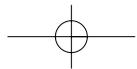
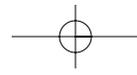


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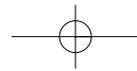
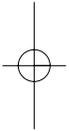
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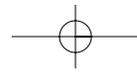
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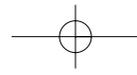
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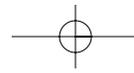




The Korea Story:

President Park Jung-hee's Leadership and
the Korean Industrial Revolution





The Korea Story :
**President Park Jung-hee's Leadership and
the Korean Industrial Revolution**

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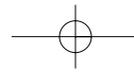
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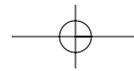
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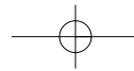
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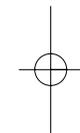
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Preface

“The lifespan of a generation is limited. However, the fatherland and nation live forever. Everything that has been achieved by the current generation of today will not only contribute to a better life today, but also be passed on to future generations, thereby ensuring the eternal life of the nation.”

- Excerpt from a letter from President Park Chung-hee
to the president of Seoul National University

This book constitutes an attempt on my part to shed some light on President Park’s perception of the state. I had the privilege of working for Park Chung-hee for the eighteen years that he devoted himself to the state and nation in his capacity as the President of the Republic of Korea. Whenever I think back on those times, I can’t help but be overcome by emotions. I decided to write this book in order to reveal the extent to which President Park agonized over the rebuilding of the Korean economy, and just how tirelessly he devoted himself to this task. I wrote this book from my vantage point as one of President Park’s closest advisors. I do not consider myself well-suited to evaluate President Park’s achievements as a whole. Rather, I seek to simply relay what I knew and what I experienced. I wrote this book from the standpoint of the position which I held at the time the

event unfolded. I first began to give briefings to President Park when I obtained the title of director within the Ministry of Commerce and Industry. All in all, I had the honor of doing so for 18 years. Given my experience with this particular form of communication, I decided to write this book as if it were a briefing.

I do not believe that this book truly does justice to President’s Park’s myriad of achievements. Rather, this book tells the story of a Korean president who, through his leadership, modernized the nation and brought about little less than a domestic economic revolution. This is also the account of the president of an underdeveloped country whose economic development program had global ramifications. Certain stories appear more than once in this book. This is because important parts have been repeated in order to ensure the continued flow of the overall story.

June 2009
O Won-chol

Reviews

I had the pleasure of working with O Won-chol for 12 years. We were first colleagues within the Ministry of Commerce and Industry, and later worked together again in the Presidential Secretariat. In his capacity as first the Director of the Chemistry Department, and then in turn as the Director of the Industry Bureau, Director of the Planning and Management Division, Assistant Secretary for Mining, Industry, and Electricity within the Ministry of Commerce and Industry, and finally as the 2nd Senior Presidential Secretary for the Economy in the Blue House, Mr. O was during the 1960s and 70s in charge of the planning, coordination and implementation of the strategy which had transformed Korea from an underdeveloped country into an international industrial powerhouse. His unique engineering approach enabled Korea to develop import substitution industries, a world-class light industry, the heavy and chemical industry, and the defense industry in the span of a mere 20 years. His memoirs, *President Park Jung-bee's Leadership and the Korean Industrial Revolution* constitute not only a precious reference with which to understand the so-called 'Miracle on the Han,' but also serve as a good source of information for underdeveloped and developing countries seeking to carry out industrialization.

Kim Jeong-ryeom (Former Chief Presidential Secretary
for President Park Chung-hee)

Park was so shocked by what he perceived as the American failure from the late 1960s to the mid-1970s to respond to North Korean provocations, to stay the course in Vietnam, and to maintain a solid commitment to the defense of South Korea, that he decided to institute a more determined policy to achieve the next phase of the industrial revolution by creating a heavy and chemical industrial sector. What was even more significant was that Park chose an engineer like O Won-chol to run his economic development program rather than the free-market economists of his own Economic Planning Board(EPB) because he was more interested in people with a record of accomplishment willing to carry out his plan rather than economic theoreticians who objected to his violations of US inspired economic theory.

