

Economy

1. Economic History

Economy, premodern.

Archaeological evidence shows that the Korean peninsula was inhabited by Lower Palaeolithic Age people by at least 500 000 B.C.E. Archeological discoveries suggest that the primary economic activities of these inhabitants were hunting and fishing. However, it is the Neolithic inhabitants who are most often regarded as the direct ancestors of today's Koreans. They arrived around the third millennium B.C.E. Pottery discovered during this period shows that their primary activities were food-gathering, hunting, and fishing. But it was not until the 15th c. B.C.E. (the Bronze Age) that agriculture was introduced into the economy. Rice was cultivated in the south. Increased food production and population growth led to social differentiations based on an unequal access to economic resources and clan or kin groups. Early labour specializations were peasant, artisan, and bondsman. 668-935.

Korea's history as an independent nation is often traced back to 668 C.E. when the Shilla Kingdom (57 B.C.E. - 935 C.E.) conquered two earlier Korean kingdoms - Koguryŏ (37 B.C.E. - 668 C.E.) and Paekche (18 B.C.E. - 660 C.E.). Buddhism, first adopted by Koguryŏ, then by Paekche and Shilla, reigned. The early economy of this kingdom was dominated by the activities of a few merchants, like Chang Pogo, who developed a maritime-based trade network linking Korea, China, and Japan. His headquarters were in southwestern Korea (Wando Island). This was the beginning of Korea's long-history in the shipbuilding and export-import industries. Celadon pottery was a key item involved in the trading exchanges. Today, Koryŏ bluish-green celadon pottery is still a popular export item.

During the Unified Shilla Kingdom (618-935), scholars specializing in diplomatic correspondence, medicine, mathematics, and astronomy were brought into public service. Peasants became eligible to cultivate lands set aside by the equity land system (*chŏngjŏn*) and paid for this right by returning in kind rice, millet, barley, and wheat - the nation's first tax system. Reservoirs were constructed to irrigate the rice fields. Overall, the Shilla people were relatively affluent.

918-1392.

As the Shilla Kingdom waned, the Koryŏ Kingdom (918-1392) emerged, led by Wang Kŏn, a Shilla dissident, who built the kingdom through a network of landlords and merchants. Key economic developments attributed to this time period, with lasting economic ramifications for Korea's economy, were accelerated printing technologies (wood block and metal), continued refinement of the celadon technology, the suspension bridge, the spinning wheel, and a water clock. The foundation was laid for a centralized government. A civil service examination system to recruit government officials was established as was the principle of allotting land to public officials for public activities. But land policies became the centre of controversy as only government officials, military, and a few merchants owned all the agricultural land. Confucianism also appeared in reaction to the public's criticism of the wealth and power of the Buddhist monasteries.

1392-1864.

This period, known as the Chosŏn period, or the Chosŏn Dynasty, saw many important developments that have had a lasting impact on Korea's economy. The adoption of Confucianism by the state instilled an ethic that has permeated Korean society ever since. This ethic stresses cooperation and harmony and one's duty to society-at-large rather than to

oneself. (This appears in direct contrast to the Western philosophies stressing competition and government's responsibility to protect individual rights which some say explains the difficulty Korea has had in moving to a strictly free market-based economy.) During the early days of General Yi's power, he imposed a major land reform - rank land law (*Kwajŏnpŏp*). The aristocrats (*Yangban*), were given land by their rank and were free to trade it. They were permitted to collect rent from peasants who were given the right to cultivate the land. The rent was limited to half the crop instead of much higher proportions collected in the past. The effect was to enhance the peasants' economic condition somewhat - but only temporarily. Throughout Chosŏn, land policies and taxing policies were periodically used by the *yangban* to build wealth and power at the expense of the commoners (*sangmin*) and the lowborn or slaves (*ch'ŏnmin*). *Yangban* were those who directed the economy, government, and culture of Korea. Even today, there is animosity between the average citizen and government leaders over land policy.

During Chosŏn, development of knowledge was given a high priority, especially in the areas of administration, phonetics, economics, science, music, medicine, and humanities. The Korean alphabet, *Hangŭl*, was created to make it easier for the common person to communicate. (The Korean literacy rate today is one of the highest in the world.) Other long-lasting accomplishments were detailed works on Korean agriculture, medicine, astronomy, and musical notation. The world's first ironclad ship, known as the turtle ship (*kōboksŏn*), was built. It is regarded by some as the predecessor of Korea's modern shipbuilding industry - the world's largest by 1987.

