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## Article

# Post-war economic recovery policy : experience of the Republic of Korea

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**Victoria Nebrat<sup>1</sup>**

### **POST-WAR ECONOMIC RECOVERY POLICY: EXPERIENCE OF THE REPUBLIC OF KOREA**

*The development of a strategy for post-war recovery of Ukraine's economy determines the advisability and importance of taking into account international experience. An urgent task is to assess the possibility to implement those economic policy tools that have proven their practical effectiveness. At the same time, it is necessary to define the reservations and risks associated with the implementation of certain aspects in the recovery policy.*

*The purpose of the article is to identify institutional factors and economic mechanisms that provided the successful post-war recovery and development of the Republic of Korea in the 1960s and 1970s. Revealing the positive experience of the restructuring involves the account of historical conditions, and the role of foreign aid and internal sources of economic growth.*

*The author has used the methods of comparative and problem-logical analysis, the institutional-evolutionary approach, the principle of integrability as a basis for the synthesis of empirical and theoretical knowledge, and the methodological approach of F. List regarding the historical conditioning of forms of economic nationalism.*

*It is established that after the end of the Korean War, in 1953-1960, domestic policy and foreign aid were focused on solving the primary tasks of overcoming devastation and hunger. The author considers the forms of interaction between the state, the business environment and foreign aid in ensuring the recovery and development of the economy of the Republic of Korea in the 1960s and 1970s. Contrary to the recommendations aimed at liberalizing the economy with a focus on the development of traditional industries, the government of Park Chung-hee gradually implemented a national strategy aimed at*

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*industrialization and achieving global competitiveness on high-tech markets. This was facilitated by the introduction of the national planning system, the financial strategy of public-private partnership, and the support for export-oriented industrial production. The agrarian reform, focused on the development of highly productive family farming, contributed to the consolidation of food self-sufficiency and expansion of the domestic market. The strict policy of the redistribution of donor funds by the state provided a so-called export discipline for big business, thanks to which the national corporations - chaebols - became the drivers of investment and innovation based modernization of the economy. The author defines the main components of the Republic of Korea's success in realizing the national interests of economic development under the conditions of foreign aid in post-war reconstruction. An assessment is made of the possibility and expediency of using South Korean experience in Ukraine<sup>2</sup>.*

**Keywords:** *post-war recovery, historical experience, economy of the Republic of Korea, foreign aid, economic policy, restructuring*

**Statement of the problem.** Among the states that succeeded in post-war modernization, the experience of South Korea (officially known as the Republic of Korea) attracts attention. Undoubtedly, this country has a distinctive and very different culture, history, social traditions, and population mentality as compared to Ukraine. In addition, the economic potential of the Republic of Korea in the early 1960s, when the active implementation of the reconstruction policy actually began, was significantly different from modern Ukraine. First of all, the Republic of Korea at that time had almost no industry of its own capable of producing innovations and creating new products. Moreover, the economy, which had not even reached the third technological stage in its development, could not become a recipient of advanced foreign technologies (such as machine-building, chemical, pharmaceutical, and other industries). This determined the development potential and mechanisms for building national industry. At the same time, there are common features that characterize the state of both countries at the beginning of the postwar economic recovery (a long war, disintegration of territories, significant destruction of economic facilities and infrastructure, and important role of external partners and donors) and determine the relevance of the South Korean experience for Ukraine. The negative experience should

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also serve as a warning, as the active state policy of postwar economic recovery in South Korea began only seven years after the end of hostilities.

**The analysis of recent studies.** In the context of searching for effective mechanisms of technological modernization of the economy and structural reforms that promote accelerated economic growth on an innovative basis, the South Korean economic experience was studied by Hurmak V., Ivanov S., Salikhova O. and Bak H. [1-4]. The issue of the influence of the state structural policy on the success of economic modernization of East Asian countries, including South Korea. I. Piliaiev's article [5] is devoted to the justification of the expediency of applying positive experience in transitional economies from the standpoint of neostructuralism. In the context of the post-war transformation of the governments of Japan, West Germany and South Korea, Humeniuk V. examines the managerial aspects of forced modernization under authoritarianism [6]. An attempt to explain the reasons for the South Korean economic miracle, taking into account deeper time horizons, is the publication of V. Kolomiitseva [7]. Most studies and, accordingly, publications focus on the state policy of innovative development in South Korea, and the means of creating a post-industrial society and attaining a leading position in the global information based economy. However, for Ukraine, it is particularly important to search for the experience of post-war recovery, the combination of state regulation and market mechanisms in creating institutional conditions for realizing the country's existing economic potential, as well as achieving international competitiveness through the creation and further development of high-tech industries.

