October 25, 2012

A Constructive Partnership
The World Bank and Korea
in the Early Stage of Korea's Economic Takeoff: Preliminary Findings

Giovanni Zanalda
(Duke University)
The post-1960 Republic of Korea (Korea) economic growth is one of the most successful examples of economic development in a relatively short period of time.
Middle-Income Trap

Convergence

...and continued to be successful

Source: Spence (2011)

Source: OECD (2012)
Paradigmatic nature of Korea’s development. Michael Spence (2011) taxonomy

- High level of overall saving and investment
- Effective government that supports and complements the private sector dynamics
- Structural change and economic diversification
- Effective leadership
- Ability to take advantage of global economy
We concentrate on the 1960s - early 1970s

- Initial stage of economic development: the take-off

- Scholars have been debating about factors behind Korea’s growth during the 1960s and 1970s

My analysis based on World Bank archives documentation

• What is the value added of these documents?
  • Sources and their limits

• Assessing Korea’s development and World Bank’s role as a lender and advisor

• Lessons to inform development policy
Preliminary Findings

• Switching from skepticism to confidence

• Building of trust among WB and Korean officials
  - Personal relationships
  - Training
  - Missions

• WB role as advisor on technical aspects and strategies
  - The first two Five-Year Development Plans
  - Building institutions

• WB role as advisor on international issues
  - Markets
  - Donors
  - Geopolitical issues
Preliminary lessons

- WB documents bring to light:
  - A very composite history of the beginning of Korean development
  - The role of intangible assets: transfer of skills and know-how between WB and Korea
  - The WB as repository of knowledge: applying lessons across countries
  - The personal and often casual dimension of development: agents, decision making, and policies
January 10, 1968

Deputy Prime Minister and Minister of Economic Planning Board, Choong Hoon Park

To IBRD President, George Woods

Mr. George Woods
President
International Bank for Reconstruction and Development
Washington, D.C.

Dear Mr. Woods:

I would like to take this opportunity to express to you and your associates at your Bank the heartfelt gratitude of the people of the Republic of Korea for all the technical and financial assistance that the Bank has provided in the past few years.

Looking back on our past development efforts, we can point with justified pride to the fact that under very adverse conditions we have succeeded in achieving a continuous high rate of economic growth while effectively carrying out a stabilization program over the past few years. Exports have increased to the extent which would have defied even a most optimistic expectation a few years ago; annual wholesale price index shows a rather stable 6 percent rise last year; GNP has increased more than 10 percent annually over the last few years.

We are fully aware that all these encouraging improvements would not have come about without the experienced counsel from organizations like your Bank and without effective financial assistance from organizations like your bank. As we look ahead with determination and confidence to carry out our Second Five Year Economic Development Plan, we realize that stability is the base upon which a sound economic development can be achieved. We have come to learn that shortages in power generation and transportation facilities are very serious bottlenecks in our overall economic development, and we look toward your Bank for further assistance to alleviate these shortages.

Again with deep gratitude and personal regards,

Choong Hoon Park
Deputy Prime Minister and
Minister of Economic Planning Board
Republic of Korea.
Letter May 3, 1968
President Park Chung Hee to IBRD President, Robert McNamara

Office of the President
Republic of Korea

May 3, 1968

(Translation)

Dear Mr. McNamara:

I was very pleased to hear through my Deputy Prime Minister of your good health and of your excellent performance as President of the World Bank. I was especially delighted to learn that the change of your position has not affected your warm friendship to your Korean friends nor altered your keen interest in the development of the Korean economy.

As you are well aware, there are still many difficulties to be overcome, in spite of some success achieved in our economic field last several years. You have pointed out precisely one of the most urgent problem to which I myself have been devoting deep attention these days: that is the need to uplift the agricultural sector of our economy as rapidly as we can. I am happy to know that this matter is receiving your personal attention and hope that we can work closely to do whatever is possible to foster the growth of our agricultural sector in the new future.

I would also like to ask you to convey my deep appreciation to all your staff who made the last Consultative Group meeting in Washington such a success.

With my warmest personal regards, I am,

Sincerely,

/s/ Park Chung Hee

The Honorable Robert S. McNamara
President
International Bank for Reconstruction and Development
Washington, D. C.
U. S. A.

Letter June 5, 1968
IBRD President, Robert McNamara to President Park Chung Hee

June 5, 1968

His Excellency
Park Chung Hee
President of the Republic of Korea
Seoul, Korea

Dear Mr. President:

Thank you very much for your kind letter which was handed to me by Ambassador Dong Jo Kin. I am most grateful for the generous sentiments you expressed.

Your country has taken great strides in the economic field during the past few years and shows every sign of continuing its exemplary progress. Your personal attention to the agricultural sector is most heartening; I share your belief that development of that sector is an urgent matter, and I feel that we have a significant role to play there.

With my warmest personal regards.

Sincerely,

(Signed) Robert S. McNamara

Robert S. McNamara

Cleared with Mr. Cargill
cc: Mr. McNamara

May 3, 1968

IBRD