

U.S. Policy Change toward South Korea in the 1940s and the 1950s

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After 1945, American policy makers designed two different policies toward Korea: one was the trusteeship propelled by the State Department, the other was the plan of "an executive and administrative governmental agency" designed by the United States Military Government in Korea. In spite of the fact that the two policies had different meanings from the viewpoint of negotiations with the Soviets, the aims were same: a new Korean government that would maintain an amicable relationship with America and that would have effective control over the whole Korean Peninsula.

This purpose was not changed until the Korean War. Moreover the Economic Cooperation Administration plan for South Korea was designed in order to allow Korea to rebuild its economic system. U.S. policymakers considered the ECA plan as the means for the improvement of South Korea's viability and the containment of communism in the Free World as well as on the Korean Peninsula. Yet, U.S. policy to make the Korean economy closely connected with the Japanese was not designed until the end of the Korea War.

After the Armistice Agreement in 1953, U.S. policy toward South Korea was changed. The changes came from the East Asian system as well as the world situation. Because of Japan's successful economic reconstruction and China's rise in Asia during the Korean War, American policy makers began to regard South Korea not only as a economic appendage to Japan, but also as a buffer zone between the Communist World and the Free World.

Accordingly Korea's military role was gradually strengthened, whereas its economic role was weakened. Despite the fact that the U.S. tried to reduce grants and the size of the Korean and American militaries in South Korea, the significance of South Korea from the viewpoint of security continued to be stressed throughout 1950s. Therefore, the 'unified policy' and the economic recovery plan were eliminated after the Korean War.

1. INTRODUCTION

The Korean War shook the East Asian system as well as the Korean Peninsula. From the viewpoint of security, both the South Korean and Japanese Government joined "the Mutual Defense Treaty" and "the Security Treaty" with the U.S. during and after the Korean War. From the economic viewpoint, devastation from the war made the South Korean economy inviable, whereas the environment within which Japan regained economic health was dominated by decisions reached in connection with the San Francisco Peace Conference during the war (1951) (Reischauer & Jansen 1995: 413).

The changes in the communist bloc also deserve attention. First of all, China gained hegemony in Asian communist movements through the Korean War because she

demonstrated her ability to wage a war against the world's pre-eminent capitalist power without the Soviet Union, even though she could not secure a seat in the United Nation until the late 1960s. Despite of the economic devastation, the war provided the North Korean Government an opportunity to implement independent diplomatic strategy with China and Russia, because Russian military forces did not take part in the Korean War directly while Chinese power in the communist bloc increased.

The position and the strategic value of the Korean Peninsula, of course, changed during the war through changes in the world situation as well as in the East Asian system. The U.S. policy makers tried to change their policies toward South Korea to reflect this new world situation.

Nevertheless, existing works did not pay attention to the change. They defined Korea's place as well as Taiwan's place after World War II as Japanese appendages, just as they had done during the colonial period. In the colonial period, they supplied inexpensive rice to prevent the rapid rise of Japan's industrial wages and also served as markets for Japanese manufacturers. The U.S., they asserted, revived the colonial relationship between Japan and Korea after 1945. According to their assertion, the strategic value of the Korean peninsula did not change in the 1940s and the 1950s (Cumings 1984; Woo 1991).

A few scholars tried to examine the Korea's position in East Asia in the 1940s and the 1950s from the viewpoint of U.S. foreign policy (Macdonald 1992; Yi 1995). Despite the fact that their examinations were very helpful in understanding Korea's position in East Asia, they did not compare the U.S. policies before and after the Korean War and did not examine the meanings of the change.

It is important to illuminate U.S. policy changes before and after the Korean War from several viewpoints: (1) to find how two different policies of the U.S. State Department and the U.S. Military Government existed at the same time, (2) to understand whether the U.S. gave up the Korean Peninsula, and (3) to examine why America tried to phase-down Korean armed forces and American troops stationed in South Korea and at the same time why the policy was not carried out. These questions must be clarified through precise examination of the changes in U.S. policy and various U.S. plans from the economic and military viewpoint in the 1940s and the 1950s.

2. 'UNIFIED KOREA'S POLICY

2.1. Two Different Ways for One Purpose

Before its liberation from Japan, the Korean Peninsula was a supplier of rice and a base for the war in China. Geographically, the southern region of the Korean Peninsula consists of more plains than the northern part, so agriculture was developed to a relatively greater extent. Accordingly, there were many conflicts between landlords and tenants in southern Korea ever since the *Chosŏn* dynasty. Leftist power, therefore, was stronger in the south than in the north because the existing conflicts made it easier for leftists to influence the tenants during the colonial period.

Conversely, modern industries were developed in the northern part of Korea because of Japan's war preparations in the 1930s (Cumings 1997: 167-170).¹ Furthermore, northern

¹ Japan is the only colonial power that located heavy industries such as steel, chemicals,

Korea, where many *Chanban* (fallen members of the ruling class) lived, was a conduit for importing Christianity from China. Therefore in the north there were many conservatives, who were either commercial capitalists or Christians. Nevertheless, the general situation in the Korean peninsula meant that Korea had one of Asia's oldest communist movements, making it convenient for Soviets to carry out their policies.

