

Korean Economic Development & New Village Movement

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Outline

- 
1. Introduction
 2. Key Factors in Economic Success
 3. New Village Movement
 4. Lessons

1. Introduction



Survey Result in 2008

**What was the most important national event
in Korea for the past 60 years?**

- 1. New Village (*Saemaul*) Movement : 40.2%**
- 2. Seoul Olympic in 1988 : 30.1%**
- 3. 5-year Economic Development Plans : 29.9%**
- 4. Kyungbu Express Highway : 18.8%**
- 5. Seoul World Cup 2002 : 15.1%**

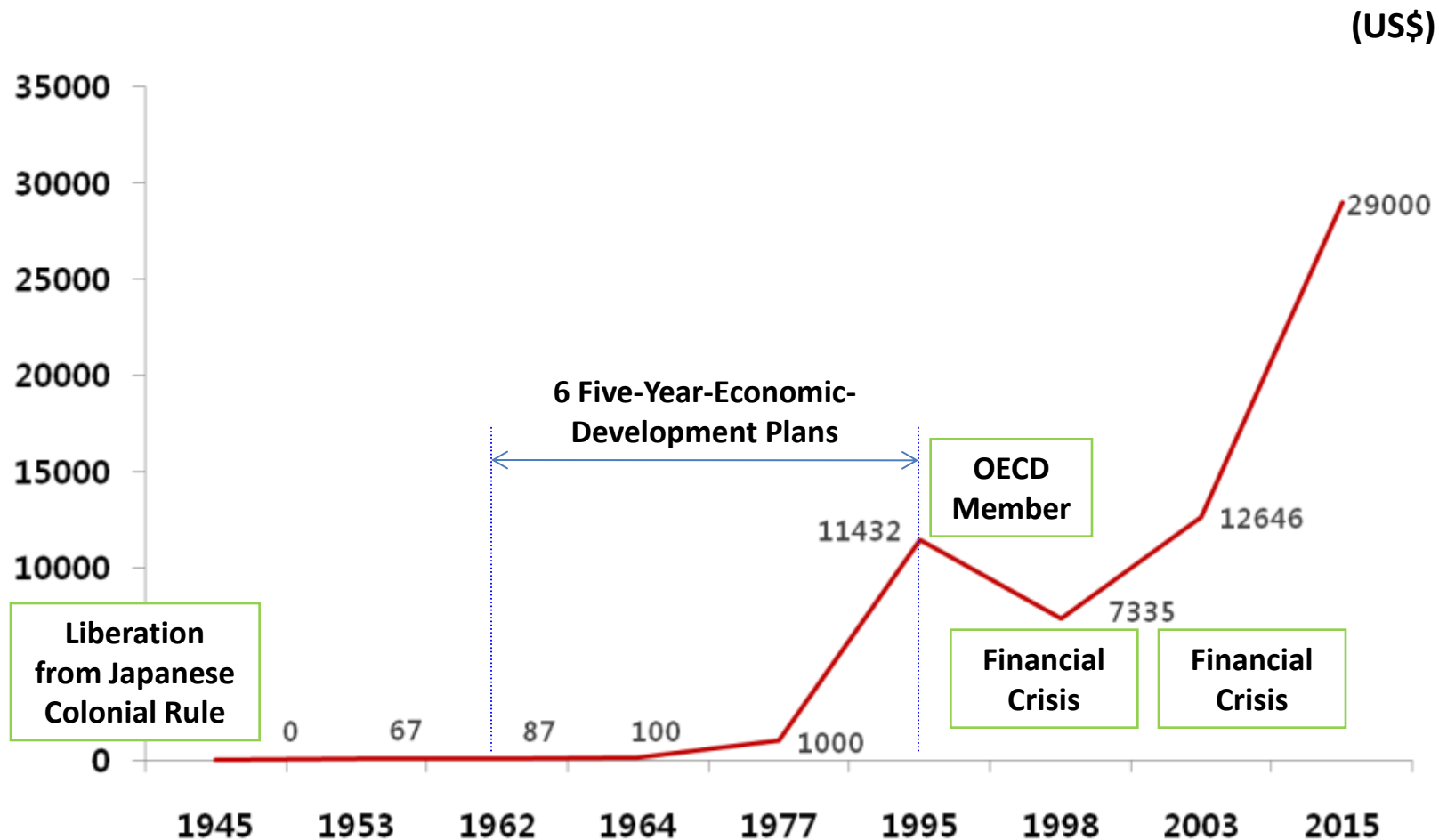
Facts on Korean Economy (1)

