties of grain (i.e. ‘*tong-il rice*’) were supplied, a seedling culture (i.e. protected nursery) was developed and farming techniques (i.e. fertilization, preventing diseases and insects, managing water supply, etc.) were provided to the farmhouses. Moreover, during the Third Five-year Economic Development Plan, Multiple-Purpose River Basin Development of the four major rivers was initiated, implementing a set of projects like dam construction, river improvement and forestation and erosion control project.

necessity of self-sufficiency. Under these conditions, the government was able to make and implement elaborate policies while the farmers were positively receptive. As such, the environmental factors during the Food Production Increase Policy had positive influence.

b) Limitations

The Food Production Increase Policy resulted with the huge achievement of self-sufficiency of the staple grain. However, there were limitations. First, the Production Increase Policy was largely focused on rice, negatively affecting the production of other food crops like wheat, corn, beans, etc.

Second, the supply of a single variety of rice, instead of diverse varieties of rice with high cultivation stability, high quality and high yielding potential, had limitations.

2.2.4. Implications

Several policies were implemented to increase food production but it was in the 1970s when food production successfully increased. Especially since June 1973, the process was regularly reported to the President at METRM. Reporting did not merely cover the food production increase records. It reported various policies and support plans for better outcome of food production increase. The reports also covered problems arising in the policy implementation process, discussing for possible solutions and new plans. Moreover, cooperation among relevant ministries and departments were sought, which led to better outcome of food production increase. The achievement of self-sufficiency from increased food production was a result of various policy implementation strategies and monitoring based on President Park Chung-hee's enthusiasm and strong administrative power, as well as cooperation of relevant ministries through METRM.

2.3. Forestation Policy

2.3.1. Background and Significance

a. Background

While the demand on materials had increased to restore war wounds inflicted by the outbreak of the Korean War in 1950, forest resources were devastated due to forest tree theft caused by the ineffectiveness of the national forest protection administration.¹⁰¹ Most of the mountains became barren due to the devastation of forests. As a result, heavy rain caused flooding, which destroyed banks and farmlands. In addition, the lack of rain dried up rivers, which aggravated drought conditions, thus giving rise to public outcry on the desertification of their homeland. For a time, government efforts to prevent flood and drought damage were not effective. However, since the 1970s a successful forestation policy has been implemented.

It is not an overstatement to say that the success of the forestation policy was possible due to the strong encouragement and concern of President Park Chung-hee.¹⁰² President Park clearly declared his strong intention on a tree planting campaign in order to forest all Korean land at the presidential annual press conference of January 12, 1973. He promised that he would establish a ten-year master plan on homeland forestation. The Korea Forest Service was an affiliated organization of the Ministry of Agriculture and Forestry. However, on February 13, 1973, when he visited the Chungcheongnam-do (provincial) office and mentioned at the meeting with Sohn Soo Ik, director of the Korea Forest Service, that he

101. Lee, Kyung Jun and Kim Eui Chul, op. cit. 2011, pp.46-48. In 1959, the last year of former president Rhee Syngman's tenure, the government established the Five-year master plan on forestation for fuel and opened a national convention on promoting erosion control projects at Sindong-myun, Siheung-gun, Gyeonggi-do (i.e., current Sadang-dong, Gwanak-gu, Seoul). Many important figures participated in the convention including the president himself, the US ambassador and thousands of other people. However, the long-term plan on creating forests for fuel failed because the Korean government lacked implementation power. Furthermore, forest tree thieves clandestinely looted most of the forest trees using GMC trucks. Some even built kilns and produced charcoal. Forest rangers were not mobile and had to chase criminals by foot. Some say police officers must have overlooked these crimes because most police stations around the mountain entrance had vehicle-stopping bars.

102. The military government designated forest tree theft as one of the five social evils, along with trafficking, drugs, organized violence and pseudo reporters, right after the May 16, 1961 Military Coup. President Park had intense interest in preventing devastation of forest trees. Lee, Kyung Jun and Kim, Eui Chul, 2011, pp. 45-56.

would make the Forest Service an affiliated organization of the Ministry of Home Affairs.¹⁰³ This was interpreted as President Park's strong desire to re-forest denuded mountains by utilizing a better-suited administrative organization. The Forest Service was transferred under the Ministry of Home Affairs on March 3 of the same year, becoming the Ministry in charge of formulating the ten-year master plan¹⁰⁴ on homeland forestation.

President Park passionately pushed forward the forestation plan for the people's long-term benefit. He was briefed on how the ten-year master plan on homeland forestation proceeded by related personnel at METRM and, in response, he ordered relevant ministries to take necessary measures. He received direct reports about matters regarding tree planting, erosion control, fundraising and pest extermination projects by these ministries and checked how the master plan was executed.

President Park showed the importance of tree planting to the people verbally or through site inspections. In his Arbor Day address¹⁰⁵ he mentioned the following:

Planting a tree means planting our hope. Caring for a tree means building up national strength and passing on to our descendants a giant tree called "development and prosperity". Let's plant a tree. Let's plant our hope.

103. On January 16, 1973, Gyeonggido governor Sohn Soo Ik was appointed as the Director of the Korea Forest Service. At that time, President Park Chung-hee asked the newly appointed Director of the following: "We have seen success in our express way, industrialization and Saemaeul Movement projects, but we do not have much progress in the forestation project. I want you to take charge of forestation." During the five years and eight months of Director Sohn's term, he had a motto 'Mountain, mountain, mountain! Trees, trees, trees!' written and hung on his wall, which shows the level of effort he dedicated to forestation.

104. Following are the details of the first ten-year master plan on homeland forestation which had a motto of 'absolute forestation, absolute tree protection'. Planting rapid growth trees and long-term growth trees with a ratio of seven to three and standardize ten types of trees for the people's tree planting convenience. Villagers cultivated saplings, including Italian poplar tree, *Populus x albaglandulosa* and others, in order to raise the spirit of team work. Profits from sapling cultivation were shared among villagers. A mayor must resign if a forest fire in 'absolute protection' area spreads and damages more than 100ha of forest. (...) The first ten-year master plan on homeland forestation started in 1973 and achieved all its goals by 1978, in just in six years. Trees were planted in 1.08 million ha of area. 420ha of forest areas were cared for and 42,000ha of areas were erosion controlled. In addition, three billion saplings were cultivated and planted. About 34,000 towns participated in achieving goals of the first master plan on homeland forestation. The forestation was possible because of the people's starting work at dawn. (...) President Park was disappointed after visiting 4,538ha of barren fields in Youngil, Pohang. However after five years, by 1977, the barren fields turned into a green forest. This achievement was possible due to 3.6 million workers, 2.3 million stones, 3.13 million tons of sand and 24 million trees used for erosion control." *Monthly Chosun*, January, 2011.

105. Excerpted from President Park Chung-hee's Arbor Day Address, April, 1975.

In addition he inspected rural forestation sites and ordered responsible personnel to take required mitigation measures for any flaws. In August of 1978, he was passing in front of Gok-gang elementary school and found about ten sycamore trees cut two to three meters from the top¹⁰⁶ to prevent wires on a telephone pole from being touched by their branches. He said

“Who cut those trees? It takes twenty to thirty years to grow those trees but you cut them for a telephone pole that costs thirty thousand won? Find out who did this and report to me directly.”

Figure 4-4 | President Park Chung-hee’s Inspection at an Erosion Prevention Site (April 18, 1975, near Young Il, Pohang, Gyeongsangbukdo)



Source: National Archives of Korea.

The two cases mentioned above show his strong passion regarding forestation projects. Forestation was attempted for about fifty years since the late period of the Chosun Dynasty, but had insufficient results. However, the President’s determination and passion led to the success of forestation since the 1990s.

b. Significance

The forestation project is one of former President Park’s best achievements even when compared to industry modernization. Forests take up 70 percent of the Korean territory. The project soon became an unparalleled case of successful forestation in the world. Kim Hyung-guk, the former professor at the Environmental Graduate School of the Seoul

106. Excerpted from the ‘Presidential Special Address on Forest Fire Prevention’, April 1978.

National University, highly appreciated the forestation project. He mentioned the project as an exemplary case of homeland development in his textbook.

Caring for a nation's homeland is the most important mission. Turning bald mountains green means caring for the 'irreplaceable' environment, resource and living culture inherited by the Korean people. Thus forming the international competitiveness aspect on this matter is absurd. Systematic care on the land of life conducted by an independent nation-state is 'sacrosanct'

An official report from the UN Food and Agriculture Organization (FAO) said 'Korea is an exemplary country who achieved forestation in the shortest time among developing countries since WWII'. This report drew the world's attention to Korea because forestation restored war wounds left in 70 percent of its territory. There are not many countries that have reforested most of its homeland in just half a century. Furthermore, Korea's forestation project prevented desertification from global warming; overcame the damage caused by environmental destruction; and forested bald mountains. The forestation project was a successful case of investing national resources for long-term national benefit.

2.3.2. Policy Outcomes and Their Significance

a. Policy Outcomes

Government forestation policy can be viewed as planting trees and preserving reforested forests. There are four aspects to consider when viewing the results of the forestation policy.

First, the Korean government was able to complete actual tree-planting projects during the ten-year master plan on homeland forestation. Gun Ko, who was in charge of the Saemaedul Movement in the Ministry of Home Affairs, established the first ten-year master plan on homeland forestation in March of 1973. The goal of the master plan was to reforest all Korean land by 1982 using three lines of effort: national tree planting, economy tree planting and quick-method tree planting. One of the goals of the master plan was planting 2.1 billion trees in one million ha of land in ten years. This goal of the first master plan was achieved four years earlier than expected thanks to the strong push and passion of the administration. From 1973 to 1978 this project created 1.08 million ha of planted area with 2.9 billion trees, 4.18 million ha of agricultural area and 42,000ha of erosion controlled area. In 1960, a year before the military revolution, there were 524,436ha of barren land requiring erosion control, but in 1980 only 33,990ha of barren land remained.¹⁰⁷ In other words, President Park reforested 94 percent of the barren area during his time in office.

107. Lee, Kyung Jun and Kim, Eui Chul (2011), p. 326.

Table 4-12 | The First Erosion Control Project: Ten-year Forestation Plan

Policy Content		Target (A)		Actual Result (B)		Area B/A (percent)
		Area (1,000ha)	Number (10mil.)	Area (1,000ha)	Number (10mil.)	
Forestation	Fruit Trees	300	120	154	61	51
	Rapid Growth Trees	300	607	360	756	120
	Long-term Trees	195	585	358	1,106	183
	Fuel Trees	205	820	208	1,037	101
	Total	1,000	2,132	1,080	2,960	108

Source: The Korea Forest Service, *The Second Ten-Year Forestation Policy (Summary)*, 1979, p.35; Recited from Bae, Jae Soo, Rin Won Joo and Ki Bong Lee, *Causes of Forest Degradation and Drives of Forest Recovery in South Korea*, Korea Forest Research Institute, 2010, p.73.

Second, the tree inspection system substantially improved the survival rate of trees. Forestation was successful not only with tree planting but also with sustainable maintenance on planted trees. To increase the survival rate of planted trees, the Korean government operated a tree inspection system with strict governmental supervision and care. In 1979 about 10 percent of the planted area in Korea, about 19,000ha out of 189,384ha, was inspected according to the report on national tree inspection.¹⁰⁸ The report recorded 3.9 million out of 307 million planted trees were inspected, about 15 percent of all planted trees in Korea. As a result of thorough tree inspections the survival rate of planted trees was maintained above 90 percent.

Table 4-13 | Practice Case of the Tree Inspection System (1979)

Item	Content
Tree Inspection Period	September 17~26, 1979 (10 days)
Inspection Subjects	1) Did trees take root? 2) Are trees alive? 3) Are grasses mowed? 4) Are there damaged trees? 5) Did the landlord of a mountain participate in the inspections? 6) How did related personnel make the profit sharing contract? 7) Is the tree-planting report well maintained?
Selection of Sample Area	Five areas for each type of tree and city

108. The Korea Forest Service, *Sanlimji (Forest)*, December, 1979.

Item	Content
Inspection Size	174 out of 210 cities and districts
	3,514 out of 56,915 tree planting sites (6 percent)
	19,785ha out of 189,394ha tree planting areas (10 percent)
	39.621 million out of 307.760 million trees (15 percent)
Formation of Inspection Groups	Two tree planting managers were recruited for each city and district and 14 inspection groups were formed for each city and province (A total of 441 personnel)
Results of Tree Inspection (Survival Rate for Each Type of Tree)	Overall average - 93 percent, chestnut trees - 93 percent, apricot trees - 91 percent, Italian Poplar - 93 percent, Populus x albaglandulosa - 93 percent, royal foxglove trees - 91 percent, big cone pine tree - 94 percent, tamarack - 94 percent, Rigitaeda pine trees - 90 percent, Rigida pine trees - 91 percent, japanese cedar trees - 88 percent, Japanese cypress - 92 percent, alder trees - 96 percent, river pine trees - 96 percent, sea pine trees - 94 percent
Results of Tree Inspection (Survival Rate For Each City or Province)	Choongchungbuk-do Province - 98 percent, Jeju Province - 85 percent, Seoul City, Choongchungbuk-do Province, Busan, Gyunggido Province - 95 percent

Source: The Korea Forest Service, Sanlimji (Forest), December, 1979.

Figure 4-5 | Tree Inspector Measuring the Circumference of Tree Branches and Roots



Source: National Archives of Korea.

Third, the greenbelt policy promoted the maintenance of forests. President Park amended the City Planning Act to preserve forests. The amendment included designating seven metro areas and seven smaller metro areas, about 5.4 percent of Korean land, as greenbelt. On July 30, 1971, the suburban area of Seoul was designated as greenbelt according to notification No. 447 of the Ministry of Construction, the enforcement regulation of the city planning act. A 2~10km wide belt covering a circular area from the center of Seoul, having a 15km radius and a total of 454.2km², was designated as greenbelt. This belt included suburban areas of Seoul and Gyeonggi-do province. The greenbelt areas were expanded eight times from Seoul to Busan, Daegu and Gwangju. The last greenbelt designation was made on the suburban area of Yeosu, Geonnam-do province, on April 18, 1977. Thus a total of 5,379km² of Korean land was designated as greenbelt. Greenbelt has been an important enforcement concept since 1971, preventing reckless expansion of cities and thoughtless development of our environment. The designated areas were thoroughly and forcefully supervised without any modifications while President Park took office. For instance, there were signs to tell where greenbelt areas were and related personnel inspected from time to time if someone built without permission or changed the purpose of use.

Figure 4-6 | Greenbelt Sign



Source: Excerpted from the Google website.

The administration was so thorough, it used aerial photos for historical comparison. President Park's resolve was so strong that between 1972 and 1979, 2,526 civil servants received punishment, ranging from dismissal, reduction in pay, relief from duty or warnings, for negligence in administrating greenbelts. It was because of this thorough administration of the greenbelt areas that 5.4 percent of the land could be preserved. Today, the greenbelt is acknowledged as 'a globally successful case of environment preservation.'

Fourth, with the five-year plan for slash-and-burn farming regulation plan, forests were protected and deforestation prevented. The project was pursued in 1973 under the responsibility of the Forestry Office, the Ministry of Home Affairs,¹⁰⁹ and began in earnest in 1974 with the five-year plan.¹¹⁰ In 1978, in order to prevent further slash-and-burn farming, a system of holding civil servants responsible was put in place.¹¹¹ Aerial enforcement by helicopter and legal measures were also actively taken. In 1979, even after the consolidation of the remaining 819ha of such farmland, mayors and provincial governors were directed to conduct at least one survey a year.

Table 4-14 | Results of Five-year Plan for Slash-and-Burn Farming Regulation Plan

Project	1974	1975	1976	1977	1978	1979
Slash-and-Burn Farm (ha)	10,764.60	24,433.93	47,104.93	16,167.84	7,929.86	819.45
Forestation (ha)	7,772.60	18,680.36	28,385.36	10,968.07	7,547.40	819.45

Source: The Korea Forest Service, *Fifty-Year History*, 1997, p. 434.

Although the forestation from this effort only accounted for 1.3 percent of the total forested area, meaning its economic effect was not significant; it is seen as a great contribution in removing a cause of severe deforestation.

b. Evaluation and Reaction to Policy

Many foreigners who visited Korea prior to the 1970s see the red bald mountains transformed to green mountains today and call it a “miracle.”

The Food and Agriculture Organization (FAO) under the UN, in 1982 announced that Korea, Germany, the UK and New Zealand were the four successful cases of forestation and declared that Korea was the only developing country that succeeded in forestation after the Second World War. Also, the book “Plan B 2.0” written by Lester Brown, head of the US Earth Policy Research Institute, claims that “Korea’s forestation was a global success and we, too, can do it for the Earth.” In 2008, UNEP Secretary-General Achim Steiner at the 10th RAMSAR General Assembly said, “Korea’s forestation is a pride of the world.”

109. The Korea Forest Service, *Fifty-Year History*, 1997, pp.432-433.

110. This plan was directed by President Park in 1973 while he was on a site visit of a planned site for Youngdong Expressway between Saemal and Daekwanryeong. “Pursue the project with a good plan by stage, but expedite places with steep hills and centrally establish guidance for provinces and take care for after-project administration and livelihoods for the farmers.”

111. The Korea Forest Service, *op. cit.*, p.433.

The following statistic shows President Park's contribution to forestation. According to forestry statistics in 1984, 84 percent of all trees in South Korea were under 20 years old; this means that more than eight in ten were planted during President Park's administration. Korea's forestation project is a successful example of foresting bald mountains into green in a relatively short time.

2.3.3. Policy Implementation Procedure and Success Factor Analysis

a. Policy Implementation Procedure

a) Policy Implementation Step

President Park's initiation of the forestation program traces back to enactment of the Forestry Law in 1961. In 1963 construction began and in 1965, a project to move slash-and-burn farmers began, withdrawing 400,000 such farmers from the mountains. In 1967 the Forestry Office was established to build the foundation for forestation. At this point the focus was on eliminating the bald mountains that could cause landslides while simultaneously solving the fuel problem. Then, in 1973, with the implementation of the first Ten-Year plan for Forestation, first, fast-growing trees were planted and then fertilizing trees were planted to speed-up forestation. Although there was opposition to the fertilizing trees, this "expedited" forestation policy solved the urgent fuel problem and improved hard soil to make it better for trees. In 1977, the first Saturday of November was designated as "Tree Growing Day,"¹¹² from President Park's order to check in the fall on trees and that trees are planted on the Arbor Day. As the first ten-year plan achieved its results four years earlier than expected, the second ten-year plan developed plans such as a long-term forestry use plan, economic forest, native species development and development of foreign forestry resources.

112. President Park was so interested in forestry that he ordered a development of "forestation fertilizer." He said that trees on the mountain would grow better with fertilizer. However, if regular fertilizer was sent to farming communities, it would likely be used for agriculture, so on July 6, 1976 he ordered his office to try to develop fertilizer exclusively for trees. He even set the standard that it needs to seep out slowly. Eventually, a complex fertilizer for forestry was invented. This was hard due to added mud and was developed by "Gyeonggi Chemicals" and "Pungnong." The government purchased all of this fertilizer and distributed it for free to villages. The fertilizing chemical seeped out slowly over two years, making it inappropriate for regular agriculture. Lee, Kyeong Joo and Kim, Eui Chul (2011), p.296.

President Park’s forestation program can be divided into three stages. The first stage was from 1967 to 1972, focusing on recovering deforestation damages before forestation began in earnest. The second stage was 1973 to 1978, the years of the first ten-year plan and was the expedited forestation period of the entire country. The third and final stage was 1979 to 1987, when the second ten-year plan pursued complete forestation.¹¹³

Table 4-15 | Forestation Progress

Type	Policy	Content
Pre-Forestation (1967~1972)	Recover from deforestation	<ul style="list-style-type: none"> · Establish the Korea Forest Service · Large-scale forest · Construction on water level and deltas · Develop foreign forests * First National Park in Jirisan designated (1967)
First Forestation (1973~1978)	Expedited forestation of the country	<ul style="list-style-type: none"> · First Ten-Year Forestation Plan established · Focus on fast-growing trees · Finished project on slash-and-burn farming · Construction in Young-Il District * Tree-Growing Day Designated (Oct 25, 1977)
Second Forestation (1979~1987)	Complete forestation	<ul style="list-style-type: none"> · Second Ten-Year Forestation Plan established · Economic forestation · Pursued forestry protection

Source: National Archives of Korea.

A detailed look at each stage follows. In the first stage (1967~1972), the policy focus was on recovery of abandoned land. In 1967, the Forestry Bureau under the Ministry of Agriculture and Forestry was re-organized independently as the Korea Forest Office. The government, along with establishment of the Korea Forest Office, set “large-complex forestation” as the basic direction of forestation policy. Large-complex forestation was composed of 14 selected areas that (1) had a high percentage of abandoned land, (2) did not overlap with other industries and (3) had a significant preservation need. Large-complex forestation also included creating 815,000ha of national forest and 2,385,000ha of civil forest, a total of 3,200,000ha. This plan was divided into the short-term five-year plan (1970~1974) and a long-term thirty year plan (1975~2004). However, as the first Ten-Year Forestation Plan was begun in 1973, it was in reality, only carried out for three short years from 1970 to 1972.

113. 1979 is a meaningful year in Korea’s forestation history. It is the year that the first Ten-Year plan was completed four years earlier than expected and the second ten-year plan was begun. However, because President Park died in 1979, he could not complete his intended forestation.

The second stage (1973~1978) was the era when forestation was being carried out in earnest. The first Ten-Year Plan focused on (1) fast-growing trees, (2) riverbank forestation, (3) a strong forestry protection system and (4) ending slash-and-burn farming. In 1973, the Korea Forest Office was transferred to the Ministry of Home Affairs, which oversaw all regional administration, each province having a Forestry Bureau and each municipality having a Forestry Section. This was to strengthen the administrations power over forestation, transforming the inconsistent policies of the past. The Ten-Year Plan from 1973 was pursued consistently, with the goal of complete forestation, with the basic directions of national forestation, economic forestation and fast-growing trees. The object of this plan was to make 1 million ha of forest composed of fruit, fast-growing fuel-wood and long-term trees and to standardize and simplify the current 42 species of trees into ten. As previously mentioned, this was finished in 1978, four years earlier than planned, because 108 percent of the goal was achieved.

In the third stage (1979~1987), during which the second forestation policy was pursued, the policy direction changed to building the foundation for forestry management. If the first ten-year plan focused on slash-and-burn farming, fast-growing trees, riverbanks and protection, then the second ten-year plan focused on economic forestation. In this stage, focus was placed on forestry management, such as (1) establishment of long-term use plans, (2) making large-complex economic forests, (3) long-term lumber supply plan and (4) expansion of foreign lumber resources.¹¹⁴

b) Final Report and Evaluation on the Achievements and Process

Forestation progress was briefed to the President by the Interior Minister at meetings such as METRM and necessary orders were given each time. At the February 1973 meeting, there was a slide presentation on forestation and afterwards, President Park gave the following directive:

Looking at the slide from the Ministry of Home Affairs, it's says preservation of the soil, but the terminology is, what, special banks, creating scenic views and so on, but going around the country you would notice, we have good climate, beautiful mountains and so on, but for the past few centuries our ancestors only paid lip service to their protection. Actual effort to preserve the beauty of where you live, I'm sorry to our ancestors, but I think nothing

114. As part of the second ten-year plan, 80 economic forestry complexes were designated and 357,000ha of complexes were made. Due to continued management of natural and man-made forests, economic management was possible and various support projects such as mechanization and education were pursued.

was done (...) This should have already begun by the Ministry of Construction or the Korea Forest Office but it wasn't. So I ordered the Ministry of Home Affairs last year and it's not like some special engineer does it in the mountain valleys like building the Great Wall. Regular civil servants under the Ministry of Home Affairs should go, study, read books and so on and on-site residents there who have no skills come bring hammers, break stones and lay them, of course apply cement, but if you made a little more effort and study, then in a few years we won't have deforestation (...) So the Ministry of Home Affairs should make this all into a book and of course something like that already exists, but consolidate it and distribute not only to the civil servants and regional government officials, but also to institutions like schools. I think such special erosion control knowledge should be provided to agricultural high schools, though it is rather a special case. Frankly speaking, I think such technology should developed in Civil Engineering Departments in universities (...) So print a lot of copies, with necessary data and distribute it to civil servants, regular people and schools and educate them and I think that would be helpful.

