

# DEVELOPMENT ASSISTANCE AND COOPERATION FOR KOREA

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*Kyounghu Lee. Development Assistance and Cooperation for Korea – The research on Korea's Received Official Development Assistant (ODA) amount and categories, effectiveness case studies. KOICA, 2004. 275 pages. Research report number: 2004-1-25*

It was economist and author Dr. Dambisa Moyo who remarked that Korea has received more official development assistance (ODA) from the United States than the entire African continent. Korea received approximately US \$14 billion of foreign assistance from the international community for its development between 1945 and 1990. If public loans are included, then the amount grows beyond this number. Korea has received attention from the international community since the 1960s, especially from the United States (US), because of the political situation and also due to the growth in international interest on development. Korea was one of the first countries to receive foreign aid, and it is the only country to go from an aid recipient country to a “developed” country and has become a member of Development Assistant Committee (DAC). Korea’s development was spectacular, but what is well known is the result of development was not only from Korea’s own initiatives. It was possible because there was huge support from the international community. The development program to Korea provides one case example where an underdeveloped and low-income country can grow and develop. International development cooperation was the main contribution and leading factor in making this possibility become a reality.

Within about three decades, Korea eradicated its extreme poverty and grew to become a donor country from a recipient country. Due to this, certainly developing countries would like to look towards Korea as a role model. Therefore many developing countries look to Korea’s experience, support, advice and foreign aid. The experience of unsurpassed economic development is a definite asset of Korea, and one of the best aids that could be provided to developing

countries. Within this experience, the Korean government and society focuses more and more on *Saemaul Undong*, the New Village Movement. Recently, *Saemaul Undong* has received attention as a potential Korean style development program. Even the United Nations signed an MOU on *Saemaul Undong* with the Korean government in September 2013. Along with this movement, the Korean government has started to use terms such as the, “Korean Way,” “Korean development model,” “Korean ODA Model,” “Korean model,” when discussing a possible Korean development model.

As mentioned above, *Saemaul Undong* became one of the most famous projects in Korean society; but is it really one of the most influential Korean models that were responsible for Korean economic development? Consensus says that *Saemaul Undong* could be a “Korean model.” However what is really meant when a “Korean model” is mentioned? It seems that there is no specific well-defined Korean development model or Korean ODA model. Those two ideas are different concepts that need to be defined in order to provide a good model that Korea can contribute to the international community and give back what contributions it received in the past from the international society. In this paper will look closely into how Korea has developed and how the government allocated its ODA in order to develop its economy. There are many books out there like Korea Development Institute (KDI)’s reports that only focus on economic ideas. However, this paper will approach the topic from the ODA recipient country’s perspective and how the Korean government and international community used the ODA funding for Korea’s development, in order to seek what other potential suggestions for other developing nations.

First of all, the author explains how Korean ODA history had expanded in the past. This book focuses mostly from 1945 to the 1990s and shows mainly Korean ODA history which can be separated into five parts according to the author: 1) Foreign aid through the US military; 2) Before and after the war and economy recovery; 3) Early development age development aids; 4) Epilogue of development age development aids; and 5) Turning into a donor country. A striking point mentioned in this section is that the Korean government took the initiative to receive and also distribute foreign aids. As many could assume, after the Korean War most foreign aids were focused on emergency relief before slowly transitioning to economic development. In the mid-1940s, Korea relied on GARIOA (Government Appropriations for Relief in Occupied Area) and EROA (Economic Rehabilitation in Occupied Area). Thus, the aid was more focused on emergency relief and extreme poverty eradication. However, the focus changed to include a political dimension with the start of the Cold War. The US saw Korea as a country of importance in its geographical strategy and approach

to international security. Therefore they continued to donate large amount of aid to Korea. One point that the author discussed was how the US sent experts to Korea to create a report on the entire Korean economic situation in order to find solution to further develop its economy. Moreover, the United Nations helped Korea enormously and, of particular note, the UNKRA wanted to help Korea with long-term economic development. It was however, unable to do so as some member countries did not support the idea, rather choosing to provide only emergency relief. This is still an issue in the field of development cooperation because while planning long-term goals is more likely to bring about a sustainable development in the country, some countries look at this field as a diplomatic tool to only provide emergency relief rather than long-term development. However, the Korean development period is currently mentioned because it actually tried to focus more on sustainability of the projects. Within a period of time, the project's efficiency was upgraded and proved to have durability that helped create its self-reliance. Also even if there were no further assistance, the Korean government actively planned for after the projects and organized its budget accordingly in order to maintain the projects for a longer period time, providing better results.