Agriculture was the dominant economic activity during Chosŏn and was given priority over manufacturing and commerce through a strictly enforced class system. Under this system, the rank ordering from highest to lowest was: scholar, farmer, manufacturer or artisan, and merchant. However, farmland actually disappeared during this time period as the population grew. Land ownership in general became more concentrated in the hands of a few. One of the reasons was that the central government gave land to local government officials to cover the costs of their salaries and local government services and activities. There were a series of agrarian tax revolts in 1812 and 1862.

The major commercial activity during the Chosŏn occurred through a five-day market day system (*changnal*) linking communities within walking distance. The primary items for exchange were food and handicrafts. The lack of a well-developed money system and transport difficulties constrained the development of commerce beyond this system. Foreign trade during this period was low volume and pretty much restricted to exchanges between government leaders in Korea, Japan, and China.

Early modern economy, 1864-1910.

This period can best be described as one during which other nations (Great Britain, China, Russia, Germany, United States, and Japan, among others) sought entry into Korea's economy, often forcefully. American troops were repulsed in 1871 when they tried to invade Kanghwado Island. More difficult to repel were the aggressive actions of the Japanese and Chinese. As early as 1868, the Japanese began pushing for trade relations with Korea with an eye toward its natural resources and abundant rice crop. Faced with the possibility of a Japanese invasion, Korea signed a twelve-article treaty establishing diplomatic relations with Japan in January 1876 (Treaty of Kangwha). It was followed in July 1876 by a trade agreement which effectively gave Japan a monopoly over Korean markets. Japanese merchants were mostly interested in buying rice, soy beans, cattle hides, and alluvial gold for sale back home at handsome profits.

These foreign intrusions created conflicts among Koreans. A number of Confucianists urged that European capitalist encroachment (which the Japanese had adopted) be repelled. Others urged Koreans to accept capitalism in order to strengthen the economy and to join

with China, Japan, and the United States in defense alignments aimed at deterring Russian intrusion which appeared to be eminent. Ultimately, Korea signed treaties of commerce with them all but the foreign powers were the primary winners. Korean farmers and peasants became impoverished and took their anger out on Korea's ruling elite by holding huge demonstrations, then violent revolts in 1894 (Tonghak uprising). But it was the Japanese who gained outright control over Korea in 1905 through another treaty (Protectorate Treaty, 1905). By that time, Japan was already imposing its own finance, banking, agriculture, forestry, mining, transportation, education, and cultural policies on Korea. The Japanese even had control of Korea's currency. Some 30 000 hectares (75 000 acres) of unclaimed government-owned land and military farms were confiscated by Japan through its Oriental Development Company founded in 1898. The ODC then coerced poor, uneducated Korean land-owners to sell their land to it, greatly reducing the number of Koreans holding property. During this period, economic development took place, but solely on the terms of the Japanese - for their benefit. Koreans generally suffered economically.

Economy under Japanese Colonial Rule, 1910-1945

Japan ruled Korea for 35 years and therefore controlled the Korean economy throughout this period. The economy grew at a rate of almost 4.0 per cent per annum, but the Japanese government and citizenry were the major beneficiaries. The Koreans actually suffered a decline in their standard of living. Although exports increased (mostly rice and other agricultural products and natural resources in short supply in Japan), most of the profits went to Japanese firms. Korea became the 'import' capital for Japanese citizens exported from Japan to alleviate overcrowding there. It also served as the training ground for the Japanese military in its preparation for the invasions of Manchuria and China. Many young Koreans were drafted to serve in the Japanese military arm.

The long-lasting positive economic benefits to Koreans from this period of Japanese occupation were large-scale infrastructure improvements (railroads, electric utility plants, communication facilities), a first-hand familiarity with the Japanese way of doing business, and, for many of the young who served in the Japanese army, an understanding of large-scale organizational management and behaviour.

The current strong Korean desire to catch up to and surpass the Japanese economy stems from animosities formed during this period and a feeling on the part of many Koreans that their economy's growth was unfairly obstructed by the Japanese occupation.

Partition to the Korean War, 1945-1953.

Japan's defeat in World War II led to Korea being split at the 38th parallel, a real set-back to Koreans who had hoped for the opportunity to be an independent state governed by *Koreans*. As part of the World War II settlement, North Korea was to be occupied by Russian and South Korea by the United States until an acceptable government under which the two would be united could be agreed to. The subsequent Cold War between Russia and the U.S. prohibited this unification. Instead, governments mirroring their respective ideologies were implanted on each side of the 38th parallel and remained even after the departures of the Russians and the Americans.

