

American Views on South Korea's Economic Development in *Los Angeles Times* and *New York Times*, 1970-1974

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Abstract

The first half of 1970s was one of the crucial periods to understand the South Korea's economic success. South Korea achieved great economic success as President Park Chung-hee concentrated his effort to maintain economic development to consolidate his dictatorial power as well as to overcome North Korean threats. *Los Angeles Times* and *New York Times* dealt with the issues on the South Korea's economy with considerable amount of reports. To do so, they helped to provide general views of Americans on South Korea's economy of the time. According to them, South Korea's economic development was comparatively successful during this period. Some of them even highly praised the economic success of this country. However, the lack of democracy made them to believe that South Korea's economic success was fragile. They failed to understand the South Korean people's will and desperation to survive after the long years of poverty. Still, the analyses and advices presented in the reports were very valuable to see South Korea's economic structure and problem. The reports of both American major newspapers contributed to develop the American views on South Korea and its economic development of the period.

Keywords: South Korea, Economy, Park Chung-hee, *Los Angeles Times*, *New York Times*

1. Introduction

The decade of 1970s in Korea was the most crucial period to understand the contemporary success of South Korean economy. During this period, the debacle in Vietnam and its eventual fall under the communist control affected Korean peninsula. American military forces in South Korea reduced under the Nixon administration and again under the Carter administration. Kim Il-song, the former North Korean leader, continued the threats to reunify Korean peninsula with force. His visit to Beijing and the Eastern European nations made South Korean government adopted various measures with frustration.

South Korea under President Park Chung-hee proclaimed the *Yusin*, a political reform suspending democracy in 1972 after the narrow margin victory of 1971 presidential election against Kim Dae-jung, a young opposition leader. Human rights issues became one of the popular subjects on South Korea under Park Chung-hee especially in the United States that might possibly damage the Korean-American relations. Furthermore, Park Chung-hee launched the plans to develop missile and nuclear weapon against North Korean threats and America's plan to reduce the numbers of U.S. troops in South Korea.

On the other hand, South Korean economy recorded historic achievement later received the title, 'Economic Miracle of Han River.' Since the middle of 1964 when South Korea experienced the financial crisis, Park's administration adopted export-oriented industrial development policy. In September 1963, South Korea's foreign currency deposit was only \$105.4 million and US dollar was less than \$100 million. (Note 1) Overcoming this crisis, the government directed export-first policy with iron fist of Park Chung-hee despite the recommendation of International Monetary Fund (IMF) to adopt the market economy.

South Korea achieved \$100 million in export at the end of November 1964. Celebrating this outcome the Ministry of Commerce and Industry designated December 25th as Export Day. In 1970, South Korean export

reached \$835.2 million from \$86.8 million in 1963. With this success, Park Chung-hee started new policy emphasizing the development of heavy chemical industry and aimed to reach the export of \$3.6 billion in 1976. In 1976, South Korea exported total of \$7.715 billion that was more than double the Park's estimation of 1969. (Note 2)

This study focuses on the American views on the unique nature of South Korean economic development in the first half of 1970s. Achieving this goal, it will analyze the reports from the *Los Angeles Times* and *New York Times*. While other American newspapers did not pay attention on this subject, both newspapers provided sufficient amount of reports on South Korean economy. Since the U.S. was the key ally and a major trade partner, its views have certain importance to understand the South Korea-U.S. relations.

This analysis aims to find out on how these two major American newspapers saw South Korean economic development. The perceptions and predictions as well as the analyses on South Korean economy of the early 1970s will be examined thoroughly. As a result, it will contribute to understand American views on South Korea of the time in general.

2. Before *Yusin*, 1970 to 1971

In 1969, the U.S. President Nixon planned to reduce the American military presence in Asia. The Nixon Doctrine emphasizing the concept of self-help and self-reliance became real when he met Park Chung-hee in San Francisco in August 1969. The reduction of 24,000 U.S. forces in South Korea carried out by the end of 1973 with the promise of increasing military assistance. It caused the certain level of frustration not only to Park but also to many South Korean citizens.

President Park Chung-hee started to consolidate his political control by recruiting technocrats in the center of power. Park did not left any room for challenge to his power. Park also tightened the control over labor forces. He concentrated his effort to "modernize" Korea with economic development as a major tool to maintain its security. For that, Park believed that human rights and democracy could be sacrificed.

However, the suicide of a textile factory worker, Jeon Tae-il on November 13, 1970 protesting against unbearable working condition caused the organized labor movements and strengthened the oppositions against Park. Between 1970 and 1971, labor disputes increased from 165 cases to 1,656 cases. Still, this incident could not change Park.

The opposition party presidential candidate Kim Dae-jung became the center of the oppositions and Park only gained 51.2% in the Presidential election of 1971 while Kim received 43.6% of votes. A month later, Park faced the existence of strong oppositions at the congressional election again. Kim Dae-jung's New Democratic Party secured 89 seats while ruling party had 113. Even though Kim's party failed to secure simple majority, the ruling party failed to secure absolute majority of 2/3 seats in the congress.

