

KOREAN ECONOMIC DEVELOPMENT: Miracle or Mirage?

by Kim Dae-Hwan
Chairperson, Policy Committee,
SOPA (Solidarity for Participation and Human Rights)

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I. INTRODUCTION

Since the 1960s, South Korea has shown tremendous economic changes. The rapidity of the country's economic growth and export expansion has been remarkable by any standard. Per capita GNP reached 7,400 dollars in 1993, up from only one hundred in 1960. Exports have grown at almost 30% per annum. Economic growth has been accompanied by structural changes in virtually all aspects of the economy: industry, finance, the economic life and even the thinking of the people. It is also often claimed that income distribution has remained relatively equal and even improved, contrary to most other developing countries.

This experience has attracted world-wide attention. The volume of

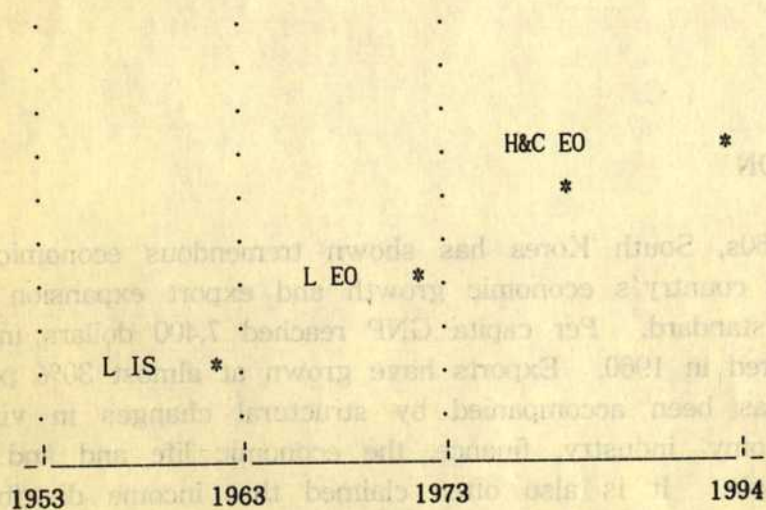
economic literature on Korea's development has grown as rapidly as the economy itself. As the success story of the Korean economy got wider and wider circulation, it came to be described as a 'miracle'. "The Koreans are coming" warned the U. S. journal *Business Week*.¹⁾ But these tales of miraculous success were once not heard; instead we heard the word 'mirage'. It seemed that admiration of the Korean economy were entirely replaced by cynical comments. The new image was expressed by *The Washington Post*: "The Koreans busted the champagne too early".²⁾

Now, among the worries of the people faced with the global era, the Korean government is hoisting the banner of 'the first class country in the world'.

These rhetorical statements have not been welcomed by the Korean people, particularly as the rhetoric has been utilised in political discourse at home. While the repressive regimes of the past pretended to be the creators of the 'miracle', the present ruling group blames the ordinary people for the 'mirage'. Seen from this perspective, the rhetoric, whether true or not, has functioned as an obstruction to Korea's democratisation.

In this paper, I will argue that the miracle needs a pre-history, and the mirage requires a critical mind. Korea's economic performance since the 1960s cannot be understood without a grasp of the foundations laid in the 1950s. Moreover, the country's economic growth has been accompanied by many structural problems which have sparked strong demands for reforms. In discussing the process of industrialisation and related structural problems, this paper seeks to direct attention to the Korean reality, away from the imaginary extremes of miracle and mirage. Based on this, I will finally examine whether the Korean experience can be regarded as a successful model of development.

Figure 1. Three Stages of Industrialisation



1) *Business Week*, December 23, 1985.

2) *The Washington Post*, September 21, 1990.

II. THE STAGES OF INDUSTRIALISATION

Figure 1 above provides an overview of the historical process of industrialisation in Korea. It comprises three stages, each closely connected to changes in the world capitalist system.³⁾

1. Stage One: Light Import-Substitution

The first stage is often neglected in discussions of Korean industrialisation. Although the GNP growth rate was relatively lower (about 5 per cent on average), and development was largely confined to the three so-called 'white' industries -- cotton textiles, flour, and sugar -- this stage was the cornerstone of subsequent rapid industrialisation. During the period, import-substitution provided the chief market for industrialisation, and this laid the basis for the export-oriented light industrialisation of the 1960s. Economists are apt to generalise about the superiority of export-oriented industrialisation over import-substitution, based on Latin American experiences.⁴⁾ But Korea's import-substitution phase from 1953 to 1963 should not be forgotten, although it was heavily dependent on U.S. aid. The textile industry, which led growth and exports through the next stage of industrialisation, was the first to be transformed from import-substitution to export-orientation.