- In 1948, one of the poorest countries
- Rapid Industrialization : 1960s-1980s
- Total Trading Volume:
About 10% of GDP in the 1950s → to 80-90% in recent years
- Labor-Intensive Industries → Heavy Industries → Hi-tech Industries
- Seoul Olympic : Aug. 1988
- OECD Membership : Dec. 1996
- Host of G20 Summit : Oct. 2010 in Seoul
- World Cup : 2002

Facts on Korean Economy (2)

- 12th largest economy in the world
 - Foreign reserves (8th, US\$ 378 Billion), Shipbuilding (1st), Steel (5th), Automobile (5th), Smart-phone(1st), DRAM semiconductors (1st), OLED>LCD(Samsung, LG)
- Nominal GDP(USD) :
 - 15th in the world (IMF) - \$1.3 billion (1953) → \$1.49 trillion (2016)
- GNI per capita at purchasing power parity
 - \$67 (1953) → \$29,115 (2016)
- 8th largest trading nation(2016) : \$1 trillion
- GDP growth rate: 2.7%(2016)
- Financial Crises : 1998, 2008
- Population: 51,712,000(August 2017)

Per Capita GNI Trend (1945-2016)



2. Key Factors in Economic Success



Strong Political Leadership During the Initial Period of Development

- **Monthly Meeting : monitoring and trouble-shooting session**
 - **Monthly Export Promotion Meeting and
Monthly Economic Trends Report Meeting**
 - * **During 1965-1979, ca. 300 monthly meetings**
 - **Bureaucrats, bankers, business associations attended**
 - **Risk-sharing among government, financial
institution and business enterprises**
- **Government's role**
 - **Maintaining macroeconomic stability**
 - **Heavy investments in human capital**

Monthly Export Promotion Meeting



Effective Strategy

- **Export-led growth : 1962-1972**
 - “Import Substitution” → “Export Promotion”
 - * 수입 감소 또는 억제를 목적으로 상품 및 서비스의 국내 생산용량을 증가시키는 정책
 - Focused on labor-intensive industries
- **5-year Economic Development Plans: since 1962**
 - “Planning” effectively abandoned
- **H & C industrial promotion : 1973-1979**
 - Steel(POSCO), machinery, petrochemical, shipbuilding, electronics
 - Long-term subsidized loans
 - * Establishment of National Investment Fund
- **Successful borrowing from abroad**
 - : IBRD, ADB, USA, Japan, other Donors