During the period of U.S. occupation (1945-1948), there was so much political conflict over how to structure the new government that it was difficult to focus on how to revive the economy. From an economic recovery perspective, it is often said that the South had the more difficult challenge because it was left with most of the population and only the agricultural sector to support it, whereas the North got the bulk of the industry and infrastructure. In spite of this disadvantage, the *per capita* income of Koreans increased rapidly during this period, primarily because the Japanese were no longer draining the economy.

The recovery was short-lived. The Korean war, 1950-53, destroyed what little infrastructure South Korea had left after post-World War II split and wrecked the economy. It further shook Koreans' confidence in the ability of their governmental leaders to solve the nation's problems.

Post Korean War Period, 1953-1961.

This was one of the most difficult times in the economic, political, and social history of Korea. The period began with the problems left behind by the Korean war : thousands of war widows and orphans; large numbers of unemployed farmers whose lands had been devastated and who migrated to the cities looking for work; unemployed university graduates; discharged soldiers; and other unemployed workers whose jobs were destroyed by the War. Governance during this time period was autocratic and corrupt, inefficient and inequitable, sparking major protests, demonstrations, and ultimately violence and the overthrow of the Syngman Rhee government. The major approach to economic development was import substitution of non-durable consumer and intermediate goods behind a protective wall of high tariffs and stringent quotas. This did little to turn the economy around and was quickly abandoned once systematic economic planning guided by professional economists began in 1961. In the nine-year period following the Korean War, the annual average growth rate of GNP was only 3.7 per cent and that of *per capita* GNP was 0.7 per cent. Commodity exports were negligible, usually amounting to less than 1.0 per cent of GNP. The domestic currency was highly overvalued. Industrial incomes remained at subsistence levels and domestic savings were practically non-existent. As described by Suh (1986:4-5), 'The Korean economy in the post-Korean war period was characterized by political instability, a rapidly expanding money supply, rampant inflation, an extremely complex market system, and an inability to meet most of the basic needs of consumers. Additionally, due to the lack of planning experience, the Korean government endured a long period of trial and error in its development projects.'

The most positive long-lasting economic benefit from this time period emanated from a large infusion of government spending for education and the elimination of the class system for employment opportunities. During this period, the illiteracy rate dropped from 78 per cent to 28 per cent and school enrolments at all levels burgeoned. This educational foundation became a critical base from which to launch Korea's economy recovery shortly thereafter.

Another key development during this period was land reform. The Land Reform Act of 1949 established a limit on farmland possession. The percentage of full owners increased from 16.5 in 1947 to 71.6 by 1964. Over time the earnings of small farmers increased and the rural economy improved.

But as late as 1961, Korea was still suffering from many difficulties commonly faced by less developed nations. The unemployment rate remained high, savings were negligible, and the population was growing by 3 per cent annually adding more stress to an already poor economy. The nation had few lucrative exports and was highly dependent upon imports for both raw materials and important manufactured goods. Most of the economic planning efforts during this time period were largely formulated and carried out with the assistance of the U.S. They concentrated on establishing priorities for spending U.S. foreign aid (the Five-Year Korea Economic Reconstruction Plan, 1953/54-1957/59; the Three Year Task Assistance Program of 1963). The nation was still primarily a traditional, closed agrarian economy; approximately two-thirds of the working population was engaged in agriculture. Its industrial base (not large to begin with) was destroyed in the course of the Korean War.

Economy, Contemporary, 1961-Present.

Most economic histories of Korea begin with the early 1960s. Under the new president, Park Chung-hee, formal economic planning and use of the five-year plan to guide the economy's growth and development began. The Economic Planning Board (EPB) was created in 1961 and given a strategic role in this process. While the first Korean-developed plan was drawn up by the Economic Development Council of the Ministry for Reconstruction (Three Year Economic Development Plan for 1960-62 - the first half of a Seven-year Economic Development Plan 1960-1966), it was never implemented due to the Student Uprising of April 1960 and the military coup d'état led by Park Chung-hee. Consequently, the first plan to be formulated and implemented by Koreans under the guidance of the Economic Planning Board was for 1962-1966.

