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Doctoral Dissertation

**The Comparative Study of Economic Growth in
Korea and Thailand in the 1960s and 1970s:
Focusing on the Internal and External Conditions**

한국과 태국의 1960~1970년대 경제성장 비교연구:
국내외적 요인에 대한 검토를 중심으로

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Abstract

The Comparative Study of Economic Growth in Korea and Thailand in the 1960s and 1970s: Focusing on the Internal and External Conditions

The economic development plans of Korea and Thailand were first implemented in the early 1960s under similar domestic political conditions and external influences. In the 1960s and 1970s, the two countries were ruled by military governments which had gained power through coup d'états and wielded authoritarian control. Both Korea's Park Chung-hee government and Thailand's Sarit government set the national priorities as "anti-communism" and "economic development," while establishing central economic planning organizations to draft and implement long-term economic development plans.

In the background of Korea and Thailand's economic development plans lay not only the global trend of implementing similar plans in less-developed countries around the same period in the 1950s and 1960s but also, more importantly, were the domestic environment and the influence of the U.S. and Japan. Korea had been heavily relying on U.S. aid to restore the nation's land and industrial facilities and revive the economy, which were in ruins after the Korean War. However, when the changes in U.S. foreign policy led to reductions in free aid, which was gradually shifting in form as loans, from the U.S., Korea realized the risks in its dependency on the U.S. and recognized the need for economic development planning. Thus, from the late 1950s, the Korean government began to establish economic development plans that aimed at 'development,' not 'revival.' The U.S. was also deeply involved in drafting

the policies of Korea's economic development plan. Economic advisors from the U.S. began to participate in Korea's economic planning process when the first Economic Development Plan was being revised and engaged in full-fledged intervention from the second Economic Development Plan.

Korea participated in the Vietnam War as an ally of the U.S. and received economic assistance from the U.S. while enjoying an abundance of special benefits and opportunities from the Vietnam War. Korean construction companies gained entrance into the Vietnamese market; Korean technicians and workers were dispatched to Vietnam to earn foreign currency, which was also remitted to Korea by the Korean soldiers who were dispatched to Vietnam. Korea also supplied the U.S. military with supplies, and the Vietnamese market opened its doors to Korea. In the 1960s, the U.S. hoped, on the one hand, to ease its economic burden by restoring Korea-Japan relations and, on the other, to strengthen the fortress of anti-communism it aimed to build in East Asia through the economic cooperation between Korea and Japan. Under the pressure of the U.S., an agreement was signed between Korea and Japan in 1965, and Japanese aid and loans were introduced to Korea in earnest. However, the loans from Japan could only be used after prior consultation with the Japanese government, through which Japan exerted its will to intervene in Korea's economic development planning process. In addition, Japan played a key role in the development of Korea's heavy chemical industry in the 1970s.

Thailand actively cooperated with the U.S. policy for anti-communism on the Indochina peninsula and received military and economic assistance from the U.S. With the proliferation of communism in Southeast Asia, the U.S. placed Thailand at the center of its anti-communism campaign and particularly focused on promoting economic and social development in the rural regions of Thailand that were next to the borders of neighboring countries. The USOM dispatched

economic experts to fill the gaps created by the shortage of technical bureaucrats in Thailand and participate in the nation's economic planning process, and these experts played a leading role in drafting Thailand's economic development plans. Thailand, like Korea, enjoyed special benefits from the Vietnam War. The U.S. Air Force was stationed in Thailand, and infrastructure to facilitate the U.S. troops in the war was constructed. The consumption of the U.S. troops staying in Thailand benefited the Thai economy, and large hotels and commercial buildings were built in Bangkok during the Vietnam War. The U.S. chose Japan as its partner to ease the economic burden brought by the Vietnam War and strengthen anti-communism in Southeast Asia, opening the doors for Japan to enter the Southeast Asian market actively in the 1960s.

In 1957, the Sarit government enacted the Industrial Investment Promotion Act which attracted many foreign companies into the Thai market, among which the U.S. and Japan stood as major investors. Thailand developed its industries and expanded its economy through direct investment and technical support from the U.S. and Japan. However, the U.S. coalesced with Thai politicians to monopolize Thailand's natural resources industry and earn enormous profits. Thailand's economic development plan met with political limitations that blocked its effective implementation. Japanese automobile and electronics companies entered the Thai market to take up more than 80% of the market share, suppressing the growth of Thai companies as a result. Japan also took advantage of Thailand's cheap raw materials and labor power to benefit its own country.

The purpose of this study is to investigate why the economic development plans of Korea and Thailand, despite being implemented under the similar domestic political conditions and external influences from the U.S. and Japan,

resulted in successful economic development through rapid industrialization in Korea but not in Thailand.

For this purpose, this dissertation conducted a comparative study on the drafting and implementation of two countries' economic development plans, from which the following conclusions can be drawn.

First, Korea's economic development plans grasped the problems of the Korean economy and propose effective solutions. The contents were drafted, revised, and implemented in line with the rapidly changing global economic trends. On the other hand, Thailand's economic development plans did not provide effective solutions for the problems on hand and maintained the agriculture-based economic structure that prevented the nation's industrial advancement. In addition, Thailand failed to formulate and implement plans that anticipated the international economic trends of the 1970s and concentrated solely on dealing with domestic economic and social problems.

Second, the Economic Planning Board of Korea (EPB) was positioned above other economic ministries and had the authority to coordinate conflicts and to execute the plans, and its functions were put into good operation backed by the strong will and full support of the government. The National Economic and Social Development Board (NESDB) of Thailand only performed the limited role as an economic counseling agency with little power to influence other ministries. The NESDB did not have the full support of the government, and its system changed constantly due to Thailand's frequent regime changes.

Third, Korea's economic bureaucrats who participated in economic planning process maximized the efficiency of economic development by demonstrating leadership in their respective fields, in contrast to the small number and limited role of Thai economic bureaucrats who stopped at providing economic consultation to other ministries. Also, the NESDB recruited the administrative

officials of each ministry irrespective of their expertise, and its members underwent changes every time a new regime came to power.

Fourth, although the interventions and pressures from the U.S. influenced Korea's economic development, the Korean government formed its own opinions and negotiated favorable compromises rather than simply submitting to U.S. demands. Thailand's economic development plans were written under the leadership of U.S. economic advisors, and the close connections forged between the U.S. and the Thai military government created restrictions that constricted the execution of the plans.

Fifth, the loans and technical support Korea received from Japan played a positive role in Korea's economic growth through industrialization. In Thailand, however, Japan entered the Thai market in the pursuit of national interest and monopolized industries, capping the growth of Thai companies and causing an adverse effect on Thailand's economic growth in the long run.

Keywords: Economic Development Plan, Economic Growth, Economic Planning Bureau, National Economic and Social Development Board, Intervention from the United States, Intervention from Japan

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1. Introduction

1.1 Research Objective

From the 1950s after the Second World War, underdeveloped countries devised and implemented economic development plans to escape the vicious cycle of poverty.¹ However, these plans brought economic growth in only a few countries including Korea, and most countries found little success in developing their economies. Korea was one of the world's poorest countries due to the hardships the country experienced under Japanese colonial rule and the Korean War, the whole country in ruins and most of its industrial infrastructure destroyed. Korea was in a state where survival seemed impossible without aid from other countries. However, starting with the first Five-Year Economic Development Plan in 1962, Korea achieved remarkable economic growth in a short period of time. The "Miracle of the Han River" is a symbolic term coined in reference to Korea's rapid economic growth in the 1960s and 1970s. Since the 1960s, many scholars have been studied the factors behind Korea's astounding economic growth, and the 'Korean model of economic development' is considered as a legend for many less-developed countries. The question is, "Why have other countries failed to achieve what Korea has?" This question is all the more pertinent when considering that most Southeast Asian countries had higher GDPs and similar to greater economic powers than South Korea in the 1950s.²

¹ Park Tae Gyun (2003, p.38). The countries shown in <Table 2> are Japan, China, Myanmar (Burma), Sri Lanka (Ceylon at the time), India, Indonesia, Malaysia (Malaya at the time), Mongolia, Nepal, Pakistan, the Philippines, Singapore, Taiwan, and Vietnam.

² Crafts (1998, p.5-6); Cho Hung-guk (2011, p.98); According to <Table 1>, Singapore was 2,038, Malaysia 1,696, the Philippines 1,293, Indonesia 874, Thailand 848, Japan 1,873, and Korea 876 in terms of per capita GDP (1990SUS purchasing power assessment in US\$) in the 1950s .

According to the World Bank, Thailand is a developing country in the middle-to-low income group. In the early 1960s, Thailand began to formulate and implement economic development plans which delivered a steady economic growth rate, but the growth slowed sharply in the 1970s. Since then, as with other Southeast Asian countries, Thailand has not been able to achieve further economic development, especially in the face of global economic crises that occurred hand-in-hand. <Table 1> presents the comparison of the GNPs of Korea and Thailand. From the comparison, as can be seen from <Table 1>, up to 1968, Thailand's GNP index was higher than that of Korea, but afterwards, the situation reversed with Korea leading the race by a large margin.

<Table 1> A Comparison of Korea and Thailand's GNP (1952-1981)

Year	Korea	Thailand	Korea / Thailand
1952	-	80	-
1953	67	88	0.76
1954	70	76	0.92
1955	65	82	0.79
1956	66	87	0.76
1957	74	85	0.87
1958	80	84	0.95
1959	81	86	0.94
1960	80	94	0.85
1961	82	100	0.82
1962	87	106	0.82
1963	100	109	0.92
1964	103	116	0.89
1965	105	126	0.83
1966	125	147	0.85
1967	142	152	0.93
1968	169	160	1.05
1969	210	170	1.23
1970	243	195	1.25
1971	285	197	1.45
1972	316	212	1.49
1973	396	273	1.45

1974	535	339	1.58
1975	591	359	1.65
1976	800	399	2.00
1977	1028	453	2.27
1978	1406	536	2.62
1979	1662	595	2.79
1980	1589	686	2.32
1981	1719	718	2.39

Source: Kunio Yoshihira (1999) table reprinted from p. 499-500.

The research so far has focused on the success stories of Hong Kong, Singapore, Taiwan, and Korea — the so-called ‘four dragons of Asia,’ which have succeeded in economic growth, but have paid little attention to why the other Asian countries who have implemented economic development plans in the same period have failed to succeed. Even among the few studies that have been conducted, few offer a comparison between Korea and other less-successful Asian countries (Cho Hung-guk, 2011: 99).

This study begins by asking, “Why has Thailand stalled in its economic growth?” and seeks to answer this question by analyzing why, despite the efforts for economic development under similar national environment and external influences, have Korea been successful while Thailand lagged behind? What brought such markedly different outcomes? The purpose of this study is to identify the root causes behind the contrasting outcomes of the two countries. To this end, this paper will look into two aspects: from the internal factors and the external factors.

First, concerning internal factors, the two countries share similarities in the national environment set by domestic politics when the economic development plans of Korea and Thailand began to be implemented in full-fledge in the 1960s. Thailand’s first plans for economic development were carried out by the

authoritarian military government in 1961. In 1957, when the people's aggravation toward then-Prime Minister Plaek Phibunsongkhram, who had been maintaining his dictatorship through multiple fraudulent elections, escalated, his subordinate and a soldier from the Royal Thai Army Military Academy, Sarit Thanarat and his close friend, Thanom Kittikachorn, raised a coup d'état. Sarit stated that the purpose of the coup d'état did not lie in personal interests and that he will transfer the political power back to the people once the dictatorship is thrown over and the political situation stabilizes. Sarit, as promised, relayed his power to Pote Sarasin, a civilian, but became the Prime Minister again in 1958 through another coup d'état. As Korean President Park Chung-hee had declared in his revolution pledge at the time of his coup d'état — that “anti-communism will be the first priority of the nation, and the defense against communism, which has only been a formality and asserted as a slogan, will be reorganized and strengthened,” and that “the despair and hunger caused by the poverty of the people will be dealt with immediately and all efforts will be placed on reconstructing a autonomous national economy”(History of Korean military revolution, 1963) — Sarit also announced that “the coup d'état was made with the support of the previous government, its purpose lying in strengthening anti-communism against the concerns over the proliferation of communism in Thailand” (Thak Chaloemtiarana, 1979: 13). The most important contents in the revolution pledge proclaimed by Sarit, which are Articles 4 and 11, state as follows:

“...Today's spread of communism is the threat to the whole of Thailand. Communism has been investing capital to shake the minds of the people. The adverse effects of communism on our society and our economy are great, and its proliferation will destroy Thailand's monarchy, Buddhism, and all the

facilities of our society that we have defended throughout history.”³

*“...In order for the Thai economy to grow and develop internationally, we must establish a democracy that is tailored to Thailand. This will enable agriculture and industry to develop. A National Economic Development Board will be established to create short and long term economic development plans. Even if the regime changes, the economic plans will be maintained for a long time, and the contents of the economic plans will be announced annually to the people. To create a good economic plan, there is a need to establish a new Constitution that is favorable to economic development.”*⁴

Both Korea and Thailand were governed by military dictatorships for a significant amount of time during a similar period; however, Thailand experienced greater discontinuity and instability in its domestic politics, especially in the 1970s. Thailand became a constitutional monarchy from an absolute monarchy through the military coup d'état in 1932. Since then, a total of 18 revisions were made to the Constitution, changing the political system repeatedly from military dictatorship to democracy.⁵ <Table 2> compares the administrations that came into power in Korea and Thailand from the early 1960s to the late 1970s. After the 5.16 coup, Park Chung-hee's dictatorship reigned over Korea 17 years from 1962 to 1979, while Thailand underwent a total of 10 regime changes over the same period.

³ ราชกิจจานุเบกษาฉบับพิเศษเล่มที่ 75 ตอนที่ 81 วันที่ 20 ตุลาคม 2501 หน้า 5. Article 4 of Sarit regime's coup d'état pledge.

⁴ ราชกิจจานุเบกษาฉบับพิเศษเล่มที่ 75 ตอนที่ 81 วันที่ 22 ตุลาคม 2501. Article 11 of Sarit regime's coup d'état pledge.

⁵ Thailand became a constitutional monarchy from an absolute monarchy through the military coup d'état in 1932. Since then, a total of 18 revisions were made to the Constitution, changing the political system repeatedly from military dictatorship to democracy.

<Table 2> The Changes in Power in Korea and Thailand during the 1960-1970s

Korea			Thailand		
Name	Method of Taking Office	Period	Name	Method of Taking Office	Period
Yoon Posun	Elected by the parliament	Aug 12, 1960 ~ Mar 23, 1962	Sarit Thanarat	Became acting Prime Minister after the prime minister's resignation	Oct 20, 1958 ~ Feb 02, 1959
Park Chung-hee	Coup d'état Became the acting President as the Chairman of the Supreme Council for Reconstruction upon the president's resignation	May 16, 1961 Mar 24, 1962 ~ Dec 16, 1963	Sarit Thanarat	Voting by a small group of people who participated in revising the Constitution	Feb 02, 1959 ~ Dec 08, 1963
			Thanom Kittikachorn	Voting by a small group of people who participated in revising the Constitution	Dec 09, 1963 ~ Mar 07, 1969
	Parliamentary election	Mar 07, 1969 ~ Nov 17, 1971			
	Coup d'état	Nov 17, 1971 ~ Dec 18, 1972			
Presidential election	Dec 17, 1963 ~ Jun 30, 1967		Voting by a small group of people who participated in revising the Constitution	Dec 18, 1972 ~ Oct 14, 1973	
			Sanya Dharmasakti	Voting by a small group of people who participated in revising the Constitution	Oct 14, 1973 ~ Feb 15, 1975

	Presidential election	Jul 01, 1967 ~ Jun 30, 1971	Mom Rajawongse Seni Pramoj	Parliamentary election	Feb 15, 1975 ~ Mar 14, 1975
	Presidential election	Jul 01, 1971	Mom Rajawongse Kukrit Pramoj	Voting among congressmen	Mar 14, 1975 ~ Apr 20, 1976
	Coup d'état	Oct 17, 1972	Mom Rajawongse Seni Pramoj	Parliamentary election	Apr 20, 1976 ~ Sep 25, 1976
	Indirect election	Dec 27, 1972 ~ Dec 26, 1978		Voting among congressmen	Sep 25, 1976 ~ Oct 06, 1976
	Indirect election	Dec 27, 1978 ~ Oct 26, 1979	Sahat (Soldier)	Coup d'état	Oct 06, 1976 ~ Oct 08, 1976
			Thanin Kraivichien	Coup d'état, followed by transfer of power	Oct 08, 1976 ~ Oct 20, 1977
			Sahat (Soldier)	Coup d'état	Oct 20, 1977 ~ Nov 11, 1977
Choi Kyu-hah	Indirect election		Kriangsak Chamanan	Coup d'état, followed by transfer of power	Nov 11, 1977 ~ Mar 03, 1981
Chun Doo-hwan	Coup d'état Indirect election				

Note: The small group of people who participated in revising the Constitution was all supporters of the military dictatorship.

However, it would be hasty to conclude that, democratic or not, what is needed for economic growth is a stable government that maintains power for a long time to enable continuity in policy implementation. For example, the Philippines, a country which had been ruled by the same authorities over a long period, did not experience the same kind of economic growth as Korea. Then, what are the internal factors that require consideration?

Second, in terms of external factors, this paper focuses on the roles of the United States (U.S.) and Japan. From 1945, for not only Korea and Thailand but all countries under the free market economy system, aid provided by the U.S. was an important factor influencing their economic policies and economic growth. The Marshall plan, which began in 1947, and the 1948 Point IV plan are typical examples of such influence (Han Bong-Seok, 2017).

In particular, the International Cooperation Administration (ICA)'s technical assistance and United States Agency for International Development (USAID)'s assistance for economic development since the mid-1950s are inseparable from the analysis of the economic policies and economic growth in developing countries. The importance of U.S. economic aid in Korea's economic development has already been emphasized in many previous studies (Hong Sung-Yoo, 1965; Yoo Chul-gyu, 2003: 247; Park Tae Gyun, 2007).

Korea was not the only country that was impacted by U.S. aid — such was the case for Thailand as well. If, in the case of Korea, the U.S. set up the Minnesota Plan for Seoul University in the 1950s as technical assistance, Harvard University provided a similar assistance to Thailand's Chulalongkorn University. The U.S. influence on the Thai economy became even greater in the 1960s, before and after the Vietnam War. According to Cho Yang Hyun (2015), U.S. Cold War strategy for Southeast Asia can be classified into military operation and economic warfare. Through its participation in the Vietnam War,

the U.S. solidified its alliance with Thailand. With Thailand housing the U.S. air base for the Vietnam War from 1961, the U.S. actively constructed infrastructure in Thailand; U.S. aid and the consumption of goods by the U.S. troops stationed in Thailand significantly impacted Thailand's economy. Thailand received nearly US\$ 500 million in free aid and US\$ 800 million in military aid from the United States by the end of the 1970s (Park Tae Gyun, 2013). The Philippines also enjoyed similar endowments. Thailand, Korea, and the Philippines, countries that had sent troops to Vietnam during this period, all benefited from the special circumstances of war. <Table 3> shows the amount of the U.S.'s fiscal spending in Thailand, which proves how Thailand gained economic profit through the special circumstances of the Vietnam War.

<Table 3> Major fiscal expenditures of the U.S. in Thailand from 1965 to 1972

Unit: 1 million Thai baht (1 U.S. dollar =20.8 Thai baht)

	1965	1966	1967	1968	1969	1970	1971	1972
Cost of War	922.1	2,584.1	4,109.2	4,917.8	4,629.7	4,192.1	3,788.5	4,000.0
Military Aid	731.0	1,013.0	1,355.0	1,500.0	1,392.0	1,273.0	1,150.0	-
Economic Aid	357.4	438.8	799.6	1,172.4	864.3	613.0	519.0	470.0

Source: Park Tae Gyun (2013) table reprinted from p.598.

On April 7, 1965, U.S. President Johnson made a speech on the country's policy towards Vietnam entitled "Peace without Conquest," which asserted the legitimacy of the U.S.'s policy as well as the need for economic and social development in Southeast Asia. Furthermore, he promised US\$ 1 billion in financial support for the development of Southeast Asian economies and

societies and urged the cooperation of the international community and Asian countries (United States, 1965, 394-398).⁶

From this point of view, both Korea and Thailand received significant aid from the U.S. and enjoyed an economic boom in the 1960s thanks to such assistance. Then, why did the two countries show different economic outcomes in the 1970s? Also, why did the two countries differ in their economic growth rate in the 1960s as well?

Another aspect to be noted concerning external factors is the influence of Japan. Korea's economy was impacted by Japan starting from the 1965 Korea-Japan agreement, but in the case of Thailand, it was in the late 1950s that Japan began to enter the country's economy in full-fledge in the form of aid and the advancement of Japanese companies into the Thai market (Park Taeho & Park Tae Gyun, 2003). Having lost its economical hinterlands when Korea, Taiwan, and Manchuria gained independence, the Southeast Asian market became imperative as a market for Japan.

Korea had also received Japan's assistance in the process of its economic development. Korea sought to secure foreign investment and foreign markets for export to achieve its goals for economic development through export industrialization. The U.S., on the other hand, sought to strengthen the anti-Communist, liberal camps by normalizing the diplomatic relations between Korea and Japan and to promote the economic development of Korea and Japan through their economic cooperation, as a way to ease the economic burden placed on the U.S. by Korea. The development of Korea's electronics, steel,

⁶ Lyndon B. Johnson, "Peace Without Conquest," Address at Johns Hopkins University (April 7, 1965). In *Public Papers of the Presidents of the United States: Lyndon B. Johnson, 1965*, Vol. 1 (Washington, D.C.: Government Printing Office, 1965), 394-98.

shipbuilding, and automobile industries in the late 1960s cannot be explained without mentioning the influence of Japan (Nishino Junya, 2015).

This study sets the question of why the similar internal conditions and external influences resulted in different economic outcomes in Korea and Thailand at its core and focuses on three large aspects among the many factors that lent a hand to Korea's rapid economic development.⁷ First, two issues from internal factors are highlighted: the content of Korea's economic development plans, and the statuses and roles of the government agencies that drafted and implemented these plan as well as the roles of the actors involved in this process. Then, regarding the external factor, this paper examines the different roles the U.S. and Japan assumed in Korea and Thailand. In sum, the central questions of this research are as follows.

First, even though Korea and Thailand formulated and implemented economic development plans under similar conditions since the 1960s, their economies greatly diverged in their outcomes from the late 1960s — what is the reason behind such divergence?

Second, both Korea and Thailand established pilot institutes to implement their economic development plans. However, the roles these institutes played in their respective country's economic growth were different. Why was this so? Also, were there any differences in the people involved in these institutes between Korea and Thailand?

⁷ Many studies have attempted to explain Korea's rapid economic growth by referring to the theory of colonial modernization in relation to Japan's occupation, developmental state theory under the Park Chung-hee authoritarian regime, and the transition to the export-oriented policy in the Park Chung-hee government's economic development plans, and so forth. In particular, Park Chung-hee set anti-communism as the national priority and emphasized economic reconstruction at the time of his coup d'état. Scholars have noted that, as a representative example of a 'developmental state' where the government intervenes into the market, the authoritarian system under Park Chung-hee's rule was an important factor of Korea's economic growth and development.

Third, both Korea and Thailand received economic assistance from the U.S. and Japan, despite of which their economic growth took different paths. Then, were there any differences in the ways the US and Japan offered their economic aid or investment in Korea and Thailand?

1.2 Literature Review

An extensive amount of research has accumulated on the rapid economic growth of Korea, the so-called “miracle of the Han River,” not only in Korea but also abroad.

First, one stream of research analyzes Korea’s economic growth using the developmental state theory. The study by Chalmers Johnson(1982) is a representative example of a study that applies the developmental state theory, which identifies the cause of Japan’s successful economic growth as stemming from government interventions. Developmental state theory scholars point to the cohesion of the bureaucratic system, that is, the efficiency in administration led by capable bureaucrats and the government’s control over the nation’s key administrative resources, as the driving force behind a country’s capability to develop (Amsden, 1989; Haggard, 1990; Kohli, 1994; Leftwich, 1995; Evans, 1995; Chibber, 2002; Choi Byung-Sun, 1992; Kim Keunsei, 2012; Moon Sangseok, 2015). The study by Jung-Eun Woo also illustrates the Korean-specific characteristics of state-led economic growth from the time of Japanese colonial rule up to the 1970s (Woo Jung-Eun, 1991).

Secondly, there are studies attempted in the field of economics. Most of these studies place more focus on the outcome, rather than the process, of development, to determine whether the key mechanism in Korea’s economic development lies in the role of the government, as exemplified by the Park Chung-hee government’s effective market interventions, or the role of the

market (Lee Jong-beom, 1994; Yoon Gyun-Soo, 2006). Choi Sang-Oh's research on the relationship between Park Chung-hee administration's export-led industrialization policy and Korea's economic growth may also be included under this stream of research — in his study, Choi Sang-Oh empirically compares the import-substitution industrialization strategy of the 1950s and the export-led industrialization policy of the 1960s from a policy perspective (Choi Sang-Oh, 2005).

Thirdly, some scholars have explored the role of the individual actors involved in the economic development process. Kim Jun Houn & Eom Seok-Jin (2016) pointed out that most previous studies have treated the government as a single bureaucratic actor, overlooking the various actors consisting the government and their leadership, and emphasized that this limitation can be overcome through a micro-perspective analysis of the interactions among individual civil servants. A number of studies have also been conducted on the role of competent bureaucrats in Korea's economic growth (Eom Seok-Jin, 2011; Kim Eun-Kyung et al, 2012; Lee Hyung Jung, 2013; Moon Man Yong & Kang Mi Hwa, 2013; Kim Jun Houn & Eom Seok-Jin, 2016).

Fourth, unlike the outcome-oriented research conducted in the field of economics, there is substantial research done on the origins of Korea's economic development that focuses on the process through which the economic development plans were drafted and implemented. These studies are mainly intend to demonstrate the specificity of Korea's economic development process by looking at internal and external variables based on a historical methodology.

The present paper falls into the fourth research trend, as it seeks to analyze internal and external variables together. The comparative study between Korea and Thailand requires the simultaneous analysis of internal and external variables to uncover the factors behind the two countries' divergent paths. The

external influences that affected the two countries' economic development process cannot be ignored, nor can the understanding of how such external influences were embraced internally be overlooked.

Among the studies that fall into the fourth research trend, the most noteworthy are the works by Kimiya Tadashi, Lee Wan-Beome, and Park Tae Gyun. The study of Kimiya Tadashi (2008) conducted a pioneering study that examines the background against which Korea decided to pursue export-oriented industrialization and the detailed political process and external constraints involved in the implementation of policies. In particular, his study explored the aspects of Korea's economy that affected the implementation of the economic development plan; the factors arising from the external environment, such as the U.S. and the Cold War, which the Korean government was unable to avoid; and the significance of the policies that the Korean government pursued despite the intervention and pressure from outside. This study deeply influenced the historical methodology for understanding Korea's economic development. Lee Wan-Beom (1999) argued for the need of a political interpretation of economic policies, which have formerly been studied only in the field of economics, and analyzed the political role of the U.S. in the process of drafting Korea's economic development plans. Compared to Kimiya Tadashi, Lee Wan-Beom places greater weight on the U.S.' position and role based on publicly-released U.S. records. This analysis method emphasizing the position of the U.S. was further explored by Lee Hyunjin (2006), who placed her focus mostly on the U.S. aid policy, as compared to Wan-Beom Lee's focus on the policy planning process.⁸

⁸ There are also studies which have analyzed the role of Japan in Korea's economic growth along with the U.S. (Nishino Junya 2011; Nishino Junya 2015). These studies examine how the foreign investment and loans from Japan and Japan's opening of its market to Korea have impacted Korea's economy and use

Park Tae Gyun (2000) argues that existing studies lean too much on the outcomes of the economic development plans rather than their implementation process and contents, pointing out the insufficient review of the historical and social backgrounds that gave birth to the economic development plans. Also lacking in review, he notes, are the analyses of Korea's domestic situation which could reveal the specificity of the "Korean Economic Development Model" that differs from that of underdeveloped countries and of the U.S., the other main actor involved in the planning of Korea's economic development policies. What is most interesting about this study is its focus on the origins of the economic development plans. That is, this study attempts a simultaneous analysis of historical, domestic, and external factors to uncover the origins of the plans.

Another method of analysis worth noting is the examination of the agents involved in the drafting and implementation of the economic development plans. This approach is taken from the methodology used by Chalmers Johnson for analyzing Japan in his work, "MITI and the Japanese Miracle." Chung Jin-A advances this method by analyzing the thoughts of bureaucrats who drafted the economic policies during the first Republic of Korea to reveal the origins of the Korea-specific model of economic development.

The research on Thailand's economic development is not only lacking in quantity compared to that on Korea's economic development but also in diversity, with the majority of the studies published between the 1990s and 2000s.⁹ Previous studies conducted on the Thailand's economy before the

Japan's technical assistance in the Korean government's promotion of the heavy chemical industry in the 1970s as an example.

⁹ Hong Gu Kim (2017) suggests that this surge in research comes from the demand for political and economic studies brought by Thailand's economic crisis in 1997.

1970s have been undertaken in the field of economics and, as a result, and focus on the deliverance of objective facts and statistical analysis (Satri, 1970; Atchaka, 1986; Abonyi et al, 1989; Pawakaranond, 1990; Warr and Bhanupong 1996; Hossain, 2001; Ammar, 2011). Specifically, these studies analyzed Thailand's changes in economic structure, industrial sectors and policies, the contents of the national economic and social development plans, agriculture-centered economy, and national finances. In other words, none of the studies have analyzed Thailand's economic development plans from the historical perspective or the planning organizations and actors involved in formulating the plans.

On the other hand, there are relatively a greater number of studies which investigate the relationship between Thailand and the U.S. (Darling, 1967; J.A.Caldwell, 1974; Noomnon, 1982; Fineman 1997; Ouyyanont, 2001). Ouyyanont (2001) underlines the development of Thailand's tourism industry rising from the special circumstances of the Vietnam War as lying at the core of the relationship between Thailand's economic growth and the U.S. J. A. Caldwell (1974) focuses on the economic aid from the U.S. in the U.S.-Thai relations. Pasuk (1990) explored Japan's entry into the Thai market in the relationship between Thailand and Japan, and Ichikawa (1990) analyzed the economic growth brought by Japan's investment in Thailand. These studies have mostly investigated the alliance formed during the Cold War and the intervention of the U.S. based on its foreign policy toward Southeast Asia. According to the study by Darling (1967), the U.S. quickly implemented a foreign policy to protect Thailand from the spread of Communism when China became a Communist state. Yano (1968) is a representative study that analyzed the U.S. aid provided in response to the Sarit government's pro-U.S. policy and the impact of the change in the U.S. policy on the aid to Japan. Suehiro Akira

(1989), on the other hand, looked into the changes in Thailand's economy after the establishment of the new Investment Promotion Act by the Sarit government to show how the monopoly of U.S. and Japan's multinational companies (MNEs) and their ties with the military government affected the Thai market.

The biggest problem and limitation of the existing research on Thailand's economic development are that the studies only convey objective facts related to the various aspects of the Thai economy, rather than attempting to uncover the origins of economic growth, as in the case of studies on Korea, using diverse approaches. One of the reasons this is so is the discontinuous in Thailand's economic growth, which led to the disinterest of scholars. In the research on economic growth, it is important to look at not only the successful cases but also the cases which are considered unsuccessful. The study of unsuccessful cases can deliver important lessons for developing countries. This is an important lesson for developing countries. What is even more necessary are comparative studies that juxtapose the successful cases of stable economic growth, such as the case of Korea, with the less successful cases.

The only studies which have analyzed the reason behind Thailand's unsuccessful economic development are Kunio Yoshihara (2000) and Cho Hung-guk (2011). Kunio Yoshihara (2000) questioned why Korea's per capita GNP grew at an annual rate of 7.1% on average from 1965 to 1990, while that of Thailand was only 4.4% and searched for the reasons in the role of the government and national culture, especially concerning education. Cho Hung-guk (2011), on the other hand, looks into the role of overseas Chinese capital in the slow economic growth of Southeast Asian countries. Although Kunio's research attempted to link the political role of the government and the cultural role of education on Thailand's economic growth, it also shows the limitation

of being focused on objective facts in relation to the factors and failing to explore the relationship between country's domestic political, historical, and social backgrounds and external influences surrounding these roles. Meanwhile, Cho Hung-guk's study does not incorporate comparisons with successful cases of economic growth, thereby failing to present lessons that can be learned from Thailand's economic growth process. Both Kunio Yoshihara and Cho Hung-guk well-demonstrate the problems developing countries in Southeast Asia experienced the process of economic growth but do not invite the analysis of the differences among these countries in terms of problems, actors, and external influences of their national planning organizations.

The limitation in existing Korean studies on the country's economic development plans is that they analyze the series of processes based on Korea's successful outcomes, which prevented the full exploration of factors associated with the economic growth. Also, most of the studies rely on the testimonies of bureaucrats rather than official records. The studies on Thailand, on the other hand, mostly consist of statistical analyses. The resources or records on which actors were involved in the economic planning, how the economic development plans were implemented, and what factors constrained the drafting and implementation of the plans are either lacking or non-existent, or very difficult to find.

This paper presents a comparative study of Korea and Thailand's economic planning process by examining the contents of the two countries' economic development plans, the structural differences between their economic planning organizations, and the external influences impacting the planning process, based on a review of the existing literature on Korea and Thailand's economic development and newly-uncovered resources. This comparison will present important insights into the evaluation of the efficiency of Thailand's economic

development plans and the root causes behind Thailand's unsuccessful economic growth.

1.3 Research Methodology and Scope

The core methodology applied in this study is to compare the cases of Korea and Thailand in the way the two countries drafted and implemented their economic development plans. Although Korea and Thailand have different experiences before 1945, they share a commonality that they are both developing countries in the first world centered on the U.S. under the Cold War system. After the 1960s, both countries also experienced the special circumstances of the Vietnam war when they responded to the request of the U.S. to send their soldiers to Vietnam. Another similarity shared by the two countries is that they both received aid from Japan after the 1960s, and Japanese companies have advanced into their markets or transferred technology to the two countries' industries.

Internally, both Korea and Thailand experienced military coup d'états that brought military governments to power. Although there were differences in the way the military governments transferred their power to civilian governments and the stability enjoyed by military governments, in both countries, there were no restrictions on the governments' intervention in economic affairs. The Korean and Thai governments set up organizations to be in charge of drafting and coordinating economic plans, through which they attempted to realize effective economic growth. With the participation in the Colombo Plan and the ECAFE from the 1950s, the government bureaucrats of both countries had formed a consensus about the need for economic development plans (Park Tae Gyun, 2007). This consensus was a common feature shared by not only Korea

and Thailand but also most Asian countries at the time to become a major background for the developing countries in Asia to formulate and implement economic development plans, as shown in <Figure 1> below.

In the socialist or communist states, economic plans are naturally implemented under state directions, but the fact that such plans were implemented in the developing countries of Asia which were included under the free market system of the first world is a noteworthy phenomenon that justifies calling the 1950s, “the era of economic development planning.” Korea and Thailand were not exceptions in this trend and exchanged this information with each other through the Colombo Plan or ECAFE. In the 1950s, Korea was benchmarking other Asian countries in devising its economic development plan.

<Figure 1> Economic Development Plans Implemented by Developing Countries in Asia in the 1950s

	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62
Burma	Prep	2Y			8Y		3Y	4Y					4Y			
Ceylon													10Y			
China				C-6												
India						5Y					5Y					
Indonesia	Prep		Prep	C-6	5Y				5Y						5Y	
Japan															Plan	
North Korea	Prep	Recon	(5Y)					5Y		New	long-term	plan				
South Korea	1Y	1Y	2Y	Korean	war	3Y	(Recon)	5Y							7Y	
Malaya				5Y	Korean	war	Tasca	Nathan	5Y				3Y	5Y	5Y	
Mongolia				C-6				5Y							5Y	
Nepal		5Y						5Y				3Y			5Y	
Pakistan								5Y						5Y		
the				C-6				5Y					5Y			
Philippines												3Y				
Singapore				C-6										5Y		
Taiwan						4Y				4Y					4Y/10Y	
Vietnam					1st	Indochina	War			Recon	(3Y)	3Y			5Y	

Source: Reproduction of the table in p. 125 of Satterwhite, “The Politics of Economic

Development; Coup, State and the Republic of Korea's First Five-Year Economic Development Plan (1962-1966)." Requoted from Park Tae Gyun (2003, p.38) <Table 2>.

Note: Y: year C-6: 1950 Colombo Plan Prep: Preparatory meeting and discussion Recon: Reconstruction plan right after the war

Of course, there are important differences between the two countries as well. Korea experienced a war for three years from 1950 to 1953, and in 1960, the government was overthrown by a citizens' uprising. Due to the division of the two Koreas, unlike Thailand, the U.S. military has been stationed in Korea since 1950 up to the present. The degree to which the U.S. intervened in domestic matters cannot but be different between Korea, which was at the forefront of the Cold War, and Thailand. However, since Thailand was also at the forefront of the Cold War due to the spread of communism in neighboring countries, the external conditions surrounding Korea and Thailand were not too different when looking at just the 1960s.

Korea, which had been colonized by Japan, and Thailand, one of Japan's allies during World War II, inevitably differ in terms of their relationship to Japan. Korean society held a strong negative perception of Japan, while in Thailand; the social perception was such that Japan found it easy to advance into the country. Despite this difference, the economies of both Korea and Thailand were greatly influenced by Japan after the 1960s.

These similarities between Korea and Thailand in the 1960s and early 1970s become the basis for a comparative study of Korea and Thailand. Of course, it is difficult to make a parallel comparison of the two countries due to their various differences. However, comparing the process of establishing and implementing economic development plans and the impact of foreign aid on this process of two countries, one of which is considered an economic success and the other a failure, will not only be a journey to find the origins from which

the two countries' present economic situation stem as well as present many insightful lessons for developing countries around the world.

The comparative study in this paper will be conducted using historical and empirical methods. The commonalities and differences of the two countries will be uncovered by empirically analyzing the historical process. Primary sources will be used to compare the two countries' economic development planning organizations, the drafting and implementation process of the plans, and the details and influence of U.S. and Japanese aid historically and empirically, but in the cases where primary sources are unavailable, secondary sources will be used to supplement the primary sources.

In terms of content, this study will first examine the details and characteristics of the economic development plans of Korea and Thailand.

To analyze the contents of the 1st to 4th Five-Year Economic Development Plans, which were formulated and implemented in the 1960s and 1970s, the records from the National Archives of Korea will be used as the primary source. Also, previous studies by Kimiya Tadashi (2008), Lee Wan-Beom (1999), and Park Tae Gyun (2000) provided helpful guidance in understanding the process of planning and executing the plans in detail.

Second, to focus on analyzing the organizational structure and functions of the Economic Planning Board (EPB), Korea's economic development planning agency, and the roles of the 'individuals' or 'actors' in the economic planning, this study referred to existing studies as well as the resources held by the KDI and the EPB, History of EPB and memoirs of bureaucrats of the time, and records from interviews with the ministers of the EPB. Oh Won-Cheol's memoir (1999), which provides a detailed account of the decision-making process and motivation behind Korea's economic policies during the Park Chung-hee regime, and conflicts among ministries and the actors as well as the

contents of the policies, was particularly useful as a resource.

The information on the U.S. aid policy was largely acquired from domestic data and the U.S. records on foreign relations with Korea for each period, and the records from the Presidential Archives were used to obtain the information on Japan's influence on the Korean economy. The resources held in the Presidential Archives included information on the conflicts between Japanese bureaucrats and the Korean government in the process of drafting the economic development plans.

To examine the drafting and implementing process involved in Thailand's economic and social development plans, "A Public Development Program for Thailand," the report compiled by the officials sent by the World Bank to Thailand in 1959, was used. This report was based on the research conducted by the officials over a period of one year from 1957 to 1958 on Thailand's economic situation, vulnerability, and economic development potential, and the World Bank advised Thailand on the drafting and executing its economic development plan. Since Thailand largely reflected the contents of this report in the draft of its first economic development plan, this report becomes an important resource for understanding Thailand's economic situation prior to the economic development plan and the economic planning process.

Next, the periodical reports on Thailand's economic and social development plan held by the National Economic and Social Development Board (NESDB) were analyzed. These reports were used to analyze the main objectives, contents, and outcomes of Thailand's 1st Six-Year Economic Development Plan and the 2nd to 4th Five-Year Economic Development Plan. However, since these reports simply contain statistical data such as policy goals and figures, they are limited resources for grasping the political background and motivation behind the economic policies. To overcome this limitation, efforts were made to

uncover new sources from records of the National Economic and Social Development Board (NESDB), the National Archives of Thailand, the 1986 records held by the Thai Ministry of Justice, and the archives of the Prime Minister's Office and the Royal Archives to obtain information on the structure and function of the National Economic and Social Development Agency (NESDB) and the actors involved in the planning process. Of course, due to the insufficiency of data on Thailand, inevitably, some of the information was recited from previous studies.

For the analysis of the effects of the U.S. and Japan on Thailand, the records from the archives of the National Bank of Thailand were visited. The resources from the World Bank and the Asian Development Bank cited by previous studies on the impact of the U.S. and Japan were also utilized as valuable sources. In the case of the Asian Development Bank, many of the sources, despite being held by the ADB, were not organized with any system to view the data, so there was no other option but to use the summaries on research outcomes results written by the bureaucrats who were employed at that time.

The present study sets the period from the early 1960s when the economic development plans began to be established and implemented in full fledge to 1981 when the Korean economy experienced rapid growth, as its scope. The entire period of Korea's consecutive Five-Year Economic Development Plans include the years up to 1992, when the 6th phase of the plan concludes, and Thailand is currently in the midst of its 12th Five-Year Economic Development Plan (2017-2021). As it was deemed impossible to analyze a thirty-year period in one research, this study sets its scope to the 1960s and 1970s, when the Korean economy boomed in its growth, to examine the process through which Korea and Thailand's economic development plans were established and implemented.

2. Economic Development Plans of Korea and Thailand and Their Characteristics

2.1 The Contents and Characteristics of Korea's Economic Development Plans

2.1.1 The Economic Development Plan under the Rhee Syngman Government

The decrease in U.S. aid and the uncertainty it brought to the Korean economy was what laid motivation to implement an economic development plan during the Rhee Syngman administration. After the Korean War, Korea has been promised aids from the U.S. to strengthen the nation's military and begin post-war reconstruction in exchange of a mutual defense treaty (Kim Nam Su, 2009). However, it was not possible for the Korean government to use the aid for revival projects as planned. The U.S. designated the use of its aid to building a stronger military defense and reconstruction. Moreover, the expected reduction in U.S. aid, scheduled in the late 1950s was considered a potential crisis for the Korean government. Facing the fact that the Korean economy will no longer be able to rely on US aid alone, efforts were put into devising a comprehensive economic development plan to realize economic independence (Chung Jin-A, 2008: 105).

Immediately after its establishment, the Rhee Syngman government began a five-year project called the 'Five-Year Muldong Plan (1949-1953).' The goal of the plan was to boost the Korean economy to the level where it can build a heavy chemical industry, thereby transforming the industrial structure based on agriculture to that based on technology. To achieve this goal, intensive

investment in fuel, energy, and fourteen areas under the heavy chemicals industry were to be made over a five-year period, however, the plan was abandoned as the U.S. ECA's aid project changed its focus from revival to the stabilization of inflation and relief and restoration at the outbreak of the Korean War (Chung Jin-A, 2009: 356).

After the Korean War, the Rhee Syngman government drafted several economic development plans. The United Nations (UN) drafted the Nathan Report, known as the 'Korean Economic Recovery Plan,' and the US government produced the Tasca Report, which was a comprehensive four-year plan based on the Nathan Report. However, these plans did not contain specific roadmaps to revive Korea's industrial base but examined methods to distribute U.S. aid by sector and were ultimately abandoned (Park Tae Gyun, 2000: 148; Park Tae Gyun, 2007: 216).

In 1954, Korea's Planning Bureau delivered the "Comprehensive Reconstruction Plan" to the U.S. As the Korean government had formerly envisioned before the Korean war, the plan aimed at expanding the social overhead capital needed for industrial development such as transportation, post and telecommunications, and energy and building a heavy chemical industry. In February of the same year, the Planning Bureau announced its budget for reconstruction, which allocated US\$ 54.7 million of the budget for building industrial facilities to the mining industry, 3.5 times the budget allotted to the agricultural sector. Also, power, fertilizer, cement, and glass industries were set the investment areas for strategic development (Park Tae Gyun, 2007: 219).

In 1956, the Ministry of Reconstruction quickly drafted the "Five-Year Economic Reconstruction Plan" in three days just before receiving a visit from the U.S. Secretary of State, John F. Dulles, to deliver to the U.S. The plan was based on the assumption that Korea will be receiving U.S. aid and focused on

asking the U.S. government for more aid, specifically, a total of US\$ 2,374,900,000 — US\$ 511.7 million in 1957, US\$ 483 million in 1958, US\$ 472.7 million in 1959, US\$ 461.5 million in 1960, and US\$ 436 million in 1961 (Chung Jin-A, 2009: 360-361). About 50% of the investments were allocated to the restoration and expansion of social overhead capital, US\$ 93 million to improving agricultural production, US\$ 418.4 million to reconstructing fertilizer and cement plants and the Ulsan refineries for import-substitution. The plan also outlined intensive support for the manufacturing, steel and mining, fishery, and shipbuilding industries. The projection on exports consisted of the export of primary products (US\$ 38 million in mining products, US\$ 73 million in fishery products, \$ 45 million in grains), and the projection on imports included about US\$ 63 million in oil, coal, yarn, and fertilizer (Chung Jin-A, 2009: 360; Park Tae Gyun, 2007: 221). However, the US criticized the plan as being a hasty compilation of previous plans to request for more aid and denied approval.

From 1957, the Korean government began to formulate economic development plans in earnest. On May 6, 1957, the Combined Economic Board, CEB) came to an agreement to invite an advisory group from the U.S. to Korea to advise on the drafting of a long-term economic revitalization plan aiming to build Korea's economy to the level of US\$ 3 million per capita income. On April 1, 1958, the organization that had been in conception was established as the 'Economic Development Council' directly under the Minister of Reconstruction (Park Tae Gyun, 2000: 150-151).¹⁰ The Three-Year Economic Development Plan was completed in December 1959 and submitted in April

¹⁰ Park Tae Gyun (2000, p.150-151). At the time of the discussion surrounding the establishment of the Economic Development Council, it was called the 'Comprehensive Economic Planning Committee' or the 'Long-term Economic Development Committee.'

1960. This plan outlined the plan for the first three years (1960-1963) of the Seven-Year Industrial Development Plan, and its aim was to build the foundation for self-reliance (Chung Jin-A, 2009: 373). Economists, economic bureaucrats, and foreign advisors sent by the U.S. participated in the process of drafting this three-year plan (Park Tae Gyun, 2007: 225-226). The people who participated since 1958 were Joo won, Joo Seok-gyun, Hong Seong-ha, Lee Chang-ryul, Park Dong-An, Ahn Lim, Hwang Byung Joon, Ko Seung-jae, Kim Yong-kab, Shin Tae-hwan, Boo Wan-hyuck, Kim Sang-kyum, Lee Myun-sa (Park Tae Gyun, 2000: 151). As the meetings of the Economic Development Council were mostly led by experts who believed in private sector-led economic development, the plan naturally reflected their opinions, and the foreign experts involved in the plan also followed the U.S. government's economic policies, which emphasized private enterprise-led economic development in the 1950s (Park Tae Gyun, 2000: 152; Park Tae Gyun, 2007: 228). As a result, the plan placed the private sector at the core (Park Tae Gyun, 2007: 227). From the U.S., experts from the University of Oregon and Dr. Lowell Chawner, the Economic Coordinator of the United Nations Command in Korea, were dispatched with the cooperation of the ICA, to review the overall plan and discuss the methods of implementation. Their role was not to participate directly in the drafting and implementation of the plan, but to suggest modifications by reviewing the practicality of the plan (Oregon Advisory Group, 1961). Although the Korean government's stance toward the Oregon expert group was not positive, it is possible that their involvement delivered the basic knowledge necessary for the Korean officials to set up the basic framework of the plan based on the capitalist market economy, since most of council members had been educated in economics during the Japanese colonial rule and had no experience in formulating and executing economic

plans under normal market economies. Of course, upon a closer look, the Oregon Expert Group may not have been experts on economic situations of developing countries either, so their influence may have been limited to a certain extent.

The Three-Year Economic Development Plan set its aim to achieve an annual average growth rate of 5.2% and planned to invest 639.3 billion hwan in total by increasing increments every year over the planned period. The plan pushed for a significant increase investment in the manufacturing sector and reduced investment in the other industries. To accelerate the pace of industrialization and promote a balanced growth of the primary and secondary industries, the proportion of investment by sector was set at 18% in the primary industry, 31% in the secondary industry and 51% in the tertiary industry. Regarding the procurement of investment, it was assumed that the amount of free aid will decrease, so the loans or foreign direct investment were set as the main sources. In 1958, foreign aid accounted for 79% of Korea's total foreign currency imports, but the plan projected this ratio to decline to 55% by 1962. Korea had not received any loans for development or foreign direct investment in 1958, but the plan projected their ratios to increase to 10% in 1962. Also, the government planned finance the investment through a growth in exports in place of foreign aid. Korea's exports in the base year (1958) were only US\$ 170.9 million, but in 1962, they were projected at US\$ 63.95 million, a 3.7-fold increase over the planned period. However, 88% of the planned exports were that of primary products, so it cannot be said that this Three-Year Economic Development Plan aimed for export-oriented industrialization.¹¹

The three-year plan was influenced by the balanced growth theory and placed

¹¹ Three-Year Economic Development Plan, National Archives
<http://theme.archives.go.kr/next/economicDevelopment/reconstruction.do?page=3&eventId=0014573258>

a great deal of importance on import-substitution through strengthening industries such as the fertilizer, cement, pulp, and machinery industries. In addition, the plan set increasing the proportion of secondary industries as a long-term goal and prioritized the development of agriculture in line with the 1950s' developmentalists theories which emphasized the importance of the primary industry, and the important position agriculture occupied in the industrial structure of Korea at the time (Park Tae Gyun, 2000: 154).

The significance of the Three-Year Economic Development Plan is that it was the first plan to develop a strategy for building a 'self-reliant economic system' in Korea. Unlike the previous plans, the three-year plan set an overall target and specific sectoral targets to be achieved, with an overall plan and main policy measures to achieve these goals based on a large amount of statistical data collected to understand the status of the Korean economy and identify its problems. The plan was an outcome created through the participation of the economic bureaucrats of the Ministry of Reconstruction centering on the Economic Development Council and experts from the private sector.

As such, the Rhee Syngman government devised multiple plans for economic development since 1949, immediately after its establishment. However, the plans centered on the distribution of U.S. aid to various sectors, thus assuming the continued assistance from the U.S. That is, the plans did not include a vision to promote economic growth by accumulating and mobilizing domestic capital despite a reduction in U.S. aid.

Thus, in the 1950s, when U.S. military aid was at the center of Korea's economy, the plans were considered impractical. From the standpoint of the U.S., it was unlikely that the U.S. will continue to allocate sufficient aid to support the plan for Korea's economic development, and without the accumulation and mobilization of Korea's domestic capital, it seemed

impossible for the plans to be executed to the end. Even if the plans included a strategy to accumulate domestic capital or increase the Korean government's investment, the plans would have still been ineffective when considering the Eisenhower administration's foreign aid policy which opposed the expansion of the Korean government's foreign currency holdings in the 1950s.

Nevertheless, the plans began to deviate from a simple patchwork of existing plans or the sole goal of increasing U.S. aid towards the late 1950s. This change was made possible by the participation of the Economic Commission for Asia and the Far East (ECAFE), the Colombo Plan, and the increasing number of Korean officials who had experienced the World Bank's economic development planning process, and the assistance of the Oregon expert group in the 1950s. It can be said that the economic planning efforts during this period became a foundation for the economic development plans after the 1960s.

2.1.2 The Economic Development Plan under the Democratic Party Government

The Democratic Party government, which lasted for a short period of about nine months from August 19, 1960 to May 16, 1961, set "Economy First" as its goal and established a 'Five-Year Economic Development Plan.' However, the Democratic Party government was regarded as a transitional government that lacked leadership, so its Five-Year Economic Development Plan and "Economy First" have been perceived as the conceptions of the Park Chung-hee military regime (Kim Ki-seung, 1999: 252).

