



Qualitative Literature Approach: The Historical Driving Forces in the South Korean Economic Growth*

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Abstract

Economic growth is one of the significant benchmarks determining a country's sustainable growth. Before WWII, most countries perceived their priority in terms of military strength as they dedicated most of their efforts and resources to creating weapons of mass destruction. The current research aims to establish some of the significant factors that may have contributed to the sustainable and progressive economic growth of South Korea within the 60-year timeframe. Multiple prior studies have attributed the economic growth in South Korea to policy reforms that opened the country to foreign markets. The outstanding increase in the percentage of exports stands out as an indication of the improvement in the quality of goods produced in the country. Finally, in recent years, China has dedicated more resources to research and developments as a strategy to improve innovation within the country and its overall economic growth. Other issues of concern likely to undermine the prospects of the country's economic growth include the limited geographical size, aging population, and limited natural resources. As such, South Korea needs to emphasize innovation and improve the business environment as its main strategy for sustainable economic growth in the future to maintain its continuous economic miracle.

Keywords: Economic Growth, Historical Review, South Korean Economy, Qualitative Text Analysis

Major classifications: Economic History

1. Introduction

Economic growth is one of the significant benchmarks determining a country's sustainable growth. Before WWII, most countries perceived their priority in terms of military strength as they dedicated most of their efforts and resources to creating weapons of mass destruction. However, there was a significant shift in this perception after WWII as countries began to focus more on the state of their economy. The economic impact of WWII and other factors such as the dread depression may have been part of the reason for the significant shift from military superiority to economic superiority (Santacreu & Zhu, 2018). With the economic realm being among the significant unifying factors that have brought many

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countries together within the global community, various countries developed different strategies that would enable them to improve the sustainable growth of their economies. South Korea is one of the countries that has depicted remarkable transformation within the economic realm. Within the past 60 years. The country was primarily an agriculturally based economy during the 1960s, with little prospects for sustainable economic growth. Over the past sixty years, South Korea has experienced sustainable growth that has enabled it to rise to the 10th largest economy in the world (Naik & Bhatt, 2018). The GDP of South Korea was at \$ 1.8 trillion according to 2021, placing it one step ahead of Russia, which is ranked 11 in terms of GDP (Santacreu & Zhu, 2018). This research aims to establish some of the significant factors that may have contributed to the sustainable and progressive economic growth of South Korea within the 60-year timeframe.



Figure 1: Steps to Obtain the Purpose of the Current Research

2. Literature Review

This section reviews works of literature that have been published on the remarkable transformation of South Korea's economy within the last 60 years. In 2016, South Korea was ranked as one of the 11 largest economies, with a GDP of \$ 1.5 trillion. This development attracted the interest of multiple researchers who aimed to establish some underlying factors that may have contributed to the country's economic success (Santacreu & Zhu, 2018). Between 2016 to 2021, South Korea has been able to move a step higher to the 10th largest economy in the world, thus depicting the country's sustainable economic growth. This is despite the Covid-19 pandemic that significantly impacted the global economy.

According to the study (Lee, 2016), South Korea has witnessed sustainable economic growth within the past half-century. This is evident in the decreased output per worker gap between South Korea and the U.S. The decrease in per capita income within the Republic of South Korea is one of the significant factors that has contributed to its potential growth, thus confirming the significance of the conditional convergence theory. Lee (2016) further attributed South Korea's catch-up to the U.S to factors such as strong investment, increased openness to trade, improvement in the rule of law, and low fertility. While the country's economy has been quite sustainable in the last half-century, a few factors have hampered the overall growth of the country's economy. One of the significant issues that have been identified by the previous study (Lee, 2016) is the improvements in the country's democratic rule. While the country is considered to be a full democracy, there is a need for significant improvements to be made in the institution and policies to improve economic growth. Another significant setback that has been identified in the article is the difference between the manufacturing and service sector. While the manufacturing sector seems quite efficient in export-oriented developments, the service industry is affected by poor productivity performance, which has presented an obstacle to the overall growth of the country's economy.