James B. Palas (University of Washington, USA)

A generation of Koreans dedicated their lives to Korean economic development. Mr. O is a leader of that generation and his new book is a wealth of information on how Korea succeeded.

Alice H. Amsden (MIT, USA)

Mr. O Won-chol is in the forefront of that small group of leaders who created modern Korea. As a leading industrial specialist and technocrat, Mr. O had the vision to see the true potential of Korea at a time when the conventional wisdom held that the country could never become a major economic power. In the review and reassessment of the Park era which is now underway, Mr. O's contribution will be recognized as of major significance.

James Cotton (University of Tasmania, Australia)

I want to encourage you to continue working on your mem-

oirs, which, as I am sure you realize, will together constitute one of the most important historical records of Korea's national development in the late 20th century.

Carter J. Eckert (Harvard University, USA)

As a close and trusted associate of Park Chung-hee, O was one of the key engineers of the two-decaded process of social, political and economic transformation that brought his country onto the world stage and was perhaps without parallel in world history in its range and depth. His prolific recent writings recreate vividly the dynamic fusion of scientific spirit, confucian sense of loyalty and propriety and fierce nationalism, that guided the transformation of his country into a modern industrial state. His witness has the ring of authenticity.

Gavan McCormack (Australian National University, Australia)

O Won-chol stands out in modern Korean history as a living witness to his own role in the design and implementation of Korea's industrialization. His industrial development strategy, which he termed the "Engineering Approach", was so central to Korea's development in the 1970s, that knowing O equates to understanding Korea's technocracy of that era and Korea's resultant accelerated industrialization. And yet many do not know of O's role in this regard. Similarly, it is imperative to understanding Korean-style industrialization to recognize the hidden dynamic that operated between Park Chung-hee, Kim Jeong-ryeom and O, which generated a powerful synergy of political power, economic management and industrial development. O's vision and capacity to grasp the enormity of Korea's industrial potential enabled Park to convert his dream of Korea as a modern economy into reality. No wonder Park affectionately named O "Nation-

al Treasure."

Kim Hyung-A (Australian National University, Australia)

As a scholar who has long devoted himself to the study of the politics of the two Koreas, I still remember how impressed I was when I first read the Report on the Analysis of North Korea's Economy prepared by O Won-chol in 1970. His analysis was not only very refreshing, but also hit the proverbial nail on the head. Soon thereafter, I began to read Vol. 5 of the Construction of Pyramid type Export Oriented Industries (CEOI), which was also written by Mr. O. I can still recall staying up all night to read the volume in its entirety. My inability to put the book down was in large the result of the fact that the process through which Korea's defense industry was established, an industry which would eventually determine the future course of Korea, came to life so vividly on these pages. To this end, the Construction of Pyramid type Export Oriented Industries (CEOI) series written by the person in charge of the actual process based on rare materials, should be regarded as a veritable treasure trove of information through which the incredible growth of Korea's economy during the 1970s can be understood.

Lee Jeong-sik (University of Pennsylvania, USA)

The dawn of a new historical era is now upon us. This will not be an era of poverty but of prosperity; this will not be an era of dependence but rather one of independence; moreover, it will not be an era that is marked by division, but rather one that is characterized by the unification of our nation. This era will be one in which we begin to march forward towards the rebuilding of our nation.

-Excerpt from one of Park Jung-hee's speeches

Section I

Park Jung-hee's Administrative Style and the Korean Industrial Revolution

President Park's Stages for the Implementation of Projects

President Park took the following steps whenever he implemented a project: (1) establishment of a basic principle (2) development of a basic policy (3) development of policy measures (4) implementation of these policy measures. In addition, President Park was also active in several other respects as well: participation in regular meetings; inspection of central and local government departments at the beginning of every year; establishment of the personnel policy; making important decisions as the President.