Yu Kwang-Ho (1988) highlights the significance of the Democratic Party government's economic policy, stating that it solidified the grounds for the economic plans established under the military dictatorship that followed, which overcame the problems in economic planning experienced during the Rhee

Syngman regime and provided new alternatives. Satterwhite argued that the military government's economic development plans "stole the briefcase" of the Democratic Party government and that the military government's plans had little difference from the Democratic Party government's plan.

Immediately after the April 19 Revolution, Korea continued to suffer from the problems left by the Rhee Syngman administration, massive unemployment, and concerns over economic instability due to the decrease in U.S. aid. The Democratic Party government placed the implementation of economic policies a top priority and declared the "Economy first" as the national goal (Kim Ki-seung, 1999: 253). This declaration reflected the aspirations of the April 19 Revolution, which not only included political democratization but also the Korean people's desire for a society where they could earn a sufficient living through economic growth.

The Democratic Party government, rather than responding to the people's demands to punish the corrupt officials of the Rhee Syngman government or resolving urgent economic problems such as the unemployment issue, the rising prices of goods, and adjusting the price of agricultural products, proposed the reduction of deficits in state enterprises, trade with Japan, fostering mid-to-small sized enterprises, and expanding infrastructure through the efficient use of foreign aid and raising the fees for government-operated utilities instead (Park Jin Hee, 1999: 267). However, overall, the Democratic Party government's direction did not completely deviate from the policy objectives of the Rhee Syngman administration. In other words, the Democratic Party government, like the Rhee Synman administration, aimed to receive a greater amount of aid from U.S. through its proposed plans. That is, the government's plan was to receive more aid from the U.S. by improving the efficiency in spending foreign aid and solving the exchange rate problem demanded by the

U.S. government (Park Jin Hee, 1999: 271).

To negotiate an increase in U.S. aid, the Minister of Finance, Kim Young-sun, and the Vice-minister of Reconstruction, Cha Kyun-hee, visited the U.S. in 1961 for a week. The Democratic Party government delivered its willingness to accept the U.S. demands for economic reforms in return for their financial support (Chung Jin-A, 2017: 330). The U.S., in response, presented their conditions in the form of the Dillon Package, which demanded the Korean government to 1) adjust the exchange rate, 2) conclude a new economic agreement with the U.S., 3) raise the fees for government-operated utilities, and 4) establish a plan for stabilizing the economy (Park Jin Hee, 1999: 272-273). The Democratic Party government attempted to resolve the four issues demanded by the U.S. (Park Tae Gyun, 2000: 161).

First, the Democratic government raised the exchange rate. As requested by the U.S., the exchange rate was increased to 1,000: 1 on January 1, 1961, and then again to 1,300: 1. Korea had been gaining a profit from aid allocations through the difference between the unrealistic market exchange rates and the adjusted exchange rates. The U.S. tried to solve the problem of corruption surrounding the import permit system while both increasing the efficiency and minimizing the amount of aid by relieving Korea's fiscal deficit through a higher exchange rate and greater tax income. Thus, the U.S. used the provision of aid as leverage to push the Democratic Party government to raise the exchange rate (Park Jin Hee, 1999: 274-278).

Next, the Democratic government raised the fees for government-operated utilities. The USOM demanded the consolidation and privatization of electric companies and an increase in utility fees, and under the recommendation of the USOM, on September 1, 1960, the Ministry of Commerce and Industry submitted a proposal to increase the electricity bill by 85% to the Ministry of

Finance. On November 25, the proposal to consolidate and privatize the three existing electricity companies was approved by the Cabinet council. However, the 85% increase in electricity rates met with fierce public opposition and was adjusted to a 49.9% increase, a compromise that was accepted by the USOM. The adjustment in the exchange rate and the increase in utility rates led to a surge in market prices and economic confusion (Park Jin Hee, 1999: 279; Chung Jin-A, 2017: 335-338).

Lastly, a new economic agreement was concluded between the U.S. and Korea. The “Comprehensive Agreement regarding Economic and Technical Assistance between ROK and US” unified the agreements held between the U.S. and Korea related to economic issues and amended the existing agreement on U.S. aid. In particular, Article 3 of the agreement stipulating that “the Korean government will allow U.S. authorities unrestricted access to observe and review government projects and their plans and relevant records...” was criticized heavily as a clear violation of Korea’s national sovereignty. Nevertheless, the intention behind the U.S.’ conclusion of this new agreement was to prevent the inefficient use of aid by overseeing the Korean government’s budgetary spending (Park Jin Hee, 1999: 278-280).

The Democratic Party government addressed the U.S. government’s requirements set out in the Dillon Package while beginning to draft the Five-Year Economic Development Plan. In November 1960, Prime Minister Chang Myon ordered the Economic Development Council to draft a five-year plan. The Democratic Party government held a ‘comprehensive economic conference’ to gather the opinions from various sectors on the strategies for economic development. During this conference, the establishment of an ‘Economic Planning Board (EPB),’ which will assume the role as a mechanism for drafting new economic plans, was discussed. Specifically, the idea was to establish an

EPB directly under the Prime Minister to formulate plans, while the ministries become responsible for the execution of the plans. Furthermore, the transference of the role of budgeting from the Ministry of Finance to the EPB and the shutting-down of the Ministry of Reconstruction to be replaced by the Ministry of Construction were considered (Chung Jin-A, 2017: 334-335). These considerations reflected the criticism that the Economic Development Council, which is an economic planning agency, did not have the authority to direct other economy-related ministries and thus, were limited in its role as a coordinator of economic plans. However, due to the May 16 coup d'état, this plan to establish a new government apparatus could not be implemented (Park Tae Gyun, 2000: 162).

Economic bureaucrats and economists who participated in the Economic Development Council, the Oregon expert group, and Dr. Charles Wolf of the RAND Corporation, who was an economic advisor to the Ministry of Reconstruction, were involved in the process of drafting the Five-Year Economic Development Plan. Dr. Wolff's ideas were reflected in the plan in the following ways. First of all, the five-year plan emphasized the simultaneous implementation of a free enterprise system and the government's indirect control and pointed out the need for introducing loans in place of free aid was also pointed out. The plan also highlighted the need for a area-specific approach to achieve economic growth on limited resources, which is an unbalanced growth model that strategically deals with specific problems first (Park Jin Hee, 1999: 287; Chung Jin-A 349; Park Tae Gyun, 2000: 163-164). The main areas for investment outlined were: 1) securing the supply of energy (electricity, coal, etc.), 2) expanding basic industry facilities such as factories for fertilizers, cement, steel, rayon yarn, and refineries, 3) increasing agricultural productivity, 4) using unemployed resources and labor, and 5) building sufficient social

overhead capital (Park Jin Hee, 1999: 287; Chung Jin-A, 2017: 349-350). The overall goal was set as achieving an annual growth rate of 5.6%.

The Democratic government promoted the land construction projects as the focal projects of the Five-Year Economic Development Plan. The primary goal of the land construction project was to create social overhead capital and to resolve the unemployment problem by employing untapped labor of the rural labor force, consisting of farmers who had no work after the harvest, and the urban unemployed in the formation of social overhead capital and massive spring and fall. The secondary goal was to develop the desolate land and raise the public opinion on economic growth (Park Jin Hee, 1999: 283; Chung Jin-A, 2017: 339-340; Park Tae Gyun 2000: 165-166). The Democratic Party government chose 2,000 university graduates or pre-graduates to be trained and placed at the construction sites, who will then be assigned to government departments and affiliated organizations after a three-month probation period. However, the introduction of surplus agricultural products from the U.S., which was to be used to finance the projects, was delayed, leading to the incooperation of government ministries, and the additional budget has not passed by the National Assembly. In the process, budget allocation was determined by the negotiation among politicians rather than reflecting the actual regional situations or demands, resulting in political pressures brought by private interests over the selection of the construction sites. Also, some of the chosen university graduates refused to work at the construction sites because of the low salary and inconvenient living quarters, and as a result, the land construction project turned out to be unsuccessful (Chung Jin-A, 2017: 342-344; Park Jin Hee, 1999: 283-284; Park Tae Gyun, 2000: 167).

The Democratic Party government neglected the people's demand to deal with the corruption in the previous administration and set its top priorities to the

demands of the U.S. as a means to receive more U.S. aid. As a result, the economic policies of the Democratic Party government were unable to avoid the criticism of being overly dependent on the U.S. The Democratic Party government, failing to receive public support and confidence, was unable to bring success to the Five-Year Economic Development Plan it drafted, and the plan was renamed and executed as a plan under the Ministry of Construction by the military government.

2.1.3 The 1st Five-Year Economic Development Plan (1962-1966)

As Korea entered the 1960s, there rose voices of concern about the possible spread of communism into Korea due to the worsening imbalance of the U.S.' international payments and the dangers of communism surrounding the Korean peninsula, coupled with Korea's economic difficulties and political unrest, leading to the argument that U.S. aid policy should change its focus from "Military First" to "Economy First" (Kimiya Tadashi, 2008: 91-96). This change was due to the integration of the ICA and DLF, the U.S.' foreign aid agencies, into the USAID, which put more emphasis on the recipient countries' autonomous social reform and planning (Yoo Chul-gyu, 2004: 167-192). The USAID followed the Kennedy administration's principles for sending aid to newly developing countries, but it primarily focused on reducing the financial burden of delivering aid and assisting the recipient country in developing a viable economic structure. The U.S. wanted the Park Chung-hee government to follow the economic policies set up together by the Democratic Party government and the U.S. The deliberation process and the report by the Presidential Task Force on Korea presented a guideline for Korea which suggested putting economic stabilization as its top priority with a focus on

building social overhead capital and power generation while suppressing new investments as much as possible. The report also suggested Korea to resolve its unemployment problem through the implementation of the national land construction project and to put efforts into bringing in foreign capital as well as mobilizing domestic capital. The policy was suggested that the effort should be made to mobilize self-help along with the introduction. In addition, it was also addressed the establishment of long-term economic development plans and the normalization of relations between Korea and Japan (Kimiya Tadashi, 2008; 93-99).

The military government, like the Democratic Party government, declared “Economy First” as the national priority and made the provision and implementation of economic development plans as its revolutionary task (Park Tae Gyun, 2000: 169). In a way, this move by the military government was a strategy to catch two rabbits at once — to rationalize an illegal coup d’état while accommodating the demands of the U.S.

Kim Jong-pil, who was one of the heads leading the coup alongside Park Chung-hee, established the National Planning Committee and the Economic Planning Committee for establishing a planned economy (Kimiya Tadashi, 2008: 52). On the one hand, these committees were benchmarked from the economic planning apparatus in other Asian countries such as the Economic Planning Bureau while, on the other hand, succeeding the Democratic Party government’s plans to reform the government organization structure to draft and implement economic development plans. Since Park Chung-hee had no experience in drafting economic policies, he appointed economics professors, bank officials, and economic bureaucrats as advisors or members of the Planning Committee to formulate economic development plans (Park Tae Gyun, 2000: 170).

To fulfill its commitment to economic development, the military government announced the Five-Year Economic Development Plan of the Democratic Party government as the Tentative Economic Development Plan (TEDP) on June 10, 1961, through the Ministry of Construction, which was formerly the Ministry of Reconstruction. The TEDP consisted of the same contents as the economic plan formulated by the Democratic Party government (Park Tae Gyun, 2000: 170).

The Comprehensive Economic Reconstruction Plan (CERP) was announced by the Supreme Council on July 22, 1961. Yu Won-sik, Park Hee-beom (Seoul National University professor), Kim Sung-beom (Industrial Bank of Korea), Paek Yong-chan (Industrial Development Committee), Jung So Young (Bureau of Taxation), Kwon Hyuck-ro (Lieutenant colonel of the Korean army), Lee Kyung-sik (Bank of Korea), Chung Il-hwi were involved in drafting this plan. The CERP was drafted under the initiative of several members of the Supreme Council without consultations with the ministries under the government apart from the Ministry of Home Affairs (Park Tae Gyun, 2000: 171; Kimiya Tadashi, 2008: 62; Kang Kwang-ha et al, 2008: 79). The CERP differed from the TEDP in the following ways.

First, a greater role was placed on government financing for creating capital than foreign investment, especially in relation to accumulating capital for the secondary industry. Second, the target for the average annual growth rate was raised from 5.6% to 7.1%. Third, the target for exports was also set higher than the TEDP. The difference, however, is that the TEDP had set higher targets for exporting secondary products than primary products in the export product ratio, whereas the CERP set a higher target for primary products. This difference rose from the fact that the government had established an industrial investment plan centered on heavy industries aiming at import substitution (Park Tae Gyun,

2000: 171).¹² The CERP was criticized both domestically and internationally. The Chamber of Commerce argued that an annual growth rate of 7.1% was not a realistic target and that the increase in the tax burden will have a negative impact on corporate and private investment. The plan was criticized for its overly hopeful expectations about securing foreign investment, as it aimed to cover the capital for focal investments in the first and second years by bringing in foreign capital. The U.S. also pointed out that the CERP was an unrealistic proposal (Park Tae Gyun, 2000: 172).

On July 22, 1961, the Economic Planning Board (EPB) was established. This restructuring of the government organization had been in discussion since the Democratic Party government. The Supreme Council instructed Colonel Park Ki-seok, the Minister of Reconstruction, to submit a proposal on how to expand and reorganize the Ministry of Reconstruction by May 25, and Chung Jae-seok, the head of the ministry's Planning Division, drafted two proposals. As will be described later in more detail in Chapter 3, Park Chung-hee judged that a full reform of the administrative structure was not viable under the unstable political conditions at the beginning of the revolutionary government, thus, the proposal to first expand and reorganize the functions of the Ministry of Reconstruction as the Ministry of Construction was selected. Afterwards, as General Song Yo-chan became appointed as the head of the Cabinet on July 3, the creation of the EPB was reviewed in full-fledge, and the Ministry of Reconstruction's former direct of Planning, Song Jeong-beom, agreed on the necessity of integrating administrative powers over planning and budgeting that had been in discussion to give birth to the EPB (Lee Man-Hee, 2010: 85-86;

¹² Kimiya Tadashi (2008, p.64) referred to this strategy as "intensive industrialization" by building basic industries through the mobilization of domestic capital under the direction of the government and pointed out that the CERP clearly exhibited the characteristics of such intensive industrialization strategy.

Kang Kwang-ha et al, 2008: 57-59). According to Article 1 of the Cabinet decree on the establishment of the EPB, the EPB shall create a comprehensive plan for the efficient operation of the national economy and oversee its management, coordination, and mediation as well as be in charge of the administration related to economic coordination with foreign or international economic institutions stationed in Korea (Economic Planning Board Directives, Cabinet Order No. 57, July 22, 1961). To this end, Article 3 stipulates that the EPB shall consist of a General Affairs Division, and Bureaus of Comprehensive Planning Bureau, Budget, Mobilization Planning, and Statistics (Economic Planning Board Directives, Cabinet Order No. 57, July 22, 1961).

From August 5, 1961, the Supreme Council set out to create a full-scale proposal and comprehensive reviewed the opinions of the economy-related ministries, including the Bank of Korea, and various other channel, then submitted the proposal for review to the Central Economic Committee. The Central Economic Committee pointed out that the 7.1% growth rate was too ambitiously and that there is a risk of inflation from excessive investment and potential difficulties in finding new financing sources for the new projects. The discussions that followed emphasized the need for more investment toward solving the issues in rural agricultural areas, and in response, through the budget proposal review in 1962, an additional 9.1 billion hwan and 700 million hwan were allocated as investment and loans to the farming fund and the electric power industry, respectively (Park Tae Gyun, 2000: 175-176).

On January 13, 1962, the EPB announced the “First Five-Year Economic Development Plan,” developed by the EPB, the Ministry of Reconstruction under the Democratic Party government, the bureaucrats of the Ministry of Finance, the Supreme Council's Planning Committee, the Bank of Korea, the academia, and the technical community. However, this first plan, rather than

reflecting the opinions of the EPB, was formed along the lines of the ideas presented by Park Chung-hee, Yu Won-sik, Park Hee-beom, Jung So Young, were the leading figures of the military government's economic policy immediately after the coup d'état who had gained the trust of Park Chung-hee and were believers of state-led economic developmentalism (Park Tae Gyun, 2000: 176). Yu Won-sik and Park Hee-beom preferred a state-led intensive industrialization strategy and exerted their leadership in the drafting of the first Five-Year Economic Development Plan and the monetary reform and the construction of the basic industries (Kimiya Tadashi, 2008: 53-57).

The basic goals of the first Five-Year Economic Development Plan were “building a foundation for realizing economic independence” and “breaking the vicious socio-economic cycle” (National Archives of Korea, the first Five-Year Economic Development Plan). Its industrialization strategies adhered to the unbalanced growth theory, which focuses heavily on core businesses, but its goal were to realize import substitution industrialization and the balanced growth of industries. The six key tasks delineated by the plan are: 1) securing the supply of energy such as power and coal, 2) increasing the income of farmers by strengthening agricultural productivity and correcting the imbalance of the national economy, 3) expanding basic industries and building sufficient social overhead capital, 4) utilizing idle resources and increasing employment, 5) preserving and developing the nation's land, and 6) improving the balance of international payments centering on the strengthening of exports and technical development (Park Tae Gyun, 2000: 178). The first Five-Year Economic Development Plan stands out in the fact that it partially inherited the contents of the plan formulated by the Democratic Party government. The key industrialization strategies outlined in the first Five-Year Economic Development Plan are the construction of fertilizer factories, refineries, and

steel mills; emphasis on exports centered on primary products; intensive investment in agriculture, forestry, and fisheries (17.2%), fertilizer (4%), electricity (11.7%), transportation (12.3%); and the expansion of social overhead capital — these strategies are exactly the same as those outlined in the Democratic Party government's plans. Another feature of the plan is its emphasis on mobilizing domestic capital. While the previous plans underscored the active utilization of foreign investment, the first Five-Year Economic Development Plan envisioned the gradual reduction of the dependence on foreign investment by supplying domestic resources to secure the necessary capital, allotting domestic capital to account for 72.2% and foreign capital for 27.8% for capital formation over the planned period. The plan is also placed more weight on the leadership of the government over the private sector, as can be seen from its projection for sourcing 44% and 56% of the necessary capital from the private sector and the government, respectively (Park Tae Gyun, 2000: 178-180).

However, the U.S. government recommended the first plan's 7.1% annual growth rate target to be revised realistically to 5%, pointing out that it is impossible to mobilize domestic capital for the intended economic development. The U.S. also advised that investment in the heavy chemical industry was unrealistic and that the focus should be put on improving social overhead capital and agriculture rather than building factories (Kimiya Tadashi, 2008: 111-112).

The military government adhered to its growth-oriented policies rather than swallowing the U.S.' recommendations to stabilize national finances first. The government raised the interest rate for savings accounts significantly to induce people to put their money into savings. However, the plan was unsuccessful due to the inflation that resulted from the huge monetary expansion in 1961. The

military government then attempted to secure the capital for economic development by revitalizing the stock market. However, when the Central Intelligence Agency intervened into the stock market to create political funds with the profits, the stock market met with a crisis that resulted in continued disruptions that failed to be normalized (Park Tae Gyun, 2000: 182-183). Currency reform is a representative policy implemented by the military government to mobilize internal affairs. A monetary reform was undertaken through the 'Emergency Currency Measures Act' which changed the existing currency (hwan) into Korean won at an exchange rate of 10:1, thereby nominally depreciating the value to 1/10. Meanwhile, the government prohibited the circulation and trading of hwan currency and instructed people to report their checks, bills, postal money orders, and payment instructions in hwan to designated financial institutions by June 10 and to place all hwans into savings by June 17. The savings deposits were frozen to be converted into stock shares of the Korea Development Corporation which promised an annual dividends payment of 15%. That is, the government attempted to secure capital by freezing the savings deposits (National Archives of Korea, Third Emergency Currency and Finance Measures)¹³ This monetary reform was the representative policy executed by the military government to mobilize domestic capital. The U.S. disapproved of the currency reform that was undertaken without prior consultation, pointing out that the currency reform could shrink the productivity of firms and reduce the trust placed on Korea. The U.S. also worried that Korea's economic policies were tending towards state capitalism since the currency reforms were carried out without any consultation with the U.S. or international financial institutions. Ultimately, pressure from the U.S.

¹³ 'Emergency Currency Measures Decree'(Law No.1088); 'Emergency Finance Measures Decree' (Law No.1091); 'Special Measures for the Frozen deposit Decree' (Law No.1095)

lifted the ban on the access to the saving deposits (Kimiya Tadashi, 2008: 134-138).

The failure of the currency reform escalated the inflation that had been plaguing the country, and the factory utilization rate fell as fiscal spending was tightened to prevent further rises in market prices. There was a shortage of funds circulating in the market and market consumption also experienced a shrink. In 1962, an extreme drought brought in a disruption in the supply of rice, making it necessary to import rice from abroad. The government's new investment plans were totally suspended, and the economic growth rate dropped from 3.5% in 1961 to 2.8% in 1962 (Park Tae Gyun, 2000: 185-187).

The plan to build a comprehensive steel mill was also put on hold. Korean steel companies and government officials signed a U.S.-Korea joint investment contract with Blaw-Knox Company, Koppers International, Westinghouse Electric International, and the International Investment Company in the United States to construct a comprehensive steel mill in Ulsan. Of the total US\$ 155 million required to construct the plant, Korea planned to allocate US\$ 37.73 million of domestic capital and cover the rest with foreign investments. 75% of the expected foreign investments were to be secured through a loan from the USAID, but the U.S. rejected the loan stating the infeasibility of building a comprehensive steel plant under Korea's current economic situation. Without the necessary foreign capital for constructing the mill, it was impossible to mobilize domestic capital. As a result, the military government's plans for the comprehensive steel mill were defeated due to the unavailability of funds (Kimiya Tadashi, 2008: 146-156).

The economic crisis resulting from the initial failures of the first Five-Year Economic Development Plan opened the opportunity for the U.S. to demand a financial stabilization plan from the Korean government once again. From

January 1963, the U.S. and Korea worked together on a financial stabilization plan, and the Korean government accepted the financial stabilization plan recommended by the U.S. in exchange for additional aid to prevent inflation. Through the implementation of the fiscal stabilization plan, the military government reduced the size of its budget and lowered the overall targets set by the first Five-Year Economic Development Plan (Kimiya Tadashi, 2008: 152-160).

The first Five-Year Economic Development Plan met with an inevitable revision due to its initial failures and the criticism from the U.S. The U.S. argued for a balanced growth through import substitution in pursuing economic development in the underdeveloped countries. However, under the Kennedy administration, the U.S. instituted a policy to implement economic development plans that had the characteristics of Walt W. Rostow's unbalanced growth theory while continuing to pursue balanced growth for establishing economic independence in underdeveloped countries (Park Tae Gyun, 2000: 130). Rostow argued for the active intervention in the policies of less developed countries to motivate them directly and the active dispatchment of delegations centered on delivering technical assistance to help the less development countries to draft economic plan effectively. It can be said that this point of view prompted the U.S. to intervene in the revision of Korea's economic development plan beginning in 1963, has begun (Park Tae Gyun, 2004: 153-154).

The EPB began the revision of the Five-Year Economic Development Plan and announced the revised plan in February 1964 (Rhyu Sang-young, 2002, 16). The revised plan, unlike the original plan, was drafted by six joint working groups which was systematically organized into a development planning group, financial group, international payment group, technical promotion group, and

comprehensive sector review group (Kang Kwang-ha et al, 2008: 81). <Table 4> summarizes the main revisions made to the original plan.

<Table 4> Comparison of the original and revised ‘First Five-Year Economic Development Plan’

	Original plan	Revised plan
Basic assumption	Five basic categories	⑥ The efforts of the government and the people to stabilize the economy will lead to a gradual recovery of the foundations of economic stability by the end of 1963, and the adjusted second and third year plans will proceed relatively smoothly. ⑦ Private enterprises will gradually increase its activities to play a greater role in the implementation of the plan, and private capital foreign will also be smoothly secured.
Target growth rate	7.1 %	5.0 %
Total investment ratio of available resources	21.0 %	15.5 %
Total investment rate	22.6 %	17.0 %
Source of investment	54.2% (government) 45.8% (private sector)	50.2% (government) 49.8% (private sector)
Target growth rate for the agricultural sector	5.7 %	3.8 %

Source: Economic Planning Board, The First Five-Year Economic Development Plan (Outline and Second-year Plans), November 1962; Economic Planning Board, The First Five-Year Economic Development Plan (Revised Plan), February 1964; Table 16 of Park Tae Gyun(2000, p.202), partially requoted with modifications.

In the revised plan, ‘the foundations of economic stability’ and ‘activation of the private sector’ were added to the basic assumptions of the original plan. The target growth rate was also revised from 7.1% to 5.0%, and the total investment rate from 22.6% to 17.0%. Concerning the procurement of investment, the ratio of government sources were lowered and that of private sources were elevated. The target areas for industrial investment were shifted from import substitution industries to the export-oriented industries. In the plan for exports, more focus was placed on cultivating the labor-intensive light industry or handicrafts as export-oriented industries, and the export of rice was omitted from the plan, showing the change of strategy from primary product-centered exports to secondary product-centered exports (Park Tae Gyun, 2000: 198-201).

The key figures of the Supreme Council who had previously played a leading role in drafting the Economic Development Plan were excluded from the process of revision. Kim Yoo-taek, the chief bureaucrat who had worked in the Ministry of Finance, the Ministry of Reconstruction, and the Bank of Korea during the Rhee Syngman administration, was appointed as the head of the EPB, and Cha Gyun-hee as the deputy head. Yu Chang-soon, who succeeded Kim Yoo-taek as the Minister of Commerce and Industry, had been a Vice-minister of Reconstruction and the head of the Office of Supply under the Democratic Party government after serving as the head of the New York office of the Bank of Korea. Kim Sae-ryun, a bank official, was appointed as the Minister of Finance, and Professor Hwang Jong-ryul of Dongguk University as the Vice-minister (Park Tae Gyun, 2000: 196). As the revised plan was under the greater influence of economic bureaucrats with the EPB at the center, the role of the EPB also expanded from its former scope.

The U.S. put pressure to restructure Korea’s overall economic policy along with the revision of the Five-Year Economic Development Plan, demanding

Korea to establish a financial stabilization plan, adjust the exchange rate and interest rate, set up a policy for promoting exports, revise the legislation on foreign investments, and liberalize trade as specific measures necessary for Korea to implement an export-oriented industrialization policy (Kimiya Tadashi, 2008: 190-196).

After the implementation of the revised plan, the first Five-Year Economic Development Plan recorded an average annual growth rate of 8.5%. In 1966, Korea's industrial structure saw a decrease in the proportion of primary industry, from 35.2% in the early 1960s to 31.7% in 1965, and an increase in that of the secondary industry, from 19.2% in the early 1960s to 25.7% in 1965. It can be said that this change marks the beginning of Korea's economic growth through a structural change centered on the mining industry (Rhyu Sang-young, 2002: 237).

The first Five-Year Economic Development Plan (1962-1966) inherited or slightly modified the contents of previous plans without sufficient experience, failing to consider Korea's economic situation and structure fully. As a result, at the beginning of its implementation, the military government faced failures in its initiatives for economic growth. Nevertheless, the implementation of the revised plan resulted in a growth rate that was well above the targeted figure, and Korea's industrial structure began to take on an advanced form centering on industrial development. This first five-year plan is also meaningful in that it is the first comprehensive development plan that was implemented with the goal to 'break the vicious socio-economic circle' and 'build a foundation for economic independence.'

2.1.4 The 2nd Five-Year Economic Development Plan (1967-1971)

2.1.4.1 The Contents of the Plan

The second Five-Year Economic Development Plan was announced on July 29, 1966. The policy direction of the plan was to ‘modernize the industrial structure through advanced industrialization’ and ‘gain economic independence.’ Its development strategy focused on external-oriented industrialization and unbalanced growth, using the following policy measures. First, an emphasis was put on realizing self-sufficiency in food production as well as reforestation and the development of fisheries. Second, chemical, steel and machinery factories were to be constructed to promote advanced industrialization. Third, the target for export was set at achieving US\$ 700 million, and import substitution was to be promoted, thereby improving the international balance of payments. Fourth, population growth was to be controlled to prevent further expansion. Fifth, efforts were to be placed on increasing national income, especially the income of farmers. Sixth, the development of science and farming technology was to be promoted while securing sufficient human resources to improve the level of technology and productivity. The target for average annual growth rate was set at 7% and for the GNP growth rate at 50.1% over the planned period.¹⁴

The detailed plans for economic indicators, such as average annual growth rate by sector, investment, consumption expenditure, current account, etc. were made in 1969, the third year of the second Five-Year Economic Development Plan, when the plan was revised due to the changing environmental

¹⁴ The Second Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea
URL: <http://www.pa.go.kr/research/contents/policy/index020203.jsp>

circumstances (the increase in domestic savings, commodity exports, earnings on invisibles, and the rapid growth of investments due to the introduction of foreign capital and the property claims against Japan, etc.) and the exceptional growth achieved by the second year of the plan. The target for average annual growth rate, which was set as 7% in the original plan, was revised to 10.5%. The target for GNP per capita, which took into account the population growth rate over the planned period, was set at 25.8% from baseline year, with the goal to realize an average 4.7% growth in GNP each year to reach 36,069 won by the target year. The target for GNP per capita was revised from 36,069 to 46,013, which meant a 1.3-fold increase from the baseline year. The average annual growth rate for each sector was set as follows: agriculture, forestry and fisheries industries (5.0%→4.3%), mining industry (10.7%→20.2%), social overhead capital, etc. (6.6%→10.2%). The plan was to realize the following proportions by sector in the national industrial structure: agriculture, forestry and fisheries 34%, a 4% reduction compared to the baseline year; the mining industry 26.8% (a 5.1% increase from the baseline year); social overhead capital, etc. 39.2% (a 1.1% decrease from the baseline year).¹⁵

An increase in investments was necessary to achieve economic growth according to the plan, so the target for total growth in investment in the target year was set at 135.7% from the baseline year. The total investment requirement was increased from KRW 980.1 billion to KRW 12.611 trillion, and 61.5% of total investment was to be covered by domestic savings and 38.5% by overseas savings. The plan also outlined an increase in the average domestic savings rate from 11.6% to 15.7% in the average overseas savings rate from 7.4

¹⁵ The Second Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea
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to 10.1%, and the average investment rate from 19.0% to 25.8%. The sectoral distribution of the total investment was to be as follows: 16.3% for agriculture, forestry and fishing industries, 30.7% for the mining industry, 53.0% for social overhead capital, etc. The national population was projected to grow from 28.38 million in the baseline year to 32.43 million in the target year, which was based on the plan to reduce the average annual population growth rate, which was 2.74% during period of the first Five-Year Economic Development Plan, by 0.1% per year from the 2.4% target population growth rate set for 1967, the first year of the second plan. Ultimately, the plan aimed to suppress population growth to 2.0% by 1971, the final year of the planned period.¹⁶

In terms of policies, first, the policies to promote growth in the agricultural industry, which had been experiencing a stagnation, included the following: the Farming Land Development Act, the Basic Act on Agriculture, the Act on the Countermeasures for Disasters related to Agriculture and Fisheries, the Act on the Promotion of the Dairy Industry, the Act on Improving the Roofs of Farming Households in Rural Communities, the Comprehensive Plan for Agricultural Development, Agricultural Products Price Estimation Act, the establishment of the Korea Rural Community Development Corporation, the Special Act related to the Farming Land Reform Project, the Grain Rental Act, the Measure to Cultivate Corporate Livestock Farming, the Agricultural Community Modernization Promotion Act, the Grains Management Fund Act, the Act on the Promotion of Agricultural Products Exports, and the Six-Year Plan for Agricultural Mechanization, etc.

Meanwhile, the plan aimed to relieve the concerns over market prices that

¹⁶ The Second Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea
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had spiked during the period of the first Five-Year Economic Development Plan due to the development inflation through policy measures such as the Special Act for the Suppression of Real Estate Speculation, the Comprehensive Measures for Price Stabilization, the Emergency Measures for Price Stabilization, the Measure for Economic Stabilization, etc.

As a large amount of foreign capital entered Korea through the efforts to actively procure foreign investment under the first Five-Year Economic Development Plan, problems such as insolvent commercial loans, the weakening of the foreign debt structure and the worsening management of the credit-based enterprises had occurred. To resolve these issues, the plan aimed to strengthen the quantitative and qualitative regulations related to loans, thereby reducing the ratio of loans and attracting foreign direct investment to promote the introduction of new technologies. To this end, policies such as the Comprehensive Measures for the Rationalization of Foreign Capital, the strengthening of post-management of foreign capital-based companies, the improvement plan for the payment guarantee for credit-based companies, the Special Provisional Act on the Mediation of Labor Unions and Labor Disputes of Foreign-invested Enterprises, and the Foreign Investment Maintenance Policy.

As Korea's foreign currency holding increased through the special benefits it gained from sending its soldiers to fight in Vietnam War, Korea saw a large increase in its currency circulation — an increase in the amount of currency circulation in the earlier stage of the plan and in the issuance of Korean currency in the latter stage. To resolve this issue, various monetary policies were implemented including: introducing the forward exchange system between foreign currencies for the internationalization of finance and currency swap transactions between foreign banks and the Bank of Korea, opening overseas

offices of the Bank of Korea, establishing local banks, the second phase of the normalization of financing, implementing a higher exchange rate and a lower savings interest rate, introducing the exports insurance system, controlling price manipulation as a way to curb inflation after the exchange rate hike, reinforcing the regulations against real estate speculation, promoting consumption-reducing campaigns, and increasing the supply of raw materials.¹⁷

As the policy measure for building social overhead capital and developing national land for economic development, the Gyeongbu, Gyeongin, Honam, and Yeongdong Expressways and the Seoul Subway were constructed, and policies such as the Regulation on the Designation of Development-restricted Areas, the Comprehensive Land Development Plan, and the Comprehensive Plan for Developing the Area Nearby the Four Rivers were implemented.

Most of the policies for managing the international balance of payments management measures and resolving the chronic trade balance deficit focused on restraining imports rather than promoting exports. The policy measures included the Foreign Trade Law, elastic tariffs such as emergency tariffs and countervailing duties, the import collateral system, the export insurance system, the Masan Free Trade Zone, the Korea-Japan Joint Trade Committee, the opening of the Customs Administration, the long-term international balance improvement plan, and the Agricultural Products Export Promotion Act.

The second plan also planned to implement a few policies for cultivating the heavy chemical industry, but its goal was to build an advanced industrial structure that will enable continuous economic growth through the development of the technological industry and scientific technology. The policy measures to

¹⁷ The Second Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea
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achieve this goal were: the Act on the Provisional Measures for Textile Industry Facilities, the Machinery Industry Promotion Act, the establishment of the Ministry of Science and Technology, Shipbuilding Industry Promotion Act, Electronic Industry Promotion Act, PVC Industry Promotion Policy PVC, the construction of the Honam Oil Refinery, Petrochemical Industry Promotion Act, Steel Industry Promotion Act, the Heavy Industry Construction Plan, and the Strategies for Promoting the Electronic Industry. However, due to the weak domestic industrial base and low technology level, adverse side-effects surfaced such as the increasing dependency on Japanese imports, the chronic trade deficit with Japan, too much dependency on overseas sources for technology and capital is increased, the increase in overseas debt, and the poor management of foreign capital-based enterprises.¹⁸

Overall, the Korean economy achieved an annual growth rate of 11.4%, which is well above the 7% target of the original plan and 10.5% target of the revised plan, through the second Five Year Economic Development Plan. In addition, Korea's industrial structure became more advanced, with the chemical industry taking up a greater proportion, and saw increases in the demands for investment, domestic consumption, and exports. <Table 5> tabulates the key indicators and the annual average growth rates of the second Five-Year Economic Development Plan.

¹⁸ The Second Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea
URL: <http://www.pa.go.kr/research/contents/policy/index020203.jsp>

<Table 5> The Main Goals of the Second Five-Year Economic Development Plan

Category	The Second Plan (1967-1971)	
	Target	Outcome
Agriculture, forestry, fisheries	5.0	1.5
Mining	10.7	19.9
Manufacturing		21.8
Social overhead capital, etc.	6.6	12.6
Growth in GNP by sector	7.0	9.7
Population	2.2	2.2
GNP per capita	4.7	7.3
Fixed investment	10.2	17.9
Commodity exports	17.1	33.8
Commodity imports	6.5	25.8
Employment rate	3.3	3.6

Source: <Table 2> of the Second Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea

2.1.4.2. Transition to Export-oriented Industrialization Strategy

The Korean economy entered a stage of rapid growth during the period of the second Five-Year Economic Development Plan. The 1965 Korea-Japan Agreement brought investment from Japan, which was used to expand and develop social overhead capital. The Vietnam War also brought a positive economic effect. Amid such favorable conditions, Korea was able to achieve economic growth by increasing exports based on industrialization. That is, it can be said that Korea achieved industrialization in full-fledge through export-oriented industrialization (Yang Jae Jin, 2012). The second plan stated that “the

promotion of industrialization through a growth in exports is the inevitable course of our economy” and that the importance of exports lied in “securing the market for growing industries,” “securing the capital for importation,” and “guaranteeing the repayment of foreign capital loans” (Kang Kwang-ha et al, 2008: 155). One of the factors that led to Korea’s decision to take the path of export-oriented industrialization was the changes in U.S. foreign policy. At the beginning of the 1960s, the focus of the U.S. policy toward Korea was on achieving political and economic stability in Korea, based on comparative advantage and the international division of labor, and the integration of Korea and Japan’s economies. To this end, the U.S. aimed to cultivate Korea's exports and promote economic cooperation with Japan within the limits set by its integration strategy for the Asian region (Rhyu Sang-young, 1996: 164). The role of corporations requires attention along with the pressure of the U.S. According to Gil-Sung Park & Kyung-Pil Kim (2010), it was Jeon Taek-bo of Chunwoo Company who first proposed the export-oriented industrialization strategy, and business leaders had first brought up the idea to construct industrial complexes using foreign capital and commercial loans. The export-oriented industrialization was promoted in earnest in February 1965 when the monthly export promotion meeting was held for the first time. <Table 6> shows the shares of exports by sector projected in the second plan.

<Table 6> Yearly Ratio of Exports by Sector projected in the Second Five-Year Economic Development Plan

(Unit: %, million U.S. dollars)

	1967	1968	1969	1970	1971
Agricultural products (%)	9.5	8.0	7.0	6.3	5.7
Fishery products (%)	17.9	18.4	18.2	17.3	16.8
Mining products (%)	9.6	8.0	7.1	6.3	5.9

Manufacturing products (%)	63.0	65.6	67.7	70.1	71.6
Amount of Exports (million U.S. dollars)	300	360	420	490	550

Source: Kang Kwang-ha et al (2008, p.155) <Table 4-3>

As shown in <Table 6>, the share of industrial products was set very high and projected to increase by year, showing how Korea's export commodity structure has been completely converted from primary products to industrial products (Kang Kwang-ha et al, 2008: 155).

Several policies require to be implemented to realize the export-oriented industrialization, which were also the policies demanded by the U.S. to restructure the Korean economy. Kimiya Tadashi (2008) summarized the six policies that Korea implemented to promote export-oriented industrialization. These policies were implemented from the end of the first Economic Development Plan to the earlier stages of the second Economic Development Plan and became an important basis for Korea's transition to export-oriented economic policies during the period of the second Economic Development Plan.

First was the financial stabilization plan. As mentioned earlier, Korea agreed to implement a financial stabilization policy to overcome economic difficulties such as deepening inflation and price hikes caused by the failure of earlier economic planning and receive aid from the U.S. The financial stabilization plan consisted of policies that geared away from the growth-oriented economic development pursued by the Park Chung-hee government. The U.S., at first, set the financial stabilization plan as a top priority for Korea, using U.S. aid as leverage, but became more flexible over time in response to its changing foreign policies, the need to improve Korea-Japan relations, and the Korean government's demands in exchange for sending soldiers to the Vietnam War.

Minister Chang Ki-young, who had the strongest power in the history of the EPB, executed the growth-oriented policy pursued by the Korean government as much as possible within the boundaries set by the financial stabilization plan. As the Korean economy grew in size and stabilized, the U.S. gradually lifted its strong demands regarding the financial stabilization plan as well (Kimiya Tadashi, 2008: 197-210).

Second was the exchange rate reform. Korea's exchange rate system had both an official exchange rate and a plural exchange rate, which was favorable for developing the import substitution industry. However, the U.S. pointed out the necessity of setting an appropriate exchange rate for the Korean won to expand exports and demanded Korea to instate a single floating exchange rate system. Through negotiations, the exchange rate was set at 255 won per U.S. dollar (Kimiya Tadashi, 2008: 211-221).

Third was the adjustment of interest rates to a realistic level. To mobilize domestic capital, it was necessary for domestic savings to increase. However, savings deposit interest rates in Korea were so low that funds were moving into the private money market. The US ordered Korea to raise not only the savings deposit interest rates but also the interest rates for export financing, loans, and outstanding loans, and to simplify the interest rate system by bank, fund, and subject. However, the opposition from companies that had been benefiting from the low interest rates led the Korean government to maintain exceptionally low interest rates in export financing as an exception (Kimiya Tadashi, 2008: 222-230).

Fourth was the export promotion policy. The Comprehensive Measures for Promoting Exports announced by the Ministry of Commerce and Industry on June 24, 1964 were drafted in accordance with Korea's export capacity, projected changes in the export product structure and global competitiveness, in

a systematic and comprehensive manner (Dong-A Ilbo, June 25, 1964). Concerning the export promotion policy, the Ministry of Commerce and Industry played a more central role than the EPB (Yang Jae Jin, 2012: 13). The Export Promotion Council,¹⁹ which was the apparatus for executing export policies, was changed to the Monthly Export Promotion Meeting that was held by the President, thereby concentrating the interests and attention of all government ministries to achieving the targets set for exports, emphasizing the weight placed by the President himself on increasing exports and leading to significant outcomes (Kang Kwang-ha et al, 2008; 172-177). In addition, the Export Promotion Subcommittee (EPS), a subcommittee of the Economic Cooperation Committee formed between the USOM and the Korean government, was co-chaired by the Vice-minister of USOM and led the export promotion policy, contributing greatly to Korea's export growth (Kimiya Tadashi, 2008: 236)

Fifth, appropriate legislation needed to be implemented to bring in large foreign capital for the export industry. The Korean government had so far maintained an active interest in introducing foreign capital loans as a substitute for aid while stipulating that strict control is necessary to ensure the Korean economy is not dominated by foreign capital.²⁰

¹⁹ Presidential decree No. 1655 (March 2, 1964). The committee members specified in Article 2 of the Export Promotion Council Regulations are as follows: the Minister of the Economic Planning Board, the Minister of Foreign Affairs, the Minister of Finance, Minister of Agriculture and Forestry, the Minister of Commerce and Industry, the Minister of Construction, the Minister of Public Health and Social Affairs, the Minister of Information, the President of the Bank of Korea, the President of the Korea Trade and Industry Promotion Corporation, the Chairman of the Korea Trade Association, and the Chairman of the Export Industry Promotion Committee of the Federation of Korean Industries.

²⁰ In 1954, following the proposal of the U.S., the Korean government prepared a legislative bill on foreign investment. The Korean draft dictated that foreign capital investments was to be limited to 49% of capital formation and the profit remittance to be less than 30%, and that the Korean government had the right to the disposition of property after 15 years. The Eisenhower administration criticized the draft as being a bill for controlling foreign-invested enterprises, rather than inviting foreign investment. The U.S.

Finally, Korea implemented measures for liberalizing trade. Korea faced the need to shift its former positive list system, which protected its industries and restricted the import of commodities, to a negative list system for promoting exports (Kimiya Tadashi, 2008: 193-194).

2.1.4.3 The Normalization of Korea-Japan Relations and the Vietnam War

The Korea-Japan economic cooperation following the normalization of diplomatic relations between Korea and Japan played an important role in the growth of the Korean economy in the late 1960s. Korea-Japan relations is closely related to the U.S.' regional integration strategy for East Asia. The U.S. recognized Japan as the only country with the capacity to carry out its Cold War strategy in Asia and attempted to restrain the powers of the Soviet Union and China by improving relations and forging economic cooperation between Korea and Japan. In 1961, North Korea, the Soviet Union, and China signed a defense treaty to form a three-point alliance in the North, thus making the normalization of Korea-Japan relations an important task for the U.S. (Park Jin Hee, 2003: 107).

The economic cooperation between Korea and Japan under the military government was achieved through the conclusion of the Agreement on the Settlement of Problem concerning Property an Claims and the Economic Cooperation between the Republic of Korea and Japan in 1965 (hereinafter

position stated that the bill lacked regulations on compensation for losses in special circumstances and preferential measures for foreign investments. In 1958, Noel Sargent, who was invited as adviser to the Korean government, drafted the amendments to the legislative bill, which raised the cap on profit remittance and largely revised the provisions on the preferential taxation and import duties. The legislation was finally approved and announced in January 1960, which was already the final year of the Eisenhower administration and just months before the Rhee Syngman government was overturned by the April 19 Revolution. (Park Tae Gyun, 2019: 54)

“The 1965 Agreement”). Through the 1965 Agreement, Korea was promised to US\$ 300 million of free aid, US\$200 million in credit assistance, and US\$ 300 million dollars in commercial loans from Japan; the free and credit assistance were to be provided not in cash but in the form of labor, capital goods, and intermediate goods provided as development aid. Internally, Korea was met with a negative stance about the introduction of Japanese capital, as can be seen by the 1964 protest against the 1965 Agreement. However, the military government sought to secure aid from the U.S. by taking actively improving relations with Japan, which was demanded by the U.S. In November 1961, Park Chung-hee visited the U.S. to announce that he had stopped by Japan and came to an agreement with Japan’s Prime Minister Ikeda on the need to normalize relations between the two countries. In response, the U.S. requested the Korean government to resolve the settlement problem in the form of economic cooperation to normalize the relations between Korea and Japan as soon as possible (Lee Hyun Jin, 2008: 91). Korea and Japan had difficulties in coming to an agreement on the settlement; however, Korea ultimately changed its position after perceiving that it was the only way to have Japan finance the second Economic Development Plan. In the end, the two countries narrowed their opinions through the Kim Jong Pil-Ohira meeting in 1962, and the two countries came to a compromise on the amount of funds, leaving the justification of the funds as a future task. The agreed upon amount was US\$ 300 million of free aid, US\$200 million in credit assistance, and more than US\$ 100 million in commercial loans (Kimiya Tadashi, 2008: 278-282).

During the Korea-Japan Economic Ministers’ Meeting held in September 1966 by Korea’s Minister of the Economic Planning Board, Chang Ki-young, and Japan’s Director of Economic Planning Agency, Fujiyama Aiichiro, Chang Ki-young placed Japan’s long-term support for Korea’s second Economic

Development Plan as an agenda. Korea had planned to cover 38% of the total investment needed for the second Economic Development Plan with foreign capital, and hoped to manage this through funding from Japan. Chang Ki-young demanded Japan to accelerate the use of the funds which were already agreed upon and an additional US\$ 300 million in commercial loans. Japan initially rejected Korea's demands, but in 1967 at its first regular ministerial meeting, it agreed to provide Korea with US\$ 200 million commercial loans and cooperate with Korea's economic development plan (Nishino Junya, 2015: 60-61). Direct investments and joint ventures were also approved at the meeting. <Table 7> summarizes the amounts of public loans, commercial loans, and direct investment Korea received from Japan.

<Table 7> Foreign Capital from Japan

Unit: 1,000 U.S. dollars

Year	Public loans		Commercial loans		Direct investment		Total	
	Times	Amount	Time	Amount	Time	Amount	Times	Amount
1964			1	380			1	380
1965			7	70,778	2	1,200	9	71,978
1966	6	44,861	14	67,125	1	400	21	112,386
1967	8	34,362	10	36,249	9	8,686	27	80,297
1968	4	18,613	23	109,984	27	11,263	53	139,860
1969 (11/30)	3	8,157	12	38,765	22	22,811	37	69,733
Total	21	106,993	67	323,281	60	44,360	149	474,634

Source: Institute of Economic Research, Seoul National University (1969a, p.336); <Table 13-1> of Kimiya Tadashi (2008, p.285).

The economic cooperation between Korea and Japan had the characteristics that it increased Japan's share in the foreign capital entering Korea especially in private sector loans. The commercial loans from Japan, introduced in 1965,

were mainly provided by Japanese general trading companies, and as a result, became associated with plant exports resulted to create close connections between Korea and Japan to reorganize Korea's industrial and trade structure in line with Japanese capital. The Japanese general trading companies with offices in Korea also forged networks with Korean politicians to gain profit. In addition, since the Korean government itself guaranteed the repayment of foreign capital loans, with the decisions on the introduction, allocation, and distribution of loans made in accordance to the close relations with the Korean government, the two countries' political and economic spheres formed a connection based on private interests (Park Jin Hee, 2003: 121-123). Lastly, it is pointed out that the vertical division of labor between Korea and Japan, created as a part of the U.S.' regional integration strategy for Asia, ultimately subordinated Korea under Japan rather than creating positive effects through the exchange of Japanese capital and advanced technologies and Korea's land and cheap labor (Park Jin Hee, 2003: 123). The following is the description of the Korea-Japan economic cooperation by the Minister of Economic Planning Board, Chang Ki-young.

“There is a Korean proverb goes ‘eat pheasant and eat eggs also,’ but Japan is not only eating the pheasant and eggs but also the chicks that come out from the eggs. Japan lends Korea the money that Korea has paid for goods imported from Japan while exporting factory equipment and semi-finished products to Korea. To maintain the facility imported from Japan, Korea must continuously import Japanese parts. The products made by these factories are in the taste of Japan, so they are exported to Japan, but all of them at low prices. This is the reality of the cooperation between Korea and Japan.”²¹

²¹ Herbert Bix(1973, p.248-249); requoted from Park Jin Hee (2003, p.123).

Although there was criticism that the economic cooperation between Korea and Japan caused a negative impact on the Korean economy, the general opinion was that the foreign investment from Japan was necessary for Korea's economic situation at the time and had ultimately brought a positive impact on the Korean economy. In particular, Japan's support for the construction of the Pohang Steel Works through the Korea-Japan Economic Cooperation receives positive evaluation (Nishino Junya, 2015: 61-64).

Along with the normalization of the diplomatic relations between Korea and Japan, the special circumstances of the Vietnam War also gave momentum to the high growth enjoyed by the Korean economy from the mid-1960s to the 1970s. The Korean government gained benefits from dispatching soldiers to Vietnam in three ways: exports to Vietnam and the US, economic and military assistance from the US economy, and foreign currency acquisition from South Vietnam. U.S. President Johnson sought to mobilize more soldiers from its allies in Vietnam through the "More Flags Campaign," Korea sent its troops to Vietnam from September 11, 1964, at the request of the U.S. up to in 1973 (Cho Jae-Ho, 2011: 132). Park Keun-ho (1993:19) defined the direct and indirect economic benefits Korea gained by sending its troops to Vietnam as the exports to Vietnam, military provisions to Korean troops, the military provisions in construction and labor, the remittance from dispatched soldiers and technicians, special compensations, and insurance benefits and estimated the total amount of benefits received by Korea to be about US\$ 122,000,000. <Table 8> summarizes the economic benefits from the activities in Vietnam.

**<Table 8> The Economic Benefits Gained from Dispatching Soldiers to the
Vietnam War**

Unit: One million U.S. dollars

Year	1965	1966	1967	1968	1969	1970	1971	1972	Total	Ratio (%)
Commercial exports	14.8	13.9	7.3	5.6	12.9	12.8	14.5	12.5	94.3	9.1
Provisions to the military	2.8	9.9	15.9	32.4	34.2	57.3	21.2	15.0	188.8	18.2
Total trade	17.7	23.8	23.2	38.0	47.1	70.1	35.7	27.5	283.1	27.3
Soldiers' wages	1.8	15.5	31.4	31.4	33.9	30.6	32.3	26.8	201.5	19.4
Remittance from workers		9.1	34.3	33.6	43.1	26.9	15.3	3.9	166.2	16.0
compensation for deaths		1.1	4.6	4.6	10.8	15.2	13.9	12.0	65.3	6.3
Services		8.3	35.5	35.5	55.3	52.4	32.0	9.2	238.8	23.1
Construction		3.3	14.5	10.3	6.4	7.4	8.3	3.1	53.3	5.9
Insurance payments		1.1	4.6	4.6	3.8	2.1	1.3	0.7	19.4	1.9
Non-trade total	1.8	38.4	123.6	130.7	158.4	137.9	103.3	55.7	752.9	72.7
Grand total	19.5	62.2	146.8	168.7	205.5	207.8	139.0	83.2	1,036	100.0

Source: <Table 11> of Choi Dong-Ju (2001, p.218)

The joint declaration released by President Park Chung-hee during his visit to the U.S. outlines the compensations U.S. will provide for sending Korean troops to Vietnam. The compensations include the keeping of USFK forces based on the ROK-US Mutual Defense Treaty, the strengthening of U.S. economic aid after the normalization of Korea-Japan diplomatic relations, the provision of US\$ 150 million in development loans, the early conclusion of the ROK-US agreement, assistance and cooperation for Korea's export-oriented industrialization, the continued opportunity for Korea to participate in the purchase of goods using the funds from U.S. aid fund, and the reconsideration of the plan to transfer the military base (Kimiya Tadashi, 2008: 307). However, Korea demanded additional benefits beyond the US\$ 150 million, and Korea's demands were reflected in the March 1966 Brown Memorandum (Choi Dong-Ju, 2001: 220).