This was the situation that the United States and the U.S.S.R. encountered when they occupied the Korean Peninsula. The U.S. planners began to worry about the implication of Soviet involvement in Korea in relation to the issue of Pacific security as early as 1942, within months of Pearl Harbor, and questioned whether a trusteeship would give the United States enough influence over Korean affairs (*Foreign Relations of the United States* [hereafter: FRUS] 1944 V: 1224-1239; *FRUS 1945* VI: 1023).² They feared that the Soviets would bring with them Korean guerrillas who had been fighting the Japanese in Manchuria, the numbers of which they grossly exaggerated (to as many as twenty thousand) (*FRUS 1945* VI: 1026-1027).

Shortly after occupying the southern part of Korea the American Military Government in Korea (hereafter: 'USAMGIK') was perplexed by the situation that it found. In September 15, a week after the American military was stationed in Korea, H. Merrell Benninghoff, the State Department's Political Adviser to General Hodge, reported to Washington: "Southern Korea can best be described as a powder keg ready to explode at the application of a spark. ... Korea is completely ripe for agitators (*FRUS 1945* VI: 1049-1053)."

In spite of the fact that the position of the U.S. in the Korean Peninsula was not as stable as the Soviet position, America tried to influence not only the southern region but the whole peninsula after the establishment of the independent Korean government. American policy makers designed two different structures: one was the trusteeship and the other was the plan of "an executive and administrative governmental agency." The former was propelled by the State Department, the latter by the USAMGIK.

It was not easy for the U.S., however, to carry out the plans because of the Russia's opposition to the U.S. and the Korea's internal political dynamics. A key element of both plans was the reorganization of the politicians in the southern part of the Korean Peninsula. In the case of the trusteeship policy, establishment of the 'provisional democratic Korean government' was the most significant factor according to the "Communiqué" agreed to at the Moscow Conference in December 27, 1945. In the "Communiqué," article one prescribed the formation of the provisional democratic Korean government "which shall take all the necessary steps for developing the industry, transport and agriculture of Korea and the national culture of the Korean people." Article two provided the establishment of "a Joint Commission consisting of representatives of the United States command in southern Korea and the Soviet command in northern Korea" in order to "assist the formation of a provisional Korean government." In article three, although the trusteeship policy that the U.S. designed during the World War II appeared, it prescribed the trusteeship should be carried out "with

and hydroelectric power in its colonies. In strategic terms, Korea, especially the northern region, was a natural base from which Japan could extend its influence into North China.

² In particular, various research papers on Korean problems were prepared in 1944 and 1945 by the Inter-Divisional Area Committee on the Far East, the Office of Far Eastern Affairs, and the Divisions of Japanese Affairs, Territorial Studies, and International Security and Organization. These papers cover a wide range of subjects on various aspects of political, economic, and security problems in Korea and the capacity of Korea for independence.

the participation of the provisional Korean democratic government (*FRUS 1945* VI: 1150-1151)."³

The USAMGIK considered the "Communiqué" as an unattainable policy because negotiation with the Soviets was thought impossible when leftist power in Korea was the dominant force. Therefore officials in the USAMGIK designed a plan for the U.S. to support rightist and conservative politicians in order to overwhelm the leftists.

The plan was formed when a strong anti-communist politician, Syng-man Rhee returned as a political adviser to General MacArthur. The Acting Political Advisor in Japan, George Acheson, suggested the need for a special political plan, namely 'an executive and administrative governmental agency' shortly after a meeting with Rhee and General Command of USAMGIK, John Hodge (*FRUS 1945* VI: 1091-1092). He believed that in spite of the fact this plan was "contrary to past American thinking" because the U.S. should "give open official approval or support to any one leader group or combination," without the agency "our difficulties will increase rather than diminish, and the Communistic group set up and encouraged by the Soviets in northern Korea will manage to extend its influence into southern Korea with results which can readily be envisaged".

This plan was renamed by the Acting Political Adviser in Korea, Langdon. He remanded the organization, "a Governing Commission." It was through this organization that the USAMGIK should provide "facilities, advice and working funds for such commission (*FRUS 1945* VI: 1130-1133)." This revised plan was a more detailed one that consisted of five stages.

Two policies, the trusteeship and the agency or the governing commission, had different meanings from the viewpoint of negotiations with the Soviets. The advisors designing the Governing Committee regarded the trusteeship as a hopeless one: "I favor another plan instead of trusteeship (*FRUS 1945* VI: 1130-1133)." Nevertheless two policies were gradually combined with each other and played important roles during the USAMGIK and the U.S.-Soviet Joint Commission. As existing works mentioned, the Representative Democratic council of Southern Korea (Feb. 1946), the Right-Left Joint Commission (June 1946), the Interim legislative assembly (Nov. 1946), the Interim Government (Feb. 1947) was established under the USAMGIK (Cumings 1981; Park 1992: 127-142). These organizations were established following Langdon's five-stage plan and in response to Soviet action in the north.