Student demonstrations also erupted around the country. The government passed 'Garrison Decree' on October 15, 1971 to control major universities in Seoul. As a result, 1,889 students were arrested and 177 students were expelled from the schools. On December 6, Park declared national emergency and passed many decrees to limit the liberty of South Korean citizens. Finally, under the martial law, Park proclaimed the semi-wartime system of *Yusin* Constitution. South Korea was experiencing many crises at the beginning of 1970s.

On May 12, 1970, *New York Times* put a special report by Philip Shabecoff on South Korean economy. Shabecoff emphasizes the cheap labor costs of South Korea. His coverage on Tong Myung Plywood factory described the long working hours with little pay under harsh and sometimes 'dehumanizing' conditions of Korean workers. However, his interview with an 18-year-old female worker reflected the general attitude of Korean workers of the time well. She, similar to other 5,000 young female workers, received \$32 per month for her labor of 10 to 11 hours a day and 6 days a week. Still, she satisfied with herself for earning money. It was common that she even supported her family with this money.

Shabecoff continued that Korea's most valuable commodity was manpower. They were intelligent and had the ability to learn. Also, the literacy was a very important factor according to him. They were ready to take hard work amid conditions unacceptable in most of the industrialized countries. He also mentions that Korean girls were more motivated than American girls. It took 2 weeks less to train Korean girls to assemble semi-conductors and transistors than teach American girls to do the same job.

He concluded that with this asset, South Korea's economy was booming. From 1959 to 1969, South Korea's GNP jumped up from \$2.3 billion to \$6.1 billion. From 1965 to 1970, its annual economic growth rate was 12.6% which exceeded that of Japan during the same period. Still, South Korea was a poor country. Its per capita GNP was only \$195 a year with 31 million people. (Note 3)

It sounds typical nowadays. There are many similar conditions in the countries experiencing the early stage of economic development. However, Shabecoff successfully pointed out the unique characteristics of South Korea in the early 1970s. South Korea secured the comparative edge with price from cheap labor costs. Still, Korean workers were very much motivated. Moreover, the literacy of Korean workers made them comparative in quality of labor, too. This was the answer that he found to explain the small but significant economic success of the nation that experienced total destruction 20 years ago.

Los Angeles Times reported the issue on the U.S.-South Korean textile negotiation. According to the report, while textile export was vital to South Korean economy, the Special Committee on Textile Import Restraints of the U.S. announced that there were significant changes on Korean textile export to the U.S.. The U.S. passed the bill to set arbitrary import quotas on foreign-made textile products. (Note 4) It reflected the sign that the U.S. did not consider South Korea as a hostile trade partner. Still, it was important change to South Korea because the negotiation between the U.S. and Japan in Washington on textile trade limitation broke down at this point. This was why Seoul felt that South Korea became a victim. Any restriction from the U.S. could be crucial to South Korea because the U.S. was the biggest export market to South Korea at this time and Seoul worried about that it could be a beginning.

New York Times reported the demonstration of textile workers in Korea. Over 3,000 textile workers rallied opposing any restriction on South Korean exports of man-made and wool textile goods to the U.S. after the failure of 4 days negotiation between the two countries representatives.

Demonstrators emphasized that any restriction would not only hurt South Korean economy, but also its security as a 'bastion of free Asia.' (Note 5) This report reflects the concerns and desperation of South Koreans for the future. At the same time, it reported the feeling that how much the export-oriented economy was important to them to maintain the security of the nation.

On March 14, 1971, same newspaper introduced what was ginseng from South Korea. According to the report, Ginseng production in Korea had been systemized and the export doubled in value since 1968. In this year, Korea's ginseng export would be increased up to 25%. The U.S. became the second biggest import nation of South Korean ginseng next to Hong Kong. (Note 6)

From this report, Brendan Jones considered that one of the major South Korea's export items was still agricultural product. At the same time, he tried to show a pattern of the increase of South Korean exports. It is an interesting report to see the U.S. view on Korea's trade. From this short report, South Korea was an interesting nation in the trade relationship with the U.S. exporting something unusual and not a threat to the U.S. economy in general.

On September 12, 1971, another special report dealt with a new development of export-oriented South Korean economy. The government announced that South Korea would expand export markets and improve relations with "non-hostile" Communist countries through the third countries such as Austria and Pakistan. According to the report, Deputy Minister of Commerce and Industry, Kim Woo-keun reported before the National Assembly that two companies shipped \$276,000 worth of socks and \$13,300 of children sweaters to Czechoslovakia via an Austria firm. At the same time, \$1 million worth of wigs and textile goods exported to Yugoslavia through Pakistani firm. The law amended to allow the trade with Communist Eastern European countries in December 1970 and already, there were significant progress. There were good possibilities for trading with Rumania, Hungary and Poland, too. (Note 7)

In this report, South Korea hoped to sell plywood, poly-chloride vinyl resin, automobile tires and tubes and plastic products while importing industrial raw materials. Seoul would soon start the negotiation for a bilateral trade agreement with Yugoslavia and other Eastern Europe. (Note 8) It was a significant change in South Korea since Korean peninsula was the center of Cold War conflict and Eastern European countries did not recognized South Korea diplomatically at this time. Also, Communist North Korea's threats prevailed and Park's government utilized this situation to control people with strong anti-Communist propaganda. That is why this was a good example to see the South Korea's attitude toward the export. South Korean government was willing to adopt flexible ideological stands for economic gains. It was a significant change for Seoul.