The first major economic recovery decision was whether to take an import substitution route or to adopt an outward-oriented strategy emphasizing exports and participation in the world economy. The government chose the latter which represented quite a drastic departure from the nation's long-standing preference for isolationism. But it was a necessary route in light of Korea's poor natural resource endowment (especially the lack of oil), its shortage of arable land - at that time only 11 per cent of the nation's total land, and its small, rather undeveloped domestic market. 'The essence of the outward-looking strategy in the 1960s was to promote labour-intensive manufacturing exports in which Korea had a comparative advantage.' (Suh, 1986.)

The government's role in guiding economic development has been strong since the beginning of the reconstruction period. (See Economic planning.) Government policies, especially in the initial stages of economic growth following the Korean War, often provided monopolistic conditions that were conducive to the success of large, family-held corporations called *chaeböl* and that of the Korean economy as well. A strong partnership between government and big business aimed at building firms able to compete internationally was regarded by Korean political and economic leaders as the fastest, most efficient way to achieve fast economic growth.

The emphasis of the five-year plans changed as the economy developed but clearly *rapid expansion* was the focus of the first three plans. (See Table 1.)

First Five-Year Plan (1962-1966).

The basic objective of this initial plan was to reverse the decelerating trend in the economy and to attain a substantial rise in economic growth rates by investing an increasingly larger portion of the expanding gross national product in the expansion of the means of production. The plan emphasized the development of three basic industrial sectors (energy, agriculture, public infrastructure) to 'build a strong industrial base for the development of a future self-sustaining economy.' Its targeted growth rate for the period was 8.3 per cent. The plan was overly-ambitious and reflected the inexperience of its drafters in dealing with an export-driven economic recovery plan. It had to be adjusted downward in 1964.

Adjusted First Five-Year Plan (1964-1966).

This plan was drafted to correct the first plan's failures to consider such restraining factors as :

- the repayment of loan principal and interest;
- effect of raw material imports on economic growth;
- lack of attention to the role of public finance in economic growth;
- insufficient attention to long-term growth potential;
- neglect of inter-sectoral and inter-project relationships and to individual project feasibility studies;
- insufficient support measures for actual execution of the Plan; and
- an inadequate commodity supply and demand schedule.

The basic change, however, was in the projected growth rate, rather than in the policy direction, with the exception of exports being singled out as an area to be emphasized. The growth rate was revised downward from 8.3 per cent to 7.1 per cent, but the actual growth rate was 7.8 per cent.

During this early period, the government depended heavily on market mechanisms to drive the economy. To mobilize domestic savings, in 1965 the government allowed commercial banks to raise their interest rates on deposits from 12 per cent to as high as 26.4 per cent. (Savings deposits in commercial banks nearly doubled annually for three consecutive years thereafter and the ratio of time and savings deposits to GNP rose from 3.8 per cent in 1965 to 21.7 per cent in 1969.) To encourage the inflow of foreign investment, the government enacted a comprehensive Foreign Capital Promotion Act under which the Korean government underwrote in certain instances the risk borne by foreign investors. To promote exports, the government devalued the Korean *won* by almost 100 per cent, thereby creating a unified exchange rate. It also provided short-term export financing for Korean businesses, allowed tariff rebates on materials imported for re-export use, and simplified customs procedures. The government moved to liberalize imports by shifting from a 'positive list' of import controls to a 'negative list' system which required proof that an item required import protection rather than proof that it did not. The result was a growth in imports well in excess of the growth in exports (\$ 501.9 million v. \$137.8 or 38.6 per cent v. 18.7 per cent). However, prices rose too and inflation became a serious problem, exceeding 30 per cent by 1964.

The First Plan's goal to use export policy to improve the nation's international balance of payments naturally yielded trade policies with this emphasis. Eight specific paths were proposed:

- balance demand and supply of agricultural products, and growth of domestic infant industries by means of import controls on consumer goods;
- product increases of import substitution industry;
- enlargement and consolidation of export compensation system;
- reinforcement of foreign trade financing including exports storage financing;
- enlargement and enrichment of export subsidy, tax reduction, export-import link system;
- overseas market research and increased export promotion;
- quality improvement and standardization through export inspection system; and
- active participation in bonded processing trade.

(From The Federation of Korean Industries, *Korea's Economic Policies 1945-1985*.)

During this period, Korea's reliance on trade related to exports was 8.0 per cent; for imports 16.7 per cent. The Export Promotion Council was founded and actually chaired by the President of the Republic of Korea, signifying the high priority given to the export strategy.

