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The South Korean Developmental Alliance between Business, Labour and Government

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Outline

- I. Introduction
- II. South Korea's Developmental Alliance and Economic Development: 1960s-1980s
- III. Changing Global Political Economy in the 21st Century, and Lessons and Limits of the South Korean Developmental Alliance
- IV. Concluding Remarks



I. Introduction

- South Korea's Development
 - Rapid economic development in the 1960s-1980s
 - Followed by democratization in the 1980s
 - ☞ Two achievements in the face of security tensions

Q. What is South Korean model of development cooperation during the 20th century?

Q. What should be the South Korean model relevant in the 21st century?



II. South Korea's Developmental Alliance & Economic Development



State dominance (1960s)



Symbiosis between the state and business at
the exclusion of labour (1970s)



Democratization and challenges to the
developmental alliance (1980s)



South Korea's Development -Key Institutions (1960s-1980s)

Key Institutions	Policies/Instruments	Distinct Features
Developmental State: Economic Planning Board (EPB); Ministry of Finance (MOF); Ministry of Commerce and Industry (MOCI)	<ul style="list-style-type: none"> - Long-term comprehensive planning and projection - Provider and intermediary for capital & technology - Provider of indirect assistance and subsidies - Export-oriented industrialization (EOI) 	<ul style="list-style-type: none"> - Sustained economic development - Low income inequality - Low inflation - High employment
Authoritarian State	<ul style="list-style-type: none"> - Military, police, tax, and intelligence used; Limited civil liberties - Labour oppression 	<ul style="list-style-type: none"> - Collusion with <i>chaebol</i> for HCI
Local Capital: Large Business Groups (<i>Chaebol</i>)	<ul style="list-style-type: none"> - Heavy and Chemical Industrialization (HCI); - Trading Company (<i>Jong-Hap Sangsa</i>) 	<ul style="list-style-type: none"> - Large <i>chaebol</i> as state's partner for development v's. MNCs, SOEs or SMEs
Foreign Capital: ODA	<ul style="list-style-type: none"> - ODA: Grants and loans - State-guarantees for repayment for loans - Little FDI and MNCs 	<ul style="list-style-type: none"> - Foreign capital behaving like domestic capital
Labour	<ul style="list-style-type: none"> - Labour laws were in place but were not implemented - Suppression of labour rights including the right to assembly - Suppression of wages due to collusion between the state and businesses 	<ul style="list-style-type: none"> • Labour as an acquiescent partner • Slow but steady growth of underground labour movement



State Dominance (1960s)

- Three major functions of the state
 - Provider of long-terms goals for the economy
 - Provider of capital and technology
 - Provider of indirect assistance
- Developmental alliance was dominated by the developmental state with chaebol and labour
- Two ways of using authoritarian apparatus
 - Discipline and punishment with the chaebol
 - Repression of labour



Symbiosis between the State and Business (1970s)

- Developmental Alliance in the 1970s
 - Initiated by President Park's staff at the Blue House
 - Deepening of the industrialization process as a tool to forge a closer alliance with a few *chaebol*
 - “Balanced economy” between the light & heavy industries, and between the urban & rural areas
- Five-Year Economic Development Plans
- Six target industries
 - Iron and steel, nonferrous metal, machinery, shipbuilding, electrical appliances and electronics, and petrochemicals



Exclusion of Labour (1960s-1970s)

- The relationship between government and labour union in the 1960s-1970s
 - Predatory patronism
 - Depoliticization of labour unions
 - Union density was high but its autonomy was low due to strict government regulation.
 - Creation of the Federation of Korean Trade Unions (FKTU) to prevent labour union's resistance and to strategically cooperate with labour leaders



Democratization and Challenges to the Developmental Alliance (1980s)

- The world had become tightly knit with improved communication and technology.
- South Korea became more integrated in the world economy.
- Great social, economic, and political upheaval in South Korea during the 1980s
 - Achievement of rapid development
 - Change of economic policies: from developmental to regulatory regime
 - Forces for democracy



Democratization and Challenges to the Developmental Alliance (1980s)

- Qualitative change in the state-business-labour relationship
 - A tight alliance between the state and the large chaebol, and repressive labour policies came under fire.
 - Business got political leverage based on economic power.
 - Labour became an important actor in the developmental alliance.



III. Changing Global Political Economy in the 21st Century

	Time Period	Global Political Environment	Global Economic Environment
NIEs	20th Century (1960s-1980s)	<ul style="list-style-type: none"> • Cold War: Military Aid & Economic Aid 	<ul style="list-style-type: none"> • Open Market (US) • Relatively few exporters with cheap export products • High trade barriers in NIEs
Developing Nations	21st Century	<ul style="list-style-type: none"> • Post Cold-War • Aid to Transition Economies • Democratization • US: War against terrorism • China: South-South Cooperation 	<ul style="list-style-type: none"> • WTO • Learning effect of EOI • Cyclical and global financial/ economic crisis



Changes in the Domestic Political Institutions

	Time Period	Political System	Government
NIEs	20th Century (1960s- 1980s)	<ul style="list-style-type: none"> • Developmental state • Authoritarian state • Restrictions on civil liberties (labour) 	<ul style="list-style-type: none"> • Well functioning bureaucracy
Developing Nations	21st Century	<ul style="list-style-type: none"> • Less tolerance for non-democratic political system • Global/local demands for democracy 	<ul style="list-style-type: none"> • Governance crisis • Corruption • Budget dependence on foreign aid



Synthesis for a South Korean Alternative for Development Cooperation





Conclusion

- South Korea's economic development
 - Rapid industrialization
 - The developmental state with strong interventionist industrial policies
 - The state-business-labour relationship in developmental alliance
- The revised developmental alliance based on the merits and limits of South Korea's experience
 - Democratic developmental alliance
 - Country ownership
 - Capacity development of domestic actors



Thank you