In November, Sam Jameson of *Los Angeles Times* reported that South Korea was willing to play a "springboard" for China trade for the U.S. It reported that the U.S. technology and capital combines with hard-working Korean labor would be able to compete for the Chinese market. (Note 9) At this point, South Korea needed more investment for continuous economic development. At the same time, South Korean government tried to reduce the financial burden by replacing the foreign loans with investment. For the third Five-Year Development Plan between 1972 and 1976, the government needed \$12.2 billion in investment and planned to host at least \$2.4

billion from foreign investment. (Note 10) South Korea intended to bring the U.S. investment at home with the attractions of the future of Chinese market.

It was the time, South Korea forbid trade with Communist China. Similar to the previous report, South Korea was willing to open trade with Communist countries by sacrificing its ideological stands in certain level. This new move was significant because Communist China involved in the Korean War directly.

Again, South Korea focused on economic development more than anything even though the authoritarian government of Park Chung-hee controlled people with strong anti-Communist propaganda at home to justify his semi-democratic system. For Park, economic development was more urgent than political ideology to achieve his long-term goal. Therefore, those new developments were from desperation not from the confidence on his system.

A special report of *New York Times* reported that there were considerable increases on South Korea's export to the U.S. and Japan in this year. The Financial Ministry announced the perspectives for the South Korea's foreign trade in 1972. There would be \$98 million in sale to the U.S. and \$44 million to Japan. The government also expected that the revaluation of Japanese *Yen* would improve the balance-of-payment with Japan. (Note 11)

However, the same newspaper criticized this positive expectation of the South Korean government. The report mentioned that South Korea achieved considerable economic growth of average 11.4% since 1967. There was increase of trade of 40% annually and the real per capita income doubled. Still, the fear of inflation and massive trade deficits would make the South Korea's economy fragile. Also, economic slowdown in Japan and the U.S. restrictions on South Korean textile exports would make the country's economy extraordinarily vulnerable since 75% of total exports were depended on the U.S. and Japanese markets. (Note 12)

Internally, South Korea faced the discontents for unemployment and ever-increasing housing prices as well as the lack of sufficient social services. At the same time, there were disturbances over compulsory military service and official corruption. Although the government used troops to restore order, the problems prevailed. Externally, Nixon decided to reduce the U.S. Forces in South Korea while China replaced Taiwan in the UN. (Note 13)

It continued that the Park Chung-hee's policy of illusory remedies and stirring fear of a North Korean attack would fail in the country of people with 90% literacy. This report pointed out that South Korea economic development could not be continued without a political liberalization. In short term this report was wrong even though it proved to be right in the long run. The desperation and will for the survival through economic development of South Korean people who experienced the total collapse after the Korean War was underestimated.

The reports of both newspapers gradually paid attention to South Korea's export-oriented economic development. In 1971, there was a significant change in the subjects on the Korean economy. There were considerable increases of reports on the subject of Korea's economy compared to the previous year. At the same time, many of them dealt with the successes of the South Korea's trade. Still, these American newspapers considered South Korea as a small country struggling to survive economically. They did not consider South Korea as one of the future economic power of the world, but a country to care since the U.S. provided aid since the Korean War. Still, the will of the people of South Korea was not fully understood by the American reporters. American standard of democracy should not be applied to see the South Korean economic development as it was at this time.

3. Political Disturbances and Economy, 1972

In January of 1972, *Los Angeles Times* dealt with the issue on the possible economic bubble of South Korea. The report by Sam Jameson pointed out that the Nixon administration's decision on the curbing textile exports to the U.S. was not the problem to Korea's economy. Rather, more than \$3 billion in foreign debts was the real problem. It continued that the foreign reserves fell 6.5% to \$549 million by July 1971 and net foreign assets also fell 16.8% to \$378 million by August from December 1970 levels. The trade gap expected to reach \$1,281,200,000 or 50% higher than the original government's estimate and there was a warning from a 10-nation consortium of Korea's international creditors who met in Tokyo. The current uncertainties in international trade might adversely affect the achievement of Korea's export targets in future years. In short, the financial perspectives of South Korea were not bright according to Jameson. (Note 14)

In addition, President Nixon's decision on South Korea's textile export to the U.S. would cause a loss of about \$60 million a year. However, Seoul foresaw differently. The damage would be less than what Jameson predicted. According to the governmental Korea Trade Promotion Association, there would be \$220 million worth of exports of man-made fibers and woolens to the U.S. in 1972 under the textile agreement, a short fall of about \$42 million. The major concern for Seoul was rather the discharges of 4,500 workers in this year.

