

# North and South Korea

A comparative analysis






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# Korea- the Hermit Kingdom

- ❑ Linguistically closer to Japan, culturally closer to China
  - ❑ Considered themselves to be descendants of Tangun, son of a bear and a God.
  - ❑ The first historical dynasty, founded in 1122 B.C.E., lasted nearly 1,000 years, during which time Chinese Confucianism penetrated Korea
  - ❑ In 668 C.E., after more inroads by Chinese culture including *Buddhism*, the Silla Kingdom conquered two rivals and united Korea for the first time.
  - ❑ Sillas were succeeded by Koryo, and then by Choson.
  - ❑ Choson kingdom was Confucianized. During their rule, Korea became a hermit kingdom
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# Opening Up of Korea and Japanese Occupation

- During the 1880s Korea signed trade treaties with other outside powers, and U.S. Protestant missionaries poured in.
- 1894: Chinese-Japan war, won by Japan
- 1905: Russia-Japan war, won by Japan
- During Japanese rule, economy boomed and modernisation happened. But fertile lands were taken over by Japan, and Korea was pushed into a subservient role.

# Division and the Korean War


- ❑ USSR fought the Japanese army in northern Korea and won.
- ❑ The Japanese handed over functioning to local Korean group in Seoul and People's Republic of Korea (ROK) was formed (now, South Korea)
- ❑ The USA then landed in Seoul.
- ❑ With the deepening of Col War, negotiation for unification became increasingly difficult.
- ❑ **August 1948:** ROK formally established in the South with Syngman Rhee as President.
- ❑ **September 1948:** USSR installed Kim Il Sung as the President of Democratic People's Republic of Korea (DPRK)
- ❑ **June 1950:** North Korea invades South, quickly taking Seoul
- ❑ **September 1950:** UN, under US leadership, enters the war on South Korea's side and drives North to China border.
- ❑ **November 1950:** China enters the war, pushes UN forces to south of Seoul.
- ❑ **June 1953:** armistice signed, military line and new border finalised.



# North Korean Economy

- ❑ Follows the ideology of Kim Il Sung. Follows classical Stalinist principals.
- ❑ Confucian elements in the familial piety, others include disdain for commerce, emphasis on hard work, respect for education and isolationism.
- ❑ **Juche:** political independence, economic self- sustenance, and military self-defense.
- ❑ Problem in analysis: lack of real and believable data.
- ❑ North was leading in the aftermath of the war because of:  
Political consolidation, early equalization through the socialization of all industries and agriculture, mass mobilization strategies, and moral incentives policies.
- ❑ Land was distributed to the peasants and heavy industry was nationalized, with most small commodity production remaining private until after the Korean War.
- ❑ The economy followed the planning structure with 5-year plans till 1960.



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- ❑ It emphasized heavy industrial development and mechanization of agriculture.
  - ❑ Second 7 year plan emphasised modernisation and scientification, focused on light rather than heavy industry.
  - ❑ Post 1990s, North Korea started working on Chinese lines. Although prices are still set by the central planners, they are now set close to external market prices.
  - ❑ Enterprises are now allowed to engage in commercial transactions with each other as a complement to centrally planned output activities, although they remain state-owned
  - ❑ Striking feature of North Korea is its complete dependence on the public distribution system, that aggravates the extent of its famine.
  - ❑ The system is riddled with corruption, one's social status plays a major role in deciding one's life and income. Those not deemed loyal to the Kim family are exiled to hard labor in the countryside.



# South Korean Economy

- ❑ Global economic superstar, having experienced highest rate of real per capita economic growth in the world during 1980-92.
- ❑ Features: a strong emphasis on education and a tradition of hard work associated with the Confucian heritage, significant state infrastructure development, and a strong market orientation.
- ❑ **Chaebol:** large, conglomerate family-controlled firms characterized by strong ties with government agencies
- ❑ The main achievement of the Syngman Rhee regime (1948–1960) was land reform, which laid the groundwork for later increases in agricultural productivity.
- ❑ Park Chung-hee took power in a military coup and instituted indicative planning and initiated the takeoff of rapid growth.