President Park had a clear objective and a strong will. He emphasized how significant it was for the Ministry of Home Affairs and the Korea Forest Office to thoroughly research and seek out efficient forestation measures for successful policy implementation. At the time, President Park also made various other suggestions to relevant government agencies for forest preservation. He ordered fireplace improvement projects for rural areas in 1973 and prohibition on fallen leaves in 1975.

In METRM in June of 1976, President Park pointed out that fuel-wood forestry and wild mountain development was not on plan and ordered for site selection and project planning to be improved, with more better consequence management. He also mentioned that it may not be necessary to use foreign money such as IBRD loans on project areas that were not being effective. This shows that President Park had passion, giving timely orders on individual projects such as mountain forestation and foreign loan use. The following is his remarks at the time:

IBRD loans for the Saemaeul Project are for the farming communities, that's the purpose. I can understand small repairs, interim water pipes and telephones, but improving roads and fuel-wood forests (...) This loan has been confirmed (...) So be thorough on oversight and post-project management and from now on, even when we loan money for Saemaeul, fuel-wood forests and

mountain development, I'm not interested and fuel forests tapered off. Like it's a joke. How much money did the government spend in the last ten years for fuel-wood forestry? It wasn't managed properly, unclear, no interest and if it goes wrong we wasted money and foreigners come, and, the management is dog shit from this loan. If this is going to be the case, I want our own budget. I think what will be interesting is interim pipes, small repairs and such, that should be the focus. The same for farming roads. Farmers participate in the Saema-eul Movement and contribute to the policy. That's not calling for foreign loans. It is the same for mountain development. How many meetings did we have last year? What about next year? We failed before, so we need to make sure we don't repeat that by technical training and education beforehand, but did we ever succeed with the mountain development? I don't know who from the IBID (sic) would come to oversee the mountain development, but I think we've done it more and have more experience. The problem is to select a good site, project plan and after-project management improve how civil servants provide oversight and if that's done well, we can be successful. Not doing that is why we failed. Also, these academics, what do they know about mountain development? I think we have more experience with that.

At the March 1977 METRM, the Korea Forest Service gave a special report on erosion control and greening projects. At this special report, the Korea Forest Service briefed on the progress of the first Five-year and on the initial ten-year Erosion Control & Greening Project plans and their way forward. The report consisted of six areas including, forestation, erosion control, development fund management, forest fertilization, slash-and-burn farm arrangement and pest control. President Park Chung-hee commented during the brief, “how about adding Royal Foxglove trees to stand out in the streets?” The Director of the Korea Forest Service answered “We will do that, sir. We will add Royal Foxglove trees along the streets.” As such, President Park’s thoughts or ideas were reflected and executed by policy. In addition, President Park Chung-hee asked, “Was it Jinyang-gun, Gyeongsangnamdo? The area around Jinju has strange soil. There are some trees but, it is like when you get Typhoid and you lose your hair. Director, you have been there, right?” “Yes, sir, I have,” answered the Director of the Korea Forest Service. President Park visited the sites, checking on the progress and improvements of the Erosion Control & Greening Project and expected the Directors to do the same in order to enhance the policy’s efficacy.

Lastly, President Park received briefs on how his guidance during his on-scene visits was implemented and how they were being managed during METRM.

The on-scene confirmation that you have direct last year in Gangwondo and last time at Choongchungbukdo, was made as policy. Eup /myeon and city /gun areas will plan seeds twice a year while city / province plant seeds once a year. During the seeding season, there will be prior inspection based on the guidance provided by Gangwondo Province last year. Relocated houses will be provided with subsistence allowance, being categorized as a general relief group, under the supervision of each district governor.

President Park frequently commented or gave direction on matters even slightly related to forestation that not only came out during the cabinet meetings, economic minister's conference and governors' conference, but also during his on-scene visits through METRM. The Korea Forest Service complied with all of the President's guidance and executed without delay. President Park confirmed the results of his direction through METRM, therefore ensuring everything was completed to perfection.

b. Success Factors and Limitations

a) Success Factors Analysis

The success factors of forestation can be analyzed based on the four factors of policy implementation: 1) idealized policy (intensity of support and the source of the policy) 2) target group (the public's awareness and participation level), 3) implementing organization (the leadership, ability and capacity of the street-level bureaucrats and administrative body) and 4) environmental factors.¹¹⁵

First, in terms of policy, Korea's forestation program owes its success to not only its clear objective, but also the uppermost ruler's consistent interest and support in the process of implementation. As discussed before, Korea's overarching ruler had a strong will to achieve the policy objectives of forestation and for consistent implementation of that policy, therefore, he encouraged the officials, gave direct guidance and checked on the progress of the policy. In terms of personnel, the President named Gyeonggido governor Sohn Su Ik as the Director of the Korea Forest Service, entrusting him to spearhead the operation for five years and eight months. The president strived to encourage and boost morale of all involved

115. Smith. (1973), pp.202-204.

officials or civilians, by making them feel proud of their work. The responsible government officials must have shown more dedication to the project once they realized that they have the trust of the President and that the policy they voted for was being executed under the supervision of the President.¹¹⁶

Additionally, the forestation program had the success factors mentioned by Smith (1973) in the sense that the source of policy was derived from the needs and demands of the society. The late 1950s was the peak of forest depletion in Korean history. Specifically, in 1956, the area that needed restoration was some 686,000ha. This meant that 10 percent of South Korea's forest area had no trees or grass.¹¹⁷

As stated above, behind the success of the forestation program were the power of implementation and leadership of the President, who correctly interpreted national needs and demands. The floods and drought caused by eroded forests decreased food and industrial production because of flooded/damaged roads. People began to deeply understand the significance of the forest as a vital resource for industrial development.

Second, the aspect of the target group is also assessed as a contributor to successful implementation. Smith (1973) defines target group as a group that is required to adapt to the new interacting pattern of policy. The target group of Korea can be said to be the average citizen who have to plant the trees.

The people voluntarily participated in planting and caring for trees. At first, people were mobilized into compulsory labor, but gradually people were paid with relief provisions for their work. They realized that, since it was illegal to gather firewood from the mountains, it was important for towns to collaborate on forming a forest they could all benefit from. Also, people expected that they could earn joint profit from cultivating saplings.¹¹⁸ The government bought the saplings at 'market price'. The pre-condition for forestation was,

116. President Park Chung-hee "did not subjugate the high officials with his authority and treated them like companions of national interest. He entitled them with their work and encouraged them. The president supervised his officials with a horizontal human touch. If their abilities were corroborated, they were allowed to continue their job for a long term. The president's trust was the engine that motivated the elite officials. The former Saemaedul official of the Ministry of Home Affairs wrote in his memoirs, 'Just watching our lands regaining its greenness gave me strength without the need to eat or sleep.' This was possible because [The president] set us in the right direction and boosted our sense of duty and pride with trust and encouragement." Lee, Kyung Jun and Kim, Eui Chul (2011), p.306.

117. Lee, Kyung Jun and Kim, Eui Chul, op. cit. pp. 28-29.

118. In 1948, villages and the Forestry Association were committed to the sapling business. The government purchased the seeds by cash and the people took part in collecting the seeds. Because many people were suffering from starvation, even the children actively participated in this project. Lee, Kyung Jun and Kim, Eui Chul, op. cit. pp. 108-110.

in the basic perception that rural areas needed to secure fuel, that forests for firewood should be formed to sustain a village and saplings would be cultivated by the Saemaedul, the main body that carried out the motto of diligence, self-help and cooperation (Saemaedul Movement).¹¹⁹

The villagers also showed enthusiastic participation in planting trees. Only the households that participated in forming the forest were given the right to collect firewood. Thus, 13-year-old children were sent to work in place of the adults during harvest season. If one or more persons from a household took part in the labor, a gourd bowl of flour was given to each person once the results of forestation became more abundant. Normally, people were given a day's wage. Many people actively chipped in because work and food were hard to come by. [Figure 4-7] shows the work scene of planting trees in Injaegun, Gangwondo in the 1970s. It is said that the workers and villagers all took a sack of good soil from the mountain entrance to use where the seeds were planted and to fill up the hole where the trees were planted.

Figure 4-7 | Planting Trees in the 1970s



Source: Google, <http://www.google.co.kr/search>.

Third, the leadership, capacity of the implementing organization had significant influence in the forestation process. As mentioned above, President Park Chung-hee shuffled the Korea Forest Service in 1973 to be subordinate to the Ministry of Home Affairs in order to enhance the effectiveness of policy management. It is probable that this change allowed

119. Lee, Kyung Jun and Kim, Eui Chul, *op. cit.* p. 233.

the forestation project to be executed in earnest. Then the Minister of Home Affairs Kim Hyun Ok selected forestation and the Saemaeul Movement as the two national projects of the Ministry to concentrate on supporting efforts to fulfill the President's will.¹²⁰

Sohn Soo Ik, the Director of Korea Forest Service, was also known for exercising charismatic leadership. He established an organic collaboration system of related policy efforts and drafted a clear and efficient forestation plan. He strived to boost morale by strictly adhering to on-scene encouragement, enabling many promotion opportunities for the forestry sector and delivering presidential incentives to throughout the chain. Sohn was in office for five years and eight months, from January 16, 1973 to September 10, 1978. This was the period when the initial ten-year forestation plan was in effect and completed. Sohn completed the project in a mere six years and resigned right after the project was completed. Lee Kyung Jun and Kim Eui Chul (2011, pp.323~324) write about Sohn's on-scene inspections as follows:

Sohn made a record 600 hours of helicopter flight during his term. From February 20 to May 14, 1978, Sohn was accompanied by the Forestry Director Kim Yeon Pyo and visited 109 sapling farms, 87 forestation areas and 23 forest erosion prevention sites. They visited 219 sites during 29 days. (...) It seems that no high government official can accomplish a total of 600 flight hours during six years. His passion was admirable. That is not all. Sohn used to carry a graded stick. He used it to size up the saplings, measure the gaps and angle of cutting and planting and he was very meticulous and was furious when the work was not finished properly. He is now a legend regarding Korea's forestation.

120. Minister Kim Hyun Ok frequently visited the Forest Service and received briefs on the progress. As he encouraged the staff, he would joke that 'I am the Forestry minister and Vice Minister Jung Suk Mo is the Public Security minister.' Such devoted interest to the project is assessed to have elevated the forestation program equal with the Saemaeul Movement as the most significant national tasks of the military regime. Minister Kim also installed a police auto-dial phone at the Forest Service. This was a period when the nation's communication infrastructure was severely insufficient that even press companies had only five phone circuits, relying on internal phones to cover any additional needs. Having a phone that could directly connect with another organization amidst such a period was convenience beyond imagination. . You can easily imagine how excited the forestry workers may have been. (...) Minister Kim also dispatched a superintendent of the police department to the Korea Forest Service to take charge of forest law enforcement. He utilized the Home Affairs organizations to the fullest to prevent forest fires. If a large area (more than 100ha) was destroyed by fire, the mayor or the head of gun was to be held responsible. By doing so all government officials and police were mobilized in early fire fighting. Forest pests were a menace since the 1970s and pest prevention focused on pine moth, pine leaf blackfly, alder leaf beetle and fall webworm. Lee, Kyung Jun and Kim, Eui Chul, op. cit. pp. 224-226.

The forest government officials also contributed to the successful management of the forestation program.¹²¹ Forestation required constant management, besides simply planting the trees. Tree inspection was introduced for the thorough planning and monitoring of the central government. Tree inspection progressed with checking three times whether the right numbers of trees were planted. It was a means to confirm if the trees planted in spring survived and monitor the management conditions. When the public tree planting period ended (March 21~April 20), the forest government officials reported the number of planted trees. Later, each city and gun forestry section performed inspections. Then inspections were conducted by each province, which ensured that there was no corruption or distortion in reports. By dispatching inspectors from other districts within the province to neighboring districts, further control was exercised. The three-phased tree inspection not only confirmed whether the planned number of trees were planted but also exponentially increased their survivability.¹²²

There are three key factors that led to success. First is the survival rate. The government officials' performance appraisals were based on the tree survival rate, therefore, it prevented the government officials from being lazy and upheld a sense of duty. The inspection policy is an excellent example of the effective accomplishments of the governance based on President Park's "5 percent orders, 95 percent confirmation" philosophy.¹²³ Next is the fact that the President frequently gave the government workers incentives during his site visits. Third is the effective management of personnel to keep the working morale high. For example, with the Forest Service being aligned with the Home Affairs Ministry, forestry divisions and branches were newly established in each province and district, followed by mass promotion of forestry civil servants.

121. Tree inspection is known to be the idea of Home Affairs Minister Kim Hyun Ok. After the spring forestation work, each district reported on the completed workload and many inspection teams went to the sites to conduct inspections. This was an inspection system to prevent poor or false reports. Lee, Kyung Jun and Kim, Eui Chul, op. cit. p. 226.

122. The result of the national inspection in 1979 shows that 19,000ha, which is about 10% of the total 189,394ha forest area was surveyed. Out of the 307 million trees nation-wide, 29 million trees were inspected and showed an impressive average survival rate of 90%. The Korea Forest Service, *Sanlimji (Forest)*, December, 1979.

123. "He was a President who toured the sites and confirmed decisions on plans after site visits. While President Park Chung-hee was the artillery division commander, 3rd Corps, he told his subordinate officers 'you cannot achieve anything by working with your ears and mouth. Work with your legs and eyes. Orders are 5 percent, supervising and confirming are 95 percent of the job.' Lee, Kyung Jun and Kim, Eui Chul, 'Park Jung Hee's Miracle: From Denuded Mountains to Spectacular Scenery', 2011, Seoul: Key Figures of the Nation's Modernization p. 106.

Lastly, numerous environmental factors of the time contributed to the programs success. In the initial phase, despite the shortage of food and low incomes, there was abundant labor available that was relatively easy to mobilize. It was possible to attract the people's active participation by linking the Saemaeul Movement's diligence, self-help and cooperation principles with forestation projects. Forest activities per community were invigorated and the policy to synch the number of trees per town with the town residents also played a major role. The Saemaeul Movement's 'wealth community for all' slogan that bolstered the public's sense of community, coupled with the public's consensus on the need for forests was successful. In the later phase, as alternative fuels such as coal were supplied along with economic development, firewood collection decreased. The agricultural population in the rural areas also declined, eliminating the human factors of artificial destruction of the forest. Also, the wide geographic distribution of mountainous regions and diversity of life had a positive effect.

b) Limitations

Despite the success of forestation, there were bumps along the way. First, there was no diversity of trees when establishing the economic forest project, limiting the project to a standard configuration without highlighting the uniqueness of each areas and sites. Second, residents living in greenbelt areas could not exercise their private property rights. Third, because the slash-and-burn farm arrangement project¹²⁴ was executed without thorough planning and within a short period time, thousands of households that were relocated to the hills could not adjust to their new life and resorted to day labor, job producing projects and suffered from not being able to own land.

2.3.4. Implications

During his 18 years in office, the success of the forestation project, which the former President Park Chung-hee continuously displayed strong will and passion about, allowed more trees to grow, thereby furthermore preventing mud slides, floods, and drought damage. This helped to expand harvest quantity to a considerable degree. Especially, forming forests is the most definite solution to the recent problems with global warming, and this adds to praise value to the forestation project.

124. Fast "Slash-and-Burn Farmers Relocation," 400,000 Won provided to each household, without test period? *Chosun Ilbo*, May 5, 1974, p. 7.

3. Policy Implementation of EPEM¹²⁵

3.1. Expansion-oriented Export Promotion Policy

3.1.1. Background and Significance of the Policy

The role of export in the development process of a nation's economy can normally be explained in two aspects. One explanation takes an approach on improving balance of payment and the other perceives exports as a growth engine.¹²⁶ In the perspective of the first explanation, exports ① reduce current balance deficits, ② provide the demand for foreign currency needed for economic development investment or ③ enhance foreign loan's ability to repay principal and interest. Also, exports can also promote the lagging domestic industrial structure to become a higher value added industry based on the demand of foreign export markets.

The Korean government, during the initial industrialization period of the 1960s, fervently pushed forward an export expansion policy. The military regime started with a Five-year economy development plan, which reflected its strong will for high growth. In order to achieve this objective, the government needed to secure mass investment sources. The military regime sought to procure these sources via foreign aid and exports.

However, after the late 1950s, the U.S. government changed its aid policy from grant-type aid to development loans. The U.S. became uncooperative in granting development loans because of its skepticism towards the Korean government's high growth-focused economic development plan¹²⁷. In addition, as a part of the regime's ambitious economic development policy, the government initially heavily invested on exhibitive and unrealistic

125. As discussed in Chapter 1 introduction: Significance and Roles of METRM and EPEM and Chapter 3 Operation Structure and Contents of EPEM, the purpose of establishment of EPEM is simple and clear: "export increase" and the actual operation was not so far from the key objectives. Thus, other independent policy case apart from "export promotion policy" was not found. Micro level export promotion policies may be distinguished from macro level one, but in this case they had limitations on that they would end up as a simple description on the changes of fragmented functional systems for promoting export instead of an explanation of the policy comprised up "goals and means." One relieving thing is that by reviewing the EPEM transcript, it can be found that the policy focus had changed over time depending on the domestic and international economic conditions. Thus, this research differentiates the export promotion policy in the industrialization era into three periods that show distinctive features.

126. Kang et al. (2008).

127. In 1962, although the planned amount of loans was appropriated as 50 million USD, the actual loan granted was 6 million USD (16 percent of the planned number) and in 1963, 43 million USD, roughly half of the planned loan, was implemented (Ministry of Finance, 1991).

businesses such as the domestic production of automobiles, contributing to a foreign currency crisis,¹²⁸ that made the government enforce multilateral export inducement measures to mend for the foreign currency deficit.¹²⁹

In 1963, to boost exports, the Korean government implemented the import-export link system, which bestowed preferential incentives to exporting companies.¹³⁰ However, the earnest export promotion policy was exchange rate reformation in 1964. The government shifted from the traditional multiple exchange rate to the unitary fluctuation foreign exchange system in May 1964, doubling the original 1 USD=130 KRW to 1 USD=255 KRW. It seems reasonable to conclude that the export promotion policy of this period was more of a means to expand foreign currency and improve the balance of payment under a foreign currency deprived situation, rather than a means to actively elevate the industrial structure¹³¹ This is supported by the fact that the main export goods of Korea of the time were agricultural products such as rice and mineral products such as iron and tungsten,¹³² and that there were no policy means to stimulate the export of industrial goods.

It can be said that the utilization of the export promotion policy as a means of export-oriented industrialization began after 1964~65, when the means of inducing exports changed. In the process of implementing the first Five-year Economic Development Plan, exports of industrial goods grew in an unanticipated rapid pace. The government had a new perspective towards exports and shifted from a simple trade policy standpoint to an industrial policy viewpoint.¹³³

128. Since 1956, foreign reserves flowed at an increasing rate until February, 1962, when it peaked to 2,139.5 million USD and then started decreasing. In August, it fell to 1,790.9 million USD and in late September, 1963, foreign reserves hit 1,700 million USD (Korea Trade Association).

129. Kang *et al.* (2008).

130. The import link system initiated on January 1, 1963, gave trading companies the right to use export price in its entirety on importing. Such import right can be ceded, and was transacted with premium in the market, making it a type of privilege to trading companies (Go 2008).

131. Kang *et al.* (2008).

132. According to the Commerce-Industry Ministry's "Statistical Data on Five-year Export Plan and Export Promotion Methods (1)", of the 102 million USD as Korea's 1961 planned export, agricultural and mineral products made up 73.2% (75 million USD). (Refer to Kang *et al.* (2008))

133. Kang *et al.* (2008).

3.1.2. Outputs and Outcomes

a. Exceeded Export Objectives Achievement

Korea achieved an awesome export promotion outcome in the initial phase of industrialization. This was fueled by the government's expansion-oriented export promotion policy and is well documented in the pages of Korea's economic history. Through the expansion-oriented export promotion policy, Korea saw unprecedented quantitative increases in exports and imports. As seen in <Table 4-16>, export and import grew conspicuously during the first Five-year Economic Development Plan, during the early stage of industrialization. While the GDP grew 180 percent from 23 million USD in 1962 to 81 million USD in 1967, exports increased 580 percent from 54.8 million USD to 320.2 million USD and imports displayed 240 percent growth from 421.8 million USD to 996.2 million USD. This shows that exports and imports increased more rapidly compared to GDP growth.

Table 4-16 | GDP, Import and Export Growth in the Initial Phase of Industrialization

(Unit: million USD)

Year	1962 (A)	1963	1964	1965	1966	1967 (B)	B/A
GDP	2,300	2,700	2,900	3,000	3,600	4,200	1.8
Export	54.8	86.8	119.1	175.1	250.3	320.2	5.8
Import	421.8	560.3	404.4	463.4	716.4	996.2	2.4

Source: Bank of Korea's economy statistics system (<http://ecos.bok.or.kr>), Go, Young Sun (2008).

Exceeding export objectives continued during President Park Chung-hee's term. As seen in <Table 4-17>, the annual average increase rate of export goals reflected in the first – fourth Five-year Plan shows exceptionally high goal increases such as 17.9 percent in the first plan period (1962~66), 16.4 percent in the second plan period (1967~71), 22.0 percent in the third Plan period (1972~76) and 14.5 percent in the fourth Plan period (1977~81). What is significant, in the same period, not only did the actual exports exceed the set export goals, but the annual average increase rates were also shockingly impressive: 46.7 percent during the first plan period (1962~66), 35.6 percent in the second plan period, 46.9 percent in the third Plan period and 20.1 percent in the fourth Plan period.

Table 4-17 | Export Goals and Actual Exports during the Park Chung-hee Administration

(Unit: million USD)

		First Year	Second Year	Third Year	Fourth Year	Fifth Year	Annual Average Increase Rate
First Plan	Year	1962	1963	1964	1965	1966	
	Goal (a)	60.9	71.7	84.1	105.6	117.5	17.9
	Actual (b)	54.8	86.8	119.1	175.1	253.7	46.7
	b/a (times)	0.9	1.2	1.4	1.7	1.9	-
Second Plan	Year	1967	1968	1969	1970	1971	
	Goal (c)	300.0	360.0	420.0	480	550.0	16.4
	Actual (d)	335.0	486.0	658.0	882.0	1,132.0	35.6
	b/a (times)	1.1	1.4	1.6	1.8	2.1	-
Third Plan	Year	1972	1973	1974	1975	1976	
	Goal (e)	1,584.0	2,027.0	2,493.0	2,975.0	3,510.0	22.0
	Actual (f)	1,807.0	3,271.0	4,515.0	5,003.0	7,815.0	46.9
	b/a (times)	1.2	1.6	1.8	1.7	2.2	-
Fourth Plan	Year	1977	1978	1979	1980	1981	
	Goal (g)	8,248.0	9,692.0	11,194.0	12,705.0	14,165.0	14.5
	Actual (h)	10,047.0	12,711.0	14,705.0	17,214.0	20,881.0	20.1
	b/a (times)	1.2	1.3	1.3	1.4	1.5	-

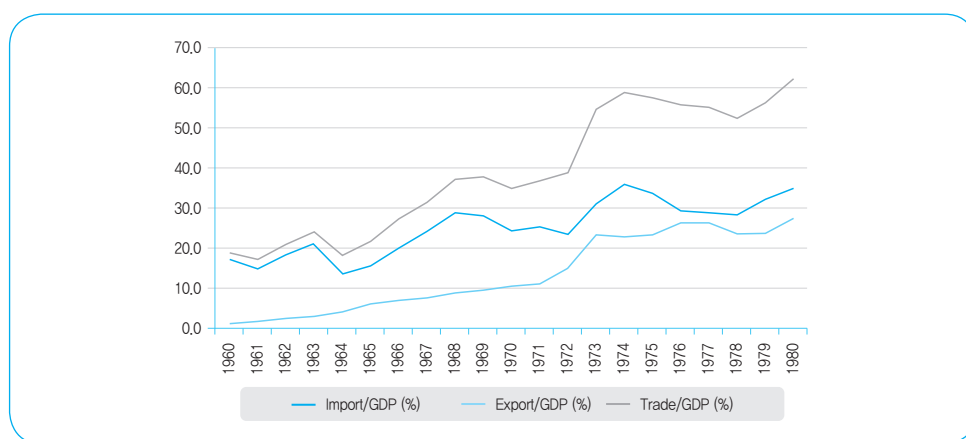
Source: Kang *et al.* (2008), *The Policy-Decision Making System during the Rapid Economic Growth in Korea: Economic Planning Board and Inter-Ministerial Committees*, Korea Development Institute.