There was a general feeling of unfairness to the Nixon's decision. Hai Chang Chun, the director of the association's marketing research department, mentioned that South Korea's textile exports to the U.S. formed 32% of its total exports. The market share of Korean textile in the U.S. market was a mere 0.6% of total domestic consumption. The executive vice president of the Korean Federation of Industries, In Sam Kim also expressed similar emotion, "Korea is a little shrimp that got its backbone broken in an economic fight between two big fish-the United States and Japan." (Note 15) U.S. officials predicted that there would be a trade gap of \$1.2 billion in 1972. Instead of finding a cause from the failure to regain an overall export growth momentum and skyrocketing pace of import, U.S officials blamed on Korea's inability to expand exports to markets other than the U.S.. (Note 16)

Jameson pointed out that South Korea's GNP was \$7.7 billion and total exports volume was only \$1 billion in 1970. IMF report also recommended to South Korea to reduce the goals of its third Five-Year Development Plan to 20% in 1976. He believed that the controlling the South Korea's export to the U.S. was not the solution to improve American economic condition.

There was a tendency to see the South Korea's economic development with worries at the beginning of 1972. A general feeling of unfairness on the issue of trade relationship with the U.S. existed. Still, there was any sign of anti-American sentiment in South Korea according to this report. An opinion of South Korea's possible bubble burst could be fare from the American stand-point at this time.

On June 23, 1972, *New York Times* reported that South Korea achieved an exceptional economic development in the year 1971. Despite the general worldwide business recession, South Korea's economic growth reached 9.8%. Per capital income increased from \$187.30 in 1970 to \$212.50. Total GNP reached \$10,039 billion. While South Korean government forced the stabilization policy, it was a remarkable outcome. Still, these statistics were sharp decreases compared to the 15.9% growth in 1969. (Note 17)

James Bassett of *Los Angeles Times* dealt with the security issue of South Korea and its relationship with economic development at the anniversary of the break-out of the Korean War. Bassett pointed out that despite the threats of North Korea and Park Chung-hee's state of national emergency declared in last December, South Korea was driving bolster its economic vitality although there was a problem of South Korea's dependency on foreign loans that made its economy fragile. (Note 18)

Bassett mentioned about the South Korea's manpower that he considered as a unique characteristics. Since 1964, South Korea exported manpower. Almost 55,000 South Koreans have gone abroad to earn more than \$425 million. In the early 1970s, South Korea required more and more skilled workers for machinery, metals, electronics, chemical and shipbuilding concerns. So a ban had been placed on the departure of workers in those fields. The quality of the workers was outstanding since South Korea maintained Confucian value with a society with a strong sense of familial discipline. (Note 19)

Bassett concluded that South Korea's economic achievement was outstanding. The swift industrialization in the late 1960s and early 1970s resulted in the per-capita income into double figure and 2,000% increase of exports despite the location of Seoul, 30 miles from DMZ and continuous threats from Communist North Korea as well as 6-4 edge in military power with North Korea. According to Bassett's report, South Korea became a developing country from an underdeveloped country. (Note 20)

South Korea was under the threats of Communist North Korea. Still, South Korea achieved remarkable economic development. The unique nature of South Korea's economic development was the manpower according to Bassett. 9 years after the signing of Armistice and 12 years after the North Korea's invasion, South Korea became a model country receiving the U.S. assistance. Readers could sense that the U.S. military and economic aids to South Korea were not wasted. Interestingly, Bassett did not mention much about South Korea's domestic condition of limiting democracy.

A *Los Angeles Times* staff writer, Sam Jameson introduced a financial reform of South Korea in 1972. President Park Chung-hee attempted to modernize Korea's financial system after 10 years of successful economic development. Jameson pointed out that the wages were already controlled by an unpublicized order issued earlier in this year. Prices, the national exchange rate and interests of all loans in South Korea would be added to the list of controls by the decree issued on August 2. Bank and private creditors were all under the control of the government. The slash of interests resulted in the South Korean firms to save \$260 million.

For the economic development, South Korea borrowed money as much as possible to secure necessary financial assets. The average South Korean firm in 1968 was relying on borrowed money to finance 66.8% of its operating costs. In 1971, it had deepened this reliance to 79.5%. At the same time increase of whole sale price exceeded

11% a year. The costs of raw materials for the companies rose up, too. As a result, net profit margins of average South Korean firm fell from 4.2% to 1.3% during the same period. (Note 21)

Foreign debts payments of South Korea would amount \$444.6 million, which was 31% of export earning of this year. As it mentioned earlier, the U.S. government began to pressure South Korea to reduce the trade imbalance. It was one of the reasons for the financial reform. According to Jameson, the decree was necessary and was able to modernize South Korea's financial market to maintain economic success. (Note 22)

Jameson concluded the report with some advices. South Korean government should continue its effort to replace the short-term foreign loans with long-term, low-interests foreign loan and would provide \$5 million government fund. These measures would freeze the activities of private creditors especially in providing loans to small- and medium-size businesses since they did not have sufficient credits while big firms were enjoying the protection of the government. Jameson insists that this problem needed to be fixed. Furthermore, to modernize the financial market, South Korea had to reform its monetary system. (Note 23)

This report showed the background and nature of its financial reform measures of the Park's administration well. Also, without prejudice, Jameson fairly pointed out the necessity for the reform. From this, American readers would have certain level of knowledge on South Korean economic condition and how desperately South Korean government concentrated its efforts to maintain its economic success. Of course, some would be puzzled the nature of strong government control over economy that contradicted the value of free market system of the U.S. Still, the efforts of the government in the southern part of small Korean peninsular would be well presented in this report. Some readers would consider that it could be an alternative to the U.S. that was just experiencing bonds market clash at this point.