A continuity also can be seen in the pattern of capital accumulation. Most investment resources in the first stage originated from aid, which the state allocated and concentrated in a few hands. With financial and other policy supports, a handful of firms enjoyed monopoly positions from birth and grew to become the conglomerates, known as *jaebul*. Elsewhere⁵⁾ I have defined the regime of accumulation during this period as the 'aid - state - *jaebul*' regime. This pattern of accumulation was vulnerable to external factors, and brought about an inefficient concentration of resources. These in turn led to a recession at the end of the 1950s. The accompanying economic inequalities and the state dictatorship provoked the April Revolution in 1960. But the pattern of accumulation which had been structuralised could not be easily changed; instead it was succeeded by the 'foreign loan - state - *jaebul*' regime⁶⁾ in the next stage of Korea's industrialisation.

3) A more detailed treatment appears in my paper, written in Korean, "A Study of Uneven Industrialisation in Korea", *The Peace Studies* (Institute of Peace Studies, Korea University), Vol. I, 1990.

4) See for example: B. Balassa, *Policy Reform in Developing Countries*, Pergamon, Oxford, 1977; *Idem*, *The Newly Industrialising Countries in the World Economy*, Pergamon, Oxford, 1981; and A. Krueger et al., *Trade and Employment in Developing Countries*, The University of Chicago Press, Chicago, 1981.

5) "The Korean War and Korean Capitalism" (in Korean), in *The Korean War and the Structural Changes in North and South Korean Society*, Institute of Far Eastern Affairs, Seoul, 1991.

6) *Ibid.*

2. Stage Two: Light Export-Orientation

The second stage of industrialisation saw remarkable economic growth due to a full-fledged export drive by the 'strong' state. The strategy of light export-oriented industrialisation during this period was adopted in the light of internal factors (the narrowness of the domestic market and the insufficiency of resource endowments) and external factors (the changing international division of labour and the favourable circumstances in international liquidity). This strategy of unbalanced growth resulted in strong growth and export performances, rhetorically hailed as a 'miracle'.

Economic development in this period focused on exporting light manufacturing products like textiles, plywood, and footwear. To simplify, raw materials (imported mainly from the U.S.) and machinery and other capital goods (mainly from Japan) were combined with cheap, high-quality, domestic labour. The manufactured goods thus produced were exported mostly to the U.S. "Export is the only way for survival" was the government slogan at that time (and still is, at least partly), and the people were used to watching their daily survival record on a huge electronic board set up in the centre of Seoul. But this assembly-processing pattern of trade brought more imports than exports. The result was a chronic and widening trade deficit, which had to be compensated by foreign loans. To simplify again, a small surplus with the U.S. and a huge deficit with Japan kept the balance of trade in the red. Such a trade structure explains why Korea was severely affected by Nixon's emergency economic policies in 1971, spurring the shift to heavy and chemical industrialisation, which characterises the next stage.

Although the second stage represented an economic leap, it showed more continuity than discontinuity with the previous one. The change in development strategy from import-substitution to export-orientation was made feasible by the industrial foundation laid in the 1950s. Both shared a pattern of growth: extensive rather than intensive. Under the 'foreign capital - state - *jaebul*' regime of accumulation, the state continuously gave exclusive and preferential supports to the *jaebul*, with increasing external dependence.

3. Stage Three: Heavy and Chemical Export-Orientation

The opening of the third stage roughly coincided with the launch of the *Yushin* political regime in the 1972. In the early 1970s light manufacturing exports slumped and a change in development strategy was inevitable. At the same time, the changes in international economic circumstances provided the Korean economy with a possibility to move to heavy and chemical industrial development. De-industrialisation in the advanced countries combined with further development of information and communication systems to enable a perfection of central control in regionally scattered multi-national corporations. This encouraged some transfers of heavy and chemical industries to developing countries.⁷⁾ In the Korean case, however, the feasibility of a move to heavy and chemical industrialisation was to

7) F. Fröbel *et al.*, "Export-Oriented Industrialisation of Underdeveloped Countries", *Monthly Review*, Vol. 30, No. 6 (November 1978).

be found in the prior stages of her industrialisation. As a result of light industrialisation, backward linkage pressures had been generated, and domestic demand for heavy and chemical products reached the scale minimally required for their production.