Korea's exports grew 47% from the previous year, with 1965 as the turning point. The export to the U.S. grew at a rate of 73.5%, and the growth rate continued to increase. Korea's overall exports and its exports to Vietnam showed a large difference in terms of items. The major items exported by Korea were labor-intensive light industry products such as textiles, plywood, plastics and wigs. However, the items exported to Vietnam from 1965 to 1969 were largely heavy industry products such as steel, machinery, and transport equipment (Choi Dong-Ju, 2001: 210-211).

In addition, Korean companies began to expand in large-scale into the overseas market, leading to the creation of the "Vietnam *Chaebol* (conglomerate)." Hanjin Corporation and Hyundai E&C are representative cases. Hanjin Corporation monopolized the unloading and transportation of the U.S. military supply in Vietnam since 1966, earning US\$ 25 million a year. Hyundai E&C participated in the construction of ports in Vietnam to

accumulated wealth (Cho Jae-Ho, 2011: 141-142).

It is an undeniable fact that Korea gained benefits from participating in the Vietnam War, which became the driver of Korea's rapid growth. The Korean government actively pursued the dispatch of soldiers to the Vietnam War, and this active participation induced the maximum economic and military benefits possible from the U.S. and provided Korea with the opportunity to upgrade the focus of its industrial production structure from the light industry to the heavy chemical industry.

The second Five-Year Economic Development Plan was a better plan compared to the first Five-Year Economic Development Plan. While the first plan was made with excessive motivation without a close understanding of Korea's economic situation, the second plan was formulated with appropriate policies to the Korean economy based on a systemic analysis by economic bureaucrats led by the EPB. The EPB played a leading role in the second plan, while the other departments played a supporting role in the planning process and focused on executing the plans the planning (Kang Kwang-ha et al, 2008: 91). What is notable about the second plan is that many foreign experts had participated in the planning process. As will be discussed in more detail in Chapter 3, the planners contributed significantly to the development of various policy instruments. What also contributed greatly to Korea's export-oriented industrialization from the second plan was the entrance of Japanese capital through the normalization of Korea-Japan relations and the benefits gained from sending troops to Vietnam. After the implementation of the second economic development plan, the economic growth rate in Korea significantly surpassed the target value, and the industrial structure became greatly advanced through export-oriented industrialization.

2.1.5 The 3rd Five-Year Economic Development Plan (1972-1976)

The implementation of the first and second Five-Year Economic Development Plans promoted Korea's industrialization, expanded the nation's social overhead capital, established the foundation for agricultural development, and achieved the growth of exports. During the period of the second Economic Development Plan, Korea was able to achieve high growth by promoting industrialization and exports relying on high investment and an increase in overseas savings. On the other hand, the forcefully implemented plan created structural problems such as the imbalance between the development of urban and rural industries and high dependency on foreign currency. In particular, the problem of insolvent corporations before and after 1970 and the August 3 measures of 1972 were typical examples of the side effects brought about by the second Economic Development Plan (Park Tae Gyun, 2013: 109-110).

The Third Five-Year Economic Development Plan (1972-1976) aimed to solve these problems by setting the policy direction as growth, stabilization, balanced harmonization, and continued the directions laid out in the second plan, which were 'economic independence,' 'comprehensive development of national land,' and 'balanced development among regions.' In terms of the main policies, the Comprehensive Long-term Measures for Energy was announced in 1974 in response to the international oil shock, which delineated the reduction of coal consumption to 30% and the construction of four nuclear power plants and five hydroelectric power plants over seven years by 1981, and the Temporary Act for Adjustment of Coal Supply and Demand was enacted.²²

²² The Third Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea
URL: <http://www.pa.go.kr/research/contents/policy/index020204.jsp>

This policy was heavily influenced by the impact of the oil price shocks and the resultant hike in market prices rather than the development of energy sufficiency. Korea, facing development inflation due to the rise in international prices, had to resolve the problem of rising market prices as an important policy issue. As a solution, the government strengthened its administrative power over prices and expanded the supply of goods as well as executing direct price control measures using administrative power for normalizing distribution. Also implemented were the August 3 measures of 1972, the Comprehensive Economic Stabilization Policy, Immediate Economic Measures, Price Freeze Measures, the Emergency Measures for Stabilizing the Price of Rice Price of 1973, the Emergency Decree on Economic Stability and Growth, Measures for Current Prices, Measures for Price Stabilization in Response to the Oil Shock, the Emergency Presidential Decree for Stabilizing the Lives of the People, the Standard Price Notification for 80 items including oil prices, Countermeasures for Rising Market Prices, the improvement of the distribution structure, the Act on Price Stabilization and Fair Trade of 1975, and the implementation of the Price Disclosure System and designation of unfair trade behavior in 1976.²³

Amid these difficulties, Korea officially declared “the era of heavy chemical industry” from the third Economic Development Plan as a breakthrough strategy to overcome economic difficulties. The export target was set to consist more than 50% of heavy chemical products, and efforts were focused on the construction of large industrial parks and the development of scientific technology. In 1973, the Heavy Chemical Industry Promotion Committee was established, and POSCO completed construction. Also implemented were the

²³ The Third Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea
URL: <http://www.pa.go.kr/research/contents/policy/index020204.jsp>

construction to expand the Hyundai Shipbuilding facilities, the construction of the Mokpo shipyard, the establishment of a basic plan for the long-term development of the machinery industry, the decision to jointly invest in large-scale nonferrous metal smelting plants, the announcement of the principle of attracting foreign capital for heavy and chemical industry development, and the principle of disclosing heavy chemical industry companies mainly regarding the ownership and separation through public stock offerings.²⁴

The Plan for Shipbuilding Industry Development (December 1972), the Plan for General Machinery Industry Development (December 1972), the Plan for Precise Machinery Development (January 1973), the Long-term Plan for Electronic Industry Development (January 1973), the Construction Plan for Machine Parts Factories (and Steel Material Export) (January 1973), the Plan for the Honam Chemical Industry Complex (December 1972), and the Plan for the Nonferrous Metal Smelting Complex (January 1973) were carried out (Oh Won-Cheol, 1999: 489-490). These plans were linked to the use of the Industrial Rationalization Fund created at the time of the August 3 measure of 1972. On September 20, 1972, Park Chung-hee ordered the government to prioritize the allocation of the Industrial Rationalization Fund to shipbuilding and heavy industry projects. Thus, Hyundai was given 3.72 billion won to build its shipyard, and 3 billion won was allocated to the oil chemical industry, 2.2 billion won to the defense industry, 700 million won to Incheon Iron and Steel Co., Ltd., which was insolvent at the time, and 6 billion won to small and medium enterprises (Park Tae Gyun, 2013: 137).

The plan was inevitably revised due to the problem of timing in promoting

²⁴ The Third Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea
URL: <http://www.pa.go.kr/research/contents/policy/index020204.jsp>

the heavy chemical industry amid the worsened international economic environment due to the fluctuation of the international monetary system and international oil shock. In 1975, the 'Immediate Measures for the Local Manufacturing of Machinery' was announced as a strategy change the policy direction from the focus on heavy chemical industries to gearing away from forceful import substitution and towards expanding investment on areas that can gain competitive advantage in the long-run and responding to the difficult global conditions.

On the other hand, unlike the previous plan, the Korean government started to consider the problems of the corporate sector actively in the third plan, partially with the intention to prevent reoccurrence of incidents such as the August 3 measure of 1972. To expand the domestic capital through the increase of household savings, the following were implemented: the Stock Saving System, the Act on Capital Market Promotion which relaxed the restrictions on new stock issuance and strengthened the employee stock-holding system, the Corporate Public Opening Promotion Act of 1972, the revision of the Stock Exchange Act to liven the stock market and improve the stock exchange system, the change of stock listing method to pre-distribution, post-listing, the Stock and Financial System Reform of 1973, the Measure to Promote Corporate Public Opening, and the Measure to Improve the Development of Stock Market of 1976. Industrial and financial policies were implemented to prevent the imbalance in the supply and demand of the funds, and to handle the loansharking problem and the problem of insolvent enterprises. The measures included : the 1972 policy to adjust corporate bonds, the three legislations to legalize private loans which promoted the establishment of short-term financing companies and the development of mutual-trust companies and credit cooperatives, the creation and use of the Industrial Rationalization Fund, the

promotion of corporate public openings, the 1974 Measure for Loan Advances and Concentrated Ownership of Corporates, the National Investment Fund Act to mobilize the capital for constructing heavy chemical industries, the credit management system for the rational provision of funds, the mandatory rate for SME loans in 1976, and the main bank system.²⁵

The December 7 measure which included the hike in exchange rate and the provision of financial support, the introduction of the general trading company system in 1975, the establishment of general trading companies' role as export agency, the measures for achieving the targets for export including the business tax exemption and special recognition of depreciation for the electronics industry in 1976, the establishment of the Korea Export-Import Bank, the promotion of the advancement into the Middle Eastern market, and the Act on the Promotion of Overseas Construction were implemented. In terms of foreign exchange policy, the foreign exchange concentration system in 1974, the revision of the cap on swap transactions between the domestic branches of the Korean Exchange Bank and the Bank of Korea, and the deregulation of foreign exchange positions, and delegation of foreign exchange management licenses to the Bank of Korea and the Korean Exchange Bank were put in place. The specific examples of concrete policies for foreign investment policy are the Act on the introduction and management of public loans to improve the economic efficiency of the 1973 foreign loans, the establishment of a public loan consultation committee in 1974, the establishment of a foreign investment review committee, and the introduction of short-term cash loans in 1975, and the strengthening of the conditions for granting cash and material loans in

²⁵ The Third Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea
URL: <http://www.pa.go.kr/research/contents/policy/index020204.jsp>

1976.²⁶

The policies related to labor and welfare also needed consideration during the period of the third Economic Development Plan. The social awareness of labor problems had increased due to Jeon Tae-il's suicide in 1970. Thus, the Labor Union Act was enacted, which delineated the negotiation over production, training, working environment, complaints, and the prevention of labor-management disputes within the boundaries of group agreements or employment regulations and separates the function of the labor union council from the function of the labor union, as well as the revision to the Labor Standards Act to expand the scope of businesses and workplaces subject to the law. Also implemented were the Basic Act on Vocational Training, the expansion of the scope of forced adjustment through the establishment of the Labor Dispute Adjustment Act, a limitation on the right of strike, and the expansion in the scope of intervention by administrative agencies.²⁷

The tax policy focused on reforming the tax system and creating new sources of tax to overcome the oil crisis. To this end, stronger income redistribution, and tax reforms to reduce the tax burden on the middle class and low income groups, a full-fledged comprehensive income tax system, the Basic Act for National Taxes, the Act on the Taxation of Unjust Profits, The Defense Tax Act to secure funds to replace the reduced foreign aid, the value-added tax system and special consumption tax were implemented. To expand social overhead capital, the Honam Namhae Expressway and Seoul Subway Line 1 were

²⁶ The Third Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea
URL: <http://www.pa.go.kr/research/contents/policy/index020204.jsp>

²⁷ The Third Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea
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constructed, and the Act on the Promotion of Industrial Base Development was enacted to secure and develop strategic production bases for further industrialization.²⁸

Finally, for the balanced regional development and the utilization of natural resources, the Ten-year Plan for National Land Use & Development, the Act on the Protection and Utilization of Agricultural Land, the National Land Use & Management Act, the Ten-year Plan for Forest Rehabilitation, the Soyang River Multipurpose Dam, the Comprehensive Development Plan for Nakdong River Basin, the Act on the Expansion and Development of Agricultural Land, and the Comprehensive Development Plan for the Yeongdong and the East Coast Area were put in place.²⁹

Over the period of the third Economic Development Plan, Korea maintained a high annual growth rate of 11% despite the collapse of the international monetary system and the global oil crisis, and recorded US\$ 7.81 billion in exports and a seven-fold growth in exports over five years. Korea's industrial structural saw an increase in the composition ratio of heavy chemical industry and lessened dependency on foreign capital goods. The legalization of private loaning and the improvements in corporate financing, the expansion in direct financing, the establishment of a foundation for developing basic social infrastructure, the efficient development of national land resources, and the creation of export industry complexes led to greater development in regional areas.

²⁸ The Third Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea

URL: <http://www.pa.go.kr/research/contents/policy/index020204.jsp>

²⁹ The Third Five-Year Economic Development Plan, Presidential Records of Park Chung-hee, Presidential Archives of the National Archives of Korea

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Why did the Korean government suddenly shift its focus to the development of heavy chemical industries from the third Five-Year Economic Development Plan? At the background of this shift are the two factors of the U.S. and North Korea. According to Nishino Junya, Korea decided to pursue a radical economic plan to foster the heavy chemical industry from the third Economic Development Plan as a political move. That is, the motivation behind the focus on heavy chemical industries was to nurture the defense industry (Nishino Junya, 2011: 169). Kim Jung-min argues that the third Economic Development Plan inevitably focused on the heavy chemical industry because the changes in U.S. trade policy after the Nixon administration, creating a situation that forced the transition from the labor-intensive light industry to the heavy chemical industry (Kim Chong-min, 2012: 47). It is possible to interpret Korea's shift to the heavy chemical industry as a response to the national security problem. Korea focused on nurturing the defense industry to cope with security threats created by the North Korea. The security threats surrounding the Korean peninsula came to an extreme at the time when the Nixon administration planned to withdraw the USFK. Park Chung-hee said, "We have to transcend our current situation of laughing and crying over the changes in U.S. policies. Building self-reliance in national defense is our only way to survive." It is said that Park Chung-hee directed the Chief Presidential Secretary Kim Jung-ryum that "a self-reliant national defense requires huge domestic and foreign capital, thus necessitating a good economy, and advanced precise weapons are expensive so foreign currency should be devoted only to the introduction of new high-performance weapons and the traditional basic weapons should be manufactured domestically as soon as possible" (Oh Won-Cheol, 1999: 362). In addition, as Korea experienced continued difficulties in negotiating the construction of the M16 rifle plant under the cooperation of the United States,

the Park Chung-hee administration became more desperate to bring up the defense industry to build self-reliant national defense (Nishino Junya, 2011: 171).

Among the Brown Memorandum provisions, Section 4 included a modernization plan for the ROK army. However, all of the equipments of the ROK army were made during the time of the Second World War, while North Korea had state-of-the-art equipment, tanks, and combat planes. The plan to modernize the ROK army's military equipment was also agreed upon between Korea and the U.S. at the time of Park Chung-hee's meeting with U.S. Vice-president Agnew on the withdrawal of the U.S. army's 7th Division (Oh Won-Cheol, 1999: 370-377).

As President Nixon's sudden visit to China unfolded to create an atmosphere of reconciliation, Park Chung-hee placed all national efforts to build self-reliance in national defense without relying on the U.S. for inter-Korean problems and to solve the problems lying in the future of the Korean peninsula with our own hands (Oh Won-Cheol, 1999: 378-382). As the first step of this commitment, in August 1970, Park Chung-hee established the National Defense Research Institute and the Weapons Development Committee, beginning the national efforts to develop weapons (Nishino Junya, 2011: 173). The EPB prepared a plan for the construction of the 'Four Major Nuclear Weapon Factories' with Korea Institute of Science and Technology (KIST). The four major nuclear weapon factories were a casting ship factory, a special steel plant, a heavy machinery plant, and a shipbuilding factory for the purpose of developing national defense. The EPB concluded a research collaboration agreement with the Battel Institute and the KIST for the construction of four factories. Based on the submitted proposal, Korea requested Japan's cooperation on its plan to develop the heavy industry, such as the construction

of machinery factories, at the 4th Regular Korea-Japan Ministerial Meeting, with the aim to finance the construction with new loans from Japan. However, Japan showed a passive attitude and refused the request. The negotiations on loans with the U.S. and other countries were also met with difficulties, and the construction of four major factories were not realized (Nishino Junya, 2011: 174, 183-186).

On November 10, 1971, Deputy Minister under the Ministry of Commerce and Industry, Oh Won-Cheol, reported a new idea to Presidential Secretary Kim Jung-ryum and President Park Chung-hee. Oh Won-Cheol pointed out that if the development of the defense industry is executed as part of the heavy-chemical industrialization, the Korean government will be able to reduce the construction cost as well as minimize the potential uneconomic issues from the fluctuations in the demand for weapons (Oh Won-Cheol, 1999: 388-390). The Presidential office appointed Oh Won-Cheol as the second Chief Economic Advisor and put him in charge of developing the defense industry. Oh Won-Cheol executed the following orders: the production and supply of equipment for twenty army divisions of the Reserve Army and of reserve ammunition for the early stages of war, the research and development of high-performance weapons and long-term military supply to upgrade the self-reliance in national defense, the imitated production of newest U.S. weaponry that surpassed in capability than North Korean weapons, and the establishment of a five-year plan for the defense industry to execute yearly plans. The first task that was undertaken was to develop Calvin rifles, machine guns, bomb-guns, rocket launchers, grenades, anti-personnel mines, and anti-tank mines. On December 16, the first prototypes were put on exhibition, the prototypes were revised to give birth to the second prototypes on April 3, 1972. Finally, Korea gained the confidence in developing domestic weapons (Oh Won-Cheol, 1999: 393-402).

The Heavy Chemical Industry Promotion Council was established under the Prime Minister to intensify the develop of heavy chemical industry, the Committee for the Promotion of Heavy Chemical Industry under the Prime Minister (Presidential Decree No. 6835, September 1973). The council was headed by the Prime Minister and composed of the Minister of the EPB, the Ministry of Finance, the Ministry of Commerce and Industry, the Minister of Construction, the Minister of Science and Technology, the second Minister without Portfolio, and personnels appointed or suggested by the Prime Minister, state ministers, or heads of administrative agencies who have abundant knowledge and experience. The council's task was to establish a comprehensive plan, a location plan, promotion plans by division, and a comprehensive support plan for the development of heavy and chemical industries (Presidential Decree No. 6835, September 1973). As the council was mainly in charge of reviewing the plans, a planning group was established under the council to make up the specific plans. This planning group was headed by Oh Won-Cheol from February 1974, which enabled the closer collaborated development between the heavy-chemical industry-oriented industrialization and the defense industry. Under the close cooperation of the ministries, the Heavy Chemical Industry Promotion Plan was announced in June 1973 (Nishino Junya, 2011: 180).

The Third Five-Year Economic Development Plan, announced in February 1971, was based on the policy framework that saw a need for a long-term vision to cope with the sudden changes in the domestic and overseas environment at the time. For this reason, industrialization focused on the heavy chemical industry was declared and the target was set to realize "10 billion dollars in exports, 1,000 dollars in GNP per capita." At the Trade Expansion Promotion Meeting on May 30, 1972, Park Chung-hee asked Oh Won-Cheol, the second Chief Economic Advisor to the Presidential Office, "Which industry should we

concentrate on to realize US\$ 10 billion in exports?” Oh Won-Cheol replied, “Your Excellency! I think the time has come to develop the heavy chemical industry. The Japanese government focused on light industry-based exports as its first step to revitalize the economy that was in ruins after the Second World War. This is the same as the situation we face at present. Then, when Japan's exports reached US\$ 2 billion, it shifted to a heavy chemical industrialization policy. Ten years later, in 1967, Japan recorded US\$ 10 billion in exports. Now, mechanical products and steel products have become Japan’s main products of export” (Oh Won-Cheol, 1999: 457-459).

Park Chung-hee emphasized the national strength and enhancing national wealth and military strength as the way to revive the nation and attain a peaceful reunification of the two Koreas. That is, in his mind, national strength meant the growth in exports. At the time, Park Chung-hee asked about North Korea’s exports and committed to achieving a complete victory over North Korea in the competition over national strength (Oh Won-Cheol, 1999:461-463). Realizing US\$ 10 billion in exports was the political backdrop of gaining a complete victory over North Korea in terms of national ideology and system. Oh Won-Cheol viewed that the economic growth of Japan as stemming from the heavy chemical industry, which it chose because heavy chemical industry is capital and technology intensive, with a high elasticity in demand, fast advances in technology. It was also possible to improve the labor productivity of heavy chemical industries quickly, and the scope and breadth of the demand for heavy chemical products, which were high in added value and productivity, were great, so that underdeveloped countries had a hard time competing with frontrunners. Japan declared the heavy chemicals industrialization policy in 1957 and achieved US\$ 10 billion dollars in exports in 1967. As will be illustrated hereafter, the ratio of the heavy chemical industry

in Japan's industrial structure was 78% when Japan had recorded US\$ 10 billion in exports, which was overwhelmingly higher than that of light industry (Oh Won-Cheol, 1999: 465).

<Table 9> Comparison of Japan's Achievements in Exports

(1955 as the baseline year)

Year	Goals achieved	Industrial structure (%)	
		Heavy chemicals	Light
1955	US\$ 2 billion in exports	41	59
1957	Declaration of heavy chemical industrialization	43	57
1967	US\$ 10 billion in exports	78	22

Source: Presidential Secretariat, *the Revision of the Industrial Structure through Heavy Chemical Industrialization* (1973, p. 9); Oh Won-Cheol (1999, p. 465)

Oh Won-Cheol also insisted that Korea should actively invite the heavy chemical industry of Japan, which was facing a downturn as the Japanese government attempted to change its industrial structure by suppressing its heavy chemical industry under the name of 'reforming the Japanese archipelago.' Korea's heavy chemical industrialization policy had the intention to receive a portion of Japan's heavy chemical industry, which had lost its international comparative advantage, to form a more advanced industrial division between Korea and Japan (Nishino Junya, 2011: 192).

On January 12, 1973, Park Chung-hee declared the national policy for heavy chemical industrialization at the New Year press conference and announced that heavy chemical products will account for 50% of total exported products to achieve US\$ 10 billion in exports by the early 1980s. However, for Korea to realize this goal through developing the heavy chemical industry, many

problems existed. Unlike Japan, Korea had no experience in the heavy chemical industry and had no foundational basis, which made it questionable whether it would be possible to achieve US\$ 10 billion in ten years by promoting the heavy chemical industry. Another problem was how to procure the enormous resources needed to perform tasks (Oh Won-Cheol, 1999: 472). Oh Won-Cheol chose six strategic industries in the heavy chemical industry related to defense industries to concentrate the investment, which were the areas of steel, non-ferrous metals, machinery, shipbuilding, electronics, and chemicals. The government took the lead in procuring domestic and overseas financial resources and planned to intensively invest in these six strategic industries. At the same time, the goals of reaching US\$ 10 billion in export and US\$ 1,000 in GNP per capita were pursued.³⁰

In the specific proposals to develop the heavy chemical industry drafted by the Ministry of Commerce and Industry included the following plans: the Shipbuilding Industry Development Plan, the General Machinery Industry Development Plan, and the Honam Chemical Industrial Complex Construction Plan drafted in December 1972; the Electronics Industry Development Plan, the Precise Machinery Industry Development Plan, the Machine Parts Factory Construction Plan, the Nonferrous Metals Refining Complex drafted in January 1973. In the case of Japan, the factories are dispersed in location, but Oh Won-Cheol planned large-scale industrial complexes by placing the factories together. In 1973, the Heavy Chemical Industry Promotion Council announced its plan to foster heavy chemical industry and requested cooperation from Japanese industries (Nishino Junya, 2011: 197-200).

³⁰ National Archives and Records Service, US\$ 10 Billion Target in Exports Achieved in 1977
URL: <http://www.archives.go.kr/next/search/listSubjectDescription.do?id=007301&pageFlag=>

In the process of realizing the third plan in earnest, Korea met with a great crisis. In the first oil shock in 1973, the Korean economy, which relied on the Middle East for 100% of its oil imports, hit a huge wall. Park Chung-hee established the plan to advance into the Middle East and concluding construction contracts for domestic construction companies. A joint delegation of ten people from the government and the people, including the Minister of Commerce and Industry and the President of the Korea Trade Association, were dispatched to the Middle East, and the delegation visited Saudi Arabia, Abu Dhabi, and Kuwait, to strengthen Korea's resource diplomacy, expand bilateral trade, and induce bilateral agreements for cooperation.³¹

On December 19, 1975, comprehensive measures to promote the advancement of the Middle East were delivered to all ministries, and officials from the Middle Eastern countries were invited to Korea. In 1976, Hyundai E&C pioneered into the Middle East market by concluding a contract to construct a port in Jubail, Saudi Arabia that was worth US\$ 940 million. Afterwards, 32 companies including Daelim and Donga Construction entered the Middle East market. Korea received consecutive orders for constructing plants from the Middle East that amounted to US\$ 89 million in 1974, \$ 750 million in 1975, \$ 2.429 billion in 1976, \$ 3.387 billion in 1977, and \$ 7.982 billion in 1978. Through these construction projects, Korea earned huge oil dollars from the Middle East in the 1970s, which played a decisive role in Korea's achievement of the US\$ 10 billion target for exports in 1977 and changing Korea's trade balance from negative to positive. The number of Korean workers abroad also reached about 170,000 people, reducing the

³¹ "Government-people joint delegation for resource diplomacy to be dispatched early April," *Maeil Business Newspaper* (March 23, 1974)

domestic unemployment rate.³²

2.1.6 The 4th Five-Year Economic Development Plan (1977-1981)

The fourth Five-Year Economic Development Plan was announced on June 18, 1976. Korea had already accomplished industrialization and high growth through the first to third Economic Development Plans by this time. The fourth plan aimed to achieve growth through the qualitative improvement of the industrial structure. The most significant feature of the fourth plan is the participation of the private sector in the planning process, involving not only government officials but also private sector officials, relevant people from the academia and the fields of finance, industry, labor, public healthcare, and the media.³³

The goal of the fourth plan was to “establish a self-sustaining structure of growth under the ideologies of growth, equity, and efficiency; to promote social justice through social development; to innovate technology and to improve efficiency.” The fourth plan emphasized the even distribution of the gains from economic development among all regions and classes and the development of technological innovation and efficiency in the increasingly competitive global market. The targeted growth rate set in the fourth plan was 9.2%, projecting the per capita GNP to reach \$ 1,512 by 1981. The heavy chemical industry which had been pursued in the third plan, continued to be the focus area. Within the heavy chemical industry, machinery, electronics, and shipbuilding industries were set as the key areas of growth. The share of the mining industry in the

³² National Archives and Records Service, The 1976 Plan for the Middle East Market and the Support Strategy of the Economic Cooperation Team 1, International Economy Department, Ministry of Foreign Affairs.

³³ Presidential Archives, The Fourth Five-Year Economic Development Plan (1977-1981)
URL: <http://pa.go.kr/research/contents/policy/index020205.jsp>

entire industrial sector was planned to increase from 29.7% in 1975 to 40.9% in 1981, and the share of the heavy chemical industry in the manufacturing sector was planned to increase from 42% in 1975 to 50% in 1981.³⁴

The specific measures taken under the policy for the heavy chemical industry were: the expansion of the 4th plant of POSCO in 1977, the construction of the 7th fertilizer factory in Yeochon in 1978, the construction of the Daewoo Mokpo Shipyard in 1981, the finalization of the Construction Plan for Korea Heavy Industry in 1981, the drafting of the construction plant for the 3rd Electronics Complex in Gumi in 1979, development of strategies for the machinery industry exports through financial support and preferential taxation after selecting 36 areas in the industry including industrial facility production and petrochemicals, the Shipbuilding Industry Development Plan of 1980, the Basic Plan for Electronics Industry Promotion that aimed to choose strategic items for concentrated development, strategic development item in 1981, and the Petrochemical Industry Development Plan of 1981.

The global oil shock in the early 1970s brought major tasks for the Korean government to tackle in terms of realizing economic independence and growth, such as managing the international balance of payments, the procurement of domestic investment resources, and building an advanced industrial structure. To establish a self-sustained growth structure, the Korean government emphasized the need to finance the investment capital needed for economic development through domestic savings — that the increase of exports was to overcome the limitations of the domestic market and to realize sustainable growth, while the capital for imports must be procured internally. The plan set

³⁴ Presidential Archives, The Fourth Five-Year Economic Development Plan (1977-1981)
URL: <http://pa.go.kr/research/contents/policy/index020205.jsp>

the growth rate target for exports at 16% and aimed to self-procure 90% of funds required for imports.³⁵

Regarding investment sources, the 41.3% of investment capital covered by overseas savings in 1975 was planned to be covered purely by domestic savings by 1981. To meet the expected increase in expenditure in areas such as the defense budget and social development expenditures, the tax burden rate was increased from 18.3% in 1976 to 21% in 1981, and the tax system was revised. The government aimed to reduce the dependency on foreign currency to eliminate factors that can cause trade balance deficits, and aimed to maintain the export growth rate at 16% and the import growth rate at 12% from the 1980s to achieve a positive trade balance, and increase overseas construction projects and tourism income to achieve a surplus in current account balance. Up to now, social development was put in the back burner due to the focus on economic development. However, the growth of the economy left room for social development. To realize social justice, the plan was to pursue social development by reducing the inequalities in the income distribution among classes strata and providing more employment opportunities. The foundations for education, public health, and vocational training were also planned to be expanded; more schools were built to strengthen elementary education by reducing the number of students per class, and plans were made to extend the compulsory education level was to middle school.³⁶

The government planned to implement a medical insurance system and a national welfare pension system to establish a basis for a social security system

³⁵ Presidential Archives, The Fourth Five-Year Economic Development Plan (1977-1981)
URL: <http://pa.go.kr/research/contents/policy/index020205.jsp>

³⁶ Presidential Archives, The Fourth Five-Year Economic Development Plan (1977-1981)
URL: <http://pa.go.kr/research/contents/policy/index020205.jsp>

that will guarantees the Korean people a minimum income level and financial stability. In addition to reducing the inequality among social classes, the government planned to achieve equality among regions through the Saemaul Movement, which started in 1971 for the sake of equality between regions, and considered the promotion of ‘balanced regional development’ in creating policies for constructing social overhead capital. The Four River Development Project and the large-scale agricultural complexes were undertaken to develop the rural areas, and the efficient use of limited national land and the dispersion of businesses among regions were considered when developing industrial complexes.³⁷

The fourth plan emphasized improvements in living conditions. At the time, Korea was not properly equipped with water supply and sewage facilities, and there was a constant shortage of housing. To solve these problems, the plan outlined the construction of multi-purpose dams, wastewater and sewage treatment facilities, and housing centering on small-scale houses. Concerning the housing supply rate, the aim was to increase the rate from 75% in 1975 to 80% in 1981.³⁸

The plan also emphasized technology innovation. Recognizing the fierce competition the country will face in the global market as developing country in-between developed and less-developed countries, the government attempted to actively embrace advanced technologies and to establish a system that will enable the development of technology development capabilities. A technology

³⁷ Presidential Archives, The Fourth Five-Year Economic Development Plan (1977-1981)
URL: <http://pa.go.kr/research/contents/policy/index020205.jsp>

³⁸ Presidential Archives, The Fourth Five-Year Economic Development Plan (1977-1981)
URL: <http://pa.go.kr/research/contents/policy/index020205.jsp>

introduction center was established at the KIST to allow the quick absorption of new information on technology from abroad, and efforts were put into building a system that will enable the introduction of the latest technology at the right time by providing technology-specific information. Also, to develop original technology, the investment in science technology was to be increased from 0.5% of the GNP in 1975 to 1% in 1981, and government-funded research institutes were to be established at major industrial bases. An improvement in industrial production efficiency was attempted by gradually opening the Korean market to imports, while efforts were made in establishing an environment of fair competition. Corporate mergers and integration was planned to maintain the efficient facility sizes.³⁹

The main policy measures of the fourth plan focused on cultivating the machinery industry for the development of heavy chemical industry, and thus, set the machinery industry as the national comparative advantage industry. Here, the development of SMEs that specialize in the production of parts was considered very important, which can be seen in the survey of conditions for the cultivation of SME-type machinery industry. This survey was conducted from June to July 1976 on major SMEs, with the aim to cultivate the enterprises by selecting SMEs which specialized machinery production. To establish a strategy for strengthening international competitiveness by industry for the continued growth of exports, a survey was conducted on the constraints faced by each industry in developing competitive advantage and a working group was organized. The measures and strategies for industrial rationalization submitted by the Industrial Rationalization Deliberation Committee in 1978 well-exhibit

³⁹ Presidential Archives, The Fourth Five-Year Economic Development Plan (1977-1981)
URL: <http://pa.go.kr/research/contents/policy/index020205.jsp>

the government's measures to strengthen Korea's international competitiveness. After the implementation of the fourth Five-Year Economic Development Plan, Korea's actual economic growth rate was 9.2%, but the performance was below 5.5%. Economic growth slowed considerably and in 1980, the Korean economy recorded a negative growth of -6.2%. The inflation rate recorded 19.7% around this time from the impact of the second oil shock. The population growth rate was targeted to be 1.59% but stopped at 1.55%, with a target of 1.59%. The per capita income was US\$ 847 in 1977 but became \$ 1,607 in 1981. The target for investment rate was set at 35.6%, only 26.6% was achieved, while the national saving rate reached 23.9%, which is similar to the 24.2% target. The overseas saving rate, which was to be lowered to 2.0%, increased to 11.2% due to the insufficient mobilization of domestic capital. The industrial structure continued to become more advanced, with the heavy chemical industry accounting for 53% of the manufacturing industry and the mining industry accounting for 40%. Exports rose from US\$ 10 billion in 1977 to US\$ 20.8 billion in 1981, but imports were suppressed to \$ 23.4 billion, reducing the current account deficit only \$ 4 billion. However, the accumulation of deficits had created a foreign debt of US\$ 32.5 billion over the five years, and in 1981, Korea became one of the world's four largest debtor nations and experienced significant difficulties in debt repayment.⁴⁰

Park Chung-hee exerted strong goal-oriented leadership from the first to fourth Five-Year Economic Development Plans to prove that the goals he set for national economic development were not wrong. The Park Chung-hee government led the nation through every crisis to solve problems through all

⁴⁰ Presidential Archives, The Fourth Five-Year Economic Development Plan (1977-1981)
URL: <http://pa.go.kr/research/contents/policy/index020205.jsp>

means. In the economic crisis in the 1970s was actively overcome through the August 3 Emergency Measures of 1972 which aimed to revitalization of exporting companies by giving the preferential treatment to repay corporate bonds in installments over five years from three years. The industrial rationalization fund, the greater supply of short and long-term loans at low interest rates, interest rate cuts, exchange rate hikes, and the reduction of corporate tax burdens were among the many ways the government tried to revitalize businesses, and these methods returned as a burden to the people (Hwang Suk-man, 2012: 172). The excessive investment in the heavy chemical industry worsened the economic situation in Korea. Due to the high dependence of the heavy chemical industry on imports in the late 1970s, Korea recorded a current account deficit of US\$ 5.3 billion in the 1980s and experienced a decline in economic growth rate (Park Tae Gyun, 2009: 28). In 1979, Park Chung-hee implemented the IMF bailout and economic stabilization policies, but the internal problems that have been accumulating and the global economic crisis brought by the second oil shock created too big of an obstacle to prevent the bankruptcy of SMEs (Hwang Suk-man, 2012: 176).

In 1972, Park Chung-hee further solidified his leadership based on his beliefs in economic development. Although the restructuring of the economic structure to center on the heavy chemical industry provided an important background for the growth of the Korean economy, Park Chung-hee failed to achieve national unity due to his policy to support large corporations at the sacrifice of the people as a means to realize economic growth.

2.2 The Contents and Characteristics of Thailand's Economic and Social Development Plans

2.2.1 Thailand's Economic and Social Development Plans

Thailand has drafted and implemented economic and social development plans every five years since 1961, and is in the midst of its 12th Five-Year Plan for Economic and Social Development (2017-2020).⁴¹ Thailand's industrial structure has shifted from being predominantly agriculture-based to an increasingly industrial-oriented economic structure through the implementation of economic development plans. Thailand's full-fledge drafting and execution of economic and social development plans began in the early 1960s, as was the case of Korea.

Before examining the main contents and characteristics of Thailand's economic and social development plan of the 1960s to 1970s, it is necessary to look into the background against which the plans were drafted and explain the economic situation of Thailand at the time. The report drawn up by the delegation from the World Bank's International Bank for Reconstruction and Development over a one-year period from 1957 to 1958 provides close details on Thailand's situation. The Thai government requested the direct technical assistance of the World Bank to advise on resolving its economic problems and establishing an economic plan. This report, in this sense, had a decisive impact on the formulation and implementation of Thailand's first Economic and Social Development Plan in 1961.

In 1959, the 1959 Public Development Program for Thailand⁴² is a report

⁴¹ Thailand's first Plan for Economic and Social Development was a six-year plan. It was from the second plan that the plans were made for five-year periods.

⁴² The International Bank for Reconstruction and Development (1959) *A PUBLIC DEVELOPMENT*

created upon the official request of the Government of Thailand⁴³ and conducted by the attendants dispatched from the International Bank for Reconstruction and Development (IBRD) over a one year period from July 1957 to June 1958.⁴⁴ The mission of the delegation and the purpose of this report were to establish a central planning body that would help the Thai government to establish and effectively coordinate its own long-term economic development plan. The delegation made an assessment tool for public development funds and suggested that the budget should be prioritized according to the importance of each area of development. The report identifies the problems of Thailand's economic situation and presents solutions while also explaining in detail how to focus on development areas that have potential.

The conclusion of the report was as follows. The economy of Thailand was clearly different before and after the Second World War. Before the war, the Thai economy had been growing steadily without any government control and

PROGRAM FOR THAILAND, The Johns Hopkins Press, Baltimore 18, Md.

⁴³ The main person who requested to invite the World Bank is Puey Ungpakorn, an economist with a PhD from the London School of Economics (LSE) and the President of the Bank of Thailand from 1959 to 1979. He invited the World Bank to strengthen the control over the Thai economy amid growing frustrations about the government's economic policies and corruption allegations. The report points out the problems of unplanned policies that can cause uneven development or prevent the government's development efforts from gaining results, the uncertainty of annual budgets, and the limitations in the administrative structure, especially the lack of technical and economic bureaucrats within the government. The report suggests recommendations such as strengthening the private sector through the provision of financial and non-financial benefits rather than through the government's direct participation in the economy via state-owned enterprises, and expanding social overhead capital and capital financing. In addition, the report proposes the establishment of a central planning agency and budget office under the Prime Minister's Office enable the drafting of reasonable plans, i.e., a basic policy for the restructuring of policy institutions to enable coordinated and centralized planning and execution and sound budgeting.

⁴⁴ The attendants were of French, Italian, Norwegian, British, and American nationalities and consisted of the delegation representative and advisors in the fields of agriculture, irrigation, industry, public finance, social welfare, and transportation, along with two bank officials. (Paul T. Ellsworth, Chief of Mission ; G. H. Bacon, Adviser on Agriculture ; Romeo dalla Chiesa, Economist; Jean R. de Fargues, Adviser on Irrigation; Andrew Earley, Adviser on Transportation; William M. Gilmartin, Chief Economist; Norman D. Lees, Adviser on Industry, Mining and Power; Fritz Neumark, Adviser on Public Finance; K. J. 4,ksnes, Adviser on Social Services)

intervention based on Thailand's rich natural resources and labor force. However, the post-war Thai economy, like other countries, faced economic difficulties and uncertainties. As the previously-had natural economic growth could no longer be expected, the role of the government and the need for a long-term economic development plan were stressed as a way to drive Thailand's economic growth (IBRD, 1959).

In more detail, prior to the Second World War, Thailand had a solid foundation and internal drivers to achieve economic development independently without government or external interventions. Thailand was a well-known agricultural country that ranked as a global leader in the export of rice. Agriculture was a huge contributor to economic growth and, at the same time, was also the sector that was responsible for livelihoods of 80% of Thailand's population. From 1952 to 1957, Thailand's annual growth rate of net agricultural production was 5% per year, a high figure even when considering the population growth rate at the time, and the average real per capita income was also increasing at an annual rate of 3%. The development of the agricultural sector was driven by the boom in agricultural commodity prices in the global market which continued after the Second World War up to 1953. With the development of social infrastructure in Thailand from the 1950s, the agricultural sector was able to grow rapidly. In the 1950s, Thailand received economic and technical assistance from the U.S. and other countries for the construction of infrastructure. The government's developmental activity accounted for one-third of the total investment budget. In particular, public investment was concentrated in building infrastructure for transportation, communications, electricity, and irrigation, and in local development projects, education, social services, and manufacturing (IBRD, 1959: 1-2).

Despite the overall economic boom from the development of the agricultural

sector, the economic crisis that Thailand faced after the Second World War began to change the traditional aspects that were the internal drivers of Thailand's economic development. Rich natural resources, large population, peaceful environment, wide land, high rice production, vast forests, world-class teak⁴⁵ production and tin reserves, and rubber production were the traditional parts of Thailand that played a pivotal role in the country's economic growth. However, along with the lack of new land for farming rice, the production and exports of rice have become increasingly stagnant in their growth; forests for harvesting teak were destroyed due to the reckless cutting of trees by farmers and illegal forest clearings, eroding the land and polluting water. In addition, tin production declined due to the recession in the global market (IBRD, 1959: 2-3).

The areas with development potential highlighted by the report were the agricultural sector and the manufacturing industry. The report noted the most urgent policy for the Thai government to implement in the agricultural sector as the increase of rice production to meet the ever increasing domestic demand and continue to create an excess of exports. The ongoing irrigation project was expected to increase the quality of rice production and improve yields enough to achieve this goal. However, due to the export of rice at lower prices by other countries, Thai rice was gradually losing its competitiveness in the world market. Again, to boost the competitiveness of Thai rice, it was required for the government to find ways not only to increase production but also develop new strategies to increase profits from rice exports. The report also pointed out that the rubber industry needed active government support to increase production and expand the industrial scale.

Second, the report mentioned how Thailand's northern, central and

⁴⁵ Teak is a tropical deciduous tree that grows in Southeast and South Asian regions and is used as wood for furniture, etc.

northeastern regions already have well-developed agricultural foundations, but the southern region has yet to be developed, thereby having a high potential for growth. The report suggested developing the coconut, palm oil, fruit, and seasonal grain produced in the southern region for sales and domestic supply and proposed the development of rice, field crops and livestock. At this point in time, there was no mention of the gas field, which became the main industry in present-day southern Thailand.

Third, the report suggested changing the farming model of the Northeast regions. Farming in Thailand consisted of single crop farming, but the irrigation project in the upper area of the Chao Phraya River⁴⁶ was expected to enable double cropping, the dam construction projects in the northern region⁴⁷ would prevent floods and store the water for use during off-seasons, thereby enabling larger harvests and double cropping. However, since the northeast region of Thailand is a high precipitation area where rain crop is traditionally cultivated, and since the rainfall in the region does not come regularly but in the form of heavy rain in a short period of time, it was deemed necessary to change the cropping model from wet rice, the main crop that was planted at the time, to field crops and cattle pastures.

Concerning the non-agricultural sectors, the tin production industry declined due to the global market recession. Though the mineral reserves in Thailand are

⁴⁶ E. Leslie Small (1972, p.6) The Greater Chao Phya project was a large-scale project that controlled the flow of water over a total of 910,000 hectares in Central Thailand. The purpose of the project was to prevent floods and to store water for farming in the off-peak season. To this end, Thailand requested assistance from the World Bank and received a loan of US\$ 1.8 million in October 1950 (IBRD, 1963: 79-81). The dam began construction in 1952 and was completed in 1956.

⁴⁷ E. Leslie Small (1972, p.6) The Yanhee Project is a USBR project that primarily focused on developing hydropower while also having the functions of flood protection and irrigation. It is also called the Bhumiphol project (United States, 1955, vol.1: 40). For this project, the World Bank loaned US\$ 6.6 million in 1957, he received a loan of from the World Bank (IBRD, 1963: 79-81). Construction of the dam began in 1958 and ended in 1964.

very small, its iron ore, lignite, and oil shales had high commercial value, so they were considered to be suitable for export in place of tin. The suggestions made on the forest industry were to prevent soil erosion through reforestation and forest protection programs. The fisheries industry was been proposed as an area of high development potential along with agriculture among the primary industries. Fish was the main source of food for Thai people, so the development of the fisheries industry with the introduction of technology to improve the marketing creating agency and price levels, the fisheries supply was expected to increase to be able to compete effectively in the export market. It was deemed that there was little development potential in fuel resources, but the upper reaches of the Chao Phraya River and the Mekong River had potential for developing hydropower, and Thailand had been supplying power to Bangkok and other regions (Changwads) through its multipurpose dam project. The development of fuel resources was expected to directly improve the country's economic activities and the lives of Thai people living in urban and rural areas. In the transport sector, Thailand had railway systems in place for a long time, but there was a need to construct highways since there were no transport systems that ran through Thailand, except for railroads and waterways. Developments in highways and railroads have been proven to have a positive impact on increasing commodity production, thus, it was one of the areas that the demanded attention (IBRD, 1959: 8-10).

The factors that hindered Thailand's economic development after the Second World War despite its high potential for growth were analyzed in the report. The analysis pointed out six elements that were impeding Thailand's economic development, which were as follows (IBRD, 1959: 10-12).

First was the lack of planned policies by the government. That is, the Thai lacked an overall blueprint for economic development and failed to set clear

goals each sector. The investment in development should be made in a planned manner in the most urgent areas of development, areas with high productivity and development potential or areas that required investment to achieve the planned growth targets set by the government. However, the Thai government had allowed investment in various areas without discretion. This lack of planning dispersed the investment to diverse facets to prevent significant outcomes. The eight examples below illustrate the Thai government's lack of planning:

- (1) The Thai government did not properly analyze the basic problems in the northeast region of Thailand nor implemented solutions for development.
- (2) Despite the fact that the southern part of Thailand should be developed through revitalization projects and the expansion of rubber production sites, the region's high growth potential has been ignored.
- (3) The government's efforts to increase rice yield have been solely focused on irrigation projects, and the government research on agricultural development or rural development programs have not been put into motion.
- (4) There has been some progress in the development of highways, railways, and harbor facilities, but the lack of construction skill has resulted in the erosion of even the newly-made roads, and the need for service roads has not been recognized by the government.
- (5) The government has yet to enact regulations on the protection of forest resources and watershed areas.
- (6) Finance and human resources are dispersed inefficiently to multiple projects.
- (7) Government-owned and government-supported industrial plants were established without any planning and preparation that is required, such as sufficient market research, procurement of raw materials and sites, and

corporate management. In particular, uncertain industrial policies related to new state-owned enterprises have adversely affected domestic and foreign private investment for industrial development.

(8) Improvement of services such as local electric power facilities, water supply facilities, roads, telecommunication, housing, etc. were not implemented in accordance with the actual needs of the region.

The next point that was made in the report was regarding uncertain funding. Government spending on defense and social administration had been increasing, but there was less certainty in the funding for agricultural development and other economic services, asset retention, and the pioneering of new areas for development. The government had not yet implemented value-added taxes and efficient tax systems for increasing government revenues, and in regions where Thailand's tax revenue system had relatively less hold, the collection of local and direct taxes were particularly open to bad management. The government created patchworked budget plans and attempted to maintain the expenditures on the development and non-development sectors despite increasing spending resulted in severe fiscal deficits and loss of foreign currency reserves in 1953 and 1954.

The third was the constraints in institutional management. Thailand suffered a severe shortage in trained and educated bureaucrats and managers who can efficiently operate industrial sectors and government administration. The absence of such technical bureaucrats is a typical feature of the underdeveloped countries. Industrial management is not something that can be learned from a book, but a very complex skill learned through the accumulation of various experiences over a long period of time. Very few Thai people had such training because there were relatively few industries in the country. Most Thais have

long been employed in agriculture and government positions, and industries began to emerge in Thailand only when the Chinese who migrated to Thailand pioneered the commercial, financial and industrial sectors. The Chinese played important roles in the industrial sector in Thailand, and there were relatively fewer local Thai people who had as much industrial management techniques in trade, organization and management compared to the Chinese. Even if there were Thai people who had training, they did hold important positions in the industries.

Fourth was the inefficient administration of government. Political considerations were more of a priority than the economy, the government administration was too tied up in traditional ways, and the responsibility and authority was dispersed according to status and personal relationships. Such pre-modern bureaucracy was a factor that led to the neglect of further learning and competition and interfered with the cooperation among the ministries. For example, the Ministry of Agriculture and Forestry did not make any effort to improve the agricultural policy even when the target figures were not met. The bureaucracy also hindered the establishment of efficient processes. The Department of Industrial Promotion had few missions for promoting the industry and was not equipped with a proper administrative system. The National Tax Service has failed to collect taxes from the people because of government incompetence, so the government consistently lacked sufficient financial budget and accounting.

Fifth, educational institutions in Thailand were not sufficient enough to foster Thailand's human resources. Thailand has provided educational opportunities for all school-age populations to receive public education, which has led to relatively low illiteracy rates. However, the proportion of students who are went onto higher level curriculums has been decreasing every year, and only 40% or

less of the elementary students completed the fourth grade. Among this 40%, only half or so went onto the next level. Ultimately, only 2% of the student population completed middle school education. Most of the teachers who educated students had not received proper education and training, and their education level was very low. There was a lack of higher education institutions and no vocational training available for the people through vocational schools.

Finally, there lacked knowledge and statistical information held by the government about the physical resources in Thailand. There also lacked data for understanding the basic condition of Thai economy. The lack of proper information and the indifference of the government were pointed out as the biggest problems.

The report presents solutions for the above problems and development policies for each sector that covered the period of five years from 1959 to 1963 (IBRD, 1959: 16-28).

First, the report proposed the government to make up a plan for the expenditure on goods and capital that came up to a total of 13 billion baht, 2.4 to 2.9 baht spent every year over the five years. Expenditures were to be concentrated on the construction of social infrastructures such as public power, transportation, telecommunications, regional development and social welfare facilities, and the construction of electric power plants and major highways were to be proceeded using capital gained through foreign and loans. The costs for economic and social development was planned to start at 1.7 billion baht in 1959 to be increased to 2.2 billion baht by 1963, to be spent on the education of the student population, public health services, maintenance costs for transportation and irrigation projects, government-provided economic services, and particularly on the research and promotion of rural development.

Second, the basic goals of the agriculture sector were set as developing

technological possibilities for increasing rice production by expanding the farming land and improving crop yield through irrigation facilities; increasing rubber production by utilizing the growth potential of southern Thailand; focusing on solving problems in the northeast region and increasing agricultural production; implementing double cropping in central Thailand, and cultivating rainwater crops in the northern region. In particular, the report pointed out that the northeastern region of Thailand, where one third of the Thai population resides, is the poorest region in the country that is difficult to develop, but the region had high potential for agricultural growth through the cultivation of rainwater crops and livestock. The plan was to develop the northeastern region centering on agriculture over the five-year period, and rural development was to be promoted through irrigation and flood prevention projects, improvements in communication improvement, extension of highways, research on agriculture and land use, mapping, geological surveys on mining and resources, and reforestation and forest protection projects. The northeast region was anticipated to experience economic growth through the development of the Mekong region, and the report proposed the continuous implementation of irrigation projects to increase rice production, the production, reproduction, and harvesting of rubber, and the establishment of an efficient institution to increase harvests. Forest management was to be implemented through flood control and soil erosion prevention programs, and the need to expand the fisheries sector for domestic consumption was mentioned.

Third, to develop industries, it is necessary to encourage the activities of domestic and foreign private companies, and to this end, the report suggested the government to provide private sectors for companies to develop, attracting them with tax benefits and other incentives. In the public development sector, electric power needed intensive development to meet the increasing power

consumption, and more than 40% of the capital expenditure was to be concentrated on the transportation and communication sectors, which accounted for 20% of the total capital expenditure. The development of the transportation sector was to be directed toward the development and improvement of road systems and railway systems. It was expected that Thailand would need to spend significantly on the development of road systems due to its low technology, and the investment in railways was to be made on the diesel-running trains, improvements in railway and bridges, modernization of railway vehicles, construction of train switchyards and railway sidings, and the building of communication and auxiliary facilities. Service roads were to be developed to provide more ways for distributing agricultural products, and particular emphasis was made on the construction of highways connecting Nongkai, Chiangmai in the northeast of Bangkok and Songkla and Phuket in the southern region.