Jameson's advices were also reflected the condition of South Korea as it was. Even today, South Korea's small- and medium-size businesses are suffering from this structure. South Korea faced the financial crisis in 1997 when the government decided to receive a loan from IMF with severe reform measures imposed by the IMF. His advices should be treated more seriously. On the other hand, the structure Jameson pointed out in the early 1970s was the unique characteristics of South Korean economy itself. The government directed and large firm-oriented economic structure of South Korea still remains. It became a Korean model.

The year 1972 ended with a report from *New York Times* on October 15. Samuel Kim reported the automobile industry of South Korea at the stage of its birth. GM announced that Chevrolet 1700 would be produced by Shinjin Motor Company in Bupyong factory. It was the first American direct equity investment of \$48 million to South Korea. The model for this car was GM's West German branch product call *Rekord* with 1700cc engine. GM planned to produce buses and trucks, too in the near future. Shinjin Motor Company had been assembled Toyota's *Corona* and *Crown* since 1966.

With this investment GM planned to oust Toyota from Korea for China market in the future. Ford also sought an opportunity in Korea with joint venture with Hyundai investing \$18 million. Hyundai would co-produce a British Ford model *Cortina*. South Korean government granted this deal, but Ford Korea was hesitated this investment. This development was interesting because both GM and Ford had a similar experience in 1998 when Daewoo Auto Company was on sale.

It's been 10 years since South Korea started automobile industry. For this period, South Korea was at the stage of assembling with importing engines, transmission, body panels and axels. There were GM Korea, Hyundai and Asia Motors. (Note 24) GM Korea invested in South Korea with long-term vision. The market for small automobile would be expanded soon with the economic development although the numbers of automobile declined to 23,000 in 1971 from 31,000 in 1969. GM Korea estimated that there would be the market for 30,000 cars per year soon.

Chevrolet 1700 would be sold for \$4,500 while Ford *Cortina* was sold for \$4,550 in Korea. Soon, GM Korea would produce its engine in Korea to knock down the price by saving 25% import tax and the plant would be completed in 1973. Therefore, this car would be 80% made in Korea and would expand its market to Southeast Asia. For South Korea, the government expected to produce body and axel and other key parts except engine and transmission in Korea by the year 1976. (Note 25) It was the beginning of the South Korea's success in the world automobile market of today. This report is one of the rear materials to know about the early stage of development of South Korea's automobile industry.

For the first three years of the decade of 1970s, both newspapers published considerable numbers of reports on South Korea's economy. In general, most of them saw the economic development of South Korea with great interests. At the same time, some could not get rid of the discomfort about the authoritarian nature of Park Chung-hee administration. They pointed out the high quality but cheap labor of South Korea. They were skeptical about the future while praising the economic success of South Korea. Because of the domestic political

situation and the threats of North Korea and dependency on foreign money, they hesitated to express the full confidence on the future economic success of South Korea.

4. *Yusin* and Economic Development, 1973-1974

On January 12, the government launched the heavy-chemical industrialization policy aiming \$10 billion in export and per-capita income of \$1,000 at the early 1980s. President Park hoped that with this policy, South Korea would achieve self-sufficient economy and national security at the same time. However, the first oil shock swept the free world and the impact was more severe to South Korea that depended oil from abroad totally.

South Korean government adopted industrial structure reform program at the early 1973. The reform program concentrated on three areas. Firstly, the structure needed to be reform for export-first system. Also, the reform adopted 10-year long term and massive plan while securing \$10 billion fixed investment. The fields initially concentrated to develop included industrial machinery, shipbuilding and transportation machinery, steel, chemical and electronics. The policy aim was to develop economy while nurturing human resources through educational modernization and a cultural revolution. Also, the policy aimed to develop land and self-reliance of security as well. (Note 26)

On February 2, heavy-chemical Industry Promotion Committee was established with the presidential decree. Acquiring \$10 billion worth of bund, Korean-American Economic Cooperation Association was formed in September 1973 and 26 representatives of American industries visited South Korea in April of following year. To materialize the project, South Korean government started to develop Changwon Machine Industrial Complex near Masan in September 1973. Maintaining the momentum, the government passed the Industrial Parks Development Promotion Law on December 24 and 5 more industrial complexes were created.

