Learning from South Korea’s development experience: a summary of the UNRISD-KOICA methodology workshop for the project “Making Development Cooperation Effective” leading to the HLF-4 in Busan by Olive Cocoman

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Introduction

Research ongoing by the United Nations Research Institute for Social Development (UNRISD) and Korea International Cooperation Agency (KOICA) titled ‘Making International Development Cooperation Effective’ started with the assumption that careful reading of the experience of South Korea is definitely rewarding to those with an interest in making aid effective for development.

Firstly, the analysis of the South Korean case offers the experience of the utilization of aid for simultaneous economic growth and poverty reduction from the perspective of a recipient country. This perspective is overshadowed by the donor perspective in discussion and analysis of aid effectiveness. Critical assessment of the development experience of the South Korea from a comprehensive perspective, encompassing a holistic view of the political, social and economic dimensions, rather than focussing to narrowly on economic growth alone, is required to understand the recipient states responses to and action for economic growth with poverty reduction. As such, both aid and non-aid policies must be considered together, in the process of identifying the potential of aid.

Secondly, the experiences of South Korea are diverse and provide a rich case study. Firstly, being in transition from conflict to post-conflict and nation-building and secondly, receiving aid during the transition from authoritarian to democratic regimes, may provide us with a variety of dynamics between various stakeholders. In this regard, and though the research recognises that the context of aid today is different from the period during which South Korea received aid, nonetheless, the South Korean
experience provides a interest case for exploration to see whether it provide relevant insights and policy lessons to developing countries facing the challenges and opportunities of the developmental context of the twenty-first century. Acknowledging that there is no one-size-fits-all model, the current research considers the questions:

1. What lessons can be drawn from the Korean experience of success in economic, social and political development which may be valuable for developing countries today?
2. What are the critical issues and questions in interpreting South Korean success? Also how should we interpret Korean developmental success and formulate lessons that can be transferable to developing countries?

At the commencement of the research project, the research team gathered in Seoul, in May 2011, and over two days presented ideas and brainstormed on the questions. This paper provides a synopsis of points made during that discussion. The overall consensus which the participants shared during the workshop is that economic and social policy should not be separated in understanding the development of South Korea and other developing countries, and the South Korean experience is a good exemplary case to show the significance of multiple roles of social policy in development. This workshop report highlights the major issues and key points raised during the project workshop.

The list of participants included:
Dr. Kim, Director of Research, Ms You-ah Chung, Director of ODA Research, Ms Hyunjoo Rhee and Dr. Bongkyoon Seo (Policy researchers)
UNRISD: Dr. Ilcheong Yi and Ms Olive Cocoman
Collaborators:
Dr Alice Amsden, MIT by video link
Dr Peter Evans, UC Berkeley by video link
Dr Thandika Mkandawire, LSE
Dr Mike Douglass, University of Hawaii
Dr Mookwon Chung, Yonsei University
Dr Eun Mee Kim, Ewha Women's University
Dr Jae Jing Yang, Yonsei University
Dr Jooha Lee, Dongguk University
Dr Taekyoon Kim Ewha Women's University
Dr Manohar Pawar, Charles Sturt University
Human capability enhancement in the capability enhancing Korean state

The centrality of the state’s role in capability expansion has been considered a significant aspect of the South Korean development success. Human capabilities are both a means and ends to development according to Amartya Sen (1995). Theories in development economics support this understanding. The 'institutional turn', (Hoff and Stiglitz 2001, Rodrik et al 2004) posits that growth depends on the design of appropriate and socially-embedded institutional arrangements such as how land reform and increased productivity among small farmers are important contributions to equitable growth in South Korea, Taiwan (Hart, 2002), Colombia and Costa Rica and this can be contrasted to experiences such as in Guatemala and El Salvador (Nugent and Robinson, 2010). In addition, 'new growth theory' (Lucas 1988, Romer 1994 and Helpman 2004) purports that growth depends primarily on human capital and ideas to support the service sector. Combining these theories, Peter Evans has purported that a 21st century developmental state must be a ‘capability enhancing state’.

