

South Korea: A Stunning Success Story

Today, South Korea is one of the largest economies in the world. It is the 12th largest to be precise. However, the influence it has in global markets is significant. It is home to many multinational corporations which compete against the best in the world. For instance, American markets are flooded with Korean manufactured automobiles. Similarly, Korean companies are present in other high-tech sectors such as mobile devices. Samsung is the closest competitor to Apple and is ahead of several other companies such as Nokia in the smartphone segment.

These achievements become even more remarkable when they are seen in the backdrop of the Korean economic history. **About five decades ago, South Korea was seen as the poorest country in the world with almost no scope of economic revival.** In this article, we will trace the progress of Korea from a third world country to the economic superpower that it is today.

War Torn Country

In 1945, South Korea gained its independence after years of Japanese occupation. The country was already in shambles. To add to it, a war broke out. This led to several casualties. Several lives were lost on both the sides and economic resources were wasted in battles. At the end of the whole episode, South Korea was completely broke. The country depended on foreign aid for more than 90% of its budget. There was a military government in place, and rights of citizens were severely curtailed.

The Humble Beginning

South Korea knew that they could not depend on foreign aid if they wanted to achieve economic prosperity. They would have to break the shackles by going the extra mile. They tried to raise money from several countries. However, given the shaky fundamentals, no one wanted to invest in South Korea. Funds were almost impossible to come by except for a lucky break with West Germany.

South Korea then used these funds to start small industries. Industries such as textile, wig making, etc. were amongst the first to thrive. South Korea became extremely competitive in these industries and even gained world leadership in some of them. This doubly benefitted South Korea since these industries were labor dependent and an increase in these industries reduced the unemployment rate considerably. During the same period, South Korea invested heavily in education. This impetus on education created the next generation workforce which was ready to propel South Korean economy further into prosperity.

The Leap of Faith

From small industries, South Korea suddenly wanted to move into mega industries. The Koreans wanted to restructure their economy with manufacturing at its heart. As a result, they created a proposal to set up the first Korean steel mill. The finances were hard to come by, and everyone thought that this would be a bad investment. World Bank denied loans to South Korea because they believed that the project was unviable. However, Korea went ahead with the project anyway, and it turned out to be a mega success. Within no time, Korea became the 4th largest producer of steel in the entire world. This was a commendable feat because Korea had arrived six decades late on the steel industry scene and yet was able to overtake many established competitors in no time. The three lows of low-interest rate, low dollar rate, and low oil rates contributed immensely to South Korea's steel industry. As soon as Korea gained prominence in steel, allied industries also began growing. Korean companies started shipbuilding, manufacturing automobiles,

electronics, etc. South Korea was now improving lives of westerners with its cutting-edge technology and was fueling an export driving economy in the process.

New Community Movement

The Korean model of new community movement was then launched to bridge the divide between the urban and rural people. On one hand, wages and standards of living were rising in the urban centers and on the other hand, rural centers were still looking at bankruptcy and starvation. This prompted the South Korean government to start the new community movement.

As per the new community movement, the government would provide a fixed amount of raw materials to all villages. This raw material would include cement, bricks, steel and such other essentials. The villagers would have to add their labor and put this raw material to good use to create infrastructure projects. The villages that put the raw material to best use would be given more raw materials. This movement was a huge success and led to improvement in infrastructure in rural South Korea. Until today, it is considered to be an epitome of how countries and regions can beat shortage of resources to create maximum development.

Discuss the sources of economic growth for South Korea as per the article above, using key determinants of growth that we discussed in class.

What economic policies would you suggest to a policymaker from a developing country like Bangladesh?