Special Export Credit by Banks

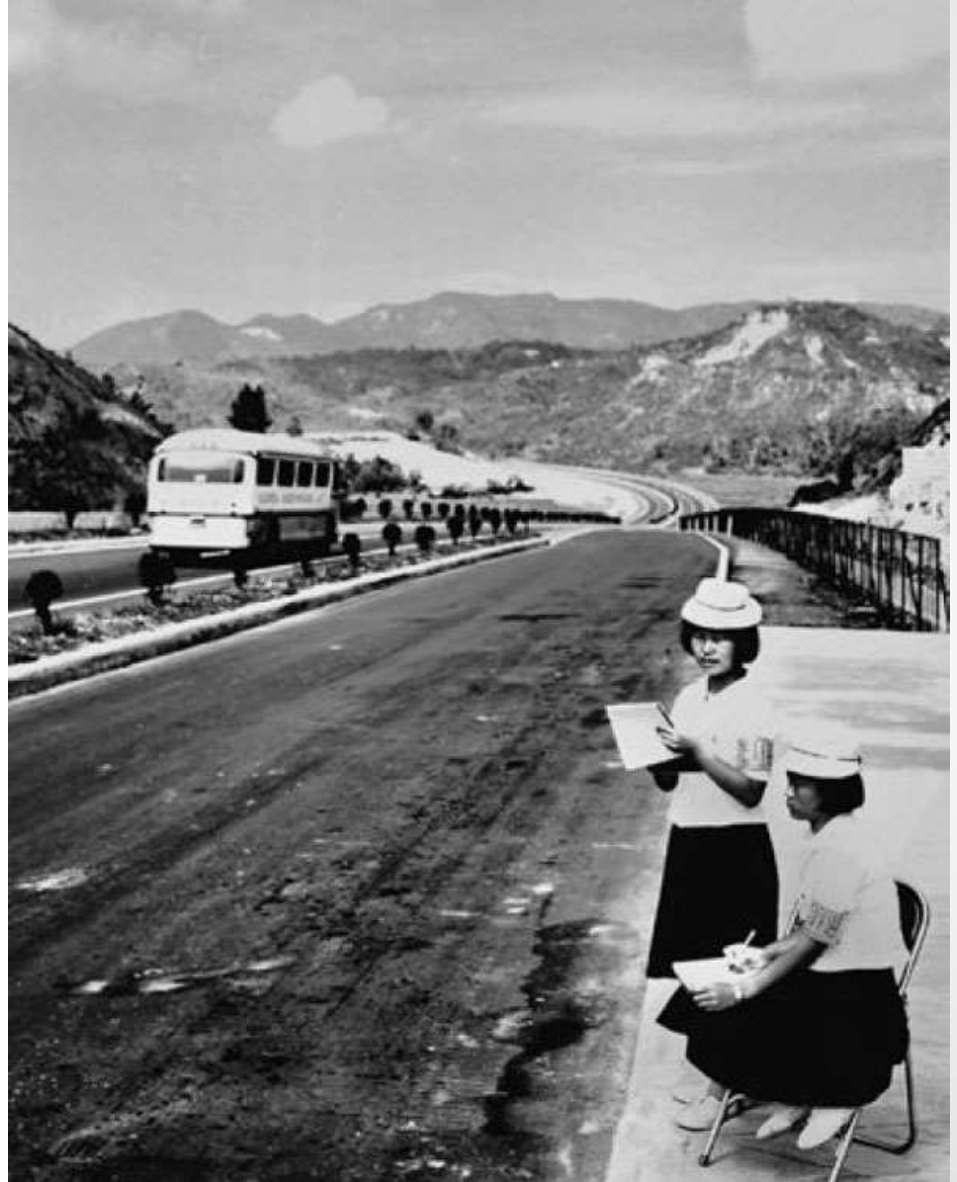
%	61-65	66-72	73-81	82-86	87-91
Share of export credit in total bank credit	4.5	7.6	13.3	10.2	3.1
Interest rate on export credit (A)	9.3	6.1	9.7	10.0	10-11
General interest rate (B)	18.2	23.2	17.3	10-11.5	10-13
(B-A)	8.9	17.1	7.6	0-1.5	0-2.0

[Source: Joon-kyung Kim (1993), Table 4-3; Bank of Korea]

Establishing Infrastructure for Industrial Development

- Highway (1960s), Dams
- National Telecommunication Network (1980s)
- Nuclear Power-plants (1980s): 25 NPPs(6th in the world)
- ICT Infrastructure (1990s)
- Investment on Future Industry (2000s)
 - Bio industry, Smart Car, 5G Telecom, Robot/AI
 - NANO technology, fuel cell, battery

Gyeongbu [Seoul-Busan] Express Way



Economic Planning Board (1961-94)

- “Super ministry” for Planning & Budgeting
- Preparing Five-year EDPs and annual plans
- Coordinating economic policies
 - * Head of EPB holding the post of Deputy PM and chairing Economic Ministerial Meetings
- Allocating domestic & external resources for economic development

Focus on Human Education

- **Hard working people**
- **Education as a unique important means of individual advancement**
- **Emphasis on education and human capital**
 - **Establishment of R&D centers, recruiting Korean scientists and engineers from abroad**
- **80% entrance rating to HEI (second after Finland, 2015)**

Promoting Engineers & Skilled Workers

- In the area of mechanical engineering,
 - 11 technical high-schools were established in each province
 - * Target: producing 50,000 technicians every year nationwide
 - * The ratio of general education vs. special technique training was 40% : 60%
- Korea excelled in International Vocational Training Competition (the Vocational Olympics), winning 9 times in a row during 1977-1991

Car Parade in Seoul Honored Vocational Olympic Medalists



President Park Encouraging Medalists in Vocational Olympic(1969)



Speedy Culture & Hard Working People

- **Bandwagon : Globalization**
 - Analogue Culture → Digital Culture
 - Liberal world trading environment
- **Speedy Decision-making**
- **Hard working people**

3. New Village (Saemaul) Movement



Main Direction

- **Rural Community Development Program**
 - To improve income as well as living conditions
- **Three Pillars : Self-help, Diligence, Cooperation**
- **Spread of Spirit of Competition & Cooperation, Can-Do-Spirit**
 - * **Successful Land Reform before economic development**