**The purpose of the publication** is to reveal the historical conditions, institutional factors and effective economic mechanisms for the postwar recovery of the Republic of Korea's economy. An important task is also to assess the possibility of implementing South Korean experience in the development and implementation of plans for the post-war economic recovery of Ukraine.

#### ***Historical conditions***

Having existed for over one thousand three hundred years as a single independent country, Korea lost its state sovereignty after the Russo-Japanese War in 1905, when Japan established its colonial regime. Korea regained political independence after Japan's surrender in World War II in 1945, however, the Korean peninsula was divided along the 38th parallel into two zones of occupation, similar to the way Germany was divided in Europe. The United States took control of the south of the country, while the USSR took control of the north. In 1948, two states were created on the territory of the former unified Korea - the Republic of Korea in the south and the Democratic People's Republic of Korea (DPRK) in the north.

In 1950-1953, a war took place between the two parts of the formerly integral country. North Korea was supported by the USSR and China, while South Korea was supported by the United States and a coalition of UN countries. The active phase of the war ended with the signing of an armistice in 1953, but no peace agreement was concluded. That is, the conflict entered a protracted "frozen" stage, the two countries are still separated by the so-called demilitarized zone and relations between them are quite tense. At the end of the war, U.S. troops as a peacekeeping contingent remained in South Korea, which suffered huge social and economic losses: the total number of civilian casualties was almost 1.5 million, while the destruction of property was estimated at about 3.1 billion U.S. dollars, and almost 43% of residential buildings and industrial facilities were destroyed [8].

The postwar situation in South Korea was complicated by the fact that the collapse of the previously united country resulted in the breakdown of established production ties and trade flows, as the southern part of Korea was traditionally predominantly agricultural, and industrial potential was concentrated in the north of the peninsula. With the population in the early 1950s about half that of now in Ukraine, the territory of South Korea is almost six times smaller, poorer by fertile soils, and the terrain is mostly rocky and mountainous. The area of arable land was less than 1/5 of the country's total territory [9, p. 49] (for comparison, in Ukraine it is about 55%). The country has no natural mineral resources, including energy, and is surrounded by the sea, with a land border only with hostile North Korea. Thus, in addition to the vital need for financial and humanitarian assistance from the West, the postwar South Korea was heavily dependent on imports of industrial and agricultural products. The reduction of production, unwinding inflationary spiral and massive poverty characterized the postwar state of the economy and society. Unlike Ukraine, which had a developed industry and established state institutions before the Russian-Ukrainian war, South Korea was a backward country in both economic and institutional terms, poor and dependent.

#### *External assistance*

In the 1950s and 1960s, the United States viewed South Korea as a springboard for the consolidation of its position in the East, as a country where it was prospective to prove the economic efficiency of capitalism and the political advantages of Western democracy over the communist system, which was then rapidly gaining popularity in the Third World. According to Truman's political and economic doctrine, it was important not to give in to the expansion of communism [10, p. 9-38]. Therefore, aid to South Korea was much higher than the amount provided to Western Europe and it lasted much longer. For example, West Germany received about 3.9 billion US dollars under the Marshall Plan in 1946-1950, which was about 5% of the national

income. [11]. For comparison, in the 1950s, when American aid to the Republic of Korea was at its highest, it was approximately equal to 15% of the latter's national income [12, p. 399]. According to a review by Lee Kei Woo, in the 1950s alone, the country received official foreign aid for reconstruction, totaling about \$2.3 billion. Like in the 1940s, the main donor was the US government. The UN support under the Citizens of the Republic of Korea (CRIK) program and the UN Korean Reconstruction Agency (UNKRA) together amounted to about 21% (\$479 million) of the country's total official aid provided during the 1950s. Approximately forty countries pledged a total of \$208 million to fund the UNKRA projects. However, only \$122 million was mobilized and used for recovery [8].

