

Economic liberalisation and reform in South Korea in the 1990s: a ‘coming of age’ or a case of ‘graduation blues’ ?¹

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Introduction

Since the conservative civilian regime of President Kim Young Sam came to power in early 1993, South Korea has embraced a policy of accelerated economic liberalisation and ‘globalisation’, with far reaching implications for the future. Long characterised by high levels of state intervention and an authoritarian political system, this ‘globalisation’ policy poses the possibility of an abandonment of the ‘developmental state’ model for one of competitive capitalism and the liberal democratic state.

The structure of the South Korean state is changing in this process. What is emerging is a Janus-faced leviathan in which the two masks of the giant are the state and the chaebol, each striving to master the other while inextricably tied to one another. This situation has come about through the gradual increase in the structural power of capital and the gradual decline of the autonomy of the state. An impasse has been brought about by their collision as relatively ‘equal’ contestants. Only the entry of other significant social forces into the contestation over the future of the state–society relationship can decisively break this impasse.

The recent corporate and government enthusiasm for ‘globalisation’ in South Korea is largely a response to perceived new international stimuli, both in terms of opportunities and constraints on future economic growth and competitiveness. However, it represents an on-going process of liberalisation and restructuring which Korean state managers have been orchestrating since at least the early 1980s. It is also a project of Korean capital, which, if successful, would strengthen the chaebol domestically and internationally.

The broad economic liberalisation process in South Korea has to date been essentially independent of political reform or democratisation. Economic liberalisation began prior to political liberalisation and was carried out under authori-

tarian government. Nevertheless, it was eventually followed by a democratisation process. Parallels to the Chilean case are evident here.

This paper consists of four main elements: (1) It examines the impetus to liberalisation and internationalisation, in both international and domestic contexts; (2) It reviews the economic liberalisation process and its relationship to economic performance, with special emphasis on the recent acceleration of liberalisation schedules; (3) It discusses the strategic questions posed for the South Korean political economy by the prospect of 'globalisation'; and (4) It examines the relationship between liberalisation, 'globalisation' and domestic reform. Particular reference is made to the problem of monopoly/oligopolistic concentration in the economy and issues of competition policy, pluralism, the 'autonomy of capital', the 'structural power of capital' and the transition to the liberal democratic state.

East Asian political economy: fundamental issues

Within the extensive literature on East Asian political economy two debates have been central: (1) concerning the role of the state in economic development, ie 'laissez faire, vs. 'state intervention'; and (2) the 'right' strategic economic policy choice, ie 'import substitution' vs. 'export orientation'.

Taking these two in turn, firstly, while the liberal perspective, ie that adherence to supposedly objective economic norms in which market determined allocation of resources is deemed to be the most efficient allocation, held sway in early interpretations of East Asian political economy² the debate was later increasingly dominated by the 'statist' perspective, arguing that state intervention in the economy can produce very positive growth outcomes.³

There is some notable difference of interpretation between the pro-interventionists however. Amsden⁴ interprets the selective use of subsidies as a 'market distortion', in rebuttal to Chalmers Johnson's defense of 'market conforming' principles of intervention.⁵ Amsden's argument emphasises the ultimate efficiency of selective allocation of subsidies and price distortions that 'get relative prices wrong', in contrast to liberal expectations that market distortions must impair economic performance. Beyond this, Amsden's interpretation of East Asian political economy identifies the *disciplining of capital* as the factor singly most responsible for long term growth performance.

Recent developments in this debate have tended to eschew an 'either/or' approach to the question of the efficiency of state intervention. The World Bank⁶ has reassessed the 'East Asian Miracle' and found that while early liberalisation policies were critical to establishing the foundations for long term competitiveness and growth, state intervention also played a positive role in sustaining these. Conclusion: a successful political economy is one that appropriately combines basic liberalisation principles with selective and efficient types of state intervention. Such a perspective, but with more emphasis on the positive role of state intervention, is also the main thrust of recent UNCTAD assessment of the role of the state in economic development in the Third World.⁷

The debate concerning 'correct' strategic policy choice began with a dominant tendency to advocate the long term efficiency of export orientation, therefore

stigmatising import substitution as an inherently inefficient strategic choice. However, a fairly rich comparative political economy literature drawing insights from the Latin American and East Asian experiences moved the debate in a new direction. Essentially, as above, the earlier and cruder dichotomisation of 'right' and 'wrong' policies gave way to a recognition that a 'mixed' model was what actually existed in most cases, ie import substitution and export orientation co-exist in the same national political economy. Secondly, what mattered more was the 'timing' of policy choice in terms of global opportunities, and the character of the state and national social formation.⁸

Specifically, East Asia's particular modern history brought about the *prior* construction of very strong, 'autonomous' states, with extremely high capacity, which then implemented export orientation (though always in conjunction with a robust import substitution) at a very propitious conjunctural moment in the development of the international political economy.⁹ These states were also well positioned to implement a 'secondary' export orientated policy in the 1970s as international conditions again changed.¹⁰

In comparison, Latin American states were of a very different character internally, having far less autonomy and a different historical relationship to foreign capital. The timing of their transition to export orientation (while retaining import substitution) was poor and faced already established East Asian competitors in global markets.

The question of 'protectionism vs. free trade' has, rather curiously, not featured as strongly in these debates as one might have expected. Import substitution, which as noted above was a constant feature of East Asian political economy as well as of Latin American, usually implies a rather high degree of protection for these sectors of the economy. Both East Asian and Latin American states have used protection to shield import substitution, though it might be argued that Latin American states have tended to embrace free trade earlier and more extensively than East Asian states over the past two decades, with mixed results.

What can we conclude from this brief review of debates on the nature of East Asian political economy? First, our conception of political economy must avoid ideal types or strict dichotomisation. The real political economy is not characterised by complete validation of one set of principles, eg *laissez faire*, and the complete negation of another set of principles, eg state intervention. Nor is it characterised by a 'pure' strategic policy orientation. Nor is protectionism necessarily associated with economic failure and free trade with economic success. These reflections may assist us when we examine the experience of 'globalisation' in South Korea.

The impetus to internationalisation

The South Korean political economy has been marked by its high degree of adaptability and reflexiveness over the past three decades. These same characteristics, embodied in state managers acutely aware of international stimuli and the necessity of responding in an adequate and timely manner, may be of more

significance to a correct understanding of the long term development of the South Korean political economy than the debates reviewed above at first reveal.

