

South Korea: Evolution to a new Neo-Colonial Power

The place of South Korea on the global stage is an interesting one. By the original definition, it would fit firmly into the category of the First World - the nations closely allied to the US in the global struggle between American Capitalism and Russian Communism (Prashad 2007). Korea was one of several very real battlegrounds for this conflict. Following the fall of the Soviet Union, the term, while falling out of favor, has more generally come to mean "modern" - from Merriam-Webster's Dictionary: "Definition of first world: the highly developed industrialized nations often considered the westernized countries of the world." South Korea fits well into that category, as well, boasting a GDP of 1.69 trillion (World Bank 2018), and being well known for its high-tech status.

However, from a development perspective, I argue that South Korea as a project more resembles that of the majority world nations. In fact, on its surface, South Korea almost acts as an exact model of Rostow's Stages of Development (1960) that was meant to be applied to the majority world, which marks a growth in urbanization - 20 percent of South Korea's population lives in Seoul, one of the largest metropolises in the world (Worldometer 2020) - high technological progress, and economic independence. But the idea of the modern consumerist state was certainly not conjuring up imaginations of Korea at the time it was originally described by Rostow, with its 1950 GDP per capita in 1974 USD at \$146, compared to Nigeria's \$129 and Kenya's \$203 at the time (Johnson 1987). But that's changed drastically in the past 60 years.

Economic independence is also discussed by Fanon (1964) in the context of neocolonialism - the dominance of the former imperial capitals over their former colonies, despite their newfound political

Cameron Miller
Geography 335 – AB
Essay #1

autonomy. While South Korea was never part of any European empire, it was a tributary state of China and then an occupied territory of Japan, placing it in a fairly unique position as one of the only first world countries that was neither a European colonizer nor colonized by Europeans, which further establishes the nation as one separate from the rest of the first world, but also unlike large parts of the third world.

Japan began this project of modernization during its rule, utilizing a form of imperialism that both learned from centuries of European empire, and was unique unto itself (Robinson 2001). Japan was engaged in a sophisticated hearts and minds campaign, employing what Hall (1992) might refer to as a Regime of Truth - an attempt to establish cultural hegemony that Robinson notes as being far more effective than simple military repression. One example provided is the role of education in colonized Korea. Japanese rulers were aware both that increasing education was necessary in the modernization project, and that it would provide the intellectual and philosophical means to provide greater resistance to colonial rule. In an attempt to strike a balance, education was regulated to a very small number of Koreans. This artificial scarcity created even more value in education, and therefore had the unintended consequence of providing greater social authority to the educated few who resisted Japanese rule.

Following the later, Western modernization theories, South Korea even fits into some of its less savory parts. As noted by Gilman (2003), the part of Modernization stressing the importance of democracy slowly disappeared from theory and quickly from practice. Modernization was a very top-down approach in nature, favoring major government guidance (based on the American liberal state of the time), and technocratic experts. Rostow (1960) warns that, during development, many people are averse to change, and it will take significant effort to grow despite that. The idea that democracy will

Cameron Miller
Geography 335 – AB
Essay #1

slow down or even halt development is subtly baked into the theory, and became more and more pronounced as time went on. As early as 1947, President Harry Truman was promising aid to Greece and Turkey in the name of anti-communism. Anticipating criticisms of their authoritarian regimes, Truman included the caveat that no state is perfect, but these two have potential to improve, and are much preferable to the communist alternative. Throughout the 20th century we would see the US continue to prop up more and more despicable despots.

In South Korea, too, a significant gain in economic strength occurred during rule by Park Chung-hee, who claimed power via military coup (although unlike other examples, this was not one that had any U.S. backing - the U.S. did however send their support afterwards), and tried to retain it for life through changing the constitution, before being assassinated in 1979. During this period of "economic miracle", the South Korean government exerted incredible control over the industry of the country, which went against the rising tide of neoliberalism that was starting to take root elsewhere in the world. Minns (2001) describes how Park was able to maintain such firm state control - first, the Japanese Imperialists had already greatly limited the power of Korea's previous elite class, in an attempt to maintain their colonial hold. Second, repression, rebellion, and purges leading up to, during, and following the Korean War had eliminated the means for any sort of lower-class rebellion. The South Korean state was therefore unopposed in its power for quite some time. Minns states how Park was dissatisfied with his predecessor's reliance on U.S. aid, and amidst the removal of American troops from the region (due to backlash over Vietnam), and the still remaining threat of North Korea, Park used his unopposed power to create a highly independent South Korea. The country saw a vast increase in heavy industry, mostly related to defense.