A rapid development of South Korean model has 3 special features compared to other Asian countries. First of all, it was planned and promoted independently by Park Chung-hee himself and his technocrats. Second, it was a *Chaebol*-centered model. Finally, Park Chung-hee's authoritarian political reform made it possible to achieve maximum results in a relatively short period of time by minimizing oppositions. (Note 27)

Samuel Kim reported South Korea's export all-in efforts in January of 1973. He introduced the surprise accord between Seoul and Pyongyang in July of 1972 that agreed to seek rapprochement and eventual reunification. Both Koreas agreed to begin a careful study on the possibility of economic exchanges, too. According to Kim, Seoul believed that the South-North Korean trade would be a door to expand its markets to Eastern Europe and China.

Kim pointed out that South Korea needed a break-through because of the changes took place in 1971 and 1972 on world monetary and trade situation. Extremely high interests of world financial markets resulted in major set back for South Korea's economy recording 7.5% development in GNP in 1972 from that of 9.8% in the previous year. Although revaluation of Japanese *Yen* and the government measure to freeze domestic loans with lower interests helped South Korea, the shortage of agricultural products remained. In 1973 alone, the government predicted to import 1 million tons of food grains from the U.S.. (Note 28) This was why South Korea desperately needed to expand and diversify its markets for export.

Although Kim's report tried to find the reasons for the South Korea's export-first economy, as it mentioned before, the government already set up its policy goal to maximize the export. The ideological barriers existed in politics only. For the economic development South Korea was ready to start the talks to open all possibilities with all.

Seoul faced another challenge in July 1973. *Los Angeles Times* briefly reported on the U.S. embargo on exports. The U.S. put embargo on the export of scrap iron, tallow and other products. It was a serious blow to South Korean economy. South Korean government reacted to this embargo with a set of emergency measures. The tariffs were readjusted and the government forced the fixed prices on certain items. (Note 29) This report showed well about how fragile South Korean export-oriented economy was even though it achieved remarkable success for some time. Following report on *New York Times* shows that trade condition was not the only factor for economic development of South Korea.

Edwin Reischauer and Gregory Henderson defined that "Korea is small cloud to make a hurricanes." (Note 30) The report indicates that since both North and South Korea were under the dictatorship, it was difficult to reconcile and reunify. *Yusin* was a fragile and imperfect democracy with 175 constitutional changes to limit human and civil rights for permanent dictatorship of Park Chung-hee.

The report pointed out that South Korea's continuous economic development would be possible with the investments from the U.S. and Japan. The U.S., China and USSR did not expect any possibility of war in Korea

in a near future because Korean situation was not a localized issue such as Vietnam and Philippine. If the U.S. would pull out its troops abruptly from South Korea, there would be subversion or war in Korea and as a result, Japan would rearm including nuclear weapon. Therefore, the report suggests that the U.S. and Japan should pressure Park for the danger of *Yusin* and South Korea should pursue a policy of unification through economic and social healthy and politically at peace. (Note 31)

From this report, American public opinion worried more about the political instability of South Korea and economic success was still an illusive. The geopolitical condition of Korean peninsula was so unstable the economic development could be in vain by an incident. South Korea's economic success was not a significant issue yet.

A *Los Angeles Times* report introduced the changes and condition of Seoul, the capital city of South Korea. There were more than 6 million people that were one-fifth of the entire population of South Korea. As a result of rapid economic development, Seoul experienced many changes. An underground railways system was under construction and several satellite cities were also built and or planned.

Because of the population pressure and traffic congestion, the sky was dirty. During the winter time, it got worse because of the smoke from coal stoves. Although oxcarts and handcarts were common in most of rural areas, the relics of ancient Seoul had been entirely inundated by concrete. (Note 32)

Instead of presenting a positive view on South Korea, this report reflected the ills or behind side of the success of South Korea. Of cause, there were general tendency that American public opinion was not favorable to South Korea because of its domestic political development under the dictatorship of Park Chung-hee. In 1973, many reports tried to show the problems of South Korea rather than economic development of the country.

On the other hand, Sam Jameson interviewed with a futurologist and director of the think-tank Hudson Institute, Herman Kahn. This interview reported that South Korea, an authoritarian and semi-democratic regime achieved more economic success than democratic countries at the time of world scale shortage of oil and recession. Kahn believed that South Korea might set an example for developing nations throughout the world in how to rise rapidly into the ranks of wealthy nations. The report points out that Park Chung-hee concentrated on the achievement of economic development between 1973 and 1980 under the slogan of "maximum risk, maximum work, and therefore, maximum asceticism." (Note 33)

There were fundamental problems in South Korea's economy. There was a great risk for export-oriented economy. The expected world recession of 1974 would hurt South Korea seriously. Also, corruption prevailed everywhere including business fields. On the other hand, Kahn indicated that South Korea's accomplishments in steel and shipbuilding would be the new engine for it economic development. There still were abundant of the best and cheapest labor forces in South Korea that would make continuous economic development possible. (Note 34) Kahn concluded his interview with the negative aspects of South Korea that would damage its previous economic success. There would be two major issues. Park needed to secure his political justification of *Yusin* and, of course, the threats of North Korea would be another.