The government also overhauled its domestic tax administration during this period. In 1966, the National Tax Administration was created under the Ministry of Finance. The immediate purposes were to minimize price distortions stemming from inflation, to increase government savings, and to eliminate chronic budgetary deficits. It was given expanded powers over tax scheduling, auditing, direct taxation collection, and imposition of substantial penalties and fines on delinquent firms. This reform later turned out to play a key role in helping finance the ambitious development programs as revenues increased substantially and deficits disappeared.

Second Five-Year Plan (1976-1971).

The basic objectives of this Five-Year Plan were similar to those of the first - to promote the modernization of the industrial structure and to build the foundations for a self-sustaining

economy. The key elements were export expansion, capital mobilization, and efficient manpower utilization. Emphasis was placed on :

- achieving self-sufficiency in food production ;
- investment in chemical, machinery, iron and steel industries to accelerate and diversify industrialization;
- expansion of exports;
- control of population growth rate through family planning; and
- raising the level of technology and productivity to accelerate economic modernization of all sectors.

The plan was also significant for initiating the New Community Movement -*Saemaul Undong* - to assist farmers in improving their economic and living conditions. The projected growth rate for this plan was 7.0 per cent; the actual rate was 9.6 per cent.

During this period, both exports and imports grew. Exports totalled \$698.6 million (25.8 per cent) and imports \$1 572.7 (17.9 per cent). Once again, the growth rate for imports exceeded that of exports, resulting in a trade deficit of \$800 million for the period. (Many of the exports depended upon the import of key parts and components.) While the GNP rose, prices stabilized, and domestic savings increased. However, domestic savings did not keep pace with the need of both the public and private sectors to expand. The reliance on foreign debt increased even more.

Under the first two plans, the economy experienced an average annual growth rate of 9.5 per cent. On a *per capita* basis, real growth for the whole period was 6.9 per cent, in sharp contrast with the 0.7 per cent of the 1953-1961 period. Much of this growth stemmed from foreign trade which itself changed in character over this period. The share of primary products exported declined from 73 per cent of the total in 1962 to 14 per cent in 1971, while that of industrial products increased from 27 per cent to 86 per cent. In the import sector, the share of capital goods increased from 17 per cent in 1962 to 29 per cent by 1971. Internally, there were structural changes. Employment in agriculture, forestry, and fisheries declined from 63 per cent to 48 per cent of the total, while employment in manufacturing and mining increased from 9 per cent to 14 per cent between 1962 and 1971.

Third Five-Year Plan (1972-1976).

The major emphasis of this plan was on the dynamic development of the rural economy, a dramatic and sustained increase in exports, and the development of heavy and chemical industries to avoid dependence on imported raw materials and intermediate goods. Balanced regional development of basic social facilities (electricity, transportation, storage, cargo handling, and communications) and promotion of social welfare programs, along with increased emphasis on food production were also targets of this plan. The projected growth rate for this plan period was 8.6 per cent; the actual growth rate was 9.7 per cent. (See Table 1.)

The focus on developing heavy and chemical industries (HCI) was designed to combat what had turned out to be a significant imbalance in the industrial structure under the Second Plan due to disproportionately high amounts of foreign capital being infused into certain industries. Development of the HCIs was expected to supply Korea's developing industries with domestically produced raw materials and capital goods and thereby reduce their dependency on foreign capital. They would, in turn, become more internationally competitive and thereby increase their earnings from expanding their sales in both foreign and domestic markets. This represented somewhat of a shift toward import substitution as a development policy rather than away as had been the case in earlier periods.

Government fiscal and financial policies aided the development of HCIs. These policies ranged from financial loans, special depreciation allowances, and tax rate incentives to administrative and technical assistance. Major new industries aided in their development

were the integrated iron and steel plan in Pohang, petrochemicals, shipbuilding on the southern coast, transport machinery, and household electric appliances (TVs and transistor radios). The HCI share of the manufacturing sector increased to 45.6 per cent (from 37.3 per cent in the Second year plan period), the ratio of the mining and manufacturing sector to total industries increased from 20.9 per cent to 29.5 per cent, and the per annum rate of growth in the mining and manufacturing sector jumped from 9.8 per cent to 18.1 per cent.

During this period, exports increased at a faster pace than imports, although imports still slightly exceeded exports (\$5 523.6 million v. \$4 456.2 million). The nation's reliance on trade increased from 40.4 per cent to 63.3 per cent. However, the rate of increase in wholesale prices was twice that of the economic growth rate (20.3 per cent v. 10.1 per cent), indicative of a real problem with inflation.