The South Korean political economy has undergone a series of critical points of restructuring which reflect the interaction of global structural forces with domestic factors. South Korea's political economy has hitherto undergone critical transformations which reflect key international stimuli: (1) 1961–64: stabilisation and basic liberalisation/adoption of industrial export orientation/establishment of a military regime; (2) 1971–74: adoption of heavy and chemical industrialisation (HCI)/external debt financed industrial expansion and accelerated business concentration/increased state intervention and ISI/establishment of a repressive authoritarian regime; (3) 1981–84: gradual liberalisation and market opening/industrial restructuring to eliminate excess capacity and debt burden and restimulate economic growth/consolidation of a new authoritarian government; and (4) 1993–present: accelerated liberalisation and internationalisation/transition to competitive capitalism/transition to a liberal democratic state.

The recent acceleration of liberalisation and internationalisation, seen from this perspective, is thus symptomatic of a new configuration of forces. Just as each of the transition points above can be understood in light of key changes in the international environment that stimulated them, so too is the present on-going restructuring process. The impetus to accelerated liberalisation and internationalisation of the South Korean political economy has several sources, combining domestic and international stimuli.

First, the international economic environment is perceived to be becoming increasingly competitive, raising the slogan of 'globalise or die' in Korea's corporate sector, as indeed seemingly throughout the world.¹¹ This intensified competitive environment is associated only in part with the problem of protectionism from advanced countries, which has been an issue of great concern to South Korean state managers since the mid-1970s. Regionalisation by major trade partners, in the form of the EU or NAFTA for instance, is perceived as potentially harmful to export expansion, but more so is viewed as an opportunity for Korean firms investing abroad to lower production costs, raise foreign finance, access components more easily, gain market share, and acquire technology. The necessity for development of high technology, and the high costs of research and development in such industrial sectors, is another key element contributing to the perception of increasing competitive pressures on Korean firms, if they hope to maintain and extend market share in the future. The extremely rapid development of China and Southeast Asia, especially in traditional labour-intensive industrial sectors, is placing additional pressure on Korean firms to restructure and re-locate production.

The sense of peril implicit in the perception of increasingly difficult competitive conditions is not the whole story. There is also a perceived new and attractive international economic opportunity. The successful conclusion of the Uruguay Round, and the anticipated boost to the principles of free trade and reciprocity, have stimulated the imagination of South Korea's state managers and corporate elites. Policy statements suddenly began to abound with references to an emerging single global market. In fact, South Korea's foreign policy under President Kim Young Sam aims at a high profile role in international affairs.

This was best illustrated in the announced goal of ROK accession to the OECD by as early as 1996 and the ROK's enthusiasm for a South Korean candidacy to the directorship of the World Trade Organisation.

External pressure, eg in the form of the 'new bilateralism' of the West and particularly of the US¹² has been another key source of external stimulus toward internationalisation. In essence, the 'new bilateralism' is a policy of increased direct pressure for market opening, also involving other issues related to reducing the West's trade deficit with East Asian economies, such as intellectual property rights. The US policy in this regard has been in effect since the mid-1980s, and despite repeated concessions from South Korea, has shown little sign of abating in intensity. On the contrary, the US appears to have expanded the pressure to encompass new and vital areas of the economy, especially the automotive sector, as well as full capital market opening. Economic officials in the South Korea administration routinely cite US pressure as a key reason for accelerated liberalisation and internationalisation.¹³

Domestic reasons for the new internationalisation are multi-dimensional. The development of the Korean economy is perceived to have out-grown the once so effective central planning techniques that characterised its earlier stages of development. High ranking officials of the former Economic Planning Board, as well as in virtually all the economic ministries, have accepted this as a given.¹⁴ Moreover, economic liberalisation and internationalisation is a continuation of policies established in the early 1980s and consistently implemented on a gradual schedule until the present.

One aspect of this continuity is the gradual retreat of the economic technocracy from statutory industrial policy (in theory largely annulled in public administration reforms of the mid-1980s, but in practice still in existence) in favour of indirect methods of supervision or intervention, often referred to as administrative guidance. This reflects a structural change in the Korean political economy toward increasing the structural power of capital and decreasing the autonomy of the state. This reverses or erodes the previous state-capital relations that characterised the heyday of the 'strong state', in which state mechanisms of control seemed to dominate over private initiative. This pattern of 'capital discipline' produced a high level of capital concentration, which proved to be both an asset and a liability to the national economy. It was an asset in terms of achieving economies of scale, ease of planning coordination, centralisation of capital, and export competitiveness. It was a liability in terms of erecting structural rigidities, severe regional imbalances, barriers to entry (tendency to oligopoly) and to innovation (especially in the SMEs). Politically, the state 'invented the bourgeoisie', but would not share power with them. Political power hovered 'above' a base of enormous concentrated private economic power, and was wielded by a state class combining military and technocratic factions. The late 1980s and early 1990s were characterised by a kind of 'schizophrenia of the business class', which simultaneously wanted expanded autonomy from state tutelage while also demanding a continuation of many aspects of state provided privileges or defense of big business interests.

The structural legacy of the over-concentration of economic resources via the chaebol business empires, that occurred especially during the 1970s HCI

programme, continues to affect the restructuring of the South Korean political economy today. The business tail began to wag the state dog in the 1980s, as business was increasingly effective at aggregation and articulation of its interests, ie in making coherent political demands for increased autonomy from state supervision. This was partly justified on the grounds of economic efficiency and the maturity of the economy, and partly a reflection of the increased structural power of capital in the Korean social formation. This took concrete expression in a second wave of economic liberalisation during the 1980s (under authoritarian government), touching the trade regime, industrial policy, banking and finance, and finally even industrial relations by the end of the decade.