Korean Model of Rural Development

- Launched in 1970
- Continued for 10 years
- A nation-wide social movement aimed at modernizing rural villages
 - ⌘ Rural Communities in “Vicious Circle of Poverty” before 1970
 - Rural famine before the barley harvest
 - Thatched farmhouses : 80%
 - Electricity : 20% of households
 - Village entry roads for cars : 50%

Korean Model of Rural Development



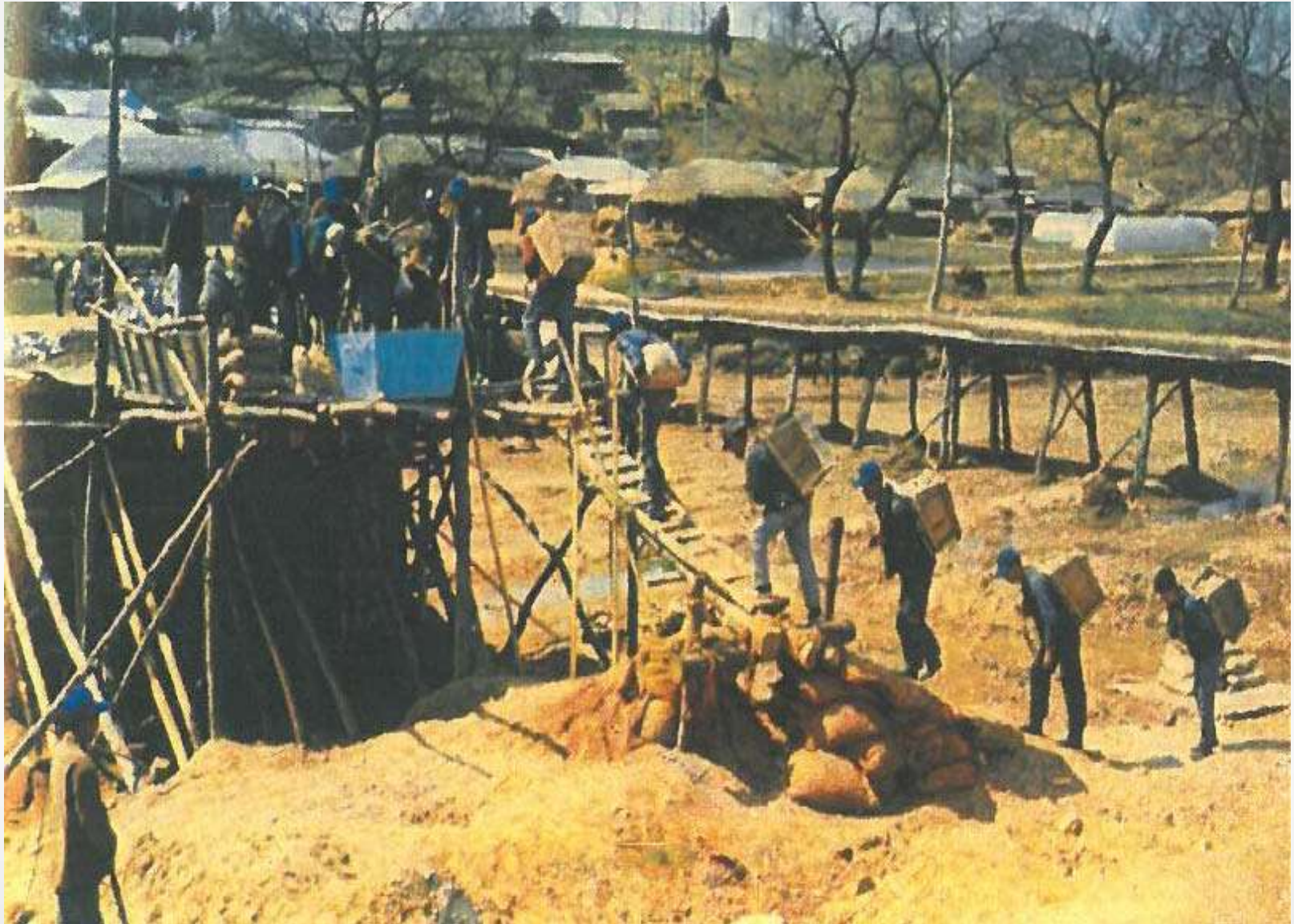
Korean Model of Rural Development



Government Support at Beginning

- Clean up your village
- 335 bags of cement & iron rods for each village (30,000 Villages)
 - support the amount of \$ 2,000 for each village per year
- Villagers themselves to decide what to do with the cement
- Villagers began to cooperate for joint projects
(Construction of roads, school, bridges, etc.)