The government continued its rural community development program, primarily to increase agricultural production and income. These had fallen as the gap between urban and rural household incomes had widened in favour of urban households. Between 1972 and 1975, government investments and loans to agriculture increased 96 per cent over those made in the 1967-1971 period. A price support program for government-purchased rice and barley was instituted. As a result of both government subsidies and rising farmer productivity, agricultural income increased significantly and the urban-rural household income gap was closed and reached parity by 1976, although this was short-lived.

In addition to inflation, other problems began to emerge during this period. Among these were rising unit wage costs (which were beginning to erode Korea's comparative international advantage in many labour-intensive industries), unbalanced regional and sectoral growth, and an over-extension of government investment and low interest loans in the heavy industries, which made the nation more vulnerable to external shocks.

These problems led economic planners and government leaders to emphasize efficiency more than simple rapid expansion in their next two five-year plans.

The Fourth and Fifth plans were designed to 'remedy the structural imbalances in the economy and build up the foundation for economic stability. Social development, technological innovation, and rationalization were the new additions to these plans.'

The Fourth Five-Year Plan (1977-1981).

The major goals of this plan were efficiency-oriented:

- achievement of self-reliance in investment financing;
- equilibrium in the balance of payments; diversification of the industrial structure (promotion of skilled labour-intensive industries);
- promotion of social development (job creation, strengthening of education, health care, and vocational education programs);
- tax reform; rural development; pollution control; more housing; and
- technological innovation and improvement in efficiency.

The projected growth rate for this five-year period was 9.2 per cent. However, the actual growth rate was far below (5.8 per cent), representing the first time actuals fell below projections. Two oil price shocks, a world recession, continued high inflation at home, along with a disastrous crop failure in 1980, were the major causes of this underachievement.

The key mechanisms used by government to achieve its goals of stabilizing the money supply, prices, and the economy-at-large during this period were - the adoption of the monetary rule of fixing money-supply growth at a prescribed constant rate of 20 per cent per

annum; the creation of a value-added tax system; and the maintenance of realistic effective exchange rates. But it still continued its direct support for export-oriented firms (offering them export subsidies, tax benefits and foreign loans), along with indirect support for training and research and development. During this period, the government also imposed some other improvements aimed at increasing efficiency. It expanded the number of industrial estates for export firms, including industrial export estates and free export zones. It also created the general trading company (GTC) system to expand trade in world markets.

Nonetheless, the government's efforts at stabilizing the economy through conservative fiscal and monetary policies were generally nullified by negative conditions which surfaced both inter-nationally and domestically. In 1980, the Korean economy faced a negative growth rate of 5.2 per cent for the first time in more than two decades. The wholesale price index jumped almost 39 per cent. The ratio of growth in the mining and manufacturing sector to economic growth declined to 30.8 per cent over the five year period from 38.7 per cent in the previous five-year time frame, although imports and exports generally maintained an average annual growth rate of 10 per cent. The balance of payments, rather than reaching equilibrium per the plan's goal, reached a level of \$3 billion in the red.

The Fifth Five-Year Plan (1982-1986).

To combat the slow growth, rising foreign debt, and high inflation of the late 1970s and early 1980s, the basic objectives of this plan were 'stability, efficiency, and balance.' Price stabilization (to control inflation), stimulation of domestic savings, promotion of efficiency through competition (the market model), export growth, development of industries with a comparative advantage in both the domestic and world market, balanced regional development, and greater social development were all specific objectives. The plan was the first to emphasize 'the principles of a market economy encouraging private initiative and creativity.' It was the first to mention greater citizen involvement in the priority-setting process, paralleling the political democratization movement. It also represented a shift in emphasis from heavy and chemical industries to technology-intensive industries. The projected growth rate for this period was 7.5 per cent; the actual was 8.6 per cent.

The government imposed a series of tight monetary and fiscal measures to induce price stability following its 1981 relaxation of fiscal and monetary policies to counter the severe economic recession. A restrictive monetary policy limited the overall rate of expansion of the money supply. A tight fiscal policy reduced the overall government budget deficit as a ratio of GNP from 5.6 per cent in 1981 to 1.5 per cent in 1985. Other stabilization efforts included the issuance of suggested guidelines for wage increases and a steady reduction in rice subsidies to farmers.

