

Park Chung Hee's International Legacy¹

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Former U.S. President Bill Clinton had an enormously successful campaign slogan: "It's the economy, stupid." Whereas Clinton just saved a campaign with this strategy, Park Jung Hee saved a country.

Park Jung Hee took over the most threatened country in the world in 1961. South Korea had been devastated by the Korean War just a few years earlier. Its economy remained one of the world's poorest. Its political stability appeared to be among the world's poorest. It faced a formidable opponent with greater natural resources, superior industrial power, seemingly superior political stability and the backing of Mao Zedong's unified and determined China.

Park's predecessors and his enemy had radically different priorities. Syngman Rhee's overarching priority was military power. This was not surprising for a leader who had had to conduct a war, but the military priorities long outlasted the war and channeling the nation's resources so disproportionately into the military meant that economic development programs came second, at best. Likewise, in North Korea Kim Il Sung focused overwhelmingly on military priorities, an allocation of that nation's resources that has persisted to the present. Given the North's extraordinary effort to achieve military superiority, it would have been natural for General Park to continue channeling the nation's resources primarily into military power. But Park, surprising for a general, chose to slash the proportion of GDP going to the military and to focus on economic development. Park also understood of course that successful economic development would build an industrial base for military power.

The result of Park's shift to economic priorities and North Korea's retention of extreme military priorities was that in 2009 South Korea's economy, measured in purchasing power parity, was almost 35 times the size of North Korea's.² Not only did this mean individual prosperity, as compared with North Korean penury and starvation, but it also entailed military superiority, political stability, and international prestige as compared with North Korea's gradually rusting military, political demoralization, and global obloquy. Park had served in Manchuria and understood how the economy there had provided Japan with a strong industrial base for its military.

¹ Paper prepared for presentation at the International Forum for President Park Jung Hee's Political Leadership, Dongyang University, Yeong-ju City, Republic of Korea, May 13, 2011. . My understanding of Park's priorities and of the transition from the earlier governments is shaped most fundamentally by Sejin Kim, **The Politics of Military Revolution in Korea** (Charlotte, North Carolina: University of North Carolina Press, 1971) and Sungjoo Han, **The Failure of Democracy in South Korea** (Berkeley: University of California Press, 1974). The day before I departed for this conference I received a copy of a newly published book, Byungkook Kim and Ezra F. Vogel, eds., **The Park Chung Hee Era: The Transformation of South Korea** (Cambridge and London: Harvard University Press, 2011). This is clearly the definitive work on the Park era.

² CIA, The World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/geos/ks.html>, estimates South Korea's 2009 GDP at \$1,383 billion as compared with North Korea's \$40 billion.

Park's immediate predecessor, Chang Myon, had different priorities. In contrast to the military priorities, authoritarianism and human rights abuses of the Syngman Rhee era, Chang Myon's presidency emphasized democracy and human rights. Those aspects were widely applauded. But Chang Myon also presided over a period of inflation, weak growth, ineffectual administration, ideological division, violent demonstrations, uncertainty and fear of renewed warfare with a seemingly superior North Korea. To an impoverished and fearful population, the disorder killed all hopes for improvement of their terrible conditions. South Korea seemed quite incapable of rising to the standards of economic and political performance required to compete with a northern enemy that most observers at the time regarded as inherently superior—in military strength, economic stature and political stability. As a result, Park Jung Hee's coup in May of 1961 met little resistance.

The triumph of economic priorities and of course, of keeping political order to make economic growth possible, is Park's principal lesson for the world. Rarely in history has a country gone from such strategic inferiority to such strategic superiority in such a short period. Perhaps never in history has a people gone from such illiteracy, malnutrition and poverty to such prosperity and educational sophistication in such a short time.