Expanding the capabilities of the citizenry is not just a welfare goal, ‘it is the inescapable foundation of sustained growth in overall GDP’ (Evans, 2010:37-38). Evan’s considers that the capability enhancing developmental state is the only option for positing a coherent analytical alternative paradigm of development to the current neoliberal paradigm. As, current policy debates on development have gone backwards in the north, for example the UK and US, a more effective paradigm may credibly emerge from the global south or later industrialisers and South Korea is an excellent candidate for this alternative paradigm. For Evan’s capability enhancement is the central role of
the developmental state for which South Korea is often nominated as the prime example. The developmental state, characterized by strong state intervention, as well as extensive regulation and planning is seen in contrast to the regulatory state which would intervenes less and empower regulatory agencies to enforce a variety of standards of behaviour to protect the public. In particular, and as explicit in the Korean context, the developmental state can intervene directly in the economy through a variety of means to promote the growth of new industries and driving industrialisation policy and related policy domains.

Eunmee Kim highlighted that prior to this theorisation of the developmental state previous theories have failed to explain the South Korean model of success in economic growth and poverty reduction. Modernisation theory, for example, failed to explain East Asia and resulted in a focus on cultural traits such as Confucianism, focusing on a zest for education and learning acting as a driver for productivity growth. Furthermore, dependency theory failed to explain those countries such as South Korea that could be classified as dependent on foreign capital and technology and development, but without a bad relationship in dependency (Deyo).

The success of state action requires close links to society that Evans calls "embedded autonomy." In South Korea, the focus on institutions as key to development has contributed to theory building (Johnson, Amsden, Kim, Lim 1987 and Woo, 1989). In particular, the developmental alliance between government and business is seen as central and will be analysed in this study by Eun Mee Kim. The states relationship with labour under both authoritarian and democratic regimes is in focus. Between the period 1972 and 1994, large volumes of funding available to South Korea were used to finance the state-business alliance and this proved key to development (Kim, 1997, 27-94). Amalgamating aid resources and the local capital and commitment of the Chaebol, the large business group, the South Korean government drove industrialisation through a variety of mechanisms. These mechanisms, varieties of incentives and control, will be explored further in the research.
Toward human capability expansion, Eun Mee Kim posits that there is a need to demonstrate in revision how labour was co-opted in the South Korean development experience. She emphasised that the argument of the developmental state as a benevolent benefactor is gravely wrong, because in the South Korean case the suppression of labour was a major reason for the economic success. Labour was a subjugated group that it was not able to express any voice. For example, an ethnographic study on LG, a member of the Chaebol business group, describes the use of the secret police to discipline workers. Additionally, it can be seen in the large heavy and chemical industry, a key industrial focus of the South Korean Government, the labourer to management structure mirrored that of the army. Post-military service workers worked under top-down hierarchical command. Similarly, Jae Jing Yang noted that during the period of rapid economic progress, the 1960s – 1980s, a productive relationship between government and labour is not discernable but a relationship that resulted in much with big business. During this period, which saw the growth corporate welfarism in South Korea, increasing wages and skill development elicit loyalty from trade unions and organised labour. In this process, the Chaebol upgraded their status and position in the production line and world economy. However, relatively quickly price competitiveness demands drove the need to decrease labour demand and investment in high technology were undertaken to work towards controlling the cost of labour.

The skills development of employees is seen a crucial component of development. The South Korean developmental state is posited as highly attentive to human capability enhancement. Amsden challenges Evan's concept of embedded autonomy as being as not useful today due to the existence of too many companies of increased capacity to be controlled by governments with decreasing capacity. In agreement with Evans’, she posits that the “developmental state” will continue to play a crucial a role in economic growth and social transformation in the 21st century, just as it did in the latter half of the 20th century,” but it will have to depart fundamentally from existing models of the developmental state in order to achieve success.
Alice Amsden posits that the key to drive development as seen in South Korea and applicable to many development countries today is the use Private National Ownership (PNOs). South Korea can be seen to have built up national industries through policies and practice which, still today, focus on national ownership and national skill development. Distinct, in this understanding is that national investment is not only inward but is also outward in focus. For example, utilising aid, reparation funding from Japan in particular, South Korea invested in outward looking industry, for example the key government focus heavy and chemical industrialisation focussed on foreign markets. The Vietnam War provided a bouyant market relatively quickly. While, in the past, as the LDC’s have been encouraged to have inward FDI for technology development and ‘know how’, in the South Korea most important was outward foreign direct investment which was integrated with nationally owned property. This provides a ‘vertical integration’ allowing for more stability and less risk nationally, more exposure to external new technology and additionally new venues to train South Korean nationals in roles not normally accessible internally in the South Korean state. Such benefits have in turn accumulative benefits sustaining growth and driving new growth.