To relieve businesses from their financial difficulties, the government took emergency actions in August 1972, freezing the repayment of private loans and establishing new short-term financing institutions. In October the *Yushin* regime was declared. This was soon followed by President Park Chung Hee's 'Declaration of Heavy and Chemical Industrialisation' in January 1973.⁸⁾

Six industries -- steel, chemicals, non-ferrous metals, machinery, shipbuilding and electronics -- were chosen as the strategic locus for huge investments until the end of 1970s, again motivated by export-orientation. The *jaebul*, although initially reluctant to diversify in this direction, actively and competitively took part in order not to lose the government's preferential support, which poured exclusively into these industries. The results included overlapping and excessive investments, as was shown in 1978 when, affected by world recessions, capacity utilisation dropped below 50 per cent. Economic stagnation and political repression culminated in the assassination of President Park and led to contracting and reorganising investments in heavy and chemical industries. This helped, and exports boomed in the years 1985 to 1988. The boom proved short-lived, however, because it was dependent on three short-term external factors: low oil price, low exchange rates, and low international interest rates. Trade surpluses in 1986-89 gave way to deficits from 1990 to the present. The ensuing economic difficulties led outside observers to replace the 'miracle' by the 'mirage'.

As these observers point out, the Korean economy is now confronted with many difficulties that must be overcome if the country is to achieve further development. Not only economic but social and political problems now threaten it. It is widely perceived that Korean economic development is at a crossroads. But these problems and difficulties have not suddenly manifested themselves like a mirage. They have arisen and grown through the 'miracle' period on account of, among other factors, the regime of accumulation itself.

III. STRUCTURAL CHANGES AND PROBLEMS

Among many changes in the Korean economy, I will discuss the following five: (a) the change in industrial structure, (b) the internationalisation of the economy, (c) internal migration and urbanisation, (d) the growth of the working class, and (e) the concentration of economic power. Let me also explain the problems which have accompanied each of these.

8) The details are in my paper (written in Korean), "Park Chung Hee and the Heavy and Chemical Industrialisation Policy", in *Modern Korean History (IV)*, Dong-A Ilbo Sa, Seoul, 1990.

1. The Advancement of Industrial Structure

Table 1 depicts the 'revolutionary' change in Korea's industrial structure. By the early 1970s, the centre of gravity of the economy had moved from agriculture to manufacturing. The structure of manufacturing also saw rapid changes, with the heavy and chemical industries superseding light manufacturing in the early 1980s.

Table 1. The Structures of the Economy and Manufacturing
In per cent

	1953	1963	1973	1983	1993 ^P
Sectoral					
Agr., Fis. & For.	47.3	43.4	24.5	13.2	7.1
Min., Qua. & Mfg.	10.1	16.3	26.2	30.3	27.4
Others	42.6	40.3	49.3	57.5	65.5
Manufacturing					
Light	78.9	70.3	60.6	42.7	28.5
Heavy & Chemical	21.1	29.7	39.4	57.3	71.5

Note: GDP at current prices

Source: The Bank of Korea, *National Accounts*, 1994.

On the other side of this coin, however, there is the problem of agricultural stagnation. Economists often regard this as a natural corollary of industrialisation, but considering the large agricultural shares of population (16% in 1990) and employment (15%) in Korea, this is problematic. Agriculture is poorly linked to manufacturing, and the self-sufficiency in basic food grain production has continuously decreased to less than 40 per cent. Thus, some have even described Korean agriculture as a 'ruin'. A further problem is the shallowness of the country's technological development. Korea's technology level is less than half that of advanced countries in almost all areas except assembly and processing, and this remains one of the most serious problems in her economic development.⁹⁾

2. The Internationalisation of the Economy

With a full-fledged export drive since 1963 accompanied by strong import growth, Korea's dependence on trade (exports+imports/GNP) has rapidly increased. It was about 27% in 1962, but once rose as high as 95% and is about 86% nowadays. Besides this, the economy has become more and more open to international movements of capital and technology. Continuous liberalisation policies

9) J. S. Chung, "The Policy for Supporting the Development of Industrial Technology" (in Korean), Korea Development Institute, 1990, p. 28.

have been inevitable because of the economy's reliance on the foreign markets.