Japan's success preceded and inspired South Korea's success under Park and assisted, with technology, management know-how, and economic stimulus. But South Korea's achievement was different. Its shift of the balance from military to economic priorities (while of course maintaining a military and strengthening its industrial base) was a domestic decision, whereas Japan's disarmament was forced upon it, and Japan's economic miracle was a recovery whereas South Korea's was an original creation. Japan's miracle has decayed into demoralizing stagnation and potential debacle, whereas South Korea's more globalized and competitive economy and polity persist in inspiring energy and growth.

The rapid ascent of South Korea, Taiwan and Japan, in prosperity, political stability and international stature, heralded a fundamental change in geopolitics. Previously countries gained stature and prosperity by invading their neighbors, confiscating their riches, and taxing their peasants. In the new era, it was possible, by growing the economy at three to five times the rate of Europeans and Americans, to rise up the ranks of nations largely through economic growth. Almost all of East and Southeast Asia would eventually recognize this lesson and emulate it. Simultaneously, the destructiveness of modern military technology increasingly meant that any victory achieved through traditional military means would be a Pyrrhic victory, diminishing both victor and vanquished. These two developments transform global geopolitics in the most fundamental way, and the East Asian countries that have realized this have benefited disproportionately compared to those, including the U.S., that have weaker grasps of the implications of this new era.³

South Korea and Taiwan embodied this transformation of geopolitical strategy. Hong Kong, Singapore, Malaysia, Thailand and Indonesia emulated it and quickly benefited. China lagged behind by two decades, but Deng Xiaoping, conscious of the superior performance of China's smaller neighbors, moved

³ I have been writing about this for decades, including most recently in William H. Overholt, **Asia, America and the Transformation of Geopolitics** (New York and London: Cambridge University Press, 2008). That volume has selected citations of earlier papers.

decisively to emulate the lessons of those neighbors, with particular attention to South Korea. Later, when I spoke with Zhu Rongji, I found that he had studied the economic lessons of South Korea with greater attention than most Western scholars.

Beyond the basic lesson of priority for economic growth, there were other vital lessons. There were more detailed priorities behind South Korean and Asian success. In briefings that I began giving shortly after Deng and Gorbachev came to power, I employed the following chart to illustrate why Deng would succeed and Gorbachev, whose strategy received more approbation in the West, would certainly fail:

<u>East Asia priorities</u>	<u>Gorbachev priorities</u>
1. Agriculture	International politics
2. Light industry	Domestic politics
3. Heavy industry	Heavy industry
4. Domestic politics	Light industry
5. International politics	Agriculture

The South Korean/East Asian approach concentrates on giving the vast majority of the population jobs, income and education. That creates political stability and an economic foundation upon which a more sophisticated economy can be built. With an educated, middle class society, sophisticated modern politics becomes stable and relatively efficient. A strong economy and a stable polity in turn provide the foundation for geopolitical stature.

In addition to building on a foundation of agricultural distribution through land reform (which of course long preceded his presidency) and self-help programs like Saemaul Undong, together with light industry, which distributed jobs to the broadest numbers of people, Park was a fanatical egalitarian, particularly in education. He preferred to close the best schools rather than to allow the emergence of a permanent narrow path to elite status. In the West this degree of egalitarianism is associated with socialist philosophies (like Mao Zedong's) that are both anti-democratic and bad for economic growth. But the long-run consequences of Park's egalitarianism have been good for both. His education-based egalitarianism created a broad, educated workforce. It created a broad market, where for instance a high proportion of the population became capable of buying a radio at around the same time, thereby creating a domestic market of maximum possible size. It also created a society where democracy could prosper, because an educated citizenry could understand the issues and an egalitarian middle class society would vote based on widely shared interests.

The success of this egalitarian approach contrasts sharply with the difficulties of more rightwing societies like Thailand, where elitist education, restricted higher education, and a radically skewed income distribution have restricted the size of the educated work force, thereby constraining the size of the domestic market and the technological advance of the economy. Politically, a society like Thailand is far more divided and, because of the low average education, far more vulnerable to demagoguery. As a result, Thailand has stalled, as has the Philippines which suffers from a different kind of elitism. China

has followed the examples of South Korea, Taiwan and Singapore in building a foundation of agricultural reform and universal literacy; reformist China has done less than South Korea and Taiwan to smooth the income distribution and ensure a sense of social justice, but it is far closer to the Korean model than to the unconstrained elitism of Thailand and the Philippines.