Amsden elicited not only the benefit by the need for this approach. Firstly, outward investment has the role of harnessing human capabilities in SMEs. Beginning by building small at the world technological frontier, such investment is crucial because it is impossible to depend on foreign investment to support enough SMEs. As required, first rate outsourcing can be utilised to produce lower costs and speed. South Korea has been a model of this process, while simultaneously building its own national companies. In addition, by engaging in outward investment, new players or emerging economies move into high technology industry in which growth requires investment in research and development. Yet much foreign investment, except in China and India, does very little research and development in their host countries, for example less than 1% of total R &D in South Korea is undertaken by foreign investors. Fortunately, South Korean companies have been dedicated to engage in RnD. These activities combine to reverse the brain-drain. Moreover, with evidence that high level positions in MNCs promote foreigners to a certain level only, a race ceiling appears to exist in addition to the gender ceiling. For example, in a Taiwanese joint venture with Phillips,
'yellow/black/coffee glass ceilings' are depicted (Maurice Chang). Amsden posits that this curtailment on the opportunities for skills development at the highest management levels such as CFO and CEO, has been overcome by South Korean companies to support this skill development.

Furthermore, government support of new industry undertaking outward investment has the advantage of allowing the application of local consent to WTO rules. This is because while public rules are easy to impose on national industry but not on foreign investment, foreign-owned enterprises can’t be subjected to local content regulations. In this situation, state-owned enterprises and private national enterprises have more incentive to build their own local supply chains and in doing so secure the home market. Amsden demonstrates this in examples such as Brazil’s Petrobral securing Brazilian production of oil tankers to carry its oil and South Korea's high speed rail project. Amsden's concludes that for the developmental state the essence is nationalistic as opposed to the universal policies of the enlightenment as it is in its design aiming to secure the whole market, increase national ownership, national assets and national jobs. In addition, as the large MNCs engages in the purchasing of local products, the issue rests on the state to drive performance standards rather than the industries themselves. Towards, these ends, outward FDI and research and development are most appropriate developmental tools.

Relatedly, Thandika Mkandawire proposed that we consider how performance driven by the regulatory state or by the strong developmental state is different. For future research, Thandika Mkandawire highlighted that as Europe now learns from East Asia, innovation frameworks and industrialisation policy are not mentioned and not allowed by the WTO and there is the growing acknowledgement that the state matters. As such, being candid about the complexity of the South Korean model is useful in the learning process. Evans set out the future research tasks required in this consideration as follows: to date, we lack comparable detail institutional analysis of the mechanisms of capability expansion by the state by
analysing the institutions and structures associated with industrial transformation. There is the need to consider what kind of connections can be built between state and stake-holders to support a capability enhancing state and what networks have accurate information of what is wanted/needed/working or not working? This kind of network has been built between the state and industry in previous eras. Such a network was not just informational, but also involved political capacity on the part of civil society to ensure state action is in response to collective preferences. Formal institutions are one part of this but also further networks and deliberative venues are necessary. As such, we need research to consider what makes states efficient and effective in delivery of services, and what are the networks to support and provide the political structures to communicate with the state and inform the expansion of services? There are crude measures of capability expansion such as access to education, performance measures on health and how education has improved however we need to find more detail and undertake an institutional analysis to know how to assist people to live a life they choose to live because strategies based on narrow employment opportunities alone are not tenable.