The purpose of postwar foreign aid to South Korea was mainly humanitarian: in the 1950s, funds for the reconstruction of production facilities, housing, transport and energy infrastructure in total accounted for less than 30% of total aid, while 77% was accounted for by food, raw materials, and other consumer goods [8]. UN efforts were crucial in the fight against famine and disease in the country in 1951-1956. At the same time, after the end of the Korean War, UNKRA helped to restore destroyed buildings, and provided materials for reconstruction, transport and technical support for the Korean industry (at that time, mainly extractive industries). The US aid administrators - FOA (1953-1955) and ICA (1955-1959) - insisted on first stabilizing and then developing the economy, prioritizing the control of hyperinflation and ensuring subsistence level. Negative side effects of the large amount of food aid included distortions in food prices and reduced incentives for farmers.

External financial support for increasing South Korea's production capacity was largely directed to the construction of railways (the Youngam, Choongbook and Hambaik lines). Part of the aid was used to build new plants and factories (in particular, a fertilizer plant in Chungju, an arsenal in Busan, an electric wire factory, a pesticide factory, a rubber processing plant, a tire factory, and a shipyard in Busan). In addition, about 78 million dollars were used to build 44 new facilities. An amount of US \$78 million was used to build 44 new small power plants and to reconstruct the existing hydroelectric and thermal power plants [8]. By the end of the 1950s, most of the country's infrastructure, including railroads, roads and harbors, thanks to foreign aid was restored to almost pre-war levels.

At the same time, until 1961, in the context of frequent government changes and general political instability in South Korea, external financial assistance, although contributing to the solution of priority urgent needs (fighting hunger and rebuilding destroyed housing), could not ensure positive structural changes. The government granted access to the distribution of imported raw materials and inputs to a few privileged business families, allowing them to receive excess profits at the expense of

the state. Similarly, special banking loans, and funds received by the country under foreign aid programs were provided to those businessmen who supported the corrupt government [13, p. 300]. Dependence on American aid was exacerbated by the comprador nature of the business conducted by a small entrepreneurial class. In fact, at that time, in order to ensure Korea's economic development, it was necessary to create this country's own industrial base, new production infrastructure, and build an institutional system of state economic management.

When the military led by General Park Chung-hee came to power in South Korea in a coup d'état in May 1961, the Kennedy administration invited the South Korean leader to the United States, where he met Walt Rostow. The influence of Rostow's ideas on General Park exceeded all expectations of American politicians, as Park Chung-hee was looking for a way to ensure economic growth and modernization of the country. He was impressed by the idea of the stages of social development determined not by property relations but by the technological level of production. Park Chung-hee based his plan for building a successful Korea on the idea of modernization through technological innovation and changes in the structure of the economy.

#### ***Internal driving forces and resources***

Unlike W. Rostow, who was convinced that no country could skip a stage or go through them with a different sequence [12, p. 4-16], general Park Chung-hee believed that South Korea was able to make a "leap from the third world to the first one". Despite his authoritarianism in governing the state and political intolerance of opponents, the South Korean leader showed great zeal and commitment to the idea of economic development. It is also worth noting that he was well aware of the history of building an economic power, in particular, the experience of industrial policy in Japan and Germany, which were not based not on the neoliberal recipes for total deregulation, but on the theory of national economy by F. List and the doctrine of educational protectionism. Therefore, despite warnings and outright bans from American advisory and donor institutions, he continued his policy of accelerated industrial modernization and increased industrial exports. Less than a year after seizing power, Park Jong-hee published his own book - a manifesto of the country's transformation program "Our Nation's Path: Ideology for Social Reconstruction" [15].

The first five-year plan (1962-1966), developed by the highest body of the Republic of Korea in 1961-1963 - the Supreme Council of National Reorganization - provided for accelerated industrialization, creation of basic sectors of the economy, in particular, energy, petrochemicals, manufacturing, construction materials and mineral fertilizers. However, there were difficulties with financing, as the United States did not perceive the targets as realistic. At the same time, the South Korean leader had high hopes for historical traditions and national character. After all, as an agrarian nation,

Koreans had to compensate for the acute shortage of farmland with hard work. To live in prosperity, they had to cultivate and nurture every piece of land suitable for plowing. In addition, in the past, the Korean territory was the object of encroachment by neighbors - the Chinese, Mongols, and Japanese. The formation of the Korean nation took place under the constant threat of invasion and conquest. This shaped the mentality and common features of social behavior - hard work, resilience, patience, devotion to their land, patriotism, desire for harmony, personal perception of common problems and a high level of social responsibility [16, p. 106-107]. Therefore, Park Chung-hee's plan relied heavily on *non-economic* factors - a revival of the potential energy of national traditions and culture.