Cameron Miller
Geography 335 – AB
Essay #1

Preceding Park's assassination, the industrial state of South Korea had grown incredibly, but the workers' rights and wages had not, and unrest was brewing. Simultaneously, the corporate *chaebol* were growing amidst the increased influence and investment from globalism, thus giving the South Korean government less and less leverage over them. This was a return of both "sides" of power that Minns identifies as missing during Parks' regime, and resulted in another decade of political violence and regime change before democracy arrived in the country.

This marks an interesting development. South Korea very quickly situated itself into the "true" independence discussed by Fanon. However, the 80's saw a reduction in state autonomy in the face of, in part, growing international corporate conglomerate influence. Internet musician/comedian/part-time historian Bill Wurtz (2017) made what I think is a fair summation of Neo-colonialism, stating, "now you can't tell who [the countries] are being pillaged by." In that sense, despite the growth in Democracy (which as discussed before, both was and wasn't a goal of Modernism), it's almost as if South Korea has reverted slightly to a less independent state (if you assume the philosophy that the democratic state is an extension of the people, and that its independence and the peoples' goes hand-in-hand). Of course, the rise of unaccountable corporations is not unique to South Korea. In fact, it's not unique to the First, Second, or Third worlds. But similar to the United States, the source of this shadowy influence is not from some unknowable overseas source, but within its own borders. In this way, South Korea completes its entry into the Modern "First World", with the ability to exert itself as its own, neo-colonial power across the globe.

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South Korea: Dependence Amidst Crisis

In my previous essay, I claim that South Korea can decidedly be called a "modern" state, by several definitions. One of these definitions, I established, was in part reliant on a state's economic independence. Looking at South Korea's current debt burden, we see that it lends more than it borrows, which is a far better spot than even the U.S. and its debt burden of 40% its GDP ("Countries Archive". Acc. 2/20/20). This again solidifies the idea of South Korea being an independent, modern state. But it was not in this same position only a young lifetime ago - specifically, my lifetime. The global markets of the late 90's panicked as the Asian Financial Crisis took form, and South Korea was one of the prime victims.

Given its history, and the increasingly interconnected web of global capital, and given the rising independence of the corporate *chaebols*, it is difficult to pinpoint where dependency starts and ends in Korea. The republic, if it fits at all, seems to be at the edge of Dependency Theory. Yet the debt restructuring Korea underwent follows quite a similar path to many other parts of the world.

Just like the debt crisis in Mexico in the 80's (Corbridge 2002), South Korea's crisis came from a variety of factors. Corbridge states that the restructuring undertaken by Breton Woods organizations "...embodied the view that the debt crisis of any given country was caused by domestic economic mismanagement rather than by an uncontrollable change in external economic circumstances" (509).

Research from the Federal Reserve Bank of San Francisco put the primary cause of the Crisis at the hands of the region's weak financial systems (Moreno 1998) - a mindset that justified the IMF's demands for further market liberalization (Chang 1998). However, US policy might share some blame as well. In 1995, the U.S interest rate doubled, from 3% to 6% ("United States Fed Funds Rate" Accessed 2/21/2020). At the time, many Asian countries had their currencies pegged to the value of the US Dollar (Moreno 1998), meaning that the increased value of American currency would cause the prices of Asian

Cameron Miller
Geography 335 – AB
Essay #1

goods to rise, thus making them less competitive on the global market. This is possibly what led to the marked decrease of exports (Moreno 1998) leading to the crisis.

As for South Korea's debt itself, it seemed much more "in control" compared to other crises, say, in Mexico (Chang 1998). By many metrics, the debt had been fairly stable compared to the country's past, and was far smaller than the usual definitions for what constitutes a crisis. Yet still, the existence of a problem was clear, with a hundred firms a day going bankrupt at the height of the crisis. So the IMF decided to come in with its conditional bailouts. The terms sound all too familiar. More liberalization will be South Korea's way out of the crisis! As is common in restructuring, the state was required to reduce both tariffs and subsidies that distort the market, and was to keep to austerity measures, having slight surpluses in the national budget (Shin and Chang 2005).

But as is often the case, theory and practice are often two different things. The liberalization of Korea's economy is upheld as proof the old "Dirigiste" state, as Lal (1985) would call it, was finally being put to a long overdue rest. Shin and Chang (2005), however, uphold that IMF actions actually worsened the crisis by needlessly causing further foreign panic - reducing crucial investment levels - and that the economy only started to recover when some of the original bailout terms were loosened up. The interest rates were lowered, and the state was once again allowed deficit spending.

Although part of the fault of the shoddy financial system the IMF identified was laid at the feet of the chaebols, who played an integral part to the economic and political structure of South Korea - IMF involvement saw their strengthening despite their original stated intent to weaken them (Hart-Landsberg 2001). Major power remained and remains consolidated amongst the chaebols, despite the IMF's supposed interest in free market, competition based, principles. "In short, neoliberalism stands revealed as

Cameron Miller
Geography 335 – AB
Essay #1

a purely ideological construction — one as openly contradictory as the system it serves" (Hart-Landsberg 2001, 419).