Setting such audacious export goals and achieving such excessive export records can certainly be the result of policy and organizational efforts that exceed natural social phenomenon. While the Economic Planning Board, launched as the agency for economic

development, tended to maximize export targets as the growth engine and reflect them on the Five year plan, the export outcome far-exceeded those targets year by year.¹³⁴

This fast-paced increase of imports and exports continued for a decade, and, compared to GDP growth, the ratio did not dwindle except for a few years following the 1973 Oil Shock. [Figure 4-8] shows that the export to GDP ratio was only 2~3 percent in 1962, but leaped to almost 30 percent in the 1980s. The import to GDP ratio flourished from 18 percent in 1962 to 35 percent in the 1980s, making the whole trade scale to GDP ratio overpass 60 percent. It can be deduced that the speedy growth of trade enabled Korea to grow out of a narrow, domestic circulation-reliant market and start an outward-focused economic development strategy with the vast export market as its basis for growth.

Figure 4-8 | Proportion of Export and Import in National Income (1960~1980)



Source: Bank of Korea Economic Statistics (<http://ecos.bok.or.kr>).

134. Depending on the scholar, some assert negative opinions to the evaluations that view the export outcome during the 1960s and 1970 as successful. Their arguments are based on the fact that export records did not reach the target set by the Ministry of Commerce and Industry during EPEM. In fact, Korea's export records did not reach the export goals set by the Ministry of Commerce and Industry and the President pointed it out and encouraged them. Nonetheless, the export records always exceeded the goal set as part of the five-year economic development plan imposed by EPB for the total amount of export. Moreover, it is inappropriate to evaluate a policy as a failure merely by focusing on not reaching the audaciously set goals. It is implied in President Park Chung-hee's comment during the January EPEM in 1971 that the Ministry of Commerce and Industry's goal was focused more on challenging than realistic numbers. He said "I originally planned to talk to the Ministry of Commerce and Industry to set the export goal to 1.5 billion USD but I decided not to because of the stability plans and so on. However, if the Ministry sets the goal to 1.5 billion US and push it through, we can easily reach 1.35 billion USD. If we set it as 1.35 billion USD, then we will be trapped in the idea that we reached 100% of the goal set, which I do not want." Thus, by evaluating Korean export policies simply by whether it reached the audacious export goals set by the Ministry of Commerce and Industry, the contribution of export in economic growth at a macro-level perspective seems to be less applicable.

b. Higher Added Value to Export Products

With the quantitative surge of export, the export product structure was quickly reformed to a higher value added, technology intensive, industrial goods centered structure. Around the time the first Five-year economic development plan was launched by the military regime, the main export goods were minerals such as iron and tungsten, marine products like squid and agricultural products like rice. It seems an inevitable choice for the Korean government immediately after the Korean War (1950~1953), to attain foreign currency in an economic situation where most of the country's industrial infrastructure was destroyed and having no specialized export product. Fortunately, the export promotion policy directed by the strong leadership of the President under the first Five-year Economic Development Plan, enabled rapid growth in exports, while having the export goods structure based on light industry with a high foreign exchange earning rate.

Table 4-18 | Trends in the Second Economic Plan by Export Goals by Industry

(Unit: percent)

		1967	1968	1969	1970	1971
Agriculture		9.5	8.0	7.0	6.3	5.7
Marines		17.9	18.4	18.2	17.3	16.8
Mines		9.6	8.0	7.1	6.3	5.9
Industrial Goods		63.0	65.6	67.7	70.1	71.6
Planned Amount	Million USD	300	360	420	490	550
	Compared to Previous year (percent)	-	20.0	16.7	16.7	12.2

Source: Ministry of Commerce and Industry, "40 Years of Trade Promotion—The Process and Policies (1988)."

The government strengthened its manufacturing-based export promotion policy with confidence in its potential to export manufactured and processed products. Consequently, Korea's export industry's structure shifted to a manufacturing based structure. <Table 4-18> illustrates the export plan reflected in the second economic development plan. During this period, the plan sets out to start from 300 million USD, acquire an annual average growth rate of 16.7 percent and reach 550 million USD in the target year of 1971. Looking into the export target for each industry, in 1967, agriculture, marine products and minerals represent 9.5 percent, 17.9 percent and 9.6 percent respectively. These industries planned to be annually downsized, and in the plan's termination year of 1971, their coverage fell

to 5.7 percent, 16.8 percent, and 5.9 percent respectively. Meanwhile, export of industrial goods were planned to be gradually expanded, and the plan was to increase the 63 percent coverage of export in 1967 was planned to be increased to 71.6 percent in 1971.

Table 4-19 | Top Ten Export Products' Export Amount Ratio

(Unit: Total Export to Ratio, percent)

Rank	1961		1970		1980		1990	
	Item	Ratio	Item	Ratio	Item	Ratio	Item	Ratio
1	Iron	13.0	Textile	40.8	Textile	28.6	Electronics	27.4
2	Tungsten	12.6	Plywood	11.0	Electronics	11.4	Textile	22.6
3	Silk	6.7	Wigs	10.8	Steel goods	10.6	Shoe	6.6
4	Anthracite	5.8	Minerals	5.9	Shoes	5.2	Steel goods	6.5
5	Squid	5.5	Electronics	3.5	Ship	3.5	Ships	4.3
6	Fish	4.5	Crackers	2.3	PVC	3.3	Chemical	3.6
7	Graphite	4.2	Shoes	2.1	Metal goods	2.5	Automobile	3.3
8	Plywood	3.3	Cigarette	1.6	Plywood	2.0	Machinery	2.7
9	Rice	3.3	Steel goods	1.5	Marine	2.0	Marine	2.3
10	Bristle	3.0	Metal goods	1.5	Electronics	1.9	PVC	2.0
Total		62.0		77.1		71.0		81.3

Source: Go, Young Sun, "The Past, Present and Future of the Growth of the Korean Economy and the Role of Government", *60 Years of Korean Economy*, KDI, 2008.

The government empowered its support to cultivating export industries aiming at markets overseas. As a result, exports of industrial goods surged. <Table 4-19> shows the changes of the top ten export goods for every ten years since 1961, a year before the implementation of the first Five-year Economic Development Plan. Exports in 1961 were comprised of minerals such as iron, tungsten, anthracite and graphite that accounted for 35.3 percent, in addition to silk, squid, fish and agricultural products like rice. Yet, after ten years, while the second Five-year Economic Development Plan was in effect, light industry products such as textile, plywood, wigs and shoes represented over 70 percent of exports, meaning that export goods were shifting to a relatively high value added industrial goods-oriented structure.

c. The Enhancement of the Industrial Structure

The expansion-oriented export promotion policy led the upgrade of the industrial structure and acted as a sustainable growth engine. The policy played its part to the fullest as a continued growth engine that stimulates the transition of domestic industries to value-added industries by overcoming the limits of an extremely weak domestic market by expanding total demand via exports on one hand, and encouraging investment in the facilities of the prospective industries targeting the export market. The trend of upgrading export goods to value added products persisted through the 80s and 90s, and, in the long term, led Korea's industry policy to be reformed into a technology and labor intensive industrial structure.

In the process of executing the heavy chemical industrialization policy in the early and mid-1970s, Korea did face a transitional inefficiency and difficulty with numerous idle facilities born by overinvestment. Despite this, technology intensive industrial goods that received concentrated investment such as electrical devices, electronics, shipbuilding and automobiles later rose to be the main exports of Korea. Encountering ebbs and flows influenced by the world economic and trade environment, these industries nevertheless maintained their growth, owing their success to investment in industrial facilities.

3.1.3. Policy Implementation System

a. Strengthening Government Support System on Export Activities

The initial expansion-oriented export promotion policy was based on the financial, administrative and budget support systems for export activities. An approval system for entering trade was introduced offering export promotion compensation and trade finance subsidies to trading companies based on their performance. Meanwhile, an export-import link system was introduced to grant preferential export rights in accordance with a companies export performance. The government maintained most of its export promotion policy in place throughout the 1960s and strengthened the support to export industries after the mid-1960s. The widespread perception that in order to activate export of industrial goods government subsidies were required to make investments to replace old facilities and increase productivity, thereby enhancing the competitiveness of industrial goods are as important as short-term financial support was modified. The new perception became that the export promotion policy should not be limited to simply providing incentives for expanding exports, but should actually foster the export industry.

Table 4-20 | Major Export Support Policies in the 1950s and 1960s

		1950s		Early 1960s	
Export/Import Link System		- Preferential foreign exchange policy - 'Export dollar' incentives	51.5-55.8 55.8-61.5	- Export/Import Link System	63.1~65.3
Budget Support	Export promotion incentive	- Export Promotion Compensation Provision Policy	54, 60	- Export Promotion Compensation Provision Policy	60.8~65.3
	Domestic tax support	- Commodity tax exemption	50.4~	- Commodity tax exemption - Income/corporate tax reduction policy - Operation tax reduction policy	50.4~ 61.1~72.12 62.1~
	Tariff support	- Import tariff exemption on raw material for exporting	59.10~	- Import tariff exemption on raw material for exporting - Import tariff exemption on capital goods for exporting	59.10~75.6 64.3~73.12
Financial Support	Short-term	- Trade finance (cargo, shipment finance) - Export promotion loan policy	50.6~61.2 59.11~	- Export Financing - Export Promotion Fund Loan System - Foreign Currency Quoted Loan - Tax Exemption & Return of Raw Materials for Export Import Finance - Export Industry Fund - Export Issuance	61.2~ 59.11~ 62.9~ 63~ 64.7~69.9 64~
	Mid-term			- Budget for transition medium to small companies to export industries	64.2~
Etc.	Apply export records	- Trade business approval and maintaining qualification - Government foreign exchange short sale - Apply export records in export competition	50.2~Not applied 53.1~	- Trade business approval and maintaining qualification - Government foreign exchange short sale - Apply export records in export competition	50. 2~Not applied 53.1~
	Etc.	Railroad usage discount	58.3~	Railroad usage discount	58.3~

Source: Kang *et al.* (2008), *The Policy-Decision Making System during the Rapid Economic Growth in Korea: Economic Planning Board and Inter-Ministerial Committees*, Korea Development Institute.

<Table 4-20> summarizes that in 1964 the Korean government systematized preferential finance such as the Export Industry Fostering Fund, export usance, and the Medium and Small Corporations' Export Industry Transition Fund, and systematically introduced tariff alleviations for importing export capital goods while rescinding the traditional export-import link system and the Export Promotion Compensation and Trade Finance System (1965). This marked the systematic framework being established to actively foster the export industry, deviating from the system that simply provided monetary incentives.

b. Audacious Export Objectives and Comprehensive Support Initiation

a) Selecting Audacious Export Objectives

Export plans devised during the Park Chung-hee administration can be categorized as follows: (1) the export plan (mid-term plan) included in the Five-year Economic Development Plan, (2) the annual plan (short-term plan) that is adjusted every year reflecting changing conditions that the Five-year plan did not anticipate and (3) the long-term export plan,¹³⁵ that was written for a specific period separate from the Five-year plan.¹³⁶

The long-term export plan cannot be assessed as a plan drafted adopting a systematic format, but it is regarded as a plan that reflected the president's tenacity to set forth a long-term economic development vision and goal, uniting the full capacity of the nation. The report of the Ministry of Commerce and Industry at the Export Promotion Expansion Meeting held in November 1972, states that President Park Chung-hee had a strong will to accomplish 10 billion USD in exports. At the Export Promotion Expansion Meeting held later in December, the 10 billion dollar export plan was briefed.

135. There were two long-term export plans devised during the Park Chung-hee administration. The first plan (1971-1980) set a goal to increase 1971's export record of 1.312 billion USD to reach 5.356 billion USD by the target year, 1980. The second plan was called the "10 billion dollar export plan (1973-1980)" and was introduced in the end of 1972. This plan was written with the viewpoint that reaching 10 billion USD in exports was the gateway to prosperity and aimed to highlight that exporting is 'the 1970s administration's firm policy' (Kang *et al.*, 2008).

136. Kang *et al.* [2008].

**Minister
of Commerce
and Industry**

Up to the last (9th) meeting, we have reported on the basis of 1.75 billion USD as the standard of this year's export target. However, from today, as this is the first year of the ten year goal for achieving 10 billion USD exports, we will brief the annual export target standard as 1.8 billion USD (...) In order to achieve the 10 billion dollar export target by 1980, each class and sector of the society including the government and scientists are combining our wisdom. We will complete this process before the end of this year and brief you on a more detailed plan.

Transcript of the 10th Export Promotion Expansion Meeting (November 27th, 1972).

**Undersecretary,
Ministry
of Commerce
and Industry**

Mr. President, you gave us a detailed idea of your concerns and philosophy about exports during your commendation speech at the 9th meeting. (...) We will establish a system to achieve the 10 billion USD goal in exports and push forward next year's comprehensive export promotion plan based on your priorities and the guidance of the administration. First and foremost, I will brief on the 10 billion USD export plan.

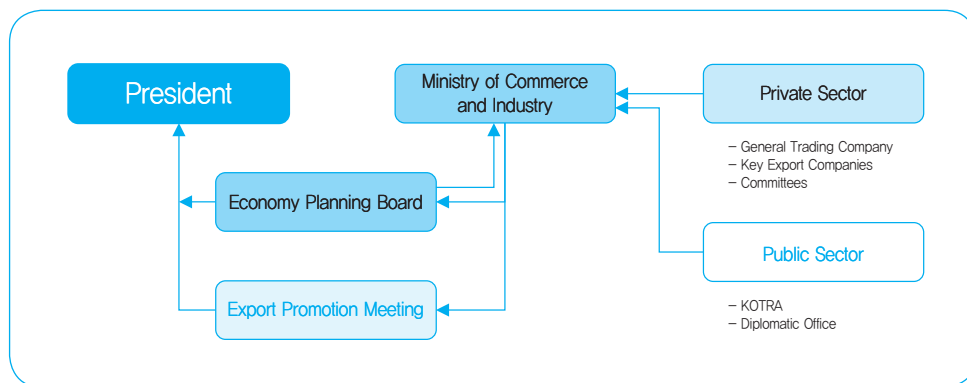
Transcript of the 11th Export Promotion Expansion Meeting (December 28th, 1972).

While the long-term export plan plays the role of identifying the export objective, it also outlines the necessary policy efforts.¹³⁷ To unify the public's capacity, the mid to long-term export plan also plays a role in introducing a future vision of what may come when Korea achieves its long-term export goal.

137. December 28, 1972, the long-term plan the Commerce-Industry Ministry reported to the Export Promotion Meeting analyzed the external trade conditions in order to gain 10 billion USD exports by 1980, and set the annual export target amount which increases the annual average 24% (1973 : 2.35 billion / 1976 : 4.6 billion / 1980 : 10 billion), and an annual export target for main industrial goods such as electronics, shipbuilding, and metal products, under the goal to expand the portion of industrial goods from 88% in 1972 to 93% in 1980. Moreover, the ministry also set forth its future vision based on the forecast that if 10 billion USD exports by 1980 is achieved, reliance on exports will increase to 31.1% of GNP, thereby making Korea's international standing 17th in export size, making up 1.4% of international exports. It also suggested some policy tasks such as export industrialization of all industries, high performance and production of quality finished goods, selling at the proper price, full national participation in exporting, investing all available resources to export industries, expansion of investment to export industries and globalization of export support systems.

Plans concluded after more systematic review and adjustments on export targets per industrial sector can be considered as mid-term plans as a part of the Five-year Economic Development Plan. Drafting an export plan generally involves three phases. First, if the necessary export amount is determined based on the total amount contained in the plan drafted by the Economic Planning Board, the Ministry of Commerce and Industry should create an export plan proposal reflecting the export amounts of each item and each market consistent with policy intent. This proposal is then moved to the Export Promotion Working-Level Meeting to go through review and adjustments on five sectors (agriculture, marines, mines, light industry and heavy industry) to eventually become a final export plan.¹³⁸

Figure 4-9 | Export Goal Decision System



Source: Choi Dong Kyu (1992).

At the Export Promotion Expansion Meeting held in the beginning of each year, the Ministry of Commerce and Industry reviewed the export results of the previous year and reported the plan for this year's exports. This plan included not only the setting of new export goals, but also support measures and project plans needed to meet this goal, reflecting the conditions of the export market for the year. The Ministry of Commerce and Industry as the office of primary responsibility, reported an ambitious plan every year that significantly exceeded the export goal set initially in the mid to long-term plan, but the President always demanded a higher goal.¹³⁹ He was not satisfied with exceeding the export goal each year.

138. Kang *et al.* [2008].

139. Export goals for 1968 were initially set at 470 million dollars when reporting to the Export Promotion Expansion Meeting, but were increased to 500 million at the direction of the President [Choi, Dong Kyu, 1992].

Export was neither a one-time task that could be finished by efforts of a single time period, nor was it something that could be stopped happily once a goal was met. The expansion of exports was a destiny of the Korean economy that had to be maintained in perpetuity.¹⁴⁰

President This year, I went to the Ministry of Commerce and Industry to ask for about 1.5 billion dollars, but I held back this year because of their incessant whining about the stabilization plan and such. But for the Ministry, they should set the goal at about 1.5 billion in order to attain at least 1.35. I hope that they don't have this passive, stubborn attitude that attaining 1.35 represents 100 percent of the goal (...) So what should the government do from now on? The Ministry gave a good briefing on thorough plans for this year, but we need to go further to come up with ideas that can develop this further and speed progress. The private sector needs to make efforts too and although the government will support what it should, the private sector should not be passive; it cannot develop in the future with the complacent thinking that "This is enough" (...)

Transcript of the first Export Promotion Expansion Meeting (January 25, 1971).

b) Focused Pursuit of Holistic Export Promotion Policy

The Holistic Export Promotion Policy that was reported to the Export Promotion Expansion Meeting at the Ministry's annual plan was concerned with the role the private sector corporations needed to play to attain the mid-term export goals and the government support role for it. Reporting this support plan to the meeting communicated the government's changing support policy to the private sector exporters, but also ensured that the government's support could be executed in the field without problems.

The Holistic Export Promotion Policy was first drafted in June of 1964, but afterward was drafted at the end of each year and reported to the final Export Promotion Expansion Meeting. Export promotion support initially began from the point of view of trade balance, but after the drafting of the Ministry's policy, the government's direction turned to a point of view of industry policy, such as a more fundamental increase in the value added of exported goods and increasing international competitiveness.¹⁴¹

140. Choi, Dong Kyu, 1992.

141. Kang, Gwang-ha et al. (2008), *The Policy-Decision Making System during the Rapid Economic Growth in Korea: Economic Planning Board and Inter-Ministerial Committees*, Korea Development Institute.

Table 4-21 | Case Studies of Holistic Export Promotion Policy

1966 Policy		1972 Policy	
Goal	Implementation Plan	Goal	Implementation Plan
① Set conditions and System for Attaining 250 million dollars in Export	<ul style="list-style-type: none"> - Continue holding Export Promotion Expansion Meeting - Continue Export Responsibility System - Reorganize government offices on commerce - Strengthen Bank of Korea's foreign market research function 	① Strengthen Export Industry Competitiveness	<ul style="list-style-type: none"> - Reorganize foundations of export industry - Establish financing system for facility budget - Prevent weakening of corporate resilience - Export participation of domestic industry - Reorganize textile industry structure - Active hosting of direct and joint investment
② Establish Foundation for Export Industry	<ul style="list-style-type: none"> - Grow export production companies - Expand and modernize export industry facilities - Smooth supply of raw materials for export goods - Execute reporting system for export of raw material production companies 	② Improve Foreign Exchange Earning Rate	<ul style="list-style-type: none"> - Encourage domestic raw materials for export - Complete domestic production of parts - Encourage domestic production of electronic parts - Encourage domestic production of ship tools for ocean fishing - Grow weak industries such as dyeing and metal coating
③ Strengthen Financial and Tax Support	<ul style="list-style-type: none"> - Reestablish internal reserves system for export industry facility investment - Exempt business tax for export raw materials - Adjust depreciation timeline - Expand export financing limits - Expand budget for export industries 	③ Increase Variety of Export Market Exploration Strategy	<ul style="list-style-type: none"> - Establish hub for export market (expand visa agreements, establish trade companies, etc) - Increase variety of export market (compensation trade for special areas, expansion of deferred payment trade, etc) - Strengthen support for foreign market expansion - Strengthen sales function

1966 Policy		1972 Policy	
Goal	Implementation Plan	Goal	Implementation Plan
④ Improve Export Trade System	<ul style="list-style-type: none"> - Encourage use of domestic raw materials - Active use of "Local Credit" system 	④ Improve Export Support System	<ul style="list-style-type: none"> - Establish law on guarantee of credit for export industries - Improve deferred payment trade financing system - Continue discount of rail and electric fees - Improve export inspection system
⑤ Explore Foreign Markets and Strengthen Trade Diplomacy	<ul style="list-style-type: none"> - Strengthen trade diplomacy - Strengthen export promotion activities such as expanding KOTRA trade offices - Encourage foreign locations of export union and trade association - Dispatch trade delegations, attend expos and invite foreign buyers 	⑤ Strengthen Export System	<ul style="list-style-type: none"> - Strengthen export responsibility system (By Ministry, Embassy, City, Union, Bank, Industrial Complex and Company) - Establish export orderliness - Reorganize export-related organizations - Export expansion campaign (Fair price, 10 percent reduction of costs, 3H movement, etc)
⑥ Modernize Trade Administration	<ul style="list-style-type: none"> - Liberalize trade and adjust customs rates - Simplify trade procedures 		
⑦ Improve External Credit	<ul style="list-style-type: none"> - Strengthen export inspection system - Prevent over-competition - Improve packaging and design 		

Source: Ministry of Commerce and Industry "Holistic Export Promotion Policy" 1988.

<Table 4-21> is a summary of key points of the policy from 1966 and 1972. From the mid-1960s, it is based on the necessity for growing export industries and offers a direction for expanding facility investment for the companies as well as ensuring a smooth supply of raw materials, while strengthening financial and tax support. However, it is apparent that up to this point, the focus is on quantitative increase of exports, such as the implementation of the export responsibility system and the strengthening of trade diplomacy. This policy in the 1970s developed into a mature industry promotion policy that involves increasing industrial

competitiveness and improving the foreign exchange rate. Looking at the 1972 policy, the emphasis was put on development through increasing the export industry's competitiveness and domestic production and was expanded to implementing a first-rate export support system with credit guarantees, deferred payment systems and export market orderliness.

c. Continuous Monitoring of Results

The most critical role of the Export Promotion Expansion Meeting, in exceeding the annual export goals for the Korean economy that led to export-oriented industrialization, was the continuous monitoring of the results. Although setting of long term goals such as “attain 10 billion dollars in exports by 1980” was set by the political judgment and will of the President, the lower-level goals by industry and year were specified through discussion at the working level among the relevant agencies.