Jameson's interview with Kahn was an interesting change on the issue of South Korea's economy. South Korea was considered as an example of economic development. Although Kahn did not forget to mention about the negative aspects that many Americans were familiar with, his positive perspective might had certain impact on the American readers on the subject of South Korea's economic development. This interview would be more satisfactory if Kahn provide cultural uniqueness of South Korea.

At the closing of 1973, Fox Butterfield reported small but significant political change in Seoul. President Park made a reconciliatory move early in this month because of the oppositions' demands for revision of the restrictive Constitution. The abduction of an opposition leader, Kim Dae-jung from a Tokyo hotel room by KCIA made Park to apologize in public that made Park Chung-hee no longer an invincible figure to the minds of many Koreans. (Note 35) However, South Korea's economy soared and the economic development was a strong propaganda and achievement of Park Chung-hee administration.

One of the reasons for the public apology that might damage Park's political control was the diplomatic pressure, especially from Japan. As South Korea's economy developed, there was the growing dependency on Japan. Since the U.S. aid was declined and its ground forces in South Korea reduced, Japanese role in South Korea was more important than ever. In this year, for example, 90% of new investment came from Japan. (Note 36) This was why Park could not ignore Japanese diplomatic pressure on the incident took place by KCIA.

Butterfield reported similar story in August 1974. He mentions that despite the economic booming that achieved 17% growth in 1973 and 10% of this year, Park issued an emergency decree to limit democracy again. The

difference was that there were oppositions at this time. They were urban middle class and well educated. Also, many Christians became oppositions to Park. Butterfield mentioned that instead of supporting the oppositions, Washington did not make any action, but asking \$234 million military aid to Seoul next year in the Congress. (Note 37)

For him, South Korea's economic development was not significant. His major concern was the political situation in Seoul under the *Yusin*. He expresses the discomfort on the Washington's action to provide military aid to the repressive regime of Park Chung-hee. It might be a general attitude of the Americans who were concerned about South Korea. Because of the political situation, the issue on South Korea's economic success was put aside.

This development became a major topic on South Korea. *Los Angeles Times* put three separate reports on August 18, 1974 issue under the title of "South Korea: Should a Despot Get U.S. Aid?" Edwin Reischauer insisted that the U.S. must reduce support to Park's regime to avert another Vietnam. (Note 38) From the eyes of an East Asian specialist, South Korea would be a next Vietnam and Washington should not make a same mistake in East Asia again.

On the other hand, Arthur Hummel, Jr., Deputy Assistant Secretary of State for East Asian and Pacific Affairs, explained the American policy toward South Korea in his testimony before two House foreign affairs subcommittees. According to him, there was a misunderstanding that the U.S. assistance was often seen as a form of leverage which should be used to influence the Korean government. He believed that Korea's institutions were imperfect, but they were in place. He urged that if the U.S. stop providing a security shield for South Korea, it would surely end the possibility for a return to full respect for human rights and fundamental freedoms in South Korea. (Note 39) Hummel represented the official stands of the U.S. toward South Korea. Washington could not abandon South Korea at the time of Cold War. Hummel believed that the end of U.S. assistance would cause more severe anti-democratic measures by Park Chung-hee to maintain his control with desperation.

Sam Jameson reported that Park Chung-hee faced the diplomatic pressures for his repression at home. Since January, 200 persons were convicted to violate the emergency decree and 9 persons were facing death sentences. Sweden, Italy and Denmark protested the death sentences and Belgium and France expressed the displeasure against the sentencing of a Christian bishop. On the other hand, most of Asian nations including Japan appeared unconcerned. Instead, Japan continued its aid to South Korea. (Note 40)

There were existences of various responses to the South Korea's domestic situation. The interests on South Korea covered with political issue in the August of 1974. The success of economic development of South Korea was not an issue during this month. Of course, these American newspapers reflected American interests and what American public wanted to see and know about. That is why South Korea's economic success was a remote topic. Still, Jameson tried to provide the different views on the South Korean domestic condition other than western point-of-view. He pointed out that Asian nations including Japan were silent on this issue. (Note 41)

Next month, Sam Jameson brought an attention back to South Korean economy. There was a 40-man delegation of American businessmen in Seoul. They pledged the full support and active participation in South Korea's attempt to attract \$15 billion in foreign capital to achieve an annual per capital income of \$1,000 by 1980. There was a meeting with President Park Chung-hee who usually did not enjoy meeting with foreigners. Prime Minister Kim Jong-pil also secured them to revise the foreign investment laws as well as to make easier for investment by simplifying administrative procedures. (Note 42)

Regardless the political problem, the U.S. invested total of \$12.4 million to South Korea last year and it jumped to \$17.6 million in the first half of 1974. There would be additional \$35 million. Since the adoption of heavy-chemical industry promotion policy, South Korea needed to have a foreign investment and American firms decided to take a part actively. That is, many U.S. business circles considered that South Korea's economic development would be continued despite the political discontents.