**Welfarist or Productivist Social Policy?**

Responding to Evan’s argument on capability enhancement, Thandika Mkandawire identified gaps in the understanding of social policy that result in the limitation in the ability to be explicit about the capability enhancement capacity of the state. The welfare state is seen an end state to attain and therefore does not contain instruments for developing countries. This can be exemplified by the two large literatures on the developmental states (Amsden etc.) and on welfare regimes in Nordic countries (Esping Andersson etc.) that continue to remain exclusive from one another and researchers have to date not crossed this conceptual divide. In the interim period, Sen’s BLAST model (blood, sweat and tears model before development) requires a hard and not a soft side of governance. South Korea and Taiwan emphasises the hardness of the state. Yet, the welfare state can be highly productive and thus the achievement of a productive welfare state is a social investment (Myrdal).
Being welfarist and productivist are not separate. For Mkandawire, in South Korea the embedded autonomy of the state can be seen to exist beyond the big business, Chaebol. This can be seen though the lens of 'social policy by other means' such as the process which force families to undertake social roles. As we look back historically, we can identify what is functionally prevalent, for example, land reforms and government subsidising inputs to poor farmers and these must be included in the normal discussion of social policy. Mkandawire will explore the forms of transformative roles by which social policies working in collaboration and complimenting economic policies are evident in South Korea and proved successful in the Korean development experience.

Relatedly, Mookoon Chung highlighted the instrumental role of social transfers in capability expansion. Listing the range of normative social policy tools for which South Korea has examples of in broad social areas from public health and education, social security and social transfers, non-contributory pension, child- benefit and school fees as well as direct income subsidies to elderly people (Estevez Abe, 2008). Additional uses of social transfers were cited as having had a large role in productivity. For example, subsidising public utility charges for electricity, water, public transportation and telecommunication allowed for prices to be kept low for industry development and simultaneously subsidised urban workers wages. Further, public works and public loans to the disadvantaged were operationalised to generate incomes and increase consumption. In rural areas, agricultural subsidies in the form of fertilisers and government programmes to purchase rice from farmers at a high price and then selling to the market at a lower price is another form of subsidy. In addition to this emphasis on the incentives to workers and industrialists, Chung will consider if the role of social transfers in reducing poverty and increasing inequality is limited or if these applications of social policy through consumption and production subsidies can positively impact development. The role of the state and the creation of high quality institutions (Evans 1995, Rothstein and Teorell 2008) which rests on the quality of government, to ensure a high administrative capacity and low corruption rate allowing a strong bureaucratic
approach to extend coverage is posited as a significant requirement for these policy applications to be successful.

Delving into the role of social policies to strengthen capabilities in the times of crisis, Jae Jing Yang’s considered his research questions to focus on what social policies were employed at the time of crisis to cushion economic hardships in South Korea. Were there similar or similar patterns of social policy responses to the economic crises and what theoretical and policy implications can be drawn from the South Korean case in this regard? Yang proposed that particular sources of change and continuity are significant. Sources of change include the different financial capacity of the state, the different causes of economic crisis, the regime type and variation in state autonomy, the types of forms of political coalition. The source of continuity may be seen to be the path dependency of policy and the fiscal conservatism deeply entrenched in South Korean economic bureaucracy.

Land reform was evoked during the workshop as a central driver of change in capabilities. Initiated by the United States in the immediate post-war period, the reallocation of land resulted in large increase in agricultural productivity and this allowed, over time, the achievement of food security. Mkandawire provoked whether exogenous forces such as revolution are required to bring about changes in property rights? Mike Douglass described how in the global post-colonial period the normative squeeze on agriculture to fund development of the urban areas can not be seen to have occurred in Korea. In contrast, in the 1950’s in South Korea, land reform set an equality level to be achieved before industrialization and not after. The 1970’s saw the commencement of Saemaul Undong, a rural development scheme in South Korea focussed on self-reliant and self-help communities with strong local leadership to develop village infrastructure. For this building of village communities, cement and steel was given to 34,000 villages. The related agricultural policies of government to support rural workers by buying rice at a higher price from farmers and selling at lower price to city, incentivised this rural development also. While the extension of services, price
support and land reform were successfully undertaken, there were no urban-rural linkages and under the premise that the village cannot exist alone, Douglas will consider both the decline of rural development and the specific role of Saemul Udong during the 1970’s that proved a tool or assistance or deterrent to that process of rural decline in South Korea.

Specific sectoral efforts are the focus of the remainder of the research. Ilcheong Yi examines education and health policy. Though high education and health attainment can exist without high economic growth, such as in Sri Lanka, this research will consider how did the state mobilise and regulate the private sector to undertake a large role in these sectors. Yi posited that in the early stages of national planning in education and health, strong regulation of the private sector was undertaken in wealth distribution and functional wealth distribution such as large salaries for teaching staff to ensure these jobs were attractive. Sectoral linkages between education, health and the military combined to be productive linkages which will be explored further. Jooha Lee will examine additionally policy linkages as a key action in South Korean governance and consider the linkages in economic and social policy such as the impact of economic policy on social protection and other links between social and economic growth.