Three factors can be attributed to the successful role of the Export Promotion Expansion Meeting in attaining these export goals. First is that the President personally hosted the meeting each month without fail. The second is the specific gathering of opinions from the private sector and the ensuring of policy transparency through timely decision-making. The third is the implementation of a robust responsibility system measured against specific objectives for export activities, including not only government agencies but also private sector export companies.

a) President's Chair

The setting of export goals is seen as a mix of “top-down” and “bottom-up” methods. The President resolved that “export is the only way for us to live,” and set ambitious long-term goals¹⁴² and these long-term goals were further presented as annual specific goals by industry that had been discussed by working level civil officers of relevant agencies holding their Export Promotion Working Level Meeting.¹⁴³ Each annual export goal, would be painstakingly reviewed each month, with the President hosting the Export Promotion Expansion Meeting in order to review the goals, check the performance, encourage the meeting of the goals and provide timely feedback to resolve problems and then review how that feedback was met in the next meeting.

142. On January 30, 1972, President Park, Chung-hee explained the background and the vision of the “10 billion dollars” goal at the very first Export Promotion Expansion Meeting, saying that “[...] By the early 1980s, we should have 10 billion dollars in exports; the 30 million people in our nation should come together for this. Let's raise per-capita GDP to the one thousand dollar level. There are first-world countries today that are already at 2, 3, 4 thousand dollars, but let's get to 1,000 as an interim goal [Records of the Export Promotion Expansion Meeting, January 30, 1973].”

143. Kang *et al.* [2008].

For 15 years, the President ensured the authority of the Export Promotion Expansion Meeting by attending it almost without fail. From the first meeting in 1965 until 1979, the President attended every monthly meeting with the exception of five meetings (3 times in April, May and October of 1967; once in April 1972 and once in April 1976). The President's attendance in each monthly meeting was seen as a commitment of his interest and resolve on export. Export goals set at the meeting attended by the supreme leader had authority as national agenda and thus the various government support policies required for attaining these goals could also gain legitimacy.¹⁴⁴

Chair of Trade Association There are rumors that because exports are going well these days, the government support will be rolled back, such as adjusting the exchange rate or raising the export interest rate and similar. However, considering the influence of exports on the national economy and the importance of attaining national goals, we believe that we are now at a stage where there cannot be a single step back in export promotion policy.

President Next, Chairman Park from the Trade Association seems to be expressing his concern about rumors of trade support measures being rolled back. I do not think we are yet at a stage where the government should roll back or change export support policies. The government agrees and is arguing that it is not yet such a time. I want you to believe and be assured that these actions will not occur and you should continue your work.

Transcript of the 7th Export Promotion Expansion Meeting (August 29, 1973).

Also, the President reviewed the progress of policies ordered at the previous meetings, for examples or nations with poor export results and searched for strategies to respond to the changing market. He also suggested ideas or gave directions for complaints or differing opinions on the government's policy or report.

144. *Ibid.*

President Listening to the briefing, I'm thinking about making something like this in the future. Within the government and same for industry, shall we convene a regional economy research team? For example, the Foreign Ministry has trade relations, so does the Ministry of Commerce and Industry and KOTRA and others and mostly it is, say by area, textiles, apparel, etc. So many areas that span the world are being studied within the government. So a team that studies a specific area, for example, Indonesia; Southeast Asia has many resources and is of interest to our markets-Indonesia, Malaysia, New Guinea. And Central and South America, Middle East, Northern Europe. For these areas, if there was a team that specifically studied their regional economies, then wouldn't it make our market expansion, as well as economic cooperation, with these countries more active? (...) So I feel that such a research team could progress to a certain point, get together with our private corporations and businessmen and that country's companies. Once all are working together and stable, then such a team could be disbanded.

Transcript of the 3rd Export Promotion Expansion Meeting (March 27, 1974).

Also, the President used the meeting as a broad means of communication, listening to the various policy recommendations of the private sector and led the transparent and timely policy decisions of the government. He demanded microeconomic policy management in order to ensure the government's administrative and financial support for the export companies could be provided in a timely fashion.

President Listening to the meeting every time, there are things from the Foreign Affairs Ministry or the Commerce & Industry Ministry that could be discussed within the government, that just get thrown in here and such negative things happen a lot
(...)

For those things, after this meeting, working level officials from relevant agencies such as Foreign Affairs or Commerce & Industry

ministries could sit down, all together, review the problems or come to a conclusion by meeting with the private sector

(...)

In particular, in trade wars, if we get information today about a problem we did not anticipate at all yesterday, then immediately the government and the private sector have to come together and come up with a response. There will be things to be done at once and things to be done within a particular timeframe and I think our government still falls short on its quick response and adjustment posture. Doing this well is how we will win trade wars.

Transcript of the second Export Promotion Expansion Meeting (March 28, 1973).

b) Results Management by Export Responsibility System

The President attended the monthly meeting to review the progress of export goals. The export responsibility system allocated goals per ministry, embassy, trade office, export union, item and province and systematically encouraged the achievement of these goals. In particular, in 1970, the Ministry of Commerce and Industry selected 90 items that were high profit, high growth or high potential and assigned an official to be in charge of researching the status, supply capability, foreign marketability and export expansion means. The progress on export goals was reviewed not only on its quantity but by structure, item and market, each month. Items and foreign missions progressing slowly were analyzed and means for improvement were reported.

Assistant Deputy Minister Last year's exports were at 1.352 billion dollars, about 31 times higher than in 1961 at 43 million (...)

By structure of the 1.352 billion, manufactured goods took up 1.1628 billion at 86 percent of the total (...) Agricultural goods were 38 million at 2.8 percent, fisheries were 140 million at 7.7 percent and minerals were at 47.2 million at 3.5 percent.

For agriculture, the 1971 plan was 41.6 million with the result being 38 million, representing 92 percent progress. The biggest problem was tobacco (...) the main reason being a poor harvest.

By region, North America was 761 million at 53.3 percent, Asia was 487 million at 36.0 percent, Central and South America was 8 million at 0.6 percent, Pacific was 8.8 million at 0.7 percent and Africa was 29 million at 2.2 percent.

By office, the Ministry of Commerce and Industry achieved 992 million for 73.4 percent, Health and Society Ministry at 6.03 million for 0.4 percent, Agriculture Ministry, including the Fisheries and Forestry Offices, achieved 325.9 million dollars at 24.3 percent and the Monopoly Bureau achieved 25.9 million, contributing to 2.9 percent of the exports.

Next I will report on the specific implementation plan for this year's Holistic Export Promotion Policy (...)

We will implement the export responsibility system. This year, per the monthly export plan, 45 percent was set for the first half of the year. This is a founding project to achieve average within the year; last year the first half represented 44.4 percent and this has been raised to 45 percent this year. Furthermore, export goals were already set per export union, embassy, province and bank. By doing this, we will be doing our best to achieve 1.75 billion dollars this year.

Transcript of the first Export Promotion Expansion Meeting (January 24, 1973).

d. Performance-based Incentive System

Many incentives were used for export contributors, but fundamentally, the government support for the export industry was decided strictly by export results. The date on which 100 million dollars on exports was achieved, November 30, 1964, was proclaimed as “Export Day,” and each year, significant contributors to exports were recognized. This recognition not only had significance as a congratulations, but the media exposure renewed national interest on exports and by giving economic privileges to the rewarded contributors, such as reduced tariffs and relaxed tax audits, it functioned as an incentive system for continued export expansion.¹⁴⁵

145. Kang *et al.* [2008].

The government support for exporting companies was for “more support to the better performers.” The financial and tax incentives for export promotion were decided on export results and the support system was designed to favor greater exports. This is clearly apparent in the discussion portions of the Export Promotion Expansion Meeting.

**CEO,
Yeonhap-
Mulsan** For import financing for securing raw materials for export and such we are paying 9 percent p.a. interest rate. For this, too, isn't 9 percent somewhat expensive? Export financing is at 6 percent and for the same financing to be 6 percent for some and 9 percent for others. What is the shared purpose? It is to export. So I earnestly wish for it to be 6 percent consistently.

**Finance
Official** The question was, currently we are charging 9 percent interest on funds to secure raw materials for export and could we make it 6 percent to be consistent with export financing? The interest rate was increased to 9 percent on June 28 of last year. Why was this raised to 9 percent? The government's policy is that your exports create a good balance and for you to make as much profit as possible on export, while minimizing imports. So the right direction is to lead policy for you to profit from export. This was the reason for the government's decision on increasing the interest rate to 9 percent. Isn't this disadvantageous compared to 6 percent for export financing? We made it somewhat disadvantageous. It would save on imports and promote use of domestic raw materials (...) We need to maintain this policy framework even if we won't quickly see results. For raw materials for export, there are some that can be domestically sourced and some must be imported. Let's gradually encourage the use of domestic raw materials to increase the foreign exchange earning rate. The problem comes from this long-term policy view. In our judgment, for items for which domestic substitution is completely impossible, in the near future we will review the possibility of reducing the margin.

Transcript of the first Export Promotion Expansion Meeting (January 24, 1972).

3.2. Export-Oriented Industrialization Policy

3.2.1. Background and Importance of Policy

The first five-year economic development plan, which began in 1962, centered industrialization on its chief economic policy; an interesting fact is that tracing the root of the Korean industrialization policy eventually lead to the government's export expansion policy at the foundation. The initial expansion-oriented export promotion policy of the government, in the early stages of economic development, did not necessarily include strategic consideration for nurturing a specific industry. The government emphasized export as a means of securing foreign currency reserves that were needed for economic development.¹⁴⁶ However, in the process of pursuing the expansion-oriented export promotion policy, the export of manufactured goods increased to a point that had not been predicted. At this point, the government's policy went beyond a simple improvement of trade balance and transitioned to a point of view of nurturing industry.¹⁴⁷

<Table 4-22> shows the export plan and the results during the years of the first 5-Year Economic Development Plan. Two phenomena are consistently apparent in the data for the planned period; one is that exports of foodstuffs (a) and non-food raw materials (b) have always fallen short of plan and this shortage was reflected in the establishment of the 1964 plan with reduced goals. In contrast, raw material goods that are classified as manufactured goods (c), have, since 1963, been exported at rates greatly exceeding target and even though this was reflected in 1964 in a plan that greatly increased the goal, the actual results exceeded even that higher goal.

Reflecting this increasing trend in the export of manufactured goods, the government modified the export goals in the first Five-year Economic Development Plan and actively pursued a policy of industrialization for export promotion. This export-oriented industrialization policy went beyond providing simple financial incentives for export activities, offering reduced tariffs for capital for exported goods, financial support for importing raw materials for exported goods and export industry fund support.

146. Go, Young Sun, "The Past, Present and Future of the Growth of the Korean Economy and the Role of Government", *60 Years of Korean Economy*, KDI, 2008.

147. Kang *et al.* [2008].

Table 4-22 | Trends in Export Plan and Results during the First Five-Year Economic Development Plan

(Unit: percent)

Type	1962		1963		1964			1965			1966		
	Plan	Result	Plan	Result	Initial Plan	Revised Plan	Result	Initial Plan	Revised Plan	Result	Initial Plan	Revised Plan	Result
Food (a)	20.1	21.9	23.2	18.1	27.6	24.7	26.3	31.6	27.9	28.2	35.8	33.3	35.1
Raw Materials (b)	25.8	19.8	29.4	26.2	32.2	33.7	31.4	46.9	36.8	37.0	50.9	45.1	40.5
Manufactured (c)	5.8	6.2	6.4	28.1	8.3	19.2	42.3	9.2	36.4	66.4	10.0	43.0	73.6
Machinery	-	1.4	-	4.1	-	-	2.2	-	-	5.5	-	-	8.4
Etc.	4.6	2.0	7.3	6.4	9.1	9.2	13.2	9.9	7.6	34.5	12.0	9.0	52.2
Sum (s)	60.9	54.8	71.7	86.8	84.1	94.0	119.1	105.6	112.8	175.1	117.5	135.6	219.0
(a+b)/s	75.4	76.1	73.4	51.0	71.1	62.1	48.4	74.3	57.4	37.2	73.8	57.8	34.5
c/s	9.5	11.3	8.9	32.4	9.9	20.4	35.5	8.7	32.3	37.9	8.5	31.7	33.6

Note: The sum is inconsistent because of omissions of some products such as drinks, tobacco, mineral fuel and chemical goods.

Source: Kang *et al.* "Policymaking System in Korea's Rapid Development." Korea Development Institute. 2008.

The Commerce and Industry Ministry as the office of primary responsibility, for more effective implementation of the export-oriented industrialization plan, reported the annual export plan as well as the holistic export promotion policy at the Export Promotion Expansion Meeting at the beginning of the year. The Ministry reported the year's specific government support and schedule for export promotion of that year. The critical content of the policy was mostly about investing in manufacturing of exported goods and support to the export companies in administration, finance, banking and taxation. The Ministry reviewed the progress of this holistic government support and reported it to the President every month at the Export Promotion Expansion Meeting, using it as a means to encourage implementation.

As industrialization gained recognition as a breakthrough for increased export, the government's export promotion policy was made into an industrialization policy for export promotion, including replacement of outdated manufacturing facilities, introduction of facilities for improved productivity, importing overseas raw materials and providing funds to run manufacturing facilities. This policy became clearly evident in the second Five-year Economic Development Plan. In the second plan, the government declared

that “industrialization through export promotion is an unavoidable path of our economy,” emphasizing that the export promotion policy is a means for industrialization. This shows that Korea’s industrialization policy has found its place as an export-oriented (externally oriented) industrialization strategy.¹⁴⁸

This export-oriented industrialization strategy leads to the heavy chemical industrialization that was implemented under a strong leadership under the banner of “10 billion dollars in exports by 1980.” Different academics have offer different views on the background for Korean government’s pursuit of heavy chemical industrialization,¹⁴⁹ and it is expressed under a more fundamental rhetoric of “the goal of 10 billion dollars in exports will attain the prosperity of the nation and the glory of the state through nurturing national strength and raising the people’s standard of living.”¹⁵⁰ However, the most effective way of reaching “10 billion dollars in exports” was to transform the industrial structure, so far focused on light industry, into a heavy chemical industry. According to this, the government’s export promotion policy was transformed to focus on expanding production facilities through facility investment for heavy chemical industrialization and the Export Promotion Expansion Meeting’s critical agenda also focused on the nurturing of heavy chemical industry.

President Our industry, too, has so far focused on light industry and needs to grow as heavy chemical industry. Also, we have the big task of national defense and for this reason, in order to have a self-sufficient national defense in the future, we also need to focus on defense industries (...)

And we also need to increase exports to about 10 billion dollars (...)

148. Kang et al. (2008).

149. Ko, Young Sun (2008) explains the background on the Korean government’s pursuit of heavy chemical industry as the need for growth of defense industries in light of a different security environment and the need for sophistication of industry and new export industries to escape the pursuit of other countries

150. ‘There are many slogans-October “Yusin” task, national promotion or recently the Saema-eul movement, but fundamentally they are the same. What it means is to correct the national discipline to a robust mental posture of the people, so people can come together for national strength and to organize our national power so despite our size, we can lead growth in order to raise the people’s standard of living and through this, securing the prosperity of the nation and the glory of the state. It means to pursue this historic task in our generation, by our power (Transcript of the Export Promotion Meeting, January 30, 1973).’

We need to expand the industrial foundation for rapid growth and when we export 10 billion dollars, there will be 10 billion dollars of goods going out and 10 billion dollars of goods coming in, so every year nearly 200 billion dollars of goods will move through our ports (...)

By the early 1980s, our heavy chemical industry, take steel, Pohang Total Steel was at 1.03 million tons this summer and should be raised to 10 million and for electricity, it's now at 3.8 million KW and this should be to 10 million KW (...)

For large-scale shipyards, there's one being made in Ulsan but there needs to be a second and a third beginning soon (...) For petrochemicals, it needs to multiply several times (...)

Transcript of the Export Promotion Expansion Meeting (January 30, 1973).

3.2.2. Outputs and Outcomes

With the enactment of special laws for strategically selected industries, the government implemented a strong industrialization policy. This state-led industrialization policy completely transformed Korea's industrial makeup. The agriculture-based production structure gradually increased its share and within industry, light industry rapidly decreased with heavy chemicals filling in the gap.

As shown in <Table 4-23>, the share of primary goods such as agriculture, fisheries and minerals were 31 percent in 1970 and was halved to 15 percent by 1985. In contrast, manufacturing increased by almost 10 percentage points, going from 17.8 percent to 27.3 percent and within manufacturing, light industry's value-added production went from 59.4 percent in 1970 to 36.3 percent in 1985, decreasing by 23.1 percentage points, while heavy chemical industry in the same period increased by 23.1 percentage points, going from 40.6 percent to 63.7 percent. National production moved from agriculture and fisheries to manufacturing and from light industry to heavy chemical industry.

Table 4-23 | Changes in Value-Added Production

(Unit: percent)

Year	Agriculture, Minerals, Fisheries	Manufacturing			Other
		Total	Light	CHI	
1970	31.0	17.8	10.6 [59.4]	7.2 [40.6]	51.2
1975	29.0	21.6	10.9 [50.4]	10.7 [49.6]	49.3
1980	18.1	24.4	10.2 [41.9]	14.2 [58.1]	57.4
1985	15.0	27.3	9.9 [36.3]	17.4 [63.7]	57.7

Source: Bank of Korea Economic Statistics (<http://ecos.bok.or.kr>).

With the changes in domestic industrial structure, employment structure by industry also changed with rapid increase in the share of manufacturing and service industry that have relatively higher income. As seen in <Table 4-24>, population in agriculture and fisheries lost share to manufacturing and services. Of the overall employed people, the share of those employed in agriculture and fisheries went from 58.6 percent in 1965 to 45.9 percent in 1980, representing a large decrease; on the other hand, the share of those in manufacturing more than doubled, from 9.4 percent in 1965 to 21.7 percent in 1980; the share in the service industry also greatly increased, from 28.1 percent in 1965 to 37.3 percent in 1980.

Table 4-24 | Trends in Employment Population by Industry

(Unit: percent)

	Total	Agriculture/ Fisheries	Minerals	Manufacturing	Construction	Services
1965	100.0	58.6	0.9	9.4	2.9	28.1
1970	100.0	50.4	1.1	13.2	2.9	32.3
1975	100.0	45.9	0.5	18.6	4.3	30.7
1980	100.0	34.0	0.9	21.7	6.1	37.3

Source: Bank of Korea.

Export-oriented industrialization greatly changed the types of exported products. They changed from the pre-industrial export of primary goods such as agricultural and fisheries, to secondary goods such as machinery and transporters. As seen in <Table 4-25>, in 1960, foodstuffs and animals and non-food raw materials are 29.6 percent and 48.2 percent respectively, for a sum of 78.8 percent of exports, but by 1980 decreased to less than 10

percent, at 6.6 percent and 1.9 percent respectively. In contrast, manufactured goods and machinery exports in 1960 were 12 percent and 0.3 percent respectively, but by 1980 were 55.3 percent of total exports, at 35.6 percent and 19.7 percent respectively.

Table 4-25 | Trends in Export by Industry

(Unit: percent)

	Total	Food, Animals	Non-Food, Raw Materials	Manufactured Goods	Transportation, Machinery	Others
1960	100.0	29.6	48.2	12.0	0.3	9.9
1965	100.0	16.1	21.2	37.9	3.1	21.7
1970	100.0	7.8	12.0	26.4	7.4	46.4
1975	100.0	11.9	3.0	29.2	13.8	42.1
1980	100.0	6.6	1.9	35.6	19.7	36.2

Source: Bank of Korea.

3.2.3. Policy Implementation System

a. Establishment and Implementation of Export-Oriented Industrialization Policy

a) Starting Industrialization through Five-year Economic Development Plan

The foundation of the Korean government's industrialization policy is the 5-Year Economic Development Plan. The military regime assessed that the fundamental reason for the slowing of economic growth in the late 1950s was a structural problem with the Korean economies heavy reliance on aid, with focus on consumer goods and prepared the first Five-year Economic Development Plan with the basic goal of achieving a self-sufficient economy. Accordingly, the first Five-year Plan expanded investment in cement, fertilizer, industrial machinery and refining and sought to modernize industry by protecting and growing new export and import substitution industries to improve the international trade balance. Thus, the military regime's industrialization policy in the early stages had a strong characteristic of import substitution.¹⁵¹

151. Go, Young Sun, "The Past, Present and Future of the Growth of the Korean Economy and the Role of Government", *60 Years of Korean Economy*, KDI, 2008.

Through the successful implementation of the first and the second Five-year Plans, the light-industry focused industrial structure transformed to a heavy and chemical industry, giving rise to industrial targeting, where policy support was focused on specific industries. Heavy chemical industrialization aimed at the export market began in earnest during the 3rd Five-year Plan.

Table 4-26 | Basic Structure of the Five-year Economic Development Plan

Type	Basic Goal	Agenda
First (62~66)	Establish Foundation for Self-Sufficient Economy	<ol style="list-style-type: none"> 1. Secure energy fuels, such as electricity and coal 2. Increase agricultural income by expanding production capacity; address fundamental imbalance in the national economy 3. Expand basic industries and social overhead capital 4. Utilize dormant capital; in particular, expand employment, preserve and develop national resources 5. Improve international trade balance with focus on export expansion 6. Technical innovation
Second (67~71)	<ul style="list-style-type: none"> o Modernize Industry o Nurture Self-Sufficient Economy 	<ol style="list-style-type: none"> 1. Self-sufficiency of food, forestation and water development 2. Build chemical, steel and machinery industries 3. Export at 700 million dollars; encourage import substitution 4. Innovations in science and technology and grow human resources
3 rd (72~76)	<ul style="list-style-type: none"> o Plan Focus <ul style="list-style-type: none"> - Harmonize growth, stability and balance - Establish self-sufficient economic structure - Balance in regional development o Basic Goals <ul style="list-style-type: none"> - Innovative development of agricultural and fishery communities - Increase of exports - Building heavy chemical industries 	<ol style="list-style-type: none"> 1. Self-supply of grain, increase agricultural income, encourage land consolidation and mechanization 2. Improve environment in farming and fishing communities; expand electric and road grid 3. Export at 330 million dollars 4. Build heavy chemical industries 5. Improve science and technology; expand educational facilities 6. Balanced development of basic social facilities 7. Efficient development of national resources and appropriate distribution of industry and population 8. Expand housing and hygiene facilities and increase national welfare

Type	Basic Goal	Agenda
4 th (77~81)	<ul style="list-style-type: none"> o Plan Focus - Growth, Fairness and Efficiency o Basic Goals - Realize self-sufficient growth structure - Social development - Technical innovation and increased efficiency 	<ol style="list-style-type: none"> 1. Self-supply of investment capital 2. Improve trade balance 3. Develop industrial structure 4. Improve income distribution 5. Improve living conditions 6. Improve investment in science and technology to 1 percent of GDP by 1981 7. Economic operation system to be made more reasonable and simpler

Source: The First, Second, Third and Fourth Five-year Economic Development Plan.

b) Legislation to Foster Specific Industries; Establishment and Implementation of Promotion Plan by Industry

(1) Legislation to Grow Strategic Industries

The economic development plan that started in earnest with the first Five-year Plan focused on domestic industries such as fertilizer and cement, as well as light industry for consumer goods. Therefore, one could not say that Korea's industrialization was initially export-oriented targeting the export market. It is more reasonable to understand that the government's focus on export-oriented industrialization was with the realization that the export of manufactured goods grew at a noticeable pace in the process of implementing the expansion-oriented export promotion policy.¹⁵²

The Korean government's proclamation of its externally oriented industrialization policy can be said to be actualized with the legislation of industry specific promotion laws for the strategically designated industries. The government legislated laws in 1967 for machinery, shipbuilding and textiles in order to focus growth of specific industries. In 1969, legislation was also enacted for steel and electronics and in 1970, the same for petroleum and non-iron steel.