Park's economic program of deliberately germinating local firms, and helping those successful in one sector move to other sectors, guiding their early growth from the president's office, protecting infant industries, and very gradual liberalization flies in the face of much contemporary conventional economic wisdom, which tends to favor flinging markets wide open. The Washington Consensus is very favorable for rich country firms that want to seize control of emerging markets as quickly as possible, but the somewhat more state-led and state-protected approaches of South Korea, Singapore, Taiwan and China, but not Hong Kong, have characterized the most successful early economic takeoffs.⁴

Park's state-led development escaped the failures of many other state-led models by fostering efficiency through competition. He nurtured a dozen chaebol that competed in the same sectors. If they failed by honestly trying to meet their government-set targets, the government supported them, but if they failed through poor management they were left to die. Frenetic domestic competition, the risk of complete failure, and gradual opening of the market to international competitors refined South Korea's competitiveness and saved it from the pitfalls of the Philippine and Indonesia, where monopolies reigned, and of the Soviet Union, where there was little domestic competition, negligible foreign competition, and no risk of the firm dying. China has emulated the South Korean model, with a tremendous emphasis on domestic competition from the late 1990s onward and far greater openness to foreign competition than South Korea. As with other aspects of Chinese success, this emphasis on competition was based on careful studies of the experience of predecessor economic takeoffs like South Korea's.

Park's emphasis on competition was refined by what I would term a policy of feeding success. With both the chaebol and the Saemaul Undong (rural development) programs, he not only refused to bail out failure, but also enhanced the flow of resources to the most successful companies and villages. He was profoundly concerned to give everyone the chance to succeed, most notably by emphasizing universal education, but his programs emphasized feeding success rather than subsidizing those who failed.

Park had ambitious goals to build a modern economy, but was desperately short of resources. One key strategy for managing this dilemma was to create special industrial and trade zones, where water, electricity, infrastructure and helpful regulation were concentrated. These zones enabled an industrial takeoff that created resources for bringing the rest of the country up to modern levels. These enormously successful zones were the predecessors of China's much bigger and more differentiated special economic zones, and of the more distinctively Chinese use of "one country, two systems," "one city, two systems," "one sector, two systems," and "one company, two systems" approaches that enabled a swift but smooth transition from a pre-modern (and in China's case non-market socialist) system to a modern market economy.

⁴ And others, including the U.S. and other parts of the developed world. See Ha-Joon Chang, **Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism** (New York: Bloomsbury Press, 2008)

Park's economy-led strategy required fending off opposition from powerful interest groups. Opening the economy, however slowly, and restoring diplomatic relations with Japan elicited overwhelming popular antagonism, expressed in massive riots. Curtailing the military budget entailed opposition from important segments of the military and its industrial supporters. Building the Seoul-Pusan highway required him to overcome not only the opposition of domestic groups but also the determined opposition of the World Bank and the U.S. aid program. (The highway became the backbone of South Korea's development.) Park's egalitarianism similarly attracted what in most other circumstances would have been overwhelming opposition from the previously dominant Christian elite. (Park's military background led most Westerners to think of him as right wing; on the contrary he was far closer to the socialist, egalitarian left. Conversely, Kim Dae Jung, falsely labeled a communist at the time, represented primarily the conservative old Christian landlord elite, although his coalition also came to include the people of Cholla, who felt marginalized under Park, students and many of the poor.) The political opposition to Park coalesced around the formerly dominant Christian elite groups, led by Kim Dae Jung, who were determined not to lose their previous dominance. Park successfully resisted all these forms of opposition by creating a coalition of military officers who believed in his strategy, chaebol industrialists who profited from it, a government administration that welcomed his institution building, and modern intellectuals who accepted the strategy and profited from associating themselves with his modernizing efforts. While Park's authoritarianism was marred by serious excesses, his sustained economic success required a tough, determined imposition of priorities on a profoundly divided society notable for powerful opposition to desperately needed reforms.