In spite of the difference, it is important to understand the commonality between the two policies. Even in the Governing Commission plan, expansion of the U.S. influence over the northern part was considered: "Somewhere in the transition ... negotiations to be signed with Russia for mutual withdrawal of troops and extension to Russian zone of Governing Commission's authority (*FRUS 1945* VI: 1130-1133)."⁴

³ Furthermore, In the article two, there is a phrase, "In preparing their proposals the Commission shall consult with the Korean democratic parties and social organization." Originally, the state department of the U.S. designed the trusteeship supervised by four great powers, the Union of Soviet Socialist Republics, China, the United Kingdom and the United States, without the participation of the internal political power in Korea. Because the Soviet emphasized the role of the internal power, the U.S. could not help taking a step backward at the conference.

⁴ Cumings regarded the plan for the purpose of establishing a separate government in Korea south of 38th parallel. Since the state department strongly opposed the Langdon's

Because plans were not successful in light of the social dynamics in the southern,⁵ the American policy makers changed their policy goals to establish a separate government under authority of United Nations in late 1947. Almost all politicians in the South except the conservative politicians (Korean Democratic Party and Rhee Syng-Man) did not follow USAMGIK's policy and did not participate in the establishment of a new government in 1948. In particular, moderate politicians who the USAMGIK had tried to support in 1946, did not take part in the separate government, while they participated at the North-South Political Negotiation held in Pyongyang, North Korea in 1948, which was organized in order to oppose U.S. policy.

In spite of the failure of the trusteeship policy, the U.S. did not give up its ultimate goal: establishment of the unified democratic government in the Korean Peninsula. Because of this goal, the U.S. did not design any specific economic plan during their occupation over the peninsula, and the South Korean government did not elect 100 seats in congress for northern part in 1948. In particular, that no economic plan appeared during the USAMGIK is very important. If the divided zones were unified, any economic plan in a separate region might be useless, the U.S. policy makers believed.

2.2. Not Relief, But Recovery

When the U.S. Joint Chiefs of Staff [hereafter: JCS] estimated what countries would be in the most urgent need of U.S. aid with respects to their viability and stability in 1947, Korea was ranked fifth in position among 18 countries. The top four consisted of Greece, Turkey, Italy and Iran. The countries that followed Korea in rank were France, Austria, Hungary, England, and Belgium. The only other Asian country besides Korea in the top 18 was the Philippines, which was ranked 13th. However, from the viewpoint of U.S. security, the JCS ranked Korea 13th among 16 countries. Korea's place was behind Japan (8th), Latin America (11th), and European countries like England, France, Germany, Austria, and Belgium⁶. After further discussions, the JCS strongly believed that the Korean Peninsula was not an appropriate place to wage a war against communist countries, and they recommended that the U.S. military in Korea should withdraw as soon as possible. These discussions were reflected in the U.S. policy towards the Republic of Korea in 1948 and 1949, called the 'NSC 8' series.⁷ In fact, the American military did withdraw from South Korea in June 1949.

intention, however, this plan was carried out in order to support U.S. position in the Joint Commission.

⁵ The Joint Commission was prolonged and recessed for approximately one year, because of the social dynamics in the Korean Peninsula. The main point that the U.S. and Russia focused on was not the issue of unifying the divided zones or of establishing a new unified government, but instead the question of which politicians could participate in the Commission. Both occupation military leaders wanted politicians who they supported to take part in the Commission, but it was not easy because of the internal conflicts between right and left wing.

⁶ "United States Assistance to Other Countries from the Standpoint of National Security," April 29, 1947, In Etzold & Gaddis, 1978, *Containment: Documents on American Policy and Strategy, 1945-1950*, New York: Columbia Univ. Press.

⁷ Report by the National Security Council, "Position of the United States with Respect to Korea," NSC 8, April 2, 1948, *FRUS 1948*, vol. VIII, pp. 1164-1169.

However, the opinions of the president and the State Department were quite different from the JCS and the Defense Department. The president and the State Department clearly argued that an ideological war was being waged in Korea, and that the Republic of Korea would play an important role in the Cold War. The Acting Secretary of State, James Webb commented before the Senate hearings on June, 28, 1949: "we would hope that we can establish in South Korea a political and economic unit which would demonstrate the value of a free republican form of government."⁸ From this viewpoint, the Economic Cooperation Administration [hereafter: ECA] was responsible for U.S. assistance to South Korea instead of China in 1948, under the direct direction of President Truman. In spite of the fact that NSC 8 series recommended the withdrawal of American forces,⁹ Truman and the State Department tried to delay the date of the withdrawal as much as possible. After the withdrawal, the U.S. left hundreds of military advisors in Korea, which was the largest contingent in the world at that time.

The President and the Department of State derived their viewpoint from contemporary circumstances: the loss of China and the Soviet atomic bomb. After World War II, the U.S. had to change their strategy to rearrange the capitalist system in Asia with China at the apex, because of the Chinese communists' victory. In the PPS 28/2 General MacArthur believed that the U.S. should not consider the west coast of the U.S., but instead the east coast of Asia as the American west coast on the Pacific, and he argued that the U.S. should consider Japan as a military base from a strategic viewpoint.¹⁰ The NSC 49 series reflect the general shift in American policy towards Japan that was often called 'the reverse course.'¹¹

The NSC 48 series was the basis for U.S. policy toward Asia in 1949. The document emphasized the roles of Japan and India in Asia, while economic, technical, and military aid to South Korea was stressed without linkage with Japan and India. It also considered both Southeast Asia and China to be Japan's economic appendages despite of the Communist victory.¹² The NSC 68, which called for America's military expansion,¹³ and the NSC 48

⁸ Webb also said, "I can make one concluding paragraph, to the effect that the rest of Asia is watching us in Korea... By helping the Korean people to attain a stable economy on which to build a free and democratic government we will encourage millions of peoples in the East to retain their present faith in democracy and the principles for which America stands. If we fail we will provide a rallying cry by which the Communist leaders in all countries from Japan to India will attract more and more people to their cause." *Economic Assistance to China and Korea 1949-1950*, with an introduction by Richard D. Challener, 1979, The Senate Foreign Relations Committee's Historical Series, New York: Garland Publishing, Inc., pp. 120-121.