Government Support at Beginning



Government Support as Incentives to Voluntary Participation

- In 1971, Villagers' self-help mobilization of resources, their labor, land, others in joint projects
- In 1972, government support to only good performers (16,600 villages out of 33,000 villages)
 - ⌘ Self-help development principle : “The better village the first support”
- Snowball effect
 - Results amounting to 7 times government support
 - 6,000 villages participated with their own resources only
- ⌘ Negative attitudes began to change



Variety of projects

- **Improvement in physical environment**
 - Farm roads, village entry roads, sanitary water systems, village halls, small scale irrigation systems
- **Income generation projects**
 - Special crops, livestock, sericulture, marketing system arrangements

Village general assembly selected projects most urgent with their situation



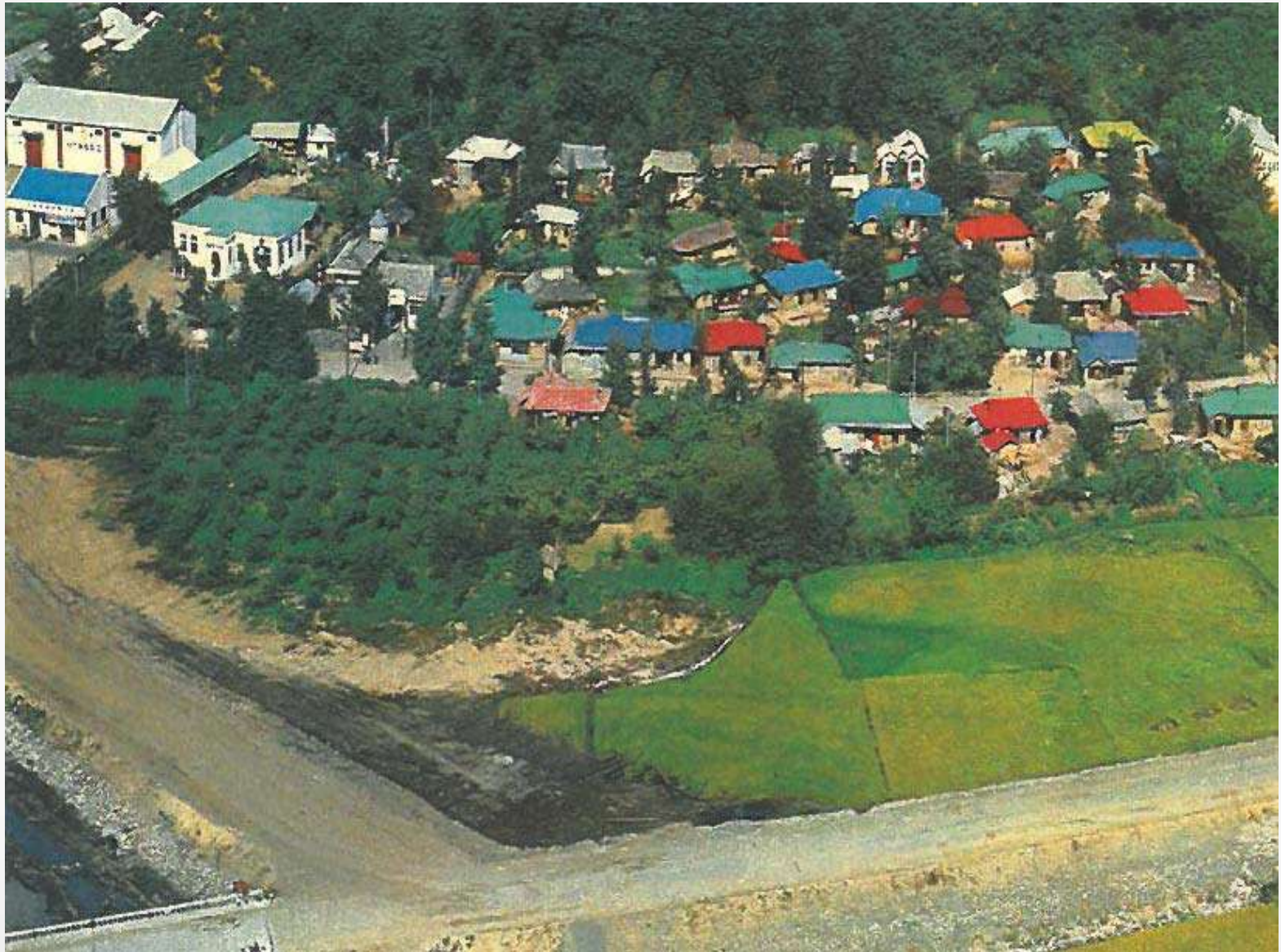
Performance

- **Total \$2 billion was invested (1971-78)**

- The government support 28%
- Village people contribution 72%

- **Accomplishments of projects (1970-79)**

- Roads : 85,000km
- Bridges : 73,000
- Irrigation facilities : 39,000
- Electrification : 98.9%
- Telephone : 100%