The Era of the Briefing Administration

Briefings were considered to be very important during the Park Jung-hee regime, so much so in fact that his government could rightfully be labeled as “the briefing administration”. It is impossible to understand administrative matters during the Park Jung-hee

era without understanding this briefing system. That being the case, I would like to begin by discussing these briefings. These usually contained objectives and the measures needed to attain them. We referred to the contents of these briefings as ‘scenarios’. While the success of a scenario was dependent on its contents, other factors were dependent on how the scenario was explained by the person providing the briefing. There was no specific format for these briefings. Explaining such complicated projects during the short amount of time we had represented an arduous task. In my case, I tended to prepare the script for my briefing based on the following principles:

- The briefing had to be presented in a manner that focused on the main items to be explained, and this, from beginning to end.
- The contents of the briefing had to be presented in a manner that was easy to follow, such as by dividing the briefing content into various subsections. In order to help convey the main message of the briefing, I tended to use a lot of tables and charts. Whenever necessary, I emphasized the main message by placing it in a box, as the use of boxes often helps to refocus participants’ attention and also serves to highlight a presentation’s main themes.
- Moreover, a briefing should be simple and clear. To achieve this, the presenter had to use simple language, and avoid creating any confusion. Theories that are difficult to understand should not be included in a briefing.
- The main themes should be explained repeatedly. By constantly repeating the main themes, people eventually begin to understand that these aspects should be focused on. In other words, a briefing is different from an academic paper.
- The conclusion of the briefing had to include clear, practical, and reasonable measures which could be used to elicit agree-

ment among the briefings' participants as to how to move forward. Based on this agreement, President Park would then make the final decision.

1. Establishment of a basic principle

The basic principle should be agreed upon and remain unchanged. From an administrative standpoint, this basic principle can be equated with a national policy or strategy. Once a basic principle is established, it should then become the standard which all related parties adhere to. Such principles are important with regards to the economy as well. Economic principles are aimed at developing the national economy. Therefore, although policies established based on this economic principle would have to be changed from time to time whenever unexpected circumstances emerged, these would be changed in a way that helped national economic development. For example, the mitigation of national difficulties and construction of the national economy was the basic economic development principle at the beginning of the 1960s. President Park established and implemented the 5-year Economic Development Plan to attain this principle. However, as he could not achieve its objectives, President Park eventually changed the direction of this policy towards an export-first policy. This new policy was in keeping with the overall economic development principle, and as such was in essence not completely different from the previous one. Moreover, President Park, having discovered that exports should become the backbone of the national strategy, promoted the export-first policy as the basic principle of Korean economic development.

Other policies, such as the promotion of national living stan-

dards, increase in employment, export-first principle, construction of industries, construction of export-oriented industrialization, promotion of science education, victory in the competition between the two Koreas, and the construction of high-tech industry and the advent of a developed country, also became a part of the established principles. This process was directly orchestrated by President Park, with the assistance of Blue House aides. President Park never once veered from these principles during his 18 years in office. The public had confidence in him and followed his policies. As such, his was an administrative era in which basic principles were applied.

Use of statistics to present the basic principle

If the terms principles and national policy are wrongly employed, they can become little more than a political slogan. When a politician uses the slogan, "we have to export to develop the Korean economy" during his campaign, this can only be seen as a political slogan. A visionary plan is needed when it comes to the establishment of basic principles, and also to avoid such talk from becoming no more than political rhetoric. The effective suggestion of a national vision is one of the most important responsibilities of the President.

President Park often used statistics when presenting his vision to the public. The public can easily understand things when they are presented to them in the form of statistics. These also make it possible for people to compare the present state with the past after having achieved a specific goal, and to understand the process in which a project unfolds.

During the era of the **export-first principle** (1964-1970)

President Park set an annual 40% growth in exports as the standard, while setting the 1 billion dollar in exports mark as the overall goal. He asserted that if Korea was able to achieve this goal, the hardships faced by the nation would be eased to the point where people could begin eating barley rice; and that the foundation for independent economic development would be put into place.

During the **export-oriented industrialization era** (1973–1980), President Park set the 10 billion dollar mark and the achievement of 40% annual growth in exports as the goals to be achieved. He asserted that when Korea achieved this goal, the GNP per capita would reach 1,000 dollars; the shortage of basic necessities would be completely resolved; and Korea would reach the heavy chemical stage of development. In addition, he also emphasized that South Korea would be able to defeat North Korea in their ongoing economic war.