⁹ The withdrawal of American military in South Korea was indispensable, because of the withdrawal of the Soviet troops in North Korea shortly after the establishment of a separate government. Another reasons are for the strategic consideration that the JCS-Korea would not be an appropriate place to wage a war against Russia, and for restraint of President Rhee's intention to attack North Korea.

¹⁰ "Conversation between General of the Army MacArthur and Kennan," March 5, 1948, In Etzold & Gaddis, *ibid*, pp. 228-230.

¹¹ "Strategic Evaluation of United States Security Needs in Japan," NSC 49, June 15, 1949; "Department of State Comments on NSC 49," NSC 49/1, September 30, 1949, in *Strategies of Containment*.

¹² "The Position of the United States with Respect to Asia," NSC 48/1, Dec. 23, 1949;

series emerged out of the new world situation in 1949.

With regards to Korea's place in the world, the NSC 48 series showed that the opinions of the State Department and the ECA were quite different from those of the Defense Department and the JCS. As Cumings notes, the Defense Department considered Korea as an economic appendage of Japan because it sought to reorganize the Asian world system to strengthen Japan's role. As I cited in Webb's comments above, the State Department and the ECA opposed the Defense Department and emphasized Korea's ideological role in the Cold War. This difference was apparent in the discussion over construction plans for cement and fertilizer facilities in South Korea, which were targeted as import substitution industries.¹⁴ Although several senators and bureaucrats were strongly opposed to the ECA's plan for Korea because the plan might reduce Japan's export to South Korea, the U.S. government began to carry out the plan in the middle of 1950 shortly before the war (Park 1998: 99-100).¹⁵

In order to understand the characteristics of U.S. policy toward South Korea before the Korean War and to examine how U.S. policy makers considered the Korean-Japanese relationship, an economic viewpoint is necessary. Different from Cumings's viewpoint that America tried to revive the colonial relationship, between Japan and Korea shortly after the World War II, the U.S. preferred South Korea's independent reconstruction to close connection between Korea and Japan. The discussion on the ECA plan toward South Korea reflected this American policy.

One of the American officials in the American Mission in Korea strongly opposed the ECA plan because U.S. assistance for facilities of cement and fertilizer might be useless considering Japan's export capability.¹⁶ His view was consistent with that of the Department of the Army which attempted to view Japan as an opportunity to reduce U.S. responsibility in Asia. But Robert A. Kinney, an official in the ECA in Korea criticized the opinion: (1)South Korea could achieve foundations for self-supporting economy by FY 1953 if the ECA plan were carried out, (2)the purpose of the plan was not for industrialization, but to balance the budget, and (3)not Japan, but Russia might control over South Korea if the plan were not implemented because Koreans had strong anti-Japanese sentiment.¹⁷

"The Position of United States with Respect to Asia," NSC 48/2, Dec. 30, 1949, in Etzold & Gaddis, *ibid*, pp.251-276.

¹³ "One of the most significant lessons of our World War II experience was that the American economy, when it operates at a level approaching full efficiency, can provide enormous resources for purposes other than civilian consumption while simultaneously providing a higher standard of living." "United States Objects and Programs for National Security," NSC 68, April 14, 1950. In Etzold and Gaddis, *ibid*, pp. 171-197.

¹⁴ The ECA Plan to South Korea was not a relief program, but a recovery or rehabilitation program in order to make Korean economy self-supporting in time. *Economic Assistance to China and Korea 1949-1950*, pp. 125-126.

¹⁵ The debates on the NSC 61 series provide a good example of the differing opinions between the State and the Defense.

¹⁶ David E. Bane, "Korean-Japanese Economic Relations," Dec. 8, 1949, RG 469, box 92.

¹⁷ Kinney, "Comments on Mr. David Bane's Analysis of 'Korean-Japanese Economic Relations'," no date, *ibid*. A memorandum produced by the Acting Secretary of State to the Director of the Bureau of Budget (Pace), dated in May 16, 1949, were consistent with

In the end, a paper published by the Division of Research for the Far East in the Department of State accepted the latter opinion. First, the paper commented that economic integration between Japan and Korea could potentially have no effect in reducing the budget deficit of the Korean government. This is because it would be impossible to increase Korea's export to Japan when Korea had no specific industries for export. Moreover considering inflation in South Korea, the unstable value of Korean currency might exert harmful influences on the Japanese Yen. As a result, the paper concluded that the independent economic assistance and economic reconstruction plan was preferable to the integration project between the two countries.¹⁸