In order to make an "economic leap", the government pursued a comprehensive policy to restore the original worldview and culture of the Joseon Dynasty, and emphasizing the power of the Korean people, who can do anything. Political narratives were based on the ideas of "Juche-song" (subjectivity, self-reliance), which are based on "the priorities of national interests, Confucian values and worldview" [16, p. 109]. In line with the strengthening of economic independence and self-reliance, the second five-year plan (1967-1971) was developed, which envisaged getting rid of import dependence in such strategic industries as mechanical engineering, steel and chemicals through industrial modernization and the development of new production facilities.

Political reform continued the policy of consolidating the nation on the basis of common goals. The growing tendencies of authoritarianism reached their peak in 1972, when the president decided to concentrate all the levers of power and control of the country's resources in his hands. Thus, during the period of the implementation of the first two five-year plans (1962-1971), a mobilization model of economic development was in effect and, eventually, a single dictatorship. This was explained by the tasks of ensuring political stability, gaining an advantage in the economic competition with the DPRK, and bringing the republic to the level of developed countries. The constitution was amended to allow the president's dictatorship to continue in power indefinitely, and the parliament and political parties were dissolved. These transformations took place under the general slogan of "yusin" (renewal).

Based on the economic results achieved in the early 1970s the country declared a policy of developing export-oriented production. The Third Five-Year Plan (1972-1976) was a turning point in terms of South Korea's acquisition of the status of a high-tech economy competitive in international markets. Thus, although the transformation began in the context of the traditional agrarian and raw material structure of the economy, the prevalence of patriarchal institutions, and dependence on US food supplies, the coming to power of the military government and strict centralization



opened up opportunities for implementing a directive policy based on the mobilization of domestic resources.

### *Effective economic mechanisms of state policy*

The government's efforts to transform South Korea from a backward agrarian country into a modern industrialized one were based on centralized management and planning of industrial development. The gradual fulfillment of the tasks of industrialization, import substitution, creation of a high-tech economy, and achievement of international competitiveness in the shortest possible time were the objectives of the seven five-year economic development plans (1962-1996). The fight against corruption and the introduction of new technologies became the main means of progressive changes.

State regulation and mechanisms of economic financing were to promote dynamism, coherence, and investment support for accelerated industrialization. It should be noted that the catching-up model of modernization itself "implies, instead of organic changes, expanded state intervention (dirigisme, interventionism), which changes the trajectory of economic development (by administrative and market methods). In all cases of the so-called economic miracle known after the Second World War, catch-up modernization was carried out in conditions of authoritarianism, severe restrictions on rights and freedoms, as well as a "tough" state with expanded interference from above" [17, p. 23].

At the same time, general Park, developing a roadmap for the 1960s structural reforms, emphasized: "Economic planning or a long-term development program cannot be allowed to undermine creativity or spontaneity of private entrepreneurship. We must maximize the benefits that self-regulation of free competition usually provides, while avoiding the possible losses generated by the monopoly system. There should not be and will not be economic planning for the sake of planning" [15, p. 120-121]. The most effective strategy of the state to ensure the transition to endogenous dynamic development is not about establishing a total centralized management and controlling all aspects of business activities, but about promoting the development of private entrepreneurship and directing it into a productive direction.

Socio-economic modernization was impossible without overcoming the colonial land ownership structure in the Republic of Korea and increasing the efficiency of agriculture. The *agrarian reform* was focused on developing highly productive family farming, strengthening food self-sufficiency, increasing employment, and expanding the domestic market. Since the early 1960s, farm-gate prices for agricultural products were raised, and government investment in rural infrastructure and chemical fertilizer production increased. The positive effects of the institutional structure of the economy were to create a market environment with a predominance of labor income over

property income. Thus, the government-supported family farms focused on maximizing yields rather than profitability. As a result, the country overcame its dependence on food imports relatively quickly and moved on to industrial development. At the same time, unlike Ukraine during the Soviet industrialization era or Taiwan after the Second World War, South Korean agriculture could not generate investment resources to finance the industrialization of the economy due to the poor climatic and soil conditions in the region [12, p. 64].

State financial policy was subordinated to the objective of accelerated industrial development, and increased technological level of production. At the same time, there took place a *centralized distribution and directive management of financial resources*. The objectives of priority support in different periods for different industries were attained via the use of such instruments as program-targeted financing and selectivity in the access of foreign investors to the country's domestic market.