The increased structural power of capital was also expressed in business participation in the electoral political processes initiated after the 1987 political liberalisation. However, it should be pointed out that the political role of the business class, especially the chaebol, might have been expected by now to be much greater than it actually is.¹⁵ Therefore, what needs to be explained, in fact, is the extent to which, the business class is still considerably constrained by the state. Nevertheless, the sheer scale of some chaebol operations and the increasing export of capital and restructuring of the production system, to include overseas production sites, necessitates a fundamental change in orientation of the South Korean state. While the structural power of capital can be expected to increase, its long term effects on the political system and the economy as yet remain unclear.¹⁶

Finally, the change of government from the quasi-democratic one under President Noh Tae Woo,¹⁷ to a civilian reform oriented government under President Kim has given rise to the formulation of new policy goals. President Kim Young Sam's administration has been locked in a see-saw battle with the chaebol while seeking to pursue some fundamental economic reforms. The influence of the traditional military elite and the notorious 'T-K clique' in particular, has receded. Whether there is an emergent 'historic bloc' in which the middle classes, led by liberal economists and liberal-conservative civilian politicians, pursue a liberal democratic state, is still in question, since the pace of political reform has been slow. Local autonomy has been introduced but remains a weak form of government in a system characterised by extraordinary centralisation of power in Seoul and in the institution of the executive Presidency. Conflict between central government and local government is exacerbated by a hierarchy of competence and capacity, where elites and resources are drawn disproportionately to Seoul, and by the 'dictatorship of the three Kims' (Kim Young Sam, Kim Dae Jung, and Kim Jong Pil) over their respective regional political domains.

The emergent ruling coalition, intellectually led by liberal economists, seeks to rein in the economic technocracy, thus yielding power to 'the market' (and thus to capital). Yet, one 'unifying' factor in the political situation seems to be the ambivalence felt toward the chaebol by all other classes. The state's political leadership and the technocracy tend to be anti-chaebol to a surprising extent, while remaining tied to them as the bastion of national economic strength. As in the past, organised labour is so far still excluded from the ruling coalition. There is now, however, a greater possibility of the 'Latin Americanization' of South

Korean politics, ie the long awaited emergence of populism or even a 'national-popular' democratic government.

Economic liberalisation

Economic liberalisation is a process with a number of different aspects. At its most abstract and general level, liberalisation is the tendency to increase market determination of the allocation of resources. Market opening, via reduction in tariffs and in non-tariff barriers for instance, is one aspect of liberalisation. Market opening, however, is best analyzed sectorally, eg via sectors such as agriculture; capital and intermediate goods; imported primary goods destined for re-export in manufactures; consumer goods; services; capital markets; and foreign investment.

South Korea's market opening process, initiated in the early 1960s and accelerated in the 1980s, is approaching completion. So far as manufactures are concerned, Korea's domestic market is already over 99% formally open. In terms of tariff policy, Korea implemented its second 5-year tariff reduction plan during the period 1989–94, having postponed the original plan (1988–93) by one year. During the second tariff reduction plan period Korea's average tariff rate decreased from 18.1% to 7.9%. During the Uruguay Round (UR) negotiations on tariff reduction, Korea submitted a revised offer containing a reduction of its average tariff by over 54%, with the binding scope increased dramatically from a mere 8.9% to 90%. During 1994–5 there were on-going negotiations to reduce the tariff on nine further sectors (electronics, construction equipment, non-ferrous metal, medical equipment, paper, wood, fisheries, steel, and pharmaceuticals) to zero.

Firm schedules are already in place and are being further accelerated, to completely open virtually all remaining protected sectors of the economy by 1997–98, including agriculture, services and finance. Transparency in trade practices is gradually increasing as well, though more slowly. The ROK agreed to recommendations of the GATT Balance of Payments Committee in October 1989 to suspend application of GATT Article 18:B, effective from 1 January 1990, resulting in removal of certain import restrictions from which it had previously benefited. Remaining import restrictions are scheduled to be gradually eliminated or brought into conformity with GATT (WTO) provisions by 1 July 1997.

In accordance with the results of the 1989 IMF consultation, Korea notified the GATT in March 1991 of a liberalisation schedule covering 133 items during the 1992–94 period. Another liberalisation schedule was submitted in April 1994, covering a further 150 items, for the period 1995–97. The import liberalisation rate increased from 99.7% in 1992 to 98.1% in 1993. In 1994 the import liberalisation rate increased to 98.5%. The remaining 150 restricted items in 1994–5 represented 96 agricultural items, 46 marine items and 8 industrial items deemed to be uncompetitive in world markets due to structural reasons such as the small scale of farming or inefficiency in management. However, Korea also submitted a liberalisation schedule for these remaining 150 restricted items through the year 2001. Virtually all the agricultural and marine products will be

brought into line with GATT (WTO) provisions according to the UR country schedule. The likelihood is that South Korea will fulfil its pledge to complete the formal tariff liberalisation process more or less on schedule.

In terms of economic performance, the liberalisation of the early 1960s preceded an unprecedented boom in the South Korean economy, with sustained annual GNP growth rates of an average 9% per annum over a 30-year period. The swing toward greatly increased state interventionism, intensified ISI/HCI, and over-concentration in the 1970s, culminated in economic crisis in 1978 and negative growth in 1980. The liberalisation of the early 1980s facilitated an extraordinary recovery in 1986–87, including massive balance of trade surpluses. Concessions to heavy foreign pressure in the late 1980s, however, contributed to a drastic reduction in the trade surplus, which reverted to the traditional structural trade deficit in the early 1990s. Economic growth rates also plummeted temporarily during the period of political liberalisation from 1988 to 1992. Thereafter, however, the Korean economy returned to high rates of growth. Under President Kim Young Sam, economic growth has been robust, reaching 9% in 1995. However, the trade deficit has widened, reaching about \$9 billion for 1995 and thereafter hitting an all-time post-war high over the first half of 1996. There has been a slowing of imports of raw materials and capital goods, while import of consumer goods has expanded. Nevertheless, export growth was still extremely robust by comparative standards, at slightly over 32% in 1995, according to the Bank of Korea. However, the rate of export growth trailed off sharply in the first half of 1996 to only about 12%, partly the effect of a weaker yen and its effects on the price competitiveness of Korean heavy industrial exports. The balance of payments deficit is also increasing, due in part to falling prices for major exports like semiconductors and chemicals and to a rising deficit on 'invisibles', partly due to increased overseas travel and remittances to South Korean students abroad and a decline in foreign tourists visiting Korea.

The structural trade deficit with Japan in particular, long a contentious issue, has remained an intractable problem. This factor is of extreme importance in any effort to understand the wider implications of the general opening of South Korean markets in the future. Indiscriminate opening of some sectors of the South Korean economy could lead to a further worsening of the trade imbalance with Japan, and trade gains expected by other partners, such as the US or EU, might accrue disproportionately to Japanese firms in a competitive environment.