U.S. economic policy on the relationship between Korea and Japan stemmed from U.S. policy that sought “[t]o effect a complete political and administrative separation of Korea from Japan and to free Korea from Japanese social, economic and financial control” under the USAMGIK (*FRUS 1945* VI: 1073-1091). Although a policy that tried to connect the Korean economy closely with the Japanese by the Chief of the Division of Japanese and Korean Economic Affairs, Edwin O. Martin, had been mentioned in 1947 (*FRUS 1947* VI: 184-186), the policy had not been carried out at least until the Korean War broke out. A report drafted by Special Interdepartmental Committee on Korea in 1947 as well as SWNCC policy papers on Korea stressed the significance of the establishment of strong independent Korean economy free from domination by Japan or any foreign power as a necessary foundation for political independence (*FRUS 1946* VIII: 712; *FRUS 1947* VI: 616).¹⁹

Another key point in order to understand U.S. policy shortly before the Korean War is the fact that the U.S. continued to maintain its ‘unified Korea’ policy. Even though the ECA plan was designed for the purpose of establishing an independent and self-supporting economy, American policy makers did not give up the unification policy. In NSC 48, there is a key sentence as below:

Even with U.S. economic assistance there is no assurance that South Korea can be made economically self-sufficient so long as the peninsula remains truncated (*FRUS 1948* VI: 973).

The ‘unified Korea’ policy might be one of the reasons that the U.S. did not hesitate to cross the 38th parallel during the Korean War.

In the long run, at least before the Korean War, the U.S. policy papers shows two significant goals: (1) to unify the Korean peninsula in order to establish a new government free from any foreign powers and (2) to foster conditions that will separate Korea from economic dependence upon Japan.

3. CHANGES IN KOREA'S PLACE AFTER THE KOREAN WAR

3.1. Korean Economy as a Appendage of Japanese

Kinney's opinion. In particular, he alerted that if the ECA plan were not carried out, North Korea's influence would expand seriously over South Korea because the Korean peninsula was waging an ideological war.

¹⁸ “Korean-Japanese Economic Relation,” April 4, 1950, RG 59, Lot 58D245, box 4.

Throughout the 1950s, the Eisenhower Administration and Congress sought ways to reduce the U.S. budget deficit, which had increased tremendously because of the Korean War. Reducing foreign aid and replacing conventional forces with atomic weapons, which had the effect of decisively reducing military aid, were important means to balance the budget. As a result, the Eisenhower Administration reconsidered its grants toward South Korea, which was then the largest recipient of U.S. foreign aid in the Third World (Park 1999).

In order to reduce U.S. aid to South Korea, three points were considered: to phase-down the Korean military and reduce or withdraw U.S. military forces stationed in South Korea, to increase Japan's regional economic and military role to lessen the U.S. burden toward South Korea and Southeast Asia, and to encourage South Korea to increase its share in maintaining the South Korean armed forces through economic recovery and social stabilization (Park 1999).

In NSC 5514 superseding NSC 170/1, dated in February 25, 1955, there is no comment on economic reconstruction in the "Current U.S. Objective (*FRUS 1955-57 XXII*: 44)." From the economic viewpoint, there were three comments in NSC 5514:

- (1) To establish living standards approximating the 1949-50 levels, which the ROK should be able to support with a minimum of future external aid.
- (2) To increase the investment component as rapidly as is consistent with economic stability, placing greatest emphasis on projects contributing most immediately to increased productivity.
- (3) To permit the ROK to assume an increasingly greater proportion of the cost of supporting its armed forces.

In this citation, three points were stressed. First of all, instead of economic reconstruction, recovery from the devastation of the war was emphasized. This is quite different from the purpose of the ECA plan before the war. Second, although investment was considered important, the key emphasis was placed on economic stability. Lastly, the purpose of the economic assistance was not to rehabilitate, but to make a greater financial contribution to its own development while continuing to provide support for its military forces. These three points were not to increase or to reduce U.S. assistance toward South Korea.

NSC 5702/2 contains a clause concerning technical assistance and support to agricultural regions, along with a provision for increased participation by domestic and foreign private investors in South Korean economic development. On the other hand, NSC 6018 reflects a variety of modifications: (1) change from 'a self-supporting economy' to 'a self-supporting, growing economy'; (2) inclusion of 'Economic Development and Programs for Reform and Development' under 'Major Policy Guidance'; and (3) advocating a reform of exchange rate and stimulation of production for export and domestic demands (*FRUS 1958-1960 XVIII*: 699-707; Woo 1991: 70-71).¹⁹

Nevertheless, it is not easy to find significant changes in the basic economic ideas of the two policy documents. First of all, they both stress that stimulation of industrial capacity should be consistent with economic stabilization. Even if there is some variation in details concerning agriculture, fishery, community works, transportation, technical education, social reform, and other areas, in the two documents all industries are given similar consideration

¹⁹ Woo assesses NSC 6018 as an undergraduate textbook on comparative politics, or more precisely, modernization theory.

and neither contains any clear industrialization strategy. In NSC 5817, it is clear that U.S. economic and technical aid to Korea was designed for the sake of contribution to the support of ROK military forces (*FRUS 1958-60 XVIII*: 488).