Fourth, regarding the development of telecommunication, the report recommended the development of an integrated national telecommunication system, improvements in the Bangkok telephone system, and the modernization of domestic air transportation facilities and the facilities and equipments at Bangkok Port.

Fifth, education, public health, and social welfare were expected to be repetitive items for capital expenditure, and immediate attention was demanded on the education of school-age population, the education and training of educators, and cultivation of high-level educators.

Sixth, public health needed improvement through the provision of more doctors, nurses, and hospitals as well as medical services for rural areas, and better administrative management of the two medical schools in Thailand was suggested.

Seventh, for regional development, it was pointed out that the systems for water supply, sewage, transportation, communications, electricity, and housing subsidies were insufficiently equipped considering the increasing population of Bangkok and other urban areas, necessitating the development of electric power and communication systems in cities and improvements in Bangkok's water supply and local housing programs.

The report outlined policies for Thailand's economic development policy based on the country's economic situation in the 1950s. However, the continuous rapid changes in the global economy and domestic situations brought forth the need for a central planning agency for developing, reviewing, and revising the policies. That is, the need for a national development planning institution that will draft national economic plans and oversee the government's expenditures and economic policies was recognized.⁴⁸

According to suggestions, the government's central board for economic planning was named the National Development Board (NDB), headed by the Prime Minister and composed of ministers to deliberate on economic issues.⁴⁹ The main task of the organization was to determine the economic development plan. In addition, the Planning Secretariat was established to conduct continuous research on economic issues, review proposals, and to coordinate cooperation among ministries and supplementary plans. The head of the Planning Secretariat was titled the Secretary-General, and the general directors of each department were appointed. The Secretary-General also assumed the role of the Secretary-General of the NDB and performed the role of submitting

⁴⁸ "There is consequently a very real need in Thailand for a central agency to make a continuing study of the nation's economy and to draw up plans for its development." IBRD(1959, p.29)

⁴⁹ It was suggested that the Prime Minister be appointed as chair, and the members to be composed of the Ministers of Finance, Economics, Internal Affairs, Agriculture and Forestry, Industry, Transportation, and Education. IBRD(1959, p.208-210).

proposals and assessments related to economic development to the NDB. Due to the complementary nature of economic development planning, annual budgeting was to be carried out in close cooperation with the Secretariat, the Bureau of Budget, or the Ministry of Finance. The Secretariat was not a subordinate department of the ministries and was to be independent from the opinions and criticisms of the Ministry of Finance on the plans executed by each ministry and the use of development funds. The report suggested to place the National Statistics Office and the National Income Office of the National Economic Council (NEC)⁵⁰ under the authority of the Secretary-General of the Secretariat and to dismantle the NEC (IBRD, 1959: 208-210).

This report by the World Bank compactly summarizes the situation of Thailand at the time and the plans that needed to be drafted. It placed focus on the development of infrastructure and recommended the government policies to be concentrated on increasing the production of the primary industry, which was Thailand's main industry, in terms of industrial production. This recommendation does not diverge greatly from the reports submitted by the United Nations and Tarca in 1953 and 1954 on Korea. That is, the report discussed methods to maximizing the use of existing industrial structures rather than restructuring the industries by investing in a new industrial sector.

This reason seems to be that, considering the U.S. foreign aid policy at the time, receiving foreign aid for industrialization was expected to be difficult, and channeling government investments may have further weakened the stability of the Thailand's economy. In addition, the contents of the special program for the economic development plan that was being carried out by the World Bank at the time aimed to increase productivity by maximizing existing strengths and

⁵⁰ Thailand began to plan for development from 1950 and established the National Economic Council (NEC) as the agency for economic research and advising the government on economic issues as a whole.

expanding the domestic market by increasing consumption rather than to change the industrial structure through new investments. The work by Tinbergen, which was considered almost a textbook for the economic planning in developing countries, was written in this direction, and Tinbergen himself gave lectures to the experts of developing countries that gathered at the World Bank (Park Tae Gyun, 2000: 33).

Also, the economic development theories of the 1950s were still based on the balanced growth theory, which recommended economic development plans to be drafted based on the understanding of local circumstances. The export-led industrialization strategy and the imbalanced growth theory began to emerge only after the early 1960s, and the Kennedy administration's aid to the developing world and the establishment of the USAID occurred only after 1961 (Park Tae Gyun, 2000: 75-76).

The background of the dispatch of the World Bank delegation to Thailand in 1957 was as follows. In the early 1950s, the Thai government headed by Prime Minister Plaek Phibunsongkhram, had no choice but form a three-pronged government with the First Army Commander Sarit Thanarat and the Police Department Director General Phao Sriyanond. Under the three-pronged government, dissatisfaction towards the government's economic policies and allegations of corruption grew, according to a report, 12% of Thailand's national income was poured into the pockets of the three top leaders and their aides (Darling, 1962: 102). Due to the losses incurred by many state-owned enterprises, the Thai government needed loans to cope with the deficits, which led to the involvement of the World Bank (IBRD, 1959).

The Phibun regime was overturned by a coup d'état led by Sarit Thanarat, and from 1959, Thailand was ruled by the Sarit military government. Sarit promoted economic development and the establishment of a central economic

planning agency as mentioned above in his coup d'état declaration. U.S. investment in Thailand increased sharply from 1954, and the Thai government's market interventions were seen with disapproval by the U.S. The U.S. criticized the Thai government's market interventions as being against the U.S.'s free market competition system and starting from 1959, forcefully demanded the Thai government to establish a central economic planning organization as a solution. The National Economic Development Board (NEDB) was established in 1959, based on the National Economic Council (NEC) which was established on February 15, 1950. The Budget Bureau was established in 1959 and the Fiscal Policy Office in 1961.

The first Six-Year Plan for Economic Development (1961-1966) sought infrastructure-led development, but the second Five-Year Plan for Economic and Social Development (1967-1971) focused on the continuous development of infrastructure while centering on the public services, especially education and public health (Samart, 1989: 3). The third (1972-1976) and fourth (1977-1981) Five-Year Plans for Economic and Social Development included plans to promote basic industries, localized industrial development, and implement public-private joint projects (Yoshida, 1989 : 47-48).

2.2.2 The 1st Six-Year Economic Development Plan (1961-1966)

In 1951, the Thai Technical and Economic Cooperation Committee (TTEC) was established under the National Economic Council. TTEC was an administrative body in charge of the economic and technical support from the U.S., and its main task was to analyze development projects led through foreign aid programs. Since the nature of development projects led to an overlap of projects and funds, it was more economically viable to take into consider the development projects as a whole to consider how they linked to one another,

but the projects are conducted one by one as individual projects. Ultimately, it was concluded that the development projects that were implemented were not synergistic and that the operating system was not efficient, and the need for a comprehensive long-term plan that linked the various projects emerged. Thailand's economic development plans began with the above-mentioned World Bank mission from 1957 to 1959. The National Economic Development Board created the draft of the economic plan in 1960, and in 1961, the first Six-Year Plan for Economic Development was announced and implemented. However, the original plan was revised in 1963 to address the problems of rapid population growth, inadequacy of information, and the lack of skilled human resources.⁵¹ In the revised plan, development policies were drafted more broadly for the entire public sector, and policies for developing advanced human resources and analyses of the economy and annual budget were added. The revision was made with the assistance from the World Bank, AID, and the International Labor Organization, and international experts from the Colombo Plan.

The goals of the first Six-Year Plan for Economic Development were as follows. First was to improve the people's standard of living by maximizing the use of economic resources to increase national production and income. Second, the GNP growth rate was aimed at an annual average of 6% from 1964 to 1966, while the target for GDP growth was set as 77 billion baht over the same period. Third, the per capita income was set to increase to more than 2,400 baht. Fourth, the plan aimed to private and public investment to account for 15% of GDP. Fifth, agricultural production was aimed to increase annually by 4% to yield 9.5

⁵¹ The revised plan was approved by the National Economic Development Board on December 18, 1963, and the government authorized the enforcement of the plan as being effective from January 1, 1964 for the period from 1964 to 1966 on January 7, 1964.

million tons in rice production. Sixth, the share of agriculture in the GDP was to be reduced and the shares of industry, electricity, telecommunications and transportation sectors were to be increased. Finally, private sector growth, especially private investment, was to be encouraged (NEDB, 1967: 3).

Since Thailand's economic structure centered on agriculture, the development of the agricultural sector along with social infrastructure development were emphasized in the first plan. The contents of the first Six-Year Plan for Economic Development plan can be called an 'infrastructure-led plan.' The sectors were divided into agriculture, industry and mining, electricity, transportation and communication, regional infrastructure and social welfare, public health, education, and state-owned enterprises,⁵² reflecting the development areas suggested in the 1959 World Bank report. Since the implementation of the first plan, Thailand's GDP growth rate has increased by 53% from 1961 to 1966, a pace of 7.2% per year. The annual growth rate for the first period from 1961 to 1963 was 6.5%, and for the second period from 1964 to 1966, 8.0%. Thailand's GDP growth rate after the implementation of the first plan was higher than that of the 1950s. The per capita income in 1966 was 2,787 baht, an increase from 2,137 baht in 1961. <Table 10> summarizes the economic growth indicators of Thailand's first Six-Year Plan for Economic Development and compares the growth rates between the start and end of the plan (NEDB, 1967: 8).

⁵² NEDB (1967), refer to the Contents. Sectorial Review: Development of Agriculture and Cooperatives, Industrial & Mineral Development, Development of Power, Development of Transportation and Communication, Development of Community Facilities and Social Welfare, Development of Public Health, Development of Education. Role of State Enterprise was added after the revision of the first plan in the 1964-1966 source material.

**<Table 10> The Economic Growth Indicators of the First Six-Year Plan for
Economic Development**

	First Plan		Total Annual Growth Rate
	1961	1966	1961-1966
GNP (million baht)	59,876.0	92,230.8	7.2%
Per capita income (baht)	2,137.2	2,786.8	5.2%
Private consumption expenditure (million baht)	43,861.4	61,630.2	7.3%
Total Fixed Capital Formation	9,229.2	20,331.5	16.7%

Source: NEDB (1967, p.9)

The implementation of the first plan brought significant changes to the economic structure of Thailand. There was a rapid increase in production in non-agricultural sectors, relatively reducing the importance of agriculture. This change was due to the government's aim to achieve balanced growth through economic diversification from the beginning. The contribution of agriculture to GDP growth was about one-third, and its proportion in the Thailand economy from 38.3% in 1961 to 33.7% in 1966. Agricultural production reached 4.9%, which was above the originally planned target of 4%, thanks to the development of irrigation facilities, the use of quality fertilizers and pesticides, the diversification of crops, the increase in demand in overseas markets, and the improvement of road networks. As about two-thirds, specifically, 79% of Thailand's labor force based their livelihood on agriculture, the development of the agricultural sector was very important. In the manufacturing sector, the annual growth rate was 10.6% on average, taking up 11.4% of the GDP in 1961

and 14% of the GDP in 1966 (NEDB, 1967: 10). These changes, as well as other changes in Thailand's economic structure, are summarized in <Table 11>.

<Table 11> The Changes in GNP during the First Six-Year Plan for Economic Development

(Period: 1961-1966)

Sector	Percentile in 1961	Percentile in 1966
Agriculture	38.3	33.7
Mining and stone-cutting	1.5	1.7
Primary industry	39.8	35.4
Manufacturing	11.4	13.9
Construction	3.8	4.6
Electricity and water supply	0.5	0.9
Transportation and communications	6.5	6.9
Wholesale and retail trade	17.4	18.7
Secondary industry	39.6	45.0
Finances, insurance, and real estate	2.5	3.2
Home ownership	4.5	3.7
Public administration and national defense	4.9	4.4
Service	8.7	8.3
Tertiary industry	20.6	19.6

Source: NEDB (1967, p.10)

Investments continued to increase during the period of the first plan, and

fixed capital formation increased by 14.3% per year. As investment activity increased, GNP capital formation increased from 16% in 1961 to 21.8% in 1966. In 1957, the rate was 14.3%. This increase was brought by the expansion of the public sector development program, especially the infrastructure projects actively attracting private investment. The government's financial target for public development was 32.7 billion baht in total. 17 billion baht of the public sector finances were funded by the government, 7.2 billion baht by foreign loans, 3.5 billion baht by aid, and 49 billion baht by self-financing from state enterprises and local governments. The actual budget spent on public development was 22.7 billion baht (84.8%). The 15% that was not spent was due to the delay in foreign loan negotiations that prevented the timely implementation of projects which were to be funded by foreign capital. Thailand had planned to secure 70% of the funds from domestic sources and 30% from foreign capital sources. <Table 12> summarizes the budgetary details of the government-led development sector, which shows that the largest portion of the development costs had been spent on agriculture.

<Table 12> Government Expenditure Budget by Area of Development

(Period: 1961-1966)

Unit: million baht

Sector	Plan	Allocated budget	Actual expenditure	Percentile of planned distribution by sector
Agriculture and cooperatives	3,456.98	3,634.05	3,395.97	21.8%
Industry and mining	889.62	1,534.62	1,326.34	8.5%
Electricity	810.36	1,476.95	1,456.95	9.3%

Transportation and communications	5,424.62	4,944.71	4,433.20	28.6%
Local facilities and social welfare	2,246.11	2,524.47	2,299.70	14.8%
Public health	849.04	896.75	799.14	5.1%
Education	1,901.24	1,903.70	1,845.99	11.9%
Total	15,577.97	16,915.25	15,557.29	100%

Source: NEDB (1967, p.13)

Note: Counterpart funds are excluded from the total.

The share of foreign capital in development costs was 10.4%. The foreign capital entering Thailand was sent by the U.S., the special agencies of the United Nations specialized agency, and Colombo Plan countries. The foreign capital from the U.S. accounted for 74% of the development grants and technical assistance, and about 11% was from the rest of the sources. <Table 13> summarizes the development grants and technical assistance received from each source during the period of the first plan.

<Table 13> Development Grants and Technical Assistance

Period: (1961-1966)

Unit: million baht

	1961	1962	1963	1964	1965	1966	1961-1966	%
U.S.	309.99	364.84	496.91	178.50	215.71	564.66	2130.62	74.0
U.N.	32.48	55.75	31.65	66.41	65.96	68.01	320.27	11.1
Colombo Plan	24.64	22.24	48.88	53.08	76.46	91.99	317.29	11.0
Other	9.66	12.74	14.36	14.99	29.92	30.94	112.62	3.9
Total	376.77	455.57	591.80	312.98	388.05	755.60	2880.80	100.0

Source: NEDB (1967, p.16)

The U.S. was the most important source of funding for Thailand's economic development, but the aid from U.S. showed a gradual decline during the second period (1964-1966). However, from 1966, the amount doubled from the previous year, which was an increase justified as the U.S. funding for the political development. Support from the Colombo Plan and the United Nations continued to increase, and capital and technical support from other countries also played an important role. Of the total development grant and technical support, 63% were provided towards project development, and the remaining 37% were towards non-project related programs, provided in the forms of overseas training and scholarships, services from foreign experts and the provision of equipment. The U.S. contributed to the development of all sectors except the industrial sector, and most of the industrial development was supported by the United Nations. Education was the area most supported by all countries, and almost all of the assistance for the community development and electricity came from the United States.

During the period of the first plan, Thailand's international balance of payments showed a surplus, and its foreign currency reserve also increased by 1.7 billion baht per year, totaling 17 billion baht. However, during this period, exports recorded a trade deficit despite an annual increase of 7.7%. Exports reached about 68 billion baht, but imports rose by 11.3% annually, reaching about 81 billion baht. Thailand offset the trade deficit of about 13 billion baht through the consumption of tourists within Thailand, foreign government spending on Thai construction projects, and the consumption by U.S. forces stationed in Thailand. The main characteristic of Thailand's export trade is that the primary products from the agricultural sector took up the majority of exports. Other than rice, corn, kenaf, tapioca, and rubber were also among the major export items. The major export items of Thailand during this period are

listed in <Table 14>.

<Table 14> Thailand's Major Export Products (1961-1966)

Unit: million baht

	1961	1962	1963	1964	1965	1966	Average annual growth rate (%)
Rice	3,598	3,240	3,424	4,389	4,334	4,002	3.0
Rubber	2,130	2,111	1,903	2,060	1,999	1,856	2.5
Tin	617	685	741	962	1,166	1,316	18.6
Corn	597	502	828	1346	969	1,530	28.2
Jute⁵³ & kenaf⁵⁴	626	579	358	495	1,102	1,653	33.6
Tapioca products	446	423	439	653	676	686	10.4
Teak	252	170	137	179	201	242	2.2
Other	1,697	1,724	1,748	2,081	2,217	2,763	11.1
Total	9,923	9,434	9,578	12,165	12,664	14,048	7.7

Source: NEDB (1967, p.22)

Thailand's main exporting country was the participating countries in the European Economic Community, but European countries imported similar products also from countries other than Thailand. So market for Thailand's exports were diversified to the Japan, Malaysia, and India. <Table 15> summarizes major trade partners of Thailand. It can be seen that Japan was Thailand's leading exporting and importing partner.

⁵³ Jute is a fiber obtained from type of flax, which it is used as the raw material for grain bags and packaging cloth.

⁵⁴ Kenaf is a subtropical herbaceous plant belonging to the Malvaceae family and is used as fiber pulp and biocomposites.

<Table 15> Thailand's Major Trade Partners

Unit: million baht

	1961				1965				1966 (6 months)	
	Exports	%	Imports	%	Exports	%	Imports	%	Exports	Imports
Japan	1,481	14.9	2,953	28.7	2,357	18.6	5,200	33.6	1,491	2,967
Hong Kong	928	9.3	608	5.9	857	6.7	403	2.6	574	191
Taiwan	209	2.1	185	1.7	80	0.6	372	2.4	60	214
Singapore	883	8.8	601	5.8	799	6.3	139	0.9	581	95
Indonesia	729	7.3	313	8.8	216	1.7	361	2.3	330	242
Malaysia	1,517	15.3	191	1.9	1,887	14.9	168	1.1	682	92
U.S.	859	8.6	1,477	14.3	837	6.6	3,015	19.5	341	3,627
U.K.	781	7.8	954	9.2	547	4.3	1,506	9.7	262	740
France	69	0.6	223	2.1	194	1.5	164	1.0	91	102
West Germany	515	5.1	733	7.1	637	5.0	1,550	10.0	298	623
Italy	69	0.6	154	1.4	250	1.9	324	2.0	132	159
Netherlands	241	2.4	458	4.4	513	4.0	501	3.2	177	262
Other	1,642	17.2	1,437	8.7	3,488	27.9	1,730	11.7	2,855	1,413

Source: NEDB(1967, p.24)

Note: Imports of military supplies were not included

Thailand's imports rose by 11.3% annually, reaching around 82 billion baht during the planned period. This rapid upward trend was due to the greater spending in public development and the expansion of private investment, which resulted in more importation of capital goods. In 1961, imports of capital and transportation equipment accounted for 42.4% of the total imports, but this figure increased to 50.1% in 1966. Raw material imports increased from 15.7%

to 18.8%. The government's promotion of private investments and greater emphasis on the import substitution industry among its industry promotion policies are reflected the decline in the proportion of consumer goods in the total amount of imports. In particular, the share of imports from Japan surged from 28.7% in 1961 to 33.6% in 1965. During the period of the first plan, Thailand's import policy was relatively liberal and restricted only a few products.⁵⁵

Thailand, like other developing countries, found the rapidly increasing population to be a major obstacle for economic development. The excessive growth in population coupled with the lack of qualified human resources created difficulties for Thailand in implementing its development plans during the period of the first plan. A plan to develop human resources had been put in place in 1965, but this was a problem that could not be solved in a short time. At the same time, the rapid population growth led to unemployment problems in the regional areas.

At the time of the first plan, Thailand's population growth rate was 3.2%. In 1960, the population was 27.1 million, but in 1963, it grew to 29.9 million, and in 1966, to 33.2 million. In 1960, Thailand's economically active population was recorded to be only 55% (14.9 million) of the total population. Thailand did not face unemployment problems during the first phase of the plan, because the agriculture, manufacturing, and trade sectors had expanded to absorb the labor force as it grew. The public development projects also created many jobs, preventing any serious unemployment problems from occurring. However, the

⁵⁵ Thailand was the only Southeast Asian country not occupied by Japan during the Second World War. Thailand opened its doors to Japan and even declared war on the U.S. and the U.K. in 1942. The cooperative relationship between Japan and Thailand became more intense in the late 1950s as Japan began to provide technical assistance to Thailand in full-fledge.

problem of idle labor in rural areas during the off-seasons had not been solved.⁵⁶

<Table 16> summarizes the numbers of the Thai population employed in the economic sector over the period of the first plan. In 1961, more than 80% of the population is engaged in agriculture. In 1966, the proportion had decreased, but the employment rate of agriculture was still significantly higher than the other sectors. The decline in the agricultural employment in 1966 was brought by the government's plan to shift the over-concentrated agricultural population from agriculture to non-agriculture sectors.

<Table 16> Population Employed in Economic Sectors

	1961		1966	
	No. of population	%	No. of population	%
Agriculture	10,341,857	83.1	11,618,752	79.9
Mining and digging	28,443	0.2	41,486	0.3
Manufacturing	454,807	3.6	689,134	4.7
Construction	68,260	0.6	110,687	0.7
Electricity, gas, and water supply	15,454	0.2	33,249	0.2
Transportation and communications	164,142	1.3	228,449	1.6
Trade and commerce	744,424	5.9	1,027,574	7.1
Service	643,595	5.1	804,304	5.5
Total	12,460,982	100.0	14,554,135	100.0

Source: NEDB(1967, p.30)

⁵⁶ The problem of agricultural labor force was a problem faced by most developing countries, which is why the studies on the economic development plans of the 1950s mention the goal to solve the “disguised unemployment” problem as one of the critical goals for economic growth (Park Tae Gyun, 2000: 76-77).

In addition to the unemployment problems caused by the increase in population, human resources was a critical issue that required the Thai government's urgent attention. In 1965, a human resources development plan was implemented by the Thai-USOM Human Resources Study Task Force. The NEDB initiated systematic research on human resources with the technical assistance of AID and the International Labor Organization (ILO). The Vocational Education project for improving secondary education and vocational education in Thailand received a US\$ 20 million loan from the U.S. and the World Bank. Other organizations involved in Thailand's human resources development were the Thailand Management Development and Productivity Center supported by the United Nations Development Assistance Program (UNDP), the Accelerated Rural Development (ARD) program supported by AID, and the Small Industry Service Institute (SISI), supported by UNDP (NEDB, 1967: 32-33).

The first economic development plan was drafted in four months, and the insufficient availability of data and information hindered the planning process. Despite being imperfect and insufficient, the plan is evaluated as Thailand's first attempt to allocate public fund investments in accordance with development policies and priorities. However, the U.S. demanded a revision of first plan, and the original plan was modified through a series of revisions. The main reason behind the U.S. demands may be found in the changes in the U.S. aid policy toward developing countries after 1961 when Kennedy administration came to power and USAID was established. This influence of the U.S. affected Korea in the same way.

The revised plan was broader and more comprehensive than the original plan. Also, in the course of preparing the revised plan, the NEDB introduced a mid-term reporting and operational evaluation system, which spurred efforts to

establish an effective plan. One of the main features of the revised plan is the emphasis put on the expansion of secondary industries, expressed in its goals which state that “although (secondary) industries do not take up a great proportion of the Thai economy, the expansion of (secondary) industries is one of the main goals of the development plan.” The education and human resource development plans also continued to be highlighted as key objectives, as well as spreading the development concentrated in Bangkok to regional areas. In addition, while the original plan dealt mainly with the central government’s financial resources and expenditures for public development funds, the revised plan included the development resources of state-owned enterprises and local governments.

Thailand’s first Six-Year Economic Development Plan focused on building infrastructure and achieved steady growth. Although the original and revised plans were only a document outlining the allocation of budget centered on infrastructure development, the plans were drafted under close cooperation among the central government and various ministries, coordinated by the NEDB. The increase in private investment during the first phase of the plan was due to the Industrial Investment Promotion Act of 1959 enacted by the Sarit government. The Industrial Investment Promotion Act awarded opportunities and benefits to many investors and attracted them to flock into the Thai market by offering the same benefits not only to domestic but also foreign investors. The first plan also placed the heavy emphasis, next to building infrastructure, on the agricultural sector. Thailand achieved economic growth based on agriculture, and rice and agricultural products were Thailand’s major export commodities. Also, 80% of Thailand’s workforce were engaged in agriculture. For this reason, the agricultural sector was considered the key development area during the entire period of the first plan, as it could connect

economic development to the elevation of the people's income and living standards.

Economic development theorists of the 1950s emphasized the importance of the primary industry, and economic development theory of the West on promoting economic growth in underdeveloped countries aimed at increasing the incomes of rural communities to expand the consumption basis, which was expected to lead to the development of the manufacturing industry. The increase in the income of the rural areas could contribute to the livening of the domestic market by increasing the people's purchasing power. This strategy was a common one that focused on revitalizing domestic industries through the domestic market in the absence of an export strategy. As in the case of Korea, Thailand also largely recognized that the export of rice was the only way to acquire foreign currency in an agriculture-based economic structure and continued to develop the agricultural industry centering on rice exports.

2.2.3 The 2nd Economic and Social Development Plan (1967-1971)

The goal of Thailand's second Five-Year Economic and Social Development Plan was growth and distribution. As in the first plan, the second plan focused on the construction of infrastructure, but the second plan was more comprehensive than the first. Beginning from the second plan, the title was changed to "Economic and Social Development Plan," including the component of social development in line with the goal of 'growth and distribution.'

The second plan also included the goal to develop the private sector, specifically concerning industry, trade, and services. To realize the goals of the second plan, the government continued to increase private investment and to create a balance in the economic structure by encouraging private enterprises

and domestic and overseas foreign investment to enter Thailand's industrial sector and the use of domestic raw materials and labor force by joint venture investments while developing the agricultural sector.

The development of education, the increase in employment, and the cultivation of human resources, which have been pursued from the first plan, were also emphasized as important objectives. The second plan stated that "economic development should be accompanied by social development. The government will provide social welfare and protect the safety and properties of individuals in order to realize social justice. In addition, the government shall support the nation's culture, customs and ethics to civilize the Thai society," adding social development among its goals. Thailand had put financial stabilization as one of its goals to prevent inflation from the first period and continued to aim at achieving growth based on financial stabilization in the second plan. During the period of the second plan, 17% of the government's total development costs were procured from 108 state-owned enterprises, so the government restricted newly established state-owned enterprises from undertaking infrastructure construction projects while considering the transferring of insolvent state-owned enterprises to the private sector. The goal of establishing state-owned enterprises was to engage them in government-led projects to build infrastructure, such as electricity, transportation, and communications (NESDB, 1972: 2-4).

What is particularly noteworthy during this period is the direct impact of the Vietnam War on the Thai economy. The impact of the Vietnam War is a common factor experienced by Thailand and Korea. There was an increase in U.S. aid and the construction of US military bases and related infrastructure such as highways, the growth in consumption due to the stationing of U.S. troops in Thailand, and increased exports to neighboring countries in Asia.

Concerned about the proliferation of communism in Thailand, the U.S. supported the Thai army, sent direct aid, and conducted infrastructure projects for social welfare. In particular, the U.S. improved the agriculture industry and provided better medical care and education in Thailand's rural areas. Thailand's participation in the Vietnam War strengthened the military alliance with the United States.

U.S. Air Force bases began to be built in Thailand starting from 1961. Five bases were built in Korat, Udon Thani, Nakhon Phanom, Ubon Ratchathani and the northeast region of Khon Kaen, and the sixth base called the "B-52 base" was built in Chon Buri, Sathihap. The seventh base was built in Nakhon Sawan in central Thailand (Boonkong 1974: 1-2). U.S. military consumption from 1965 to 1972 accounted for 4% of GNP, which was around 26% of Thailand's total export value (Ouyyanont, 2001: 158). <Table 17> compares Thailand's national income from 1960 to 1972 and the consumption of U.S. troops stationed in Thailand. A steady upward trend can be seen from 1960 up to the late 1960s, when the trend begins to decline as the number of U.S. troops in Thailand began to decrease with the withdrawal of soldiers at the end of the Vietnam War.⁵⁷

⁵⁷ The same is true for Korea that profits from U.S. military bases had a significant impact on national finances. The most important reason behind the Korean government's opposition of the reduction or withdrawal of the U.S. forces in Korea was security, but the economic income from U.S. military presence was also a factor that cannot be ignored. While the U.S. forces were stationed in Korea, the Korean government sought to increase the supply of local products and paid considerable attention to the employment of Korean workers in the USFK. The Korean government also directly intervened in the payrolls and working conditions, including the right to strike, of Korean employees in the USFK. The details can be found in the SOFA documents from the 1960s to the 1970s in the Diplomatic Archives.

<Table 17> Thailand's National Income and Export Rates Compared to the Consumption of the U.S. Army in Thailand (1960-1972)

Year	National income (million baht)	Percentile of U.S. military consumption	Exports (million baht)	Percentile of U.S. Army consumption
1960	46,448.5	0.1	8,541.9	0.4
1961	50,453.1	0.1	9,922.7	0.7
1962	54,332.6	0.3	9,434.5	1.8
1963	57,496.1	0.5	9,577.7	3.2
1964	62,203.1	0.7	12,165.0	3.5
1965	70,321.1	1.3	12,664.5	7.2
1966	85,050.1	2.9	13,817.2	20.2
1967	89,594.0	5.0	13,808.1	32.6
1968	95,345.0	5.6	13,227.6	40.1
1969	104,581.0	4.5	14,267.2	33.2
1970	111,598.0	4.1	14,256.4	31.0
1971	117,175.0	3.4	16,567.3	24.2
1972	125,399.0	3.6	21,252.3	21.1

Source: Boonkong (1974, p.34)

<Table 18> U.S. Military Consumption in Thailand (1964-1969)

Year	Amount (million baht)
1964	434.8
1965	922.1
1966	2,589.1
1967	4,109.2
1968	4,917.8
1969	4,445.7

Source: Boonkong (1974, p.31)

When the Vietnam War reached its peak between 1965 and 1969, the U.S. military consumption in Thailand was about 430 million baht, and in 1964, the amount increased from about 443.8 million baht to 444.57 million baht. <Table

18> summarizes amount of U.S. military consumption in Thailand from 1964 to 1969. Thanks to the U.S. military's consumption in Thailand, Thailand was able to offset its trade deficit and maintained a steady international balance of payments throughout the 1960s. The imports of raw materials, parts, and machinery were impossible without the U.S. consumption in this period (Yoshihara, 1978: 75-76).

The politics of Thailand forged cooperation with the anti-communist efforts of the U.S. from the time when Sarit took control of the government through the coup d'état after the declaration of martial law. The Thai government's cooperation stemmed from the threat felt by the control of communism over China in 1949 and the proliferation of communism in the Indochina peninsula with the stepping back of France from the region. As a result, Bangkok has become a central hub for various international organizations, agencies, and business enterprises for entry into Southeast Asia.

The special benefits Thailand received from the Vietnam War can be summarized into the following three aspects. First is the construction of infrastructure. Thailand not only received military and economic aid from the U.S., but also made strides in its infrastructure development programs that aided its economic development. As the U.S. Air Force bases became stationed in Thailand, infrastructure was naturally improved and developed. The roads were improved, many high-rise buildings were built, and the cities experienced expansion.⁵⁸ It was also from the 1960s that hotels and buildings began to be

⁵⁸ Hyundai E&C participated in the construction of the highway in Thailand in the 1960s. Hyundai E&C's experience in highway construction in Thailand enabled the company to gain major involvement in the construction of the Gyeongbu Expressway in Korea in the late 1960s. For more information, see John P. DiMoia, the Associate Professor of Department of Korean History at SNU, presentation topic on Southeast Asia(Thailand and Vietnam) and South Korea's formative construction industry during 1954-1973 at Issues and Perspective seminar held at Seoul National University Graduate School of International Studies

built, in order to create holiday resorts for the U.S. troops stationed in Thailand. Second, Thailand experienced an influx of foreign direct investment. Thailand was a place of many opportunities for foreign investors in the 1960s. The Industrial Investment Promotion Act of 1959 brought the attention of investors to Thailand. Above all, overseas private capital, interested in socially-stable developing countries that can guarantee stable returns on investment, began to enter Thailand as the Thai society showed the appearance of stability under the strong state control after the coup d'état, along with the Industrial Investment Promotion Act.

Most of the investment at the time was concentrated on Bangkok, and most of the investment was from Japan, as shown in <Table 19> and <Table 20>.

<Table 19> Japan's Approval of Investment Projects by Country

Year	Taiwan	Thailand	Hong Kong	Singapore	Indonesia	The Philippines
Before 1960	3	4	1	1	-	-
1960	4	4	1	-	-	-
1961	2	2	4	1	-	-
1962	9	6	1	-	-	-
1963	8	5	4	8	-	-
1964	-	14	4	-	-	-
1965	9	10	3	3	-	-
1966	24	9	10	4	-	-
1967	46	6	2	4	-	5
1968	80	8	1	3	1	2
1969	73	17	6	10	8	2
Total	258	85	37	34	9	9

Source: Yoshihara (1978, p.65)

on , November 16, 2018.

<Table 20> Joint Enterprises with Japan in Southeast Asia in 1971

(As of March 31)

Country	Thailand	Malaysia	Singapore	The Philippines	Indonesia	Total
Manufacturing (A)	103	51	54	13	30	251
Food	8	4	2	2	5	21
Textiles	29	3	8	2	6	48
Wood & pulp	1	8	2	0	0	11
Chemicals	16	8	10	1	6	41
Metal fabrication	12	6	8	3	5	34
G machinery	5	2	3	0	1	11
Electronics	12	7	2	3	3	27
Fire matches	8	2	5	0	1	16
Total	12	11	14	2	3	42
Non-manufacturing (B)	61	31	19	18	18	147
Agriculture & forestry	0	6	0	1	9	16
Fisheries	0	4	0	1	5	10
Mining	7	13	0	6	0	26
Construction	4	2	2	0	1	9
Commerce	34	3	11	6	1	55
Finance & Insurance	3	2	1	2	1	9
Other	13	1	5	2	1	22
A + B	164	82	73	31	48	398

Source: Ichimura (1973, p.229)

Thailand's GDP increased annual by 5.6% from 1951 to 1960, and by 7.3% between 1960 and 1970. In the 1960s, there was a slight change in the economic structure of Thailand, and with the implementation of the economic

development plans had led to increases in domestic savings, annual capital formation, and exports, the diversification of exports, and improvements and stability of each sector. The agriculture, manufacturing, construction and utilities sectors showed high growth rates. The financial stabilization policy controlled inflation and strengthened the international balance of payments compared to other developing countries. The increase in foreign investment was due to Thailand's favorable system and stable political and economic structure compared to other Southeast Asian countries.

Sarit minimized government intervention and encouraged domestic and foreign private investment in the manufacturing sector. The role of the government was limited to establishing political and legal regulations for building infrastructure and promoting the growth of private enterprises. The Industrial Investment Promotion Act was enacted because Thailand, lacking technical know-how, desperately needed foreign capital for development. According to the Board of Investment (BOI), more than 70% of the new factories built in Thailand were owned or operated by foreigners, with only a small number of factories owned by Thai nationals. The medium-sized factories were jointly owned by Thai and foreigners (Sidhiphol, 1972: 279). Foreign investment from Japan was most active, followed by the U.S. and China (Taiwan), and in the period from 1959 to 1971, 17.151 billion baht was invested in Thailand's industries. Of the total investments, about 5 billion baht is owned by Thailand, about 8.5 billion baht by Japan, about 4.7 billion baht by the U.S., and about 4 billion baht by Taiwan.

Third, Thailand's soft services industry grew with the increase of foreign investment. The service industry mainly consisted of tourism, including nightclubs, pubs, and massage shops. The main consumers of the service industry were the U.S. soldiers in Thailand during the 1960s. In 1966, there

were 652 night clubs, pubs, and massage shops, of which 336 were in the center of Bangkok, and 126 in the northeast and 190 in central Thailand where the military bases were located. The withdrawal of US troops at the end of the Vietnam War led to a decrease in the number of these entertainment venues (Boonkong, 1974: 52). In 1959, Sarit established the Tourist Organization of Thailand (TOT) and designated tourism as a major industry of Thailand. In his speech on the opening of the Tourist Organization in 1962, the Prime Minister Sarit made the following statement:

“I believe that the promotion of tourism will bring great benefits to our people and our country and people, and the government, individuals, and corporations must actively cooperate in building this important industry” (Thailand Yearbook, 1969).

With the presence of the U.S. military and air force bases, Thailand quickly became an air hub. Thailand’s total tourism income in 1960 was 196 million baht, but it quickly increased to 1.485 billion baht in 1969. The largest number of tourists came from the U.S., followed by Japan, the U.K., and Germany. The consumption of tourists totaled to 1,777.7 million baht in 1969, which was much higher than the total consumption of Thai people, which was 690 million baht (Thailand Yearbook, 1971). In 1972, the World Bank estimated that the hotel industry employed 20,000 workers (The Exotic Image, 1972: 18). In 1977, the tourism industry directly contributed to creating 20,000 jobs and indirectly to the creation of 90,000 jobs in the tourism and tourism-related souvenir industry (Teerapong, 1977: 1-11). With the development of tourism industry, Bangkok grew rapidly.

Thailand’s participation in the Vietnam War delivered special benefits,

directly as the military and economic aid from the U.S. and indirectly in the form of infrastructure building projects, U.S. military spending in Thailand, and the development of the tourism and service industries developed. With the construction of hotels and commercial buildings in Bangkok, the city experienced rapid expansion. Foreign investors began flocking into the Thai market, which had been growing steadily through the implementation of the first and second economic development plans, and the increase in foreign investments led to the greater development of Thailand's industries. Although the special benefits gained by Thailand through the Vietnam War were of different characteristics from those gained by Korea, both countries were able to achieve economic growth through the benefits.

The question, then, is how Thailand's economic growth during this period related to economic and social development plans that followed. In the case of Korea, the global economic crises and difficulties in the domestic economy in the late 1960s led to the implementation of a heavy chemical industrialization policy. Thailand also faced the need to make a decision on its future economic path at the end of this period.

2.2.4 The 3rd Five-Year Economic and Social Development Plan (1972-1976)

The third Five-Year Economic and Social Development Plan was announced on December 1, 1971 and covered the period from 1972 to 1976. The development of major infrastructure that was carried out under the first and second plans was mostly completed before this third plan, so its contents were reduced. The third plan focused on the development of education, medical services, and social welfare, the development and improvement of regional infrastructure, and the reduction of the role of state-owned enterprises. It also

promoted the growth of industries through cooperation with the private sector and offered tax incentives for export-oriented enterprises, which exemplifies Thailand's plans to shift from the import substitution industry structure of the first and second plans to an export-driven economic structure in the third plan. Of course, the emphasis on exports in the third plan was more of a temporary solution for relieving the imbalance in trade and had yet to be linked to an export-led industrialization strategy. Instead, import substitution industrialization continued to be emphasized. Korea's success story had not yet been generalized, so the strategy of import substitution industrialization, which was mainly implemented in Asia and Latin America in the 1950s, continues its strong hold in the 1970s. Concerning the import substitution industry, Thailand tried to encourage industries to use raw materials produced in Thailand and improve the consumption structure by limiting the luxury goods imported from abroad. Thailand planned to refrain from establishing new state-owned enterprises that could create competition with private companies to promote their growth. In terms of basic industries and the defense industry, the Thai people were encouraged to play a key role by holding the majority of the stocks because foreign investors were indirectly or directly monopolizing the specific industries, reducing the Thai people's presence. The infrastructure development pursued in the first and second plans had been concentrated on the downtown areas of Bangkok and its surrounding areas, leaving relatively smaller room for the development of other regions. The third plan stated the establishment of committees in each region to conduct development activities tailored to local characteristics and planned to secure the budget and financial resources for these activities. In the third plan, priority in development was given to the most urgent North and Northeast regions. Following the first and second plans, the development of human resources and education, population planning, and the

provision of greater employment opportunities were included in the plan. Until this time, Thailand had not faced serious unemployment problems. However, from the third plan, the plan to increase in employment was included as one of its goals (NESDB, 1973: 38-51). Prime Minister Thanom pointed out that the Thai economy, which had been stable until 1969, had slowed its growth since 1969 in his speech announcing the third Five-Year Economic and Social Development Plan.⁵⁹

The economic problems of the late 1960s were not faced by Thailand alone but were a part of a global situation. Thailand's foreign currency reserve decreased due to the worsening international balance of payments, and strategies were needed to overcome the economic recession caused by price fluctuations of Thai rice and rubber in the international market, the slow growth of government revenues, the decrease in the consumption of the U.S. military forces in Thailand, and the decline in foreign investment. The strategy took the form of restricting imports, expanding the Thai rice market, accelerating production, and increasing exports by reducing production costs for industrial exports. Thailand set the goal of the third plan as "overcoming the stagnation in economic growth and resolving economic problems as top priority." <Table 21> summarizes the economic situation in Thailand during the period of the second Five-Year Economic and Social Development Plan, which shows the downward trend of Thailand's economic growth due to the above-mentioned major factors.

⁵⁹ NESDB(1973) Office of the Prime Minister, 1973, Address of His Excellency Field Marshal Thanom Kittikachorn on The Promulgation of the Third National Economic and Social Development Plan,

<Table 21> Thailand's Economic Situation between 1967 and 1971

Unit: million baht

		1967-69	1970-71
Rice	Amount of exports (Average: million baht)	1.2	1.1
	Price of exports (Average: baht/ton)	3,194	2,095
	Value of exports (million baht)	3,791	2,252
Rubber	Amount of exports (Average: 10 million tons)	247	278
	Price of exports (Average: baht/ton)	8,138	7,500
	Value of exports (million baht)	2,018	2,099
U.S. military consumption	Total (million baht)	13,657	7,412
Major changes in the domestic economy	GDP growth rate (set price)	8.0	6.0
	Gross domestic expenditure growth rate (current price)	8.9	4.2
	Government revenue growth rate	13.5	3.8
	Government expenditure growth rate	15.1	8.5
	Private investment growth rate	16.0	2.0
	Changes in international reserves (million baht)	+628	-3,792

Source: NESDB (1973, p.2)

<Table 22> shows the budgetary resources for public sector development by sector during the third plan. There is no significant change in the budget composition based on development priority from the first and second plans. However, compared with the previous plans, the budgets for transportation and communication were greatly reduced, and the budgets for commerce, service, and social welfare were added. The accentuated emphasis on local development

and educational development is also notable.⁶⁰

<Table 22> The Budgetary Resources for Public Development by Sector Outlined by the Third Plan

Unit: million baht

Sector	Government budget	Foreign loans	Foreign aid	Assets of state-owned enterprises and local governments	Total
Agriculture and irrigation	11,620.0	1,165.0	850.0	60.0	13,695.0
Industries and mining	510.0	-	200.0	770.0	1,480.0
Commerce and service	170.0	-	-	700.0	870.0
Transportation and communication	10,900.0	4,945.0	450.0	3,180.0	19,475.0
Electricity	1,970.0	2,655.0	150.0	3,100.0	7,875.0
Subtotal (A)	25,170.0	8,765.0	1,650.0	7,810.0	43,395.0
Social development and welfare	2,350.0	-	350.0	-	2,700.0
Urban and rural development	5,280.0	2,505.0	1,110.0	6,035.0	15,080.0
Public health	5,500.0	-	840.0	-	6,340.0
Education	31,200.0	660.0	1,050.0	-	32,910.0
Subtotal (B)	44,330.0	3,165.0	3,350.0	6,035.0	56,880.0

⁶⁰ NEDB (1967). In the first Six-Year Economic Development Plan, the budget for public development was composed of transportation and communication (7,005), local facilities and welfare (3,745), agriculture and cooperatives (2,975), education (1,806), industries and mining (1,196), public health (975) and undesignated (800).

Total (A+B)	69,500.0	11,930.0	5,000.0	13,845.0	100,275.0
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Source: NESDB (1973, p.54)

Among the foreign capital, the IBRD was still the most important source of funds, and from the first plan, it was responsible for major infrastructure construction projects such as the Quae Yai Dam Project, Fifth and Sixth Highways Project, and Improvement of Existing Irrigation Facilities Projects. Loans for educational development were also received from the IBRD. Next, the Asian Development Bank (ADB) also held an important position, from which Thailand received technical support for the development of the agricultural sector (NESDB, 1973: 59-60).

From the first plan, Japan was the most important loaning along with the U.S. In the third plan also, a loan of at least 30 billion baht was planned from Japan, and discussions were held for public sector industrial development projects between Japan's Overseas Economic Cooperation Fund (OECF) and the Industrial Finance Corporation of Thailand. Following Japan, loans were continuously introduced from Germany, the U.K., Canada, Denmark, Austria and Italy. Most of the technical assistance and aid was brought in from the U.S. (NESDB, 1973: 61).

Thailand anticipated the U.S. aid policy to give more focus on economic development from the third plan, considering that the U.S. troops had withdrawn from Thailand with the end of the Vietnam War and political changes had been made in Thailand. Thailand requested the U.S. for direct assistance in the key areas of agriculture, export promotion, human resource development, and education development, as well as technical support for planning, drafting, and implementing development programs Furthermore,

Thailand requested technical support for businesses and the processing industry and the establishment of a Thailand-U.S. joint venture. Along with the U.S., the United Nations, the Colombo Plan countries and Japan were also major countries that provided technical and financial assistance. Japan contributed an annual amount of 5 billion baht, and the aid and technical assistance from Japan helped to improve Thailand's international balance of payments (NESDB, 1973: 62-63).

The third plan focused more on education compared to the first and second plans and also concentrated on eliminating the inequality among social classes. Overall, however, investment was channeled into infrastructure and agriculture, as shown in the table above. This policy direction shows the inadequate preparation of the Thai government against the background of the global recession that has been continuing since the end of the 1960s and the diminishing U.S. aid to Thailand following the changes in U.S. policies on the Vietnam War. As mentioned above, Prime Minister Thanom recognized this problem but did not attempt to drastically reorganize the overall industrial structure as was done in Korea. One reason is the relative difficulty in changing agriculture-oriented production structure of Thailand, but the result was a continued economic stagnation from the 1970s. Considering that the global trade order was changing during the period from the late 1960s to the early 1970s, the timing was ripe for a dramatic change in industrial strategy, however, the Thai government was not fully aware of this need. It may have been that the rich agricultural and natural resources of Thailand lessened the need for the Thai government to revolutionize its economic structure. It is also possible that the social and political instability experienced by Thailand after the 1971 coup d'état overturning the Thanom administration, and the democratization movements in 1973, made it difficult for a dramatic change. As shown in

<Table 22>, greater investments were planned for regional facilities, social welfare, public health, and education in the budgetary allocation for development areas. The proportion of the total investment to be put into these three areas exceeded 50%, which meant more investment in the public sector than in actual industries. The excessive investment in public welfare point to the possibility that populist policies were implemented amid the frequent changing of hands in government rule. These populist policies prevented necessary investments from being made in a timely manner, which may also have been an important factor in the failure to realize a transition in Thailand's economic development at the appropriate time.

2.2.5 The 4th Five-Year Economic and Social Development Plan (1977-1981)

Under the previous economic and social development plans, Thailand had focused on developing its infrastructure and advanced its economic and social structures. Through the first and second plans, highways, irrigation facilities, and power systems were constructed and as a result, Thailand recorded an annual growth rate of 7% in national production from the early 1960s to the early 1970s. However, the focus of the first, second and third plans on economic development had left little room for social development, and Thailand faced the problem of inequality among social classes and regions at the aftermath of the economic growth. The third plan had incorporated social development policies to reduce income disparity among classes and regions and put efforts towards distributing social services while continuing to pursue the advancement of the national economic structure and economic stabilization policies, However, the problem of inequality not only remained but became

worse, even after the implementation of the third plan. In the case of Korea, after achieving the economic growth, the fourth economic development plan focused on social development in earnest. In the case of Thailand, social development had been mentioned from the first plan, and included as a key area in the third and fourth plans (NESDB, 1981: 3-4).

However, Thailand faced major obstacles during the implementation of the third plan. First, Thailand experienced continuous economic downturn due to the collapse of the global economy. This was the same with other countries, and the steady economic growth rate of Thailand in the 1960s can be said to have ended in October 1973. From 1973, Thailand entered economic and political turmoil, as the Thanom military government resigned on October 14, 1973 through the people's protests for democratization, opening the era of frequent regime changes that led to heightened instability in domestic politics (NESDB, 1981: 26). Internationally, the Six-Day War in the Middle East caused the first oil shock. Moreover, the Thai people's desire for political freedom, which had been suppressed by the military regime for a long time, was once again repressed due to the spread of communism in its neighbors in the Indochina Peninsula, Laos, Cambodia and Vietnam, the Indochina Peninsula in 1975. The so-called "Domino theory" raised fears that Thailand will also turn into a communist state and gave birth to the most powerful left-right confrontation in Thai history. This confrontation ended tragically when the right-wing military gained power again in 1976. However, the political seeds that had been planted after the 1973 people's rebellion left a permanent impact on Thailand's economy and policies. Even during the period of political suppression by the right-wing government from 1976 to 1979, the government was unable to completely ignore the demands of the people as before. As a result of economic development, the government's budget was always in deficit. Government debt

soared in the first half of the 1980s due to increased government spending. The sudden rise in oil prices from the first and second oil shocks was also one of factors behind the increase in debts. Thailand was able to escape economic crisis during the first oil shock thanks to the boom in Thailand's commodity prices, but at the time of the second oil shock, the government debts and trade deficits became exacerbated with the global drop in raw material prices led to huge problems.

Secondly, Thailand experienced major structural changes in production during this period. The agricultural sector, which had grown rapidly from the 1960s to the late 1970s, has been signaled a red flag in its growth as the global prices started dropping from the 1980s and new agricultural production sites in Thailand sharply decreased. The average growth rate of the agricultural industry from 1974 to 1985 was only 3.8%, compared with an annual average of 6.0% from 1959 to 1973. When agricultural production reached its limits, there was an attempt to convert the national industrial policy from import substitution to export promotion, and in 1977 the Investment Promotion Act was enacted. However, the new industrial policy was not very effective due to the difficult global economic situation and Thailand's tight fiscal policy since 1982. Furthermore, between 1979 and 1986, problems in the financial institutions in Thailand continued to spread. These problems can be divided into two crises which began respectively in 1979 and 1983. The second financial crisis was more serious than the first, leading to the closure of 20 financial firms and one commercial bank, and the placement of 25 financial and business enterprises and two commercial banks under the central bank's relief package (Siamwalla·Ammar, 2001: 8).

Starting in 1973, Thailand faced unprecedented political and economic uncertainties. Economic difficulties reached their peaks between 1979 and 1985,

and at the end of the boom in raw material prices in the 1970s, Thailand became aware of the need for a new economic structure. Thailand's industrial structure had so far focused on import substitution. Export-oriented industries have emerged since 1966, but only in few number. Major exports in agricultural products such as pineapple and canned food met with the problem of supply. No plans had been made to develop the export-led industries, and many factories suffered losses due to unfavorable conditions for export. During the third phase of the plan, the government tried to develop the export-oriented industries through an amendment of the Industrial Promotion Act but the outcomes failed to meet the targeted goals. Thailand faced difficulties in exporting its products due to the tariff barriers set by its major trade partners, including the EEC members, Japan, and the U.S., to protect their own industries, and the government's constantly changing export policy made it unable to establish long-term plans for export promotion. Furthermore, even while developing the export-led industries, no revisions were made to the tax system, which was constructed to be favorable to the import substitution industry.

Third, the inequality among social classes and the regions became a serious problem due to the advancement in Thailand's economic structure. Most of the growth in national income was concentrated in central urban areas, including Bangkok. The population in the far-suburban and rural areas still relied solely on agriculture, so their income was still low with no prospects of other employment opportunities. Still, the economic structure was centered on agriculture, rendering an imbalance of industrial development. Most industrial activities are conducted only in Bangkok, most of which were import substitution industries that relied on imported raw materials and required little labor force.