The government deployed support policies by using these special laws as reference. In the legislation, there are clauses to support the establishment of base plans for growth, for a registration system, encouragement for replacing outdated facilities, establishment and operation of funds for the industry's financial support, encouragement of domestic production, growth of a technical workforce and support in banking and taxation.

152. Kang *et al.* [2008].

Table 4-27 | Key Points of Law on Growth of Key Heavy and Chemical Industry

Law	Enacted	Key Points
Law to Promote Machinery Industry	March 30, 1967	<ul style="list-style-type: none"> o Establishment and announcement of the the machinery industry promotion plan and its implementation plans o Introduction of the systems for machinery industry registration and for designation of specific machinery industries o Directive to replace dated facilities o Formation and support of a long-term, low-interest fund for machinery industry growth o Growth of a technical workforce and encouragement of domestic production o Establishment and operation of a machinery industry committee
Law to Promote Shipbuilding Industry	March 30, 1967	<ul style="list-style-type: none"> o Establishment of a shipbuilding industry promotion base plan o Formation and support of a long-term, low-interest fund for shipbuilding industry growth o Licensing of shipbuilding, etc o Approval for building and modifying of ships o Establishment and operation of a shipbuilding industry committee
Law on Temporary Measures for Textile Industry Facilities ¹	March 3, 1967	<ul style="list-style-type: none"> o Registration of textile industry facilities o Announcement of facility adjustment plans and approval for facility installation o Subsidy and financing for replacement of dated facilities o Establishment and operation of a textile industry committee
Law to Promote Electronics Industry	January 28, 1969	<ul style="list-style-type: none"> o Establishment and announcement of an electronics industry promotion base plan and its implementation plan o Registration and quality checks of electronics o Establishment of a long-term, low-interest electronics industry growth fund o Establishment of an electronics industrial complex o Establishment and operation of an electronics industry committee
Law to Promote Steel Industry	January 1, 1970	<ul style="list-style-type: none"> o Designation of steel industries and facilities standards o Discount on public utilities o Approval for raw materials import and support for raw materials supplier o Establishment and support of a steel industry growth fund o Establishment and operation of a steel industry committee

Law	Enacted	Key Points
Law to Promote Petrochemical Industry	January 1, 1970	<ul style="list-style-type: none"> o Establishment and announcement of a petrochemical industry promotion base plan and its implementation plan o Registration and cancellation of businesses o Establishment and management of a complex o Directive for business rearrangement and price control o Establishment and operation of a petrochemical industry committee
Law on Non-Iron Steel Refining	January 22, 1970	<ul style="list-style-type: none"> o Establishment and announcement of a refining industry promotion base plan and its implementation plan o Approval of terms of sale for mines o Establishment and support of a long-term, low interest fund for refining industry growth o Oversight of refining businesses and orders for stoppage of refinement o Establishment and operation of a refining business committee

Note 1: Transformed to law to Encourage Modernization of Textile Industry (December 28, 1979).

Source: National Records Archive.

(2) Establishment and Progression of Each Industry's Promotion Plan

As specific industry fostering laws that clearly proclaim the industrial targeting policy were enacted, the Ministry of Commerce and Industry established a basic plan for industry cultivation on key industries based on law, and set forth detailed supporting measures in specified plans including the annual and next year's objectives early every year. The government focused support on strategic fostering industries with the limited resources such as tax, tariff, financial and fiscal resources.

Table 4-28 | Promotion Base Plan (Summary) by Industry

	Mechanic Industry Promotion Base Plan	Electronic Engineering Promotion Base Plan	Shipbuilding Industry Promotion Base Plan
Declared Year	March 9 1973	March 10 1976	March 1973
Details	<ul style="list-style-type: none"> o Construct Changwon Machine Industry Complex to foster machinery-plant exports - Build phased industrial complex to industrial complex to attract-establish large machine factory, ulea factory, small-and-medium sized specialized factory, general and automobile parts factory, specialized machine factory, defense industry factory, etc. - Construct steelworks, nuclear power plant, petrochemical plant, cement factory and produce transportation and mining equipment by utilizing large-scale dye forging facility, heat treatment facility, cannery equipment, machine processing facility, manufacturing facility for engine/turbine/generator, - Cluster relevant front and rear industrial facilities, secure basic infrastructure to produce higher value added precision machine industry, mechatronics and hi-tech machinery - Establish production system for defense industry products and simultaneously foster heavy chemical and mechanical engineering industry 	<ul style="list-style-type: none"> o Push nine base plans to achieve 2.5 billion USD in exports by 1981 - Pursuit of export leading type - Stimulate technology development, advance quality, strengthen international competitiveness - Develop own models, innovate designs - Cost reduction, mass production, and promoting standardization - Enhance manufacturing technology, improve processing, make industry practical - Establish integrated production system, stimulate localization of raw materials - Establish joint develop system of relevant areas - Develop new variety - Introduce world class technology 	<ul style="list-style-type: none"> o Achieve self-sufficiency in domestic demands and export 3.2 million GT (1 billion USD) Ship Export - Construct 9 shipyards between 1973~1980 (2 deep sea fishing vessel shipyards, 2 medium shipyards, 5 large-scale shipyards) - Designated Chungmu Industrial District * Construct 3 super-scale, 3 large-scale, 2 medium-scale shipyards by 1985

Source: National Archives of Korea.

(3) Financial and Tax Support for Industrialization.

Government supports for specific manufacturing industries was pushed forward in many multilateral ways: for example: expanding supply on long-term policy funds; tax support; establishing technical schools and vocational education institutions to develop experts; and installing national research and development institutes by field to support each field's professional research development. Among these, the large amount of financial aid was the most crucial support.¹⁵³

The Korean government installed promotion funds for each industry and provided long-term low interest loans for companies in specific industries. Furthermore in 1974, the government established the National Investment Fund to overcome limited national finances and to prepare a large amount of money for growing heavy chemical industries.¹⁵⁴ Along the banks, this fund was established with the donations of insurance companies and public funds and it was provided as the long-term low interest preferential loan for heavy chemical industries.¹⁵⁵ This fund played a key role in investment of the heavy chemical industry.

Table 4-29 | NIF's Financing Heavy and Chemical Industry

(Unit: percent)

Period	National Investment Fund Loans/ Total Investment Fund Loans	National Investment Facility Funds/ Total Investment Facility Funds
1974-81	18.4	56.8
1982-91	14.4	37.0
1974-91	16.2	45.8

Source: Ko, Young Sun (2008).

The government legislated the law on Tax Reduction and Exemption in 1975 to provide financial support and special tax benefits for heavy chemical industries. Through this taxation support, heavy chemical industries were provided with preferential tax incentives.

153. Go, Young Sun, "The Past, Present and Future of the Growth of the Korean Economy and the Role of Government", *60 Years of Korean Economy*, KDI, 2008.

154. Along with banks this fund was established with the donation of insurance companies and public funds. Initially, 10-30% from increases in bank deposits and 40-50% of total insurance incomes for insurance companies had to be deposited. For 13 public funds 90% from the total surplus fund had to be deposited. The composition ratio of the fund grew from 1974-1991 bank takes 74%, insurance companies take 14% and public funds take 12% (Kim Jun Gyeong, 1993).

155. For the national investment fund, the longest loan period is 8 to 10 years and the lending rate was about 5% lower than any general long-term loan interest rate until 1982 (Ko Young Sun, 2008).

The marginal effective tax rate of corporations between light and heavy chemical industries were as big as 30 to 35 percent from 1975 to 1981.¹⁵⁶

b. Monitoring policy through Export Promotion Expansion Meeting

A strategic feature of industrialization, especially heavy chemical industrialization of Korea, is that it was invigorated within the philosophy of the ‘Export-First policy’, which aimed for foreign markets. Heavy chemical industrialization was pushed forward under the strategy to achieve economies of scale through massive investment in the heavy chemical field as a means to achieve the 10 billion dollar goal for exports by 1980, to obtain techniques and information by exposing it to foreign markets and to improve international competitiveness.¹⁵⁷

Since the industrialization of Korea was propelled under this strategic framework, the key issue discussed at the Export Promotion Expansion Meeting, which was created to accelerate export promotion, was about the policies to propel industrialization. Of course its original role was to stimulate exports of products in every industry category, therefore it did not check or inspect every aspect of the progress of the promotional plans on industrial investment or production. Nevertheless, the export-oriented industrialization strategy the Korean government adopted, it was an inevitable consequence that the conference focused on the development and adjustment of policies to enhance industrial structure and examined the process of governmental policy activities.

a) Industrialization Support through the Comprehensive Export Promotion Policy

After 1964, export policy transitioned from simply aiming for trade balance improvement to fostering overall export industry. The Comprehensive Export Promotion Policy was established and reported to Export Promotion Expansion Meeting. Consequently, the policy was developed to focus on production requirements of to export industry including, modernization of export capacity and export product structure and measures to enhance international competitiveness.¹⁵⁸ Thus the majority of the policy’s core addressed government support requirements and policy development direction in support of industrial development. These include policy development direction proposals such as strengthening export industry’s competitiveness, foreign-exchange earning rate, fostering specialized

156. Go, Young Sun, “The Past, Present and Future of the Growth of the Korean Economy and the Role of Government”, *60 Years of Korean Economy*, KDI, 2008.

157. Park, Young Goo, “Structure changes and heavy chemical industrialization” Lee Dae Geun, ‘New history of economic growth in Korea; from late Chosun dynasty to high growth’ Nanam, 2005

158. Kang *et al.* [2008].

export industries with consideration on employment effect and leading small businesses into export industries, in addition to the export responsibility system and export enterprise permission/support system.

In the first Export Promotion Expansion Meeting held in January 1972, the Ministry of Commerce reported on seven policies intended to strengthen competitiveness in the export industry. The seven policies were establishing and propelling development by product types and items, increasing financial support on export industries, fostering miscellaneous manufacturing industries such as toys manufacturing, leading small businesses into export industries, structural improvement of the fiber industry and developing the industrial complex of the export industry.

Assistant Secretary of Commerce Ministry Now I will present the details of this year's Comprehensive Export Promotion Policy. First, I will explain about seven methods to enhance competitiveness of exports starting with Restructure of Export Industry Foundation, Foreign Capital Support, etc. In order to solidify the base of the export industry as fast as we can... The essential point is to foster them separately like export specialized industry and strategic export business ... In strategic export industry export is large and its growth rate is high (...) We selected 12 such items including electronics, ships and railcars. To support this area of export industry in this year, foreign capital is in critical need ... The support funds for export are divided into 'Small business transitioning to export', 'Fostering specialized industries for export', and 'Development of export suitable industry'; and 80 companies ... We will improve the structure of the fiber industry, which is one of the significant industries in our nation, by introducing a bill in the next session of the National Assembly ... Several measures are being taken to organize the export industrial complex ... For the Masan Free Trade Zone, this year marks a critical phase when all the complexes, standard factories, public institutions and apartment buildings are scheduled to be completed. The only thing left is to attract foreign capital firm.

Transcript of the Export Promotion Expansion Meeting (January 30, 1972).

b) Industrial Policy Requirements and Policy Making

The Export Promotion Expansion Meeting had not been conducted with discussions reviewing export amounts. When a specific political subject surfaced, it required special reports to be made on the subject. The conference provided a venue for participants to discuss alternative policies. For example, at the meeting held in June 1972, 'Research group for commercial engagement with Japan' reported their findings. This report proposed several policy recommendations, which were based on an analysis of Japan's rapid growth, the methods to increase exports to Japan and to attract investment (Transcript of the Export Promotion Expansion Meeting, June 1972).¹⁵⁹

First, prepare rational plans by industry type (such as in shipbuilding, steel, electronics and machines) to streamlined processes and to drive decisive investment on facilities and merging.

Second, construct a new industrial complex to attract heavy chemical factories.

Third, induce specialization and systematization to improve small company structure.

Fourth, establish concentrated support of long-term low interest funds and tax credits.

Fifth, facilitate the development of domestic raw material.

Sixth, improve the foreign investment promotion system.

c) Inducing intercommunication and governance between Government and People

After the President started to chair the Export Promotion Conference attendance was expanded to include CEOs and representatives from private export enterprises and industries. Since they were the stakeholders of the export promotion policy, they actively participated during the discussion session. They pointed out the flaws or irrational parts of the policy and recommended modification. In return, representatives from relevant authorities either attempted to persuade the validity and necessity of such policy or promised further improvements. As such, the conference acted as the forum of intercommunications on export promotion policies.

159. The group was composed of 24 nongovernmental delegates and 13 government officials and sent to Japan from May 10, 1972 for 20 days, focusing on 13 items such as electronics, toys, bicycles and fiber.

**Chairman
of Chamber
of Commerce**

I do not have any objection on the fact that Heavy Chemical Industry policy is shaping and concentrating industrial complexes in various parts of our nation (...). However, there are quite a lot of obstacles when one tries to build a factory the size of 1,000 *pyeong* (Korean land area unit equivalent to 3,305m²) or 2,000 *pyeong* (Equivalent to 6,610m²). Even if the land for building the factory does not conflict with green belt, one needs to obtain permission if the land conflicts with agricultural land regulations. Law dictates that authority of granting permission of land size under 6,000 *pyeong* (Equivalent to 19,834m²) is with the governor of a county. But when one seeks to obtain such permission from him, he redirects action to the provincial governor and the provincial governor redirects action to the Ministry of Commerce, the competent authority, then the Ministry says you need to get permission from the Ministry of Agriculture and Forestry. I would highly appreciate if you could please provide a firm guidance on this matter.

President

Ministers of Construction or Agriculture, please share your ideas on government guidance.

**Minister of
Agriculture
and Forestry**

This year, the Farmland Preservation and Utilization Act prohibits building factories anywhere. That is because factories had been constructed disorderedly on lands where substantial amounts of financial resources were used to transform the land into farmland ... The law was enacted for the purpose of securing a certain amount of farmland ... We will disseminate our directives once again so that entrepreneurs no longer experience trouble with land issues and to expedite the process when trying to build their factories.

**Minister
of Construction**

The Ministry of Construction will explain on building factories within greenbelt, sir. (...) (The rest is inaudible).

Transcript of the 6th Export Promotion Expansion Meeting (June 28, 1973).

Implementation of industrialization policy required joint responsibility from both government and private industry. The President insisted at every opportunity that export industrialization is our generation's historical mission and called for joint effort at all levels of society, emphasizing this should be achieved through the unity and efforts of government and private industry at any cost. The following are the President's remarks when the Ministry of Commerce reported on 'plans to select and support specialized machine factories for smaller companies' during the 8th Export Promotion Conference in September 1976. The President called not only for the support of government agencies for promoting the machine industry, but also for the combined efforts of various fields such as finance and academia.

Source: Deposition from the 8th Export Promotion Conference (1972).

President Today the Ministry of Commerce explained fostering of machine industries. Of course government ministries including Commerce and Finance should coordinate well, but I also would like to ask all the representatives here from the financial sector to understand and actively support government policies (...)

I'd appreciate if proposed policies by the Commerce Ministry were enforced, with great cooperation between relevant ministries and active support from financial institutions. Also the experts from public offices, academia or industries should keep monitoring the designated corporations several times a year to see how much government support they have received, and to see how much improvement and development have been made. I think it is good to have an investigation team with consistent members.

Deposition from the 8th Export Promotion Conference (September 29, 1976).

3.3. Market Opening for Industrial Products and Trade Promotion Policy

3.3.1. Background and Significance of the Policy

Once Korea aimed export-oriented industrialization policies, it was only a matter of time industrial product markets opened. As a result of industrialization policy propelled by the government to increase exports, the exported quantities rapidly increased. This caused the importing countries to worry about damage of the domestic industry and to express growing demand for market protection. As the environment of export market changed, limitations of a unilateral export increase policy as well as the unavoidable need of opening domestic market, considering reciprocity were recognized. In fact, the Minister of Commerce reported on the following at the Export Promotion Conference held in January 1977, when Korea almost achieved 10 billion dollar in exports.

Minister of Commerce Lastly, as our export amounts increases the international market will pressure for gradual liberalization of imports. Although the liberalization will be reviewed stepwise if you, Mr. President, allows, we'd like to change the title of this conference from 'Export Promotion Expansion Meeting' to 'Commerce Promotion Expansion Meeting' with enlarged membership.¹⁶⁰

The agenda for the Export Promotion Conference had been solely focused on actual exports by items and regions against the Export Plan and details of the Export Promotion Policy. However, after 1977 the Commerce Ministry not only reported on export records, but also on import records, so the conference started to operate with a trade perspective, mediating exports and imports in a balanced way.

Meanwhile, liberalization of imports and opening foreign trade was a necessary political choice under an active stance to improve competitiveness of our industries. Methods such as improving productivity of domestic companies, making export products high value products, to distribute resources rationally by propelling market competition, promoting

160. At first the Commerce Minister wanted to change the conference's title to Commerce Promotion, but soon the vice minister reported the following: "We will set the base of trade by renaming the conference as 'Trade Promotion Conference', to balance the exports and imports". Accordingly it seems that the Commerce Minister mistook Trade as Commerce.

consumer welfare and enabling active industrial policies such as strengthening foreign trade and cooperation were employed. Kim, Jung-Ryeom, who was then vice-minister of commerce, insisted the appropriateness of an open-door policy as shown below.¹⁶¹

I was inaugurated as the vice minister of Commerce in early June of 1964 and that time was ... The transition into export-oriented industrialization policy, which was to enter into generous international markets, was essential to overcome the small, saturated domestic market and stagnant production. However, under the protection law on the import substitution industry, the export industry was inactive, because the import substitution industry was more advantageous than export due to the expensive exchange rate, limits on trade and foreign exchange, differential tariffs and easily earned profits due to low interest rate. Market liberalization policies such as actualization of exchange and interest rate, liberalization of imports and lowering the tariff were essential to increase export by securing relative dominance of labor-intensive industries by adopting the appropriate technique and production method for Korea, where labor was available and capital was in short supply.

3.3.2. Outputs and Outcomes of the Policy

a. Formation of Policy Framework Focused on Economic Interest

The Export Promotion Expansion Meeting provided the opportunity to open a new prospect of Korea's foreign policy. As shown in <Table 4-30> at every Export Promotion Conference the Ministry of Foreign Affairs reported methods to increase exports as well as future directions of trade policy of major export markets of Korea. Because the Foreign Office's reports at the President hosted Export Conference were focused on trade diplomacy for increasing export, it was possible for the Korean government to deploy matured and developed economic diplomacy in spite of confrontations with DPRK. The revision of the Trade Act in 1972 which allowed imports and exports between socialist nations, was the inflection point of Korean trade diplomacy because, as a divided country amidst the US-Soviet Cold War, it meant that Korean trade policy was not only tied to a political cause but considered economic benefits.

161. Kim, Jung Ryum, (2006), *From the Poorest Nation to the Door Sill of Advanced Nation: Thirty-year History of Economic Policies of Korea*, Randomhouse Choong-ang.

Table 4-30 | Examples of Ministry of Foreign Affairs Agendas for Export Promotion Conference

1972	1973	1974
<p>7th Conference (30 August)</p> <ul style="list-style-type: none"> o Economic cooperation with Costa Rica o Overseas business to Republic of Zaire o Initiation of trade and economic cooperation with India and Philippines o Initiation of direct trade with Eastern Europe o Export freight transportation issue utilizing Siberian Railway <p>9th Conference (25 October)</p> <ul style="list-style-type: none"> o Canada export issues o Cement export to Indonesia <p>10th Conference (27 November)</p> <ul style="list-style-type: none"> o Strengthening economic diplomacy between October Revitalizing Reforms o Participation in India/China Recovery as Vietnam War ended o Export freight transportation issue utilizing Siberian Railway <p>11th Conference (28 December)</p> <ul style="list-style-type: none"> o '73 Export Promotion Policy - Globalization of export market - Generalization of export product - Trade environment improvement via diplomatic negotiations - Increase of exports and income through oversea expansion 	<p>3rd Conference (28 March)</p> <ul style="list-style-type: none"> o Promoting trade and economic cooperation between Korea and the Central African Republic <p>5th Conference (30 May)</p> <ul style="list-style-type: none"> o Export expansion with Enlarged Europe Community o Promoting trade and economic cooperation between North African enterprises o Promoting trade between Bangladesh and Afghanistan o Textile quota conference result between Korea-Canada <p>6th Conference (28 June)</p> <ul style="list-style-type: none"> o Export expansion with Western Germany o Korean products in Eastern Africa <p>7th Conference (29 August)</p> <ul style="list-style-type: none"> o Exports expansion with France o Lowering Australia's Tariff and export expansion with Australia <p>8th Conference (26 September)</p> <ul style="list-style-type: none"> o Export expansion with the Middle East <p>9th Conference (31 October)</p> <ul style="list-style-type: none"> o Promoting trade between Canada o Export freight transportation issue utilizing Siberian Railway 	<p>3rd Conference (27 March)</p> <ul style="list-style-type: none"> o Strengthening trade and economic diplomacy with Central and South America o Promoting trade and economic cooperation between Northern Europe <p>6th Conference (1 July)</p> <ul style="list-style-type: none"> o Exports expansion in Arab nations through international bidding o Export expansion of Korean products in Italia o Enlargement of Korean fishing industry in West Africa waters <p>8th Conference (25 September)</p> <ul style="list-style-type: none"> o Export expansion with the Middle East <p>9th Conference (30 October)</p> <ul style="list-style-type: none"> o Promoting export and economic cooperation with Central and South America

Source: Transcript of EPEM (1977~1980).

In the late 1970's, when Korea reached the 10 billion USD goal for exports, the Export Promotion Conference played a key role in establishing and developing flexible bilateral, multilateral negotiation strategies for international trade disputes. The conference made Foreign and other Ministries establish and report flexible trade diplomacy strategies based on import regulation trends of the US and other export minded countries and movements to pressure Korea to open its market. It enabled moderate progress of market-opening such as import liberalization, with the least damage on domestic industries. The conference played a central role in maintaining foreign markets for textile and other major export industries of Korea by actively using flexible strategies such as the textile quota negotiations with US, EC and Canada and multilateral trade negotiations of GATT.

b. Formation of Conditions for Open Market Policy

Reports on the changing foreign trade conditions at EPEM provided an opportunity to have balanced and advanced policy perspectives and played a significant role in formulating conditions for the government to pursue the open market policy of domestic markets, at both governmental and non-governmental levels. With increased pressure to open the domestic market, the government realized the limitations of the lopsided export promotion policy and pursued open market policy to consistently increase export. As a result, tariffs and non-tariff barriers phased out at a fast rate.

At the early stage of industrialization, the tariff rate was sharply increased to protect trade balance, but since the late 1960's, when industrialization progressed, the import tariff rate gradually decreased. As you can see from <Table 4-31>, the simple average legal tariff rate started to slightly decrease in the early 1960's and in the late 1970's it sharply decreased. The rate dropped 4.9 percentage point from 29.7 percent in 1977 to 24.8 percent in 1979. The general tariff, which weighed the value of industrial production, soared until the late 1960's. However, after 1970 it rapidly dropped and reached 26.7 percent in 1984, about half that in 1968.

The rate of tariff liberalization is expressed as the reciprocal of total tariff rate, where the total tariff rate is the sum of general, special and foreign exchange tariffs. As shown at <Table 4-31>, the rate of tariff liberalization increased 7.6 percentage point from 66.8 percentage point of 1962 to 74.4 percent of 1979 and one can assess that tariff liberalization progressed at relaxed pace.