Park's modernizing efforts were consolidated and made permanent by building solid institutions, most notably competitive chaebol and solid, meritocratic government institutions. (Like Deng, and unlike Mao, he did not see meritocratic institutions as contradicting his egalitarianism but rather as powerful tools for implementing his social goals.) Park built solidly and permanently but constantly shook up the ministries by infusing them laterally with cosmopolitan, highly educated talent and by acquiring advice from think tanks. Park personally called young Korean academics (for instance my good friend Kim Sejin, who was at the time an obscure assistant professor of political science at the University of Kentucky) and encouraged them to return to Korea to build their country. He clustered them in think tanks, focused on everything from economics to education to the arts, where they were paid far more than professors and where their advice was highly valued by the government, and then, after training them to analyze policy decisions, transferred them into high government positions.

Here again South Korea, along with Taiwan, has served as a model for China.⁵ China has recently begun elevating an expanded set of such practices almost to the level of an ideology. Globalization, we are now told by the Chinese, has three phases, the globalization of industry led by Britain, the globalization of finance led by the United States, and the globalization of talent which China's leaders hope will be led by

⁵ This observation was the basis for my 1993 book, **The Rise of China: How Economic Reform is Creating a New Superpower** (New York: W.W. Norton, 1993) and for a series of articles on that theme dating back to the early 1980s. For many years that thesis was ridiculed, as were Park's efforts during the first decade of his rule, but as one who had not only combed the statistics but also wandered through the mountain villages of South Korea to check on the outcomes of Park's strategy, I was totally confident that a similar strategy would work elsewhere.

China. Here Park went far beyond his Japanese predecessors, and the difference is a major part of the explanation why South Korea continues a rapid ascent in global stature while Japan is suffering a seemingly inexorable decline. China today has more students and officials studying abroad than any other country. South Korea has proportionately more students abroad than any other country. Japan's numbers are low and declining. Post-Park South Korea has continued to build on Park's legacy in this regard, and China, having started by emulating South Korea, is now going far beyond it as part of the core strategy for future global leadership.⁶

Deng Xiaoping and Jiang Zemin in China have emulated Park's strategy, with results that have changed the world. Their rejection of Mao's autarkic, anti-intellectual, institution-destroying, anti-business, peasant-based strategy was an even sharper break with China's recent ideological past than was Park's with his military-obsessed and subsequently democracy-inspired predecessors. The degree to which China's success is based on emulation of Taiwan, and more importantly Park's South Korea, cannot be overstated. In turn, many other countries are drawing lessons from China's development, thereby extending the legacy of Park to much of the developing world.

Park's institutional building and economic success saved South Korea. Without it, the demoralization and decay that seemed to most analysts at the time to make South Korea inherently weaker and more unstable than the North would have continued until some fatal conclusion. The movement in the U.S. to withdraw troops from South Korea because of misplaced analogies between South Vietnam and South Korea would have succeeded. That premature withdrawal, which would inevitably have been accompanied by attenuated economic ties, weakening diplomatic support, enhanced domestic dissidence, and enhanced North Korean aggression, could easily have doomed South Korea to another war and to possible defeat.⁷

⁶ These ideas have been elaborated in books in Chinese by Huiyao Wang and by government decisions. For one summary, see Huiyao Wang, *China's National Talent Plan: Key Measures and Objectives*, Brookings Institution, November 23, 2011, available on website http://www.brookings.edu/papers/2010/1123_china_talent_wang.aspx, accessed May 2, 2011.