Fourth, the disproportionate growth and income among social classes and

regions caused various social problems. The rural communities were overflowing with poor families, and there was a lack of social infrastructure. As more people migrated to Bangkok and its surrounding cities from rural areas, the cities became congested and polluted. Bangkok has become the most overpopulated city in Asia due to the surge of migrants. The social infrastructure and housing supply centered on the cities in central Thailand were not expanded to the rural areas, failing to meet the increase of demand following the growth in population. The biggest problems in Bangkok and its surrounding cities were the formation of slums, excessive traffic congestion, increasing unemployment rate and crime rate, and the deteriorating mental health of the people due to drug use. These problems are general phenomena experienced by countries pursued rapid economic growth. Korea also addressed the problem of regional inequality through policy measures from its fourth Economic Development Plan. Although Thailand had pursued policies to solve such social problems from its second Economic and Social Development Plan, social welfare policies such as expanding the social safety net and correcting the inequality in income among social classes and regions could solve social problems in the short term, they could put a burden on the government budget in the long term as a populism policies to become a stumbling block to economic growth (NESDB, 1981: 27-28).

Fifth was Thailand's population growth and increasing unemployment rate. During the third plan, the population growth rate reached the targeted level through population planning, but the labor force increased by 2.6% per year and was expected to increase by 2.3% during the period of the fourth plan. However, 70% of the labor force received a low level of education, which meant that they could only be employed in low-wage positions. Due to the global economic slowdown in 1974 and 1975 and the political instability in Thailand, the influx

of private investment had decreased, making it difficult to achieve the targeted figures of the third plan. The decline in private investment also led to an increase in the unemployment rate. The urban unemployment rate rose sharply from 1973 to 1975 due to the migration of rural populations to the cities after failing to harvest sufficient crops. In addition, the closure of businesses caused by the economic recession and the withdrawal of the U.S. troops from Thailand, people who were working in related industries had lost their jobs. The increasing unemployment rate of intermediate and advanced workers who fail to find jobs after graduation also became a problem (NESDB, 1981: 28).

In order to address the abovementioned problems, Thailand has set the goals of its fourth plan as economic recovery, equity, reduction in population growth and increased in employment, improvements in resources and the environment, and strengthened national safety and security (NESDB, 1981: 30-31).

First of all, for economic recovery, plans were made to revitalize private investment in industry, commerce, and exports. The government planned to provide policies that supported foreign investors and to eradicate the uncertain attitude of the government toward private investments and ensure transparency. To encourage domestic investment, the government sought to designate and protect industries in which only Thai nationals can invest, and opened foreign investment to only industries that were capital intensive and export-oriented and required advanced technology. To accelerate industrial investment, the government emphasized the need to convince foreign investors. Also, to promote the export industry, the export businesses were to be dispersed away from the center of Bangkok to the regional provinces and legislation was to be enacted investment to gain a favorable attitude from the investors (NESDB, 1981; 40-47).

Second, to increase the income and employment rate of rural areas, the

diversification of agriculture, development of farm irrigation facilities, expansion of agricultural loans, and implementation of new production technologies were to be pursued. The population growth rate was set to be reduced to 2.5% in 1976 and to 2.1% in 1981. The rapid economic growth in Bangkok and the central region showed an increase from 57.2% in 1971 to 59.8% in 1976. During the third plan, the annual growth rate was 7.1%, while the growth rates of the northeast and northern regions were 5.4% and 4.5%, respectively, and the southern region grew by 4.8%. <Table 23> summarizes trends in income distribution and allocation of gross domestic product (GDP) by region (northern, northeastern, central, and southern) from 1971 to 1976.

<Table 23> Income Distribution and allocation of GDP by region

(Period: 1971-1976)

(1962 fixed price)

Regional GDP (Million Baht)	Northern	Northeastern	Central	Southern	Whole Kingdom
1971	18,653	19,935	74,117	16,912	129,617
1976	23,097	25,851	104,523	21,395	174,866
Annual growth rate (%)	4.5	5.4	7.1	4.8	6.2
Regional Share of GDP (percent)					
1971	14.4	15.4	57.2	13.0	100.0
1976	13.2	14.8	59.8	12.2	100.0

Source: NESDB (1981, p.86)

The root causes of regional imbalances were as follows. First, the central region had developed based on a variety of industries, while the other regions

depended only on agriculture for the majority of their production and income. Especially in the southern and northeastern regions, production diversification was very low. Second, most of the increase in agricultural and industrial production took place in the central region. In the other regions, the expansion of production was very slow and the increase in agricultural production was due to the expansion of cultivated land rather than the increase in production itself. Along with regional imbalances, the income inequality among the social classes also deepened. Income inequality among the population engaged in agriculture, industry, and commerce was very severe, with the income level of the population employed in the agricultural sector, which accounted for 70% of the national labor force, was lowest, followed in order by those of the population employed in commerce (wholesale trade, finance, insurance), services, and industry. According to a 1976 survey of labor production by occupation showed that the workers in the agricultural industry earned 7,113 baht per year, which was only one tenth of the income earned by those in the commercial industries (NESDB, 1981: 81-88). <Table 24> summarizes annual income by occupation in 1976. Workers in commerce had the highest annual income, followed by industry, services, and agriculture.

<Table 24> Income per Worker by Main Occupation in 1976

(1976 Prices)

Occupation (by sectors)	Annual Income of Workers (in baht)
Agriculture	7,113
Industry	44,215
Commerce	70,339
Service	32,665

Source: NESDB (1981, p.88)

By region, the northeastern region had the largest number of poverty families compared to other regions in 1973. 41.1% of the population living in the northeastern region earned less than the annual income of 6,000 baht, and the proportion of households earning less than the annual income was 25.5% when 22.2% of the total population earned 6,000 baht per year. In terms of the distribution of residence, the middle income group resided mostly in the central region, and the upper income brackets appeared to live in the central region as well, especially in Bangkok. Conclusively, the lower income group resided in the northeast and the north regions, and the middle and upper income groups resided in Bangkok and the central region, showing the problems of imbalanced development focusing on the central region and the national production structure.

Third, to solve regional income disparity and unemployment rate, the government planned policies that paid attention to the areas in the north and northeastern regions that were most concentrated in low income families. During the third plan, the unemployment rate in Thailand increased from 1% of the total national labor force in 1971 to 7% in 1976. In 1976, there were over one million unemployed people in Thailand, and 90% of them were living outside Bangkok. As mentioned earlier, most of Thailand's labor force was employed in agriculture, and recession in the agricultural sector directly linked to a surge in the unemployment rate. The unemployment rate increased further from 1973 because of rising difficulties in hiring the labor force due to the decrease in industrial investment. In addition, the central and local governments failed to fill the vacancies for intermediate and advanced workforce in each sector (NESDB, 1981: 88-93). <Table 25> shows the number of graduates who

have completed higher education and the number of the unemployed according to their level of education and majors. Between 1973 and 1975, the number of graduates completing higher education increased, but at the same time, the number of unemployed persons increased as well.

<Table 25> Higher Education Graduates and Unemployment Estimates by Field of Study and Level 1973-1975

		1973			1974			1975		
		Graduates	Unemployed		Graduates	Unemployed		Graduates	Unemployed	
			No.	%		No.	%		No.	%
	Total	72,896	18,708	25.3	95,761	42,176	44.0	102,760	43,665	42.5
Degree	MA or above	1,636	-	-	1,398	62	4.4	1,473	65	4.4
	Bachelor	12,039	783	6.5	14,556	2,205	15.1	17,513	2,648	15.1
Fields	Humanities	944	92	9.7	949	150	15.8	919	145	15.8
	Education	4,162	271	6.5	6,343	1,180	18.6	7,880	1,466	18.6
	Fine Arts	143	4	2.8	174	18	10.3	174	18	10.3
	Social Sciences	2,896	203	7.0	2,685	325	12.1	3,146	381	12.1
	Laws	793	115	14.5	846	231	27.3	1,110	303	27.3
	Science	478	26	5.4	667	106	15.9	619	108	17.4
	Engineers	756	24	3.2	945	95	10.1	1,052	105	10.0
	Medical Science	1,145	23	2.0	1,194	20	1.7	1,734	29	1.7
	Agriculture	722	25	3.5	753	80	10.6	879	93	10.6
Diploma	Diploma	7,570	1,488	19.3	7,234	2,714	37.5	9,373	3,566	38.0
	General	1,676	282	16.8	1,645	364	22.1	1,921	425	22.1

	Technical	5,894	1,206	20.5	5,589	2,350	42.0	7,452	3,141	42.1
	Teacher training	35,017	10,278	29.4	55,833	29,445	52.7	54,411	28,699	52.7
	Vocational high school	17,634	6,159	34.9	16,740	7,750	46.3	19,990	8687	43.5

Source: NESDB (1981, p.114)

Along with the unemployment problem, the problems of Thailand's low educational level and human resources development have been constantly raised in previous plans. The government tried to improve the quality of the nation's human resources and education through the previous plans without much success. The government made plans to reform the government administrative system and human resources development is a necessary part of the government's policy formulation and implementation. The low level of education and the lack of high-ranking officials led to the insufficient supply of experts in each field for the administrative operations of Thai government. The government's administrative system was also pre-modern, and its strict hierarchical order and numerous public regulations cause a waste of time on unnecessary administrative work. In addition, imbalanced matching of workload to the number of employees led to a disparity among departments where some departments suffered from too much workload compared to the number of staff, while other departments left their staff with little work to do. Insufficient management of personnel management led to the unfair treatment of honest and hard-working public officials, while immoral and lazy officials were often left untouched despite being incapable. The lower wages of government positions, compared to the wages of private enterprises, was also pointed out as a problem in the 1959 World Bank report (NESDB, 1981: 101-122).

The biggest problem lied in the state-owned enterprises. The inefficient operation of state-owned enterprises, caused by the inconsistency in government policies, had been pointed out as a problem from the previous plans. In the case of state-owned enterprises, excessive government interventions highlighted the problem of administrative procedures. Unlike private companies, state-owned enterprises decided on the level of wages and welfare autonomously, however, the levels that were set at the enterprises were below the standards delineated in the labor law. State-owned enterprises were established before 1960 when the Thai government began to pay attention to national development. The intention behind establishing state-owned enterprises was to become a industrial model that will encourage investment in the private sector. At the time of their establishment, the state-owned enterprises were put under the government's economic development projects as a priority. Since then, state-owned enterprises have been established to stabilize prices and establish product quality standards. Over time, however, the role of state-owned enterprises in economic development had diminished, and inefficient operations had resulted in negative returns on investment. Typical examples of such state-owned enterprises include the Nonthaburi Gunny Bag Factory and the Bang Pa-In Pulp and Paper Factory. There is no flexibility in their operations, decision-making takes a long process due to being subject to excessive inspections of the Treasury Department, the Budget Bureau, and the NESDB on investment and expenditures. The operation team is manned by people who do not have experience or expertise in related business. The members of the board consisted of people appointed by the government, not personnel policies based on business knowledge and experience. In the fourth plan, the members of the Board of Directors are not business people with appropriate knowledge and experience in the related field but are people who were appointed by the

government.

The fourth plan thus stipulated that the members of the board of directors of state-owned enterprises must be people who work in business, who have suitable knowledge and experience in the relevant field of business, and that they must have a sense of responsibility toward the positions they hold. In the first plan, the government restricted the expansion of state-owned enterprises, and in the second plan, it planned to renew the efficiency of the state-run enterprises while prioritizing private enterprises by reducing the sizes of specific state-owned enterprises. The third plan attempted to reduce investment in state-owned enterprises, but the state-owned enterprises were not dismantled or sold to the private sector during its period.

In the fourth plan, policy on state-owned enterprises was to continue sponsoring enterprises such as the Thailand Tobacco Monopoly, the Government Distillery, and the Pharmaceutical Organization, but only to set product quality standards, stabilize prices, and increase government revenues. The government also promoted the establishment of new state-owned enterprises, in areas that require a lot of capital to construct infrastructure, areas where private companies are not interested in investing, and areas related to advanced technology or natural resources that private companies find difficult to enter on their own. The government applied equal measures to state-owned and private enterprises and sought to encourage joint investment with private companies. In the meantime, the Government Organization Advisory Council was put in charge of monitoring the state-owned enterprises, but the council was unable to carry out its role due to its repeated dismantlement whenever the regime was replaced. The government planned to establish a permanent mechanism for monitoring the operation of state-owned enterprises continuously and efficiently (NESDB, 1981: 201-204).

Overall, the Thai government made great efforts to submit timely and appropriate plans. The new plan proposed to address the timing and solutions for issues that were left by previous plans. But these plans did not produce good results. A variety of causes may have been at play, but the major reasons seem to be as follows:

First, since the investments were concentrated on infrastructure and agriculture were concentrated, the plan was not enough to change Thailand's overall industrial structure. All the plans were still dependent on the primary industry, which had long been viewed as the advantage of Thailand, and as a result, the economic plan was under the influences of the changes in the global market. Export-oriented development of the manufacturing industry was pursued amid this situation, but in vain. Secondly, the populist policies led to the continued pursuance of balanced growth. However, modern economies needed to find their way into the global division of labor, and Thailand had to find a new breakthrough amid the changes in the global economic system after the 1970s. Thailand's socio-political unrest in the 1970s also worked as a factor that prevented the country from addressing these issues. In addition, it was necessary for Thailand to identify and deal with the problems that could potentially arise at the end of the Vietnam War when the special benefits the country enjoyed were bound to face adjustments, but the economic shock of the 1970s oil shocks exacerbated the nation's economic problems.

Third, the government did not invest enough in economic planning. Thailand brought in investments from the U.S., Japan, the IBRD, and the ADB, but the investment was not large enough to reorganize the nation's industrial structure. Also, most investments were channeled to developing agriculture and infrastructure, so it was difficult to advance other industries. Thailand faced even more difficulties as the U.S. aid policies shifted after the 1970s. Fourthly,

the aspects of governance and human resources posed problems. This part will be discussed again in Chapter 3, but the Thai government has also paid attention to these areas. However, due to the delayed investment in education and human resources, there was a shortage of experts from the very beginning of the economic planning and implementation process. As the frequent regime changes and protests for democratization continued, it became difficult for Thailand to pursue its plans with consistency.

3. The Difference between Korea and Thailand's Economic Development Planning Organizations

3.1 The Difference in Functions and Operation of Planning Organizations

3.1.1 Functions and Operation of Korea Economic Planning Board (EPB)

From 1957 onwards, Korean government felt the need for long-time plans for economic development. American aid to Korea, which had an extremely important role in Korea's economic development, started dwindling in the late 1950's resulting in the Korean government establishing 'self-reliant economy' as the goal and drew up plans for economic development. In addition, the late 50's saw the introduction of Western theories of economic development in the developing countries, as well as the experiences of economic development in other Asian countries through books in Japanese translation. Lectures related to economic development planning in underdeveloped countries were established in Seoul National University and Yonsei University (Park Tae Gyun, 2000: 29-35). Through such means, the need for economic development was felt by the entirety of Korean society in the late 1950's, forming what can be seen as a sort of social consensus.

Economists and economic bureaucrats, through education and training abroad, came under the influence of theories of economic development in the underdeveloped countries. Through study and overseas work at American aid agencies, including USOM and Nathan's advisory committee, they became keenly aware of the need for economic development plans and the establishment of economic administrative organizations (Lee Man-Hee, 2010: 84). As prime example, Song Yin-sang, head of the Ministry of Reconstruction,

learnt about policies and theories related to the economic development of underdeveloped countries and studied policies and experiences of economic development planning of other countries, at the Economic Development Institute, a part of the World Bank. Young elites like Lee Ki-hong, Lee Seon-hee, Yoo Ho-seon, Lee Han-bin etc. who studied abroad in America took up important roles and responsibilities in the establishment of economic development plans. (Kang Kwang-ha et al, 2008: 47).

Economic Development Council can be seen as the most representative economic development organization of the 1950's as it drew up Syngman Rhee government's three-year plan for economic development. Economic Development Council was established as a separate mechanism from the pre-existing Ministry of Reconstruction which coordinated comprehensive plans and their implementation for the revival of industrial economy (Presidential order No. 1470, March 30, 1959). According to the first article of regulations for the Economic Development Council (Presidential order No. 1349, March 13, 1958), the aim for the establishment of the Economic Development Council is as follows:

Article 1 (Aim)

① For the investigation and research of the following matters of the Ministry of Reconstruction, Economic Development Council (henceforth referred to as 'Council') has been set up.

1. Investigation and reviewing of Korea's human, material, capital and all natural resources

2. Build an optimum economic structure that can solve Korea's multiple economic problems

3. Establish economic policies so as to plan maximization of the utility of Korea's natural resources

② The Council can make recommendations to the head of Ministry of Reconstruction in relation to the investigation and research mentioned in the preceding clause.

Article 2 of the regulations of the Council states that the Council is made up by one chairperson and other members. The chairperson and members are supposed to be those who are learned and well experienced in the field of industrial development amongst those appointed by the head of the Ministry of Reconstruction. On a check of the number of members of the Council in September of 1958, record of 5 members, 13 assistant members and 22 advisors in total can be found, none among them being a bureaucrat but only university professors or those sent overseas from the Development Bank and the Bank of Korea (Chung Jin-A, 2007: 188-190).

The structure and legal status of the Economic Development Council has a few limitations. Firstly, the legal status of a Council set up under the Ministry of Reconstruction was distinct from the Ministry, which was a governmental body. In addition, as none of the members of the council were bureaucrats from government departments, it is hard to say if any actual cooperation and support took place with other departments in the formulation of the plans. Ultimately, an economic development plan written up by council centered around the head of the Ministry of Reconstruction is bound to have limitations (Kang Kwang-ha et al, 2008: 53).

Even during the government under the Democratic Party, Economic Development Council continued to exist and played the most important role in the formation of Democratic Party government's five-year plans for economic

development. In order to push the economic development further, the Democratic Party government set up a 'comprehensive economic meeting' and gathered opinions from all fields. In this meeting they addressed the issue of reorganization of the government's economic administration organization. The limitations of the Economic Development Council were pointed out and in place of it, discussion of 'Economic Planning Board' was newly raised. It was pointed out that Economic Planning Board, being charge of creating the plans and having the function of formulating the budget. This was a suggestion that developed out of the critique that as the Economic Development Council was within the Ministry of Reconstruction, mediating conflict with other departments was difficult and that there were limitations in generalizing the economic development plans (Chung Jin-A, 2017: 334-335).

The role of Ministry of Reconstruction's director of planning Lee Ki-hong was very important in the conception of an Economic Policy Board which could formulate a economic development plan for the country as well as mediate between opinions of each department through the powerful function of compiling the budget (Kang Kwang-ha et al, 2008: 53). Korea dispatched a group a bureaucrats from the department of economy, namely In Tae-sik, Kim Yoo-taek, Lee Ki-hong, Song Yin-sang, Song Jeong-beom, Hwang Byeong-joon, Choi Kyu-ha, Cheon Byeong-gyu, Lee Han-bin etc to UN's Economic Commission for Asia and the Far East (ECAFE). ECAFE was an organization that performed surveys, research and gave recommendations for economic development to Asian countries at the economic, country, regional and international level (Park Tae Gyun, 2003: 37). This opportunity led Lee Ki-hong who was working at ECAFE secretariat's planning and research department to study India's economic development planning and also to directly meet and share opinions with the staff working at India's Planning Commission.

Lee Ki-hong came across the following opinion about the pro and cons of India's Planning Commission from the staff.

“While being directly under the Prime Minister's office is an advantage, for it allows the Planning Commission to mediate opinions amongst all departments, however the inability for it to allocate budget makes it similar to a tiger without its claws”

On the basis of this, Lee Ki-hong formulated the Economic Planning Board. He emphasized EPB's authority to mediate policy amongst departments and to allocate budget. EPB was newly initiated with the cooperation of Kim Young-sun, the head of Ministry of Finance and Lee Han-bin, budget bureau director resulting in a transfer of control of budget allocation towards the EPB (Lee Ki-hong, 1999: 267-273). However due to the May 16 military coup d'état Democratic Party's Economic Planning Board bill could not be implemented but was referred to later when the problem of reorganizing the economic administration came up during the rule of military government.

The military government promised to 'swiftly solve the economic plight of the people who are languishing with despair and starvation, and to devote all energy in the reconstruction of a self-reliant economy' (Oh Won-Cheol, 1999: 50). In order to realize this promise and to establish plans for economic development, the military government started the reform of administrative setup of economy. On 24th of May 1961 Supreme Council for National Reconstruction directed Ministry of Reconstruction's planning chief Jeong Jae-seok to report about possible directions to reform the Ministry. Jeong Jae-seok suggested the following two measures to the Supreme Council. First was the complete reorganization of administrative setup of economy and a bill for 'Economic Planning Board' combining Ministry of Reconstruction's

planning function, Ministry of Finance's Budget Bureau and the Ministry of Home Affairs' Bureau of Statistics, and second was the bill of 'Department of Economic Development' to expand and reorganize the Ministry of Reconstruction. It is said that at the time Jeong Jae-seok reminisced the following while writing the draft bill (Lee Man-Hee, 2010: 85).

"...as the reconstruction (postwar restoration) task of Korean War had been concluded, now economic development needed to begin under the direction of the government and for this, firstly there was a need for a strong centre of development in the center. By assimilating Ministry of Finance's Budget Bureau and Ministry of Home Affairs' Bureau of Statistics along with the main function of the Ministry of reconstruction (planning and coordination), pivotal functions of the management of the resources inside and outside the country could be unified as well as each department's policies be mediated effectively hence aiming to create a new organization which could be elevated to the top of the cabinet ranks..." (Jeong Jae-seok, Memoir, January 1987).

In reaction to Jeong Jae-seok's proposal, Park Chung-hee, due to the present conditions, first chose the bill to install Ministry of development which was the expansion and reform of the functions of the Ministry of Reconstruction, and then directed to switch to the first bill. The name of Ministry of Development was changed to Ministry of Construction and established on May 26, now seen as the ancestor to the Economic Policy Board (Revolutionary Court and Prosecution Committee, 1962: 13). According to the organization of the Ministry of Construction, the goal of its establishment is said to be creating an office in charge of effectively running the national economy, formulating comprehensive plans, its implementation and maintenance, and mediating economic relations with resident foreign and international economic

organizations (Ministry of Construction Organization Cabinet Order No. 9, June 7, 1961). According to clause 3, the internal structure of the Ministry of Construction consisted of general affairs section, comprehensive planning bureau, bureau for materials mobilization and the regional community bureau. In comparison to the Ministry of Reconstruction, this was a more expansive Ministry but yet was only a preparatory step for the founding of the Economic Planning Board. In reality, Ministry of Construction was founded on 26th May 1961 and could not last for any longer than two months until the founding of EPB.

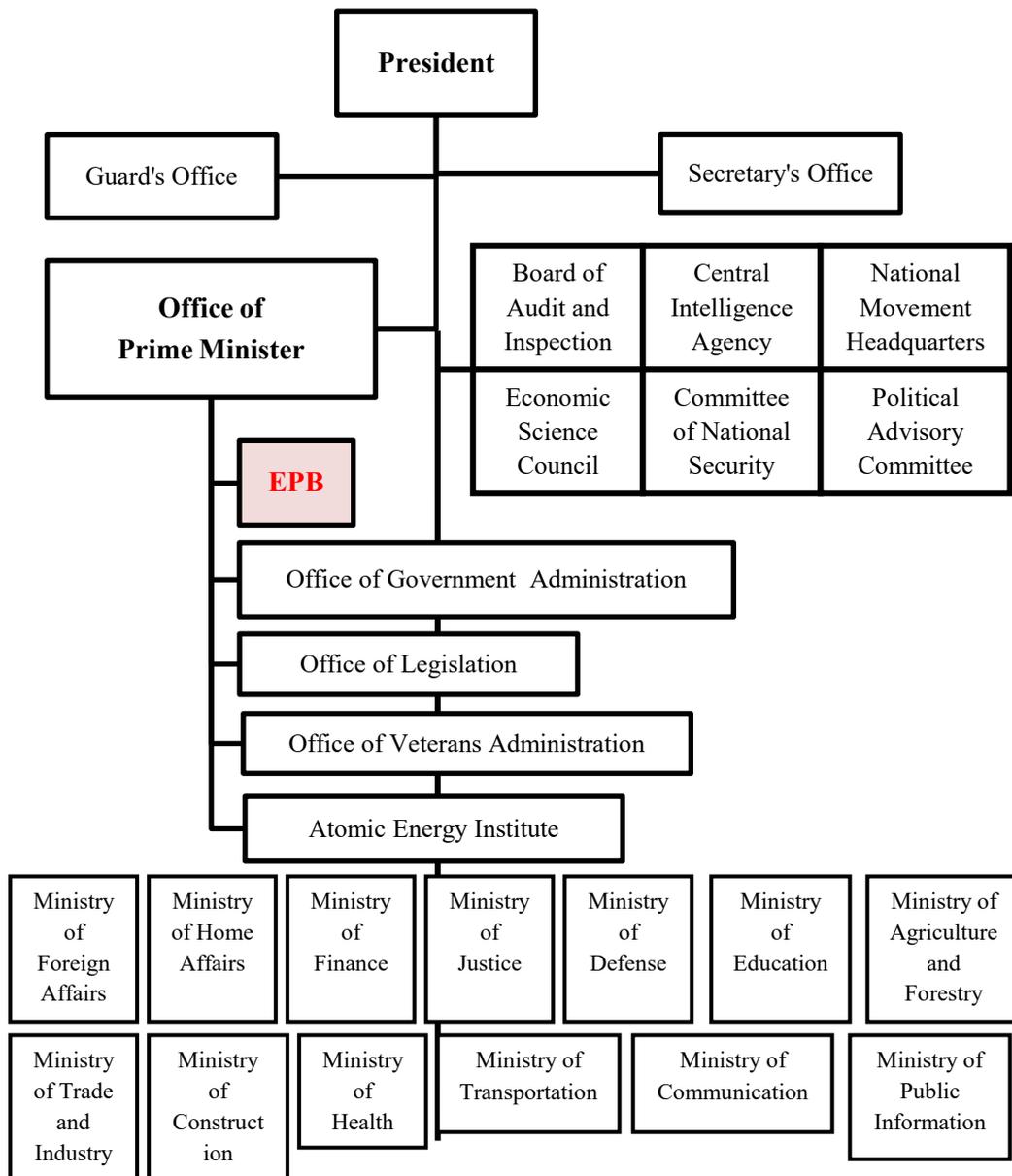
On 3rd July 1961, General Song Yo-chan⁶¹ was made the head of the cabinet and he started properly investigating ways to establish the Economic Planning Board which was to formulate 5-year plans for economic development. Song Jung-beom, the ex-planning director of the Ministry of Reconstruction, reviewed the creation of the Economic Planning Board which had the ability to introduce and distribute foreign capital by extracting the budgeting functions from the Ministry of Finance and statistical functions from the Ministry of Home Affairs and coalescing them, in accordance with the need for centralization of economic and administrative authority that had been discussed among economic officials (Lee Man-Hee, 2010: 86). They were faced with great opposition when the budget distribution function was pulled from the Ministry of Finance. Nevertheless, it was Park's strong support that enabled the Economic Planning Board to be established.⁶² The Economic Planning Board

⁶¹ Lee Man-Hee (2010, p. 86) describe General Song Yo-chan as the leader of Military Technocrat. According to Oh Won-Cheol (1999, p.56)'s definition of Technocrats, it means technical expert who exercise managerial authority.

⁶² It is unclear as to why Park Chung-hee strongly supported the Economic Planning Board. The possibility that Park Chung-hee's experience of 'Planning Organization' in Manchuria during the colonial period was the origin cannot be ruled out, however no clear data can be found about it as yet.

was founded on July 22, 1961, in the process of drafting the first 5-year economic development plan.

<Figure 2> Table of Central Administrative Organization in 1963



Source: Lee Sang-Cheol (2012) reprinted from p.212

<Figure 2> is a table depicting the Central Administrative Organization at the end of 1963. After the transformation of the military government to civilian rule in December 1963, it was reorganized as the Presidential Central Administration Organization and economic policies were carried out at four departments namely the Economic Planning Board, the Ministry of Finance, Ministry of Agriculture, and the Ministry of Trade and Industry (Since March 1967 it became five departments including the Ministry of Science and Technology) (Lee Sang-Cheol, 2012: 212-213).

The Economic Planning Board was established with the aim of mediating economic relations with resident foreign and international economic organizations, coordinating and managing a comprehensive plan for the efficient operation of the national economy (Economic Planning Board Directives, Cabinet Order No. 57, July 22, 1961). Therefore, the functions of the Economic Planning Board can be summarized in three ways. First is the function of establishing a comprehensive economic plan for the efficient operation of the national economy. Second is the implementation, maintenance and coordination function. And lastly, the function of managing overseas economic cooperation which is necessary to procure foreign funds for the formulation and implementation of plans. For this, Article 3 of the directives of the Economic Planning Board stipulates that the Comprehensive Planning Bureau, the Budget Bureau, and the Logistics Planning Bureau and the Bureau of Statistics are all included under itself.

The Comprehensive Planning Bureau was responsible for developing and coordinating long-term development plans and related policy coordination tasks. Further, the Comprehensive Planning department, apart from being responsible

for all general tasks around the establishment and coordination of long-term development plans, was tasked with policy coordination for first industry sectors including Agriculture and Forestry, Fisheries etc. Also the formulation of long term plans and policies for the secondary industries as well as for third-industry sectors such as power, transportation, communication and other such fields. Comprehensive Planning Bureau was also an economic survey institution tasked with the survey and analysis of economic trends necessary for the formation of economic policies, and for the guidance Organization of research and survey of civilian economy (Economic Planning Board Directives, Cabinet Order No. 57, July 22, 1961, Article 5).

The Budget Bureau was in charge of organizing and managing the government's budget for current expenditures, capital expenditures and spending for public corporations. As an internal organization, the Budget Bureau was responsible for the overall budget, administrative budget, investment budget and the corporate budget. The Administrative Budget department takes care of matters of budget development and enforcement in the President's Office, the Supreme Council for National Reconstruction, the Supreme Court, the General Accounting Office, the Inspection Committee, the Cabinet Office, the Foreign Ministry, the Home Affairs Ministry (apart from civil engineering), the Ministry of Defense, the Ministry of Justice, Ministry of Education, the Ministry of Health and Social Affairs, the Ministry of Public Information and Nuclear Power. The investment budget department was in charge of matters concerning budget compilation and execution of the Special Account for Economic Planning Board, the Civil Engineering Service, the Ministry of Agriculture and Forestry, Special Accounts for Farmland Reform, Special Accounts for Economic Reconstruction, Special Accounts for Counterpart funds and Special Accounts for National Territory Construction

Projects. The Corporate Budget Department oversaw the matters of budget compilation and execution concerning special accounts for monopoly on businesses, special accounts for transportation projects, special accounts for telecommunications businesses, special accounts for foreign capital, special accounts for post-office annuity and national life insurance and government-invested organizations (Economic Planning Board Directives, Cabinet Order No. 57, July 22, 1961, Article 6).

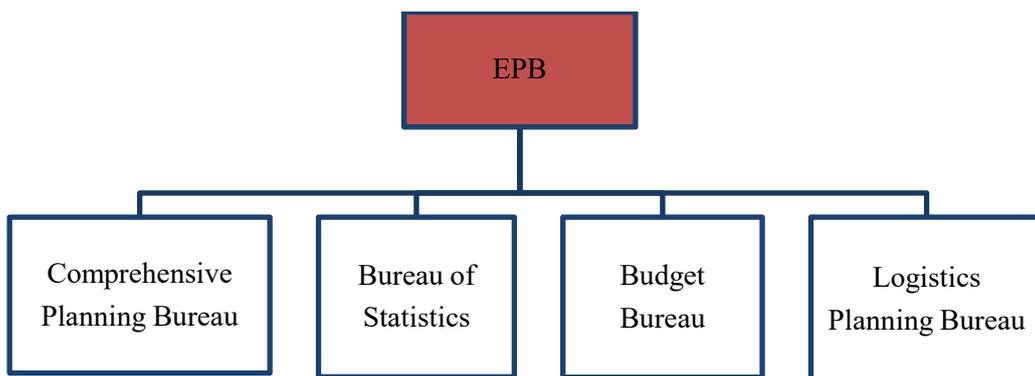
The Logistics Planning Bureau performed the function of managing foreign capital import, investment plans using domestic and overseas available resources, and comprehensive supply and demand plans. Under this bureau, department of economic cooperation, facility investment, supply and demand department, technical management and audit departments were included. The Economic Cooperation Department researched and coordinated economic cooperation with foreign or international organizations and oversaw the inducement, introduction, and annual logistics plans for economic development. The facility investment department was responsible for the establishment and management of annual investment plans with for available domestic and foreign resources, and the supply and demand department was responsible for the establishment of a comprehensive plan for supply and demand of goods by domestic and foreign resources and mediation of trade planning department along with expedition of army provisions and price stabilization. The technical management department oversaw technical cooperation plans for domestic and foreign resources, review of technology and research guidance for improvement of productivity, while the audit department oversaw matters like determination of progress in the implementation of the annual logistics planning, preparation of relevant paperwork, distribution, and follow-up management of foreign capital (Economic Planning Board Directives, Cabinet Order No. 57, July 22,

1961, Article No. 7).

The Bureau of Statistics consisted of demographic and economic statistics departments as well as compilation department where each statistic and system planning, national tax survey, studies of demographic dynamism and matters of household, labor, prices and capital were under it (Economic Planning Board Directives, Cabinet Order No. 57, July 22, 1961, Article 8).

The Comprehensive Planning Bureau and Logistics Planning Bureau were handed over retaining their original forms from the Ministry of Construction, while the Budget and Statistics Bureaus were handed over from Ministry of Finance and the Ministry of Home Affairs and were newly assigned. <Figure 3> is the internal structure of the Economic Planning Board at the time of its establishment; the organization went through changes on ten occasions. <Table 26> summarizes the main internal structure changes of the Economic Planning Board as a result of its organizational changes.

<Figure 3> Internal Structure of Economic Planning Board (EPB)



NB: Based on 22nd July, 1961 implementation

<Table 26> Internal Changes in the EPB during the Military Government

1961. 7. 22	1961. 10. 2	1962. 6. 29	1963. 12. 16
Comprehensive Planning Bureau	Comprehensive Planning Bureau	Comprehensive Planning Bureau, Primary Industry Bureau, Secondary Industry Bureau and Tertiary Industry Bureau	Economic Planning Bureau
Budget Bureau	Budget Bureau	Budget Bureau	Budget Bureau
Logistics Planning Bureau	Foreign-capital Induction Bureau; Coordination Bureau	Economic Cooperation Bureau; Technical Management Bureau	Economic Cooperation Bureau; Technical Management Bureau
Bureau of Statistics	Bureau of Statistics	Bureau of Statistics	Transferred to an External Bureau

Source: Kang Kwang-ha et al (2008) reprinted from p.62

On October 2, 1961, the Logistics Planning Bureau was divided into Foreign-capital Induction Bureau and Coordination Bureau, dividing the duties related to foreign capital import. Induction of foreign capital was overseen by department of induction, department of examination, and department of management. Foreign-capital Induction Bureau was in charge of basic policies on foreign capital inflows, information on investment in foreign countries, and the negotiation required in the process of introduction of foreign capital. The department of examination was in charge of the review of investment applications and investment regulations whereas the management department was in charge of matters concerning the government's guarantee of payment in

introduction of foreign capital, currency support and the general management of foreign capital being introduced (Economic Planning Board Directives, Cabinet Order No.158, October 2, 1961, Article No. 7). The Bureau of Coordination included department of commodities, department of facilities and department of technology (Economic Planning Board Directives, Cabinet Order No.158, October 2, 1961, Article No. 8).

In the reorganization on June 29, 1962, the primary, secondary and tertiary industries which were included in an industries department of the Comprehensive Planning Bureau were separated and promoted to being the Industries Bureau. The Foreign-capital Induction Bureau was reorganized into the Bureau for Economic Cooperation and the Cooperation Bureau was reorganized into the Technical Management Bureau. On December 16, 1963, the Economic Planning Board expanded its duties to include the establishment and development of a comprehensive development plan for the national economy, the compilation and execution of the budget, the mobilization and investment of available resources at home and abroad, the overall adjustment of plans for technological development, and the management of economic cooperation with international institutions at home and abroad (Economic Planning Board Directives, Cabinet Order No.1683, December 16, 1963).

The Economic Planning Board had the authority to supervise other economic departments through systematic concentration of economic and administrative authority. However, in the early days of its establishment it was difficult to make decisions related to economic policies and its other functions because the Supreme Council had more authority in deciding economic policies. The fact that the original draft of the first 5-year economic development plan was drafted under the leadership of several of the highest-level economic officials of the Supreme Council indicates that the activities of the Economic Planning Board

in its early days were not as proactive. The function of the Economic Planning Board was only limited to shaping investment plans, funding plans, and doing the detailed work on plans for international payments and mediating general matters during the planning of the first Economic Development Plan (Kang Kwang-ha et al, 2008: 76). The Ministry of Finance which made the Economic Planning Board had strong authority, and this EPB found it hard to exercise its power because it consisted of bureaucrats dispatched from each ministry.

The First Five-year Economic Development Plan was revised when the status and functions of the Economic Planning Board were properly strengthened. In the early days of the first economic development plan, Korea suffered a sharp setback due to the failure of exchange rate reform, inflation, rise in commodity prices, soaring food imports due to crop failure, the failure to introduce foreign capital from the U.S etc. The economic growth rate, far from exceeding the first plan's high target of 7.1%, was lower than before the execution of the plan. As the original plan was finally had to be revised, a joint working group of the cabinet of the Supreme Council was formed for the task. The joint working group consisted of six groups- development planning group, finance group, monetary banking group, international balance of payments group, technology development group and comprehensive review teams. The 15-member panel of reviewers was all made up of officials from the Economic Planning Board, except for its leader, Col. Kim Dong-sik. From this, it can be seen that the main body of the economic development plan gradually changed from the Supreme Council to the center of the Economic Officials of the Economic Planning Board (Lee Byeong-Cheon, 1999: 157).

The systematically ensured status of the Economic Planning Board may be verified by the position of its head in the institutional framework. According to the Government Organization Act, 1st July 1960, Article 552, Clause 10 about

the Acting Prime Minister, 'In case the Prime Minister is unable to perform his duties due to an accident, according to Article 14, paragraph 1, the order of next acting prime minister is based on the ranking of cabinet ministers '. However, when the prime minister appoints a member of the Cabinet to act in his stead, the chosen member of the State Council shall have to act.' According to Article 14 paragraph 1, the head of the Economic Planning Board's order of acting as Prime Minister was the number seven following the Ministry of Foreign Affairs, Ministry of Home Affairs, Ministry of Finance, Ministry of Justice, Ministry of Defense and Ministry of Education (Government Organization Act. Article No. 552, July 1, 1960). This provision was changed to 'If the head of the Cabinet cannot perform his duties because of an accident, the head of Economic Planning Board takes up his duties' (Government Organization Act, Article No. 660, July 22, 1961). In addition, according to Article 1506 No.15 of the Government Organization Act on December 14, 1963, 'A Deputy Prime Minister can be appointed to deal with matters specially mandated by the Minister of State. The Deputy Prime Minister is regarded as a member of the State Council, and the minister of the Economic Planning Board will be holding this additional post.' Although the Deputy Prime Minister's position cannot be said to be in a hierarchically higher position to direct other ministers, it can be interpreted that the Minister of Economic Planning Board gained official authority to coordinate a wide range of economic policies related to economic development projects using his title (Choi Byung-Sun, 1987:5).

The high status of the Economic Planning Board's overall economic policy functions was demonstrated through the 'Monthly Economic Trend Report Conference, which was established in earnest from 1965. This was an important forum in the process of Korean economy growing quantitatively. The meeting was held every month and Park Chung-hee attended it without missing it even

once. The Prime Minister, Deputy Prime Minister and former officials who were instrumental in the establishment of the Economic Planning Board, Central bank president, members of the Economic Science Council, Special adviser to the President, and the ruling party leader participated in the meeting, and all economic officials in the government negotiated their differences in the process of deciding policies and sharing information for greater economic flow between ministries in a timely manner. It was quite difficult to reconcile and induce cooperation between the ministries and agencies in coordinating these economic policies. However, the meeting played a major role in resolving issues by sharing the current status and problems of implementing major economic policies and reducing friction in policy implementation through coordination between related agencies. The president himself asked ministers and attendees questions about policies, and from June 1971, he gathered opinions from participants in the private sector, Saemaul Movement leaders, and directed duties to related ministries (Jin Nyum & Han Seung-hee, 2014: 3-5). The fact that the Economic Planning Board, which hosted the monthly Economic Trends Report Conference is fully supported by the president became clear from how the President visited the Economic Planning Board and head over the meeting, and how the working level meeting of related ministries also operated centering on the Economic Planning Bureau of the Economic Planning Board (Kang Kwang-ha et al, 2008: 106-109).

The position of the Economic Planning Board was influenced by the trust of Park Chung-hee. Chalmers Johnson (1982) argued that Japan was able to achieve economic growth at a rapid pace because the nation played an active role in planning the economy and fostering industries. The Park Chung-hee administration is classified along with Japan as a developing country, and had an executive-dominated policy-making system in which the state intervenes in

all areas such as establishing, implementing economic plans and solving problems. (Hwang Suk-man, 2012: 156-157; Kang Kwang-ha et al, 2008: 64-65). Accordingly, the Economic Planning Board, which played a key role in establishing and clarifying the economic development plan, which is the foremost concern of the developing state administration of the Park government, was able to maintain its high status with the full support of Park Chung-hee.

However, only the president's confidence was not enough means by which the Economic Planning Board could resolve the conflict with other economic ministries. The Economic Planning Board's economic policy coordination function was the right to intervene in projects promoted by other ministries. Other ministries needed to consult with the Economic Planning Board to push ahead with the project, a process which could lead to conflicts. The two ways with which Economic Planning Board reconciled conflicts with other ministries can be summarized as the following: First of all, the relocation of officials from the Economic Planning Board to other ministries. Many former officials from the Economic Planning Board moved to other ministries, so other economic ministries ended up taking the same stance rather than confronting the Economic Planning Board. <Table 27> summarizes the undersecretaries' move, becoming the head of other ministries. If one sees the work experience of those who served as undersecretaries of the Economic Planning Board since 1962 until the end of the 1970s, it can be noticed that all nine undersecretaries were appointed as ministers of different economic ministries. Officials of the Economic Planning Board were transferred as heads of each ministry after being promoted to undersecretary, where the Economic Planning Board served as a center for cultivating the heads of ministries (Oh Won-Cheol, 1999: 106-107).

<Table 27> Work Experience of Undersecretaries of EPB

Undersecretary	Tenure	Title after transfer	Tenure
Cha Gyun-hee	1962.06-1963.06	Head of Ministry of Agriculture and Forestry	1964.05-1966.02
Kim Hak-ryul	1963.06-1966.09	Head of Ministry of Finance Blue House Chief of Economy Head of Economic Planning Board	1966.09-1966.12 1969.06-1972.01
Kim Tae-dong	1966.09-1968.05	Head of Ministry of Health	1969.10-1971.06
Jang Ye-jun	1968.05-1972.01	Head of Ministry of Construction Head of Ministry of Trade and Industry Head of Ministry of Energy and Resources	1972.01-1973.12 1973.12-1977.12 1978.01-1979.12
Lee Jae-sul	1972.01-1974.02	Head of Ministry of Communications Head of Ministry of Agriculture and Forestry	1978.12-1979.12 1979.12-1980.05
Cho Gak-gyu	1974.02-1975.12	Head of Ministry of Agriculture and Forestry Head of Ministry of Trade and Industry Head of Economic Planning Board	1975.12-1977.12 1977.12-1979.12 1991.02-1993.03
Jang Deok-jin	1975.12-1977.12	Head of Ministry of Agriculture and Forestry	1977.12-1978.12

Seo Suk-jun	1977.12-1978.12	Senior Secretary for Economy Head of Ministry of Trade and Industry Head of Economic Planning Board	1978.12~ 1980.09-1982.05 1983.07-1983.10
Jeong Jae-suk	1978.12-1979.12	Head of Ministry of Trade and Industry Head of Economic Planning Board	1979.12-1980.07 1993.12-1994.10

Source: Oh Won-Cheol (1999) reprinted from p.107

Second was the Economic Planning Board's budgeting function. This can be confirmed by Former Deputy Prime Minister Kang Kyung-sik's answer to an interview question on the way in which the Economic Planning Board controls other ministries.

"For example, when Deputy Prime Minister Kim Hak-ryul was in charge, a common method of hearing session took place with all the ministers at the last stage....While making the budget, all work is going to be done behind curtains, and then at the end it's going to take over all the ministers. If you don't give them a budget, aren't they just not going to work? So, when we met and spoke to each of the Ministers, they make a show of a discussion and then the matters solved. They plan it with us together in advance. That's how we somewhat took control of each department. However, it's still not fully viable. Because they make a direct appeal to the President. So if one dares to say at an Economic Ministers' Meeting, that the President ordered something, the president is called right away. 'Your Excellency, some minister said this was your order, is that right?' After calling, they'd come back and say that the President did not

say it. Minister Kim Hak-ryul did a good job of this. If they had a second way, it has to be an open meeting. For example, when everyone is present right there, Minister Kim Hak-ryul would ask the Minister of Agriculture and Forestry 'how much rice is produced this year, and if it's rained this year by how much has the produce gone up...' If the Minister doesn't answer, he would be rebuked with 'how could you not even know this', embarrassing him thoroughly...⁶³

The Economic Planning Board's systematically guaranteed budgeting function was a necessary device to support the economic plan's efficient operation. Unlike other ministries, the Economic Planning Board had autonomy of performing an objective analysis of national and public interests in an economic sense without the profit of the organization and determining the direction in which the economy should move. Through the establishment of networks with aid agencies starting from USOM, other international organizations, and through dispatching bureaucrats for overseas work, the government was able to construct autonomy by pursuing the rationality of economic policies. USOM had a significant influence on the 'economic rationality' paradigm of bureaucrats to the extent that it was called the training agency of the Economic Planning Board (Lee Man-Hee, 2010: 86-87). The Economic Planning Board worked to discover problems, find new systems for sustainable growth and made them public knowledge, while comprehensively analyzing the national economy. Economic rationality function of the Economic Planning Board was a very important role of the organization. It is because it

⁶³ Kang Kwang-ha et al (2008, p.87) *ibid.* Interview with former Minister Lee Seok-chae on November 24, 2005. The question was, "What was the way in which the Economic Planning Board was controlling the other ministries?"

presented alternatives for the national economy over a wide range of areas, and not just based off profit of the organization or internal institutional issues.

"Questions like 'What's the most important function of the five-year plan' or, 'what is the thing that is macro in our economy' exist but there are so many other issues in our society, which do not enjoy ordinary people's interest, EPB provided a framework for people to address those issues. If the Economic Planning Board's tosses an issue ahead calling it important, it increases in priority. Hence the role of the Economic Planning Board was to select the agenda to be in national priority, and even if it couldn't answer them, it has the effect of letting everyone know how important the issue really is. For example, when we discuss labor laws, labor-related systems, other ministries shed responsibility saying this is not their field. If the Ministry of Labour supervises then their opinion is fully reflected in society. But when the Economic Planning Board supervises over it, the officials of the Economic Planning Board are free to talk freely because they are seen to have no expertise in the field, and even if their opinion is in the newspapers, people are not troubled by it."⁶⁴

The Economic Planning Board was elevated in status due to president's confidence in it, however that can also be pointed out as a limitation of its functions. In the comprehensive analysis on national policy, the Economic Planning Board cannot only reflect the president's policy interests. Due to such a role, the position and role of the Economic Planning Board were reduced in the 1970s as the belief system of Park Chung-hee and the Economic Planning

⁶⁴ Kang Kwang-ha et al (2008, p.87) *ibid.* Interview with Former Minister Lee Seok-chaе on 24th November 2005

Board changed, resulting in its leadership being transferred to the presidential office in the Blue House. <Table 28> compares the belief system of Park Chung-hee and the Economic Planning Board.

<Table 28> The Belief Systems of Park Chung-hee and the EPB

	Park Chung-hee	EPB
Belief	Focus on developmental thinking	Focus on market-based thinking
Main Method	Intervention, Limited competition, Targeted Investment	Market, Competition, Comparative Advantage
Priority	Growth	Stability
Preferred Propensity	Results, Goal-oriented, Speed	Effective, Rational, Moderatism
Background	Experience of planning management from the army and learning from the Japanese model	Foreign educated, Learning from work at overseas aid agencies
Operation Conditions	Politicization of Economic Policies during National Emergency	Stable growth

Source: Lee Man-Hee (2010) reprinted from p.87

The Economic Planning Board led economic policies in the 1960s with the president's absolute trust and the institutional power bestowed upon them. However, from the 1970s, the power shifted to the Blue House. With the announcement of the U.S.'s Nixon Doctrine and North Korea's continued provocations, South Korea tried to overcome the security crisis through 'self-

reliant defense'. The government designated the development of the defense industry as goal to achieve self-reliant defense. Through declaring heavy-chemical industrialization, Park Chung-hee wanted to foster the defense industry in earnest and enhance the industrial structure in a unprecedented manner. However, the Economic Planning Board's position was different. It believed that Korea lacked experience in fostering heavy chemical industries and will find it difficult to procure huge amounts of capital. It also believed that a weak financial structure would prevent heavy chemical industries from advancing. Korea was awash with corrupt enterprises at the time. Many side effects had developed in the course of 10 years of high growth. Corporate foreign currency inflows through the government's guarantee of payment skyrocketed, as the government forcefully introduced foreign capital for development at a time when domestic capital could not be mobilized. As a result of promoting rapid economic growth through increased exports in the 1960s, foreign debts soared and commercial banks, which were in charge of policy financing for companies that were suffering from foreign debts, were poorly managed. To address inflation and the failures of private high-interest loans, the government issued the Presidential Emergency Order No. 15 'Emergency Order on Economic Stability and Growth' (8.3 Measure) on August 2, 1972 (Park Tae Gyun, 2013: 105-108). 8.3 Measure was not issued by the Economic Planning Board, which emphasized the role of the market, but was an urgent order issued under the supervision of Blue House. The Park Chung-hee administration pushed for the development of heavy and chemical industries to achieve landmark industrial growth in order to overcome the global economic crisis of the 1970s. It was a result of the judgment that the Economic Planning Board's market-oriented approach was not efficient. When the first oil shock took place in 1973, the Economic Planning Board came up with measures to

stabilize the economy. Rather than fostering heavy and chemical industries, EPB was of the opinion that market-oriented measures like strengthening international competitiveness by concentrated investment and funding of light industries is more effective (Lee Man-Hee, 2010: 90-91). The gap between the stabilizing policies of the Economic Planning Board and the growth-first development policy of the Blue House did not narrow. In 1981, the Economic Planning Board was transferred to be under the Finance Ministry, the number of employees decreased and its policy objectives were changed from development to stability or maintenance. These changes also had a significant impact on the status of the Economic Planning Board (Kang Kwang-ha et al, 2008: 220-226).

The functions and status of the Economic Planning Board could change depending on the level of confidence the President had in it. Nevertheless, the Economic Planning Board presented objective and rational policies from a national economic perspective in accordance with its duties. In the 1960s, the belief systems of the Economic Planning Board and Park Chung-hee were similar, so they were able to exercise synergy in promoting the economic development plans. What was important in this regard, along with the functioning of the Economic Planning Board was how strong the government's will to develop the economy is. Albert Waterston (1965: 249, 341) pointed out that what hampers the implementation and completion of a project or program is not the financial resources, but the administrative capacity of the government. Although planners and budget allocators may have a real impact on the implementation of the plan, the decision making ability is ultimately determined by the efforts of political leaders and their ability to act on their own terms (R.T. Daland, 1967: 30).

Korea's Economic Planning Board, superior to other ministries in terms of status and having absolute support for economic development by Park Chung-

hee's military regime, was able to operate efficiently owing to this strong will. The head of Economic Planning Board was empowered to take control of each ministry while performing his role as deputy prime minister. Additionally, in terms of organizational structure and function, the budgeting function served as a means for the Economic Planning Board to control other ministries. It can be said that the Economic Planning Board evaluated the national economy with a wholesome approach instead of representing the interests of other ministries of the government; instead it effectively mediated its policies to reflect the national interest based on the president's will.