Agriculture appears to be the sector most exposed to the dislocative effects of market opening to date, ie most adversely affected by liberalisation. In response to this situation, and despite political pledges to defend agriculture (especially rice) from foreign encroachment, the Kim Young Sam government has considered drastic restructuring of agriculture such as lifting ceilings on landholding under private ownership, thus encouraging corporate and private large landholding to emerge. This would eliminate the small scale, family subsistence oriented farming that still predominates, in favour of 'competitive' export oriented agriculture. In effect, this could undue the much lauded post-war land reform. Special rural development programmes are to accompany this transformation, including new provision of rural infrastructure, long a relatively neglected aspect of Korean development. However, it will be quite difficult for South Korea to

successfully implement the type of rural industrialisation and development policies pursued much earlier in Taiwan. South Korea's industrial plant is still highly concentrated in the north-west and south-east of the country and it will be difficult to break this established pattern. Widespread farmers' protests in South Korea accompanied the UR negotiations, reflecting a deeply engrained fear that the government would sacrifice the interests of agriculture to those of industry. The emotive issue of opening the rice market symbolises the 'last stand' of the Korean peasantry, who still figure quite prominently in national employment figures alongside manufacturing employment.

The Kim Young Sam government began preparing an ambitious comprehensive acceleration of financial liberalisation, alongside deregulation measures. This entails external opening to more direct inflow of foreign capital, as well as a general reorganisation of financial services. The corollary to this structural change in the financial industry and its internationalisation is the greatly increased emphasis on attracting foreign direct investment. The MOF prepared plans for comprehensive new measures to provide financial assistance, tax assistance, labour management assistance, assistance in securing factory sites at subsidised costs, technology protection, and a 'one stop service system' to assist resident foreign companies and those seeking to invest. The total foreign investment liberalisation ratio schedule was accelerated from the previous (draft) five year foreign investment liberalisation plan. Therefore, already by mid-1994 the liberalisation ratio was envisioned to increase from the projected 89.6% by January 1995, to 90.6%; from 90.9% to 94.2% by January 1996; and from 93.4% to 95.3% by January 1997. However, fulfilling this ambitious schedule is somewhat more difficult than the transparent tariff regime discussed above, and has rather different strategic implications for the future of the South Korean economy. During the new policy formation process, the MOF and the Bank of Korea shared prudent concerns that excessive financial liberalisation would possibly jeopardise long term macro-economic stability. There was an awareness that full financial liberalisation might place South Korea in a similar situation to states such as Mexico, which even though being a member of the OECD and of NAFTA, was not immune to a severe currency crisis followed by devaluation (in December 1994) and subsequent monetary policy induced recession. South Korea has not suffered from the Latin American malaise of capital flight nor from the vagaries of the international capital market, and has not experienced a serious economic crisis since 1980. However, there is a real danger that in a fully liberalised future, not only would South Korean banking and financial services be unable to compete effectively against US, Japanese and EU firms in the domestic market, but even more seriously, possible South Korean political instability could conceivably threaten a monetary crisis and thus harm economic performance in general. South Korean technocrats are understandably reluctant to embrace this prospect.

Another dimension of economic liberalisation concerns not the formal opening of markets but rather the internal policies of economic management that characterise the political economy. For instance, industrial policy, financial policy, and competition policy are all integral aspects of national political economy in which the issue of liberalisation raises new questions. This dimen-

sion of economic liberalisation is more substantive than the mere formal opening of markets via tariff reduction or elimination of import restrictions, given that it touches upon the relationship between the state and capital in a most fundamental way.

Issues that appear prominently in this area of economic liberalisation include, as partly discussed above: the gradual retreat from statutory industrial policies in favour of administrative guidance; the increasing inefficacy of central economic planning techniques and the concomitant tendency toward increasing the role of the market; the gradual de-nationalisation of banking and the deregulation of financial services; and measures to overcome the structural impediments to growth and employment that may result from over concentration of economic power (ie the high barriers to entry to small and medium size enterprises and the attendant effects on innovation, entrepreneurship, employment and income generation); are all vital aspects of the economic liberalisation process conceptualised in this broader sense.

Globalisation and accelerated liberalisation

Kim Young Sam was quickly dubbed the “Economic President” by some, having opened his Presidency with the ‘One Hundred Day Programme for a New Economy’, the subsequent ‘Five Year Plan for a New Economy’, and considerable anti-chaebol pro-reform rhetoric. Under the banner of ‘New Diplomacy’, then Foreign Minister Han Sung Joo affirmed that the ROK’s economic diplomacy would ‘focus primarily on strengthening the liberal trade system and minimizing the adverse effects of economic regionalism’, while viewing internationalisation as ‘an inevitable process which every nation-state must undergo to ensure sustained stability and prosperity’.¹⁸ One year later, he underlined the necessity for Korea’s sudden ‘striving for globalization, trying to induce foreign investment, liberalizing its financial market and preparing to join the OECD’. All of this was deemed necessary to ‘successfully meet the challenges of the post-UR international order’. The ‘best means’ of meeting the challenge of globalisation was ‘to enhance competitiveness’.¹⁹ There were, however, important caveats to this enthusiasm, including an attempt to secure ‘a reasonable time lag or mechanism of waiver’ for anticipated environmental protection provisions of the WTO. Secondly, the ROK categorically rejected the notion of ‘levelling the competitive playing field’ through harmonisation of (inter)national labour standards, which, in its view, would ‘undermine the comparative advantage’ of developing countries and even ‘endanger the concept of free trade’ itself. Finally, the ROK could take no ‘uniform position’ with other WTO members on the question of competition policy, and therefore mechanisms such as monopolies, quotas, subsidies, and counter-vailing and anti-dumping duties, it thought, ‘should be reviewed on a case by case basis’ alone.²⁰

At the same time (Spring 1994), the Economic Planning Board, still responsible for overall national economic strategy, decided to prepare a comprehensive set of plans to steer the Korean economy to face the challenges of freer and more open trade after the launching of the World Trade Organisation in January

1995.²¹ The ‘twelve tasks’ then deemed necessary for the full ‘globalisation’ of the Korean economy were as follows:

- Formulation of a basic strategy for Korea’s internationalisation
- Improvement of economic institutions to cope with the launching of the WTO and to prepare for OECD membership
- Globalisation of domestic financial industries and capital trade, and the enlargement of foreign direct investment
- Reformulation of industrial policy to bring it into conformity with the WTO system
- Formulation of policy to brace the agricultural and fisheries sector for the shock of market opening
- Raising the competitiveness of small and medium-sized firms
- Promotion of domestic technology development and establishment of an information infrastructure
- Stepping up environmental protection in response to international environmental movement
- Formulation of strategies for firms’ overseas expansion
- Effectively forestalling the movement toward regionalism
- Reinforcement of the government agencies for overseas economic policy
- Expansion and development of human resources and the physical infrastructure.