A few months later, a report of *New York Times* diagnosed that South Korea's economy would not be successful as it enjoyed for a decade. Korean officials insisted that its economy was not in recession despite the oil crisis and worldwide economic slump. They expected to reach 8 or 9% growth rate in this year after 16.5% last year. But the report pointed out that there were sudden increase of layoffs and wage cuts last two months. At the same time, South Korea was experiencing a severe inflation and discontents by the political oppositions. (Note 43)

It continued that there were at least 100,000 of 2 million factory workers furloughed since last summer without severance pay. Textile industry reduced 25 to 30% pay cut for 400,000 employees. Official consumer prices jumped up 28.2% last year and commodity price index for last 12 months went up 43% and rice price was doubled. Long-passive and disorganized workers started unrest. Ulsan shipbuilding yard workers rioted over bad

working conditions and wide spread rumor of dismissals. The Federation of Korean Trade Unions opposed the government appointed president. (Note 44)

South Korea's strongest asset, export also experienced difficulties. The export declined to \$390 million in October from \$443 million in September. Furthermore, tripling oil prices pressured the costs of raw materials. Trade deficit expected to reach \$1.5 billion that was more than double the last year. There was a sharp decline in foreign currency holding from \$800 million to \$300 million and foreign investment also declined especially from Japan. (Note 45) A western diplomat said, "It was not a crisis now, but the harbingers were all there." (Note 46)

This report reflected the fundamental weakness of South Korea's economy. The export-oriented economy could not escape the impacts from outside. Since South Korea imported oil 100%, the oil crisis could damage the economy severely. At the same time, the lack of social security measures could cause major social unrests. For the forecast on South Korea's economy was not very bright at the end of the first half of 1970s.

5. Conclusion

The first half of 1970s was one of the crucial periods to understand the South Korea's economic success. South Korea achieved great economic success at the end of 1960s. It would be illusive because it was the period that created something from almost nothing. In fact, South Korea was so poor and what it accomplished was not significant statistically. 1970s was different.

President Park Chung-hee concentrated his effort to maintain economic development. First of all, he needed to maintain the expectation of the people economically to consolidate his dictatorial power. Also, he believed that economic development was the only solution to overcome North Korean threats while Nixon administration decided to reduce the American troops in South Korea. His political gamble of *Yusin* could damage his goal, but the results came differently from the predictions of American newspaper reporters.

Both *Los Angeles Times* and *New York Times* dealt with South Korean issues with considerable amount of reports to provide general perception of Americans on South Korea. They expressed the tendency that South Korea's economic development was comparatively successful. Some of them praised the economic success of this country. Still, they have some reservations.

Many of them saw the Korean economic development would be limited phenomenon. Although some of them pointed out the high and special quality of Korean labor, one of the major reasons for Korea's economic success was cheap labor like any other poor nation. Still, the economic development of South Korea during this time was significant enough to bring interests.

There was a fundamental problem of South Korea economy for the eyes of those American reporters. One of the major problems was severe dependency on the foreign capitals. The huge amount of foreign debts caused the decline of the profit margins of the businesses. Also, heavy dependency on American and Japanese markets for its export made its economy very fragile. In addition, the lack of social security could cause the social unrests.

Also, most of them saw with worry that the economic success of South Korea could not be maintained because of the political situation. First of all, the threats from North Korea would be a major factor, of course. Another major factor to damage South Korea's continuous economic development was the authoritarian government of Park Chung-hee. They were very critical when Park forced to carry out *Yusin*. This political gamble of Park would hurt the economy because of discontents at home and diplomatic pressures from outside. Most of all, the South Korean economic success was the result of the strong government control. That was why the domestic stability was so important to the eyes of the westerners.

Obviously, those newspapers reports saw the condition of South Korea with the eyes of America. In general their perceptions were correct. Still, they failed to present the South Korean people's will and desperation to survive after the long years of poverty. Majority of South Koreans believed that North Korean threats were real. Huge portion of population lived about 30 km away from DMZ and the First Lady was assassinated at the celebration of the Liberation Day. Of course, there were oppositions at home, but no one tried to overthrow the system entirely. Many South Koreans believed that living under Park's authoritarian government was better than living in the Communist North Korea. Also, Park gave them a hope with rapid economic development. One of the poorest countries in the world Republic of Korea became a model country for rapid economic development according to a futurologist Herman Kahn and he proved to be right.

The analyses and advices presented in the reports were very valuable to see South Korea's economic structure. South Korea still maintains export-oriented economy today. Also, the dependency on foreign loans causes the economic crisis time to time. One of the important values of these reports is to see the fundamental problem of South Korea's economy at the stage of its beginning for the future reform programs.

Both newspapers expressed considerable interests on South Korea's economic development. They contributed to develop American views on South Korea's economy of the first half of the 1970s. In conclusion, they hesitated to predict that this small Asian country would be one of the major economic powers and became a developed country, yet. From the American standard, South Korea's domestic political condition was so fragile because of the lack of democracy and North Korean threats were too serious. Also, the fundamental structure of South Korea's economy did not satisfy the American standard of market economy hesitate them to consider South Korea a developing country in the near future at this time.

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