In NSC 6018, clauses fifteen, sixteen, and seventeen are concerned with economic development, and all of them stress a balanced national budget, which is closely linked to inflation and economic stabilization programs. The matter concerning the exchange rate was closely related to the reduction of U. S. grants to South Korea because the Rhee Administration sought to get more dollars through overvaluation of Korean currency. Stimulating exports through a realistic adjustment of the exchange rate was of secondary concern to the U.S. and the basic objective of increasing export was merely to balance the budget of the South Korean government.

The U.S. maintained tight controls over currency expansion in South Korea to stabilize inflation. Along with the Stabilization Program, the U.S. reduced two divisions of the Korean Army and one division of the U.S. army stationed in South Korea in the late 1950s. There were no plans for economic development that called for an increase in the South Korean currency supply.²⁰ American officials who were concerned with South Korean affairs believed that an economic development plan would fuel inflation, and this view continued to be expressed in important policy documents until 1960.

Among three points as I mentioned above, the biggest difference of U.S. policy in the 1950s compared to that before the Korean War, is the attempt to closely link the Korean and Japanese economies. During the Korean War, the fact that Japan accomplished a major recovery is well known. After the war, in accordance with its 'New Look' strategic policy, the U.S. sought to reorganize the Asian capitalist world with Japan as the key focus in Asia. Following Japan's successful recovery, increasing Japan's regional military and economic roles was a means to ease the U.S.' commitments in South Korea and the rest of East Asia, as well as a means to reduce the U.S. budget deficit.²¹ In fact Japan was remilitarized in a limited way as a result of the Korean War. In the end, U.S. policy makers in the 1950s started to regard South Korea as well as other Asian countries as economic appendages of Japan.

The rise of Japan in Asia affected South Korea from the economic viewpoint. Because of Japan's successful recovery, the necessity for Korea's economic reconstruction became less of an urgent matter to America. Rather the U.S. sought to shift its burden by making Korea Japan's responsibility. Accordingly, throughout the 1950s in U.S. policy papers, there was little attention paid to economic rehabilitation in South Korea, and the focus was on relief from the devastation of the Korean War in spite of the fact that they used 'recovery' and 'rehabilitation' instead of 'relief.' Almost all of the American aid to South Korea in the 1950s consisted of consumption goods and the Korean government used the available counterpart funds to build up the military rather than facilitate economic growth.²²

²⁰ In the years following 1948, there were many economic development plans: Five-Year Economic Rehabilitation (1949, 1951), Five-Year Economic Development Plan by the Department of Rehabilitation (1956), Three-Year Economic Development Plan by the Economic Development Committee (1958), the Nathan Report by UNKRA (1953), and the Tasca Report by the U.S.(1953). None of them were carried out.

²¹ "U.S. Policy Toward Japan," NSC 5516, March 29, 1955; "U.S. Policy in the Far East," NSC 5913/1, September 25, 1959, RG 273, Records of the National Security Council, EO 12856, NA.

²² The American Economic Coordinator totally controlled the counterpart funds after the

U.S. policy to normalize Korean-Japanese relationship from the economic viewpoint occurred in NSC 5514. In NSC 5702/2, the normalization was specialized in the clause 18: "Encourage the ROK to take the necessary steps toward normal commercial relations with other Free World countries, particularly Japan (*FRUS 1955-57 XXIII*: 493). This clause continued in NSC 5817 and NSC 5907 (*FRUS 1958-60 VXIII*: 576). In the clause 21 of the NSC 6018, the U.S. policy makers stressed more obviously the Japan's role as below:

"Encourage the development of cooperative relations, mutual respect and participation in multilateral activities as between the ROK and other free nations, especially Japan and other nations of Asia, as a means of lessening the dependence of the ROK upon the United States (*FRUS 1958-60 XVIII*: 703)."

In the long run, the aims of economic rehabilitation in NSC papers in the 1950s did not mean to build an independent economy from Japan. On the contrary, America considered the Korean economy as an appendage of the Japanese. The economic purpose of U.S. assistance was no more than to relieve wartime devastation and to enlarge Korea's responsibility for its own armed forces while simultaneously reducing U.S. assistance. This meant the role of South Korea as window dressing for the ideological battlefield before the war was no more valid under the New Look policy of the Eisenhower Administration.

3.2. Buffer Zone

After the Korean War, China, along with Japan, increased its importance in Asian affairs. The fact that the Chinese army, not the Russians, had waged war against America made Communist China the master of the Asian Communist world. Although faced with many problems during the 1950s, such as the need for economic reconstruction, the Chinese communist regime began to strengthen its power not only in internal matters but in the external world as well. The approval of the Kennedy-Cooper Resolution in the Senate in 1959 was an attempt to increase India's power to exert containment against the Chinese communists.²³ Accordingly, the U.S. tried to isolate China from the rest of the world and kept it from joining the United Nations.

Following China's rise, the strategic value of the Korean Peninsula had strengthened. What was different from the situation before the Korean War was that the U.S. had to consider Chinese military power when their policy makers designed U.S. security policy in Asia. Until 1958, the year when the Chinese army withdrew from North Korea, the size of

Agreement on Economic Coordination in 1952. The Office of Economic Coordinator played a key role in making economic policy in the 1950s.