According to the study (Park, 2019), multiple factors may have contributed to the economic miracles in South Korea. In the article, the author focuses on understanding the remarkable economic growth within the country from a historical perspective. Moreover, he reiterates the need to consider socio-political factors and their significant role in the overall growth of the country's economy (Alam, 1989). From a historical perspective, the author divides the country's economic development phases into different decades. These decades include reconstruction in the post-war period, the 1950s; the creation of a self-supporting economy in the 1960s; rural development and upgrading the industrial structures in the 1970s; transition to a liberal economy in the 1980s; the age of globalization in the 1990s and beyond. These phases depict the gradual growth in South Korea's economy as a multidimensional factor that requires a critical lens to comprehend effectively. According to the article, one of the significant factors that may have contributed to the remarkable improvements in the country's economic sector is the economic policies that were developed in the 1950s to revive the country's economy. South Korea had been victimized by the war that was waged against them by North Korea in June of

1950 (Alam, 1989). The war destroyed 44 percent of the manufacturing facilities and approximately 60 percent of the power generating capacity. Various infrastructure such as healthcare, housing, and schools was also destroyed due to the war, which left the country in a devastated state. While the economic policies were aimed at facilitating the recovery of South Korea's economy through building new infrastructure and restoring people's livelihood, massive funding was required to facilitate these developments. As such, the country turned to the global community for foreign aid. The country received a total of \$2.94 billion between 1945 to 1960, with the U.S contributing approximately 80 percent of the funds. This economic aid was key to implementing the economic policies that had been developed to address the economic situation in South Korea.

Lee (2018) explores the relationship between law and economic development, focusing on South Korea. According to the article, the country was considered one of the poorest countries in the world during the 1950s following the massive destruction from the North Korean war. During the 1960s, South Korea exhibited similar characteristics to most developing countries. Some significant factors that defined the country included a high rate of poverty, overpopulation, low levels of technology, the poor endowment of natural resources, insecurity from external threats, and political instability (Pyo, 1993). These factors presented a significant obstacle to the country's overall economic growth. In the article, Lee (2018) incorporates the law and development theory to identify how various legal and institutional dimensions in South Korea contributed to its progressive growth over the years. According to the prior research (Lee, 2018), the sustainable economic growth within South Korea can be attributed to the democratic leadership in the country, which was critical to addressing the challenges faced by the citizens (Pyo, 1993). Through democratic leadership, social challenges such as corruption which was likely to undermine the effectiveness of the government in implementing the economic policies, were averted. This ensured that the economic policies were more objective and aimed at solving some of the challenges that undermined the country's economic growth.

3. Research Findings

Multiple studies have attributed the economic growth in South Korea to policy reforms that opened the country to foreign markets (Abizadeh & Yousefi, 1998). As an agricultural country, the exposure to foreign markets provided a means by which farmers could sell products within the global market. Central to this development was the need for political stability in the country. This provided an avenue for the country to develop stronger foreign relations with the global community (Abizadeh & Yousefi, 1998). The success of South Korea in the global market is evident in the fact that the country stands out among the top ten exporters in the world. Between 1995 and 2012, the country witnessed a significant increase in exports in percentage GDP, which doubled from 25.9 percent to 56.3 percent (Santacreu & Zhu, 2018). The outstanding increase in the percentage of exports stands out as an indication of the improvement in the quality of goods produced in the country. Moreover, studies have shown that two main factors have further contributed to increased international trade between South Korea and the global community (Pyo, 1993). One of the dominant factors attributed to these developments is the policy incentivization of innovation and the improvements in the business environment.

According to the prior research, the business environment in South Korea is quite conducive and stands out as a significant determinant of growth in the domestic market. This has attracted more investors to the country who find it more convenient to conduct business due to the limited interference of government policies (Abizadeh & Yousefi, 1998). In 2018, the World Bank ranked South Korea as the fourth country in terms of the ease of doing business index. This was against other countries such as the U.S, which was ranked 6th, Japan which was ranked 34, and China which was ranked 78 (Santacreu & Zhu, 2018). Other factors that were considered in terms of business environment include getting electricity, starting a business, enforcing contracts, getting credits, resolving insolvency, and trading across borders.

It is evident that South Korea scores relatively higher than most of the leading economies in terms of a conducive business environment. This is crucial as it provides an avenue for citizens to concentrate on the production process. Moreover, the conducive business environment also attracted investors from other countries, thus creating more business opportunities while increasing the opportunities for employment for the citizens (Pyo, 1993). The decrease in unemployment within South Korea due to the multiple opportunities created in the economic realm further improved the living conditions of the citizens within the country. While South Korea dominated in the ease of doing business criteria, all the other dimensions included in the World Bank rating index are critical to a country's economic growth (Pyo, 1993). They play a critical role in improving production, investment, communication, and the overall growth of a country's economy.