In implementing the strategy of catching up with technological development in the Republic of Korea, *debt forms of attracting foreign capital* prevailed. Similar to Prussia and Japan, which in the nineteenth century did not welcome foreign direct investment, the attitude to their attraction to the economy of the Republic of Korea in the twentieth century was also very cautious. Firstly, the government consistently followed the principle of weighing pros and cons in decision-making and rejected proposals if the benefits to the country's technical and economic development were not significant enough. Positive effects included the following: increased investment, new jobs, technological upgrading of industry, contribution to the balance of payments, and technological transfer. The following effects were considered as negative: costs caused by transfer pricing (in case of direct investments by TNCs); restrictions on imports and exports imposed on subsidiaries; displacement of national investors from the domestic credit market; inefficient allocation of resources due to lack of competition in the industry; restraint of national technological development (for example, if restrictions were imposed on the use of similar technologies by other companies in the industry); a distortive impact on the structure of the national industry; and the likelihood of lobbying by transnational corporations for their interests. In other words, the admission of *foreign direct investment* (FDI) was supposed to provide not only direct positive effects, but also to cause positive synergy and give impetus to cumulative processes of progressive change. The expected result of this selectivity was a low share of FDI in total foreign investment [18, p. 24].

Secondly, in order to protect the monopolistic interests of local firms, strict restrictions were introduced on the sectors where direct foreign investment could be directed, in particular, these are financial services, real estate, hotel industry, etc. [19, p. 14]. As a result, the inflow of foreign direct investment was blocked in those sectors

of the economy that are not drivers of technological innovation, but rather provide intermediary services, have a speculative component, and are focused on rent-seeking.

Thirdly, certain requirements were imposed on foreign investors in terms of mandatory exports, supplementing their investments with bringing technologies, which are new for South Korea, the production of components within the country, etc. At the same time, the period of the 1960s and 1970s was characterized by the government's stimulation of export-oriented industries, including by creating preferences for companies, which produce end items for export.

Fourthly, by granting access for foreign investors, the government tried to create favorable conditions not only for technology transfer but also for *borrowing progressive management practices* and organizational skills. Therefore, joint ventures were preferred, especially those with predominant control of national organizations. The practice of buying out (with government support) a foreign partner's share in a joint venture after the implementation of borrowed technologies is completed became widespread. This was done when Korean companies, thanks to the introduction of advanced technologies in oil refining and modern practices of industrial construction, were able to enter the markets and sign contracts in the corresponding areas with the countries of the Middle East in the late 1970s [20, p. 86].

Thus, attracting foreign investors requires strict regulation of the spheres and conditions of their activities. At the same time, historical experience shows that the system of institutional restrictions is not an obstacle to capital inflows; political and economic instability, the threat of war escalation, institutional uncertainty, and corruption can be a much greater concern. In general, South Korea's successful experience consists in directing foreign investors to achieve socially important goals rather than using the country's resources and potential in the interests of multinational corporations.

An important component of economic transformation is changing the institutional structure of the economy, in particular, the ratio of the private and public sectors, as well as the share of foreign ownership. This issue becomes relevant in the process of obtaining external assistance, as it determines the degree of control the national government has over the country's economy, the ability to implement the development strategy, and the capacity of government actions to stabilize the macroeconomic situation. The share of foreign ownership in South Korea was strictly regulated. For certain industries in need of technical assistance [20, p. 85], up to 75% and, since 1966, up to 100% foreign ownership in one company was allowed since 1960. These included: industries where access to technology was an imperative for their further development; and industries whose development required very large-scale investments with high risks that were unacceptable for state funding. Thus, foreign

ownership was primarily invested in high-tech industries, where it was concentrated. Resources and the extractive industry remained owned and operated by the state and national enterprises.

It is worth noting the activities of the South Korean government *to accumulate domestic resources* to ensure investment and innovation based modernization of the economy. First of all, back in the 1960s, the country established "safeguards" against capital outflows. The following proved to be effective restrictions on foreign investment: a ban for residents to open foreign bank accounts and purchase foreign securities; a ban for non-residents to issue Korean won denominated securities; and foreign direct investment only after official coordination and approval, with the encouragement of the involvement of Korean banks as intermediaries [21, p. 490].