All South Korean ministries relevant or affected by these plans were called upon to establish special task forces under the leadership of the new ‘Economic Globalisation Planning Agency’, headed by the Vice Minister for Economic Planning. These task forces were asked to prepare a composite report covering plans for the next decade to be completed by June 1995. According to the EPB, these comprehensive reports would ‘explain the necessity for Korea’s globalisation and the outline for its realisation.’²¹ In December 1994 a Cabinet reshuffle and administrative reorganisation took place designed to be ‘suited for the pursuit of globalization strategies’.²² The EPB and the Finance Ministry were merged into a new super-agency dubbed the Board of Finance and Economy, led by a former Deputy PM-EPB Minister, Hong Jae-hyong. The former MOTIE (trade, industry and energy) was superseded by the new International Trade and Industry Ministry, headed by former Finance Minister Park Jae-yoon. A former Minister of Trade and Industry, Han Seung-soo, was made Chief of Staff at Chong Wa Dae, the Presidential secretariat. Finally, a new post of Senior Aide for Policy Planning was established to ‘chart the policy for globalization’ and given to a Seoul National University Professor, Park Se-il.²³

According to globalization enthusiasts in the EPB, the radical and ambitious programme of globalisation would include such elements as: making Korea ‘the world’s best location for foreign investment’; measures to ‘allow Korean firms to make use of the optimal combination of production factors around the world’; to establish a domestic ‘open and fair competition system’ via free market norms of economic management; the government would ‘pursue a program of sweeping reform, ceasing its practice of market intervention and removing regulations

which had become entrenched in the past when concerns regarding market failure were much greater'; the 'present system of direct regulation should be transformed into a system of indirect regulation, emphasizing market price variables such as interest rates and exchange rate'; in microeconomic policy, 'measures for direct resource allocation such as prohibition to enter the market and limitations on quantity—which can be observed in the granting of credit and the regulation of the lines of business of small and medium-sized firms—should also be replaced by open competition'; 'Government policy which favours specific industries through the granting of subsidies and tariff reductions or which specifically penalises conglomerates should therefore be changed, making it more conducive to fair competition'; 'foreign firms will be treated in the same manner as domestic firms'; 'inducing a greater flow of foreign direct investment into Korea'; 'all possible sectors of the Korean economy should be opened to foreign competition'; new efforts by government toward 'facilitating domestic firms' operations abroad and liberalisation of foreign exchange transactions and capital movements should be pursued more aggressively'; 'the financial sector, which in relation to the manufacturing sector is relatively underdeveloped, should be upgraded by means of financial deregulation'; the government should 'redouble its efforts to raise the agricultural sector's competitiveness and accelerate its structural adjustment'; and finally, 'Globalisation necessarily entails rapid and sweeping financial deregulation, and this will mean the reduction of policy loans, leading to the loss of privilege of heretofore supported groups such as exporters and small and medium-sized firms'.²⁴

This last point reveals inherent contradictions in the EPB's vision of rapid globalisation. The EPB argued that sweeping changes would have to be made to the present support system for small and medium-sized firms, which it called 'inherently anti-competitive'. Under the prevailing support system for SMEs, they allegedly received 'preferential treatment ahead of other firms as they are granted special lines of credit, protection of markets', which all in all 'may be in violation of international norms'.²⁵ This interpretation is diametrically opposed, however, to the views of influential liberal economists in the Korea Development Institute, the most important of the government funded economic think tanks. Such supports for SMEs have been advocated by reform minded liberal economists, as part of a broader strategy to break the oligopolistic power of the chaebol and move the economy toward an open competition policy. Incentives to SMEs, therefore, are a form of 'positive discrimination' in an otherwise chaebol dominated domestic economic structure.

There is obviously a tension between 'globalisation' envisioned as the ultimate 'freeing' of the chaebol, and which primarily works to their advantage (both domestically and overseas), vs. 'globalisation' viewed as the ultimate spur to accelerate basic reforms toward an open competition policy that does not work primarily in the interest of existing chaebol but, rather, facilitates a more pluralistic, liberal, and internally 'competitive' economic structure. State managers in South Korea have been sitting on the horns of this dilemma even before Kim Young Sam came to power, but ever more so since. The rush to 'globalisation' in 1994 followed a dismal record of abortive anti-chaebol

reform measures, including the 'core company system' later called the specialisation policy; credit control restrictions on borrowing and chaebol holdings in private banks; limitations on expansion via subsidiaries; limitations on equity holdings by chaebol family members; separation of ownership and management; and restrictions on cross-payment guarantees.

All the above points as delineated by the EPB indicated the possibility of a headlong rush into profound policy changes that would turn the traditional model of South Korea's political economy upside down, replacing statist, neo-mercantilist forms with 'competitive capitalism'. Much of the perceived impetus for this about-face, in the minds of its principal government and corporate advocates, stems from the supposed 'inevitable' globalisation and the perceived corporate advantages to be derived thereby, and from unrelenting foreign pressure to liberalise.

The foreign pressure exerted on South Korea to accelerate its economic liberalisation process over the past decade illustrates the continued relevance of what we may call a 'realist' understanding of globalisation. That is, the pressure to open agriculture, services, and financial sectors at a very rapid pace can be interpreted as a direct expression of the pursuit of national interests of particular trading partners, and reflects their perceived comparative advantages in these sectors, as opposed to disadvantages in manufactures for instance. Conversely, chaebol enthusiasm for globalisation clearly expresses their desire to expand their interests globally. Globalisation offers the chaebol means through which to escape national controls on capital, thus out manoeuvring the national state, escape higher wage and political demands by domestic labour, and obtain both the market share and foreign technology links necessary to sustain such vast business empires.

But rapid 'globalisation' also represents a strategic dilemma for the national economy. As a pursuit of interests, foreign pressure for accelerated market opening doesn't take into consideration the potential adverse effects such measures might have on Korean national economic, social, and political development. By succumbing to foreign and domestic pressure for accelerated market opening there is a risk of long term damage to economic development in some sectors, while there is also an opportunity to advance in terms of economic sophistication and international competitiveness in others. This dilemma was recognised and accepted by the EPB, yet the government has generally downplayed the risks as part of an 'inevitable' situation, and emphasised the opportunities for Korean firms to expand in the emerging globalised marketplace.