Korea's balances of payments are summarised in Table 2. Except for the period 1986-89 the trade and current balances recorded a deficit while capital (foreign loans) flowed in. The withdrawal of preferential treatment and the growing protectionist pressures by advanced countries give Korea hard times.

Table 2. Balance of Payments

In million US dollars

	Trade	Current	Capital
1966	-429.5	-103.4	218.2
1970	-922.0	-622.5	623.4
1975	-1,671.4	-1,886.9	1,857.8
1980	-4,384.1	-5,320.7	3,801.0
1985	-19.0	-887.4	513.3
1986	4,205.9	4,617.0	-2,374.0
1987	7,659.0	9,853.9	-5,842.8
1988	11,445.4	14,160.7	-1,396.5
1989	4,597.2	5,054.6	-3,302.2
1990	-2,003.6	-2,179.4	3,881.2
1992	-2,146.4	-4,528.5	8,342.6

Source: The Bank of Korea, *Economic Statistics Yearbook*, several issues.

Related to these issues, there have been arguments as to the dependency of the Korean economy. I will not go deeply into this issue here, but only to point out that although worries about financial dependency have weakened, those about industrial and technological dependency are still a major concern to the Korean people. In fact, foreign direct investment and technology imports have shown sharp increases in recent years (see Table 3).

Recent changes in the international economy are viewed with some alarm. The European integration is seen as the creation of another economic block, making a tri-polar system in the world economy. Within this possibly unstable system, Korea is likely to have more difficulties in pursuing export-oriented economic development.¹⁰⁾ If true, it must be the outcome of increased reliance on the selected markets (U.S.A., Japan and the EC).

10) D. H. Kim, "Korea's Responses to European Union", Paper presented at the 'Korea and 1992' Conference, University of Newcastle-upon-Tyne, 19 February 1992.

Table 3. Foreign Direct Investment and Technology Imports
In million US dollars

	FDI ¹⁾	TI ²⁾ (items)	Royalty ²⁾
1962-71	879	-	-
1972-76	721	1,977	565
1977-81	1,768	-	-
1982	189	308	116
1983	269	362	150
1984	422	437	213
1985	532	454	296
1986	354	517	411
1987	1,060	637	524
1988	1,283	751	676
1989	1,090		

Source: 1) Ministry of Finance, "The Trend of Foreign Direct Investment", 1990.

2) Korea Industrial Technology Promotion Corporation, *White Paper on Industrial Technology*, 1989.

3. Internal Migration and Urbanisation

Korea's industrialisation began with regional movements of population during the Korean War. Industrialisation itself has 'pulled' rural populations to urban areas on the one hand, while on the other, agricultural stagnation, has 'pushed' them from the rural areas. Generally speaking, the more rapid the industrialisation and the wider the growth gap between industry and agriculture, the greater the internal migration from rural to urban areas.

Tables 4 and 5 confirm this. Throughout the process of industrialisation, manufacturing has shown a two digit annual growth rate, while agriculture has stagnated more and more in recent years. This has kept the growth gap between the two quite wide and given birth to huge migrations. In the past two decades, rural-to-urban migration has exceeded half a million people per year, in a country whose total population is now about 40 million.

Table 4. Agriculture-Manufacturing Growth Gap
In per cent

	Agriculture	Manufacturing	Gap
1953-62	2.4	11.5	9.1
1962-72	4.4	18.6	13.8
1972-80	2.8	14.7	11.9
1980-89	1.8	10.9	9.1

Note: Annual growth rates.

Source: The Bank of Korea, *National Accounts*, 1990.

Table 5. Rural to Urban Migration
In thousand persons

Period	Migration
1959-65	145
1966-70	274
1971-75	561
1976-80	781
1981-85	537

Note: Average net migration per year.

Source: The Ministry of Agriculture, Forestry and Fishery, *Agricultural Statistics Yearbook*, several issues.