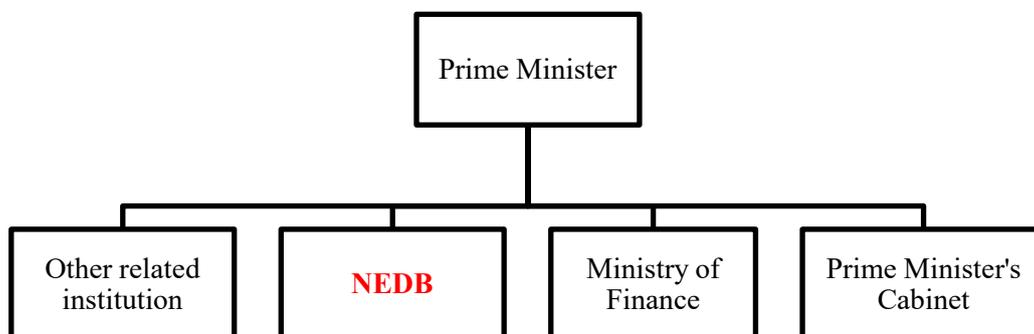
3.1.2 Functions and Operations of Thailand's National Economic and Social Development Board (NESDB)

The 1959 Public Development Program for Thailand referred to the need for a 'Central Economic Planning Agency' to oversee economic development planning. The U.S. actively demanded Thailand's government to establish a central economic planning organization since 1959, and as a result, Prime Minister Sarit reorganized the National Economic Council to establish the National Economic Development Board (NEDB) which was directly under the Prime Minister's control. The National Economic Committee (NEC) was established on February 15, 1950 by Prime Minister Pihbun for the purpose of providing opinions and recommendations on national economic matters. The National Economic Development Board inherited the functions of the National Economic Council in their original form.

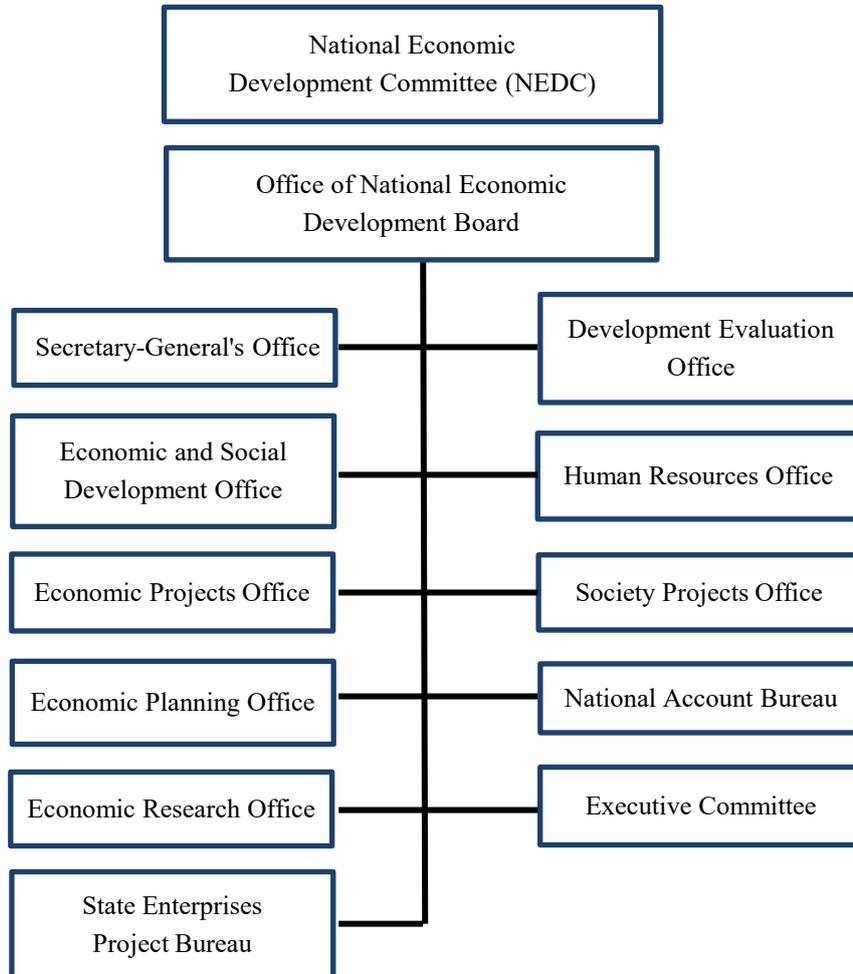
In 1972 with increasing emphasis on social growth in the process of development, the National Economic and Development Board was renamed as the National Economic and Social Development Board (NESDB) (Liaquat Hossain, 2001: 21). And through the National Economic Development Board,

Thailand's government established Thailand's first economic development plan in 1961, which would become the center of Thailand's development. The National Economic Development Board was under the Prime Minister's office along with other relevant agencies including the Finance Department, the Budget Bureau, and the Office of Investment, as can be seen in <Figure 4>. The organizational structure of the National Economic Development Board, as shown in <Figure 5>, was maintained until February 19, 1975. The National Economic Development Board underwent several organizational changes in accordance with the act getting revised, but its functions did not change much and the contents of the revised law were mostly about the organization of the National Economic Development Committee.

<Figure 4>Location of NEDB in Thailand Prime Minister's Office Structure



<Figure 5> Thailand National Economic Development Board's Internal Structure



Source: Government's division of the office of NEDC

The National Economic Development Board consisted of the National Economic Development Committee (NEDC) and the Office of the National Economic Development Board Office (NEDB Office). The office was divided into departments in each field and consisted of 45 experts. The National Economic Development Board was under the Prime Minister's Office, where the Prime Minister assumed the chairmanship of the committee.⁶⁵ Members, as advisers to the Committee, had the authority to directly advise the head of the board. Members of the Committee were determined by the Minister's Cabinet Council.⁶⁶ Five of the bureaucrats (standing committee members) were the Secretary-General of the Civil Service Commission, the Director of the Bureau of the Budget, the Director General of the Fiscal Policy Office and the Governor of the Bank of Thailand as well as the Secretary-General of the NEDB who doubled up as the scribe. The Secretary-General of the NEDB supervised the Office of the National Economic Development Board. The Bureau of Investment (BOI) was placed under the Prime Minister's Office and was included in other relevant bodies as can be seen in <Figure 4>.⁶⁷ The roles of the Office of National Economic Committee were as follows: First, studying the economic society of Thailand and suggesting economic and social development policies to the Economic Council. Second, consultation for development projects of other ministries and state-owned companies. Third, preparing comprehensive economic development plans and consulting with the

⁶⁵ National Economic Development Council Act (1959), Section 5 (The Prime Minister shall be the President of the National Economic Development Council consisting and the vice- Prime Minister be the vice-President.)

⁶⁶ National Economic Development Council Act (1959), Section 5 (There shall be a National Economic Development Council consisting of the other committees are appointed by the Council of Ministers.)

⁶⁷ National Economic Development Council Act (1959), Section 16 (The Secretary-General of the National Economic Development Council shall have the duty to supervise the administration of the Office of the National Economic and Social Development Board.)

heads of different ministries in order to achieve their goals. Fourth, studying the financial ability of the country and idle resources. Fifth, analyzing budget expenditures, making corrections or suggestions. Sixth, proposing and deciding projects of the other ministries that require foreign capital and technology. Seventh, analyzing the foreign economic and social conditions which could affect domestic economic conditions and reporting about them. Finally, advising and evaluating of projects from each ministry and state enterprises.

The Office of the National Economic Development Board had nine economic and social development experts. The National Economic Development Board can be divided according to responsibilities as the Strategic Unit, Intelligence Agency and Knowledge Organization. First, the Strategic Unit established development strategies by sectors, country and regions, and presented recommendations and suggestions to the government. Additionally, it was also in charge of monitoring and assessing government policies and strategies at the same time. Its main tasks are as follows:

- Development and Implementation of Five-year National Economic and Social Development Plans.
- Research, analysis and provide recommendation regarding economic, social and environmental policies to the Government and transmit key information about these areas to the Cabinet Council.
- Analyze the budget of state enterprises to establish an annual state enterprise budget for appropriate and effective investments.
- Review and provide feedback about public-private joint venture project plans before its submission to the Cabinet.
- Serve as the secretariat of major national level committees such as the Cabinet Committee for Economic Policy and the Joint Public and Private Consultative Committee.

- Undertake secretariat role of establishing a public administration plan for the new government and prepare national status report for the new prime minister appointed under the Royal Decree.
- Close cooperation for the promotion of sufficiency economy and the brain bank.

The Information Department provided in-depth analysis of national and international data related to economic and social issues. It also served as a government warning/alarm center in relation to strategic planning and national economic and social administration. Its main responsibilities are as follows:

- Prepare quarterly and annual gross domestic product (GDP) statistics, and in order to support the preparation of GDP data, it prepares policy recommendations on economic prospects and macroeconomic management in consideration of global and national economic conditions.
- Prepare a quarterly and monthly social status report on the overall social situation and changes in people's quality of life and prepare key data related to social issues.
- Prepare Thailand's National Account data in accordance with international standards.

Knowledge Organization found and developed new knowledge needed for national development. This organization was well equipped with officials capable of strategic planning and analysis for effective national development. Their main responsibilities are as follows:

- Establish a network for research and learning on Sufficiency Economy

Philosophy: Encourage implementation of Sufficiency Economy Philosophy within development projects in diverse fields through the activities of the Institute of Sufficiency Economy Philosophy Foundation. This research institute was established to work on projects like these with various people directly involved with development.

- Outcomes of national development and formulating indicators: Well-being indicators that measure human-centered development outcomes; Economic power indicators that measure the quality of economic development and economic growth; Development Sustainability indicators that measure the relationship of the economy, society, natural resources and the environment; and Green and Happiness social indicators that combine the major principles of the three indicators and are used in the evaluation of national development plans.
- Support increased bureaucratic efficiency and long-term knowledge-based growth through the development of knowledge management systems and the establishment of the National Economic and Social Development Board's knowledge management plan.
- Exchange knowledge with the World Bank and other international organizations as well as develop human resources intensively and continuously through important and detailed capacity development programs. The National Economic and Social Development Board also funded government officials' overseas master's and doctorate programs and overseas training programs to produce new human resources and establish a long-term knowledge base.

The National Economic Development Board was located under the Prime Minister's Office but did not become a hub of government activity like in other countries (Christensen et al, 1993; Lauridsen, 2000). The National Economic

Development Board could not exert its influence in the 1960s and 1970s, but during the rule of Prime Minister Prem in 1980, the status of NEPD rose exceptionally. At the time, the Secretary-General of the National Economic and Social Development became the Deputy Prime Minister. Secretary-General Snoh is the only Deputy Prime Minister who rose from among planning officials, suggesting that the position may change depending on who influences the national leadership. However, the increased status of the National Economic Development Board did not have a real impact on the actual development and investment process. The National Economic Development Board was not able to exercise any influence within the government because the laws on government organization did not change.

From this point of view, the agency that actually contributed most significantly to the performance of Thailand's development functions was the Board of Investment (Atchaka, 1986; Warr and Bhanupong, 1996). The establishment of the Board of investment and the passing of the new incentives act in 1962 suggests that there was a change in government's role in the economy. The Board of Investment specified the publication of periodicals containing ministerial-level regulations, including a list of industrial activities that could be supported. The establishment and reform of the Bureau of Investment was aimed at minimizing arbitrary decision-making and reducing investor uncertainty (Wilde, 1961:10). In addition, the company simplified the process related to grant approval and supported the management of the Investment Promotion System for technical officials. The deployment of the Bureau of Investment under the Prime Minister's Office was a departure from the practice of the Phibun government, which was approved by the Council of Ministers to provide corporate favors, and the Ministry of Industry which colluded with the military, ended up handing policy decision rights and

responsibilities to the Bureau of Investment.⁶⁸

This will be further explained later, but it was not the type of external capital mobilized in Thailand's development which was different from that of Korea, but the fact that investments occurred due to the interests of foreign companies or joint investment took place with domestic companies and not because of the will of the state in Thailand. This administrative change, rather than completely eliminating the political impact on economic policy decisions, changed the course of its impact. Since the Bureau of Investment reported directly to the Prime Minister's Office without consulting other ministries, political leaders ended up having more discretionary power in implementing investment-promotion policies (Atchaka, 1986).

Interviews with officials belonging to other ministries show the functions and status of the National Economic Development Board. Unlike Korea's Economic Planning Board, Thailand's National Economic Development Board did not have the ability to allocate budget. The budget was solely handled under the Prime Minister's Office. While cooperation with other agencies for economic development projects was being made, ministries tended to focus on obtaining significant financial resources from the Budget Bureau and skip the steps relating to receiving advice and recommendations for the ministry's project, which is a function of the National Economic Development Board. In the process, the status of the National Economic Development Board fell significantly.

“NEDB (National Economic Development Board) does not have power. Even if the NEDB approves our projects we may still not get money for them. This is

⁶⁸ The Board of Investment (BOI) was located under the Prime Minister's Office and was included in other relevant institutions in <Figure 4>.

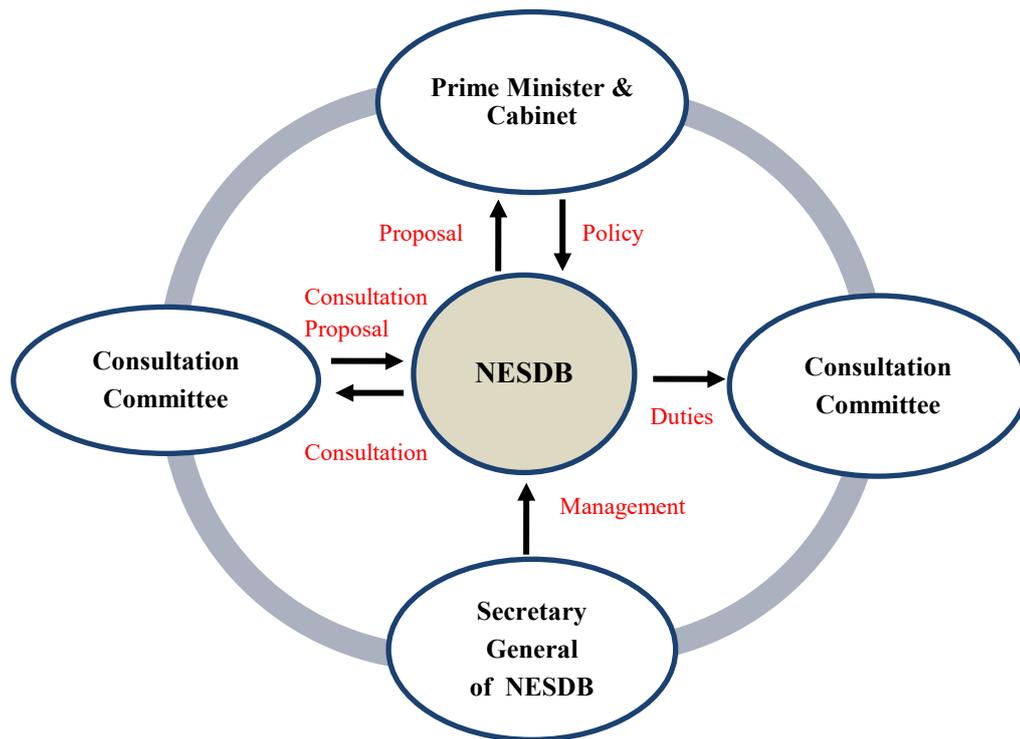
a very crucial problem which undermines the NEDB since we are rather reluctant even to ask the NEDB to help clear the passage for our important projects. Since we know that the NEDB is not powerful in terms of allocating money, we often fall into the habit of overlooking NEDB policies and recommendations. We know that we count in getting money lies in our dealing with BB (Budget Bureau).”⁶⁹

The Prime Minister is the chairman and head of Thailand’s Office of the National Economic and Social Development Board. However, the Prime Minister is only the head of the committee, while in reality the Secretary General manages and runs the committee. The Korean Economic Planning Board (EPB) and the head of the EPB used the titles of “Minister” and “Deputy Prime Minister”, yet the administrator of Thailand’s Office of the National Economic and Social Development Board was referred to as the “Secretary General”. However, in practical terms, other than the task of managing the Office of the National Economic and Social Development Board, the Secretary General was granted no other higher privileges. What we can learn from this fact is that not only was the Office of the National Economic and Social Development Board not situated above other departments, but also the fact that it did not have the power to exert influence. Members of the National Economic and Social Development Council are selected through the Cabinet committee, and the Secretary General of the Office of the National Economic and Social Development Board also belongs to the committee. Ultimately, even the Secretary General of the Office of the National Economic and Social Development Board was a position that could be changed at any time through

⁶⁹ Naomi Caiden & Aron B. Willdovsky (1974, p.245)

the Cabinet committee. The operational structure of Thailand's Office of the National Economic and Social Development Board is as follows <Figure 6>.

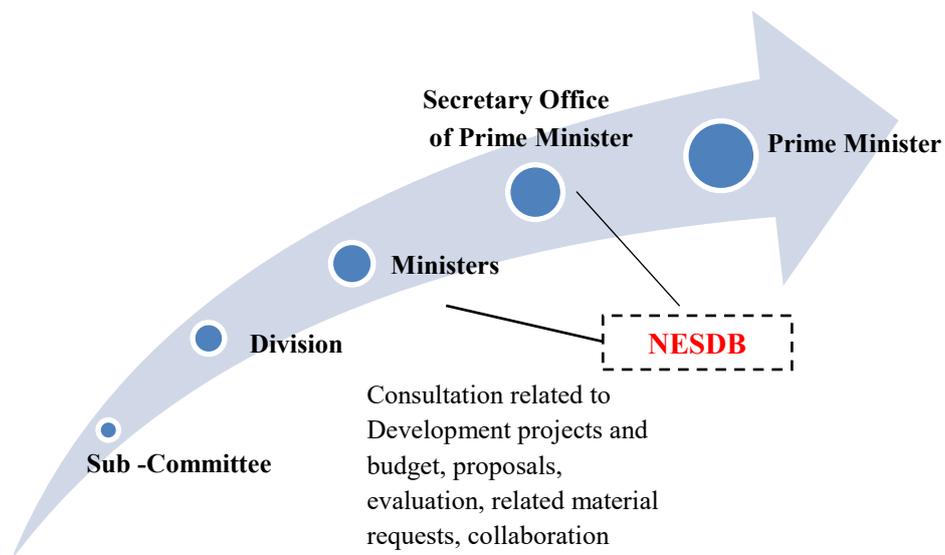
<Figure 6> Operational Structure of NESDB



The duties of The National Economic Development Board are outlined in the directives of the National Economic Development Council Act. The members of the consulting committee can be called the ministers of each department. The National Economic Development Board had the function of providing consultation for the development projects and the budget planning of each department. In addition, at the time of drawing up the plans, when internal technical support was needed, outside members were invited and tasks assigned, with assisting members being figures drawn from the fields of academia,

finance, industry and the press. In practice, economic plans were drawn up for each division in the National Economic Development Board, however actual policy decisions in each department proceeded via briefings to the Prime Minister and Cabinet. In this process, the National Economic Development Committee performed a consulting role. As shown in <Figure 7>, the National Economic Development Committee played no more than an ancillary role in the development policy-making process.

<Figure 7> Thailand's Development Policy Decision-Making Process



In terms of the status and function of its internal governmental organization, Thailand's National Economic Development Board differed from that of Korea's Economic Planning Board. The National Economic Development Board was an organization under the purview of the Prime Minister, however,

other than the drawing up of economic development plans, it had no other especial function. The development projects decided upon in each department were directly submitted to the office of the Prime Minister and the Cabinet committee, and in the course of the process, the National Economic Development Board performed a consulting role. As they were selected through the Cabinet committee, even members of the National Economic Development Committee could be replaced at any time according to the preferences of said ministers. While the Prime Minister acted as the head of the National Economic Development Committee his actual attendance at such meetings was limited to one or two in number. In the period between its enactment and the 1980s, the National Economic Development Council Act was revised twice, however such revisions were only amendments pertaining to council members and did not include provisions to legally strengthen the function of the National Economic Development Committee. In comparison, Korea's Economic Planning Board analyzed the Korean national economy, proposed measures regarding said analysis and formulated plans, all while having full authority and responsibility. However, while Thailand's Office of the National Economic Development Board was the central economic planning organization for national economic and social development, its role was limited to only providing consultation support to each department's projects. Furthermore, the fact that the Office of the National Economic Development Board did not have powers of budget allocation resulted in its role being undervalued.

3.2 Operation of Planning Organizations and Internal Structural Differences

3.2.1 The Role of Bureaucrats of the Korean Economic Planning Board (EPB)

Scholars in development theory claim that one of the key driving forces underpinning a country's capabilities is the cohesiveness of its bureaucracy. Able bureaucrats ensure administrative efficiency. When it comes to the actual practice of underdeveloped countries implementing plans for economic development, the role of bureaucrats is highly significant. This is because, the less experience a country has of drawing up economic plans, the stronger the tendency for the opinions and critical insights of bureaucrats to be replicated in policy. For instance, Korea's first 5-year Economic Development Plan entirely reflected the ideas of the economic bureaucrats of the Supreme Council, such as Park Hee-beom and Yoo Won-sik. These figures were the theorists of state-led economic development, and hence they emphasized the role of the state in economic development. In addition, they also criticized Korea's excessive dependence on US aid, and claimed that, in order to achieve independence, industrialization should be achieved through the mobilization of domestic capital, rather than foreign funds. As a result, "Intensive Industrialization" became the central focus the original bill for Korea's first 5-year Economic Development Plan.

Whether bureaucrats are in place or not and, furthermore, to what extent these government officials have the ability to effectively carry out economic development plans are highly important factors. Park Chung-hee's government required bureaucrats who could effectively execute plans for economic development. Economic bureaucrats were the driving force behind the Park

government's economic growth, with figures such as Jang Ki-young, Kim Jung-ryum and Oh Won-Cheol as the key officials of Korea's economic take-off during the mid-1960s. Jang Ki-young was the deputy Prime Minister and head of the Economic Planning Board (1964.5-1967.10), while Kim Jung-ryum successively served as chief of the Bank of Korea's New York office (1961.3), the figure in charge of drafting the Second Currency Reform (1962.4), Vice-Minister of the Ministry of Finance (1962.6), Vice-Minister of the Ministry of Commerce and Industry (1964.6), head of the Ministry of Finance (1966.1), head of the Ministry of Commerce and Industry (1967.10) and Chief Presidential Secretary (1969.10-1978.12). Oh Won-Cheol served as the Chief of the Planning and Research Division of the Supreme Council for National Reconstruction (1961.5), Chief of Chemistry in the Ministry of Commerce and Industry (1961.7), first Director of Industry for the Department of Commerce and Industry (1964.6), Deputy Secretary General for Planning and Management in the Ministry of Commerce and Industry (1968.4), Deputy Minister of the Ministry of Commerce and Industry (1970.1) and second Blue House Economic Secretary (1971.11-1979.12), throughout which he proactively led development policy regarding heavy and chemical industry. During the 1960s, government officials' autonomy in developing policy was greatly respected, noted by the fact that President Park, having gone through the proceedings of the ministers' and State Council meetings, afforded ministers personal autonomy and responsibility regarding economic policy decisions (Lee Byeong-Cheon, 1999: 167-169). Through this autonomy over policy afforded by the government, bureaucrats were able to demonstrate leadership in their duties and take a forward role in planning. Kunio Yoshihara (2000) has pointed out the importance of education in state economic development. The high educational level of government officials can also be said to be a prerequisite element in

contributing to a nation's economic growth. Korea's preeminent government officials are deeply connected to a Korean history that has placed a high value on education over the years and, throughout its long history, it has been through the institutions of the "past" that Korea has chosen its outstanding government officials. It has been noted that Joseon society had a high intellectual standard throughout its history, and a great interest in education (Hwang Suk-man, 2012: 162). Furthermore, Cumings (1997) emphasizes the high intellectuality of Joseon society, a society ruled by scholars who stressed the importance of education, as well as Korea's long-standing fervor for education, as noted in the writings of Hamel. Other key figures include bureaucrats who were educated during the modernization of the Japanese colonial period and officials who studied abroad or received their education through government organizations.

Between 1959, during the Rhee Syngman government, and 1967, the number of level 1-5 administrative civil servants increased from 112,895 to 165, 159. In order to effectively carry out the Economic Development Plan, government officials were continually recruited, while most of those officials who were employed were assigned to work related to economic development. In the period following the coup d'état, the number of civil servants recruited through state examinations rose significantly from 204,000 in 1961 to 326,000 in 1968. Looking only at economic officials, the figure increased from 2,253 in 1967 to 2,930 in 1967 (Lee Sang-Cheol, 2012: 213-219). Through the establishment of the Board of Audit and Inspection in 1963, Park Chung-hee was able to monitor the corruption and compliance of government officials. In addition, Park focused on the establishment of the career civil service system and bureaucracy discipline, and also initiated various personnel management system reforms. In order to improve the quality of government officials, professional training was also strengthened in comparison to that which was offered previously. On

October 2 1961, educational training at the Cabinet office, as well as the Act for the Establishment of Central Officials Training Institute and its organization were announced. In addition, the Civil Service Training Act, targeted at civil servants below level one in the judiciary and the executive, was also announced. In the same year, on December 12, through the announcement of an enforcement ordinance, the legal and institutional basis of civil service educational training was finalized. In 1967, the Central Officials Training Institute under the Ministry of Government Administration was established, thereby implementing education through professional training programs in earnest (Kim Keunsei, 2012: 10). <Table 29> provides a comparative analysis of the bureaucratic system under the Park Chung-hee government and previous governments. In order to improve the efficiency of the bureaucratic system the system became based on performance, indicative of the typical manner by which developing countries aim to improve the quality of their bureaucrats.

<Table 29> Comparison of Personnel System by Administration

	Lee Syngman Government	Democratic Party Government	Park Chung-hee Government
Basic direction	Establishment of Modern Government Official System	Improvement of Expertise of Personnel Administration	Establishment of Government Official Discipline and Career Civil Servant System
Administrative Organization	Civil Service Office	Civil Service Secretariat, Personnel Bureau	Ministry of Government Administration

Education- Training	National Civil Service Training Center Directive (1949) Enactment of Civil Service Training Regulations (1949)		Establishment of Central Civil Service Education Center (1967)
Appointment & Promotion	Introduction of Open Competition System (1949) Introduction of Higher Entrance Examination (1949)		Qualifying Examination→Impartial Management of Recruitment Exam, Commencement of Work Performance Evaluation System (1961)

Source: Kim Keunsei (2012, p.11)

Members of the Economic Planning Board were, in the main, the key economic bureaucrats. This was because, while Park Chung-hee, who was of military origins, came to power with a desire for economic development, his understanding of economic policy itself was low, thus leading him to appoint key economic bureaucrats in order to draft economic policy. Former Deputy Prime Minister Lee Kyung-sik has pointed out that the high level of the Economic Planning Board became a means for dominating other departments.

“...At the beginning, all departments thought that the (economic) planning board was useless. At that time, number one department was the Ministry of Finance, and after that, even if it wasn't the best, the next level department was the Ministry of Trade and Industry. When we came in, these guys who were bank employees but hadn't even done the Higher Civil Service Examination came in showing some attitude, so the long-standing civil servants were not

happy at all...employees for the Budget Office were said to be in total opposition, asking why they had gone from the number one-ranked department to a third-level department...Also, if they were told to do something, officials from other departments would go along with the pretense of being scared of President Park, but secretly they'd complain a lot about our planning board. However, as time passed, the intelligence gap between their people and our people became huge. They were the kind of people who'd spend their time going out drinking whenever business people came, and we, on the other hand, thought hard about problems and tried to get things done. Nathan would come and so would IBRD, this training thing lasted for 3-4 weeks but at the end, the change in our levels was evident. And at the time, according to USOM Plans, one had to live and study for a year abroad and then come back. Which is why by 1967, all departments put their hands up in the air.”⁷⁰

The moving of the budget office, formerly a part of the Ministry of Finance, to the Economic Planning Board at the time of its establishment, was strongly opposed by employees. However, the low perception of the Economic Planning Board would appear to go onto change, with EPB employees eventually developing a sense of superiority over other departmental workers, thanks in part to their overseas training program. Although the internal Economic Planning Bureau of the EPB had the lowest status, it was through Park Chung-hee's full support that its standing was raised (Kang Kwang-ha et al, 2008: 143).

It may be argued that, among the ministers in charge of the Economic Planning Board, it was Chang Key-young who led the department to its strongest period. Appointed as the 8th head of the Economic Planning Board on

⁷⁰ Re-quoted from Kang Kwang-ha et al (2008, p.295).

May 10 1964, Chang Key-young had previously moved from the Research department at the Bank of Korea to manage the *Hankook Ilbo*, at which he built up a great deal of business contacts, and was thus a leading light of the real economy. In addition, after grasping the direction of domestic economy and driving through measures to solve the economic crisis in bulldozer-style, Chang Key-young ruled the department of the economy. Appointed as head of the Ministry of Commerce and Industry, Park Joong-hoon was given instructions by Park Chung-hee to achieve exports amounting to one hundred-million dollars in 1964. On June 12 of the same year, Kim Jung-ryum, the former Vice-Minister of the Ministry of Finance, was appointed to Vice-Minister of the Ministry of Commerce and Industry. Minister Park Joong-hoon was later appointed head of the Economic Planning Board, while Vice-Minister Kim Jung-ryum was promoted to head of the Ministry of Finance, and later replaced Minister Park Joong-hoon as the head of the Ministry of Commerce and Industry. Kim Jung-ryum was appointed as the President's Chief of Staff in 1969 (Oh Won-Cheol, 1999: 78).

The most important influences in the economic policy-making process in the 1950s and 1960s were economists who graduated from Seoul National University and intellectuals writing for magazines and newspapers with an especial focus on the economy, such as *Sasanggye*, the *Kyunghyang Shinmun* and the *Hankook Ilbo*. They played a key role in the policy decision-making processes of the Ministry of Reconstruction under the Rhee Syngman administration, the Ministry of Construction and the National Land Construction Project under the Chang Myon administration and the Economic Planning Board under the military government (Yoo Chul-gyu, 2004: 29).

<Table 30> Members of the *Sasanggye* Economics Team

Name	Occupation	Educational Background	Work Experience
Sung Chang-hwan	Korea University Professor	Gyeongseong Normal School Japan - Yamaguchi Normal School Kyoto University Economics Department	Pusan National University Professor (1952) Korea University Professor (1953) Chairman of the Supreme Council and Advisory Member of the Financial Supervisory Commission (1961) Non-Executive Member of the Economic Science Review Committee and Member of the Small and Medium Business Policy Review Committee (1964) KDI Chairman of the Board (1970)
Lee Sang-gu	Seoul National University Professor	Manchuria New Commercial School Oita Commercial High School Kobe University Economics Department	Siksan Bank (1942-1945) Korea University Professor (1946) Seoul National University Professor (1947-1965) Sungkyunkwan Professor (1965-1985)
Lee Jung-hwan	Yonsei University Professor	Dongnae High School Tokyo University Economics Department	Pusan University Professor (1946) Yonsei University Professor (1952) Vice President of the Economic Review Board of the transitional government (1960) Chairman of the National Agricultural Cooperative Federation (1962) Governor of the Bank of Korea (1963) Minister of Finance President of the Korea Development Bank (1964) Chairman of the Korea Productivity Center (1981-1984)
Lee Chang-ryul	Korea University Professor	Gyeongseong University Department of Law US - Washington University (Math)	Bank of Korea Survey Station (1951) Korea University Professor (1955) Foreign Capital Inducement Committee, Economic Science Review Committee member (1972)

<p>Yoo Chang-soon</p>		<p>Pyeongyang Commercial High School US-Hastings College</p>	<p>Head of the Bank of Korea Tokyo Branch (1951) Head of the Bank of Korea New York Office (1953) Bank of Korea Research Director (1957) Deputy Minister for Reconstruction Deputy Governor of the Bank of Korea (1960) Governor of the Bank of Korea (1961) Minister of Commerce and Industry (1962) Minister of Economic Planning Board (1963) Lotte Confectionery Chairman Chairman of the Korea International Trade Association Prime Minister (1982) Chairman of the Korean Red Cross</p>
<p>Lee Dong-wook</p>		<p>Waseda University Politics and Economics Department</p>	<p>Dong-a Ilbo (1947) Economic Planning Board Central Economic Planning Committee (1961) Director and Editor of the Dong-a Ilbo (1968) President of the Dong-a Ilbo (1977)</p>

Source: Reconstructed based on Chung Jin-A (2012, p.332-334)

Immediately after the 5.16 Military coup, the *Sasanggye* group served in an advisory capacity to the Supreme Council for National Reconstruction and the heads of each ministry. Kim Joon-yeop, an editor for *Sasanggye*, served as the chairman of the National Council for Reconstruction and Development under consultation with Jang Jun-ha, and Lee Jung-hwan became an advisor to the finance minister. Sung Chang-hwan and Lee Jung-hwan were the main academic representatives in the concrete drafting process of the first 5-year Economic Development Plan (Chung Jin-A, 2012: 351). In the economic field of the late 1950s to the early 1960s, the economic team of *Sasanggye* contributed key think pieces, and took a leading role in framing the discourse surrounding economic development. The *Sasanggye* economics team thought

that a private-led free economic system, by itself, could not achieve rapid economic growth focused on the reform of the industrial structure and the wider industrialization required in underdeveloped countries. They urged the government to actively introduce economic plans and called for the establishment of a central economic planning body to establish a national economic development plan. Since the ideas of the *Sasanggye* economic group were somewhat consistent with the military government's economic ideas, the group was able to act in an economic advisory capacity to the military government. In particular, the comprehensive industrialization strategy of the military regime had much in common with the developmental discourse of the *Sasanggye* economic team (Chung Jin-A, 2012: 358). In addition to this group, officials and economic experts such as In Tae-sik, Kim Yu-taek, Lee Ki-hong, Song Yin-sang, Song Jung-beom, Hwang Byung-jun, Choi Kyu-ha, Chun Byung-kyu, and Lee Han-bin, all of whom participated in the Asia Far-East Economic Committee, also greatly influenced the Economic Development Plan. By 1961, 6,000 high-ranking officials, including Park Chung-hee, had received their education in the US. In addition, some government officials had also directly experienced Japan's economic revival (Park Tae Gyun, 2000: 88).

While economists such as Choi Ho-jin, Park Hee-beom and Choi Moon-hwan led economic discourse in the early days of the military administration, in the 1960s, professors who studied abroad in the U.S. began to play a key role in economic policy decisions, and was also period in which able economic officials started coming up at the office-level. Under civil servants such as Jang Ki-young, Kim Jung-yul and Kim Hak-ryul, public officials who had passed the civil service exam, and had started at the Ministry of Finance and the Economic Planning Board, began developing. During the period in which Jang Ki-young was at the helm of the Economic Planning Board, Jang Ye-joon, Jung Jae-seok,

Woo Yong-hae, Kim Tae-dong, Lee Kyung-sik, and Lee Hee-il all became economic officials, while Kim Jae-ik, Lee Ki-wook, Kim Chan-jin, Jo Jung-je, Seo Seok-joon, Kang Kyung-sik, Kang Bong-kyun, Jeon Yoon-cheol, Han Lee-yeon, Jang Seung-woo, Im Chang-yeol, and Jin-nyum all came through the Economic Planning Board (Yoo Chul-gyu, 2004: 30). Influenced by American-style economics as a result of their studies abroad in the U.S during the 1960s and 1970s, the mainstream position in university economics departments became known as the so-called "Sogang School". Starting with Professor Kim Man-je of Sogang University, former head of the KDI, Lee Seung-yoon, Nam Deok-woo and Kim Byung-kook all played important roles in the economic policies of the 1970s and 1980s, and were all former professors at Sogang University. The KDI would also play an important part in determining economic policies.

The establishing task of the economic plan was to form working-level planning teams in order to draw up sector-specific plans based on its guidelines. The second project began in 1964, and took two years until July 1966. To draw up the plan, the government organized a total of seven working-level planning groups for each of the seven sectors, including an Aggregate division, International Balance of Payments division, Fiscal and Monetary division, Sector-planning division, Agriculture, Forestry and Fisheries division, Mining and Manufacturing division, and the Social Overheads Capital division. With these working-level planning groups at its center, the most important feature in the process of drawing up the second plan was that the plan was set up by the officials of the Economic Planning Board. The plans of the Aggregate division, International Balance of Payments division and Fiscal and Monetary division, all of which pertained to the overall plan, were led by the officials of the Comprehensive Planning, Financial Planning, and Price Policy departments of

the Economic Planning Board's Economic Planning Bureau. The Sector-Planning division, which calculated the investment needs and revenue needs for each of the 43 sectors, was led by the Comprehensive Planning department of the Economic Planning Bureau. The Economic Planning Bureau's Investment Planning Department led the working-level planning teams for agriculture, mining and manufacturing, and social overhead capital sectors that were organized to review individual investment projects submitted based on the development strategies presented in the Guidelines for Preparation of Plans. While officials from other government ministries, planners and technicians of state-run companies and their departments participated in the working-level planning team in this process, their positions were strongly believed to help or support the Economic Planning Board (Kang Kwang-ha et al, 2008: 88-90).

**<Table 31> Composition of the Working-Level Planning Groups of the
2nd Stage Plan**

Working-Level Planning Team	Lead Official
Aggregate Division	Economic Planning Bureau of the Economic Planning Board (Comprehensive Planning Department, Financial Planning Department, Price Policy Department)
International Balance of Payments Division	
Fiscal and Monetary Division	
Sector-Planning Division	Economic Planning Bureau of the Economic Planning Board (Comprehensive Planning Department, Investment Planning Department)

Agriculture, Forestry and Fisheries division	Economic Planning Bureau of the Economic Planning Board (Investment Planning Department)
Mining and Manufacturing division	
Social Overheads Capital division	

Source: Economic Planning Board, 『The Development Period of Economic Policy-Economic Planning Board: A 20-Year History』, 1982; Kang Kwang-ha et al, (2008, p.90) ibid

Any investment project plans drawn up by the government or ministries had to first be submitted to the Economic Planning Board. The investment planning department of the Economic Planning Board assessed and prioritized investment project plans in terms of their contribution to production, employment, and the international balance of payments. Then, the 10 industrial committees, which were set up within the working-planning team of the Mining and Manufacturing division, and which consisted of workers from each of the government ministries and state-owned development banks, assessed economic and technical feasibility, with only the most suitable being reflected in the actual economic plans (Kang Kwang-ha et al, 2008: 91; Lee Jin-seo, 1981: 31). The Economic Planning Board played a leading role in the process of establishing the second plan, while the other ministries of the executive branch played a supporting role in the work of the Economic Planning Board. A number of foreign experts also participated in the establishment process of the second economic plan. On the question of how to regard the role of foreign experts, former Deputy Prime Minister Jin Nyum stated the following:

“Economic planning itself has very much upgraded to a world-class standard. However, a good plan is not the same as a successful plan. In this

sense, we do have governance issues. As we didn't have an accumulated body of information or statistics, they've contributed to creating more advanced and upgraded economic plans. In terms of our officials and other related figures in their views on economic planning, their influence on how to approach problems, and improving quality, I think they have contributed greatly".⁷¹

<Table 32> Participating Foreign Experts in the Establishment of the Second Stage Economic Development Plan

Year	Organization	Foreign Expert	Duties
1964	USAID	Nathan Advisory Group	Econometric Model Development Technical Support
1965		Edward Shaw John Gurley Hugh Patrick	Monetary Institutions and Policy Development
		Richard Musgrave	Tax and Financial Policy Development
		Peggy Musgrave	Trade Policy Development
		Irma Adelman	Aggregate Model Development

Source: Cole and Nam (1969), p.13-14

"Export-First" was a new important project that was not included in the five-year plan. Export policy was led by the Ministry of Commerce and Industry which held a monthly export meeting, under the chairmanship of the president,

⁷¹ Quoted from Kang Kwang-ha et al (2008, p.329).

to decide on important policies.

The working-level planning group of the third economic plan was divided into a sub-committee on comprehensive policies and a sub-committee on industrial policies, with a total of 14 being operated. However, unlike the establishment of the second plan led by the Economic Planning Board, the third plan was developed under the leadership of those working in related government ministries. According to the Regulations of the Economic Planning Working Committee, the working-level planning team consisted of those appointed by the Chairperson (the Vice-Minister of the Economic Planning Board) among the working-level planning officials of the agencies concerned and academics and experts involved in economic planning.⁷² In order to smoothly coordinate the development strategies presented in the respective sector plans and plan preparation guidelines established by the relevant agencies, an official belonging to the Economic Planning Board was appointed to the secretary of each of the working-level planning groups.⁷³ Another difference from the second plan was that the participation of Korean domestic experts was greatly expanded, while the participation of foreign consultants and experts was significantly reduced.

Foreign experts such as I. Adelman, D. Cole, H. Chenery, B. Balassa, L. Westphal, and R. Johnson did participate, but with the exception of L. Westphal the remaining participants only visited temporarily in order to submit policy reports for a specific task.⁷⁴

The sector-specific plans of the fourth economic plan were drawn up in early 1975 and consisted of a total of 22 working-level planning groups centering on

⁷² Presidential Order No. 3787, 1969.3.3. Article 4, Paragraph 2

⁷³ Presidential Order No. 3787, 1969.3.3. Article 7

⁷⁴ Kang Kwang-ha et al (2008, p. 92)

management departments.

<Table 33> Current State of the Working-Level Planning Groups of the Fourth Economic Plan (July 1975)

Supervisor	Working-level Planning Group	Group Head	Group Members	Assistant Administrator
Economic Planning Board	Comprehensive Planning	Deputy Minister of Planning	KDI Chief Research Institute (Song Hee-yeon, Kim Yoon-hyung), Bank of Korea (Ministry of National Income, Department of Industry-linked Analysis, Director of Special Research	Comprehensive Planning Division
	Price Distribution	Director of Price Policy	Economic Planning Board (Director of Price Policy, Head of Price Statistics in the Department of Statistics), Agriculture and Fisheries Market Director, Department of Commerce and Industry Consumer Economy Director, KDI (Song Hee-yeon, Kim Yoon-hyung), Director of the Price Research Division of the Bank of Korea, Director of the Information Office of the Long-Term Resource Management Committee, Secretary General of the Korea Marketing Center	Comprehensive Planning Division

	International Cooperation	Director of International Cooperation	Economic Planning Board (Director General of Economic Cooperation, Senior Head of Foreign Capital and Senior Head of Investment Promotion), Economic Cooperation Director of the Ministry of Foreign Affairs, Director of the Ministry of Finance (Head of the Foreign Exchange Fund, Head of International Finance), Head of Import Planning at the Ministry of Commerce and Industry, KDI Seo Seok-tae, and the Bank of Korea (Head of International Balance of Payments Division, Financial Statistics Division)	Funding Planning Division
	Population Planning	Director-General of Statistics	Economic Planning Board (Head of Population Statistics, Kim Nam-il and xxx), Ministry of Health and Social Affairs (Private Secretary of Family Planning, Head of Foreign Migration), Head of Land Planning at the Ministry of Construction, Head of Housing and Urban Affairs at the Ministry of Home Affairs, Head of Seoul City Planning, KDI (Kim Dae-yung, Kim Seon-woong) Family Planning Research Institute Go Gap-seok, Chief of Population Problem Research Choi Yung-hae, Seoul National University Professor Kwon Tae-wan, Hongik University Professor Park Nae-yung, Donga University Professor Park Jae-yung, Kyunghee University Professor Lee Han-soon, Seoul Women's University Professor Yoon Jong-gyu	Investment Division 4

<p align="center">Economic Science Review Board</p>	<p align="center">Resource Planning</p>	<p align="center">Senior Head of Research and Analysis</p>	<p>Fourth Secretary Jeong Hae-ju, Ministry of Agriculture and Fisheries (Head of Food Planning, Head of Fertilizers), Ministry of Commerce and Industry (Head of Energy Development, Head of Petroleum, Head of Steel Manufacturing, Head of Mining, Head of Organic Chemistry, Head of Raw Fibres, Head of Metals), Director of the Korean National Forest Service Bae In-hwan, Bank of Korea director Lee Sang-geun, technical head of Korea Research Institute of Science and Technology Park Han-woong, KDI Chief Researcher Yoo Byeong- seo, Korea University Professor Choi Yung-park, Head of Natural Resource Development at Korea Industrial Development Research Center Kim Won-joo, Industrial Head of the Federation of Korean Industries Om Ki-seop, Seoul National University Professor Shim Jung-seop, Kookmin University Professor Kim Bong-gu., Head of Support and Development at the Research Center for Geology and Minerals Kim Won-joo</p>	<p align="center">Investment Division 2</p>
<p align="center">Ministry of Finance</p>	<p align="center">Financial Planning</p>	<p align="center">Assistant Minister for Taxation</p>	<p>Head of the General Budget Division of the Economic Planning Board, Official In-Charge of Indirect Taxation at the Ministry of Finance, Head of the Tariff System, Ministry of Home Affairs (Head of Finance, Head of Taxation), Head of Education Finance at the Ministry of Education, Park Jong-gi of the KDI, Kim Sang-</p>	<p align="center">Funding Planning Division</p>

			<p>hoon at the Bank of Korea, Sogang University Professor Kim Jong-in, Korea University Professor Kim Wan-soon</p>	
	Mobilization of Domestic Capital	Chief of Financial Affairs Bureau	<p>Vice Head: Director General of Financial System at the Ministry of Finance , Ministry of Finance (Second Head of Financial Affairs, Person In-Charge of Financial Systems, Director of Financial Policy, Second Head of Securities, Head of Insurance), KDI (Sa Kong-il, Park Yung-chul), Bank of Korea (Fiscal and Monetary Chief of the First Research Department, Chief In-Charge of Promoting Savings at the Savings Department, Head of Department of Analysis at the Second Research Department), Credit Manager</p>	Funding Planning Division
Ministry of Agriculture and Fisheries	Agriculture Fishery	Head of the Department of Planning and Management	<p>Head of Customs Adjustment Department at the Ministry of Finance, The Ministry of Agriculture, Forestry and Fisheries (the head of Agricultural Planning, the head of Agricultural Statistics, and the Chief of the Agricultural Economic Research Institute), the head of Planning and Management at the Korea Forest Service, the head of Planning and Management at the Fisheries Agency, the head of Planning and Management at the Rural Development Administration, KDI (Chief Researcher Moon Pal-yong, Guest Researcher Ban Seong-hwan), the Head of the National Agricultural Cooperative Federation's</p>	Investment Division 1

			research team Choi Byung-hwang, the National Federation of Fisheries Cooperative's Head of Planning and Research Shin Young-joong, Professor at Korea University Kim Joon-bo	
Ministry of Commerce and Industry	Energy Planning	Assistant Minister for Natural Resources	Department of Commerce and Industry (Director of Energy Development, Director of Mining), Director of Water Resources at Ministry of Construction, the Office of the Industrial Advancement Administration, Director of the Ministry of Science and Technology, Director of the Forest Service, Director of Seoul Industry, KDI Chief Researcher Kim Yoon-hyung, Head of the Research Division of the Korea Development Bank, Financial Executive Director of Korea National Oil Company, Head of the Coal Development Team of Korea Resources Corporation Song Tae-yoon, , Director of the Korea National Coal Corporation Na In-gu, Park Won-hee of the Korea Institute of Science and Technology, Yonsei University Professor Han Man-chun, Head of the Korea Industrial Development Research Institute Baek Young-hoon	Investment Division 1

	Heavy Industry Planning	Assistant Minister for Heavy Industry	Ministry of Commerce and Industry (Director of Industrial Planning, Director of Heavy Industry, Director of Mechanical Industry, Director of Chemical Industry). Ministry of Finance (Head of Financial Systems Review, Director of Customs Service Division), Director of the Ministry of Construction's Industrial Location Bureau, Head of Human Resources Planning, Planning Officer for the Heavy and Chemical Planning Team, KDI Senior Researcher Kim Yoon-hyung, Korea Institute of Science and Technology (Jang Kyung-taek, Yoo Seong-jae), Head of the Korea Development Bank's Research Team Cho Yong-sup, Head of Research at the Korean Federation of Industries, Director of Research of the Chamber of Commerce and Industry, Director of the Korea Machinery Industry Promotion Association Song Byung-nam, Planning Director of the Korea Precision Industries Center, Shin Dong-sik of the Korea Institute of Marine Technology, Baek Young Hoon of the Korea Institute for Industrial Development	Investment Division 2
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	Light Industry and Chemical Industry	Assistant Minister for Light Industry	Ministry of Commerce and Industry (Director of Textile Industry, Director of Small and Medium Businesses, Director of Chemical Industry), Head of Customs Adjustment at the Ministry of Finance, Director of Forest Administration at the Korea Forest Service, Kim Young-bong of the KDI, Korea Institute of Science and Technology (Kwon Tae-wan, Ahn Young-ok), Choi Eung-sik of the Small and Medium Business Bank , Hwang Ki-gon of the Federation of Small and Medium Business, Kwon Hyuk-joong of the Spinners and Weavers Association of Korea, Yoo Hong-soo of the Chemical Fibres Association, Yang Woo-seok of the Plywood Industry Association, Ham Byeong-seo of Honam Ethylene Inc., Lee Jung-Ho of Rakhee Chemical, Lee Gyu of the Korean Petrochemical Association, Lee Jae-gon of the College of Engineering of Seoul National University	Investment Division 2
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	Trade Planning	Assistant Minister for Trade	<p>Ministry of Commerce and Industry (Export Planning Manager, Import Planning Manager), Ministry of Agriculture, Forestry and Fisheries Distribution Export Manager,</p> <p>Ministry of Finance (Head of Finance Policy, Head of Customs and Coordination), Ministry of Transportation's Head of Port Administration, Korea Trade-Investment Promotion Agency (Regional Research Director, Product Information Director) KDI Chief Researcher</p> <p>Hong Won-tak, Bank of Korea (Head of International Balance of Payments Division Head, Head of Financial Statistics), Director of Research of the Korea International Trade Association</p>	Funding Planning Division
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<p>Ministry of Home Affairs</p>	<p>Regional Social Development</p>	<p>Figure In-Charge of Saemaul Project</p>	<p>Ministry of Home Affairs (Saemaul Planning Director, Saemaul Head Manager Moon Chang-soo), Head of Saemaul Income at the Ministry of Agriculture, Forestry and Fisheries , Director of the Environmental Sanitation at the Ministry of Health and Social Affairs, Head of Overall Planning at the Ministry of Communication, Housing Chief at the Ministry of Construction, Korea Forest Service Forestation Manager Kang Ki-bong, Fisheries Cooperative Manager Kim Eung-soo, Manager at the Agricultural Economic Research Institute, Regional Social Development Director of the Rural Development Administration Dong Yeol-soh, KDI Guest Researcher Ban Seong-hwan, Director of the Saemaul Operation Division of the National Agricultural Cooperative Federation, Head of the Saemaul Lead Department of the National Federation of Fisheries Cooperative, Technical Director of the Korea Electric Power Corporation Seong Nak-jung</p>	<p>Investment Division 1</p>
<p>Ministry of Construction</p>	<p>Land and Industrial Location</p>	<p>Director of Land Planning</p>	<p>Ministry of Construction (Head of Land Planning, Head of Regional Planning, Head of Location Planning, Head of Waterworks, Head of River Planning), Chief Researcher at the KDI Song Byung-rak, Lee Jong-hwa of the Korea Institute of Science and Technology</p>	<p>Investment Division 3</p>

	Housing and City Planning	Director of Housing and Urban Affairs	Head of City Guidance at the Ministry of Home Affairs , Ministry of Construction (Head of Housing, Head of City Planning), Head of Seoul Housing Administration, Chief Researcher Song Byung-rak of KDI, Researcher Jang Jung-do of the Research Institute of Science and Technology, Seoul National University Professor Joo Jong-won, Head of Screening at the Korea Housing and Commercial Bank, Head of Planning at the Korea Housing Corporation, President of the Research Center of Urban Studies at Yonsei University Roh Jung-hyun, Chairman of the Korea Real Estate Society, Professor at Seoul National University Graduate School of Environment Studies Kwon Tae-jun, Korea Industrial Development Institute President Baek Yung-hoon	Investment Division 4
Ministry of Education	Educational Planning	Director of Planning and Management	The Ministry of Education (Secretary General, Head of Planning and Budget, Director of Industrial Education, Director of Finance and Education, Director of Facility Planning, Director of Foreign Affairs and Education, Director of National Sports) Professor Kim Jong-cheol of Seoul National University, Professor Lee Gyu-ho of Yonsei University, Professor Kim Sang-joo of Seoul National University, Kim Young-bong of the KDI, Kim Shin-bok of the Korea Educational Development Institute	Investment Division 4

<p>Ministry of Transportation</p>	<p>Transportation Plan</p>	<p>Transportation Coordination Office Manager</p>	<p>Ministry of Construction (Director of Road Research, Port Planning), Ministry of Transportation (General Planning, Director of Tourism and Promotion), Director of Planning and Budget at the National Railroad Administration, Director of Construction at Seoul Metropolitan Subway Headquarters, Chief Researcher Song Byung-rak of KDI, Director of Transportation and Economic Research at Korea Institute of Science and Technology Hwang Kyu-bok, Director of Research at the Korea Economic Development Association Kim Dong-kyu</p>	<p>Investment Division 3</p>
<p>Ministry of Communication</p>	<p>Communication Planning</p>	<p>Director of Planning and Management</p>	<p>Ministry of Communication (Director of Planning and Budget, Director of Friendship and Planning, Director of Management Improvement, Director of Electric Management Administration, Director of Radio Management Bureau), Yoo Hoon of the KDI, Kim Hae-dong of the Graduate School of Public Administration of Seoul National University , Director of Computer Science and Technology at the Korea Institute of Science and Technology, Song Ki-soo, Director of Electronic Engineering at the Korea Institute of Science and Technology Kim Jong-yeon, Korea Telecommunications Research Institute (Kim Chun-taek, researcher Nam Ki-man, Lee Jong-taek)</p>	<p>Investment Division 3</p>

<p>Ministry of Health and Social Affairs</p>	<p>Health and Social Security</p>	<p>Director of Planning and Management</p>	<p>Ministry of Health and Social Affairs (Director of Planning and Budget, National Assembly Director, Director of Health and Welfare, Director of Social Development, Director of Pension Planning), Head of Pension Planning at the Ministry of Government Administration, Head of Administration at the Ministry of Home Affairs , Director of Insurance and Management at the Office for Labor, Director of Planning and Budget at Ministry of Patriots and Veterans Affairs, Chief KDI Researchers Joo Hak-joong and Park Jong-gi, Senior Guest Researcher at the KDI Hong Moon-shin, researcher at the Korea Institute of Science and Technology Lee Byung-don, Seoul National University Professors (Park Hyung-jong, Heo Jeong, Han Dal-sun), Yonsei University Medical Professor Kim In-soon, Sogang University Professor Kim Jong-in, Sungkyunkwan University Professor and Director of the Labor Affairs Research Institute Tak Hee-joon, director of the Korea Hospital Association Choi Jin-hak</p>	<p>Investment Division 4</p>
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<p>Ministry of Science and Technology</p>	<p>Human Resources and Scientific and Technological Development</p>	<p>Head of Comprehensive Planning</p>	<p>Director of Population Statistics at the Economic Planning Board, Director of Industrial-Educational Cooperation at the Ministry of Education, Director of Office of Labor(Director of Budget and Planning Office, Occupational Training, Director of Labor Safety, Director of Labour Union, Director of Vocational Training, Director of Labour Standards , Head of Women and Girls' department) Ministry of Science and Technology (Head of Labour Force Planning, Head of Technology and Development, Ship research Center Head, Director of Ocean development Research center, Director of Economic Research at the Korea Institute of Science and Technology, Korea Advanced Institute of Science (Jeong Geun-mo, Yoon Deok-yong)Korea Science and Technology Information Center, Yoo Kyung-hee, KDI, Kim Soo-gon, Professor of Seoul National University (Ko Young-bok, Jung Kyung-hyun), and Federation of Korean Industries, Hong Young-pyo</p>	<p>Investment Division 4</p>
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<p>Committee for Administrative Reform</p>	<p>Development Administration</p>	<p>2nd Director of Research</p>	<p>The Research Center of Committee of Administrative Reform (Heo Suk, Jang Man-hoon, Choi Kyu-hak, Kim Nam-kwon), Director of the Economic Planning Board and Planning Director at Statistics and Research Bureau, Director of the Ministry of Government Administration's Central Electronic Calculation Center, the Ministry of Government Administration (Director of Group Management, Head of Human Resource Systems, Head of Education and Training Office, Head of Pension Planning Division), Ministry of Science and Technology's Kim Young-joong, civilian Park Eun-tae</p>	<p>Comprehensive Planning Division</p>
<p>KDI</p>	<p>International Economy</p>	<p>Chief Researcher (Kim Jeok-kyo)</p>	<p>Senior researcher at KDI Research Institute, Seo Seok-tae, Research Director at International Trade Association, Jeong Ik-joo, Director of the Federation of the Korean Industries' investigation team, Shin Bong-sik, Head of the Regional Research Department at the Korea Trade-Investment Promotion Agency, Jeon Myung-jin, Head of research Department at Foreign Economy Research Centre, Kim In-hong, and Head of the Survey Department at the Korea Exchange Bank, Park Tae-h</p>	

Source: Economic Planning Board Bureau of Economic Planning '4th Plan of Economic Development,' National Records Data, 1975, Kang Kwang-ha et al (2008, p280-284)

As <Table 33> shows, large numbers of private economic group representatives and academic experts participated as group members, as did

government officials from departments directly or indirectly involved. In the process of coordinating and deliberating the first and second plans, the Economic Planning Board took the lead while the other ministries played a supporting role, however, from the third plan onwards, office-level workers led the sector-specific plans while the participation of academics and representatives of related private organizations resulted in their viewpoints being reflected in policy (Kang Kwang-ha et al, 2008: 95-96).