President Park encouraged the government and the public by constantly reminding them that “**Anything is possible. WE can do it.**” These were the strategies which he used to construct the national economy. As a result of his policies, the annual export growth rate from 1964–1970 was 41.9%, while from 1971–1979 it was 39.8%. The average growth rate during these sixteen years was 40%, nothing short of miraculous.

This demonstrates President Park’s beliefs, faith, conviction, and tenacity. As exports increased, the effects spread throughout the entire industrial structure: employment rapidly increased; national living standards improved; the Korean industrial revolution had begun. In addition, President Park’s strategy contributed to heightening the confidence and courage of the public in a spiritual sense as well. To this day “**Anything is possible. WE can do it.**” remains the most influential slogan.

2. Development of a basic policy

From an administrative standpoint, the development of a basic policy can be regarded as the developmental stage of policymaking. Various policies may be used to implement the national strategy. This stage involves the establishment of the measures which can best bring about the national strategy. The measures to develop the automobile and electronics industries, as well as the long-term export plans, were all formulated at this stage. Policy measures were usually prepared by the relevant departments and then submitted for President Park’s approval.

Briefings were frequently used during this process, with the prime minister, other ministers, and the presidents of related organizations all participating in these meetings. These briefings were mainly carried out by the technocrats at the director-general level who possessed the most knowledge about the relevant task. However, if a technocrat below the director level was the main expert in the relevant field, he/she was selected to present the briefing. As such, director level technocrats could establish policy measures, present them to the members of the administration, and answer any questions which the participants might have. This practice was put into place after President Park, who already possessed in-depth knowledge of the actual tasks, began asking questions which the minister or vice-minister presenting the briefing could not answer. As such, the Park Jung-hee regime was an era in which leading technocrats were heavily relied upon; and this regardless of their position.

If there were two relevant departments involved, and each had a different opinion of how to proceed, one person from each department was selected to present the briefing. After having listened to both presentations, President Park would then make the

final decision. It goes without saying that no one could contest his decision.

Another method was used during briefings in which the minister of the relevant department had yet to make a final decision. On most such occasions, the relevant minister would proceed to lay out the merits and demerits of proposals A and B, only to be interrupted by the following admonishment from President Park, “So what is your decision? Would you choose proposal A or B?” In other words, President Park required the relevant departments to assume responsibility for their actions. He also insisted that all members of the relevant departments take part in the preparation of economic development plans, and that these plans not be formulated in accordance with which way the wind was blowing.

After each department had established their policies and briefed the President, they would always present a requisition, which usually involved demands for more funds. In June 1969, the Ministry of Commerce and Industry briefed the President about the development of the electronics industry. The main focus of the briefing was on the department’s goal of achieving the **400 million dollars in export mark** by 1976. As the electronics industry was only exporting some 20 million dollars worth of goods at that time President Park was very satisfied with the briefing. He asked Kim Hak-ryeol, who was the Vice Prime Minister at that time, “Mr. Kim, can you deliver the necessary funds?” Kim answered, “Yes, Mr. President, I will take the necessary steps once I have received an official request from the Ministry of Commerce and Industry”. President Park then made the final decision to implement the policy.

This project designed to develop the electronics industry was based on a long-term plan which spanned the years 1969 to 1976. The funds needed for this project, 14 billion won (50 mil-

lion dollars) over 8 years, were immediately set aside. As the government’s financial situation was not very stable at that time, it was difficult for departments to obtain funds for their budget. The amount of funds allocated to a department in a particular year was based on the projects which it had in place at that time. As a result, each department went to great lengths to secure the necessary funds, for if they failed to do so, no new projects could be carried out. Even projects which had already begun to be implemented were brought to a halt when the funds needed for that year could not be secured. However, once a department gained permission from the President, they could rest assured that the funds needed until the project was completed had been secured (Note : we referred to these funds as lump sums, and called plans designed to get funds from the President a lump sum operation).

In conclusion, policy projects were decided in the following

