

## INSTITUTE OF CURRENT WORLD AFFAIRS

SBB-1

Asiatic Research Center  
Korea University  
Seoul 132, Korea  
April 23, 1983

Korea: A First Impression

Mr. Peter Bird Martin  
Institute of Current World Affairs  
4 West Wheelock Street  
Hanover, N.H. 03755

Dear Peter,

Every so often an international development agency threatens to graduate Korea from the ranks of developing countries. The reasons are apparent. Korea's economy took off impressively in the late 1960s and the 1970s, growing at rates averaging 11% a year til the end of the last decade. The jump in oil prices and the world recession took its toll here heavily in 1980, and last year's modest (by Korean standards) growth rate of 6% was fueled heavily by government construction projects, including an ambitious subway system that has torn up Seoul's streets and made getting around the city a nightmare. Exports, the traditional source of growth, slacked, and foreign debt has now soared to 37 billion dollars, putting Korea fourth in line for the highest foreign debt behind three nearly insolvent (or at least highly illiquid) Latin American nations. But most economists agree that Korea will not sit in the doldrums for long if the current world economic recovery continues.

Still the notion that Korea has developed enough to stand on its own and compete on equal ground brings loud cries of protest here. Korea doesn't want to lose the benefits of many aid and cooperative programs. It is afraid that other nations may feel even more free to shut it out of their markets. But the protests also show the strong sense of vulnerability that permeates much of Korean life, a vulnerability felt both by those who accept the status quo, and those who would like to change it.

I live north of the city in a valley surrounded on one side by lovely wooded hills, and on the other by luxury homes stacked up on the hillside like a collection of beer cans in a window. Behind the hillside, craggy granite peaks dominate

---

Steven B. Butler is a Fellow of the Institute of Current World Affairs studying economic and political developments in Korea and Northeast Asia.

the valley, with patches of scrubby trees punctuating the cold grey. The more humble of us live on the valley floor.

Seoul's developers, I'm told, have stayed clear of the area because it lies on a direct line between the president's mansion, the "Blue House," and the DMZ to the north. In the late 1960s, North Korean commandos who tried to attack the Blue House and assassinate then-President Park were captured on the pretty south slope of the valley. Now the government prevents hikers, much less land developers, from traversing the hillside. But for Seoul's residents, a stretch of greenery is not to be scoffed at. A warm spell has advanced the opening of cherry blossoms by a week, and with cherry, forsythia, azalea, and magnolia all blooming at once, the threat to Seoul's security seems more benign.

A bus downtown from the valley takes about twenty minutes. So far, I have counted three sets of steel barricades and two gates that can be swung into place quickly to block the roads. The security arrangements curiously mimic the thinking of Yi Dynasty founders who chose Seoul, with its barrier of mountains to the north, for their capital, largely to protect themselves against northern invaders. Eventually, though, Japanese toppled the dynasty from the south.

Now south of the mountains lies a great deal more worth protecting. Seoul's population stood under 500,000 in 1949. Today over 20% of the people of South Korea, nearly 9 million of them, live here. They stream here from all parts of the country in search of, well, I've yet to find out. But enough people have arrived so far to make Seoul the world's fourth largest city.

Seoul is an ancient city. And reflecting the agricultural society that once sustained the capital, the old neighborhoods look like overgrown villages, with twisting narrow lanes, set off by tall walls and paved with stone, that run with no apparent plan or direction. Many of the older neighborhoods remain more or less intact, but bulldozers have gradually ringed them with wide, straight avenues.

The downtown area is a showcase of Korean proficiency in construction. Its modern hotels and office towers, sometimes hidden behind a maze of alleys, can match the gleam and solid sleekness of any in the world. They belie Korea's status as a developing nation. But one step outside through their glass facades may convince otherwise. Seoul's transportation system is somewhat worse than primitive. One and a half subway lines are now open, but with so few connecting trains, most of Seoul's nine million must ride the buses. Hundreds of them creep and crawl through the downtown avenues, belching out a cloud of

smoke that permanently enshrouds the city. The roads bear enough traffic to prohibit left turns, forcing drivers to make a circuitous series of right turns to end up a little left of where they began. Blasting for the subway occasionally rattles the city's windows, and long stretches of steel plates keep the endless traffic from falling into large pits that will eventually house underground stations. (Twice last year, though, the plates suddenly collapsed, swallowing a couple of buses and giving the papers a new scandal to hoot about.) Construction equipment litters the streets.