Korea also received technology development support and actively looked for support from the international community. The US's amount of ODA decreased until 1965 and stopped in the 1970s, which caused Korea to open its arms to countries other than the US, such as Japan, Germany, France, Belgium, among others. Korean foreign aid was based mostly on bilateral ties, rather than multilateral ties, but continuously the Korean government actively sought for more efficient aid sources multi-laterally as well. Many scholars and this report argue that the Korean government's leadership in development was the reason for the effectiveness of Korea's development. An example provided was of when the Korean government suggested an idea of gathering the International Bank for Reconstruction and Development (IBRD), international development organizations, the US, Japan, and Germany, in addition to other donor countries together to create International Economic Consultative Organization for Korea (IECOK) in order to receive a stable and appropriate amount of foreign aid and also an effective development plan from the international society (p. 61). This was all done with the Korean government's own initiative and from 1966, IECOK had high-level meetings once every 1 to 2 years to discuss the effectiveness of Korean development programs and new ideas. While the author did not go into further detail on this, it is certainly interesting to read about the initiative used in creating a task force type group to ensure more effective development

in Korea. It certainly strengthens the argument that the recipient's initiative and enthusiasm are the main factors providing successful development.

Another point the author discusses is how there were many different projects and programs that Korea established with foreign aid. The United Nations Development Program (UNDP)'s support to Korea was indispensable. The UNDP's cooperative projects totaled around 250 until 2003 and the total amount used was near US \$90 million. UNDP's projects focused on a variety of sectors including agriculture, forestry and marine products, but would later be changed to provide business and industry development and technical assistance. The example the author provides of the later can be seen in the creation of the Polytechnic College in Korea (p. 271). Germany also provided assistance with industrial and technical operation development. From the 1960s, in order to promote foreign investment and capital into the country, Korea also exported human resources to Germany in the nursing and coal sectors. Those who were sent abroad to Germany sent back to Korea large amounts of money, which furthered Korea's development while also providing assistance to the worker's families.

Many of them learned abroad new industrial techniques, which were also good contributions to Korea's technological development. Along with this, the Korean government set up a long-term view of development goals, and planned for each development stage. These together show the acknowledgement of the need education to create highly skilled human capital. As the amount of US aid decreased starting in 1965, the German technological skill development and aid program increased until the mid 1990s. Also, Germany's vocational training program implementation considered the recipient country's initiative and driving power. This shows how the recipient government's coordinated planning and goal setting helped provide the right skillset to the society when it was most needed. Moreover as the technology developed, people were becoming more motivated to learn more in order to get higher income jobs.

From this experience, Korea can start to develop ideas of what kind of developmental projects should be done in other developing countries. This does not mean that education is the only source of solving underdevelopment. However, when Korea was developing, social motivation regarding education was high, especially the motivation to get a job in factories which provided the ability to earn a higher income. Providing industrial techniques and opportunities helped to develop enthusiasm and the realization of the need for education, which is one need to be implemented in developing nations. Using those valuable experiences, the author suggests that the Korean government needs to help with developing nation's policy setting in order to promote further education for its citizens and to give a direct impact in development.

The author additionally discusses the development project known as the Korea Institute of Science and Technology (KIST), describing it as a successful suggestion from the US. The US emphasized the importance of technical aid to developing countries, but they were seeking examples of its effectiveness and success. They came up with the idea of building the KIST to study and gather more information on Korea's development and to further it. This case could be a lesson for other currently developing countries because many developing countries face brain drain issues. This creates a disadvantage to developing nations attempting to grow and accumulate knowledge. The Korean government and the US tried to promote industrial development in Korea with applied science and industrial technology. It was the first and also main research institution that supported early Korean development.