All of this brings to question South Korea's place in Dependency Theory. An exemplary phrase of the theory is "I underdevelop you" (Ibister 2003, 42). It acknowledges that the nations considered to be "less developed" are not simply naturally so - this status does not arise purely through happenstance or choices of those living there - but is a process actively imposed by the minority world powers. This is usually discussed in relation to former colonial powers causing a forced reliance of their old colonies via capitalist means, rather than the old political/military means. Given South Korea's differing history in terms of its colonial past, in comparison to say, colonial Africa, it is at first tempting to say that it does not fit into this dependency theory. A closer look reveals some similarities - although arguably these similarities, coming under the guise of neoliberalism, exist in both independent and dependent nations, alike. I argue that Dependency Theory and Neoliberalism are highly intertwined, but I will develop this further in the next essay.

The Jubilee movement, discussing international debt, states

"For one country to be a net saver, another has to be a debtor.

[Lending] Countries...are traditionally seen as 'morally superior' to indebted countries for their credit surpluses. But they are just as responsible for debt crises in a world increasingly characterised by huge imbalances." ("Countries Archive". Acc. 2/20/20).

The last sentence speaks to Dependency Theory. Those with excess use their capital to force their way into a position of influence over others. By 1998, South Korea, like many nations in an increasingly globalizing world, was becoming increasingly involved in foreign borrowing (Chang 1998). Finally, the growing chaebols had earned enough prestige to have good credit, and therefore good access to international banking. No longer were they beholden to the domestic banking limitations, although

Cameron Miller
Geography 335 – AB
Essay #1

Chang notes these regulations had been increasingly relaxed in an era of deregulation across the economy. He also speaks to this effort of other countries to try and force South Korea into a subservient position, stating,

"...during the 1990s there have been various multilateral and bilateral attempts by the advanced economies, especially the United States, to pry open formerly closed markets in the developing countries. With its newly acquired wealth and a wide array of interventionist policies, Korea became an obvious target for such pressures. " (1559)

It's as if the US was trying to get South Korea hooked on a drug. Chang further states that the Korean government itself had no shortage of poor policy decisions leading to the market crash, although some of it can be described as falling into the trap of the increasing neoliberal intellectual movement, since Korea had a "relatively weak intellectual tradition on its own" (Chang 1998, 1559) and was easily swept up in the fervor. This makes it difficult to pin down where South Korea fits into Dependency Theory. Where is the line between domestic responsibility and outside influence drawn?

The role of the chaebols exhibits this complication. Companies like Samsung or Hyundai have deep ties to the local government, and large influence on the rest of the globe. But their power isn't *necessarily* indicative of their full independence. Ibister (2003) states that even the growing capitalist class in a developing nation can be subservient to global superpowers. Their apparent stature points to independence, but it is unclear just how far this independence might go.

Despite the contradictions and fuzzy lines being drawn, it seems clear that the common thread between South Korea and elsewhere is the rise of neoliberalism, as contradictory as that, too, can be. Make sure to tune in next week for more talk about that - same bat time, same bat canvas page!

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South Korea: Ideological case studies, ideological battlegrounds amidst unusual governmental partnerships

In the previous essay, I began to establish what I described as a turning point in South Korean politics. The IMF's involvement in the financial crisis in 1997 was seen as a final casting off of the state-led development of the mid century, and the final step in the neoliberal transition that began in the 1980s. Hyun-Chin and Jin-Ho (2006) included a translated excerpt of what seems to be a Korean-only source, that outlines the nation's development in three stages: "(1) the 'repressive' developmental-state in the pre-1987 period, (2) the 'transitive' developmental-state between 1988 and 1997, and (3) 'democratic' developmental-state in the post-1998 period (Cho 2003, 447)." Not

Cameron Miller
Geography 335 – AB
Essay #1

only has neoliberalism been on the rise in South Korea, but it's ideologically tied up with democracy. Hyun-Chin and Jin-Ho posit that this new neoliberal state will inevitably become less democratic.

The period prior to this one is sometimes characterized as "Korea Inc", a close partnership between the state, the banks, and the chaebols (Chang and Shin 2003). The South Korean government had an uncommon relationship with the country's corporations. Although the chaebols were large and powerful, and still are today, the state was able to maintain strong subservience from them during this period (Chibber 1999). Large subsidies gave the state leverage to exert *direct* decision-making power over companies.