²³ The Kennedy-Cooper Resolution was not an official policy of the Eisenhower Administration. The Resolution stemmed from opposition against the Eisenhower Administration's policy toward the Third World. Since the middle of 1950s, John F. Kennedy was in touch with academic circles that asserted the significance of economic containment, and many academics like W.W. Rostow were employed as advisers or bureaucrats in the State Dept. shortly after his inauguration in 1961. William O. Walker III, "Mixing the Sweet with the Sour: Kennedy, Johnson, and Latin America," in Diane B. Kunz, ed., *The Diplomacy of the Crucial Decade: American Foreign Relations During the 1960s* (New York: Columbia University Press, 1994), pp. 44-45.

Chinese army was a serious consideration in policy papers on the Korean Peninsula (*FRUS 1955-1957 XXIII*: 42-48; *FRUS 1955-1957 XXIII*: 491-498; *FRUS 1958-1960 XVIII*: 485-491; *FRUS 1958-1960 XVIII*: 571-579). That meant that Korea became “a buffer zone” between China and Japan.

Of course, American policy makers tried to phase-down South Korean military and U.S. armed forces stationed in South Korea during the 1950s, as existing works mentioned (Macdonald 1992; Yi 1995; Park, Tae-Gyun 1999). However, the JCS strongly opposed the reduction of the Korean military was because the Chinese Army was stationed in North Korea.²⁴ While the U.S. tried to reduce South Korean armed forces in order to decrease American assistance of which main role was to maintain South Korean military, the option of modernizing weapons was always considered. At last, the U.S. abolished article 13-d of the Armistice Agreement in 1958 and deployed nuclear missiles on the Korean peninsula (*FRUS 1955-1957 XXIII*: 432-433, 460-461).

U.S. consideration on Chinese power gradually increased during the 1950s. While NSC 5514 stressed ‘preventing or countering the resumption of fighting by the ROK’ against North Korea and Communist China, in NSC 5702 the comments were at some extent strong as below:

If Communist Chinese military power participates in or supports a Communist renewal of Korean hostilities, take direct military action against such participating or supporting power, wherever located, [less than 1 line of source text not declassified]²⁵ as required to achieve U.S. objectives. In such operations make clear our intent to limit Korean hostilities and seek to avoid provoking or inviting Soviet Intervention. In addition:

(1) Clarify to all, the necessity of direct military action against Communist China as the only feasible way of honoring our collective security commitments to the UN and our security commitments to the ROK

(2) Call on other UN members for effective military assistance appropriate to direct military action against Communist China.

Furthermore the formal role of South Korean forces changed after the Korean War. NSC 8/2 in 1949 had limited the role as the capability of assuring internal security. However, the role of ROK military together with U.S. forces in Korea after the Korean War was defined to be capable of “(1)deterring or successfully resisting aggression from North Korean forces alone, and (2)deterring aggression by North Korean forces and Chinese Communist forces now estimated to be in North Korea, or, with limited U.S. outside support, conducting a successful holding operation against such forces(*FRUS 1955~1957 XXIII*: 491-492).”

Thus, the role of ROK forces gradually expanded in the late 1950s. Though the multilateral security project including ROK forces had been considered since 1955, the active boundary of the South Korean military had been limited within the Korean peninsula. However, since 1958, the role was expanded as below:

²⁴ The fact that payments for the Korean military were not as expensive as other countries was another reason to oppose the reduction. Another reason is that reduction of the Korean army might worsen the unemployment problem in South Korea.

²⁵ Considering another cases, this declassified line might be a comment on nuclear weapon.

f. Encouraging the conditions necessary to form, and then participating in, a Western Pacific collective defense arrangement, including the Philippines, Japan, the Republic of China and the ROK, eventually linked with ANZUS and SEATO.(NSC 5817)

d. Maining ROK forces capable of assuring internal security and, together with U.S. forces in Korea and such outside U.S. combat and logistic support as is readily available, capable of ... (3) exercising the degree of power and range of capabilities sufficient to demonstrate throughout Asia the continuing determination of the Republic of Korea to oppose Communist aggression. (NSC 5907)

7. ROK armed forces capable of assuring internal security and together with U.S. forces and logistic support available in the Far East, deterring Communist aggression in Korea or of successfully resisting such aggression until Free World assistance can be brought into action. (NSC 6018)

In NSC 6018, the position of South Korea as a buffer zone was quite clearer than before. Korea's place in East Asia was considered not from the viewpoint of psychological warfare, but from the viewpoint of Free World security. In the major policy guidance of NSC 5817, U.S. policy makers believed that if the Communist bloc succeeded in extending its control over the whole of Korea, Free World 'security' in the Northeast Asia area would be seriously undermined.

Another reason why the value of the Korean Peninsula rose in strategic terms was the Formosa Crisis and the U.S. intervention in Vietnam in the 1950s. American policy makers thought that the Chinese communists might support the communists in Southeast Asian countries. Furthermore, the Formosa Crisis was a direct threat to Taiwan, where the U.S. dispatched Seventh Fleet shortly after outbreak of the Korean War. Conflicts between the U.S. and Communist China over the Taiwan Straits had a direct impact on the Korean Peninsula, where both militaries were stationed (*FRUS 1955-57 XXIII*: 217-220).²⁶

The Eisenhower Administration faced a dilemma between the 'New Look' policy and the containment of Communist China. Because the two policies attached different values to Korea, disputes in the Eisenhower Administration ensued between the proponents of the 'New Look' and those who argued for the containment of Chinese Communists within the administration.²⁷

After the shock of Russia's Sputnik in the late 1950s, President Eisenhower said:

It seemed clear to him that we could not consider the Republic of Korea in a vacuum. It had to be considered in the context of the world situation. To illustrate his point, the President read a portion of a cable just received this morning on the most

²⁶ Conversation at the 276th Meeting of the National Security Council showed clearly the relationship between the Formosa problem and the security of South Korea.