Another beneficial experience Korea had in education was the establishing of Gumo Technical High School with Japanese foreign aid. As Korea rapidly developed in the 1960s, the Korean government recognized the necessity of more skilled human resources in order to support the development speed. Usually students who went to high school chose to enter University, however, the government needed more hands for the industrial development. They thus built Gumo and other technical high schools near factories and industrial development areas (p. 169). At the request of more resources, the UNDP also contributed to the effort by establishing vocational training schools, which in Korea are now known as Polytechnic Colleges.

With regards to aid from Scandinavian countries, the Korea Medical Center in Junggu was built by the aid of three Scandinavian countries; Sweden, Denmark and Norway. These three countries built this system in order to make a humanitarian contribution to Korea. They ran the entire hospital system and provided doctors until 1968, when they then handed the system over to Korea. During this time, these Scandinavian countries established the Korea-Scandinavian Foundation to sustain this institution. This experience was a case in overcoming the capital gap and technological gap through development aid. Also this project allowed unique monitoring and evaluation of the project established through the long-term planning of the Korea-Scandinavian Foundation.

Once controversial, although now viewed as successful, case was the Pohang Steel Company (POSCO) construction industry. Controversial in that at the beginning the US strongly opposed the idea. However, the Park Administration determined that they needed ability to create its own spending iron amount instead of importing from abroad. The Park Administration did not give up on this idea and sought many other sources for financial support, but did not have much success. Finally, Korea, using a consultation at the Korea-Japan ministe-

rial talk, was successful in getting financial support from the Japanese government. The business plan was basically created from the Korea International Steel Associates (KISA), but after receiving suggestions from the UNDP and the Japanese, factories able to produce millions of tons of ore were created. The author mentions here how this is a case of the recipient country taking the initiative and lead in a project. Moreover, the Korean government also shared its profit with the nation at large by providing discounted prices of company shares to the public.

The last element discussed was the construction of the Kyoungbu Highway. Similar to the recent reports about the African continent, which needs more infrastructure in order to transport resources and goods around the continent; Korea also received similar reports and conclusions itself. Reports highlighted the need for infrastructure such as roads, railroads, and development in other forms of transportation. The majority of the stakeholders agreed that Korea needed sufficient infrastructure to further development. However, the International Development Association (IDA) declined to provide development aid to construct this infrastructure. Thus, the Korean government tried to construct this infrastructure the cheapest and fastest way possible given its limited resources.. After the successful completion of this, the IBRD and other international organizations became more active in helping Korea with building infrastructure.

The author concludes with some other minor successful Korean development cases regarding foreign aid recipient projects. In this section, he mentions that there were no extreme examples of failed projects in Korean development history, and that the outcomes were overwhelmingly positive. The author then provides some examples of what contributed to Korea's success, namely, 1.) complex, but strategic development aid projects; 2.) a long-term view on development; 3) recipients' motivation for development and initiative; 4.) participation and ownership; 5.) political discussion, choice and focus on issues; 6.) using technical human resources; 7.) policy and the system's importance; 8.) cultural and social value and attitudes; and 9.) the government's central decision making. The author also mentions the new role of Korea in the international arena and its transition from a recipient country. These, in addition to organic partnership, are suggested as examples of what could be introduced to developing countries from Korea, and as being possible Korean footsteps into the developing countries.

Returning to the question posed earlier; what is a Korean model in the development field? There were several valuable experiences for Korea it learned as a recipient country, namely; the connection between education and the industrial development, and on more importantly, the government's central role

with clear and strong initiative. My conclusion is that Korean model could be a model focusing on the government's initiative, which would require more in-depth study on how to maximize the recipient government's effectiveness and also match successfully with the recipient nation's motivation. Other countries have their own models; The Japanese International Cooperation Agency and Japanese Development Support Model is focused on mutual development. The Chinese Development model is a "no touch" model, and the DAC's model is focused on following international rules, ethics, and humanitarian support. Borrowing a phrase from the author, the Korean economic development showed hardware and software are important as well, but "mindware" is the most important factor of development (p. 270). This is a crucial time for the Korean government to study Korea's ODA history as a recipient country and find the best to implement its experience. Support for a model similar to the one argued above has been shown recently in the UNDP, which has discussed the need for good governance, and increasing recipient government's role and effectiveness, as one of the next development goals. Following this path will allow Korea to assume an effective role in international development and society based on all of its experiences, rather than just promoting one specific movement such as *Saemaul Undong*. **Y**