However, this healthy corporate atmosphere gave the illusion to foreign investors and academics that South Korea was already a predominantly free-market capitalist state (Hart-Landsberg and Burkett 2001). This does fit into Block (2001)'s summary of Polanyi (1957)'s work, which identifies one of many contradictions in neoliberal theory - stating that so called "laissez-faire" is actually heavily planned. Investors did not seem to share the same view, however, for when they learned the "truth" about Korea Inc., their panic led to the rapid pulling out of funds which was part of the lead up to the '97 crisis. This development "begs the question of why foreign investors would pour money into an economy the particulars of which they had no hard information on — and why South Korea should further open itself to such questionable decision-making in the wake of the crisis, as suggested by neoliberals (Hart-Landsberg and Burkett 2001, 410-411)." Yet further opened itself South Korea did, with the IMF and neoliberal theorists wagging their fingers, and promising that

Cameron Miller
Geography 335 – AB
Essay #1

liberalization - for realises this time, guys - will get South Korea back on track. This, as I discussed in the previous essay, had its fair share of criticisms.

This admittedly confusing relationship between public and private actors did not end with the crisis, though. This past decade, South Korea created its own form of microcredit, intent on helping the previously financially isolated poor with small loans (Brannen 2010; So-young 2009). The Smile Microcredit Bank offers money to support or create small businesses, and pay for basic needs. It - unlike the non-profit Grameen Bank or other for-profit microcredit institutions - is state run. But as I hinted at before, "state run" is not so simple.

The funding for the program comes from a variety of financial institutions, private and public banks, and chaebols, each with their own separate branch. Samsung, for example, created the Samsung Smile Microcredit Bank, and at the start of the program made \$860 million in donations. That's right, donations. Now, admittedly I'm a little dubious of that word (Here it is hard to trace some of the facts. The resources I've found on this program are very limited. Apparently it hasn't gained much international attention, despite it being the only of its kind.). Only So-young (2009) mentions donations. Kim (2018) clarifies that the government promised to back 95% of the losses, before reducing this amount to 80-90%. This further encouraged increasingly stringent behavior around microfinancing, to ensure returns. It turns out that a negligible amount of loans were offered to those who occupy the two lowest of ten categories of credit scores - in other words, the poorest of society were not the ones receiving the most money. This starts to seem to go against the phrase "donations" and then-president Lee Myung-bak's statement saying, "The move by large businesses

Cameron Miller
Geography 335 – AB
Essay #1

to help working-class people is not only an example of a good deed, but also an event of historical meaning that they fulfill their social responsibilities...Though these are small loans, they will be as precious as sweet rain at the end of a drought to those who need them(So-young 2009).”

I was also unable to find a central website for South Korea's microfinance institutions, to see how they describe their mission. Because of the unusual set up - combining state and private powers - it makes it a little tricky to put this along the sort of spectrum Roy (2010) describes different microcredit groups. It certainly sounds like they're behaving as a for profit entity based on the information above.

The Central Microfinancing Foundation AKA The People's Finance Agency - which I believe is a private organization, but as I can find no website under either name, I cannot be sure - has founded at least 160 microfinance branches as of July 2017 across the globe (Kim 2018). South Korean firms have also bought out foreign ones - in Cambodia, local micro credit SAMIC was purchased and renamed by NH Nonghyup, a South Korean bank (Manet 2018). Despite the vision on their website claiming to desire "To be the best financial institution loved by its stakeholders (“Vision, Mission and Core Values” Accessed 2020)," I see no mention of the word "non-profit" so I can assume that they aren't one. It seems that at least this portion of South Korea's place in the microfinance world occupies the most neoliberal side of the spectrum Roy (2010) identifies: the pursuit of profits will guarantee the most wellbeing.

Cameron Miller
Geography 335 – AB
Essay #1

This brings me to the conclusion that I've been building to all quarter. I've been making claims about South Korea's modernity, independence, and now I claim it to be a state where neoliberalism has taken root. In each of these cases, we see how South Korea has been influenced *by* others, but also how it has increasingly garnered the power to enact influence *on* others. The lines are blurred in areas, particularly as the powerful chaebols and financial institutions become increasingly tied up in foreign involvement and ownership. Regardless, and its admittedly not a terribly unobvious conclusion, South Korea has become a key regional and global power, perhaps one ready to develop its own "intellectual tradition" that Change (1998) lamented the lack of previously. When that time comes, if it hasn't already, then the Republic seems as good a place as any to utilize and impose that tradition elsewhere. True, it will be an uphill battle if this new tradition goes against the current neoliberal narrative, but this limitation is not solely in South Korea. This ideological battle grips the entire world, and will only become more pronounced in the following years. Perhaps this century, South Korea will be one of its key battlegrounds, much as it was one between communism and capitalism in the previous. With luck this battle will be more metaphorical than literal.

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