Korean model of an integrated rural development

● Inputs

- People's participation
- Village-based leadership
- Strategic support by the Government

● Process

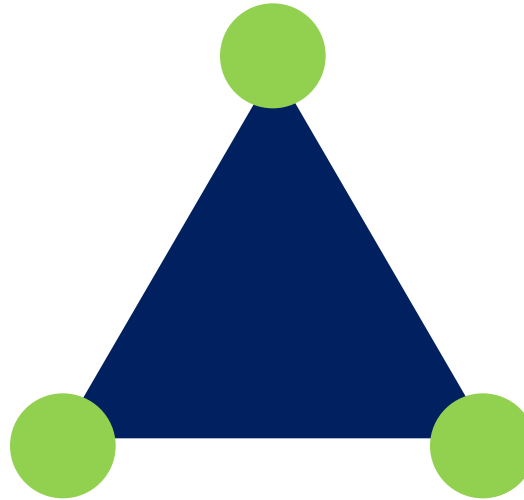
- Close interaction & co-operation between government agencies & rural people

● Results

- Changes in rural people's way of thinking
- Dynamics of participatory organization & leadership
- Improvement of rural infrastructure
- ready for the next level of industrial development

Integrated package program

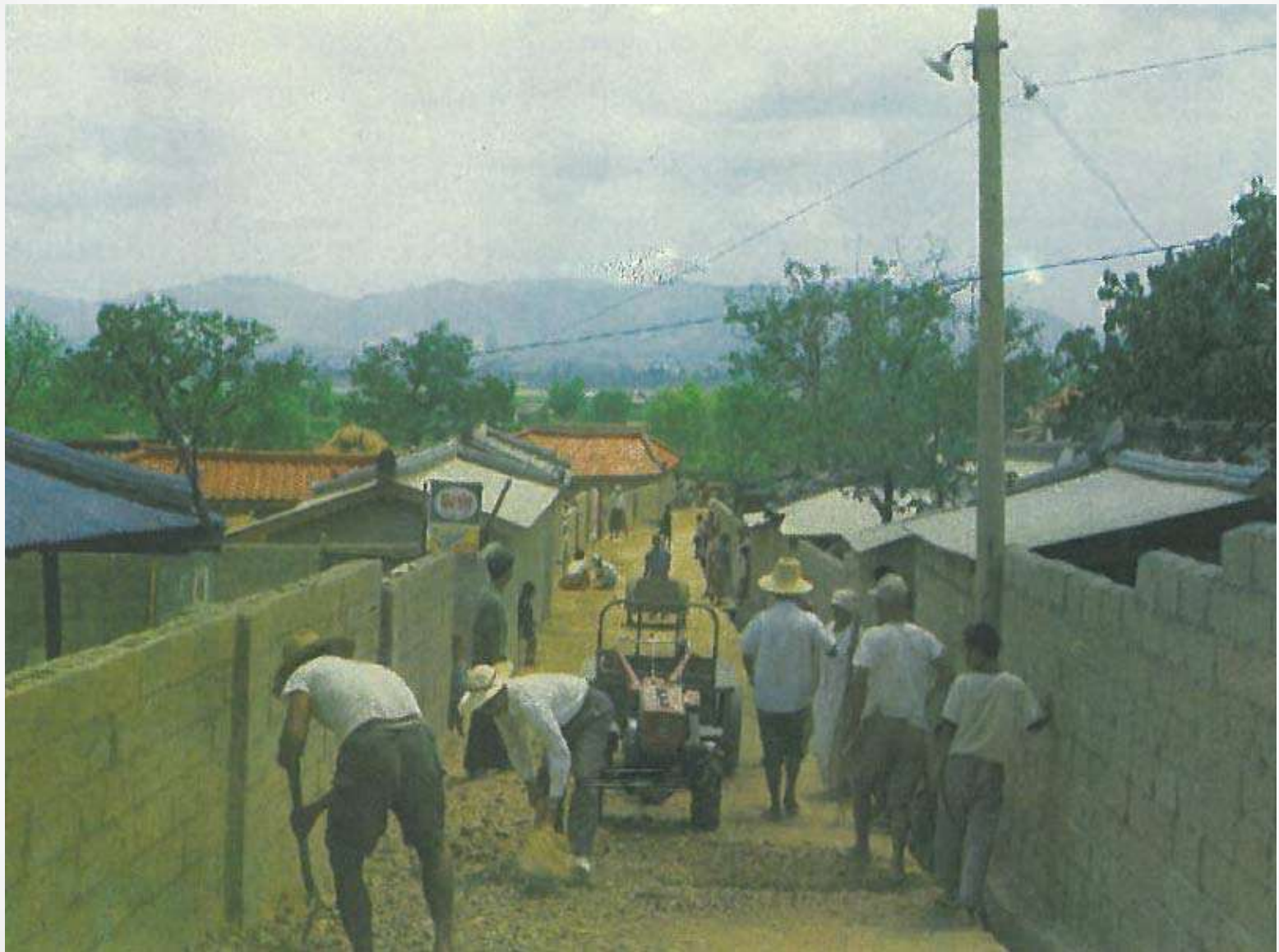
Reforming Farmers' Mentality



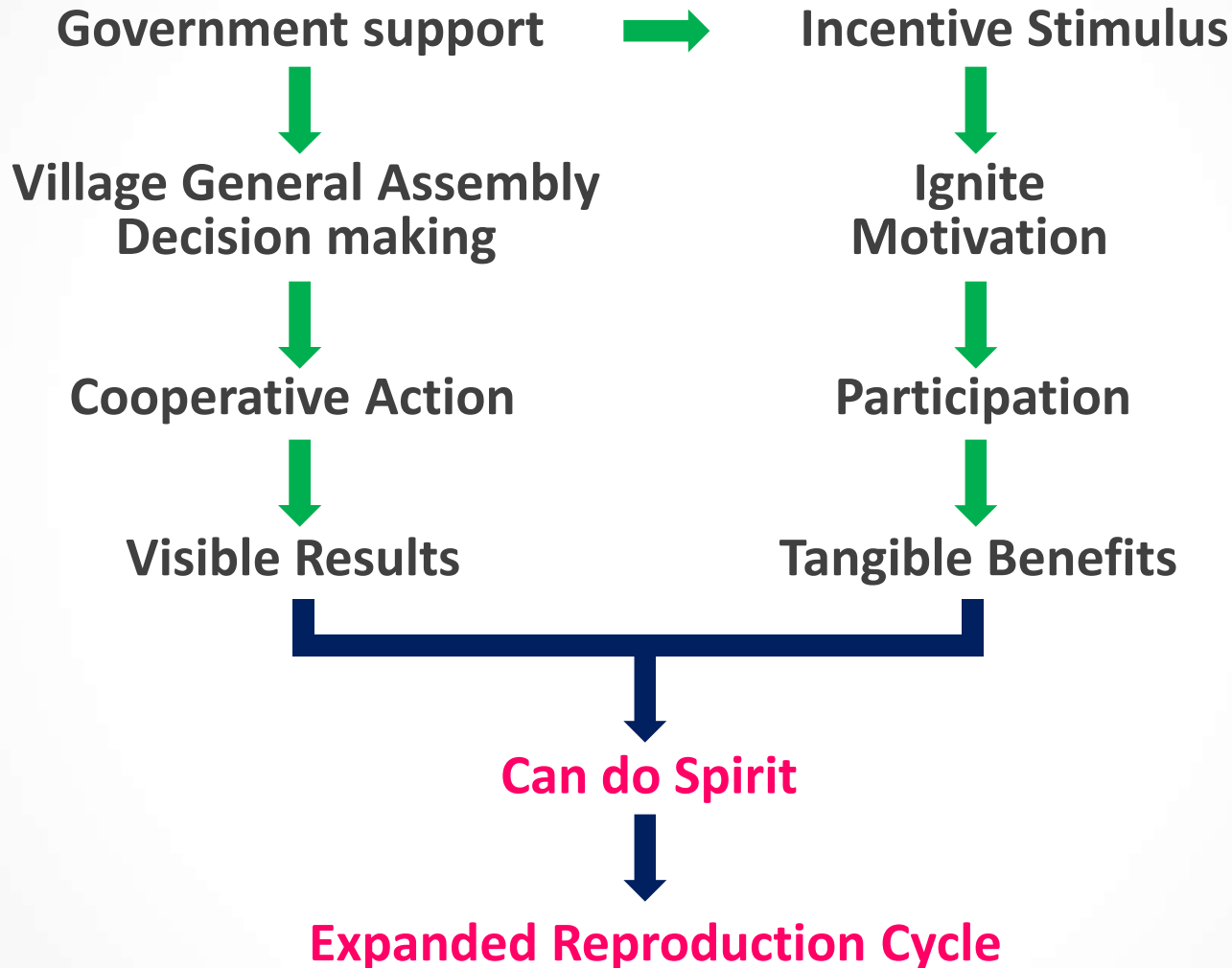
**Activating
Farmers' Participation**

**Improving
Rural Economy & Infrastructure**





New Village Movement Cycle



Democratic Decision – making

- **Village Development Committee**

- Saemaul leader & 12 elected delegates
- Planning, coordinating, implementing projects

- **Village General Assembly**

- Discussion and final decision
- Projects in urgent need of the majority

Rural Women's Participation

- Women leader's training program launched in 1973
- Rice saving campaign, fund-raising, co-op stores
- Eradication of pubs, burning of gambling cards
- Overcame the old proverb "Hen's crying ruins the house"

Rural Women's Participation



Leadership & Training

- Saemaul leaders were non-paid volunteers
- Saemaul leaders as change agents introducing rural innovations.
 - Planner
 - Implementer
 - Coordinator (persuader)
- Virtues of successful Saemaul leaders
 - Sincerity, responsibility, determination, ability to persuade