Table 4-31 | Trend of Import Tariff Rate

(Unit: percent)

	1957	1962	1968	1973	1977	1979	1984
Simple Average Tariff Rate (1)	30.2	39.9	39.1	31.5	29.7	24.8	21.9
General Tariff Rate (2)	35.4	49.5	56.7	48.1	41.3	34.4	26.7
Total Tariff Rate (3)	35.4	49.6	58.9	48.2	41.3	34.4	26.7
Rate of Tariff Liberalization (4)	73.9	66.8	62.9	67.5	70.8	74.4	78.9

Note: 1. Simple average of legal tariff rate.

2. Weighted average tariff rate using year 1975 yield.

3. Sum of general tariff rate, special tariff rate and foreign exchange tariff rate.

4. Rate of Tariff Liberalization (Reciprocal of Total Tariff Rate) = $1/(1+\text{Total Tariff Rate})$.

Source: Kim, Gwang-seok (1988), Go, Young-sun (2008).

The progress of tariff liberalization was very gradual whereas the liberalization of quantity regulation developed much faster. The liberalization rate of quantity regulation is expressed as the ratio of the number of automatic approval of imports items against the total number of traded items. The rate increased from 30 percent of 1970 to 70 percent of 1985, with the increase especially drastic after 1975.

The reason for the stagnancy of the rate in the early and mid-1970's is the result of the first oil crisis in 1973. During this period, the liberalization rate of quantity regulation for primary and heavy chemical industries retrogressed. This was partially due to protection of heavy chemical industries strongly supported by Heavy Chemical Industry Policy as part of 1973 Declaration of Heavy Chemical Era. In addition, the stagnation was partially due to regulations on agricultural products for protecting farmers and fishermen.

Table 4-32 | Trend of Liberalization of Import by Industry

(Unit: percent)

		1966	1970	1975	1980	1985
Comprehensive Import Liberalization	All Trade	39.59	50.78	53.25	65.59	78.54
	Primary	41.97	56.20	55.14	58.80	71.22
	Manufacturing	37.52	47.73	52.64	66.81	79.77
	Light Industry	33.67	38.20	43.66	62.27	76.80
	Heavy Chemical	44.53	62.51	61.23	70.47	81.74

		1966	1970	1975	1980	1985
Tariff Liberalization	All Trade	75.26	71.53	76.22	82.06	86.80
	Primary	82.59	81.15	84.03	86.28	87.63
	Manufacturing	68.90	66.11	73.72	81.30	86.66
	Light Industry	62.10	57.71	64.42	74.22	83.26
	Heavy Chemical	81.26	79.12	82.62	87.03	88.92
Liberalization of Quantity Regulation	All Trade	3.89	30.00	30.23	49.09	70.23
	Primary	1.34	31.24	26.23	31.31	54.70
	Manufacturing	6.11	29.29	31.51	52.27	72.84
	Light Industry	5.19	18.63	22.85	50.28	70.32
	Heavy Chemical	7.78	45.83	39.79	53.87	74.52

Source: Kim, Gwang-seok (1988), Go, Young-sun (2008).

3.3.3. Policy Implementation System

a. Introduction of Negative List System

From the beginning, the Korean government operated its trade plan system based on the trade law enacted in 1957, which strictly regulated foreign trade and listed objects subject to permission and approval. This system is known as the Positive List System. It was not until the Trade Act of 1967, when the Korean government converted to the Negative List System. At first the Korean government announced export plans categorizing items into either ‘immediate import liberal items’ which does not require pre-approval procedures and the ‘negative item list’ which follow the government’s import recommendation procedures. It was later changed to address the ‘import prohibition items’ and ‘restricted items’ in import plans and to automatically approve any items not listed. The Economic Planning Board, which took the lead on import liberalization, explained the policy decision process as written below.¹⁶²

162. Economic Planning Board, ‘30 Year history of EPB (1961~1980): Economic policy at the development age’, 1982.

The Commerce Ministry gave a lukewarm response to import liberalization. At first the ministry tried to prohibit and restrict 600 items, but the Economic Planning Board insisted for a more active open-door policy arguing that it was a fake import liberalization. For this reason, the ministerial meeting chaired by the Deputy Prime Minister decided to include only 66 items to the negative list. However, the related stakeholders within various industries strongly opposed and as a consequence 73 items were prohibited and 353 items were restricted.

‘30 Year history of EPB (1961~1980): Economic policy at the development age (1982).’

b. Enforcement of Periodical Announcement

The concrete means to carry out the governments import liberalization plan was the Periodical Announcement system used every year or half-year. However, the Periodical Announcement which was implemented in accordance with Trade Act of 1967 did not fulfill its role as a joint public announcement. Outside this announcement each competent Ministry scattered exceptions and separate announcements in compliance with 35 different Special Legislations. Therefore the periodical announcement alone could not effectively manage import and export.

Since there was no systematic classification system by items, by items or by government organizations nor coherent regulative system to manage import and export, private trade enterprises experienced delay and inefficiency in obtaining import permission and other trade work in addition to confusion. As an after-measure, in 1982, the government combined aforementioned special legislations into a single act and officially announced tips for importation and exportation to allow efficient trade policy based on a coherent regulation system.¹⁶³

163. With the enforcement of Foreign Trade Act in July 1, 1987, ‘Integrated Public Announcement’ changed to ‘Joint Public Notification’, and the ‘periodic announcement’ changed to ‘export and import announcement’. It systemized the classification of items and organized mutual relationships. Also it abolished the effective timeperiod of the announcement, so that frequent changes in policies, reflecting economy trade conditions, could be made. In the second clause of Article 18, it says ‘if other law determines any methods on importing, exporting certain items, the Minister of Commerce should integrate the method and announce it.’ In the third clause it says ‘the head of the related institute should submit the methods from the second clause to the Minister of Commerce.’ In addition, in the second clause of article 19, it is clearly prescribed that ‘the Minister of Commerce must approve export, import of items according to the import and export announcement and integrated announcement.’ The guidance from 35 different acts was integrated and the Minister of Commerce got the authority to approve import and export, consequently enhancing the legal status of the Import and Export Announcement (National Archive of Korea).

The Periodical Announcement was published through the official gazette every year or half year, but the announcement was not always published regularly. In fact, during 1978 the government made four announcements in support of import liberalization.¹⁶⁴ As shown in <Table 4-33> the total number of traded items in January of 1978 was 1,097. It included 50 prohibited, 456 restricted and 591 items subject to automatic approval. The import liberalization rate remained at 53.9 percent by CCCN's¹⁶⁵ four unit standards. In January of 1979, however, the prohibited items were removed and the rate increased to 68.6 percent with 344 restricted and 753 items subject to automatic approval.

Table 4-33 | Import Liberalization from 1978 to 1979

(Unit: No. of Items in reference to CCCN 4 Unit Standard)

	January 1978	May	July	September	January 1979	Annual change
Total Items	1,097	1,097	1,097	1,097	1,097	
Prohibited	50	-	-	-	-	-50
Restricted	456	431	424	385	344	-112
Auto-approval	591	666	673	712	753	162
Liberation Rate (percent)	53.9	60.7	61.3	64.9	68.6	14.7

Source: Ministry of Commerce, Industry and Energy (2003).

c. Reports of Export Promotion Expansion Meeting

Promotion of import liberalization such as deciding which items were subject to import liberalization was under the jurisdiction of Trade Commission in accordance with the Trade Act. However, after reaching the 10 billion USD goal for exports the pressure to open markets increased and more active promotion of import liberalization policy became essential. As a result, the government created a Import liberalization Committee (Chairman: Vice Minister of Commerce Ministry) in 1978 to mediate liberalization plan related opinions among various ministries. Its results were included in the Economic Ministerial Meeting agenda. Therefore one cannot say that Export Promotion Conference was directly involved in mediating opinions or finalizing political decisions on import liberalization plans.

164. Ministry of Commerce and Industry, *Korea Trade Association, Korea Importers Association, Korea's Import - "Chapter 1 Import System and Policy"*, 2003.

165. CCCN: Customs Cooperation Council Nomenclature.

Nevertheless, the import liberalization plan was required to be frequently reported at the Export Promotion Conference because import liberalization and export promotion are inseparable. In order for the Korean government to continue promoting an export-oriented strategy, it was essential to accommodate the trade partners' demands for opening its market. Also, a continuous increase of exports required enhancing international competitiveness of domestic products and therefore exposure to external competition through import liberalization increased.

The Commerce Ministry frequently reported the import liberalization plans at the Export Promotion Conference. However, in-depth discussion did not take place and the President did not have special comments or additional directions.

Assistant Secretary of Commerce Ministry The quantity of our import/export now exceeds 20 billion USD and some domestic industries, which enjoyed over protection, need to be armed with international competitiveness by revising our import policy. We will review and coordinate between relevant directorates to switch the current direct import restriction method to other flexible methods and will expand the list of items subject to automatic import. Furthermore, we will give advance notice of a liberalization timeline by item to allow industries time to cultivate international competitiveness.

Source: Transcript from the first Export Promotion Expansion Meeting (January 26, 1972).

Assistant Secretary of Commerce Ministry Now, I will briefly report on import policy for later this year. First, import liberalization measures were taken twice in the first half of this year. 46 restricted items were switched to automatic approval items and although 15 items including an LPG meter and slide projector were classified as prohibited in the past, they will be allowed for import when necessary. Other changes include a huge increase of allowable amounts of import on specific items such as bearings and components of transportation machinery.

These import liberalization measures will act as catalysts for overprotected industries to enhance international competitiveness by transforming their management, technical innovation and

cost reduction. These measures will also contribute in price stability and increases in export by redeeming inflated currency.

From now on, the scope of liberalization will gradually expand along with side-effect mitigating measures such as advance notice to related industries on timing and items subject to import opening, to allow sufficient time to prepare for changes.

Transcript from the 7th Export Promotion Expansion Meeting (August 25, 1972).

The President's comments are not found anywhere despite the Ministry of Commerce, the competent authority for import promotion, many reports on import liberalization. The fact that the President's priority an "Export first" policy and there are no significant comments recorded on import liberalization, a natural by-product of export activities and a hurdle to overcome in order to continue export expansion, requires supplemental research.

In the first Export Promotion Expansion Meeting in 1978, a year after Korea achieved 10 billion USD goal of exports, the Ministry of Commerce presented a cautious approach to import liberalization and the Foreign Ministry reported on concerns and responses from pressure for import opening, but the President showed no response whatsoever. He only expressed his appreciation for the achievement and called for more effort to achieve the 100 billion USD goal of exports within a decade. He concluded the conference with stressing that export is part of national consensus and once more asked for strenuous effort.

Minister of Commerce And diversify imports by gradually allowing import liberalization (...) implement import liberalization policy in harmony with industrial policies with focus on strengthening competitiveness of domestic industry in an effort to prepare them for international market. This will provide domestic industries with an opportunity to actively adapt to the international trade environment. Also, as our balance of international payments changes, liberalization measures will be taken in a gradual manner. For import liberalization measures, decisions on timing and which items to be included must be made in advance to provide sufficient time for domestic industries to prepare against such changes. Any new import restriction will be delayed as much as possible and for import opening items,

indirect import adjustment methods such as tariff and foreign exchange will be taken simultaneously.

President Last year, we finally captured a hill of 10 billion USD exports (...)

I highly appreciate for your hard work once again and ask for more in this new year (...)

Now we should aim for a 100 billion USD goal of exports within a decade (...) I say as an intermediate goal, we should achieve 20 billion USD exports by 1981 when the 4th 5-year plan finishes (...)

As I mentioned before, export is an expression of “national consensus” (...) starting this year, we are heading towards a new goal (...) here, I want to pledge to achieve this goal through solidarity and consistency.

Transcript from the first Export Promotion Expansion Meeting (January 2, 1972).

The President’s numb response to import liberalization cannot be interpreted as indifference to the import liberalization policy. What is more plausible, is that he received briefs from and gave direction through separate channels such as the Import Liberalization Council which directly moderated import liberalization, had the compiled results, the complete import liberalization plan and briefed at the Export Promotion Expansion Meeting, meaning that he may have felt that there was no need to mention the topic again. Actually, the Blue House Economy Secretary who took part in the Import Liberalization Council in February 1978, elaborates on the way forward for import liberalization as follows:

The principles of import liberalization should be elaborated harmoniously with relevant policies. The basic path of import liberalization should be set to go along with the industrialization policy, tariff policy, diversification of importing countries and so on and the judgment on whether we have international competitiveness should not rely on general knowledge, as we should be able to quantify the level of international competitiveness. These principles and standards should be inserted in the decision for import liberalization and discuss only the issues at hand.

Source: Ministry of Commerce, Industry and Energy (2003).

Taking all this into consideration, the Export Promotion Expansion Meeting's role was not in making direct decisions such as establishing the detailed import liberalization plan nor deciding on what products were to be liberalized. Despite this, the reason why the Ministry of Commerce and Industry intermittently reported on import liberalization at the Export Promotion Expansion Meeting seems to be an effort to get the President's open verification and secure the authority to adjust policy for the establishment and progression of the import liberalization plan. Through this process, the import liberalization plan had been executed in detail.

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Chapter 5

Success Factors of METRM and EPEM

1. Success Factors of METRM
2. Success Factors of EPEM

Success Factors of METRM and EPEM

1. Success Factors of METRM

1.1. Success Factors

1.1.1. Introduction to Success Factors

As mentioned previously, the new administration, launched by the May 16 Military Revolution in 1961, established an agency that worked on economic planning. Also, the Korean government made economic development plans of five-year or one-year time horizons, using this planning agency for consistent implementation of plans. Along with this, the Monthly Economic Trend Report Meeting has become regularly scheduled in January 1965. The meeting checked on the progress of the already established economic development plans and quickly prepared and equipped counter-measures for any unforeseen fluctuations of the economic situation. Especially in the high economic growth era of the Korean economy in the 1970's, the METRM contributed greatly to the success of the policy implementation. In Chapter 3, we were able to review that METRM held a significant role in boosting the fruits of the policy by looking into the representative cases such as the Saemaueul Movement, food production increase policy, and forestation policy, based on the policy implementation analysis proposed by Smith (1973). Korea achieved a high economic growth rate, with an annual average of nine percent in the 1960's and 1970's and could see advancement of the industrial structure. In addition, the operation of meeting bodies like METRM were one of the key propelling forces that enforced a series of economic

development plans and enabled the Korean economy to gain qualitative and quantitative maturity.

The success of the Korean economy also owes its success to the favorable environment of the international market. Since the 7th Kennedy Round of the GATT was put into effect in 1964, tariffs of key nations fell to almost half of the level implemented in the post-war period. Therefore, trade liberalism became widespread, meaning that the market for exporting labor-intensive industrial goods from under-developed countries to developed countries opened. As a result, the conditions were advantageous for Japan's capital, technology and parts, Korea's labor force and the U.S. market to form a synergistic effort.

However, although many post-World War II newly born nations established economic development plans and planning agencies, pundits point out that rarely have countries achieved the same level of success as Korea.¹⁶⁶ Most of these countries simply gained a different standing through independence from being a colony and had a strong tendency to operate and establish plans or agencies only as a formality to use as a political slogan or to satisfy the requests of aid-providing nations. From this, we can speculate two points. First, you cannot achieve automatic economic growth just by having an economic development plan. Second, establishing a planning agency does not mean smooth implementation of the economic development plan. In other words, the form and type of the proposed economic plan and planning agency could be crucial.

There have already been studies, comparing developing countries, on how Korea, accomplished rapid economic growth in a relatively short period. This has not achieved consensus but many agree with Waterson's (1965) point that Korea's success was possible because it created a good economic development plan, with consistent implementation and effectively responded to short-term economic issues along the way. As mentioned before, METRM addressd the effectiveness of plan implementation. It is helpful to look into the mechanism (hardware) aspect and contents (software) aspect of these conference venues.

166. Waterson, Albert, *Development Planning: Lessons of Experience*, Baltimore: The Johns Hopkins Press, 1965, p. 437. Iran's planning agency, Iraq's development council, Nicaragua's national economy committee and the Philippines' national economy council also had significant power, but it is hard to say it had more authority than Korea's Economic Planning Board. [Waterston, p. 437]. The role and functions of EPB, and its contribution to the Korean economy is dealt with in detail in Han, Seunghee (2014).

1.1.2. Success Factor: Hardware

a. Enhanced Authority of Meetings Hosted by the President

In analyzing the hardware aspect success factors of the Monthly Economic Trend Report Meeting, we must first look into the President, the hosting ministry-the EPB and the authority this meeting had within the executive body. In Korea, under the Park Chung-hee administration, the EPB was at the center of all short-to long-term economic planning and key economic policy enactment. The Minister of the EPB was double-hatted as the Deputy Prime Minister, making it a ‘super ministry’ that handled functions such as planning, budget planning, foreign procurement and statistics management. It was responsible not only for devising economic plans, but also monitored the plans’ implementation, managed the economic research and statistics activities, coordinated foreign funds and technology cooperation programs and set the basic strategy for science technology development. EPB owned almost all the means necessary to establish and manage economic plans, from plans establishment, budget planning, foreign fund introduction, technology, to research and statistics. Waterston (1965) argued that out of many planning agencies of developing countries, it is not easy to find an agency that had the power to match Korea’s EPB.¹⁶⁷

Additionally, in the case of EPB, it received particular support from President Park Chung-hee. President Park had a resolute will on economic development and because he founded the EPB as the agency of planning and implementation right after taking office, he had special attachment to the EPB. The Prime Minister and ruling party also actively supported the ministry, which became an engine for executing economic policies. Moreover, the government employees of the EPB were free from any entanglements with parties of interest and were equipped with professional skills. Because the EPB was less constrained by jurisdiction or regulations, the employees could exercise maximum flexibility rather than be strictly confined by rules. With such excellent human resources, a relatively liberal working culture, the EPB had the required conditions to wield enormous power backed by the President. Generally, planning agencies should be able to collect, with relatively low restrictions, sufficient information from relevant ministries and agencies needed for setting and conducting plans. The EPB, had no difficulty coordinating or getting support from other agencies because it possessed all the necessary tools. However, it faced some friction because of discontenting voices saying that it infringed on the business of managing ministries and causing an uncooperative atmosphere, but EPB’s role and weight in pushing forward key economic policies were crucial, at least in the 1970’s.

167. *Ibid.* p. 437.

The EPB, having a strong reputation, hosted METRM. Because the President came to the EPB conference room and sat in all the meetings, the plans were effectively executed and in-depth evaluations took place. President Park came to almost every meeting and quickly enhanced its economic capacity by chairing the meetings. For the President, this meeting was a monthly educational opportunity to learn from experts on the economy about the micro/macroeconomic principles of foreign investment, commodity prices, production and import and export. For instance, by 1979, President Park displayed shrewd insight almost equal to that of economy experts and accurately pointed out the current situation, assessing the relationship between price of goods and consumption.

President Park Chung-hee Early this year, I emphasized the significance of consumption reduction, but the most important task we need to tackle this year is price stability. Economy agencies, the EPB and the Ministry of Finance are working hard on this matter, but the statistics show that prices are not falling and continuing to surge (...) It comes down to becoming economical, but the solution to this problem is to unite the people, the government and domestic industries and strive to gain economic stability and cooperation, (...) but consumption is increasing too much. We cannot know whether the consumption tendency of the people changed because we now enjoy some stability from being extremely poor, (...) but I am concerned that Korea will not grow economically if we do not achieve stability of price. Let's know our limits, rationalize our spending and perform wise spending, are all good mottos, but we need to look directly back on this as Koreans because it is our responsibility. Our income is about 1,000 USD, but our spending is like a nation that has 5,000 or 7,000 USD in income. If we do not resolve this, the economy will not grow no matter how much we try. (...) However, some people believe that soaring prices is the fault of the government (...) but my point is we cannot solve this solely by government effort.

Transcript of the Export Promotion Expansion Meeting (April 13, 1979).

Meanwhile, he actively took part in the discussions with the reporting officers and other participants, seeking and formulating necessary policies. Following is the conversation between participants during inducement of foreign capital and operation report by the EPB. Choi Chang Rak, EPB Assistant Minister, reported on the current status of inducement of foreign capital and future usage plan. During this report, President Park asked questions and made instructions. Significant is that President Park strongly stood up for his opinion on using loan inflow.

**Choi Chang Rak,
EPB Assistant
Minister** The 7th IECOK General Assembly was held in Paris, France, for two days on March 26 and 27. (...) I would like to report on the President's special order on inducement of foreign capital for 1974 and how it has been implemented, by industry. (...) Railroad loan was pushed for 4.4 million USD but (...) made a deal with 100 million USD by next year. (...) Building agricultural warehouse is yet discussed with the Ministry of Agriculture and Forestry, checking demand. (...) We are planning to get German loans within the range of 0.5 million USD for the first round.

**President
Park Chung-hee** (...) Deputy Minister of Transportation, Minister of Transportation, what kind of projects do you have in mind?

**Kim Shin,
Minister of
Transportation** We are thinking of a long-term introduction of railroad, trains, rail (...)

**Choi Chang Rak,
EPB Assistant
Minister** To add on (...)

**Kim Shin,
Minister of
Transportation** We will report on it later.

**Choi Chang Rak,
EPB Assistant
Minister** We were thinking of train, diesel locomotives, equipment, rail and other components.

President Park Chung-hee You know the Choongbuk Line, that delivered coal and cement from Gangwondo province? Another option is using the rail down in Samchuk and Pohang from Japanese colonization. Then we can get coal and cement from Gangwon more quickly, right? I think it is more significant (...)

Kim Shin, Minister of Transportation Coal consumption is expected to increase in the future. We will make a plan considering increased anthracite and large-scale transporting resources.

President Park Chung-hee Minister of Agriculture and Forestry, 0.5 million USD from West Germany (...)

Choung So Young, Minister of Agriculture and Forestry Yes.

President Park Chung-hee We can't rely on that alone. We should build agricultural warehouses, even if we use it for other purposes. AID conditions are more beneficial, no?

Choung So Young, Minister of Agriculture and Forestry That is correct.

Choi Chang Rak, EPB Assistant Minister Yes, that is correct. Its interest rate is 2 percent and long-term.

President Park Chung-hee But we don't have warehouses. I am concerned about the food problems and oil problems approaching and want to have warehouses to store food during good harvest in the U.S. and be prepared. (...) We can't just buy something out of nowhere and without being able to store them anywhere (...)

Choung So Young, We are working on it and will report as things work out.

**Minister
of Agriculture
and Forestry**

President

Park Chung-hee

We need to have a certain amount of warehouses and get prepared for bad years or cases of global food crisis. We need to be prepared and store some and have warehouses to do so. Make plans with detailed budget.

Choung So Young, Yes, Mr. President. I will report within the week.

**Minister
of Agriculture
and Forestry**

Transcript of the Export Promotion Expansion Meeting (April 12, 1974).

As shown above, inducement of foreign capital was one of the main functions of the EPB. However, the EPB was able to do so probably because the President showed great interest and gave specific operational orders. It is also notable that there were institutional structures in METRM to follow-up with current issues like building warehouses.

b. Collaboration of Relevant Departments and Improvement of Visual Outcome

As mentioned in Chapter 2 of this report, the participants of METRM were the power elites at the center of politics and economy, driving economic development in the 1960s and the 1970s. The President, economic ministers and the Economic-Science Council enacted economic development plans, pushed ahead, evaluated policies and gave feedback, playing a significant role. Moreover, figures from the ruling party and congressmen were in charge of setting budgets and reviewing bills. As such, the key figures gathered in one place, sharing information on current economic trends and formed a mutual consensus. For instance, when the EPB initially reported on the economic trends, the participants would learn how the indicators changed and saw how the economy worked. Such a process enhanced effectiveness of policy implementation and coordination among relevant departments.