The government's efforts at liberalization of the market included the implementation of the Anti-Monopoly and Fair Trade Act of 1981. The Fair Trade Administration within the Economic Planning Board ministry was created. Its early efforts were directed at eliminating cartel arrangements, price-fixing, and other monopolistic practices. Other liberalization efforts were directed at the financial sector. Five commercial banks were denationalized. Entry barriers for foreign banks were lowered. Foreign firms were given greater access to the Korean securities market.

Import liberalization efforts also began. The proportion of freely importable items among all commodities rose from 74.7 per cent in 1982 to 87.7 per cent in 1985. Tariff rates were reduced from 38.7 per cent in 1978 to 21.3 per cent in 1985. More foreign companies invested in Korean industries following liberalization of foreign ownership restrictions.

What was most significant about these liberalization activities is that the government began shifting its style of economic management away from the direct intervention of the 1970s towards a style of less bureaucratic intervention and more reliance on indirect guidance and

market forces. Often the shifts did not occur fast enough in the opinion of many Korean and foreign businesses - with certain exceptions (e.g. Korean rice growers).

The overall health of the economy improved between 1982 and 1988. Real GNP growth during this time period averaged 10.5 per cent per annum. Inflation in both the wholesale and consumer sectors was below 5.0 per cent annually. For the first time, the trade account turned to a surplus (1986). The amount of current account surplus reached \$14.2 billion in 1988. This economic growth created about 2.8 million new jobs and the unemployment rate dropped to 2.5 per cent. Most of the job creation came from the mining and manufacturing sector's expansion. In 1986, the nation recorded more savings than investment by 8.0 per cent of GNP. Korea's credit rating increased, permitting it to turn more to bank loans, bond issues, and other sources of capital. In 1985, long-term funding exceeded short-term loans for the first time.

Textiles continued to be the largest single export category, the same position it had held for years, followed by electronic products, machinery, automobiles, footwear, and iron and steel (in that order). The nation's major imports were crude oil and raw materials, transportation equipment, machinery, and electric and electronic products. Small and medium-sized businesses still were disadvantaged *vis-a-vis* the large conglomerates (the *chaebŏl*) in benefiting from government policies and subsidies. So too were the rural parts of the country in spite of the attention promised to be given to each in almost every five-year plan.

Recognizing this shortcoming, the Sixth and Seventh five-year plans gave a greater weight to the achievement of economic equity than previous plans, while still keeping the goals of efficiency and stability.

The Sixth Five-Year Plan (1987-1991): Initial and Revised.

This plan, more democratically conceived, represented a basic shift in purpose. Whereas the first five plans had as their broad-stated objective 'developing an economic structure for self-sustained growth', the Sixth plan stated the desire to become 'an industrialized advanced state' (a major world industrial power) in the 21st c. by creating a more free-market, competition-based economy. It also called for an improvement in economic equity in the short-term. The three major objectives stated in the plan were :

competition between government and major sectors of society to establish an economic and social system that will encourage all people to develop their potential fully;

cooperation between Korean business leaders and workers to restructure industry and improve technological levels; and

government promotion of balanced regional development (to redistribute national income on a fair and equitable basis, especially for the benefit of lower income groups) to establish a fair market order.

The projected growth rate for this plan was 7.3 per cent. However, in the first year of this plan, the actual growth rate so far exceeded projections that it was necessary to formulate a revised plan.

The revised Sixth plan called for greater emphasis on the qualitative improvement of the economy, private initiative in future economic development, and provision of equal economic opportunities. The plan stressed 'institutional reforms designed to enhance autonomy and equal opportunity' and gave priority 'to support for the underprivileged and lagging sectors of the economy' which had been largely ignored during the past period of rapid economic growth. The plan also stressed international cooperation, especially with socialist nations (the 'Nordpolitik' or the Northern policy). Ironically, while the plan called for greater equity, balance, and competition in the world market place, the techniques used to achieve them were contingent upon the public sector's involvement (tax reform, land

reform, rural development, liberalization of the financial market, liberalization of trade). The growth rate projected for the revised Sixth Plan was 8.2 per cent. The actual growth rate was 10.0 per cent.

The Seventh Five-Year Plan (1992-1996): Initial and Revised.

While sustaining a heavy emphasis on equity (in both domestic and international markets), this plan departed from the Sixth by reducing expectations regarding growth rate; placing greater emphasis on economic stability and the development of human capital; stepping up the pace of liberalization of import policies and the financial and capital markets; giving greater priority to the development of new, innovative technologies; and expanding governmental spending for infrastructure and social welfare expenditures. It also sought to 'strengthen the role of the private sector by placing special emphasis on the principles of entrepreneurship, workmanship, and citizenship.' The projected growth rate for this period was 7.5 per cent, well below the 10 per cent actual GNP growth rate under the Sixth Plan. Preliminary 1992 figures showed the economy grew at only a 5-6 per cent rate for that year, down from 8.4 per cent in 1991.