The result has been rapid urbanisation. As shown in Table 6, the share of urban population rose from only 36% in 1960 to 74% in 1985. It continued to rise to more than 80% in 1993. What should be noted here is that the bigger the city the more rapid the growth. This reflects the regional bi-polar pattern of Korea's industrialisation, the two poles being Seoul and Busan. The concentration in Seoul of a quarter of the population is due not only to economic factors (e.g., large investments in social overhead capital) but also to the high centralisation of political power in the interventionist state.¹¹⁾

11) On this point, see S. Ho, "Rural-Urban Imbalances in South Korea in the 1970s", *Asian Survey*, No. 19, 1979. On the concentration in Seoul, see also M. Cho, "The State, Peripheral Fordism and the Regional Problem", *Working Paper of Regional Studies*, University of Sussex, 1987.

Table 6. The Urban Population Share
In per cent

	1960	1970	1980	1985
Group A ¹⁾	14.4	23.6	30.2	32.5
Group B ²⁾	6.4	8.3	10.6	12.8
Group C ³⁾	14.8	17.9	25.7	28.4
Total	35.8	49.7	66.7	73.8

Notes: 1) Metropolitan: Seoul and Busan.

2) More than half million: Daegu, Incheon, Kwangju and Daejeon.

3) Other cities more than 20 thousands

Source: Korea Land Development Institute, "Transportation System and Residence in Korea", June 1986.

Such rapid urbanisation has raised problems. First, it has widened economic and social gaps between the regions. This has been worsened by policy discrimination against agriculture: lack of investment and low agricultural prices. Second, as rural migrants have been more 'pushed' than 'pulled', many became the urban poor, joining the pool of the urban informal sector. This is reflected in serious housing problems particularly in the bigger cities. Nevertheless, the pushing is still strong. According to a recent survey, more than two-thirds of the present rural population want to migrate because of low incomes, few prospects, and lack of educational opportunities for their children.¹²⁾

4. The Growth of the Working Class

The growth of Korea's labour force is summarised in Table 7. This tells us about the rapidity of its quantitative expansion in the process of capitalist industrialisation. During the period 1963-88, the number of employees rose by 3.8 times, compared to a 2.3 times increase in the total number of employed (including employees and the self-employed). Among them non-agricultural employees have increased their share to 94 per cent.

12) Agricultural promotion Corporation, *Comprehensive Plan for Agricultural Promotion, 1989 and 1990*.

Table 7. Labour Force
In thousand persons

	Employed	Employee	Non-agr Employee	In firms ¹⁾	
				Workers	Mfg. workers
1963	7,560	2,487	2,083 ²⁾	1,084	310
1970	9,617	3,746	2,962	1,513	1,305
1975	11,692	4,750	4,068	1,513	1,305
1980	13,683	6,464	5,680	3,219	1,998
1985	14,907	8,104	7,564	4,107	2,397
1990	18,085	10,950	9,087	5,128	3,129

Notes: 1) With more than five (since 1980) or ten (before 1980) employees.

2) As of 1966.

Source: Economic Planning Board, *Korean Statistics Yearbook*, and The Ministry of Labour, *Report on the Labour Situation in Firms*, various issues.

Taking the statistical inconsistency into account, the growth of workers in the formal sector outstripped that of total employees. But it is manufacturing workers that saw the most rapid growth: from 310 thousand in 1963 to more than three million in 1990.

Until 1987, the year of the Workers' Great Struggle, the condition of the working class in Korea was abysmal. In many ways, it still is. Low wages, long working hours, a strict control of the labour process, and high rates of industrial accidents were only the most visible symptoms. The effective denial of the workers' three basic rights by the state -- the rights of establishing unions, collective bargaining, and of collective action -- and direct repression via threats, appeasement, blacklists, and even torture severely limited any independent organised labour movement. The weight of organised workers nominally increased before 1980, but then even their nominal weight slipped. Nevertheless, with its quantitative growth, the working class accumulated the potential for strong movements. This had found its expression by fits and starts in labour militancy. But it is only since the events of 1987 that space for workers' organisation has been expanded, leading to the increases in unionisation until 1989. After 1989, however, the ratio of unionisation has shown decreases, rather sharp in the recent years (see Table 8).