*"...after all in 1972 things like the 8.3 measure, they were done very separately from the Economic Planning Board. After this the Heavy and Chemical industrialization project was done with Oh Won-Cheol too. Since the Economic Planning Board kept saying this is illogical and impossible, Oh Won-Cheol was kept for 2 terms straight and in the heavy and chemical industry planning team, Oh Won-Cheol was the head, Seo Seok-jun as the deputy head and the assistant secretary of the economic planning board's name was kept, but really it was former two that did everything."*⁷⁵

Oh Won-Cheol (1999) has argued that South Korea's economic development was achieved by 'Korean style Technocrats.' At the time, Korean officials were divided into administrative and technical officials. The lower the status of technical officials, the more the area being dealt with becomes more complicated, and the less able they are to understand anything other than

⁷⁵ Kang Kwang-ha et al (2008, p.331-332). Question from extract of interview with ex-chief of Economic Planning Board Jin Nyum was- "The Economic Planning Board is independent because it doesn't have a working site, and it raises new social issues while looking at the national economy from a holistic perspective, which seems to have its own advantages and disadvantages. For example, was there no such problem that if the Deputy Prime Minister or the President refuse to provide support, the things they claimed would never be formulated as policies?"

technical aspects directly related to their field, while administrative officials lacked technical common sense. According to Oh Won-Cheol's memoir, head figures from the Ministry of Trade and Industry in the 1960s were mostly administrative officials. Under the circumstances where a five-year plan was to be established, administrative officials did not have the basic knowledge of industry, electricity, mining, and so on needed for their work. Head of department of industry in Ministry of Trade and Industry Ham In-young (graduated from Seoul National University, Department of Engineering, Ph.D. in mechanical engineering from U.S.) , Head of Department of Mining Choi Hyeong-sup (Ph.D. in metal engineering in the U.S.), and Head of Energy department Sung Chan-yong (graduated from Guju University Engineering Department in Japan, math graduate from the US, held office as director of Gyeongsung Electricals).⁷⁶ To formulate the plan, Minister of Trade and Industry Jeong Rae-hyuk appointed engineers externally, hiring them from three of the four other agencies, excluding the Bureau of Commerce and Trade. Other than director-level officials, the department managers were mostly engineers, except for those from the Bureau of Commerce and Trade. It was a managerial technical official who drew up the first 5-year economic development plan. However, the technical officials of this period had no experience in drawing up economic development plans and no knowledge of the national economy, and thus the plan that was drawn up schedule was nothing more than a factory construction schedule. Up until the early 1960s, Korea did not have any technocrats capable of performing both technical and

⁷⁶ Head of department of industry in Ministry of Trade and Industry Ham In-young (graduated from Seoul National University, Department of Engineering, Ph.D. in mechanical engineering from U.S.) , Head of Department of Mining Choi Hyeong-sup (Ph.D. in metal engineering in the U.S.), and Head of Energy department Sung Chan-yong (graduated from Guju University Engineering Department in Japan, math graduate from the US, held office as director of Gyeongsung Electricals)

administrative roles, however technical officials went on to develop as technocrats as they moved ahead with the 5-year economic development plan. Moon Man-yong & Kang Mi-hwa (2013) have posited Oh Won-Cheol as the archetypal technocrat and a policy-maker that lead Korean industry.⁷⁷ Oh Won-Cheol, a graduate of Seoul National University's Chemistry Department, made his career as an engineer, joining the Army as an Air Force technical officer during the Korean War and participating in the establishment and operation of four airplane maintenance hangars until he left the military Moon Man-yong & Kang Mi-hwa (2013, p.226-227) posit Choi Hyung-seop and Oh Won-Cheol as two of this period's most prominent technocrats, positively regarding them as builders of institutions of science and technology.

While working at the Air Force's aeronautics repair hangar, Oh gained knowledge in mechanical engineering and worked for a newly-established car company after he was discharged from the military. In the late 1950s, along with around 10 people, including Lee Jong-jin, a former technology officer of the Air Force, Oh organized a club that held weekly discussions on Korean industrial technology, the content of which was eventually published as a book, entitled "The Problems of Industrial Recovery", in January 1961. In his book, Oh argued that the 5-year economic reconstruction plan needed to be established on a scientific basis, along with 'the scientificization of the people' (Moon Man-yong & Kang Mi-hwa, 2013: 234). As the military regime became established, Oh Won-Cheol was appointed to work as the head of the Committee for Planning and Research at the Supreme Council for National Reconstruction. Later, he was appointed as the head of the Chemistry Division

⁷⁷ Moon Man-yong & Kang Mi-hwa (2013, p.226-227) posit Choi Hyung-seop and Oh Won-chul as two of this period's most prominent technocrats, positively regarding them as builders of institutions of science and technology.

of the Ministry of Trade and Industry, and drafted the chemical industry section of the first 5-year Economic Development Plan, advancing oil refinery, fertilizer plant, and cement plant industries. After serving as the head of the Ministry of Trade and Industry's light industry division and head of standards, in 1964 Oh became the first director of the Ministry of Trade and Industry in charge of the field of key light industry exports, where he took charge of light industry export-oriented industrialization, including textiles, as well as personally overseeing the development of small and medium-sized businesses and, from 1965, personally drew up plans and pushed for the development of the petrochemical industry. Serving as the head of the Planning and Management Office from April 1968 and as the Assistant Vice Minister of Commerce and Industry and Energy from 1970, Oh also played a key role in the construction of a petrochemical complex in Ulsan. Oh conceptualized his policy-making rationale as "Impact Policy" (Oh Won-Cheol, 1999: 87). "Impact Policy" refers to a method that, after a strict process of selection, directly supports businesses, products or strategic industries capable of having a wider ripple-effect on the economy. It can be described as a uneven growth policy, or one of selection and concentration. With this policy as a basis, Oh argued that there was a need to focus on fostering strategic heavy and chemical industries such as machinery, steel, chemicals and shipbuilding. In November 1971, Oh Won-Cheol was appointed as the second senior secretary for economic affairs, a vice-ministerial level, and began the restructuring of the industrial sector in earnest.

In 1970, the government planned the so-called "Big Four Nuclear Plants" in order to foster the defense industry however, because of Japan's lack of cooperation, the plans made no progress. Oh Won-Cheol steadfastly expressed his view to Park Chung-hee that heavy and chemical industries were linked to

the defense industry, the latter would be able to sufficiently develop via domestic technology, and also urged switching to the armaments industry in case of emergency (Oh Won-Cheol, 1999: 388-391). Park Chung-hee established a new office for the Second Secretary of the Economy which would be responsible for special projects directly ordered by the president, and entrusted Oh with the fostering of heavy and chemical industries along with the development of the defense industry. Starting with the development of prototypes for basic weapons, Oh achieved the localization of core weapons, including rifles, tanks, helicopters, armored vehicles, guided missiles, as well as the reinforcement and modernization of military equipment (Moon Man-yong & Kang Mi-hwa, 2013: 237). At the end of 1972, Oh reported to Park on industrial reforms which would incorporate the Defense Industry Construction Plan, the \$10 billion Export Plan, and the Heavy and Chemical Industry Construction Plan. On January 30 1973, the Industrial Reforms According to the Declaration on Chemical and Heavy Industry was announced. In May 1973, the objectives of each industry were implemented when the Committee for the Promotion of Heavy and Chemical Industries, chaired by the Prime Minister, and the Planning Group for the Committee for the Promotion of Heavy and Chemical Industries, presided over by the Office of the Senior Presidential Secretary for the Economy, were formed. With the Office of the Deputy Presidential Secretary eventually taking charge of the Planning Group for the Committee of Heavy and Chemical Industries, Oh assumed responsibility for the promotion of industry - by guiding the establishment of successive factories equipped with infrastructure, including government-built sites, electricity, water and roads, Oh applied 'tactics of industrial development', and thereby lead the construction of heavy and chemical industrial complexes such as Yecheon Petrochemical, Changwon Comprehensive Machinery, and Onsan Non-Ferrous

Metals, and Geogae Shipbuilding. Oh Won-Cheol, who was neither a departmental minister nor an economic official, was in charge of official and practical execution of such a large project with the backing of the president's authority as the Senior Presidential Secretary. Kim Jun Houg & Eom Seok-Jin (2016) argue that, under such a top-down leadership structure which required strict obedience to a superior's orders, by identifying the causes of policy problems, in addition to pointing out and persuading Park Chung-hee of resolutions to such issues through ideas, as well as executing them, Oh Won-Cheol demonstrated his leadership qualities within a top-down structure.

3.2.2. Role of Thailand's Office of the National Economic and Social Development Board (NESDB) Officials

Thailand has been aiming to develop human resources since the first round of development. That's because most of the population is engaged in agriculture, and Thailand's low level of education and quality has led to a small number of people receiving a proper education. The problem has continued to be that there are many low-level civil servants in national administration, while trained officials with expertise and skill are hard to find. The nation's human resources problem has been a major stumbling block for the government to come up with and implement its economic development plan. Kunio Yoshihara (2000) argues that modern education was only introduced in Thailand at the end of the 19th century, and that Thailand's economic growth lagged behind Korea because it was mostly people who aspired to become high-ranking Buddhist priests or members of the royal family and bureaucracy who received the benefits of its introduction while most of the population remained lowly or uneducated. Thailand's bureaucracy, which appeared in modern times, is rooted in the 1960s when the Sarit government reorganized its economic ministries according to the

recommendations of the World Bank. Before the 1950s, the tradition of bureaucracy, dating back to the 19th century, was followed without major change. This background was partly influenced by the People's Party regime's preservation of the bureaucracy inherited from the monarchy, which through minimizing any operational disruptions that could occur in the process of government reform only allowed gradual administrative reforms. The systemic development reflected the generational changes, and the influence of Thai educated in the West and Thai officials in China led to the gradual rooting of "new development thinking." In other words, education began to play a central role in modernizing the bureaucracy, especially postwar modernization. The transfer of development technologies was slow, and information on development technologies could only be obtained by a small number of people who could study development economics and communicate in English, which is used by the international development community. Former Bank of Thailand President Chatu-Mongkol Sonakul says the following about changes in Thai bureaucracy since World War II:

"People before the war were one group. The people who ran the country after the war were either in England or America during the war, taking up PhDs or helping in the war effort. These people came back new and fresh; they never had to read up on the 1930s. These people were very instrumental, basically because they can read and write in English. At that time, there was no email and internet; there was only the telegram. The newspaper, Financial Times, wasn't delivered to in Thailand, so Japanese banks telegraphed us information and news from the Financial Times. New York and London contacts would also mail this to us. Very few people had information about the

things happening abroad. These people were also better educated because the education here [in Thailand] was still very limited. We are talking about a very few people – maybe four or five people.”

By all accounts, the most prominent and influential technocrat in the post-war period was Puey Ungpakorn, an economist who earned his doctorate from the London School of Economics and was Bank of Thailand governor from 1959 to 1979. A brief review of Puey's early government career provides a preview to his role in modernizing the technocracy. Among the few who at that time had been trained in economics outside of Thailand, Puey became involved in loan negotiations with the International Bank for Reconstruction and Development–World Bank (IBRD–WB) soon after he joined the finance ministry's department of the comptroller general in 1949. Subsequently, he was sent to the US for training under the World Bank. When he returned in 1952, he received a promotion to technical assistant to the permanent undersecretary of finance and later became the Bank of Thailand's deputy governor. Serving only a year in this capacity, he opposed moves by military members of the Phibun cabinet to take over a commercial bank. He resigned from his post, and was reassigned as economic and financial counselor at the Royal Thai embassy in Britain. With the ouster of Phibun, Puey returned to Thailand and assumed a much more pivotal role in managing the economy.

Puey was among those who engaged the IBRD mission and became the prime mover in the development of a core of technocrats that would initiate and follow through technocratic reforms. Having worked in the previous administration, Puey seemed well aware of what he was up against and used the World Bank to strengthen a reform agenda. Snoh Unakul, who joined Puey after returning with a PhD from Columbia University and stayed on to preside

over Thailand's economic take-off in the 1980s, says of this period:

“He invited the World Bank in order to impose [fiscal] discipline. This was difficult because there was always this tug of war between technocrats and politicians. This led to the creation of a new organization, the National Economic Development Board, and the recruitment from different ministries of people, mostly economists trained abroad. There were about 10 in the group, but later on, the number will grow. This group became the main group of technocrats in Thailand.”

Equally important, many technocrats who took over the economic ministries rose from within the ranks of technocratic institutions before they were sent abroad to pursue higher studies. This career path helped develop a core of technocrats who could integrate their long domestic experience in governing with western economic theories.

Sarit was more than receptive to the World Bank recommendations; he also provided the Thai technocrats the space to manage the economy with minimal interference (Suehiro 2005). In fact, partly as an attempt to distinguish himself from his predecessor, and partly responding to the international donor demands, Sarit promised a greater role for the technocracy in macroeconomic policymaking and economic growth based on the private-sector. This two-pronged approach to development was expressed in the creation of the National Economic Development Board (NEDB) and the Board of Investment (BOI), both under the Office of the Prime Minister. The NEDB initiated and led the national planning process while the BOI administered the grant of fiscal and non-fiscal incentives to encourage business participation in industrial

development.

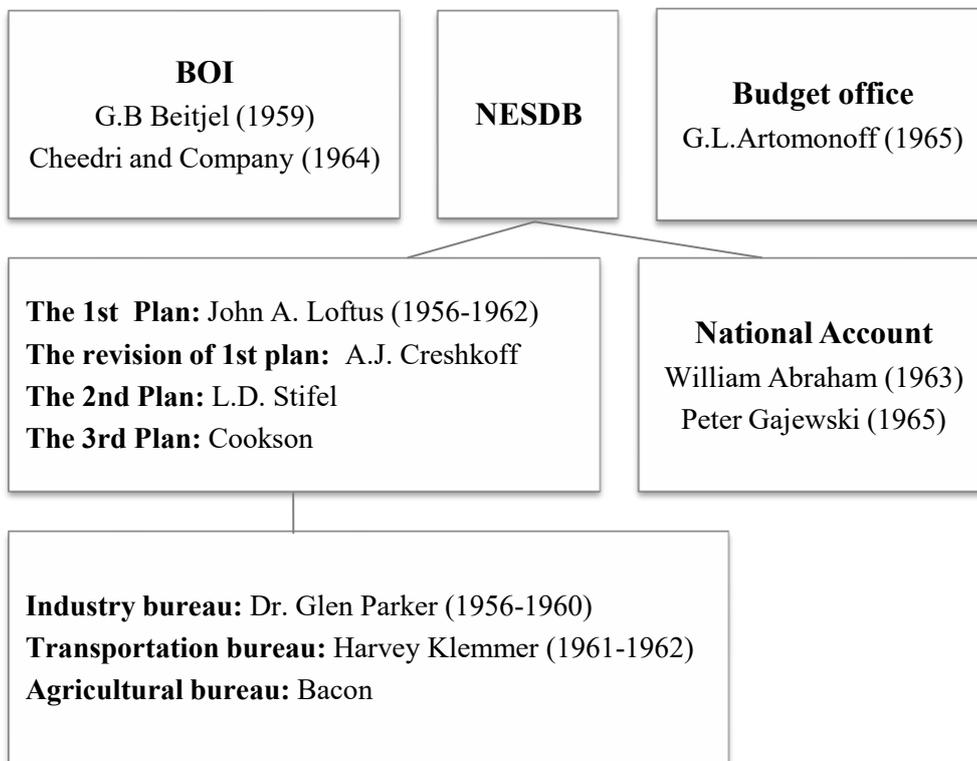
In contrast to the East Asian experience where central planning was used to implement an interventionist industrial policy, planning in Thailand signaled the start of the state's more conscious withdrawal from the economy. Planning began in 1961 also as a way for the government to more efficiently and effectively provide public goods and manage foreign debt. Snoh explains the evolution of development planning in Thailand up to the 1980s:

“In macro planning, we started with infrastructure. We tried to disengage from state enterprises, and accumulate capital and channel this mostly into public infrastructure projects. These were the main development expenditures. I call this the holy trinity of roads, water, and power because wherever we went, we had to first build a road. Then, the beginning of Sukhumwit and Ploenchit roads was the end of Bangkok. We first had to build an economy that was connected. We had to accept the high cost of debt. This was the reason why we adopted multi-year expenditure plan. We needed to go into a long-term repayment period for the construction of roads, dams, power. We had to have a long-time horizon. We had to commit the budget for that number of years. We needed discipline to do that because the other interest [among politicians] was to disperse the money for other purposes. We needed to focus the budget on a few things.”

The NESDB hired more graduates trained in foreign universities as technocrats and strengthened graduate student overseas training programs with support from the AID, the United Nations, the Colombo Plan and foreign governments. Planning agency officials have been dispatched by experts from

the World Bank, AID, I.L.O. and Colombo plan. Thailand's preparation of its economic development plan was made by experts dispatched from abroad. <Figure 8> summarizes foreign experts involved in economic development plan.

<Figure 8> Foreign experts involved in Thailand economic development plan



In 1959, the first Cabinet meeting was held to establish the NESDB in Thailand. At the first meeting, the National Economic Development Council Act was enacted and members of the committee were selected. According to the minutes kept at the National Archives of Thailand, the names of 45 members

remain, but their exact careers are not recorded. Half of the 45 technocrats with recorded careers were identified as soldiers. The fact that Sarit was a military man suggests that the committee includes a large number of military. On the other hand, most of the nine permanent members who played a key role in economic development were economic officials. They also studied in the U.S. and Europe and had advanced degrees.

<Table 34> lists the standing members of the NESDB. They were responsible for providing economic-related counseling to ministers of different ministries, including the prime minister.

<Table 34> Committee Members of NESDB

(Date: August 10, 1959)

Position	Name	Experience
Committee Members	M.L Dej Snidvongs	-PhD in Economics -Studied in Switzerland -President of Bank of Thailand (1949-1952)
	Pote Sarasin	-Studied in the US -Graduated law school in UK -Ambassador to the United States
	Thawi Bunyaket	-Graduated UK's King's College -CFPPA Graduate (French agricultural program) -Prime Minister of Thailand (1945-)
	Muni Mahasantana Whaechayanrangarit	-Graduated from an Italian college -Minister of Education -Minister of Commerce
	Chitney nawisatian	-Military Academy Graduate -Vice-Minister of Defense

	Leng Srisomwongse	-Successive President of Bank of Thailand -Successive Minister of Finance
	Puey Ungpakorn	-Studied in the UK -President of the Bank of Thailand
	Chari Sintusophon	-Lieutenant in the Navy
	Charung Phontakun	-Civil Servant in the Ministry of Agriculture

Source: National Archives of Thailand

With the exception of a few elite economic officials, most of the officials belonging to the NESDB were administrative officials. The shortage of manpower was either drawn from other ministries or hired in a supported format even if they were without professional knowledge. The lack of technical officials was a practical problem in Thailand, highlighted by the Thai government in its economic development plan, and along with measures for education and human resources development policies were implemented but not improved. A small number of economic officials were also limited in their contribution due to the ambiguous positions and functions of the NESDB in the government. Sarit minimized his involvement in the economic policies of technocrats, but the autonomy of the NESDB was not guaranteed in relations with the ministries that were absolutely superior. Korea's Economic Planning Board could change its status with the president's confidence. Nevertheless, the Economic Planning Board was run efficiently thanks to its location and function within the government. Also, competent officials have often exercised leadership in economic development, and Park Chung-hee also saw the government's active role in the development theory as the reason for Korea's economic growth due

to its strong will and ability to develop the economy. Thailand, on the other hand, was not in a position where the NESDB could play a leading role in development, as we saw earlier, and its functions were very abstract. Despite Sarit stating during the Sep. 19th 1957 coup d'état that economic development was needed, he did not put forth much in the way of policy until he met with the U.S president and an economic expert while on a visit to the United States for a surgery, after which Thailand's economic development began to be shaped (Sonsuphap, 1996: 4).

Thailand's politics has long experienced discontinuous change and breakup, led by a small elite group, lacked public links or communication, and instead showed a top-down hierarchy based on the patron-client system of interest among these political elites. Since the late 1950s, the Thai political and economic establishment has been driven by the "triple alliance" of military, bureaucracy and Chinese capital. Mutual trade was formed by three-way sponsorship-benefitism, and corruption grew as a result (Yoon Jinpyo, 2003: 184).⁷⁸

Thailand's pre-modern bureaucracy has been the biggest obstacle to economic development. After Sarit took power, the politician began to run his business. The ex-modern bureaucracy has caused the Thai economy to have the most serious problems. The income gap between Thailand's classes, cities and rural communities is very high. Starting with the fourth economic development

⁷⁸ It was not that there was no corruption in Korea's economic growth process. Rather, there has been constant criticism of corruption. In the process, corrupt relations between the government, chaebol and politicians were among the most internally criticized during the nation's economic growth process. However, both Amsden (*Asia's Next Giant*) and David Kang (*Crony Capitalism*) have noted why this corruption in Korea is different from other developing countries. Amsden emphasized the fact that corruption existed through the framework of "Korea Corporation," but the government, officials and chaebol moved swiftly for a particular policy, and Kang argues that it contributed to the efficiency of industrial policy because corruption reduced the government's involvement process, unlike the Philippines. Although these analyses are pioneering, they still need more empirical evidence.

plan, the plan aimed at balancing classes, cities and rural areas has failed, but the income gap between those who benefited from the previous bureaucracy and those who did not and those who did not, has not decreased.

As analyzed above, Korea and Thailand both had pilot institutions for drafting and implementing economic development plans, with professional technocrats assigned. However, there was a big difference between the agencies and technocrats in both countries.

First, there were differences in the status and role of institutions between Korea's Economic Planning Board and Thailand's NESDB. Although South Korea had the right to make practical drafting, coordination, and practice, Thailand could not perform more than a consultative role.

Second, there was a difference between Korean and Thai officials. The officials in Korea who worked at the pilot institute were the econocrats with professional economic knowledge. In Thailand, however, some of the econocrats participated, while others were just ordinary administrative officials. There was a limit to their professional advice and coordination

Third, there was a difference in the extent to which the leaders of the two countries supported and trusted the pilot institutes and the econocrats. In Korea, in particular, the leader's full support of the econocrats helped push policies efficiently, despite the fact that it helped the collapse of the bureaucracy. Thailand, on the other hand, has not only differed depending on the regime, but also has not been systematized enough to control the overall economic policy, even if it has confidence and support.

4. Review of External Factors

4.1 Review of U.S Factors

4.1.1 Foreign Policy of the United States and Korea

After the Korean War, most of Korea's production facilities were destroyed and received huge amounts of aid from the U.S. at a time when postwar reconstruction was urgent. U.S. aid is implemented as part of foreign policy and is provided with a combination of moral, political, military and diplomatic perspectives in addition to U.S. economic interests (Chung Il-Yong, 1987: 84).

For this reason, the nature of Korean aid has also changed in accordance with U.S. foreign policy. The aid of the 1950s and the aid of the 1960s had a completely different personality.

The U.S. aid policy, which put the European region first during the post-war period, began to change as of 1948. In 1947, the U.S. declared a 'confrontation with communism' in earnest through the declaration of the Truman Doctrine. As part of the Foreign Assistance Act of 1948, the European Revival Assistance Plan was enacted by the Secretary of State Marshall and the Economic Cooperation Act was established to ensure the political stability of the recipient country, prevent communism, and secure the commodity and capital markets by inducing the U.S. capitalist system (Chung Il-Yong, 1987: 85).

Before the 1950s, American aid policy was still unorganized. There had been many changes, especially in relation to East Asia. Most of all, the Communist Revolution of China in 1949 changed to a "reverse course" policy toward Japan, and it needed a change in its strategy to make China an Asian partner. The U.S. was a Cold War strategy to restore Japan via economic development and place

anti-Communist rule by placing Japan at the center of Asia instead of paying its price as a defeated country (Park Jin Hee, 2003: 105; Rhyu Sang-young, 2002: 226). However, in terms of the content of the aid, various types of aid were being implemented at the same time.

Under the influence of Kennan's containment policy, there were both economic aid-oriented policies to achieve economic revival through aid, and military aid to prevent expansion of the Soviet Union. Also, aid for areas that needed urgent relief after World War II, and areas that were occupied by the United States, had the nature of the slogan. The NSC 48 and NSC 68 documents of 1949 and 1950 show that American aid was not tied together in a framework at that time (Park Tae Gyun, 2006, 112).

Before the outbreak of the Korean War in 1950, economic aid was the focus in Asia rather than military aid. The United States expanded its ECA aid to Asia after the Title IV of the Economic Cooperative Federation Act of 1948 passed. Its reach expanded from China to Thailand, Indonesia, Burma, and the Philippines and after the communist takeover of China, to Korea as a major recipient (Park Tae Gyun, 2003: 28).

Asia's ECA aid was originally aimed at China, but when China communized, the U.S. changed its target area to South Korea. The ECA's aid plan set up a fertilizer factory in South Korea and planned \$150 million a year in aid for capital goods, not consumer goods. But when the Korean War broke out, the focus of the U.S. aid program was shifted to military and defense assistance.

At that time, the U.S. Congress criticized economic aid to areas with military and security risks like South Korea. There was an agreement between South Korea and the United States for military aid before the war broke out in 1950, but basically it was the U.S. policy at the time to minimize aid in the military and strengthen economic aid based on the NSC 8 document written in 1948.

Also, a U.S. military advisory group was deployed south of the 38th parallel, but the size of the Korean military could not be increased beyond a certain scale (Park Tae Gyun, 2006, 80).

Although it was aimed at preventing Rhee from forceful reunification with North Korea, criticism was raised over the policy when the Korean War broke out. Accordingly, the U.S. tripled its military spending during the Korean War. With the signing of the ceasefire, the U.S. conducted military aid-oriented aid. Already, the U.S. began to operate foreign aid based on military aid under the Mutual Security Act in the wake of the Korean War, which continued in the Eisenhower administration but because of the large scale of economic aid and in order to lower budget costs, military aid became the center of the U.S. government's fiscal spending rather than economic aid.

However, massive military aid to South Korea continued through the 1950s. In the event of another war on the Korean Peninsula, the U.S. would have to intervene deeply again, so it had to achieve a balance of power on the Korean Peninsula. However, worldwide, they had to cut back on aid, and to do so, they had to cut back on aid to South Korea (Park Tae Gyun, 2003: 32). Aid to South Korea began to decline sharply since 1957, and the U.S. government deployed nuclear weapons in South Korea to maintain a balance of power.⁷⁹

The change in U.S. aid policy was made entirely with the advent of the Kennedy administration in 1961. Economic aid had become the center. The system of providing loans for economic development started with the

⁷⁹ Kim Myung-Jin (2010, pp.169-195); Despite the lack of effects of U.S. aid in the 1950s, the Minnesota plan, which began in 1955, had a significant impact on the formation of a group of experts in Korea. In particular, under the plan, Seoul National University established a graduate school in public administration, while Yonsei University and Korea University also established business and administration departments. This has become one of the key grounds for Korea to have adequate governance when implementing economic development plans since the 1960s.

establishment of the Development Loan Fund in 1957, but it was with the Kennedy administration in which it began in earnest. The contents of the new U.S. aid package included first, the unification of foreign aid organizations; second, a shift toward economic development aid; and third, strengthening development loans and cutting back on free aid in response to them. The Foreign Assistant Act was newly enacted to reflect these changes (Kim Yang-hwa, 1984: 157-158).

Embodying the Kennedy administration's foreign aid policy was Walt W. Rostow, who compared communism to a contagious disease, saying that as diseases spread in places not healthy, communism spreads to places with a lack of social and economic health. Succeeding in economic reconstruction and socio-economic improvement prevents the spread of the disease (communism), argued Rostow, and this was accepted by the Kennedy administration (Park Tae Gyun, 2004, 136-166).

Several conditions were needed for economic aid. First of all, it was social reform within the state receiving aid. Without social reform, no amount of aid would be effective. The situation in the 1950s, when South Korea received the largest amount of aid from the United States as a single country, was a prime example. It said that the efficiency of development aid cannot be increased without replacing the existing corrupt vested interests. A report submitted under the 1960s government emphasized that no U.S. aid could be efficiently used because of various problems in Korean society (Chang Junkab, 2003: 185-212). Second, the recipient country should have a proper plan to implement economic development using aid. Without a plan, the aid could have no effect. Also, unlike free aid in the 1950s, the aid of the 1960s was a loan, so the recipient country had to pay back the money. Repayments had to be made via a certain plan which would provide profits. The recipient state had to make and submit a

plan, and the U.S. aid agency gave the loan after examining whether the plan was appropriate or feasible. Of course, these projects were relative to the economic level of the recipient country, and the U.S. aid agency also provided different types of aid depending on the economic level of the would-be recipient (Rhyu Sang-young, 2002: 229).

What should be noted here is that aid to Korea was not immediately changed to aid for large-scale economic development. This was because the socio-economic situation in Korea was not in a condition to start economic development right away. As mentioned in Chapter 2, the South Korean government drafted and implemented an economic development plan for the loan, but from the U.S. government's point of view, the plans were not realistic. Rather, the U.S. believed that the effectiveness of U.S. aid relied on implementations of reforms in Korean society rather than large-scale loans for economic development.

Therefore, the U.S. believed that a reform of Korean society and the Korean government was needed to make proper plans. For this, the U.S. first took a deep involvement in the policies of the Korean government after the May 16 coup. In particular, the United States had a strict stance on economic policies. The economic development plan drawn up by the military government was judged as socialist reform, and the currency reform was also opposed as a measure to maximize the nation's intervention in the economy without guaranteeing freedom of business activities. Eventually, the military government had to revise its economic development plan by the U.S., and the currency reform failed (Park Tae Gyun, 2000: 131-132).

It also intervened in Korea's economic development plans and economic policy legislation. In particular, the U.S. opposed the basic industry-centered plan, including heavy industries, which was included in the Korean

government's plan. Such plans require U.S. aid in the mid- to long-term, whose effects are questionable as well as the difficulty in maintaining such levels of aid. Most of all, the U.S. at the time judged that solving the problems in Southeast Asia, including Indochina, was more urgent than those of Northeast Asia, and it was more important to resolve the Cold War crises in other regions such as the Cuban Missile Crisis and the Berlin Crisis.

The Kennedy administration has begun organizing an emergency mission on Korean issues and coordinating the direction of Korean social reform and economic policy. As a result, Korea's economic growth rate was raised and its annual growth target was set, unemployment rate and low employment status were resolved, and the balance of income and exports to improve the average income of the farming villages and to reduce the trade deficit was presented as the most urgent task. To this end, it recommended the dispatch of an investigation team and an advisor to the International Cooperation Agency to support the establishment and review of the first economic development plan (Rhyu Sang-young, 2002: 233).

The Kennedy administration held an economic conference when Park Chung-hee visited the United States. <Table 35> lists participants in the Korea-U.S. Economic Planning Conference held on November 16, 1961.

<Table 35> Participants of the Korea-U.S. Congress on Economic Planning

(Date: November, 16, 1961)

Country	Name	Position
Korea	Park Chung-hee	Chair on Committee on National Reconstruction
	Chun Byung-Kyu	Military government's Minister of Finance
	Song Jung Bum	EPB Vice-Chair

	Chung Il-kwon	Ambassador to US
U.S	W.W Rostow	Head of Task Force on Korea
	Fowler Hamilton	AID Director
	Walter P. McConaughy	Department of State Undersecretary of the Far East Bureau
	Samuel D Berger	Ambassador to Korea
	Philip Trezise	Department of State Economic Assistant Secretary
	James S. Killen	USOM Director
	Avery F. Peterson	Department of State Assistant Secretary of the Far East Bureau
	James R. Fowler	AID Far East Deputy Director
	Leonard L. Bacon	Department of State Far East Bureau Deputy Director
	James A. Carey	Member of AID Far East

Source: "Memorandum of Conversation: ROK Economic Planning (November 16, 1961)." NSF, JFK Library; Quoted from Rhyu Sang-young (2002, p.234).

The U.S. continued to consult on policies even before the first economic development plan was drafted. The first 5-year economic development plan was drawn up by some of the highest-level economic officials, but had to accept U.S. demands after the first plan failed to work properly due to U.S. opposition. The U.S. began to intervene in Korea's economic development programs largely due to the aforementioned policies towards underdeveloped countries by Rostow. Rostow was of the view that the U.S. should step in to help develop plans for the developing world (Park Tae Gyun, 2004: 153-154).

The Kennedy administration accepted Rostow's policy and said it needed to continue economic stability, unbalanced growth and foreign capital utilization

in Korea's industrialization. However, the Park Chung-hee administration stuck to the 'growth-oriented' policy, and the first plan was to industrialize based on the theory of balanced growth, focusing on domestic consumption, unlike the U.S. intention. The U.S. was not able to afford large-scale aid to South Korea, and South Korea was judged to be unable to utilize such aid. Thus, they said that industrialization strategies focusing on labor-intensive light industries should be implemented first, and development assistance from Japan instead of the U.S. was needed. Accordingly, the U.S. planned economic and technical assistance from Japan in earnest by promoting economic cooperation between Korea and Japan through normalization of diplomatic relations.

In addition, what the U.S. demanded was to reduce Korea's trade deficit. The revised supplementary plan calls for reducing the trade deficit through exports, which was not in the first plan. This did not mean a shift to an export-driven industrialization strategy yet, but was meant to cut U.S. aid to Korea by increasing exports and reducing the trade deficit. When the revision plan was drawn up in 1964, the United States began to intervene in earnest to change Korea's economic policies. The key contents were fiscal stabilization through taxation reform, exchange rate realisation, and interest rate realisation policies. This was aimed at making the Korean government's economic policies compatible with the market economy, and to increase exports rather than to industrialize and replace imports. For the United States, it wanted to provide no more aid to make up for the Korean government's fiscal deficit. Along with this, it appears there was a purpose to make capital inflow of the U.S. into Korea easier (Kimiya Tadashi, 2008: 197-194).

Nevertheless, the provided capital of the United States by investors or public institutions via loan was initially unenthusiastic as a result of the belief that important conditions were not yet met. For example, in order to consult with the

military government, in 1962 Van Fleet sent a delegation to Korea. Van Fleet's delegation positively assessed the Korean economic development plan and investment plan, but they were not implemented. Said plans included aviation industry, steel plants, steel mills, chemical plants, aluminum production, the heavy and chemical industries, including the oil project, as key areas but was not implemented (Rhyu Sang-young , 2002: 234-235).

The Kennedy administration rejected foreign aid for the infrastructure construction project in the first economic development plan. This resulted in the Park Chung-hee administration applying for assistance to West Germany and other Western countries instead of the U.S. and speeding up the Korea-Japan agreement. After the deployment of Korean troops to Vietnam in the mid-1960s, the U.S provided special economic aid and bought Korean products for the war through the Brown memorandum. In addition, it provided many economic benefits to Korea by expanding the export volume of Korean products to the United States. Nevertheless, there was not much U.S. capital inflow to Korea outside the oil industry, and there was little direct investment in Korea, either. This shows that although the U.S. development aid had entered South Korea, there had been no room for the U.S. to intervene in the South Korean government's own economic policies.

The U.S. economic policy toward Korea appears the same in Korea's heavy and chemical industrialization process since the 1970s. Although the U.S. transfer of technology to Korea had become a very important precondition for the establishment of KIST and for laying the foundation for the defense industry, it was at the request of the Korean government, not the request of the U.S. government or private businesses. Putting aside the success or failure of the plan, it signifies that despite the U.S' massive foreign aid to Korea there was leeway for the Korean government to freely make policy decisions and

implement them.⁸⁰

4.1.2 The United States' Foreign Policy and Thailand

In 1948, Thailand asked the United States for weapons and military aid, but the United States was postponing the decision to aid Thailand. This is because China was not a big threat until then. However, as China was communized at the end of 1949, the United States decided that Thailand could not stop communism on its own and began to give weapons and military aid (Fineman, 1997: 66). At the time, the U.S. Department of State's stance was that they could not aid Thailand unless an anti-communism policy was proposed. Because Thailand had not made a political decision to side with either China or the United States, the United States could not readily give aid to a country that could support communism.

The United States quickly built a team including the economic ambassador R. Allen Griffin to five countries in the Indochinese region (Malaysia, Singapore, Myanmar, Indonesia, and Thailand) (Samuel P. Hayes, 1971: 226). Ambassador Griffin went to Thailand on April 4th, 1950. During his 12 day stay, he suggested that Thailand needed \$11,420,000 worth of technology and economic aid. In particular, the team pointed out the need to develop infrastructure in Thailand. The United States worried about the communization of Thailand through its Chinese community. Another concern was the possibility of the Chinese community capturing Thailand's rice production areas and controlling Thailand's economy. After visiting Thailand, Ambassador Griffin reported that Thailand needed political aid more than economic aid (Fineman, 1997: 115).

Through this, the United States government made Southeast Asian countries

⁸⁰ As the U.S. had less influence on Korea after detente, the U.S. had less room to intervene in Korea's economic policies. This was the same in politics. (Park Tae Gyun 2013, p.610)

become strong enough to stop communism and tried to protect the region's resources (Caldwell, 1974: 38). Afterwards, when the ECA was replaced with the MSA at the end of 1951, Thailand received \$7,000,000 worth of economic and technical aid. Thailand also received a \$25,400,000 loan from the World Bank in October 1950 to develop transportation and irrigation systems.

The Korean War also had a significant impact on United States aid. At the request of the United States, Thailand dispatched 4,000 soldiers to the United Nations during the Korean War and received free economic, technical and military aid from the United States in return. The Eisenhower administration believed the materialization of communism in Indochina and the expansion of communism were the biggest threat to Southeast Asia and deeply considered policies regarding this. In March 1954, Secretary of State John F. Dulles warned that "forcing the political system of Communist Russia and its ally China in Southeast Asia will be a serious threat to the liberal community". This led to the formation of SEATO in September 1954. The reason why Secretary of State Dulles enforced the establishment of SEATO was because he valued the political and psychological effect that official U.S. involvement would have on Thailand, the Philippines, Pakistan and other Asian countries (Jo Yanghyeon, 2015: 122).

From 1950 to 1954, the U.S. conducted small-scale aid projects in agriculture, transportation, telecommunications and electricity. After 1954, U.S. aid was divided into technical cooperation and defense support. Technical aid was strengthening the human and physical infrastructure that began in the early 1950s, and defence support was financial support to strengthen and develop Thailand's security structure. Over the next six years, U.S. technical cooperation gradually declined, while defense support increased significantly. From 1954 to 1959, no new U.S. projects were initiated, and in the same period

defense support greatly exceeded technical cooperation.

Under these circumstances, Sarit established a liberal economic system in Thailand through a second coup on August 20, 1958. The background behind this can be explained by the relationship between the U.S. and the Sarit government. Sarit launched a coup on September 16, 1957 that toppled the Phibun administration and appointed Pote Sarasin as prime minister. In reality Sarin had all the power, but he feared that if he became the prime minister the people would see him as a power-hungry traitor, so he made Pote Sarasin, a civilian, the prime minister. Sarit deprived those who supported the previous administration and those who disagreed with him of their positions. He also repealed operating rights of Sea Supply, a U.S. company in Thailand, and removed it from Thailand. This is because U.S. CIA(Central Intelligence Agency) agents secretly entered and worked in Thailand through Sea Supply. Sarit also abolished the National Economic Development Corporation(NEDC), a corporation established during the Phibun administration that was in charge of economic development consultations in Thailand. This was because most of the shares of the consulting company were owned by politicians that supported the previous administration. Thailand's economic activity came to a halt after Sarit's first coup. Because the Sarasin administration was Sarit's puppet administration, it was not doing anything. Moreover, economic policies were neglected because Sarit himself only focused on finding ways to sustain and increase his power.

Sarit's visit to the U.S. in these circumstances brought a big turning point to Thailand's economy. After the coup, Sarit went to the U.S. to receive treatment for his rapidly deteriorating health. Sarit met a U.S. economy officer while he was hospitalized in the Walter Reed hospital in Washington, D.C. This was when the U.S. began to have an opportunity to intervene in Thailand's economy.

After leaving the hospital, Sarit held meetings with President Eisenhower, U.S. Secretary of Defense McElroy, Deputy Secretary of Defense Bruchner, Deputy Secretary of Defense Sprague, Secretary of the Navy Quarles, Deputy Secretary of the Navy Gage, and Deputy Secretary of the Treasury Dillon.

After returning to Thailand, Sarit raised a second coup in 1958. The goals of the second coup were 'anti-communism' and 'establishment of a liberal economic system'. Because of Sarit's health problems, Thanom was the field marshal. The coup pledge was heavily influenced by the meeting with Eisenhower in the U.S. Sarit made it clear that Thailand supported U.S. anti-communism policies and that Thailand would do its best to prevent communism from spreading. Dillon emphasized the importance of private enterprise investment in Thailand to establish and develop a liberal economic system. Sarit accepted U.S. recommendations and undertook economic reforms based on liberalism and gave significant independence to ministries when executing internal administrative work. The Sarit administration is the only one in the history of Thailand when the Ministry of Education received the largest budget among all the ministries. This shows how much the Sarit administration focused on education development in Thailand (Thak Chaloemitirana, 1979: 134-139).

Sarit established the National Economic Development Board, a central organization that prepares long-term economic development plans for Thailand. This was to attract foreign investors through U.S. support. To encourage private company investments that the U.S. emphasized, the 'Industrial Investment Promotion Act' was enacted and enforced. This was an attempt to attract more income into Thailand by providing tax breaks to both domestic and foreign investors. Sarit's plan to encourage private investment is shown in the content of Article 33 of the Act of August 20, 1958.

- I. To prevent intense domestic industrial competition, the Thai government will not build any additional industrial plants.
- II. The Thai government will not transfer control of private companies to the government.
- III. The Thai government will provide foreign companies with the same support as domestic companies. To be specific, taxes will not be imposed on machinery or necessary commodities if a private company expands. For new private companies, taxes will not be imposed for a period of 2 to 5 years since sales begin. Private companies are allowed to export their products and remit domestically earned profits overseas.
- IV. The Thai government exempts the private industry from taxes when importing and exporting necessary products. However, this is limited to cases where imported goods are processed and exported.

Sarit accepted the U.S's request and changed the previous nationalist economic system into a liberal economic system. He also established the Board of Investment to actively attract domestic and foreign private investment. The National Economic Development Board was also established. For the first time in the history of Thailand, a long-term economic development plan was drafted and implemented. Under the New Look policy, the Eisenhower administration's foreign aid policy in the 1950s reduced financial aid and focused on military and security objectives. The Eisenhower administration's aid policy is characterized by its emphasis on aid through private capital rather than national finance (Park Tae Gyun, 2003: 33). Article 413 of the Mutual Security Act

stipulates that "promotion of free enterprise and individual participation" should be set up to provide domestic and foreign systems that can encourage the participation of private capital in foreign aid. The 1953 report from the Randall committee, directly supervised by the president, showed a reduction of aid in Asia and promotion of private capital investment.

In this context, the meeting between Eisenhower and Sarit shows that Thailand supported the U.S. foreign policy and fully applied it to Thailand's economy. 'Economic liberalization' was emphasized from the first plan to the third plan and was related to the impact of U.S. foreign policy. Thailand's economic development plan was written mainly by foreign experts sent from overseas.

The Sarit and Thanom administrations implemented a pro-America policy and maintained a close relationship with the Eisenhower, Kennedy, and Johnson administrations. McElroy, Beitzel, and Bowen, economic officials from each respective administration, visited Thailand, analyzed Thailand's economic status, and submitted a report to both governments' economic organizations. The two governments also reported Thailand's economic development level to each other through messages and consulted each other. During the Eisenhower administration, Secretary of Defense McElroy and Beitzel, two economic advisors that were close friends of Eisenhower, visited Thailand. After visiting Thailand, McElroy and Beitzel wrote the report 'Expanding Private Investment for Thailand's Economic Growth, USOM, Bangkok, 1959'. <Table 36> shows U.S. aid for Thailand from 1954 to the 1960s.

<Table 36> Aid from the U.S. 1954-1969

(Unit: \$ 1 Million)

Year	State/AID	MAP/MASF	MILCON	Etc.	Total
1954-1962	62.4	35.1	-	-	97.5
1963	25.9	17.0	-	-	43.9
1964	0.2	4.1	-	-	4.3
1965	0.3	3.4	26.0	-	29.7
1966	0.1	3.9	196.0	-	200.0
1967	0.1	12.9	121.0	1.8	135.8
1968	-	2.5	21.8	-	24.3
1969	47.6*	1.8	4.9	113.4	167.7

Source: US. Senate, United States Security Agreements and Commitments Abroad, Kingdom

*Includes the U.S. subsidy of \$46,600,000 from 1954 – 1969

**Includes the Distribution Development Project from 1962 – 1968

State/AID : State Department / Agency for International Development

MAP/MASF: Military Assistance Program / Military Assistance Special Fund

MILCON : Military Construction

LOC: Logistic and Communication

Through this process, in the early 1960s Thailand's foreign exchange reserves increased, malaria was partially eliminated, and regions where infrastructure building programs were executed became developed. Moreover, in 1962 the Laos crisis was stabilized through the Geneva meeting, and there were no security issues in rural Thailand. Thus the U.S. was less concerned about security problems. For these reasons U.S. aid continually decreased, and it was expected that the U.S. would no longer aid Thailand. U.S. aid in 1964 was the lowest in ten years.

Of course, the U.S. played a major role in writing Thailand's economic development plan. Economic experts dispatched from USOM worked out the plan in cooperation with officials from NESDB in Thailand. However, as mentioned above, due to the functional limitations of the Office of the National Economic and Social Development Board of Thailand, the role of foreign

experts was limited to consultants who made plans and advised about Thailand's economy.

Meanwhile, between 1965 and 1970, U.S. military support suddenly increased for has two reasons. First, as the U.S. became seriously involved in South Vietnam, U.S. aerial warfare with North Vietnam began in February 1965. The U.S. asked Thailand for an air base and facilities necessary for the war, and Thailand readily provided them. As quid pro quo for providing the U.S. with an air base, the U.S. aid program increased during this period.

The second reason is the communist revolution that happened in Thailand after 1964. Similar to other neighboring countries, revolutions influenced by the communist party and communism continued to happen in Thailand. The first officially established communist party in Thailand was the Chinese Communist Party of Thailand(CCPT), founded in either 1929 or 1933. In 1935 or 1942, a second Communist Party of Thailand was founded. These parties were weak before, but suddenly revolted between 1961 and 1962. In March 1962, a secret radio station called Voice of the People of Thailand began broadcasting anti-government programs from Pathet Lao.

Over the next two years, such revolutionary movement calmed down, but in 1965 an armed rebellion happened in the northeastern region. There was growing concern that Thailand would become the next Vietnam. The United States immediately increased military and economic support, and sent U.S. military advisers, scholars, and development experts. In October 1963 U.S. Ambassador Graham Martin led the expansion of the U.S. aid program. He continuously reported security issues in Thailand to Washington and Bangkok and demanded U.S. financial support.

Under Ambassador Martin's leadership, all interest and resources including USOM were focused on 'suppression of communist forces' in Thailand. U.S.

aid continued from 1965 to 1970, and focused on security programs for economically rural areas. The USOM's development program was focused on the northeast region, the most impoverished and politically sensitive area in Thailand. 64% of U.S. subsidies were spent on developing the northeast area in 1964. In the fiscal years of 1966 and 1967, 67.1% and 68.3% of U.S. subsidies were spent on the area, an increased amount (Sean Randolph, 1979: 247).

Thailand added social development in plans since the second economic development plan, and the emphasis on development of isolated areas was part of the U.S. development policy to stop the spread of communism in Thailand. The November 1965 USOM document about U.S. support divided the USOM-Thailand assistance program into two categories: 'suppression of communist forces' and 'nation-building.' Of the two, suppression of communist forces was set as the primary goal, and nation-building was listed as the secondary goal. The reasons why the U.S. did so are in the document "US Aid to Thailand-US Objectives."

"Thailand is currently of enormous strategic importance in terms of US national interests:

(1) Thailand is located in the midst of the all-out struggle between Free World and Communist forces in Southeast Asia.