Table 5-1 | Participants of METRM (1965)

Date	Participants
January 12, 1965	President, all the Ministers, all the members of the Economic-Science Council
May 2, 1965	President, all the Economic Ministers, all the members of the Economic-Science Council, Governor of the Bank of Korea, Governor of the Korea Development Bank, Chairman of National Agricultural Cooperative Federation
April 3, 1965	President, all the Economic Ministers, all the members of the Economic-Science Council
May 5, 1965	President, all the Economic Ministers, all the members of the Economic-Science Council, Economic Relations Committee (National Assembly), Republican Party Officials (Chief Policymaker)
June 8, 1965	President, all the Economic Ministers, all the members of the Economic-Science Council

Source: Kang et al. (2008).

According to Kang et al. (2008), in the case of EPEM, several figures from the private sector attended and thus it was difficult to hold discussions only among bureaucrats. However, even with the participation of ordinary people like the Saemaeul leaders at METRM, the proportion was much smaller compared to that of EPEM. METRM was the only system that provided a venue for almost all the economic ministers at the central government. Acknowledging the Chief Commander's vision and goals created tension between public and private parties.

Political figures from the ruling party attended, speeding up the process of decision-making and modification. When there were different thoughts on certain issues, discussions were held until they found agreement.

On July 5, 1972, President Park pointed out a problem on overseas investment projects, frankly expressing his hope for private economic organizations like the Korea Chamber of Commerce and Industry (KCCI) to deal with civil petitioners by providing simple guidance. However, he mentioned how the petition work should continuously be considered by the EPB, in the perspective of citizens as civil petitioners.

President Government does its work but Japanese people (...) to encourage small and medium-sized companies to reach out to the global market, the Japanese Chamber of Commerce and Industry has a guidance agency (...) economic organizations are proactively supporting them, can Korean Chamber of Commerce and Industry (...) do something similar?

EPB No, we do not have anything like that. (...)

President I'm not saying they should have redundant guidance that EPB already is doing. I am saying if they have anyone seeking help coming to KCCI, they can arrange meetings with EPB or introduce someone (...) Civil petitioners come for actual answers but that will make things too complicated. I mean they can do a bit of help for those who come. They shouldn't be like "That's what the government does. The Chamber does not know." They can meet (...) and maybe tell them which department to go to at the EPB and help them if they can, make calls if necessary. You know, those shouldn't be too hard and I think the Chamber can do those things.

Transcript of METRM (July 5, 1972)

As such, the President specifically mentioned certain tasks and the agency to be in charge when all the high-level officials were present. When necessary, relevant departments were encouraged to cooperate for policy implementation.

1.1.3. Success Factor: Software

a. Prompt Review on Short and Long-term Current Economic Issues and Relevant Policy Formulation

The three exemplary cases of Saemaeul Movement, Food Production Increase Policy, and Forestation Policy discussed in Chapter 3 of this paper, were closely related to the third five-year economic development plan (1972~1976) in the 1970s, whose core objectives were 'innovative development of agricultural and fishery economy', 'balanced development

among regions’, and ‘establishment of self-standing economic structure’.¹⁶⁸ METRM monitored the progress of the major policies, imposing necessary policies in a timely manner with consistency. As introduced in Chapter 2 and 3 of this paper, METRM had a systematic structure to react to any unexpected circumstantial changes at a government-wide level.

Development plans required a systematic mechanism to have consistency in general, flexibility at times of changes of external conditions, and timeliness of monitoring and evaluating. METRM had a regular reporting system from relevant ministries and special reports which monitored specifically important policies or formulated and promoted government-wide policies. The reports allowed the related ministries to closely monitor and evaluate the long-term and short-term economic development plans. Especially, Korea Development Institute, established right under EPB, and Statistics Bureau each effectively helped the planning agencies to more effectively formulate the government’s economic development plans. Introducing a global level of statistical, analytical methods, they were able to compare the domestic and international economic changes which contributed to prompt and appropriate decision makings at METRM. In the process of decision making, high-level government officials of policy implementation agencies like the Ministry of Finance, the Ministry of Commerce and Industry, the Ministry of Agriculture and Forestry, the Ministry of Construction, the Ministry of Transportation, the Ministry of Science and -Technology, the Ministry of Foreign Affairs, apart from EPB who had the primary responsibility, and representatives from the private sector like Saemaeul leaders all came together, with public-public and public-private cooperation, contributed to creating visual outcome.

METRM not only improved effectiveness of economic policies but promptly reacted to short-term economic issues and coordinated among relevant ministries departments at the government-wide level, operating as an effectively responding vehicle. In the 1970s when METRM was especially vitalized, Korea realized high economic growth and qualitative upgrading, reflecting the effective implementation of five-year economic development plans and various short-term economic policies.

168. Chapter 3 of this research reviews the policy progress of economic plans at METRM, with the exemplary cases of Saemaeul Movement, Food Production Increase Policy and Forestation Policy as effective policy implementation. However, only a select few are mentioned for the convenience of discussion. Besides these three cases, there were countless cases that monitored policies of economic plans that systematically monitored progress at METRM. Refer to Kang et al. (2008) for more information.

b. Establishment of Public Trust through Enhancement of Effectiveness of Policy Implementation

Major issues and policies discussed at METRM gained great attention from bureaucrats, media, and the public. It was because the Meeting itself was chaired by the President, participants were high-level political and economic figures who were key to policy decision making, and the issues discussed influenced national economy enormously. Government personnel always had tension during the preparation and follow-up period. As mentioned before, since the President asked questions to the relevant ministers, they had to be well-prepared. Also in most cases, the President required relevant ministries to follow up his instructions during the METRM.

The government tried to let everybody know issues discussed or decided at the meeting through press releases. It was mainly focused on showing the visible process of how things were actually working, from the President's passion and support to actual implementation, all contributing to tangible outcomes like increased income and improved living conditions.

The general public had a tendency to express various perspectives about political situations but regarding the economy, showed strong trust. Trust, in this sense, means trust of the public, trusting the government and trusting the government's performance. Trust of the public is defined differently by scholars but Sohn (2005) defined trust as "positive expectation or emotional support in cases of uncertainty."¹⁶⁹ In this case, the subject is the people and the object of their trust is the government or government policy. Combining the definitions, trust of the public is the positive expectation or emotional support in the cases of uncertainty toward government or government policies.

Han (2014) is specifically discussing the reasons why people could trust and support their government in the high economic growth era.¹⁷⁰

(...) showed close and swift responsiveness and follow-up measures for economic issues that were critical to businesses and the general public. For instance, in 1972, (...) the issue of corporate debt among businesses. At the Monthly Economic Trend Report Meeting, it closely examined the actual effects of the series of financial conditions improvement measures and possible improvements for the effective implementation of relevant policies. These timely efforts solved the predicaments of businessmen and enabled

169. Sohn, Ho Joong. (2005), *Study on Influence Factors for Public Trust* (Dissertation), Yeungnam University.

170. Han, Seunghee. (2014), p.107.

them to focus on their management. In addition, the EPB would focus on policies for the agricultural, forestry and fishery industries and the Saemaeul Movement and provide support so that these policies could be implemented without any obstacles. As a result, it contributed to the modernization of rural areas and received extensive support from the people.

In general, government can set economic development strategies or policy direction, being able to properly implement policies (Choi 2008).¹⁷¹ Fukuyama (1995) stressed ‘trust’ as a pivotal factor that determines the economic and social status of a country.¹⁷² In other words, a country’s welfare or economic capacity depends on the level of trust of the public. Measuring how much METRM contributed to increased trust in the 1970s is beyond the key questions of the research. Yet, combining the ‘influence factors of public trust’ with reviews contained in the references, it may imply that the implementation process of METRM at the time influenced the public’s trust toward government.¹⁷³

171. Choi, Hong Kyu. [2008, p. 2]. “Influence Factors on Public Trust”, Assembly of Jeollabuk-do Province, memorandum. Choi argues about the significance of the public’s trust as follows: (...) “the public’s trust enhances cooperation between government agencies and residents, reducing potential damage factors or troubles in the process of policy implementation, increasing effectiveness. (...) On the other hand, with little trust, the people’s expectation and desire to follow is at a low level (...) it is difficult to draw support and cooperation from the public.

172. Fukuyama, Francis, Trust: The Social Virtues and the Creation of Prosperities, New York: Free Press Paperbacks, 1996.

173. Sohn [2005] suggests 1) governmental capacity (professionalism of the government, effectiveness, relevance of work, outcome, etc.), 2) probity (equity, integrity, honesty, transparency, etc.) 3) consistency [fulfillment of promise], 4) participation [openness, responsiveness], 5) intimacy [ideological homogeneity, PR, education], 6) others (diligence and accountability of bureaucrats) as influence factors on trust of the public.

Table 5-2 | Influence Factors of Public Trust

Author	Influence Factors of Public Trust
Bae, Bung Ryong, Lee Si Won (1988)	Demographic, socioeconomic background factor, public officer factor, governmental structure factor, government environmental factor
Butler (1991)	Competency, loyalty, liberty, receptivity, utility, consistency, discernment, equity, faithfulness, fulfillment of promise
Mayer et al (1995)	Competency, goodwill, faithfulness
Lee, Jong Su (2001)	Features of the subjects and objects of trust
Seo, Mun Ki (2001)	Political factor, economic factor, socio-cultural factor, state capacity, social conflict
Kim, Hyun Ku et al (2003)	Outcome, ethics of public service, political capacity, management capacity
Yoon, Jong Sul (2004)	Contents (morale, productivity, functionality), structure (people's trust toward government, government's trust toward people, environment and structural factors)
Sohn, Ho Joong Chae Won Ho (2005)	Government capacity, justice, consistency, participation, intimacy, other factors
Shin Chang Hyun (2005)	Contents rationale, procedural justice, emotional receptivity
Kim Dong Wook <i>et al.</i> (2006)	Cultural factor, institutional factor, cognitive appraisal

Source: Choi, Hong Kyu (2008, p. 12).

Korea, especially in the 1970s, effectively promoted various agenda through METRM, contributing to economic development. The enhanced public's trust and the trust, in return, created positive results for economic growth.

As discussed before, a general understanding among professionals is that whether the government and people have mutual trust, effects the success and failure of policy implementation. And there were different perspectives on the influence factors on the public's trust. It can be seen in <Table 5-2>, assuming that government capacity (policy outcome), justice, consistency, participation, intimacy are the key factors,¹⁷⁴ METRM in the

174. Sohn, Ho Joong and Chae, Won Ho. (2005), "Influence Factors on Public Trust", *Korean Public Administration Review*, 39 (3), pp.87-113.

1970s increased policy effectiveness, improved public participation and increased intimacy. In this sense, METRM, at least in terms of economic perspectives, contributed to improving the public's trust, eventually leading the Conference System to success.

1.2. Shortcomings and Side-effects

1.2.1. Delay of Market Vitalization

In Korea in the 1970s, METRM operated as an effective vehicle for driving state-led economic development strategies. However, it is also true that in the process, it led to creating state-reliant economic actors and delayed market vitalization. METRM no longer was held, when the market liberalization was pursued in the 1980s. METRM extended to the Choi Kyu-hah Administration and to parts of Chun Doo-hwan Administration in the 1980s but with much less frequency. Later in the Kim Young-sam Administration, EPB hosted a large-scale meeting every month to report on the 'five-year new economic and social development plan (1993~1997)', inviting relevant ministers, government officials, entrepreneurs from the private sector, economists, professors and so on. Emphasis on liberty and creativity of the private sector, in the planning phase of the five-year new economic and social development plan, is a distinctive difference from the Park Chung-hee Administration. Nonetheless, in the meeting, the President seldom asked questions and made suggestions and involved participants from the private sector.

1.2.2. Imbalance Problem in Economic Development

One of the major reasons that caused the financial crisis in 1997 was a shortage of foreign exchange holdings and a vulnerable financial system. More fundamentally, however, the growth-oriented state-led economic development paradigm, *chaebol's* diversification of business reliance on debt, business-politics collusion and so on are blamed for the problem. METRM of the 1970s is partially responsible for the problem. For instance, it did monitor the Saemaetul Movement consistently, not seeking various countermeasures. It led to increased rural income and a reduced income gap between the urban and rural areas until the late 1970s. Cases like Private Loan Freeze Law, promulgated on August 3, 1972, concentrated financial support for economies of scale, but kept development of small and medium-sized companies and *chaebols* out of balance. As a result, the problem expanded to creating monopolies and is partially responsible for rent-seeking, which led to an overall imbalance of the economy.

2. Success Factors of EPEM

2.1. Success Factors

2.1.1. Success Factors by Type

Analyzing success factors for judging whether a government agency has succeeded, is highly subjective and carries a large potential for controversy. Not only are objectives pursued by the government agencies inherently highly unclear and complex, but also, attaining those objectives is not easy to explain with a one-dimensional cause-and-effect.

The framework for the analysis of success factors is based on the four factors that affect policy implementation in accordance with Smith's methodology (Thomas Smith, 1973). Using this framework, there is potential for argument when classifying the results of various factors that could be interpreted as success factors for the Export Promotion Expansion Meeting. <Table 5-3> shows a layout of items identified as success factors with Smith's framework as the base.¹⁷⁵ This assumes that the Export Promotion Expansion Meeting was successful and thus the argument will ensue from the three results of expansion-oriented export policy, export-oriented industrialization and open market for manufactured goods and trade promotion policies, which have been offered as success cases earlier.

Though there may be small differences in emphasized dimensions depending on the research purpose or method. Nevertheless, Park Chung-hee's determination for export industrialization is a sine qua non in the discussion of success factors of the Export Promotion Expansion Meeting as the government agency that catalyzed exports in the early stages of Korea's economic development. From the President's determination, a national consensus was derived by presenting to the people a belief and a vision that export industrialization and nothing else could free the Korean economy from poverty and develop it into a first-world country. This allowed the formation of a support system that could focus national resources into the growth of export industries.

In addition, other success factors include the dedicated efforts of the Ministry of Commerce and Industry, which allowed the meeting to be held every month from 1965 to 1979. This ensured that the work did not end with short-term policy coordination but led to a joint effort between the public and the private sectors, as well as the friendly external economic environment that allowed the sustainment of export expansion policy.

175. Due to lack of existing research whose main subject is the analysis of the Export Promotion Meeting, the author has organized this at his discretion, using existing data as references.

Table 5-3 | Success Factors of the Export Promotion Expansion Meeting

Four Types of Success Factors	Success Factors of the Export Promotion Expansion Meeting
Idealized Policy	President's determination and leadership for export industrialization National consensus on export-oriented industrialization ¹⁷⁶ Concentration of resources on export industries
Target Group	Private sector export companies' efforts for export expansion
Implementation Organization	Monitoring through regular monthly meeting Organized contribution of the Ministry of Commerce and Industry towards the export promotion policy
Environmental Factor	Export-friendly international economic environment

2.1.2. Detailed Analysis of Success Factors

a. President's Determination and Leadership for Export Industrialization

The President's determination for export expansion was a decisive factor in the Export Promotion Expansion Meeting. President Park believed that export was a decision grounded on "national consensus", and encouraged export under the slogan of "export prioritization."

Since the first meeting in February 1965, he attended almost every meeting that was held until September 1979 and reviewed export results and coordinated export promotion policies. With the attendance and hosting of the meeting by the head of state and chief of the executive, the meeting would gain legitimacy at a national level and thus, policy objectives discussed in that forum could be pursued with the highest priority.

The President attended each meeting to demand maximum export expansion and order necessary measures for it. Export was the highest value and the standing goal of the Korean economy. In particular, although the maximum export target was reflected in the five-year economic development plan for securing of foreign currency reserves needed for economic

176. Depending on the scholar, some have negative opinions on mentioning "national consensus on export-oriented industrialization" as a success factor of EPEM. The reason is that neither the academia nor the media, even the civilians were positive about export-oriented industrialization in the 1970s. Of course, there was resistance and opposition and it was difficult to argue that the civilians agreed to industrialization. Nonetheless, President Park, with the slogan of "national consensus" and "export prioritization", constantly explained and emphasized the significance of export as the only way for the Korean economy to grow and sought for public agreement. Based on the fact that the government imposed concentrated national resources on export industrialization with a strong policy will, it is difficult to view that export promotion policy would have been successful without public consensus.

development, he was not satisfied with the annual targets in the Five-year Plan. He continued to ask for additional challenging objectives in order to stimulate the private sector into a higher sense of purpose and destiny.

President What should the government do now? The Ministry of Commerce and Industry had a good plan and a good thorough brief, on this year's plan, but how can we take a step further and speed up more and more forward and what would be the direction for that? Squeeze out more such ideas, the private sector, make more effort and of course, government will support what it should and the private sector should do what it should. If you are, shall we say, satisfied at small successes, saying that this is enough, then with that kind of mindset, we cannot have progress.

Transcript of the first Export Promotion Expansion Meeting (January 25, 1971).

Furthermore, the President directed that export would not end as a function of relevant government agencies, but continue as a national task that called for the unified efforts of the government, exporting companies, banks, businesses and political organizations. From this strong directive of the President and empowered by unceasing review and encouragement, Korea's export would make breathtaking progress. As seen in <Table 5-4>, exports which were only at 55 million dollars in 1962, the beginning of the first Five-year Plan, in 1964, nearly doubled to 100 million dollars, growing further, achieving 3 billion in 1973 or growing 30 times in 10 years, making geometric progress by achieving the 10 billion dollar mark.

Table 5-4 | Export Goal and Year Achieved

Export Goal	\$100 Million	\$3 Billion	\$10 Billion
Planned	1965 (first Five-year Plan)	1976 (3 rd Five-year Plan)	1979 (4 th Five-year Plan)
Actual	1964	1973	1977

Source: Kang *et al* (2008).

b. National Consensus for Export-Oriented Industrialization

The military regime that emerged from the May 16 Military Revolution sought to gain legitimacy for the weak regime by escaping poverty and developing the economy. For this, as a policy means to secure investment, export was strongly encouraged. A mid-to long-term development vision was offered from the early stages of the regime in 1962 using the Five-year Economic Development Plan. Export goals were set per year in order to establish exports as a national agenda that called for unified efforts of the people. President Park used various opportunities to emphasize the importance of export and the necessity of growth of export industries and called for national effort on export-oriented industrialization.

President And there's the issue of foreign market exploration. Domestic trading companies undertake many activities, but mainly, we have the chiefs of mission abroad and the workers at those missions and employees of those trade companies and the citizens living abroad must all come together for this objective. The government's policies have to focus on achieving this objective. As I previously mentioned, diplomacy, administration, education, culture, art, even sports have to contribute something to this objective (...) From now to about ten years out, all of our efforts need to focus on the goal of 10 billion dollars in exports, this focus is the only way, I think, that we can achieve this goal.

Transcript of the first Export Promotion Expansion Meeting (January 30, 1973).

In particular, the Export Promotion Expansion Meeting hosted by the President personally enhanced national awareness about the importance of exports and greatly contributed to the formation of a national consensus. The items of discussion at the meeting and the hosting of the meeting by the President drew attention of the people with various daily newspapers and media outlets.¹⁷⁷

Furthermore, the President continuously emphasized the importance of exports and the necessity of export industry growth in this mammoth meeting that involved not only government agencies, but also key export companies and private sector actors, banks and key political figures. The meeting played an important role in drawing out a national consensus about export-oriented industrialization.

177. *Jungang-Ilbo* (January 24, 1966), *Chosun Ilbo* (February 22, 1972), *Hyundai Gyeong-je Sinmun* (February 22, 1972)

Like this, the Export Promotion Expansion Meeting not only played an important role as a means to draw national consensus, but also, it would successfully implement its inherent purpose with export promotion policies by having this consensus. The government, working from the base of this national consensus, could legislate promotion laws for each strategic industry for more active implementation of policy, allowing a more systematic approach from the government.

c. Concentration of National Resources to Export Industries

Referencing the promotion laws legislated to key export strategic industries for more government support, the government actively implemented export industrialization. From the mid-1970s, investment in heavy chemical industries such as machinery, electronics, steel, automobiles and petrochemicals was increased. Plans were established per export industry and multi-dimensional support for that industry including financial, banking and tax was used to concentrate national support.

Starting with the beginning of the year press conference by the President on January 12, 1973, the government announced a holistic heavy and chemical industry growth plan. With the goal of achieving 10 billion dollars in exports and 1,000 dollar per-capita GDP by the mid-1980s, in order to enhance the proportion of heavy and chemical industries and sophistication of export products, steel, non-iron steel, machinery, shipbuilding, electronics and petrochemicals were selected as key industries and growth plans per industry were established.

“The government now declares an age of heavy and chemical industries, with government economic policy focused on the growth of heavy and chemical industries (...) In order for us to achieve the goal of 10 billion dollars in exports by 1980, heavy and chemical industries have to represent well over 50 percent of all of our exports. In order to achieve this, the government from now on is going to push forward with the growth of iron, shipbuilding, petrochemical, et cetera, with the purpose of exporting products in these areas (Park Young-Goo, 2005).”¹⁷⁸

For this strategic growth of heavy and chemical industries, the government pursued various means such as providing long-term low interest policy loans, advantageous tax incentives, establishing educational institutes for professional technical training,

178. Park, Young Goo, “Structure changes and heavy chemical industrialization,” Lee Dae Geun “New History of Korean Economic Development; From Late Chosun Dynasty to High Growth in the 20th Century,” Nanum Publishing, 2005.

establishment of government-funded research institutes for heavy and chemical industries, etc. In particular, the government could support the large amounts of funding required for investment in heavy chemical industries by establishing the national investment fund.

Of course, there were difficulties with such as excessive amount of unutilized facilities, resulting from this focused investment from the government. However, this remained as a Korean development model of “selection and concentration,” in that by concentrating the limited national resources in these strategically pre-selected industries it would realize short-term investment gains and build the mid-to-long-term momentum for Korea to become an exporting power (Ko Young Sun 2008, Kim Young Bog 2003).¹⁷⁹

d. Export Promotion Efforts by the Private Sector

Regardless of the policy and leadership, the ultimate results were left up to the private sector export companies in the field. In order to encourage their export activities, the Export Promotion Expansion Meeting was held to review export progress. Private sector participants were ordered to bring forward complaints and were asked to achieve higher export goals. In particular, emphasis was given to the export responsibility system and the reward-punishment incentive system.

The government set ambitious export goals through annual and mid-to-long-term export plans for export promotion and then executed an export responsibility system by item, company and region. The Commerce and Industry Ministry, through consultation with the manager for each item, assigned annual export targets and reviewed it monthly, obligating the company to achieve that goal.

The Foreign Affairs Ministry assigned export goals by region to embassies in target regions and encouraged their achievement. In particular, the President made the chiefs of mission attend the first Export Promotion Expansion Meeting of the year, for discussion of export support activities and to order active support. President Park made the following remarks at the first Export Promotion Expansion Meeting on January 30, 1973, attended by chiefs of mission.

179. Kim Young Bong, “Industry Policy in the Heavy Chemical Industrialization Era,” “KDI Policy Case Studies: Memories of Last 30 Years,” Korea Development Institute, 2003

President I believe that it is very significant to have our chiefs of mission to Europe and North America at the first Export Promotion Expansion Meeting of the year. In particular, I appreciate the efforts you've made in the past year under difficult circumstances and international limitations, in order to meet our export targets—you and your subordinates and even families, have made efforts for our export policy and made good results. When you return, I ask that you convey my words to the subordinates at your missions.

Transcript of the First Export Promotion Expansion Meeting (January 30, 1973.).

The export responsibility system ensured realistic targets by consulting with the action officer per area before setting targets, but also efficiently stimulated the achievement of private corporations by the government's proactive efforts in predicting and eliminating obstacles through monthly reviews (Kang et al, 2008).