Since the early 1960s, South Korea's modernization was based on the *adaptation of foreign developments* and the support of large companies that proved their ability to master advanced technologies and new products. The national experience of channeling the financial and technological resources of national corporations into high-tech projects is associated with the activities of chaebols - groups of formally independent firms owned by certain families under their unified administrative and financial control (Samsung, Daewoo, Hyundai, etc.). The planning and mobilization policy of economic reconstruction and industrial development stipulated that the processes of attracting investments, modernizing production, and developing innovations should take place in parallel, not sequentially [3, p. 105]. Therefore, since 1961, Park Chung-hee's government managed to turn national corporations into a powerful tool for rapid economic restructuring.

This phenomenon is associated with a special *mechanism of public-private partnership* and financial relations. It worked as follows: the state, represented by the Economic Planning Council (EPC), in cooperation with experts representing financial and industrial circles, identified priority areas and projects for five years, state-owned banks received long-term loans abroad under state guarantees, these loans were granted by banks on favorable terms to chaebols that implemented projects approved by the EPC. The criterion for project success was the competitiveness of the chaebol in the global market. Corporations that did not succeed in exporting were doomed to bankruptcy or takeover, and the state did not save them. This practice made it possible to quickly turn a country of rice farmers and fishermen into an exporter of advanced technologies [22]. The so-called *export discipline* became one of the drivers of innovation and investment based modernization. The model of partnership between financial and industrial groups and the government based on attracting external financial assistance ensured structural adjustment of the economy and technological modernization of production. The government provided production licenses and loans

to entrepreneurs whose export performance created opportunities to implement infrastructure and industrial development plans.

Thus, the targeted state policy, the peculiarities of the corporate principles of the South Korean economy and its *targeted transnationalization* [1, p. 145-148] ensured rapid modernization and contributed to the formation of an innovative development model. At the same time, the activities and role of chaebols are controversially assessed. To date, discussions continue on whether the positive effects of government cooperation with these business conglomerates outweigh the threats and negative consequences caused by the dominance of chaebols in the South Korean economy [23, p. 299]. Nevertheless, global interest in this phenomenon focuses on how they achieved tremendous success in the international market in such a short period of time. Therefore, considering the mechanisms of investment and innovation based modernization created and successfully implemented in South Korea, one cannot but agree with J. Stadvel that it is the political decisions that are of the greatest importance in terms of the results of economic development [12, p. 29].

#### ***The development of science and human innovation capital***

In the 1960s and 1980s, the Republic of Korea implemented the doctrine of the "developmental state" - a state where all administrative levers are used and resources are concentrated to achieve rapid growth. Following successful experience of Japan, the developmental state policy [24] was aimed at modernizing and maximizing the use of national potential to achieve a new quality of life. The development of science and education, which in the early post-war years were seen by South Korea's external donors as a component of the restoration of the socio-humanitarian space, was the basis of the national strategy for the formation of a high-tech economy capable not only of endogenous development but also of producing innovations since the mid-1960s.

In 1966, the Korea Institute of Science and Technology was established to study, improve, adapt and promote the introduction of foreign scientific and technological experience into the national industry. Receiving funding directly from the state budget, this institution became a leading scientific center for building a high-tech economy and a knowledge-based society in South Korea. A year later, a special governing body, the Ministry of Science and Technology of Korea, was established and a law on supporting science and technology was passed. As a continuation and an important component of industrial policy, South Korea began to develop a science and technology policy and a system to support it.

The creation of the industrial base of the national economy - the commissioning of new enterprises, the development of the most advanced technologies, and the production of high-tech equipment and machinery - was combined with a consistent

and comprehensive policy of human resources modernization. After all, the ability to quickly create and effectively operate a national innovation system is primarily determined by the availability and level of human potential. Therefore, at the stage of implementing the plan of technological and structural transformations, along with the attraction and implementation of foreign technologies, state incentives for export-oriented industries, and encouragement of design and experimental development, the state system of training research and engineering personnel was also developed. Priority was given to technological education, in particular: firstly, the college system was expanded, its staffing, financial and educational, and practical support was strengthened; secondly, university education was structurally reorganized to increase the share of engineering specialties and the number of graduates to work in the field of mechanical engineering and electronics [3, p. 113], as well as to strengthen the research component of education.