Gender and the environment are two sectors of state jurisdictions that are seen to have been marginalized in the course of South Korean development success. Jinock Lee, Taewook Huh, and Manohar Pawar all agreed that learning from failures would be the main task in research on these areas from the South Korean experience. What happened in gender and environment, what went wrong and why did it go wrong are seen as crucial questions for analysis? Though the concerns of the time are different from 21st century concerns, it is noteworthy to consider for the South Korean case what was won and what was lost in the process of development. For example, perhaps green growth is can be seen as not a new issue as every agricultural producer has the concern of their agricultural asset, the environment. Pawar proposed that there has been no improvement in environmental protection and in 1990's there was increased
management which has begun to assist and abate degradation. As such, these mistakes demand to be questioned from the perspective of whether developing countries can leapfrog this situation.

Regarding gender, there is a question around whether there were more gains than losses resulting from the opportunities for rural female workers to acquire education despite long hours in exploitative work conditions? Oh Eun Jung highlighted that gender issues persist in South Korea, for example the lowest female participation rate in the OCED and the largest wage gap. How are current issues legacies of the gender development process in terms of political and economic empowerment? Mkandawire highlighted that positive outcomes are often unintended. For example, in Sweden gains in gender were not about inequality but were beneficial to equality. Advocacy efforts focussed on achieving equity in salaries regardless of sector rather than been hung on the issue of gender parity. In the process of looking back retrospectively, can we tease out deliberate and more unintended policy actions and form an ex-post discovery as a lesson on the latecomer. Jinock Lee will consider why gender inequality remains so persistent in South Korea, whilst economic development has transformed social relations toward better equality.

The role of aid and foreign civic volunteerism

Aid funding to South Korea from 1945 to the early 1990’s consisted of 12.7 billion USD in grants and loans and in addition reparation funding was received from Japan. In considering how this foreign assistance impacted South Korean development in the different phases of development, the nature of the foreign assistance and the responses of the South Korean government, business, and civil society to aid resources must be understood. Aid effectiveness in the current understanding of the Paris Principles rests on a difficult balance of aspirations that have proven difficult to implement. Olive Cocoman described tensions between theory and practice for the aid effectiveness principles, such how managing for results jars with comprehensive and nationally owned development because partnerships in development, as in any domain, are fraught with power issues. In
particular the interests of donors remain strong and as a result the realization of recipient ownership remains remote. Yi suggests that looking into how South Korea managed to incorporate aid resources into the overall resource pool for national development planning and moreover for sustainable long-term planning is of much significance to understanding aid and development effectiveness concerns. Hyunjoo Rhee noted that key to this success was the importance of good institutions for managing aid resources which guaranteed ownership and policy space to the Korean government as well as the importance of planning for development that embodied both the Rhee and Park regimes. Thandika Mkandawire cited the importance of understanding the use of aid towards improving the potential of aid today. Towards this end, it is essential to understand the nature of the recipient and question what the multiplicity of donors mean for practice. Also important to consider is whether aid should not fund the big ticket items, such as infrastructure, human capital and industrialization rather than being fragmented in project based initiatives? The absorptive capacity problem needs consideration. In relation to these ideas, the usage of aid resources in South Korea as opposed to that of current practice may contain lessons.

Lastly, the role of civil society is seen crucial to the capability expansion paradigm whereby embeddedness rests on supporting civil society as a partner to the state. Evans cited Kerala as an example of powerful development of civil society and corresponding improvement in state capacity. For South Korea, Taekyoon Kim described the role of the voluntary sector in the international transfers of knowledge and aid and posited three key successes notable for research; the setting up of local bureaucracies such as KDI and KAVA, the use of voluntary agencies with local populations and the teaching of civic voluntarism. The experience of South Korea may provide new understandings for civil society’s role today. Voluntary associations in Africa can been seen as not being membership organizations but complimentary to the aid establishment said Thandika Mkandawire, and as such this capability enhancing role is in need of careful examination.
Conclusion

This array of ideas and discussion points signal that the final research findings may have much to offer the debate on development assistance in the 21st century.