⁷ It is easy to forget what momentum the movement for withdrawal had—led by people like Anthony Lake, head of Carter's presidential transition team, a key Carter National Security Council staff member, and a future national Security Advisor. I ran the Asia policy task force for Jimmy Carter's 1976 campaign and fought futilely against the tsunami of support, including by Carter himself, for withdrawing all troops from South Korea. Convinced that the fate of 40 million people was at stake, I devoted myself after the campaign to writing a 400 page memorandum to document the difference between South Korea's rapidly strengthening institutions and South Vietnam's weakening ones. The false analogy between South Korea and South Vietnam did rely at the time on the fact that both were authoritarian and therefore, in the view of U.S. ideological preconceptions, both must be inherently unstable. But the more fundamental fear regarded the obligation, untenable in the wake of defeat in Vietnam, to rescue what was seen wrongly as an incompetent and fatally weakening Asian ally. (To get a feeling for the mood of the era, it is sufficient to read the **New York Times'** 1976 coverage of South Korea, which saturated the front page and the editorial page with stories about South Korean demonstrations and presumptive instability, while devoting only a tiny number of finger-length articles buried in the business section to the economic growth and improving conditions of life that saved the country.) If South Korea had been an incompetent democracy like those of the Philippines or Chang Myon, hence a tempting target for large scale North Korean attack and utterly unable to keep

Like all great leaders, Park had important weaknesses and failures along with his successes. He built solid, enduring government ministries and think tanks, and a solid, enduring chaebol system, but he did not institutionalize a political party. His efforts at globalization were slower than optimal and South Korea continues to run risks of falling behind more open economies and societies like China. (Here I of course refer to openness regarding trade, investment, and talent, where China is far more open, not to political freedoms like speech, press, and the general flow of information, where South Korea is far more open.) His excessive focus in the late 1970s on chaebol-built heavy industry caused inflation, an unbalanced economy, and weakness among the small and medium enterprise sectors that are vitally important for employment and innovation.

In the latter part of his career, Park failed to understand the crises of success. Successful economic development created a complex economy that could no longer be managed efficiently by an Economic Secretary in Blue House. Likewise, an educated middle class society would no longer accept basing the whole society on the simple priorities of maximizing economic growth and safeguarding national security. Higher values of democracy and human rights became politically decisive once fear of war and starvation had been vanquished and once an educated society sharing common middle class interests had created the foundation for stable democracy. The practices and institutions that had been created during the 1960s and early 1970s in order to ensure stability became sources of serious instability. Excessive reliance on politically connected chaebol led eventually to mismanagement, and excessive suppression of labor unions and wages led eventually to an excessive union/wage reaction that worsened the crisis of 1998 two decades after Park's presidency ended. Had Kim Dae Jung been assassinated, or had later student demonstrations been suppressed with excessive force, the country might have torn itself apart.

As it happened, South Korea made a successful, gradual transition to a higher level of both economic and political management. The elites and institutions that Park created brought equilibrium to a country that had moved beyond the practices that he had employed and was comfortable with. Because of this, his legacy has been based on his successes rather than his failures. That is perhaps the truest test of greatness. In building on his successes, South Korea's more open economy, more vigorous democracy, and more egalitarian society have avoided both the atherosclerosis of Japan and the crippling divisions of Thailand. As a result, it is rising rapidly in economic stature, in geopolitical influence and in universal respect for the human dignity its citizens enjoy. By 2015 Korean incomes, adjusted for purchasing power, will be higher than Japanese incomes. Already South Korea is Obama's favorite ally. Already South Korea is more wired than the U.S.

Hopefully this makes it ready for the next great challenge, which is managing relations with a foundering North. Park's challenge was to cope with a militarily, politically and economically superior North Korea. As a result of his successes, South Korea today faces the opposite challenge of coping with a North Korea that is inferior and decaying in every dimension. Ironically, this provides an equally serious challenge.

up its side of the defense burden in a war that would have had to be fought mainly by an already exhausted U.S. military, U.S. abandonment would have been virtually certain.