²⁷ "Discussion at the 297th Meeting of the National Security Council," Thursday, September 20, 1956, NSC Series, Papers as President of the United States, 1953-61(Ann Whitman File), Box 8, Dwight D. Eisenhower Library; "Discussion at the 311th Meeting of the National Security Council," Thursday, January 31, 1957, *ibid*.

recent discussion between Averell Harriman and Khrushchev.... This kind of intelligence meant to the President that we could not sit down and coolly calculate whether the ROK was to have 16 or 18 divisions without regard to other situations in the world. The President strongly emphasized this view that the U. S. could not afford to be weak anywhere... The President insisted that he was not arguing that it was necessarily wrong to reduce ROK forces, but he did insist that there was a real danger that the U. S. would display weakness in too many critical places in the world. While said the President, he realized that we were trying to match the Soviets in missiles, we could not afford to let ourselves become weak in other areas of the struggle with the Russians.²⁸

Another change in U.S. policy toward Korea was to give up the immediate 'unified Korea' policy. Throughout the 1950s, unification policy had appeared in the 'long-range objective' and 'major policy guidance,' not in the 'current U.S. objective.' This is seriously different from the policy before the Korean War, as I mentioned in Chapter 2. This meant that unification of the Korean Peninsula was impossible, at least in the near future, American policy makers believed. They thought, "there is little prospect of Communist agreement on any reasonable formula for establishment of a unified democratic Korean state(*FRUS 1958-1960 XVIII*: 486, 574)," and did not want to wage another war in order to unify the peninsula.²⁹

This showed very well in the clauses related to economic assistance or rehabilitation. Any comments on economic reconstruction related to unification had never appeared in the policy papers after the Korean War. From the viewpoint of the unified Korea policy, it might be also possible to illuminate the reason why American policy makers attempted to connect the Korean economy with the Japanese. Because economic cooperation between South and North Korea was impossible, the economic viability of Korea needed to be guaranteed by Japan.

4. CONCLUSION

The Korean War played a pivotal role in transforming Korea's place in East Asia. The U.S. occupied and established the military government until the establishment of the ROK government. America intervened in South Korea through the United Nations and gave ECA assistance during this period in order to carry out the ideological war. Regardless of the likelihood, the U.S. tried to unify the Korean Peninsula and designed an economic reconstruction program with the idea of future unified Korea.

After the Korean War the rise of Japan and China had two different meanings for Korea's place in East Asia: as an economic appendage of Japan and as a buffer zone between Japan and China. From the economic viewpoint, the role of Korea became less important than

²⁸ "Discussion at the 411th Meeting of the National Security Council," *ibid.*, p. 565.

²⁹ The Everready Plan was one of outstanding case to be sure that the U.S. did not want to resume the war. The plan was designed in order to keep the Rhee Government from resuming the War. If a war resumed by the Korean government, America tried to remove high ranking officers including the president in South Korea. *FRUS 1952-1954 XV* part I: pp.965-968)

before, while from the viewpoint of military strategy, Korea had become more important. As a result, America stationed its army on the peninsula after the Korean War, whereas economic grants grew smaller during the 1950s. Whenever disputes over the U.S. military's withdrawal arose, the Chinese presence and the intentions of the South Korean Government to march north influenced the outcome.

After the inauguration of President Kennedy, another objective was added to new U.S. policies toward underdeveloped countries. The Kennedy Administration adopted a new policy toward underdeveloped countries: economic development assistance. Rostovian new thinking forced the Third World to carry out social reforms and economic development plans. South Korea was not an exception. The U.S. regarded Korea not only as a buffer zone, but also as a showcase for the ideological war.

To reexamine changes in U.S. policies toward South Korea before and after the Korean War has very significant meanings. First of all, the ECA plan provides the necessary background information to estimate whether the U.S. gave up the Korean Peninsula before the Korean War. The U.S. tried to contain communist effects by using psychological and economic means, as it had implemented in Western Europe, which was not for relief but for recovery.

Second, the 'unified Korea' policy made it possible for the United States policy makers to decide to cross the 38th parallel in October 1950. Since the beginning of occupations by the U.S. military in 1945, American policy makers designed U.S. policy toward the Korea from the viewpoint of the whole peninsula, not as a divided region. Therefore, America considered the possibility that the Korean Peninsula would be unified in the near future when they designed the ECA plan.

Third, new policies toward South Korea under the Eisenhower Administration explains the background of the U.S. phase-down policy of Korean armed forces and American troops stationed in South Korea throughout the 1950s. At the same time, it is possible to understand the reason why the phase-down policy was not carried out. Between the New Look and the containment postures against Communist China, it was not easy for U.S. policy makers to reduce forces in South Korea in the 1950s although two divisions of South Korean Army were reduced.

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