(2) Thailand is formally committed to the side of the Free World despite its perilous location.

In this situation, we seek to make this area less susceptible to Communist influence. We are persuading and assisting the Thais to establish programs and take measures which will develop the depressed areas, economically and socially, and to promote the ability of rural peoples to help themselves increasingly. We hope thereby to lead rural peoples to identify themselves with

their government and look to that government for support and guidance.”

The goal of U.S. security aid is clearly shown in the above quote. USOM chief Howard Parsons said, “The priority development objective for all of Thailand's rural areas is to support the Thai government in responding to the needs of Thai people living in rural areas, thus stopping insurgent forces in these regions... It is constructing a bridge between the people and the government.” Here, the term ‘bridge’ meant the requests of the people and government support for local services. Plans for security development in rural areas also appear in the Accelerated Rural Development program (ARD). The goals of the ARD were: 1) to increase the income of rural residents 2) to strengthen the solidarity between the government and the people 3) to strengthen the local government.

It induced the execution of development functions by distributing central power to local governments and made governors responsible for regional development by increasing local government personnel. The USOM's goal was to bridge the gap between the people and the government through such distribution of power and decision-making. Despite specific plans, however, communist forces in Thailand continued to increase. Tracy Park, USOM chief, said in an interview in 1965:

“Economic development is, after all, one of the best counterinsurgency weapons we have. If we can develop among the rural people a friendship and loyalty toward their government, we shall have gone a long way toward making it possible for them to resist Communist subversion attempts from outside.”

USOM research conducted from 1966 to 1967 criticized that “Villagers ‘know about’ programs; but in their mind, there is practically no connection between ‘programs’ and the government's concern for their needs, problems, or opinions about how progress can be made.” Eventually, as the majority of USOM officials pointed out, despite foreign scholars’ advice and USOM efforts to stop communist forces in Thailand, the plan failed because of limitations in Thailand's political system. The lack of the Thai government’s willingness to carry out necessary actions and lack of attempts to identify the nature of the problem showed that U.S. aid could not be effective. Herbert Phillips commented on the key issue in Thailand as follows:

“(Local officials) resist foreign innovation in their administrative arrangements, and from their point of view, the resistance is quite justifiable. To them, a government agency exists not only to get a job done, but to provide the people in the agency... with status, power, and influence. To them, coordination with, as contrasted to domination of, other agencies is the first step in the relinquishment of one's own power and influence.”(Herbert Phillips, 1971: 22-23)

The USOM development program could not be successfully implemented because local governments did not cooperate with local interests and the interests of their ministries. For example, the ARD program conducted extensive research on the Northeast region with the ADB and proposed developing the livestock industry, which was in accordance with regional characteristics. The successful implementation of a plan depends on free market operation in the region. However, the plan could not be executed properly because Field Marshal Prapat and other politicians had a monopoly on the

region's livestock industry. It failed even when executed due to the politicians' profits. The plan and reports were suspended when submitted to Bangkok, and no funds were received from the banks. This example is merely one of many, and many plans were not executed or failed because politicians sought profits (Sean Randolph, 1979: 256). High-ranking Thai military officers owned major public and private companies. Phin (5 companies), Phao (11 companies), Siri Thanom (5 companies), Prama (7 companies), Sarit (10 companies), Praphat (10 companies), Thanom (5 companies), and many other military officers owned companies. <Table 37> and <Table 38> shows the number of politicians who were engaged in business.

<Table 37> Business Figures in Parliament

(Period: 1960s-1970s)

Business Date of Election	Total figures	Representatives
February 1969	100	219
January 1975	93	269
April 1976	82	279
April 1979	112	301

Source: Reprinted from Suriyammongkol & Guyot (1986, p37)

<Table 38> Businessmen in Thai Cabinet

(Period: 1963-1979)

Prime Minister	Beginning date of Cabinet	Number of businessmen	Percent	total
Sarit	Feb. 1963	0	0.0	14
Thanom	Dec 1968	1	5.6	18
Thanom	Mar 1969	1	4.0	25

Sanya	Oct 1973	4	14.3	28
Sanya	May 1974	3	9.7	31
Seni	Feb 1975	8	26.7	30
Kukrit	Mar 1975	16	59.3	27
Seni	Apr 1976	11	35.5	31
Thanin	Oct 1976	1	5.0	17
Kriangsak	Nov 1977	2	6.1	33
Kriangsak	May 1979	9	20.9	43

Source: Adated from Suriyammongkol & Guyot(1986, p.34) Table 8.

In a way, we can see that U.S. aid for Thailand was not an economic development loan that allowed Thailand to invest in strategic industries within Thailand's economic development plan. Of course, as mentioned in chapter 3, the impact of the U.S. on the development of Thailand's economic development plan cannot be denied. Nonetheless, U.S. aid is loyal to the U.S. principle to stop the Vietnam War and prevent the spread of communism in Thailand. It was not aid that helped change Thailand's industrial structure or prepare plans for changes in Thailand's economic situation in the long run. In South Korea's case, the establishment of KIST and the development of the defense industry through special economic development aid and technical assistance received from the Brown Memorandum is an example of how South Korea used U.S. capital and technology within its own overall economic development plan, but this was not the case for Thailand.

US military and security aid were given prioritizing U.S. security policies, regardless of overall economic plans. As a result, the U.S. military bases and the infrastructure built during the Vietnam War could not be a continuous help to Thailand's economic strategy. Development projects and industrial investment in Khon Kaen and Udon Thani, regions where U.S. bases were, were discontinued after the 1980s. Thus, once the Vietnam War and the security crisis in Thailand were resolved, the military infrastructure investment the U.S.

had made was no longer useful. This is significantly different from U.S. military base infrastructure investment in South Korea. The U.S. military bases in South Korea were near large cities, so investments had a strong synergic effect with industrial and commercial development in the cities.

On the contrary, U.S. investment made economic policies in Thailand that were favorable to U.S. companies through relationships with Thai politicians. U.S. companies gained enormous profits through the Investment Promotion Act enacted by the Sarit administration. Thai politicians earned personal profits by owning companies and by winning contracts for Thailand's development project. The U.S. played a role here as well. For example, U.S. companies made joint investments in Thai politicians' resource industries and earned exclusive rights. The companies then shared the profits with the politicians. Borrowing the perspective of Jung Eun Woo's research that believed the reason why economic aid in South Korea in the 1950s failed because of rent seeking, this method was one that could not create effective results. On the contrary, the research suggested this method should not be used in the 1960s.

<Table 39> Foreign Private Business Capital in Thailand,

(Period: 1961 – 1969)

(Unit: 1 Million Baht)

Year	Foreign Companies' Registered Capital in Thailand	Domestic Revenue from Foreign Companies	Foreign Companies' Revenue and Capital Sent Overseas	Total Investment
------	---	---	--	------------------

1961	32.4	120.9	204.9	-84.0
1962	43.4	156.7	204.7	-48.0
1963	152.1	348.2	194.5	153.7
1964	153.8	373.3	201.6	172.7
1965	112.4	603.7	205.0	398.7
1966	198.5	587.7	345.6	242.1
1967	400.4	869.5	377.4	492.1
1968	598.2	1,312.5	339.0	972.5
1969	230.2	1,090.0	420.3	669.7
Total	1,921.17	5,462.5	2,493.0	2,969.5

Source: Bank of Thailand

4.2 Review of the Japan Factor

4.2.1 The Korea-Japan Agreement and Korea's Economic Growth

Since the signing of the Korea-Japan Agreement in 1965, Japan's role in the industrialization of Korea has been very important. Korea-Japan claims negotiations in the 1960s focused on the 'economic development' issue and were conditioned on Japan's economic cooperation as part of the U.S. foreign policy (Lee Hyunjin, 2008: 91).

Even before the normalization of diplomatic relations between Korea and Japan, economic circles were already moving to promote economic exchanges between the two countries. To promote economic exchanges between Korea and Japan, the Korea-Japan Economic Association was established on December 27, 1960 by Japanese large capital and Korean diaspora (from Japan) capital. Japan's major general trading companies have been active in Seoul since the time of the Democratic Party's administration, predicting the normalization of diplomatic ties and actively engaging (Nishino Junya, 2015: 53; Lee Jung eun, 2017: 500).

The Korea-Japan Economic Observation Team shared opinions on the way Korea-Japan economic cooperation, and the exchange between the two countries evolved into institutionalization of exchanges and consultations as the normalization of diplomatic relations proceeded (Nishino Junya, 2015: 54-56).

The first Korea-Japan Joint Economic Council was held in February 1966. It was formally established in 1969 as the Korea-Japan Joint Economic Council and held a joint meeting once a year. Through the meeting, the business community of Korea and Japan urged the two governments to reflect the opinions discussed. At the political level, the Korea-Japan normalization talks allowed the two governments to closely consult on economic cooperation, aid and loan use. This economic cooperation between Korea and Japan is best seen in Japan's support for the construction of the Pohang Iron & Steel Mill.

Pohang Iron & Steel Co. was a special concern for the Korean government. In September 1965, the Economic Planning Board asked the Japanese government to send a steel research team to build a general steel mill. Based on the report of the investigation team, the comprehensive steel plant construction project became a core project of the second 5-year economic development plan. The Economic Planning Board established the Korea International Iron & Steel Institute (KISA) at the U.S. Copos, including seven companies from four countries, including Blonox, Westinghouse, Denmag of West Germany and Siemens, and Impianti of Italy (Oh Won-Cheol, 1999: 124-125).

KISA planned to borrow money from both the Export-Import Bank of Korea and the World Bank, but they took a negative view of Korea's plan. The failure of borrowing from international public financial institutions led Korea to plan to increase construction costs with the right to claim against Japan (Nishino Junya, 2015: 63). However, it was beyond the funding requirements set forth in the Act on the Management and Management of Claims (Act 1741,

February, 19, 1966). The scope of use of claims funds is as follows: First, the free money is equivalent to the introduction of raw materials and services for the promotion of agriculture, forestry and fishery industries, and is used for industries that contribute to economic development. Second, loan funds are used for projects that expand small businesses, mining and infrastructure and social overhead capital. Third, the KRW funds are used as provided by the Commission for Support of Projects or Claims under paragraph 2.

Japan did not accept Korea's plans at first, but Korea gained its approval after continuing negotiations with Japan. Japan sent an investigation team of the Japanese government and a working-level steel company to investigate plans for Korea's construction of a Pohang steel mill. The research team prepared a report on the project promotion and submitted it to the Korean government, which included it in the second economic development plan and signed an agreement with Japan on the financing needed for construction (Nishino Junya, 2015: 69-70).

As shown in the above case of Pohang Iron & Steel Co., Japan also requested that the government discuss the economic development plan in advance of drafting the plan using the right to claim. Japan could not help Korea build an industry that overlaps with Japan's export industry. However, Korea's attitude was stubborn and took the position that it was unacceptable for Japan to intervene in an economic development plan. This was partly due to the fact that Korea and Japan had a special problematic historical relationship, but also because they had no control over the use of the money as long as they had promised to fund the claims. The meeting with the head of the Japanese Cabinet in 1968 at Cheong Wa Dae underscores this point.

Meeting with the Japanese representative

Date: 28 August 1968

Location: Cheong Wa Dae's reception room

President: It would be rude to invite a VIP to my house and discuss such topics, but I hope you will understand that.

It is true that the Korean people are not satisfied in many ways with the economic cooperation between the two countries since the normalization of diplomatic relations between Korea-Japan relations. I have met a lot of Japanese leaders myself, and our leaders have visited you to pursue bilateral efforts, with no one against or disagreeing with the principle. However, it is regrettable that the problem is not working out as well, as Foreign Minister Miki just said.

We do not know whether it is our one-sided view or not, but I think it is because Japan does not take a forward-looking, proactive attitude and is stingy and passive. The recent trend of international economic cooperation is to form economic cooperation with even geographically remote countries such as South America, Africa, and Europe; Korea and Japan, which are geographically close to each other, should establish a special economic cooperation system.

For one example of the currently debated trade imbalance, Japan is an advanced industrial country, while Korea is a developing country. It is natural for Korea to buy excellent Japanese machines for development. But what will Japan buy from Korea? Japan has no machines to buy from Korea at the moment. Therefore, Japan will have to buy products produced in the underdeveloped farming and fishing villages. However, it does not mean that we wish to correct the imbalance in trade to one-on-one ratios immediately. The government should establish a basic system to correct the imbalance and

correct the imbalance every day.

Japan puts a lot of restrictions on Korea's import of agricultural and fisheries products by pointing to the opposition of Japanese farmers and fishermen. It is not that we do not know of such a situation in Japan. But if we change our stance, the Korean farmers will become the same way.

Japanese farmers account for only one third of the population, but Korea's rural population accounts for 50 percent.

If Japan's restrictions on agricultural and fisheries products fail to improve the situation where the trade gap between Korea and Japan represents a significant 4:1 or 5:1 gap, the government's pressure from farmers will increase day by day. The same is true of tax processing and raw materials tax.

(Interim)

The issue of introducing Japan's luxury industry to Korea is, in principle, unopposed from the perspective of international trade, and Korea will buy good equipment from Japan. But in practice, there are restrictions on this, and in this respect, it is necessary to make it happen.

Japan is always pointing to the opposition of its farmers and SMEs, and we know the position and situation of the Japanese government. The key to how to solve this problem depends on the political decisions of the government. Decisions from a political and national perspective are requested.

(Interim)

The story I heard from the other day is that Korean agricultural products are of poor quality and expensive. However, given the basic stance of rectifying the trade imbalance, if Korea sells Korean agricultural products at a cheaper price through Japan's direct investment, joint investment, and technical cooperation, it will not only help Korean farmers but also have an advantageous effect for Japanese consumers. Minister Iki also said he has no

theories on basic issues, so I hope to resolve them one by one by one.

水田 臧相's Response: If Korea continues to promote new development plans in the future, loans from nature and Japan will increase and trade relations will expand. I think this is a good aspect. However, if Korea unilaterally sets up a plan and asks for the loans it needs, the gap in natural trade will widen. To resolve such trade imbalance smoothly, for example, in Korea's economic development plan, experts from Japan should take part from the beginning of the plan to consider the introduction of Japanese investment in consideration of international balance. In terms of processed goods and processing trade, Japan may yield to Korea from a long-term planning point of view, which will result in other sectors of industry being focused on, and the use of the Economic Cooperation Fund may also be considered. To be like this, it would be better to let Japanese experts and embassy officials reflect their review in the Korean plan from the beginning. Discussions and research on these issues will help rectify trade imbalances in the long run.

Deputy Prime Minister: Such a matter should be dealt with by the Korea-Japan Joint Trade Commission, which has already been established. The joint committee should be used to discuss the position at the beginning of the plan rather than at the stage of progress of the plan.

水田 臧相's Response: At the expense of foreign currency, Japan succeeded in a policy to increase its productivity. In other words, we have expanded our 借金 industry with our policy. This can be seen as a result of a good dealing of the overall investment problem, which is related to investment and importation in the overall plan, and how much more Japan should buy from Korea should also be considered from the perspective of investment and income.

村 Deputy Prime Minister: I agree with you about the need to work in advance at the beginning of the plan.⁸¹

While South Korea has expressed dissatisfaction with Japan's failure to open up its agricultural and fisheries markets, Japan complained that Korea's economic development plan did not take its position into consideration at all. It can be seen that the South Korean government was not discussing plans to take advantage of Japan's economic cooperation in advance, even though money was coming in. In addition, unlike Thailand, Japan's investment in Korea was not made by the needs of individual companies but by 'economic cooperation', which was distributed under the large picture of the Korean government's economic development plan.

Of course, another example can be found in the development of the electronics industry. According to Nishino Junya's research results, the beginning of the Korean electronics industry was possible in the 1960s thanks to Japan's technological assistance. However, this method was not how Japanese electronics companies entered Korea or set up factories in Korea, but how Korean companies produced it using Japanese technology. They had to pay royalties because they were not completely transferred, but nevertheless provided a foundation for the future development of the electronics industry through technology transfer. If we look at this process, we can see that overseas investment in Korea was made in a different way from Thailand through regulations such as the Korean government's import restriction and foreign capital investment restriction. Although Japan's technology has played a crucial

⁸¹ <http://dams.pa.go.kr:8888/dams/DOCUMENT/2013/12/18/DOC/SRC/0104201312189126900091269013436.PDF>, pp. 36-38

role in the future development of not only the Korean economy but also the investment has transferred the technology to Korean companies as opposed to building factories or joint investments, which has allowed the products of domestic companies to gain a monopoly advantage for the time being, allowing them to have a breathing space where they can grow for a certain period of time before entering the Korean market. The fact that Pohang Iron & Steel Co. and Kumseong Electronics Co. had been able to grow for a period of time without competition from Japanese products in the domestic market played a major role in the Japanese capital's entry into Korea.

One thing to notice is that the Korean government did not abandon the framework of protectionism until the late 1970s. This was the reason the U.S. strongly requested the Korean government to open its market in the late 1970s, when the Yushin regime (Park's military government) collapsed and the Korean government began to open its market in earnest in the early 1980s. Also, because of the complex historical relationship between Korea and Japan, joint investment was difficult because there was a negative perception of the purchase of Japanese products in the Korean market, and even joint investment did not have much room to promote them in earnest. This is a very different situation than the case in Thailand.

4.2.2 Japan's Entrance into the Thailand Market and Thailand's Economic Growth

Relations between Southeast Asia and Japan began on September 8, 1951 with the compensation obligation set forth in section 14 of the San Francisco Peace Treaty. The San Francisco Peace Treaty defines Japan's way of compensation as "service indemnity," allowing Japanese companies to move into Southeast Asia. The Hatoyama government of Japan signed a

compensation agreement with Cambodia in 1954, Laos in 1956 and the Philippines in 1954. The government also signed a 1958 compensation agreement with Indonesia and South Vietnam in 1959 and announced the East Asian Development Fund Initiative.

The Southeast Asian Development Fund, in particular, was intended to strengthen economic development cooperation between Japan and Southeast Asia by combining Japan's capital and technology with Southeast Asian resources, but it did not have a big impact due to the U.S. opposition and the passive response of Southeast Asian countries (Lee Ki-wan, 2010: 306-307). However, when the U.S. requested Japanese economic aid to Southeast Asia to ease the economic burden caused by the U.S. intervention in Vietnam in the 1960s, Japan began economic development cooperation with Southeast Asia.

Suehiro Akira (1989) evaluates that Japan's Multinational Enterprises (MNEs) played a key role in Thailand's economic growth. MNEs dominated four major sectors of Thailand's industry such as resources-based industries, petroleum, natural gas, tin, etc. and import replacement industries are automotive parts, textiles and chemicals. Another was export-driven industries such as electronic devices through offshore investments. The last is another consumer goods processing industry that uses the global brand names of pharmaceuticals, cosmetics, tax goods and soft drinks. MNEs' investment in Thailand began in the Sarit government and grew rapidly. Of the 144 MNEs, 92 were built between 1957 and 1972. <Table 40> summarizes the status of the MNEs from 1946 to the end of the 1970s in Thailand.

<Table 40> Status of Thailand's MNEs (Multinational Enterprises)

Founding Year	US		UK-Netherland		UK		Germany		Japan		Other		Total
	M	C-O	M	C-O	M	C-O	M	C-O	M	C-O	M	C-O	
1946-56		2	1	1			2	1		1			8
1957-62	5	4	2			1	1	2	4				19
1963-72	14	14	1	1	1		1	2	26	7	4	3	73
1973-79	5	7		2			2	1	13	4	1		35
Unknown	1	6					1						9
Total	25	33	4	4	1	1	7	6	43	12	5	3	144
Corporation Total	58		8		2		13		55		8		
Parent Company Total	46		2		2		6		22		7		85

Source: Suehiro Akira (1989), table reprinted from p.195

M: manufacturing;

C-O: commercial and other

Of the 85 MNEs parent companies, the U.S. and Japan account for 80 percent, indicating that most of their investments come from the U.S. and Japan. Although the United States had the largest number of subsidiaries and related companies with less than 50 percent of MNEs, since the 1960s, especially in the 1970s, Japanese companies have made overwhelming advances to Thailand. The table above does not include Japan's general trading companies, which invested heavily in Thailand's manufacturing industry, nor Japanese companies until the 1980s, when annual sales of \$2 billion were not recorded, so the actual number is expected to outnumber the U.S.

<Table 41> Capital Ownership Structure of Thailand's MNEs

Country	Uncontrolled	Co-Owned			Controlled		Complete Control	Total
	10-29%	30-48%	49%	50%	51-74%	75-89%	90-100%	
US		3	1	2	3		44	53
Europe		4			2			6
Japan	10	20	7	3	4		4	48
Total	10	27	8	5	9		72	107

Source: Suehiro Akira (1989), reprinted from p. 196

In <Table 41> we can see that Japanese capital entered Thailand in various forms. In the form of MNEs' capital ownership, Japanese capital moved to Thailand by forming a partner with a local company in Thailand, compared to the United States. On the other hand, the U.S. has often made its way into a monopoly without a local partner, especially in the energy sector.

<Table 42> Industrial Distribution of Thailand's MNEs

(By 1979)

Industry	US	Germany	Japan	Other	Total
Mining	1 (1)			1 (2)	1 (3)
Food and Beverage	5 (7)			1 (2)	6 (9)
Textile	1 (1)		1 (7)		2 (8)
Chemical	5 (8)	1 (2)	3 (6)	4 (4)	13 (20)
Pharmaceutical	4 (4)	4 (7)			8 (11)
Detergent, Toiletries	8 (8)			1 (1)	9 (9)
Oil	7 (12)			1 (5)	8 (17)

Automobiles, Tires, parts	4 (4)		7 (18)	1 (1)	12 (23)
Electronics, Machines	6 (6)	1 (4)	7 (17)		14 (27)
Metals, Steel	3 (3)		4 (7)	2 (2)	9 (12)
Other	2 (3)			1 (1)	3 (4)
Total	46 (57)	6 (13)	22 (55)	11 (18)	85 (143)

Source: Suehiro Akira (1989),reprinted from p.198

Numbers in parentheses indicate the number of MNEs subsidiaries or associated companies

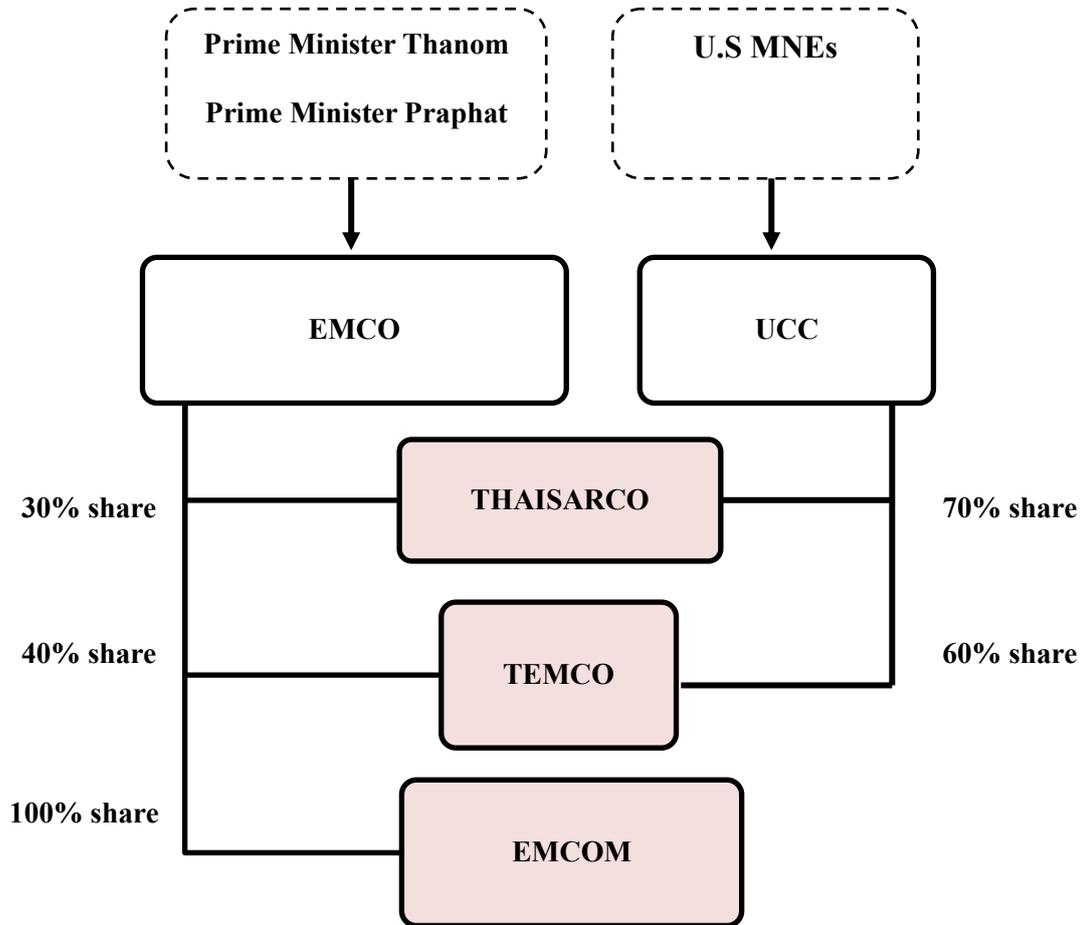
Among MNEs, the oil industry was exclusively operated by Exxon, Royal Dutch Shell, Caltex, and Texaco. For the Royal Dutch Shell, seven subsidiaries were established in Thailand. The annual revenue of the Royal Dutch Shell Company in 1979 was 300 billion baht, three times that of Thailand's largest companies, Siam Cement and Siam Commercial Bank. Next are industries such as soda, condensed milk, detergent, cosmetics, pharmaceuticals and toiletries, and companies such as Coca Cola Bottlers, Nestle, Unilever, Kimberly-Clark, and Bayer. Third is textiles, plastics, electronics, and steel products, mostly dominated by Japan.

The tin industry was originally developed by European and Chinese capitalists. In 1938, however, Thailand placed the resource industry under strict government control as a policy to protect its own resources from abroad. However, the previous policy, which had been implemented since the inauguration of the Sarit government, had been scrapped and the new system was re-entered by foreign MNEs. Union Carbridge Corp., the U.S. MNEs of the chemical industry, came to Thailand to establish the Thailand Smelting and Refining Co. Ltd. (established in THAISARCO: 1963) and the Thailand Conversion and Mining Co., Ltd (established in TSMCO: 1968. TEMCO was

given the right to explore the ore deposits in southern Thailand, while THAISARCO had the exclusive right to mine. Union Carbide and EMCO (Eastern Mining Development Co., Ltd, Borisat Muang-rae Burapha Setththakit Chamkat) are joint ventures, as shown in <Figure 9>, EMCO, which was established by Sarit in 1957, acquired the right to operate tin mines and dealt with trade in mining products. Soldiers became executives and shareholders of TEMCO and THAISARCO. In the 1960s, he became a major private importer of the military. MNEs in the U.S. were able to gain exclusive rights by distributing the revenues they earned to the military.

<Figure 9> Thailand MNEs and the Tin Industry

(Year: 1969)



Source: Suehiro Akira (1989), reprinted from p.207

EMCO: Eastern Mining Development Co. Ltd.

UCC: Union Carbide Co. Ltd.

THAISARCO: Thailand Smelting and Refining Co. Ltd

TEMCO: Thailand Exploration and Mining Co, Ltd

EMCOM: EMCO Mining Co. Ltd.

The automobile industry was first formed in 1961, when the European trading company, Thai Motor Industries, Ltd., brought in Ford, which was established by a European trading company, and Siam Motors & Nissan Co., Ltd., Ltd., which was established by the local capital Thawon Phonnprapa. Japanese MNEs Toyota Motor (1963), Mitsubishi Motors (1964), Prince Motor (1964), Isuz Motor (1966) and Hino Motor (1966) entered the Thai market from 1963. By 1974, the market share of Japanese cars in the Thai market was 78 percent. The market share of Japanese cars reached 90 percent in 1982 (Suehiro, 1989: 207-209).

As mentioned earlier, Japan's General Trading Company (JSGS) greatly contributed to the activities of MNEs' companies. The typical JSGS is a general business, such as Mitsui, Mitsubishi and Sumitomo. Due to economic difficulties after World War II, the Zimbabwean group disbanded with 200 smaller bosses. However, Japan, which achieved economic recovery in the 1950-53 Korean War, was reunited by its disbanded bosses with Mitsui and Mitsubishi groups.

In the 1950s and 60s, JSGS established branch offices and subsidiaries in Thailand and actively engaged. Toyomenka (1953), Marubeni Corp. 1957, Itoh (1958), Mitsui (1959), Mitsubishi (1960), and Sumimoto (1960) came in one after another. They mainly imported Japanese textile products. It also supported the activities of Japan's MNEs by importing necessary raw materials and machinery and selling their work locally.

On the other hand, JSGS's most important role was to invest directly in the manufacturing sector of Thailand. It also provided some of the technical know-how and management skills to Thai companies. Japan established 99 manufacturing companies with Japanese capital between 1961 and 1971. Half of these were from manufacturers, and 42 were from manufacturers and JSGS

and the other nine were all invested by JSGS. Unlike MNEs in the U.S. and Europe, Japan's MNEs preferred joint investment with a combined or local company. They also preferred joint investment with local capitalists. Japanese investment consists of Japanese manufacturers, Japanese General Trading Co., and local partners. Japan's preference for this pattern was to reduce risk in international trade and to ensure the economy of transaction costs (Suehiro, 1989: 210-213).

Between 1953 and 1980, JSGS invested in a total of 102 companies, 69 in manufacturing, 23 in trade and commerce, and 10 in mining, agriculture and construction. Since 1974, all JSGS have established related companies because of changes in the Thai government's policy to regulate foreign businesses. JSGS's top 200 mining and commercial services companies had a strong market share in Thailand. Import value of JSGS's six major companies accounted for 12.3% of Thailand's total imports and 10.9% of its exports in 1980 (Suehiro, 1989: 214-217).

Considering the situation in Thailand mentioned above, Japanese companies are playing a huge role in Thailand's economic growth. In particular, the entry of multinational companies and the activities of general trade companies were very significant in Thailand's overall economy. As a result, as analyzed above, Thailand has been able to achieve development in a variety of industries. It should be noted, however, that Japan's investment was not in line with the Thai government's long-term economic plan.

The plan did not focus overseas investment on specific strategic areas, but was indiscriminately based on the interests of foreign companies, failing to achieve industrial development with Thailand's economic plans and economic policies. As a result, it was not possible to adjust the stage and level of technology transfer in accordance with the plan, and it was also impossible to

adjust foreign investment within Thailand's internal industrialization plan. That is not a problem that can be solved through protectionism like Korea, but allowing foreign capital to be invested without any control can also be a problem. At least 20 percent of Japanese companies investing in Thailand were not controlled by the Thai government, and 80 percent were given minimal control. Thus, although Japanese companies' entry into Thailand was much larger than that of Korea, their impact on economic development and changes in industrial structure could not have been significant. In particular, from a long-term perspective, the effects can only be different.

5. Conclusion

Korea and Thailand's economic development plans were drafted and implemented in the early 1960s. The drafting and implementation of the economic development plan at this time was a trend that can be found in other developing countries in Asia under a free market system. What is noteworthy, however, is that not all countries implementing economic development at the same time have achieved economic growth. With the exception of the four Asian dragons, including Korea, the rest of Asia is still developing, failing to grow.

Korea's economic growth is a "Korean economic model," and many studies have been conducted on the causes of success. On the other hand, countries that have failed to develop their economies have not merited much attention their own failures and causes. In this context, this paper sought to find out why similar internal circumstances and external factors affected the process of drafting and implementing economic development plans in Korea and Thailand, but showed different results.

A similar internal situation is that the domestic political situation of Korea and Thailand in the 1960s and 1970s was a continuation of authoritarian dictatorship by the military government. The Park Chung-hee administration, Thailand's Sarit and Thanom governments took power through a coup, put "economic priority" and "anti-communism" as tasks of a revolution, established the Central Economic Planning Agency (EPB) and the National Economic and Social Development Agency (NESDB) to implement tasks, and implemented the first economic development plans in 1962 and 1961, respectively.

External factors include the roles of the United States and Japan. Under the

Cold War regime since World War II, U.S. aid has been an important factor in economic policy and economic growth in countries within the free market economic system, including Korea and Thailand. South Korea and Thailand have jointly conducted economic development through aid from the United States and enjoyed direct and indirect “Vietnam” benefits from the United States by participating in the Vietnam War.

External factors include the roles of the United States and Japan. Under the Cold War regime since World War II, U.S. aid has been an important factor in economic policy and economic growth in countries within the free market economic system, including Korea and Thailand. South Korea and Thailand have jointly conducted economic development through aid from the United States and enjoyed direct and indirect Vietnam's specialties from the United States by participating in the Vietnam War. In addition, as U.S. foreign policy changed since the 1960s, the U.S. sent advisory groups to Korea and Thailand to actively intervene in economic development projects. This can be interpreted as a result of the argument Rostow presented, saying that the U.S should actively intervene in the policy of underdeveloped countries and help developing countries effectively plan their plans.

Japan's influence should also be noted with the U.S. Since the 1965 Korea-Japan Agreement, Korea has received economic and technical support through economic cooperation with Japan. Japan's aid was helped by a large-scale industrialization project that began in the late 1960s. Thailand has received technical support, including assistance, from Japan earlier than Korea, and investment by Japanese companies has been brisk. As a result of Japan`s entry into the Thai market, which has been in full swing since the 1950s, Japan has been leading various sectors of the Thai market, as well as the auto and electronic industries.

This paper approached three aspects to set the internal situation and external factors of Korea and Thailand as similar conditions and to identify what caused the economic development plan to have different outcomes under these similar conditions. First, the contents and characteristics of the economic development plans of Korea and Thailand. The key contents of Korea's first five-year economic development plan are the industrialization of imports, showing no marked difference between Thailand's plans. In Thailand's first plan, the main focus was on the development and transport of agriculture and the establishment of infrastructure such as electricity, telecommunications, public health, education, social welfare, etc. It was an import replacement industry structure centered on rice exports and primary products.

However, differences began to emerge from the second plan. From the second 5-year economic development plan, Korea adopted an export-led industrialization strategy in earnest. The aim was to increase exports through mining and manufacturing by preparing policies such as fostering the machinery industry, shipbuilding, textile, steel industry, electronics and general steel manufacturing facilities to achieve the sophisticated industrial structure. With less aid from the U.S., it was impossible to mobilize domestic capital to develop small domestic markets. Korea wanted to expand its market through exports and finance development.

Thailand's second 5-year economic and social development plan did not differ much in its content. Agriculture-based agricultural production increases such rice exports were designated as strategic sectors, and the government did not propose any changes to the agricultural-oriented economic structure. Thailand's education, human capital development, and infrastructure development, which were set as goals from the first round, continued to be developed as major goals in the second round.

From the third phase, Korea achieved industrial sophistication through policies to foster heavy and chemical industries and set up measures to achieve \$10 billion in exports. Thailand's third and fourth development projects focus more on social development than economic development. Policies were prepared to reduce income gaps between urban, rural and class, particularly in rural Thailand. Since the late 1960s, the economy in Thailand has faced major difficulties due to the global economic recession and economic and political turmoil in Thailand. As a breakthrough to tackle the economic growth in Thailand due to the slump in the global rice export market, the government planned to switch from the previous system of industrialization to export-oriented ones.

Economic difficulties were not limited to Thailand. Korea has also drastically reorganized its industrial structure through the declaration of heavy and chemical industries to overcome the global economic downturn. Thailand, however, was still maintaining its agricultural production structure until the third round and was in a hurry to resolve the unresolved problems again in its previous plans. With the emphasis on social development, the focus was on policies to overcome social and regional imbalances at a time when economic growth was not sufficient. In the late 1960s and early 1970s, it was a period of change in the world trade order. Korea identified the global market trend and reflected the corresponding policies in its plan. Thailand's economic development, on the other hand, was focused solely on solving Thailand's domestic economic problems, regardless of the rapidly changing situation.

Second, the differences in the status and role of the planning body. The Korea Economic Planning Board was a comprehensive organization that had all the functions of planning, budgeting, and external cooperation. Among them, the budget function of the Economic Planning Board was an important means of

coordinating conflicts with other ministries and distributing resources efficiently without being tied to the interests of the ministries. In the 1960s, the Economic Planning Board was able to maintain a high profile among ministries with the full support and confidence of Park Chung-hee. Accordingly, the Economic Planning Board was able to efficiently operate its functions as a central organization that objectively analyzes the Korean economy and determines the direction in which the Korean economy should move.

On the other hand, Thailand's National Economic and Social Development Administration was located under the Prime Minister's Office, but its main function was to consult and consult on the development plans of each ministry. As a comprehensive economic planning organization, functions such as the Korea Economic Planning Board were not guaranteed institutionally. Furthermore, since the members of the National Economic Development Commission were selected through the Cabinet Council of Ministers, the actual power was in the ministers of each ministry.

In addition, the officials of the Korea Economic Planning Board were made up of 'technocrats' with a wide range of economic knowledge and administrative skills. They played a major role in developing and coordinating economic plans based on their knowledge and experience gained through training and learning at major economic institutions. In addition, technical and scientific officials such as Oh Won-Cheol and Choi Hyung-sup showed leadership in suggesting and implementing policies necessary for Korean economic growth through knowledge and experience in their fields. Thailand, on the other hand, lacked properly trained and educated human resources, as pointed out repeatedly in its economic development plan, and in the NESDB, it was mostly government officials, except for a few educated economic officials. Because the functions of the NESDB remained only in planning and consulting,

they could be employed without any expertise.

Of course, there has been a change in the central role of Korea's Economic Planning Board. In the 1960s, the Economic Planning Board was central to planning and implementing plans and coordinating disagreements between ministries. However, in the 1970s, the role of the Economic Planning Board was reduced as the policymaking and decision-making process was focused in the presidency. Here, in the 1970s, new institutions such as the KDI were created, and the influence of scholars who were influenced by neoclassicalism different from the existing bureaucrats was also important. The role of the Economic Planning Board was strengthened again in the 1980s, but in the 1970s, it was a time when some officials centered in the executive branch were maximized. In other words, Park had given power to some officials like Oh Won-Cheol and Choi Hyung-sup, not to the Economic Planning Board. The concentration of power on some officials centering on the executive branch also meant that the bureaucracy collapsed. Although it deviates from the analysis of the main body, the politicization of the bureaucrats came from the side effects of the Park Chung-hee era.

On the other hand, even though it was not an institution, empowering some officials to plan, coordinate and implement the plan became a force for the economic development plan to be actively pushed. On the other hand, however, there was a weakness that they could not coordinate or control the wrong policies when their implementation was not supported by the relevant agencies. The Korean economy faced a crisis in the late 1970s due to its excessive concentration on heavy and chemical industries without verification and evaluation, although there was the impact of the global economy due to the second oil shock. Another problem was that the crisis such as the 8.3 measure was pushed aside without a fundamental solution.

In Thailand, most officials involved in the economic plan were high-quality experts who studied or trained abroad. However, not only did the Thai government not empower the organization they were in or empower them to apply their individual potential, but also in numbers, it was not enough to lead the entire country's economic policies. Thailand's frequent transfer of power has left its economic policies unsustainable, and economic experts have also changed their roles and status depending on the taste of the new regime.

Finally, external factors such as the influence of the United States and Japan. The U.S. provided economic development assistance to Korea and other developing countries in the 1960s. South Korea also enjoyed benefits through participating in the Vietnam War. Aid from the U.S. played a big role in restoring and growing Korea from war. At the same time, there was U.S. policy advice and intervention in Korea's development plan through the 1960s. Of course, it is hard to say that the Korean government had acceded to the U.S. requests because there are cases where South Korea stuck to its policies despite U.S. demands. In the 1970s, the U.S' influence in preparing the economic development plan waned, and Japan was not able to intervene in the contents of the plan, even though Japan also granted a loan. U.S. influence had been reduced to that of Korea's interest rate and monetary policy through the IMF and the World Bank, and the Korean government had focused more on expanding imports and purchasing more U.S. products.

In Thailand, the U.S. aid and technological assistance played a big role in the country's economic growth, just like Korea. Since the 1950s, infrastructure deployment programs, Vietnam participation benefits, and aid have been able to contribute economically. In addition, foreign experts were dispatched to draw up a policy for Thailand's economic development plan. However, the U.S. has monopolized the resources industry in the Thai market in connection with Thai

military politicians while contributing to the economic growth of Thailand by providing aid and supporting economic development as a "security alliance" with Thailand. Sarit's investment promotion law has increased private investment from the United States and Japan.

Another characteristic of the U.S. aid to Thailand is that since the mid-1960s, the 'security aid' has been made due to the Vietnam War and the increasing activities of communists in Thailand. This aid was not in coordination with Thailand's long-term economic plan, but was made in the U.S. security interests. Thus, when U.S. security interests no longer work, the aid could no longer work. As the Vietnam War ended in the 1970s and the security crisis disappeared, the U.S. security aid was cut off, and the establishment of an infrastructure achieved with security assistance did not have a great synergy effect on the economic plan and industrial strategy in Thailand.

The influence from Japan was different in the case of Korea and Thailand. Japan's economic and technical support played a positive role in the economic growth through industrialization of Korea. In Korea, it intervened by donating Japanese capital and technology. South Korea tried to resolve large-scale projects that were not recognized by the United States through economic cooperation between Korea and Japan. A case in point is Japan's technical and economic support for the construction of the Pohang Steel Mill. Despite Japan's loan, the South Korean government has expressed opposition to planning through consultations with Japan.

Foreign investment was the biggest factor that affected Thailand's industrialization structure. Investment from Japan has continued to increase since the early 1960s, and it has moved its production plants to Thailand, providing a technological foundation for Thai industries in the automobile and electronics industries. Japan prefers joint investment with Thai capitalists to

reduce risk and transaction costs in international trade. It was also easy to obtain raw materials that were difficult to obtain in Japan and reduced manufacturing costs. Japanese companies still have a monopoly in the auto and electronics industries in Thailand, accounting for more than 80 percent of the Thai market. For large companies in Thailand, most owners are foreigners. This means that there was a difference in the way Japan intervened in Korea and Thailand.

In Thailand, it is not just providing capital and technology assistance, but rather Japanese companies are directly entering Thailand or forming joint ventures through direct investment. This approach is made not by allowing Japan to invest in strategic areas within the overall comprehensive plan, but by the economic needs of Japanese companies, which were not made by other plans and adjustments in Thailand. In addition, foreign investment has not been closely linked to Thailand's own industrial strategy because under Thailand's rules, the Thai government could not control or intervene if a multinational company collaborated with a partner in Thailand.

Thailand's failure to grow is the result of a combination of factors at home and abroad. Thailand's economic development plan has failed to contribute to the long-term growth of the Thai economy, as Thailand has continued to shortsightedly maintain its traditional internal power of agriculture and natural resource-dependent economic structure that has been able to achieve economic growth in the past, despite the fact that it should have implemented policies that correspond with the rapidly changing global economic situation and domestic circumstances. Thailand's National Economic and Social Development Administration was unable to reconcile the conflicts of interest in each ministry because of its inability to function as a comprehensive economic planning organization, and, in conclusion, could not be free from the influence of the

ministry in preparing the plan.

South Korea also paid for every time the world economy faltered. The Korean economy was especially sensitive to changes in the global economy because it carried out export-driven industrialization and increased imports amid insufficient domestic resources. However, the South Korean government pushed ahead with the crisis in some way. There were limitations that the unpaid process failed to come up with a fundamental solution, but each time a new policy for a massive transition was created. A case in point is the shift to heavy and chemical industries in the early 1970s and implementation of stabilization policies in the early 1980s.

We analyzed the differences in the drafting and implementation of economic development plans in Korea and Thailand as above. The similarities and differences between Korea and Thailand in our analysis cannot be said to maintain absolute objectivity. But the author thinks that the content of the two countries' plans, the planning organizations, the bureaucrats involved in the plans, and the difference in roles between the U.S. and Japan as external influences provide important clues to why different outcomes occurred between the two countries. The paper referred to secondary data that has been analyzed more closely than the primary data, especially in Korea, which should be reinforced if the relevant data of the Korean government are released further in the future.

In Thailand, some of the key data was fortunately available, but the system is not fully organized for the creation, storage and disclosure of the material, so further primary data needs to be found. Despite these limitations, the author that this paper will serve as a starting point for analyzing the economic development process of the two countries in earnest through the discovery of new data in the future.

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한국과 태국의 1960~1970년대 경제성장 비교연구:
국내외적 요인에 대한 검토를 중심으로

요약 (국문초록)

한국과 태국의 경제개발계획은 1960년대 초 비슷한 국내정치상황과 외부적 영향력 하에 실행되었다. 1960년대와 1970년대 두 나라는 쿠데타를 통해 정권을 잡은 군사정부의 권의주의체제 하에 놓여있었고 한국의 박정희 정부와 태국의 사릿 정부는 공통적으로 ‘반공’과 ‘경제개발’을 국가 최우선 목표로 상정하고 중앙경제계획 기구를 설립하여 장기적인 경제개발계획을 입안 및 실행하였다.

한국과 태국의 경제개발계획 입안 배경에는 1950년대와 1960년대를 통해 저개발국가들이 비슷한 시기에 경제개발계획을 실행하였다는 국제적 흐름도 하나의 배경이 될 수 있지만 이보다 더 중요한 요인은 내부적 상황과 더불어 미국과 일본의 영향력이다. 한국은 한국전쟁 이후부터 황폐해진 국토와 산업시설을 회복하고 경제를 부흥시키기 위한 수단으로 미국의 원조에 크게 의지해왔다. 그러나 미국의 무상원조가 1960년대 초부터 미국의 대외정책 변화로 인해 원조액수도 줄어들고 점점 차관의 형태로 바뀌자 위기를 느낀 한국정부는 1950년대 말부터 ‘부흥’이 아닌 ‘개발’을 목표로 경제개발계획을 수립하였다. 미국은 한국 경제개발계획의 정책에도 깊게 관여하였다. 1차 계획 수정작업에서부터 미국의 경제고문단이 참여하기 시작하여 2차에서부터는 본격적으로 개입하기 시작했다. 한국은 또한 미

국의 동맹국으로서 베트남 전쟁에 참여하여 미국으로부터 경제 원조를 받았고 한국건설기업의 베트남 진출, 파견 기술자 및 근로자, 군인들의 외화송금, 용역군납, 베트남 시장개방 등을 통해 막대한 베트남 특수를 누리게 되었다. 미국은 1960년대 한일관계 회복을 통해 한편으로는 미국의 경제적 부담을 일본이 덜어주기를 바랐으며 한일 경제협력을 통한 동아시아에서 반공의 보루를 강화하려 하였다. 미국의 압력으로 1965년 한일협정이 체결되고 이후 일본으로부터 본격적으로 원조 및 차관이 도입되었다. 그러나 일본으로부터 들어온 차관은 사용처를 일본정부와 반드시 상의해서 결정해야 했으며 일본은 이를 통해 한국의 경제개발계획 입안 과정에 개입하려는 의지를 보이게 된다. 또한 일본은 1970년대 한국 중화학공업 개발에 핵심적인 역할을 수행하였다.

태국은 인도차이나반도에서 반공을 위한 미국의 정책에 적극 협조하여 미국으로부터 군사적·경제적 원조를 받았다. 동남아시아에서 공산주의가 확산되자 미국은 태국을 ‘반공’의 중심으로 두고 특히 이웃국가들과 국경을 접하고 있는 시골지역에 경제 및 사회개발을 실행하는데 주력하였다. 미국 USOM은 태국의 경제개발계획을 실행할 기술관료들의 부족문제를 해결하고자 경제 전문가들을 파견하였고 이들은 태국의 경제개발계획을 입안하는데 주도적인 역할을 수행했다. 태국 또한 한국과 마찬가지로 베트남 전쟁을 통한 특수를 누렸다. 미국의 베트남 전쟁 공군기지가 태국에 설립되고 전쟁을 용이하게 할 인프라 건설이 이루어졌다. 태국에 주둔하는 미군들의 소비는 태국 경제에 이익을 가져왔으며 베트남 전쟁 기간 동안 방콕에는 대형 호

텔과 상업건물들이 세워졌다. 미국은 베트남 전쟁으로 인한 경제적 부담을 덜어주고 동남아시아에서의 반공을 강화할 수 있는 파트너로 일본을 선택했고, 1960년대 일본의 동남아시아 시장 진출이 본격화되었다.

1957년 사릿 정부의 외국인 투자 증진법 개정으로 많은 외국 기업들이 태국 시장으로 들어왔고 그 중 미국과 일본은 주요 투자 국가였다. 태국은 미국과 일본으로부터의 직접투자와 기술지원을 통해 산업이 발전하고 경제규모가 확대되었다. 그러나 한편으로 미국은 태국 시장에서 정치세력과 유착하여 천연자원산업을 독점하고 막대한 이익을 챙기게 되었다. 이로 인해 태국의 경제개발계획은 정치적 한계에 부딪혀 효율적으로 실행되지 못하였다. 일본의 자동차, 전자산업 등은 태국 시장의 80% 이상을 점유하면서 결과적으로 태국 기업들이 성장하지 못하는 결과를 초래하였다. 또한 일본은 태국의 값싼 원자재와 노동력을 이용하여 자국의 이익을 챙겼다.

본 연구의 목적은 한국과 태국의 경제개발계획이 비슷한 국내정치 상황과 미국과 일본이라는 외부적 영향력 하에 실행되었다는 전제로 한국은 급속한 산업화를 거쳐 경제성장을 이룬 반면 태국은 왜 실패하였는가 하는 문제에 대한 원인을 규명하는 것이다.

이를 위해 본 연구는 두 나라의 경제개발계획의 입안 및 실행과정을 비교하였고 다음과 같은 결론을 도출할 수 있었다.

첫째, 한국의 경제개발계획은 한국 경제의 문제점을 잘 파악하고 이에 대한 효율적인 해결책을 제시하였다. 또한 급변하는 세계경제 흐름에 맞춰 내용을 입안, 수정, 실행하였다. 반면 태국의 경제개발계

획은 문제를 해결하는데 효율적인 해결책을 제시하지 못했고, 농업을 기반으로 한 경제구조를 오랫동안 유지하면서 산업의 고도화를 이루지 못했다. 또한 태국은 1970년대 국제경제 흐름에 편승하여 경제개발계획을 입안 및 실행하지 못하였으며 태국 내부의 경제 및 사회문제를 해결하는데 만 집중하였다.

둘째, 한국의 경제기획원은 다른 경제부처들 보다 위에 위치하여 상충된 이해관계를 조정하고 계획을 잘 실행시킬 수 있는 힘이 있었으며, 경제기획원의 기능은 정부의 개발에 대한 강한 의지와 전폭적인 지원이 더해져 더 효율적으로 운영될 수 있었다. 반면 태국의 국가경제사회개발청은 경제상담기구로서의 역할 밖에 없어 다른 부처에 영향력을 행사할 수 있는 힘이 적었다. 정부의 전폭적인 지지도 없었으며 계속해서 바뀌는 정권으로 인해 제도도 계속 바뀌었다.

셋째, 경제개발에 참여한 한국의 경제관료들은 각자의 분야에서 리더십을 발휘하여 경제개발의 효율성을 극대화하였다. 반면 태국 경제관료들은 그 숫자도 소수였으며 역할이 다른 부처의 경제 상담을 해주는데 그쳤기 때문에 능력을 제대로 발휘할 수 없었다. 또한 태국의 국가경제사회개발청은 전문성과 상관없이 각 부처의 행정관료들을 채용하였고 정권이 바뀔 때마다 구성원도 계속해서 바뀌었다.

넷째, 미국은 한국의 경제개발에 개입과 압력적 수단을 통해 영향을 미쳤지만 한국 정부는 미국의 요구를 순종적으로 따르기 보다는 어느 정도의 주체성을 가지고 한국 상황에 유리하게 타협하였다. 반면 태국의 경제개발계획은 미국 경제고문들의 주도적인 역할 하에 작

성되었고 그 실행에 있어 미국과 군부와의 유착관계에 따른 한계에 부딪혀 제대로 실행되지 못했다.

다섯째, 일본은 한국의 공업화를 통한 경제성장에 있어 일본으로부터의 차관과 기술지원은 긍정적 역할을 하였다. 그러나 태국에서는 일본이 태국시장 개척을 통한 자국의 이익실현과 독점을 통해 태국기업이 성장하지 못하는 결과를 초래하여 장기적으로 태국 경제성장에 부정적인 효과를 가져왔다.

주요어: 경제개발계획, 경제성장, 한국 경제기획원 (EPB), 태국 국가 경제사회개발청 (NESDB), 미국의 개입, 일본의 개입

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