Table 8. Trade Union Membership
In thousand persons

	Employee (A)	Membership (B)	B/A (%)
1966	2,780	327	11.7
1970	3,746	473	12.6
1975	4,750	750	15.7
1979	6,479	1,088	16.7
Jun. 1987	9,051	1,050	11.7
Jun. 1988	9,496	1,510	15.9
Jun. 1989	10,138	1,825	18.0
1989	10,331	1,932	18.7
1990	10,950	1,887	17.2
1993	11,751	1,667	14.2

Note: At the end of the year, otherwise noted.

Source: Ministry of Labour, *Monthly Labour Statistics*, various issues.

This change has brought acceptance of the idea that Korean economic development now must handle labour problems well and establish stable industrial relations. However, no consensus on labour issues has been achieved. From the far right to the far left a wide spectrum exists. It is accepted widely among Koreans that labour policy becomes more conservative or retrogressive under the Kim Young Sam regime.

5. The Concentration of Economic Power

A notable structural change accompanying rapid industrialisation has been the deepening of economic concentration in a few hands. These 'few hands' are the famous *jaebul*. The government has continuously put the *jaebul* first in its policies, with the alleged rationale of the economies of scale.

Table 9 shows manufacturing production by firm size. The big firms' share was less than that of the small and medium firms until the early 1960s, but the position was soon reversed. The gap in heavy and chemical industries has continued to widen, although it has narrowed somewhat in light industries. This reflects the fact that each stage of industrialisation has been led by big firms. The same trend is apparent in the top 30 *jaebuls'* share in the manufacturing shipments.

13) Their share increased from 32.0% in 1977 to 36.0% in 1980 and to 40.2% in 1985. On the contrary, their share in employment during the period decreased from 20.5% to 17.6%. These figures are from K. Lee, "Economic

Table 9. Manufacturing Production by Firm Size
In per cent

	1963		1974		1985	
	S/M	Big	S/M	Big	S/M	Big
Light	37.4	29.6	18.3	31.8	18.6	20.2
Heavy & Chemical	21.1	11.9	11.4	38.4	16.7	44.5
Total	58.5	41.5	29.8	70.2	35.3	64.7

Note: The firm size is defined by its number of employees.

The dividing line between the S/M (small and medium) and big firm is 200 until 1970 or 300 afterwards.

Source: Economic Planning Board, *Report on the Census of Mining and Manufacturing*, various issues.

The *jaebul's* dominance in the Korean economy is not confined to the manufacturing sector or to production. Their extensions, like the legs of an octopus, cover almost all kinds of business: department stores, banks and other financial firms, leisure industries, and even real estate speculation. The corpulence of the *jaebul* is only partly disclosed to the public. Table 10 summarises some of the scarce data. Surprisingly enough, despite their dominance in the country's economy the rate of stock listings of the top 30 *jaebuls* is only 27.8% (as of 1989). More than two-thirds of the shares are family and internal holdings.

Table 10. The Top 30 Jaebuls' Position

	Top 30	Year/Period
Number of firms	574	1992
Share in total sales	38.6%	1987
Share in employment	17.6%	1987
Share in financial loans	18.3% (Bank)	1989
	41.3% (Others)	1988
Increase in shipments	87.6%	1983-87
Increase in net assets	80.0%	1987-89
Stock listings	27.8%	1989
Stock holdings	16.1% (Family)	1988
	49.5% (Internal)	1988

Source: Compiled from various sources.

Concentration: A Perspective and Policy Direction", *Korea Development Review*, Spring 1990 (written in Korean).

The *jaebuls'* economic power is an effective political weapon. Directly and indirectly, they have exerted political influence, and nowadays their political power seems effectively stronger than the government's power. They are widely seen among the people as the symbol of inequality and immorality, however, and therefore are the object of reform efforts. Without reforms to prevent the conglutination of wealth and power, the Korean economy will not be able to overcome the hardening of the arteries, which is many consider to be the source of the economic difficulties the cuntry is now facing.

IV. KOREA: MODEL OF DEVELOPMENT?

Let me now examine whether the Korean experience can be a model of development able and wothwile to follow. Only seen from the problems discussed above, the 'success' of Korean development has limitations. This success has been described as 'growth with equity'. Admitting rapid economic growth and relatively low Gini coefficient, Korea has revealed many social problems. And these problems have been not only accompanied but also caused by rapid growth.