The professional training of students differed significantly from the educational systems of Southeast Asia, Western Europe and the United States. In the Republic of Korea, first of all, it was possible to avoid a common mistake of countries with economies in transition - an excess of "education in the wrong direction" [12, p. 24], as J. Stadvel calls this phenomenon. After all, the fact that there is a transformation of the economy to market-based economy, does not mean that economists, lawyers, managers, and accountants will play a decisive role. In the countries that successfully underwent postwar reconstruction and structural and technological modernization, the share of humanities students did not exceed 10% of the total number. Engineers and technologists were in demand more than bankers, businessmen, and managers, designers.

In order to increase the ability to borrow foreign technologies and implement them into the production and technological environment, as well as to establish its own advanced science, the South Korean government in the late 1960s set the following tasks: to create an administrative and legal framework for the development of national science and technology; to promote the development of skilled workforce; to simplify the procedure for importing foreign technologies; to create a network of scientific and research institutions based on mixed state-corporate funding; and to implement the policy of professional development of employees as an essential component of the activities of national corporations.

Science and technology policy and public education and training management measures were focused on shifting not only research projects but also the learning process from university classrooms to production workshops and experimental laboratories. Skills acquired outside the formal education sector, directly at enterprises and in business practice, proved to be more relevant to economic development. The

highly effective educational investments and research and development were those, which were made in companies that participated in international competitions.

The Republic of Korea succeeded in creating a unique innovation system precisely because of large-scale and continuous investments in the development of the human innovation potential of the economy and research and development (R&D). It is worth noting that the success of innovation policy based on the multiplication and realization of human capital was confirmed by other countries, in particular, by the post-war experience of the State of Israel, where "the development of the intellectual potential of the nation through active support of the scientific and educational sphere" became a factor in ensuring the transition to high-tech exports in the face of a constant military threat [25, p. 93].

In the early 1970s, after the industrial basis for economic development was laid, a new stage of industrial, scientific and technological policy began. It was characterized by *targeted support for strategic industries and promising industries*. The state financed large-scale research and development aimed at gaining competitive advantages in the high-tech markets. Much of the design development and experimental research was actually aimed at improving foreign models and technologies and introducing them into mass production. The key industries for which the government strongly encouraged the opening of new production facilities were electronics, shipbuilding, and the automotive industry [2, p. 82]. Scientific developments became a real factor in economic growth and the country's breakthrough into global technology markets.

Ensuring a strong start to the post-war structural renewal with centralized mobilization paved the way for further economic liberalization. This became an additional driver of the investment and innovation based modernization of the Republic of Korea during the implementation of the Fourth Five-Year Plan (1977-1981), when the development of knowledge-intensive industries was defined as a strategic guideline. Fundamental research, experimental and design development, and the build-up and realization of human innovation capital contributed to South Korea's dynamic rise to a leading position in the global economy.

***Summarizing the South Korean experience and the possibility of its implementation for the post-war economic recovery of Ukraine***

The phased implementation of the national strategy for post-war economic recovery and modernization ensured not only successful reconstruction but also the subsequent dynamic development of the Republic of Korea. It is important to bear in mind that rapid economic growth and decisive changes in the structure of the national economy did not begin immediately after the war, nor when the United States began providing large-scale assistance, but in the early 1960s with the establishment of an

authoritarian regime as a result of a military coup, which cannot serve as a benchmark for Ukraine. At the same time, the experience of managing economic development towards the formation of an innovative economy focused on achieving international competitiveness in high-tech markets is worthy of attention. The peculiarity of the South Korean model is the effective combination of market mechanisms of competition and pricing with the regulatory influence of the state. The components of this combination include the following key areas:

- development and implementation of five-year plans for the country's socio-economic development, which defined priorities, goals and means of achieving them at successive stages of the national social reconstruction strategy;
- channeling financial and technological resources of national corporations into high-tech projects;
- development of the state education system and public-private financing of scientific research.

The positive experience of South Korea has a significant potential for the use in Ukraine, in particular with regard to the following components:

- identification and state support of key industries that can provide a "chain reaction" in the development of other industries, and growing exports of high-tech goods;
- ensuring significant and continuous investment in the development of the human potential of the economy, research and development (R&D) by diversifying the sources of funding, increasing cost efficiency by combining the state system of research universities with professional training and continuing education in production, experimental laboratories, and business practice, in particular, in companies that participate in international competition;
- creating a financing mechanism to promote progressive structural changes in the economy. To do this, it is necessary to combine the financial resources of foreign assistance, the advantages of national economic development planning in terms of prioritizing areas and mobilizing resources with the capabilities of corporations (big business) to make significant investments, and to produce and implement innovations;
- implementation of a policy of targeted transnationalization of the economy - primarily through the creation of Ukrainian TNCs in innovative industries, in particular, in the IT sector, machine building, pharmaceutical industry, and high-tech agricultural production, which would help to increase the international competitiveness of national production and progressive changes in the structure of exports;
- the transformation of losses into new opportunities: the destruction of the resource and logistics potential of low-tech raw materials and agricultural exports points to the need to develop labor-, capital-, and knowledge-intensive industries to



attain economic stability and capital accumulation, which would form the basis for building a post-industrial society and joining the global information based economy.