With this, the reasonable operation of compensation system for export activities was an effective factor in promoting private sector export activities. On each annual Export Day, the government carried out large-scale rewards based on export results. The rewards were economically tangible, going beyond the praises as economic warriors. Tax returns on raw materials for exports and facilities, advantageous banking support for exports, long-term low interest loans for facility investment, etc, were offered so that “more benefits to the more competent” was the norm for government support (Jwa Seung-hee, 2014).¹⁸⁰

By clarifying a sense of purpose through the export responsibility system, responsibility was given to each individual and a reasonable incentive system compensated results achieved; this derived active participation and effort by the private sector in the government's export promotion effort.

e. Monitoring through Monthly Meetings

One of the most important factors in the Export Promotion Expansion Meeting's success was its function as an effective monitoring system. The President's monthly review of export progress and discussion of responses allowed policy implementation without difficulties. Because it was chaired by the President, participants managed export policies

180. Jwa, Sung-hee, "Basics of Economic Policy Management: Theory of Economic Policies and Their Coordination", 'Foundations of Policy Coordination in Economic Management: The Korean Experience', Aug. 30, 2014, KDI School.

under maximum attention and had to respond with quick decision-making. Because it was repeated every month, repetitive excuses were impossible and there was no room for laziness.

To host this meeting every month between 1965 and 1979 is exceptional. The President made concentrated efforts on policy objectives, reviewing results by type and market against the plan each month, analyzing notable events and providing responses. Also, he asked for additional efforts based on this review, emphasizing the importance of export and the necessity of growth of export industries.

Repeating a meeting with the same format on the same issue carries the risk of complacency; however, the President's continued attendance ensured that the meeting gained credibility as a robust national system. With this systematic foundation, export industrialization policies could be implemented more effectively. Furthermore, despite the fact that the office that held the meeting, the Export Promotion Committee, was chaired by the Prime Minister, the attendance of the President ironically enhanced the understanding of the national importance of export.

f. Organizational Contribution of the Ministry of Commerce and Industry

For the successful implementation of a national policy, a competent implementing organization is essential. The Ministry of Commerce and Industry carried out its function of policy coordination and implementation as the office of primary responsibility for the President-chaired Export Promotion Expansion Meeting.

Under the President's "export prioritization" ideology, the institution of the Export Promotion Expansion Meeting overcame systematic limitations. Although the government had the Export Promotion Committee with the Prime Minister as the nominal chair, when there were policy vulnerabilities, they persuaded the President to expand and chair the meeting; this can be attributed to the Ministry's dedicated effort and good judgment for export expansion (Kang Gang Hwa, et al, 2008).

Furthermore, the Ministry played the role of establishing mid-to-long-term as well as annual export plans, reviewing and analyzing export results each month for reporting to the Export Promotion Expansion Meeting, refining export policies and coordinating policy support such as finance, banking and tax with relevant agencies such as the Economic Planning Board and the Ministry of Finance. In conjunction with this, for the private sector

exporters, they reviewed and encouraged the establishment and achievement of export goals and received information on obstacles from the private sector to clarify policy and systematic support measures¹⁸¹ (Choi Dong Kyu, 1992, Cho, Soon and Choo, Hak Jung ed. 1987).

g. Export-friendly International Economic Environment

Regardless of the internal effort of the government to establish policy and its implementation, the externally oriented export promotion policy cannot be expected to succeed without influence from external factors. While many existing publications in Korea discuss Korea's export promotion policy as something that was implemented by the government's will, some academics emphasize the role played by the United States government. The United States, with the intent to decrease US aid through Korean development, asked the Korean government in the 1960s to adjust the exchange rate and recommended export promotion (Ko, 2008).

In particular, there were difficulties from the excessive investment of the 1970s during the implementation of the heavy chemical industrialization for export and in the mid-to-long-term, with the liberalization of world trade and the international "Three Lows" of the 1980s.¹⁸² Ultimately, many academics agree that Korean industry and export structure transformed to focus on heavy and chemical industries.¹⁸³

181. Hong (1992) writes the following positive assessment of the Export Promotion Meeting in "Export-Led Growth and Liberalization," that: "Normally, the greatest obstacle to businessmen in developing countries is the interference by government bureaucrats. However, in Korea, the supreme authority encouraged export by having and personally chairing the Export Promotion Meeting from December 1962 to [his death in] October 1979, listening to the difficulties of exporting companies and ultimately, all of the government administration of Korea were supporters as far as export went."

182. The favorable economic environment of the mid-1980s included the low interest rate, low value of the Japanese yen, and low oil prices.

183. Radelet, Sachs and Lee (1977) point out the following comparing the economic development strategies of Asian countries: "The major point is that while the promotion of heavy industry may have been beneficial in some identifiable cases, it surely was not the common denominator that accounts for the rapid growth across East Asia. Instead, the common denominator was manufactured exports, supported by a regime best characterized as free trade for exports. The varied experiences of the countries of East and Southeast Asia indicate that both an open market and a more interventionist approach that offsets other distortions can be made to work, as long as manufacturers face the acid test of operating in world markets, both for imported inputs and exports (Ko, 2008).

2.2. Shortcomings and Side-effects

Economic activities are fundamentally a matter of choice, a trade-off relationship where choosing one means giving up the other. There is no absolute good in economic policy and every policy option offers a choice of positives and negatives. The Korean policy of state-led export industrialization is evaluated by many academics as successful. However, the undesired consequences and problems are also the fruits of the intense industrialization. Hong points out the problems that occurred during export-oriented industrialization include the rationing of financing, low rate of domestic savings, worsening of income distribution, worsening of labor relations, lack of credibility in economic order and over-reliance of the Korean economy on the United States and Japan (Cho and Choo ed. 1987). Here, the discussion will be limited to three categories including the lack of development of the banking industry, distortion of resource distribution, limitations of worker human rights and the radicalization of labor movement and exacerbated imbalances in regions and classes.

2.2.1. Lack of Development in Banking Industry

A certain consequence of state-led export industrialization policy was the excessive use of policy means that limited the private sector's freedom and creativity. The government strategically selected industry areas for focused growth for the purpose of export and it was by governments decision that national resources were focused on the selected areas.

By the 1970s, the excessive interference by the government manifested itself in a policy of continued low interest rates with the goal of growing export industries.¹⁸⁴

Subtracting the inflation rate from the nominal interest rate of the time, it ends up being a large negative real interest rate; because of this, the financial market was in constant over-demand. In this demand-intensive market, financial funding was supplied on a ration basis by the arbitrary judgment and the orders of the government and banks had limited function in their ability to loan money on the basis of the lender's credit (Cho and Choo ed. 1987). In particular, the operation of the national investment fund in 1975 absorbed free market money into the fund, causing banks to lose functions as a free institution of credit trade.

184. Hong talks about the financial policy of the 1960s to the 1970s by stating that: "Except for the so-called high interest rate between October 1965 and August 3, 1972, the government applied a real interest rate of below zero to savings and loans for banks. For example, looking at the 1970s, the nominal interest rate was about 15 percent p.a. on average, but given that the average annual inflation rate was about 20 percent, the real interest rate was five percent." *Ibid.*

This excessive government interference in the financial market not only blocked the development of the banking industry and stunted it from leaving the state-led banking role (Cho and Choo ed. 1987), but also led to a vulnerable financial structure for Korean companies by prompting businesspeople to ride along the low-interest policy by taking out maximum debt from other sources for investment in export purposes (Cho and Choo ed. 1987).

2.2.2. Distortions in Resource Distribution

The state-led export growth policy ultimately led to the negative outcome of the cyclical appearance of weak corporations. In accordance with the export growth policy based on low interest rates, corporations expanded their business by excessive external loans. Because of excessive “more is better” foreign loans of the late 1960s, many loan-based corporations became weak, failing to adapt to changing economic conditions in Korea and abroad. On August 3, 1972, a debt freeze policy was executed in order to rescue corporations that had weak management due to excessive debt (Cho and Choo ed. 1987).

The clear phenomenon of distortion shows itself in the mid-1970s with the strong implementation of heavy and chemical industries. For complex reasons ranging from export promotion to self-defense, the government used its arbitrary judgment in focusing investment resources on selected heavy chemical industries such as machinery, steel and shipbuilding. In the mid-to-long-term, empowered by the “three lows” of the 1980s, the undesired consequences of excessive investment were gradually resolved by the boom in the global economy. In the process, the limitations of state-led export industrialization was demonstrated in the large-scale restructuring of heavy chemical industries.

In particular, even though it could be argued that the government’s lead in investment restructuring is in taking responsibility for the focused investment of the past, the government provided excessive protection and privileges to the corporations in this restructuring, arguably exacerbating the moral hazard in corporate and finance industries (Ko 2008).

Also, the government’s focused support on export industrialization in the long term accelerated the concentration of economic power. The strategic export industries required large-scale capabilities in technology, funding, manpower and organization; thus, a conglomerate is advantageous; thus, the government’s support in financing and taxes would attract large conglomerates participating in exports. Also, for social and economic reasons, by having the large conglomerates acquire the poor corporations that were weakened in this process, it ultimately expanded the corporations when the weak corporations were revived in good economy (Cho and Choo ed. 1987).

This state-led export industrialization policy led to a distortion of resource distribution. Through the arbitrary judgment of the government and repeated consolidation of weak companies and investment restructuring, it was criticized for the moral hazard in the large-scale support and privilege from the government. Also, in the process of seeking quantitative expansion in the short-term such as export expansion, the efficiency-centered export industrialization policy accelerated the concentration of economic power in the conglomerates.

2.2.3. Limitations of Worker Human Rights and Radicalization of Labor Movement

Efficiency-centered export industrialization policies exacerbated class conflict. The government repressed to the extreme, any kind of labor movement in the process of implementing the export promotion and industrialization policy, negatively impacting the development of a healthy labor-management relationship. In 1961, the military regime suspended the labor relations law through a proclamation, disbanded the Korea Labor Union and in December 1962, repealed the profit-share clause of the constitution and limited the labor rights of civil servants. In the 1970s, the repression of labor movement intensified. In 1972, a national emergency was declared and a special measures act was legislated, limiting not only collective action but also the collective bargaining rights of workers (Ko 2008).

This repression brought some positive results, namely creating employment opportunities to escape absolute poverty by ensuring conditions in which corporations could benefit from low wages for rapid growth, but on the other hand, led to the radicalization of the labor movement due to the extremely poor working conditions.

2.2.4. Imbalances by Class, Area and Region

As seen in <Table 5-5>, the export-oriented industrialization policy catalyzed corporate investment, expanded employment and improved household income distribution, so that since 1965, despite some dips, the data show overall improvement. However, in the process, a notable effect is that the income distribution system that showed some improvement in the early 1970s shows intense exacerbation from the mid-1970s. The critical factors in the worsening of income inequality is the rapid growth of conglomerates, decrease in agriculture leading from industrial restructuring, increase in small business households and the growing gap in ages between educated and career levels (Cho and Choo ed. 1987).

Although the export-oriented industrialization policy brought the positive result of overcoming absolute poverty in the short term, the conglomerate-focused heavy chemical industry growth policy also worsened income distribution.

Table 5-5 | Gini Coefficient of Korea

	1965	1970	1976	1982
Nationwide	0.344	0.332	0.391	0.357
Agricultural	0.285	0.295	0.327	0.306
Non-Agricultural (Working Household)	0.417 [0.399]	0.346 [0.304]	0.412 [0.355]	0.371 [0.309]
(Small-Business/Manager)	[0.384]	[0.353]	[0.449]	[0.445]

Source: Cho and Joo (ed.) (1987).

There was an imbalance in the development between large and small/medium sized corporations, as the support policy focused on large corporations because of the priority of growing the export-oriented heavy chemical industry. While focusing on the fabrication aspect of large corporations for the sake of quantitative expansion of exports, there was a shortage of policy support for small/medium companies that focused on parts and materials. The lack of development of those companies that form the foundation of development, ultimately led to a low foreign exchange earning rate, causing the expansion in exports to fail to lead to an expected increase in income and also, led to a continuing distortion of trade structure. Due to over-reliance on Japan for machinery, parts and materials, increase in domestic production led to a buildup in the trade deficit with Japan; on the other hand, export relied excessively on the United States, causing the increasing exports to act as a trade conflict point between Korea and the United States.

Furthermore, export-oriented industrialization pursued the development of industrial complexes in specific locations, such as the Masan Free Export Area, Changwon Machine Industry Complex, Pohang Steel Refinery, and Ulsan Petrochemical, and so on leading to an imbalanced development by region.

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Chapter 6

Conclusion and Policy Implications

1. Lessons from Operating the Two Conference System
2. Replicability of the Two Conference System in
Developing Countries

Conclusion and Policy Implications

1. Lessons from Operating the Two Conference System

1.1. Lessons from METRM

METRM was regularized in January 1965 and functioned for the President, as the final decision maker, to promptly respond to the economic changes that were inevitably uncovered in the economic development plans, formulating and reviewing the responses every month. It was established as an official conference system for the President to regularly review economic trends and effectively implement economic policies. It is distinctively different from the economic trend reports held weekly right after the May 16 Military Revolution in 1961 and the irregularly held METRM afterwards. METRM was held a total of 147 times until June 1979, when President Park Chung-hee passed away. The only METRM unattended by the President was in May 1972, which reflects his passion on the Meeting.

METRM contributed to effective implementation of economic policies as well as several changes in economic and social conditions with regards to short-term economic policy decisions and implementation. The National Operations Room reporting to the Prime Minister's Office and getting monthly reports on nationwide development progress had a certain degree of positive outcome in Malaysia. Though not an official agency but a Conference system, "long-term consistency and strong policy capacity (Lee 2011)" was superior to any other case of developing countries including Malaysia. In fact, METRM contributed to successful policy implementation like the Saemaeul Movement, Food Production Increase Policy and Forestation. Actual cases of METRM of Korea indicate that implementation, as much as planning, is significant in successful policy outcome. While

the Economic Development Plan was a time-horizontal series of policies, METRM was an effective vehicle in the implementation phase that functioned as propelling forces in the high growth era of 1970s.

As mentioned previously, METRM reacted to sudden changes and adjusted short-term economic policies, promptly and flexibly. Basic consistency of plans and flexibility and promptness in implementation is crucial. METRM contributed to enhancement of flexibility of plans. There were economic trend reports every week in 1961, mostly to understand the economic trends. After regularization of METRM in 1965, its purpose expanded to effective implementation of economic plans and timely reaction of short-term policy. The President personally reviewed and monitored both short-term and long-term agenda through METRM. As a result, diagnosis and prescription on the current economic issues were effectively done, setting conditions for relevant policies to be successfully implemented. Improving the policy outcome and effectively resolving several economic problems, the government gained the public's trust (*fede pubblica*). Such enhanced trust by the public, in turn, contributed to successful implementation of policies.¹⁸⁵

It implies that Korean economic success is not solely due to the international economic environment but with the government's active involvement. After World War II, several newly independent states formulated and promoted economic development plans but successful cases are rare. It implies that formulating economic development plans does not guarantee successful implementation. Moreover, establishment of planning agencies does not guarantee good implementation. Waterston (1965) pinpoints that EPB, the planning agency, was able to consistently implement short-term and long-term economic policies and promptly react to the economic circumstances, constantly improving policy effectiveness. METRM is considered as a key factor in this process.

Nonetheless, there were limitations in the process of implementing state-led economic development policies, it created government dependent habits and slowed down market economy. Relevant bureaucrats were hyper-motivated for reaching the goals, often times not

185. Related to this, Choi (2008, pp.1-2) describes as follows: "for government to mediate conflicting interests and distribute resources, it is difficult to expect policy outcome without trust from the general public. The public's trust is clearly a significant factor for policy implementation and success, (...) enhancing effectiveness by encouraging the virtuous cycle of participating in decision making and implementation processes and exchanging information. In other words, trust by the public improves cooperation between the government agencies and the people, reducing potential conflict and damage factors, eventually improving effectiveness of policy implementation. It gives the public agencies legitimacy, based on the people's trust, the propelling power to implement policies. (...) On the other hand, in countries with low trust by the public, people have low expectations and adaptation. Support and cooperation cannot be drawn from low expectations on the government performances."

ensuring internal stability. Moreover, though not a direct factor, unbalanced development strategy led to large wealth gap between industries and classes in the future. Of course, some policies like the Saemaeul Movement relieved development gaps between the urban and the rural areas. The President personally asked for special care on stabilization of price levels and wintertime living conditions. Nonetheless, in the overall operation of the Conference System, equity issues are considered as a relative ‘cost’ for economic effectiveness (Refer to <Table 5-5>).

1.2. Lessons from EPEM

METRM and EPEM are the two major institutions of economic policy in the early stages of Economic Development Plans. Both parts of The Two Conference System were initiated around the same time in 1965, held almost every month until President Park Chung-hee passed away. He chaired the meetings, getting reports on economic trends and export records, encouraging the participants to discuss and then commenting and instructing orders at the conclusion of the meetings. The patterns of the two Meetings were very similar. Thus, drawing distinctive lessons of EPEM from METRM is not easy.

Nonetheless, a clear lesson is that EPEM had a clear policy goal of implementing “export promotion”. While METRM was focused on an overall implementation of economic policies, EPEM had a focused purpose with a specific policy agenda. It is difficult to distinguish the causal relationship since influence factors of public policy and operational outcome not only vary in nature but are also diverse depending on the researchers’ purposes.

However, EPEM had a clear goal and the outputs were measurable due to detailed monitoring and evaluation. The reason why several scholars and the government officials at the time could spot EPEM, organized by the Korean government in the early industrialization period, is rather clear. On the other hand, it was advantageous for successful policy management as a public policy agency to have a clear goal and track records.

Second, leadership of the Final Decision Maker is pivotal for successful policy. Though a policy agency has clear goals for managing policies, it would be impossible to reach the goals with a shortage of resources. A side-effect of the Korean War was severe impoverishment and Korea was seeking investment resources for economic prosperity, literally fighting to survive. Economic development was pursued even with transfer of humanitarian aid to industrial investment. People lived on the hope of “let’s live a better life” in such an impoverished country, actively taking part in economic activities. It was

perhaps impossible without the outstanding leadership of President Park Chung-hee. Especially, starting with 56 million USD, export reached one billion USD in 1972 and 10 billion USD in 1980, pulling up GNI per capita to 1,000 USD. Providing this unimaginable vision and accomplishing achievement was attributable to on public consensus and public-private partnership, which all derived from the President's leadership. For this, the Korean economy promoted "export prioritization" and concentrated available resources on export industries, making a stepping-stone to economic development. It certainly is an expression of exceptional leadership.

Third, a systematic management structure is mandatory for successful policy management. Success of public policy largely depends on people's vision and goals with hope and effective policies measures under government's capacity to develop and implement. However, government's role is not limited to providing vision, goals and formulating plans. Especially in modern democratic countries, the central government's policies do not guarantee outcomes unlike an authoritarian era, particularly due to development of democratization and decentralization. All policies should follow the steps of "plan-do-see", with close monitoring and management. Moreover, globalization has also brought constantly changing economic circumstances both in and out of the country, requiring elastic policy reaction. In this sense, success of policy also lies in policy monitoring. The Korean government could increase export at a remarkably fast rate because it constantly monitored the circumstances through EPDM. President Park, personally hosting EPDM, set audacious export goals, reviewed records by product and region and sought for resolutions in cases of poor performance. EPDM involved not only the government officials and relevant ministers, but governors of national banks, relevant government agencies and even figures from legislation and jurisdiction. Such comprehensive involvement of different parts of society enabled policy modification with help from the private sector to implement effective export policies. Such a policy adjustment process granted transparency and trust.

Fourth, policy reaction should be flexible in incorporating environmental conditions. EPDM did not impose export promotion policy in a stiff way. The government's approach was not merely providing incentives like the import-export link system. As industrial products' proportion of export products increased, government strategically promoted industrialization. Incentives for domestic export industries expanded as along with import tariff exemptions on raw material for exporting. It attracted investment and strengthened export capacity through expansion of domestic production facilities. Export goal was set as reaching one billion USD of export in 1972 and 10 billion USD in 10 years, promoting

heavy and chemical industrialization.¹⁸⁶ The government designated some industries like iron, manufacturing, electronics, ship building, and automobile as for strategic fostering to concentrate available resources into these industries. The government established funds for promotion of heavy and chemical industries, getting investment from not only the public sector but also from private financial resources. Reports on investment projects on heavy and chemical industries such as creation of Changwon Mechanical Industrial Complex were held at EPEM.

Moreover, in late 1970s, EPEM expanded its management coverage from export promotion to market opening for industrial products and trade promotion policies. While the Ministry of Foreign Affairs reported on changes and possible reaction in trade circumstances, the Ministry of Commerce and Industry reported on the periodic announcement of exports and imports, as well as the promotion process and counter-plans for import liberalization of industrial products. Of course, liberalization of imports and open market policy was not totally voluntary because the U.S. government, a major importer of Korean products, put pressure on Korea to open the market. However, import liberalization brought in competition in the domestic market, fostering Korean industries to be more competitive to survive in the global market, having some positive impact. Though it may be from excessive criticism for exclusive devotion on exports, EPEM changed its name to Trade Promotion Meeting, reporting on import records as well as that of exports.

Though EPEM's major policy management objective was on export promotion, its core values flexibly changed over time and economic environment. Regardless of changes in policy, EPEM continued to promote export and implemented a successful export promotion policy.

Fifth, behind successful policy there is always limitation and side effects. Not many people would disagree that Korean economic development or export promotion was successful. Nevertheless, there are limitations and side effects behind the success of Korean economy, leaving potential risk elements in the society. Side effects from the rapidly developed Korean economy included an underdeveloped financial industry, labor union and human rights violations and inequality among region, sector and class. In the process of export-oriented industrialization, state-led distribution system under the financial industries

186. It is often controversial how fostering heavy and chemical industry influenced exports promotion and vice versa. The correlation is still questionable. However, based on what is reported and discussed in EPEM, covering investment and production of heavy and chemical industry, it can be seen that fostering heavy and chemical industry was significant assignment for the government.

is still under a certain level of government's control. *Chaebol*-oriented export activities were fostered in the process of economic development policy implementation, neglecting and strictly controlling the human rights of laborers or desire for democracy. The state-led economic development policy underdeveloped rural areas, strategic export-oriented industrialization worsened imbalance problems by industry and by company. As a result, economic power among classes widened.

All in all, every policy has an inevitable cost. There is no perfect policy, just better. In the end, which policy to take is all about political compensation.

2. Replicability of the Two Conference System in Developing Countries

As mentioned in Chapter 4 of this report, the success factors of METRM are divided into two: hardware and software. These success factors would make a useful reference to developing countries interested in METRM's operation of Korea in the 1970s. Nonetheless, there are things to be considered for replicability in other developing countries. Korea at the time had a strong leader, President Park Chung-hee, who had great passion and desire for economic development. He led the Conference System with outstanding leadership. Bureaucracy was relatively uncorrupted. Especially at METRM, bureaucrats were monitored and evaluated based on their achievements, which motivated commitment from officials. The general public had a tendency to express various perspectives about political situations but regarding economy, showed strong trust. Under the slogan of "Let's live a better life", a clear goal garnering universal agreement, people in the impoverished situation were devoted with an iron will to Korean economic development.

Although less complicated, Korea was less democratic at the time and less open in several economic and social circumstances. Establishing a permanent organization that functions like METRM would be plausible. However, establishment itself does not automatically guarantee achievement. It is a necessary condition, not a sufficient condition. The strong will of the leader and outstanding leadership with a committed bureaucracy was supported by people's devotion and trust.

Systemizing may be a mandatory process in government's implementation of policy. METRM and EPEM were systematic approaches to effectively implement economic development policies and played a pivotal role in Korean economic development and export promotion. However, the achievement did not come along automatically with the establishment and operation of the Two Conference System. Success of the Two Conference System is an outcome of a collective effect of systematic environmental factors around the system, participating actors' behavior and attitude and even cultural factors.

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