Meanwhile, the South Korean automotive industry has plans to become the fourth largest in the world in the next 4 years, producing some 5 million vehicles annually. Other major industries also have ambitious global expansion plans: POSCO, the state-owned steel company, seeks to become the world's number one producer by the year 2000; while the shipbuilding industry aspires to unseat Japan by 2005.²⁶ Such ambitious global expansion plans are a double edged sword. Premature over-extension risks failure, perhaps on a grand scale. Some analysts think the chaebol may suffer from the rush to seize the globalisation opportunity.

Strategic issues of globalisation: a case of *savoir faire* vs. *naïvete*?

Globalisation has been accepted both as an organising principle and as a mobilising slogan by the South Korean government and especially the chaebol, who have their own corporate programmes of globalisation. It should be noted, however, that 'globalisation' is more a contested concept than a received theory.²⁷ Nevertheless, in any definition, globalisation implies fundamental policy choices. For South Korea, globalisation is not about choosing between increased participation in the global economy, versus isolation. This strategic choice was made in the early 1960s when the policy of export promotion was adopted. Nor is it a choice between economic liberalisation, ie market opening, versus the urge for economic protection. Again, this strategic choice was made at the end of the 1970s when the policy of heavy and chemical industrialisation (HCI) culminated in economic crisis and the policy of gradual sustained economic liberalisation was adopted.

The central strategic challenge which the prospect of globalisation poses for South Korea's political economy is firstly the question of how to survive and prosper economically in a world in which powerful trading partners demand the fullest possible market opening, while possessing superior technologies, highly competitive firms, and mountains of mobile capital, that can potentially overwhelm any relatively small open economy.

It therefore means simultaneously opening the national economy, to comply with new global expectations and norms, while also hoping to enhance national economic competitiveness, particularly the strategic necessity to autonomously develop innovative technologies. In the emerging post UR international trade system, old style industrial policy, with its subsidies and protectionism, will be superseded by general science and technology policies. However, there are such vast differentials between countries in terms of scientific capabilities that any idea of a level playing field in this area is naïve.

How much and what kind of scientific base is necessary for Korea, and how will it best be achieved? Through relying on the established strength of the chaebol? Or through open competition policy that brings increased foreign participation and more scope for domestic entrepreneurs among small and medium-sized enterprises? For South Korea the ultimate limitation is determined by available resources, which are relatively small in comparison to major competitor nations. Yet there are areas of remarkable success, such as Samsung's position as the World's largest producer of semiconductor memory chips. The achilles heel of the East Asian 'miracle' model has variously been identified as, for instance, the challenge (technical and financial) posed by enormous research and development requirements to achieve competitiveness in high-tech industries.²⁸ and the relative absence of productivity efficiency gains.²⁹

Financial liberalisation is clearly the most potentially dangerous or economically disruptive process of accelerated opening. The salutary lessons of some Latin American cases in the 1970s and 1980s, and of Russia over the past few years, of ill-conceived and even more poorly implemented rapid financial liberalisation policies point to the real dangers of the loss of macroeconomic controls that can lead to wild fluctuations in interest rates, inflation, exchange

rate, de-industrialisation, and the undermining of economic performance in general.

The Korean government has been debating this most strategic issue of financial liberalisation for many years and has been fighting a determined rear guard battle against inexorable US pressure. The Ministry of Finance stood almost alone in the first phase of Kim Young Sam's policy reorientation as the voice of prudent caution, resisting external pressure for too rapid opening of the financial sector. The Bank of Korea has shared the MOF's general concern that in the long term the ROK may jeopardise macroeconomic stability and lose some of the efficacy of traditional techniques of fiscal and monetary policy. This possibility was accepted by the EPB as part of the cost of globalisation. The chaebol have remained confident that they can weather the storm, given their enormous resources. Yet, the South Korean industrial giant may have feet of clay, particularly in the form of the debt structure underpinning both chaebol empires and SMES alike. The debt/equity ratios of major chaebol approximate 300%, and many smaller chaebol are even worse.³⁰ Servicing such enormous corporate debts requires constant export expansion, yet much of the industrial capacity behind this relies on imported technology.

Ultimately, the real issue is that of maintaining a sovereign monetary policy and macroeconomic stability, which in the past have both served to discipline capital but also facilitated its expansion. Therefore, the MOF has tried, against the tenor of the times, to convince the government that caution is the better part of valour when it comes to monetary affairs. The MOF was outflanked for a while by the Presidency in alliance with the EPB, the Ministry of Foreign Affairs, and the Ministry of Trade, Industry and Energy, all of whom initially embraced the clarion call of 'globalisation or die!'

Financial liberalisation does not stop at capital market opening. The question of financial deregulation poses a strategic choice of considerable long term significance. Should South Korea enthusiastically embrace the practice of 'universal banking', by which the traditional regulatory separation between banks, insurance companies, and securities firms is considerably blurred and erodes? The long term effects of these policies on manufacturing and the national industrial structure, including the strategic issue of international competitiveness, are now being reconsidered.

Only a few years ago during the Noh Tae Woo administration, the trend toward increasing financial speculation (so-called 'Jaitech') and the de-coupling of finance capital from industrial production was thought by some experts, including those close to then Deputy Prime Minister and head of the EPB, Cho Soon, to be facilitating a premature and dangerous de-industrialisation trend in Korea's national economy. With this process there are attendant problems of chronic balance of trade deficits, increasing pressure for high interest rates, increasing unemployment, and an exchange rate unfavourable to promoting a rapid expansion of manufactures exports.

This same concern was the impetus for renewed efforts by government to re-discipline finance capital, such as the enactment into law of the 'Real Name' system of financial disclosure, one of the reforms promised by the former Noh administration, but delivered by the Kim Young Sam government during its first

year in office. Stringent controls on property, land, and real estate speculation were imposed. New emphasis was placed on public funds to support research and development and the building of national scientific capabilities, including the purchase of technology where necessary.