Despite the success of the South Korean national strategy, there are objective differences between countries and historical conditions of their development that determine limitations in terms of borrowing and implementing institutional and economic mechanisms that proved to be effective in Korea. First, it should be noted that at the beginning of the reconstruction plans, South Korea did not have its own industrial base at all; second, it was a military dictatorship and authoritarian regime - the president unilaterally concentrated all the levers of power and resources of the country in his hands, which significantly increased the mobilization capacity of public administration; third, during the period of its recovery, the Republic of Korea could more or less freely choose the instruments of assistance and development, and was not burdened by strict foreign trade regulations on state aid, while Ukraine is now forced to take these regulations into account and adapt its legislation to EU standards, which significantly limit the state's ability to support economic entities.

At the same time, the experience of Korea shows that it is possible to effectively manage post-war recovery and achieve a qualitatively new level of economic development and international competitiveness, even with very low starting conditions, through a clear definition of goals and priorities and consistent and phased implementation of the national recovery strategy.

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## **ПОЛІТИКА ПОВОЄННОГО ВІДНОВЛЕННЯ ЕКОНОМІКИ: ДОСВІД РЕСПУБЛІКИ КОРЕЯ**

*Розроблення стратегії повоєнного відновлення економіки України обумовлює доцільність та важливість врахування міжнародного досвіду. Актуальним завданням є оцінка можливості імплементації засобів економічної політики, які підтвердили свою ефективність на практиці. Разом із тим необхідно визначити застереження та ризики, пов'язані з реалізацією тих чи інших напрямів політики відновлення.*

*Метою статті є виявлення інституційних чинників та економічних механізмів, які забезпечили успішність повоєнної відбудови та розвитку Республіки Корея у 1960-х – 1970-х роках. Розкриття позитивного досвіду структурних перетворень передбачає врахування історичних умов, ролі зовнішньої допомоги і внутрішніх джерел економічного зростання.*

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*Використовуються методи компаративного та проблемно-логічного аналізу, інституційно-еволюційний підхід, принцип інтегративності як основа синтезу емпіричних і теоретичних знань, методологічний підхід Ф. Ліста щодо історичної обумовленості форм економічного націоналізму.*

*Встановлено, що після закінчення Корейської війни, у 1953–1960 рр. внутрішня політика та зовнішня допомога спрямовувалися на вирішення першочергових завдань подолання розрухи та голоду. Розглянуто форми взаємодії держави, підприємницького середовища та зовнішньої допомоги у забезпеченні відбудови та розвитку економіки Республіки Корея у 1960-х – 1970-х роках. Встановлено, що всупереч рекомендаціям, спрямованим на лібералізацію економіки з орієнтацією на розвиток традиційних галузей, уряд Пак Чон Хі поетапно реалізував національну стратегію індустріалізації та досягнення глобальної конкурентоспроможності на ринках високотехнологічної продукції. Цьому сприяли запровадження системи національного планування, фінансова стратегія державно-приватного партнерства, підтримка експортоорієнтованого промислового виробництва. Аграрна реформа, орієнтована на розвиток високопродуктивного родинно-фермерського сільського господарства, сприяла зміцненню продовольчого самозабезпечення та розширенню внутрішнього ринку. Жорстка політика державного перерозподілу донорських коштів забезпечила т. зв. експортну дисципліну для великого бізнесу, завдяки чому національні корпорації – чеболі – стали рушіями інвестиційно-інноваційної модернізації економіки. Визначено основні складові успіху Республіки Корея щодо реалізації національних інтересів економічного розвитку в умовах зовнішньої допомоги у повоєнній відбудові. Дано оцінку можливості та доцільності використання в Україні південнокорейського досвіду<sup>4</sup>.*

**Ключові слова:** *повоєнне відновлення, історичний досвід, економіка Республіки Корея, зовнішня допомога, економічна політика, реструктуризація*

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