Even if the Korean experience is regarded as a successful case of development with limitations, it is almost unthinkable that it can be repeated by late-comers. This is because the 'success' relied largely on was favourable external conditions and Korea's unique historical factors. This means that the Korean case is more exceptional than general.

Korea's rapid economic growth and industrialisation largely thank to her geo-political position. Export-oriented growth and industrialisation was achieved at least partly thanks to import control, which was allowed by the intention of the U.S. to make her the show-window of capitalist development. The relative abundance in international liquidity and the over-production of capital goods in general and machinery for light manufacturing in particular in advanced countries since the mid-1960s also acted favourably on Korea's launch for the second stage of industrialisation. To these added the internal factor that Korea had been endowed with abundant labour with high quality. This labour codition made Korea easy to move to the third stage of industrialisation in the early 1970s, when the parts of heavy and chemical industries were transferred to developing countries. Although the parting-apart of the world capitalist system has been observed since then, the Korean economy has enjoyed the construction boom in the Middle East, low interest and exchange rates, and so on. Together with economic recovery in advanced countries, the opening of the Chinese market and high yen keep the Koran economy growing. In different situations of time and other conditions, the Korean success in growth and industrialisation cann not now be repeated even by the way Korea did.

The argument of Korea's equal distribution of income contains analytical problems. Putting these aside, it shoud be noted that it dued to historical factors, not to policy efforts. The historical factors include colonial rule, land reform in the 1950s, destructions through the Korean War, traditionally high aspirations for education and equality, and so forth. These factors, however, have changed to

disequalising factors as time lapses. To these the process of rapid growth has added more disequalising factors. The growth policy with the priority of the *jaebul* is an examplar. If a late-comer with different historical conditions takes the Korean way, equality in the distribution of income and wealth can not be guaranteed but would likely to decrease.

Seen from these, the Korean experience of development does not constitute a model for late-comers. It can not be copied by them, nor is always desirable. The desirability can be best examined in the light of sustainable human development(SHD), which provides the yardsticks of (a) the elimination of poverty, (b) the quarantee of labour or employment rights, and (c) social integration.

Concerning the elimination of poverty, the government has already annoned the disappearance of absolute poverty in Korean society. But the reality is different, and the problems of relative poverty and social inequality are serious. Even according to the official statistics, two million people (about 4.8% of the population) are suffering from absolute poverty. The people earing less than the minimum living income comprise abou 10% of the population. The relative poverty line being drawn at the 60% of the average expenditure of urban family, 30% of Korean families are in the trap of relative poverty. The heads of these poor families have increasingly become disabled and chronic patients: 17.6% in 1966 to 53.9% in 1990. About 40% of the poor family are unemployed and another 40% are engaged in simple, unstable and low-earning employment.

Despite of low unemployment rate (2.4% in 1994), the labour situation is still lagging behind. The notorious articles of labour laws, which the government has in effect used for repressing the basic labour rights, still exist: the prohibition of multiple unionism, the denial of rights to organise of public servants and teachers, the banning of third party intervention, the prohibition of political activities of the trade union, the restrictions on labour disputes and strikes, and so on. Although nominal wages have increased in recent years, this has not led to an improvrmnt in living conditions. According to a recent survey conducted by the Korean Council of Trade Unions, abut 80% of workers' family with four members are under heavy burden of debts. Korean workers have been put under the conditions of long working hours, frequent and serious industrial incidents and insufficient insurance against them, and the repression of labour movements. This means that Korea's rapid growth has been firmly based on the sacrifice of workers.

Korea has failed in social integration. The strategy of unbalanced growth (sectoral, regional, and of class), Korea has taken, is directly and mainly responsible for this. Farmers have turned away. Workers have complained. The socially weak have been neglected. Regional conflicts (particularly between Honam and Youngnam) are rooted in economic disparities. Korea's development has been the process of excluding people from participation in the decision-making, which in turn has brought the lack of democracy and rationality to Korean society as a whole. Thus, there have been worries about social disintegration and stii is.

In conclusion, the experience Korean development is not a model to be followed by late-comers: not repeatable or desirable. It is the reality itself, neither miracle or mirage. A mirage emerges only when the late-comers devote themselves to following the Korean path of development in the pursuit of a miracle. What they should do, it is thought, is to learn lessons instead of following a model.

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