First Five Year Plan 1962	Second Five Year Plan, 1967	Third Year Plan 1972	Fourth Five Year Plan, 1977
<ul style="list-style-type: none"> <li>□ Guided Capitalism</li> <li>□ increase energy production, grain production, and import substitution industries</li> <li>□ Government provided one third funding</li> </ul>	<ul style="list-style-type: none"> <li>□ emphasized textile exports as a leading sector</li> <li>□ increasing the public sector for social overhead capital investment</li> <li>□ Developed from an input-output model of the economy</li> </ul>	<ul style="list-style-type: none"> <li>□ emphasized balanced regional development and improved quality of life for workers,<sup>50</sup></li> <li>□ focus on rural development through the <i>new village movement</i> to utilize excess rural labor</li> </ul>	<ul style="list-style-type: none"> <li>□ Industrial policy shifted toward electronics, machinery, and shipbuilding, with lower foreign borrowing</li> <li>□ Second oil shock and President Park's assassination</li> </ul>

# Post Park Era

- General Chun Doo-hwan seized power in 1980 and ruled until he retired voluntarily in 1988.
- Planning shifted back toward the looser indicative style from the more command-like prescriptive style


Fifth Five Year Plan	Sixth Five Year Plan	Seventh Five Year Plan
<ul style="list-style-type: none"><li>□ Had sectorial goals</li><li>□ price stabilization, regional equality and social welfare, and the encouragement of competitive market forces,</li><li>□ Encouraged Chaebol</li></ul>	<ul style="list-style-type: none"><li>□ expanded state welfare programs and emphasized domestic research and development.</li><li>□ called for liberalization of the financial system, which had been strictly controlled</li></ul>	<ul style="list-style-type: none"><li>□ Democratic regime of Kim Young Sam begins</li><li>□ moved further toward high technology and greater free marketization</li></ul>


# Industrial Policy and Chaebol

- ❑ South Korea has followed Japan with respect to industrial policy, viewing imitation as key to competing with the former colonial master.
- ❑ Main theme of Korean growth is **Chaebol**.
- ❑ It is more like Japan's pre war zaibatsu, than Keiretsu, it is a conglomerate owned by a single family.
- ❑ The major difference between the *chaebol* and both Japanese forms of enterprise is that the latter had or have a bank at their base, whereas the *chaebol* do not.
- ❑ Samsung and Lucky-Goldstar are the largest of the first generation, which began during the Syngman Rhee regime in the 1950s.
- ❑ Chaebols were encouraged under Park. Kim Young Sam forced them to open ownership to public.
- ❑ The high indebtedness of the *chaebol*, which reflected their de facto soft budget constraints produced by the state-owned banks, were denounced as examples of Asian crony capitalism.




# South Korea and the NIC

- Amongst the NICs, Japan is the leader but its economy has been stagnant since 1990s, at the bottom is China. The middle is formed by Hong Kong, Singapore, Taiwan and ROK.
  - Taiwan and ROK are closer, they are middle income countries, with a sizeable ruler sectors.
  - Both Taiwan and ROK are former Japanese colonies and therefore culturally closer to each other.
  - Important difference: relative to Taiwan, South Korea has fewer small businesses, a lower savings rate, a less equal income distribution, less agricultural production, less FDI, more borrowing from abroad, more state ownership of enterprises, more regulation of industry, a more overvalued exchange rate, a more closed and restricted credit market, more controlled markets, and more real estate speculation
  - During 1997 Asian crisis Han Chinese were left unaffected, others were badly hit. ROK was hit pretty bad but recovered swiftly.
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North Korea	South Korea
GDP does not take into account services. Started with a lead over South, alienated Soviets and now riddled with problems.	GDP takes into account services, lagged behind till '75, surged ahead and now comes out definitely ahead
Industry and Agriculture forms the biggest part of its output.	Services and Industry are the leading sectors.
The <i>juche</i> policy stimulated food self-sufficiency	emphasized exporting manufactures and importing food after 1964.
Life expectancy : 63.1 Child mortality: 30/1000	Life expectancy : 74.7 Child mortality : 5/1000
Juche policy, that has led to lack of capital goods	High level of international trade.
Heavily militarised with a bigger army.	Military big enough but not the biggest investment of its government
Heavy debts and suppression.	Democratic and capitalist



Thank you !  
Let's start the question round.