Localizing International Transfer of Aid and Technology for the Promotion of Development

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Focal Points

• Influences of international transfer on the development and ownership of local authorities

• The capacity of localizing externally-transferred aid, knowledge, and technology
• Impacts of international transfer on trading patterns of the recipient country

• To draw policy implications through South Korea’s success story
Conceptualisation and Methods

• Dual processes between international factors and the response of local authorities
  – Macro-level: international efforts to enhance the aid effectiveness
  – Micro-level: the capacity development of local authorities

• Micro-macro link: middle-range approach with four institutional fronts

• Archival documents of USAID, and Korean governmental agencies

• Time span: 1950s (Rhee) and 1960s (Park)
The Korean Experience

- Aid Transfers
- Knowledge Transfers
- Voluntarism Transferred
- Technical Transfers
## Aid Transfers

<table>
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<tr>
<th>Year</th>
<th>United States</th>
<th>United Nations</th>
<th>Total</th>
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<td>GARIOA</td>
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Source: Bank of Korea (1963)
Aid Transfers

- 1950s: Emergency relief assistance and consumption goods (81% of total aid)
- 1957: Diminishing concessional aid, increasing loan
  - Awareness of economic crisis; economic development planned
- Korean government’s Institutional efforts for economic development
  - Ministry of Reconstruction (1955)
  - Korean Development Bank (1954): Counterpart funds (49.3% of financial resources)
  - Economic Planning Board (1961)
- Strong government leadership and effective bureaucratic regulation of foreign aid (the emergence of developmental state)
  - Heavy-chemical industries in the face of US stern opposition
Aid Transfers

US Government & Aid Agencies

Korean Government

Counterpart Fund

Consumers of Korean Society

US Aid Agencies

Military Expenditure

Investment & Loaning

→ Aid goods flow

--- Capital flow
Knowledge Transfers

Western Economic Theories and Localization Processes

- **Balanced Growth Theory** (R. Nurkse, P. Rosenstein-Rodan) - 1950s
- **Import-Substitution Industrialization** (Rhee Government) - 1950s

- **Unbalanced Growth Theory** (W. W. Rostow, A. O. Hirschman) - 1960s
- **Export-led Industrialization** (Park Government) - 1960s
Voluntarism Transferred

• Comprehensive contributions of foreign voluntary agencies for emergency relief
Voluntarism Transferred

• Impacts of foreign voluntarism in Korean society
  – Tradition of civic coalition to create peak associations
    • Korean Association of Voluntary Agencies (1952): “Second Ministry of Health and Social Affairs”
    • National centres for coordinating policy advocacy and service delivery
  – Localisation of American Voluntarism
    • Organisational impacts of American voluntarism: philanthropic, apolitical, missionary and residual
  – Korean government intervened in foreign voluntary activities for enhancing its autonomy
    • Park’s legal action: Law Concerning Foreign Voluntary Relief Agencies (1963)
    • National Relief Coordination Committee (1962) to control 83 foreign agencies
Technical Transfers

• Higher educational institutions
  – Seoul National University: The Minnesota Project; School of Public Administration (1961); College of Natural Science (1975)

• Quasi-governmental research institutes
  – Korea Development Institute (1971)
  – Contributing to directing governmental policies for take-off strategy

• Technical assistance for public administration
  – USOMK’s advices for management of human resources, overseas training (SNU-UM), financial support to business school (Yonsei & Korea Univ.)
Impacts of International Transfer on Trade and Export

• Shifting from ISI to Export-led
  – The promotion of capacities and ownership of local authorities via international transfer came up with the emergence of developmental state aiming rapid economic growth.
  – ISI’s failure: Increase in imports’ share of GDP; decrease in manufactured exports
  – Export-led industrialisation: Park’s strong leadership, state intervention in targeted industries, influence of the unbalanced growth theory
  – Opening path of preferential benefits for chaebols and cartel
Concluding Remarks

- Expanding and consolidating the institutional capacity for development

- Local partners’ efforts to utilise and localise international transfer for its own development plans

- Bureaucratic responsiveness and proactive institutionalisation

- Some lessons of “mixed governance”
Thank you