Saemaul Training

- **The Saemaul Leaders Training Institute & 10 provincial-level training institutes**
 - **Case studies were effective and persuasive**
 - **Practice rather than theory**
 - **Self-learning rather than teaching**
 - **Analytic discussion of successful case, group dynamics, field tours**

Saemaul Training



Social Respect for Saemaul Leaders

- President's concern
 - At Monthly Meeting for the National Economic Report,
two outstanding Saemaul leaders were invited and awarded
- Privilege to meet county chiefs
- Working without pay
 - Only decorations & social recognition
 - Enthusiastic devotion to their new villages

Social Respect for Saemaul Leaders



Government's Role (Strong Commitment)

- The president provided future directions and expressed his great concern through
 - Personally visiting rural villages
 - New Year Press conference
 - Monthly Meeting for Economic Report
 - Monthly cabinet meeting
- Favorable allocation of resources & necessary changes in legal-administrative framework

President's Role (Strong Commitment)



Socio-Economic Conditions

- Significant transformations were in place :
 - Land reform : psychological foundation of equal partners
 - Mass education drive : facilitated participation
 - Economic development : secured resources to support Saemaul Projects
- Both political leader & the society as a whole
 - Understood the strategies of the Saemaul movement
 - Supported the Saemaul movement

4. Lessons



Lessons from Korea's Experience