Other than the conducive business environment that the country has created, the focus on research and development is another significant factor that has significantly improved the economy of South Korea. Recent years have witnessed a significant

increase in technological advancement, which has resulted in significant transformations in various areas of society (Park, 2019). South Korea's devotion to technological developments and innovations is another significant factor contributing to its sustainable growth over the years. These factors have played an integral role in improving the country's competitive advantage in the export market. Prior study indicated that South Korea spends a large portion of its GDP on Research and Development. This is relatively larger than the portion spent by Japan and the U.S, which are considered the two global leaders in the innovation sector (Park, 2019). The research and development intensity in South Korea grew 88.5 percent between 1996 and 2015, while the U.S only witnessed a growth of 14.4 percent within the same period (Santacreu & Zhu, 2018). As most of the global community embraces technological innovations which have been incorporated into different areas of the economic realm, South Korea stands out as one of the main beneficiaries of this development due to its undying devotion to the technological advancements which give them a competitive edge against competitors in the global economy (Lee & Lee, 2014; Chang, 2012).

Political stability is another significant factor that stands out in the successful improvements in the South Korean economy. Most third-world countries lag in the economic realm due to the political instability that creates a weak economic environment. This is likely to scare investors from venturing into various sectors of the economy in these regions. By embracing the rule of democracy, the country has been able to create a stable political environment that has attracted investors (Chaudhuri, 1996). The legal factors likely to present an obstacle to foreign investment have been reviewed to provide room for foreign investment. The rule of law in the country has also played an integral role in the promotion of accountability among the leaders in the country (Chaudhuri, 1996). This mitigates the probability of corruption, one of the significant factors likely to present an obstacle to economic growth. By embracing democratic leadership, citizens can elect leaders who are more dedicated to improving the country's economy and the people's living standards. Moreover, the democratic rule in the country has further provided room for free markets, which provides an avenue for which members of the community can make economic decisions (Lie, 1992). While these factors have been crucial in the country's economic development, they indicate that the country's economy is likely to improve within the coming years.

Table 1: Screening Terms and Searching Results

Screening Terms	Research Findings	Description
The Historical Driving Forces, South Korean, Economic Growth	Alam, 1989; Lie, 1992; Pyo, 1993; Chaudhuri, 1996; Abizadeh & Yousefi, 1998; Chang, 2012; Lee & Lee, 2014; Santacreu & Zhu, 2018; Park, 2019	Previous studies that indicated the economic growth in South Korea to policy reforms

4. Discussions

In summary, while South Korea's economic growth is considered an "economic miracle," the remarkable transformation is a product of resilience and devotion by the government to restore the country's economy from the tragedies of war experienced in the 1950s. The successful economic growth of the country was achieved through a gradual process across multiple decades since the 1960s (Hassink, 1999). One of the significant factors that can be attributed to the economic growth of South Korea is the economic policies that exposed the country to the international market. This enabled the country to export its products to other countries within the global community, pushing it to the world's top ten largest exporting countries (Hassink, 1999). The countries that embraced export trade played an integral role as it provided a readily available market for most of their products. Other than the favorable economic policy, South Korea's conducive business environment has played an integral role in promoting the sustainable growth of the country's economy. The ease of doing business in the country has promoted trade within the domestic market while attracting foreign investors who find the trade policies within the country quite liberal (Hassink, 1999). This has improved the economic opportunities within the country by creating more business opportunities, thus improving the residents' living standards. The devotion to research and development by South Korea is another significant factor that has improved its level of innovation within the business realm and its competitive advantage in the global community. Finally, the rule of democracy in the country has increased

the level of accountability among political leaders committed to making policies aimed at promoting the interest of the members of society.

Understanding the underlying factors that have contributed to the sustainable growth of the South Korean economy is crucial as it provides an avenue for other countries to make reforms within their economic policies to ensure that they can achieve the same level of sustainable growth (Hassink, 1999). Another significant benefit that can be attributed to understanding the factors that have contributed to the economic growth in South Korea is that they provide an avenue for one to establish some of the areas of improvement that would further improve the country's economy. Moreover, from the research, we can predict the future of the country's economy by considering most of the factors related to the business environment (Lee & Lee, 2014). For instance, the country scores relatively high in terms of the ease of doing business index compared to most countries. However, there are other factors that contribute to the business environment, such as the accessibility to credit where the country can improve.

Despite the significant developments that the country has made in the economic realm over the past six decades, it is still likely to face multiple challenges, such as competition from other global giants such as China. Recent policy developments in China have emphasized high-skill developments and export trade. These developments are likely to have a negative impact on South Korea, considering China is the second-largest economy in the world. Moreover, since China is among the leading importers of South Korean products, the emphasis on exports is likely to reduce the imports they get from South Korea (Lee, 2016). Finally, in recent years, China has dedicated more resources to research and developments as a strategy to improve innovation within the country and its overall economic growth. Other issues of concern likely to undermine the prospects of the country's economic growth include the limited geographical size, aging population, and limited natural resources. As such, South Korea needs to emphasize innovation and improve the business environment as its main strategy for sustainable economic growth in the future to maintain its continuous economic miracle.

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