Seoul's resident's put up with this unpleasantness with surprising good humor and courtesy, compared with public behavior in other large crowded, Asian cities. Young people quickly give up their seats to the old on buses, and anyone carrying a parcel will not have to wait long before a seated passenger offers to hold it. Instead of racing off in disregard, many bus drivers will stop for the harried would-be rider who gives chase as the bus pulls away. These are small things, but they make the city seem less hostile.

The Han River once formed a convenient southern boundary to the city, and its single bridge in 1950 a terrible bottleneck to city residents escaping North Korean troops. Now 14 bridges span the river, with 2 more under construction, and the city's population has spilled over en masse to inhabit the safe southern bank. There, roads turn at right angles and run parallel around endless rows of high-rise apartment blocks, which have become the object of intense speculative investments, especially since the government lowered bank interest rates last year.

Korea, like Japan, has become a "model" for economic miracles. Here is a place, it seems, where the market's magic has worked. Magic there may be (although hard work would explain more), but from the start the government has tightly controlled Korea's marketplace. Stiff import barriers protect most major industries, and sprawling trading conglomerates which cooperate closely with the government control a huge chunk of the economy. Last year, the government began to sell shares of banks to the public, but it continues to set interest rates and allocate loans. The government has come to realize that this kind of control protects inefficiency in Korean industry, especially since other nations with cheap labor, including China, are giving Korea a real run for its money in labor-intensive export industries, such as garment manufacturing. Cheap labor, of course, has been a prime ingredient in Korea's export competitiveness, and

the government has made sure that a free trade union movement does not upset the applecart.

Korea also worries because developed countries do not welcome cheap Korean imports as they once did. And Korean complaints about foreign protectionism sound less persuasive when viewed against Korea's own formidable import barriers. Koreans are proud of their economic achievements, but other nations that see Korea as a developed country may be less tolerant of rules and taxes that prevent them from selling goods here. The government has gradually eased some import restrictions and has promised to let the domestic marketplace become more free. But halting steps in these directions predictably upset one or another powerful interest. The going promises to be slow.

The government also has selected certain industries for strategic development. One is ship-building. Korea has become one of the largest ship builders in the world, second only to its fiercest competitor, Japan, which controls about 50% of the world market. One Korean economist predicted to me that after several years of economic recovery, when overcapacity in international shipping is pared down, Korea's market share may advance to 30%.

Korea has, of course, benefited from the world-wide glut in oil and the fall of oil prices. But the oil glut is a two-edged sword. Middle Eastern nations can no longer pay for the huge construction projects that employed many Korean workers and provided sizeable foreign exchange earnings. And the world is not rushing to buy the oil tankers that Koreans build so proficiently.

The semi-conductor and computer industry has also received a lot of attention and government-supported investment. But many wonder if Korea can effectively compete in an industry where the United States and Japan have such a long lead in technology, and where advances come so quickly. But even critics admit they have been wrong before when they said Korea was building a house of cards.

It is not the economy, however, that troubles most people. Rather, it is Korea's struggle for domestic stability and legitimacy, and international recognition.

The government's worries are all too obvious. Buses of police sit idly off the main avenues downtown, waiting for something to happen. About a week ago, I heard the sound of singing drift into my office at Korea University, nothing unusual in itself. Korean's love to sing, whether it be in

beer halls at night, or on athletic fields to cheer on their team. The sound that aroused my attention was the rhythmic stomp of riot policemen's boots, followed not long afterwards by the pop of tear gas cannisters. The "combat" police arrived less than ten minutes after the students began their "anti-government activities." The police undoubtedly had prior warning from the squads of plainclothesmen, indistinguishable from the students, who disperse through the campus each day. In a few hours the campus returned to normal, minus a few of the demonstration's leaders, and plus a few bandaged heads.