- **Role of Government (Competition, Performance-based Government support)**
 - Strong Commitment of the President
 - Establishment of Super Ministry in charge of efficient Development control
- **Focus on Human Resources Development, hard working people**
(Broad access to education and Raising Technical Know-How)
- **Growth with job-creation, initially led by Labor Intensive Export Promotion**
- **Establishing Infrastructure for Industrial Development including H&C industry**
- **Emphasizing on Vocational Training, speedy culture with ICT Age**
- **The Effect of New Village Movement**
 - Promoting Spirit of Self-Help, Can-Do-Spirit
 - Developing the Villages
 - Setting the Foundation of the Industrial Development

Lessons(weakness)

- **Less focus on social welfare and environment protection programs at the beginning**
- **Sales of 5 big business groups: 45 % of GDP**
 - **SMEs: handicap for global competitiveness**
- **Moral Hazard (government loan guarantees)**

Is the Korean Model Relevant?

- **Export Promotion Policy**

- WTO principles: export subsidies, import substitution subsidies are prohibited

- * Allowed subsidies: R&D, environment, regional development

- **Specific Sector Targeting Industrial Policy (especially for H&C sectors)**

- Much risks : financing, excess capacity in the world, foresight and ability of government, able entrepreneurs

- ★ **Turkey's strong points**

- huge young population
- huge territory with excellent agriculture infrastructure
- regional hub, melting point between East and West

Thank you

