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## South Korea's Economy after the Korean War

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### ABSTRACT

*The aim of this article is to explain the repercussions that the Korean War had on the South Korean Economy. Korea's colonization by Japan and the division of lands led to the Korean War. This paper shows the struggle and the development of the South Korean economy-it show its recovery and development post war and its current situation and its stand today as one of the largest developed economies in the world.*

**Keywords:** Repercussions, Struggle, Recovery, Development.

### 1. INTRODUCTION

The war that broke out in June 1950, had a devastating yet a positive impact on the resultant nation of South Korea. This war not only had a major economic impact but a drastic socio-cultural impact too on both of the Korean economies. Moreover, the time period the war broke out was one where both of the economies were struggling with having a very unstable government and also an underdeveloped industrialized sector (Lee, 2001). The main nations/organizations involved in this international war were the UN forces including US, South Korea and other 15 nations and, North Korea along with their allies USSR (Wikipedia). It all started with North Korea invading South Korea that resulted in a series of clashes along the borders. The core reason for the split of Korea is the result of the continuous cold war between the US and USSR where both the countries claimed to be the lawful government of all of Korea and disagreed to accept the borders as permanent. Even though the war took place in Far-Eastern Asia, it developed into a big wreck among the two world powers. With context to the economic system of the country, the entire development was reframed in the following years.

In the aftermath, there was not enough money available in Korea and also in the rest of the world which could be given as aid to restructure the country and revitalize it. It has been observed that the decade post the Korean War was so severe for S. Korea that the N. Korean economy was reshaping and rebounding much faster and in a better way than that of their Southern counterparts (Kim, 2016). Hence, South Korea, required a lot of stability in their economy and funding so that they could cope up with the loss and damage caused due to the war.

### 2. SOUTH KOREA BEFORE THE WAR

Before the World War 2, there was only one Korea which was colonized by Japan. On November 1943 Frank Roosevelt, Winston Churchill, and Chiang Kai-shek met in Cairo conference and decided that Japan should lose all its territories and Korea should be a free economy in the due course. On December 1945 at the Moscow conference, all the allies decided that following countries would take part in the trusteeship (Soviet union, Britain, US, Republic of China) over Korea for five years but many Koreans wanted immediate freedom. Korean communist party agreed with the decision as it had strong connections with the Soviet Union. The difference between the ruling policies of the countries deepened the separation of the Koreans. Many people started to migrate between the lands and the tension rose higher.

US feared the expansion of China and Soviet Union and called upon UN which was opposed by the Soviet Union. UN decided to hold open elections in the south only, while the north was with China (Division of Korea).

The Korean economy was in a very bad shape before the division and different colonial authorities wanted to rule over them but the difference of thought led to the Korean War in which approximately 2.5 million people lost their lives (Korean War).

### **3. DEVELOPMENT IN SOUTH KOREA POST THE WAR**

The factor which led to the acceleration of development in South Korea after the war was the coup which was pulled off by one of the army generals then – Park Chung Hee, who seized control of the government in 1961. The General immediately began to mobilize the country along the military lines. The South Korean economy under Park in the 1960's had a GDP on par with that of Bangladesh. They received aid and assistance from International Development Association, Asian Development Bank, and other bilateral agencies too.

South Korea under the President ship of Park, in the 1960's launched economic and social development plans which further led to the growth of the economy. Park took a very hard headed approach to curb the spread of corruption in South Korea. He aimed at expropriating their bank shares and assigned them to invest in import substitution industries (Train, 2011). But even after all this, lives of the people, especially the middle class and lower class people were hardly affected until the 1970's (Oh, 2010). Park died in 1979, during this period the per capita income was around \$1500. Although life was still very difficult for people, it was definitely getting better.

During his presidency, Park realized that the US was not going to help them in any way, due to which he started to re-establish South Korea's relationship with Japan. Both the countries signed an agreement whereby Korea waived off all its prior claims against Japan in exchange for Millions of Dollars in assistance and technology transfers which was the need of the hour for the South Korean economy (Kim, 2016). This was set to mark the beginning of the revitalization and modernization of South Korea. The hard working South Koreans put the technology received from Japan to use in a very efficient and productive manner which led to the development of the industries in Korea. South Korea also focused their attention towards setting up and developing small scale and medium scale industries. This policy of theirs led to the success of brands such as Samsung and LG all over the world.

### **4. POST WAR RECOVERY**

South Korea stagnated in the first postwar decade. The South Korean Government under Park, developed a state directed capitalism which was primarily supported by exports (Blackadder, 2015). South Korea needed to encourage foreign investment into their economy for which they set low wages and low tax laws and export tariffs which encouraged various countries and companies to trade in and with South Korea. In 1953, South Korea and the US signed a Mutual defense Treaty which brought a complete halt to the fighting in the Korean region (Wikipedia).

Moreover, to develop the economy and protect it from the further devastation the government heavily invested in education. Overtime, the government also started to direct conglomerates in English. The military regime too had a few advantages in order to stabilize the economy after the war. The rigidity and self-discipline of the regime prevented scandals and strengthened national security.

Even though the country received huge funds as aids from all over the world, they were unable to utilize it to its full potential due to the incapability of the people and unstable government. Hence, the government under Park's rule played a major role in accelerating the developmental process in the country making it at par with various other countries back then. South Korea went on to have one of the fastest growing economies from early 1960's to the late 1990's.

### **5. CURRENT SITUATION OF SOUTH KOREA**

South Korea is the 4<sup>th</sup> largest economy in Asia (also the part of the 4 Asian dragons) and 11<sup>th</sup> largest in the world. It's a mixed economy. South Korea has risen from one of the poorest countries to a developed high income countries in just one generation which is an amazing transformation. South Korea is considered to be one of the eleven countries presumed to dominate the middle of 21<sup>st</sup> century. Its GDP is 1.4466 trillion (2017) and its economic trend shows its growth in the north direction and is assumed to climb the ladders of the most developed countries in the world.

It has a rigorous educational system which is one of the main reason for its technological advancements. South Korea has almost no natural resource and an increasing population and therefore has adapted exporting strategies to develop and maintain its economic balance. The economy depends on the imports of energy and related refinery technologies (Economy of South Korea).

The tension between South and North Korea still exist but they are continuously trying to solve its disputes and are currently in peace talks and taking steps to mark their unity such as participating together as a single team in the upcoming winter Olympics (Time).

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