In over thirty years of "democracy" Korea has not found a way to pass the baton of presidential power peacefully. Students tell me that President Chun Doo-hwan shot his way into the Blue House, and they bitterly resent it. They have not forgotten the widespread violence that accompanied the President's rise. They are not mollified by the release of opposition leader Kim Dae-Jung to an American exile, nor by the slow winnowing of the list of banned politicians. Still, probably only a major shock would make the campuses and streets boil over as they did in 1980.

One such shock might be a revision of the constitution to allow the President to serve a second term. Rumors about impending amendments gush out of the National Assembly, although the Prime Minister has directly denied them. The President has repeatedly promised to step down when his term of office expires in 1987. But some analysts wonder if he will be able to, even if he is willing. Restrictions on political activity prevent alternate candidates from mustering the constituencies they would need to lay legitimate claim on the office.

A year and a half ago, the International Olympic Committee selected Seoul as the site for the 1988 Summer Olympics. Although still over five years away, hardly a day goes by without several articles in the newspapers about one or another preparation for the games. The Olympics are supposed to be apolitical. But the government realistically sees the event somewhat differently.

The Seoul government believes the selection of Seoul carries an implicit international recognition of its legitimacy, no small pat on the back in view of South Korea's rocky political history and competing claims by North Korea. Shortly afterward, Seoul was selected to host the 1986 Asian Games, and the general assembly of the Inter-Parliamentary Union, of which North Korea is also a member, will convene here in

the fall. The North Korean government apparently views these events as does the South. It has proposed moving the IPU conference and rallied its allies to support the cause. The Finnish government recently expelled the North Korean ambassador for attempting to bribe a Finnish politician to have the games moved.

The papers here brim over with statements by government leaders warning that the danger of invasion from the north is higher than ever. The President and his spokesmen argue that an aging Kim Il-sung is desperate to prevent Seoul from gaining the international recognition and legitimacy that this series of international events will confer. They have warned people here to expect communist inspired demonstrations and sabotage in the spring and summer. I even heard one American G.I. predict off the cuff that war would stop the completion of Seoul's subway.

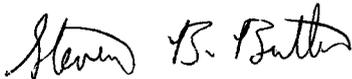
It is not easy to evaluate all this scare talk. It has some superficial plausibility. On the other hand, this government has never been known for silence on the subject of the North Korean threat. People note that defense commitments from the United States are stronger now than they have been for years. Many students, some fresh out of the army, believe the government exaggerates the threat as an excuse to enforce domestic restrictions on political activity. Still, the warnings have not been completely lost. I was once harangued for close to an hour by some Koreans who had a few too many, and suddenly became intensely worried that the United States would withdraw its troops and leave them exposed to the red terror. They loved the United States, and believed in "absolute democracy," they insisted. I do not know exactly what they meant, but opinion on these issues is evidently far from united.

In 1988, international attention will focus on Seoul in a way it has not since the Korean War. And the government plans to make the most of it. Projects in the name of the Olympics include everything from moving restaurants that sell dog meat into back alleys, to completing the huge subway system so that people have some hope of reaching the athletic fields and gymnasiums. The government doesn't want to take chances that anything can go wrong. It particularly does not want political demonstrations to mar the events. Some worry that if the President does not step aside in 1987, and violence ensues, North Korea's Communist and other allies may decide not to come. Others have suggested, however, that the sheer historical importance of a peaceful transfer of

power, the legitimacy it would confer on the government, and the fame on current President Chun may convince him to make the necessary preparations.

In any event, the next five years promise to be important ones for Korea. More than anyone, the residents of Seoul will benefit from projects to improve the city and please its 1988 international guests. Some still have hope that the Olympics will not become yet another excuse to restrict political activity in order to put on a good show. If the Olympics are successfully staged, the government may begin to feel more self-confident, less concerned about attack from the north, less worried about its international standing, and less afraid of its own people. But the road between here and there is a rocky one.

Best,



Steven B. Butler

Received in Hanover 5/13/83