The battle between the interests of the national economy and the more narrow interests of the chaebol and finance has raged intensely. Initial anti-chaebol rhetoric by President Kim was met by a 'capital strike' in the first phase of his administration. Given the structural dependence of the national economy on the chaebol, President Kim was forced to soften his approach and restore business confidence. Walking the tight-rope between too much support for the chaebol and too little has been extremely difficult. The government has been at pains to stipulate streamlined strategies of technological investment by the major firms, thereby curtailing the practice of horizontal expansion into multiple business lines that has increasingly characterised the chaebol empires. The chaebol have been pressured by government to increase productivity efficiency gains and research and development commitments. Nevertheless, chaebol subsidiaries continue to increase in number, while chaebol overseas expansion plans to globalise production threaten to weaken the national industrial structure. At the same time, the government has continued the phasing out of the traditional system of preferential, subsidised, policy loans for chaebol, thus forcing the chaebol to raise capital on financial markets, including overseas. By late 1995, the government was acutely aware of the need to control crucial elements of the chaebol exodus, fearing the loss of technological capacity and employment. In October 1995 the government imposed more stringent financial requirements on overseas investment by Korean firms. At the same time, the Presidential office began to signal a slow-down in the pace of liberalisation reforms, even if this meant delaying entry to the OECD. Domestically, expansion of the chaebol via acquisitions of state firms in the privatisation programme became a matter of concern and resulted in a slow down of the process.

While the chaebol poised to rush overseas, the government began contemplating opening the sluice gate to foreign investors. It is with the strategic need to upgrade the national technological capabilities in mind, and with a view to sustaining long term international competitiveness, that the Ministry of Finance revised plans for accelerated liberalisation of foreign direct investment. The dilemma South Korea faces is that, being so far behind in basic science and with limited financial resources to rapidly develop new technologies itself, it has the choice of either buying the technologies from abroad or inducing foreign direct investment in sectors utilising advanced technologies. However, the expectation is, as admitted by MOF officials,³¹ that most foreign firms will be unwilling to sell their most advanced or strategic technologies to a competitor. In terms of the avenue of inducing technology transfer via liberalisation of FDI, including joining the global race to offer generous concessions to foreign capital, the crucial problem is that of how to ensure that genuine technology transfer will actually take place. This is by no means easy. The third option, of joining strategic corporate alliances, has already been identified by leading chaebol for the past several years, though it raises questions over the form of technology cooperation in such alliances and the benefits to the Korean partner.

Nevertheless, despite ritual incantations about 'globalisation' and the comprehensive overhaul of conditions for FDI, South Korea remains one of the most highly discriminative countries in the world against foreign investment, second only to India.³² The reform of FDI regulations in 1994–5 did result in a reversal in the preceding decline of new foreign investment, yet perception of formidable non-tariff or structural barriers remains very strong among potential foreign investors. Western business and liberal economists want to know if a neo-mercantilist cat can really change its stripes.

Beyond the self-interest of the technocrats, however, there is the issue of the 'right to development', even if via some of the old methods of protection and state guidance. What was precisely so remarkable about the 'strong state' NICs was that they succeeded in industrialising and creating national capital and wealth in the Third World. Many others have tried and failed, condemning their people to perpetual poverty. However, when 'national development' is superseded by 'globalisation' there is a danger of throwing the baby out with the bath water.

Reform and Liberalisation

This dilemma connects the issue of economic liberalisation with competition policy and business deregulation. Competition policy can be differentiated into two categories: (1) international competition, and (2) domestic competition. In Korea, the problem of chaebol concentration in the economic structure hampers competition policy. On the domestic level, oligopolistic market distortion remains, while on the international level, corporate competitiveness is assumed to be enhanced for chaebol in particular. From a classical perspective, the oligopolistic structure of the domestic market hinders economic efficiency through market distortions, the costs of which are born by consumers in higher prices and by small and medium enterprises by reduced opportunities. Furthermore, the national economy suffers from serious regional imbalances and from obstacles to entrepreneurial development and innovative technologies.

Equally, from a Ricardian point of view, liberalisation and export orientation facilitated the exploitation of comparative advantage. Nevertheless, this approximation to the Heckscher–Olin, Samuelson–Kemp models created an extraordinarily trade dependent economy *not* accompanied by the theoretically expected liberal state. Today, the inherited structure of concentration impedes both further reform of the economy and the state.

The strategic choice in South Korea over liberalisation was intensely debated among the economic ministries, the Foreign Ministry, the Presidential Secretariat, and the government funded economic research institutes during 1993–4. A tacit alliance emerged between the Foreign Ministry, the Presidential Secretariat, and the liberal economists who dominate the research institutes. They opted for a sudden acceleration of liberalisation. This decision was defended on the grounds of necessity, as being the 'only choice'.³³ However, the MOF, and the rank and file of many economic ministries, were more sceptical, partly out of principle and partly out of a perceived challenge to technocratic management powers.

The strategic dilemma over which South Korea hesitates is whether to go for gradual liberalisation or a sudden acceleration of liberalisation. This dilemma reflects the presumed new sense of corporate urgency confronting the quickening pace of technological change. However, sudden radical liberalisation may increase the risks of the transition to competitive capitalism, as in Eastern Europe. Choosing gradual liberalisation, on the other hand, could provide a more secure environment for domestic reform, thus reducing the risks of the transition and enhancing democratisation in the long run.

The point should be to emphasise the necessity for *prior* domestic reform before completion of full external market opening. If basic reforms are not first undertaken, globalisation processes will increase the structural power of the chaebol to such an extent that the balance of power between the state and capital will be decisively altered in favour of the latter. In this case, South Korea could be rendered basically incapable of meaningful progressive reform in the future, either economically or politically. Therefore, in transition economies, there seems to be a contradiction between the strategy of 'globalisation' and the strategy of 'democratisation' or 'reform'.

Thus, the question of speed is also a question of sequence, ie the choice between: (1) market opening and export expansion first—followed by reforms in competition policy and deconcentration of economic power; or (2) reform first—especially competition policy and deconcentration of economic power—followed by fuller market opening; or (3) undertaking both simultaneously. We can dub these three, respectively, 'globalisation first'; 'reform first'; and 'walking the tightrope'. From 1994, the Kim Young Sam government tended to pursue the first option, ie 'globalisation first'. However, as time passed it has tended to shift to number three, ie 'walking the tightrope', as contradictions in its policies mounted. Let us take each of these three in turn to examine positive and negative aspects.

'Globalisation first' has the advantage of appeasing powerful foreign trade partners in the shortest time possible, and therefore pre-empting possible protectionist measures, such as the infamous US 'Super 301' or the 'priority watch list'. It helps Korean firms exploit what may be a narrow window of opportunity in which to prepare for future intensified international competition. Politically, 'globalisation first' capitalises on the recently enhanced international status of South Korea, such as membership in the UN, and seizes the opportunity to be an influential player in the post-UR international trading system.

On the down side, 'globalisation first' poses several dangers. Japan represents a challenge, ie if full market opening means open competition with Japanese firms in the Korean domestic market. In general, the weaker sectors of the Korean domestic economy, particularly agriculture, services, and finance, face formidable international competition that may do serious damage. Unlike much of Latin America, South Korea has in the past kept predatory multinational investment in the domestic sector very limited.³⁴ Traditionally, chaebol empires have depended on higher profits in the domestic market, which they can distribute among companies in the group, to compensate for low profitability in exports or business failures. International competition could possibly undermine the hitherto oligopolistic position of the chaebol in the domestic market, thus

forcing them to become increasingly 'de-nationalised' as they seek cheaper production costs and market access in the 'borderless' global market. The result would probably be high structural unemployment in South Korea for the first time.

If the commercial banking sector and equities houses were overwhelmed by superior foreign competitors, this would contribute to macroeconomic destabilisation. The financial fragility of South Korea's banking sector rests primarily on the enormity of bad loans stemming from the period of government directed 'policy loans' investment. Domestic deregulation in the banking sector ran into serious difficulties already in 1995-6 and gave the government pause to worry about a banking collapse in the rush to meet the criteria of financial liberalisation prior to accession to the OECD. Re-capitalization of the privatised commercial banks from the financial resources of chaebol, another option, has also been ruled out in an effort to stave off the emergence of even more powerful Japanese style business groups allied to their own banks. Liquidity shortage on the fledgling stock market in 1995 already slowed the government's very ambitious privatisation programme of state invested firms, with the additional dimension of hoping to prevent chaebol empires' expanding through such acquisitions.

'Reform first' would reduce the risk of unwanted industrial damage to domestic industries or vulnerable sectors that could occur through too rapid liberalisation. This would buffer the national industrial structure from drastic restructuring. It allows institutions and firms, especially SMEs, more time to carefully prepare adjustments, rather than compelling them into a syndrome of reacting to events that are beyond their control. This decreases the risks of confusion during transition to a competitive pluralistic market economy, and therefore reduces the risks of macro-economic destabilisation.

'Reform first' lays a sound foundation for long term improvements in competition policy. It concentrates first on such issues as the rationalisation of business management, eg separation of ownership and professional management, and on streamlining the lines of business pursued by chaebol, in order to maximise the efficient allocation of scarce investment resources. Public listing of companies, and anti-trust measures form another aspect of rationalisation, along with further re-regulation of the banking sector allowing more access to loan capital to SMEs and reduction of barriers to entry.

On the other hand, 'reform first' risks increased foreign pressure, particularly from the US, and possibly protectionist measures that damage or limit export opportunities. The 'window of opportunity' to exploit the emergent WTO environment might be missed to some extent, and some Korean firms might not be sufficiently stimulated to take timely adjustment measures. In terms of national economic performance, restructuring and containing the chaebol poses the problem of 'killing the goose that lays the golden eggs' in terms of crucial export performance. Taiwan's industrial structure of large para-statals and a plethora of SMEs may be attractive but not attainable.

The third scenario, ie the 'tightrope' of simultaneous opening and reform, has the advantage of being seen to take action on all fronts, and 'being all things to all people' both domestic and foreign. While appeasing foreign trade partners and exploiting new opportunities it likewise accepts both urgent and long term

needs of sustaining competitiveness and national economic growth. It is perhaps politically 'safe' because it does not alienate the public nor the chaebol to too great an extent, though not really satisfying either constituency.

On the other hand, 'walking the tightrope' can be a recipe for impasse and indecision. It may also increase the general risks of instability during transition. When change is occurring on all fronts simultaneously the potential for confusion increases, since time for adjustment is necessarily compressed. Vulnerabilities in the domestic economic structure may be exacerbated over the short term, causing long term opportunity costs to rise and inflicting more damage on certain domestic industries and financial institutions than is desirable. The simultaneity of reform with opening may prove to be detrimental to reform, with long term consequences for the development of the political system as well as the economic structure.

Conclusions

The central issue of the transition in South Korea's political economy is how to deal with over-concentration of economic power. 'Globalisation first' seems to imply a radical abandonment of the past neo-mercantilist/interventionist model, and is thus seemingly facilitative of competitive capitalism. However, this transition to competitive capitalism is inseparable from prospects for further political reform toward the goal of a liberal democratic state, a more pluralistic culture, and the strengthening of civil society—all of which are prerequisites for deepening democratisation.

Korea's international competitiveness, up to the present, has been sustained through a combination of state intervention and chaebol economic dominance. The power of state managers to discipline big capital is now increasingly under attack, as the policy of globalisation, which the chaebol have adopted with far more zeal than the government, takes root.

The ultimate outcome of this process of transition will depend not merely on the strategic choices taken by politicians and technocrats, but on the political balance of forces. The old ruling bloc, consisting of 'Businessmen, Bureaucrats, and Generals'³⁵ has been reconstituted. Nevertheless, episodes like the sensational trial and sentencing of former military leaders Chun Doo Hwan and Noh Tae Woo, are secondary to the transition to a new political system. The potential 'revolution from below' has been successfully controlled by elites in control from above. Overall, the past few years has been a period marked by indecision, impasse, and contradictory tendencies. A decisive breakthrough, which can only be determined at the level of social forces rather than of elites, is still awaited.

The issue of 'globalisation' is not merely about technical economic issues of economic liberalisation, but touches upon fundamental aspects of political life in general. 'Globalisation first' may not be the best framework in which to undertake other domestic reforms designed to usher in competitive capitalism and the liberal democratic state, much less to pursue a new industrial strategy led by a national-popular coalition. The demands of greater social justice, of continued social stability and employment, and of greater popular empowerment may not be easily reconcilable with globalisation.

Recent political debate reflects the conflicts inherent in the situation. Government pronouncements seem to swing back to the chaebol as the only alternative. The Ministry of Trade and Industry has stated that current restrictions on chaebol investment and access to credit will be phased out, since it is 'meaningless to curb the domestic chaebols amid this era of market opening and limitless competition'.³⁶ The United Liberal Democrats (ULD), led by Kim Jong Pil, says OECD entry now is 'premature'; while Kim Dae Jung of the National Congress for New Politics (NCNP) says that '... what counts is whether the nation's economy is able to accommodate properly the impact of the market opening'.³⁷ In August 1996, both the ULD and NCNP decided to oppose Korea's bid to join the OECD—at least at the current rapid pace.³⁸

Notes

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