The Seventh Plan's lowering of growth rate expectations was based upon the fear that higher growth rates might cause such problems as : a shortage of skilled workers in manufacturing; wage increases in excess of productivity improvements; inflation; a rise in consumption and imports; lower exports and savings growth rates; the re-emergence of the trade deficit; and a diversion of labour from manufacturing and services.

The lower projected growth rate also reflected the political realities of the day, namely growing citizen hostility toward inflation and income distribution patterns, as well as friction from foreign trading partners with regard to perceived inequities in access to Korean markets and capital. Opponents of the Seventh Plan generally faulted the EPB drafters for moving too fast toward a free market economy. Proponents defended the pace, saying that without it, Korea would not be able to sustain its growth of the past, let alone expand on it.

The election of Young-Sam Kim as President in 1992 produced a revised Seventh Year Plan (1993-1998), called the New Economic Five Year Plan. It calls for the government to concentrate on 'enhancing growth potential, enlarging international markets and improving living conditions of the people.' Its targets are: price stabilization at 3.0 per cent, a balance of payments surplus, and a GNP per capita of \$15 000 by 1998.

To meet these targets, the government assumes a more aggressive stance in its financial reform and liberalization by implementing policies designed to free interest rates, open wider the foreign exchange and capital markets, revamp the banking industry, and institute a real-name financial transaction system. Korea's track record with regard to actual implementation of such liberalizations (which have been called for since the Fourth Plan) is a slow one as are its records of putting in place major land reforms, stimulating the growth and development of medium and small-sized firms, and reducing regional and sectoral imbalance. Administrative reform, too, has lagged and affected each of the above. By most accounts, it still takes too long and requires too much paperwork for both domestic and foreign firms to expand their role in the Korean economy. But there are some very positive notes to Korea's recent economic history as well.

Since 1962, Korea's economy has grown at one of the fastest paces in the world. Long one of the world's poorest agrarian societies, by the early 1990s, it had emerged as a NIC (newly industrial-ized country) and was a key member of several important economic blocs. By 1991, the agricultural sector made up only 8.1 per cent of the GNP production, down from 39.9 per cent in 1960. The industrial sector increased its share of the GNP from 18.6 per cent to 45.4 per cent. The services sector also increased slightly from 41.5 per cent (1960) to 46.5 per cent in 1991. Of the industrial sector components, manufacturing made

the biggest gains. Its share of GNP production increased from 12.1 per cent in 1960 to 27.5 per cent in 1991. Changes in the sectoral employment patterns paralleled the production sector changes. By the 1990s, the commodity trade volume (exports and imports) had exceeded \$150 billion in contrast to \$500 million in 1962. The domestic savings rate rose from 3.3 per cent in 1962 to 36.1 per cent in 1991. To put it all in perspective, when Korea joined the International Monetary Fund in 1955, the *per capita* GNP (in current dollars) was \$65. By 1992, it was \$6 685. It is targeted for \$10 908 by 1996 and for \$15 000 by 1998. Government initiatives (monetary and fiscal) have played a major role in these development efforts.

Foreign Trade

Foreign trade has always been a key element of the contemporary Korean economy. The pattern began when the government chose an export-oriented industrialization strategy as the fastest way to stimulate economic expansion in a resource-poor nation, with a small domestic market. Korea's trade strategy has been industry-oriented rather than resource or service-oriented. The contribution of exports to Korea's GNP growth has increased sharply and significantly since the 1950s.

Initially, imports greatly exceeded exports but that pattern reversed itself so that by 1986, the nation experienced its first positive balance of payments (current account surplus). While the pattern subsequently reversed itself again, the deficit is not nearly as large as in the past.

Structural changes

Over the years, the nation's foreign trade-based strategy has shifted the structure of industry from subsistence agriculture to modern manufacturing and export trade. The share of primary industries (agricultural, marine, and mineral products) in the overall industrial structure decreased from 34.8 per cent in 1966 to 23.5 per cent in 1976 to 10.2 per cent in 1989.

This structural change is reflected in the nature of the products exported. The top ten exports in 1962 were (in order) - silk, tungsten, fish and fish products, animal oil and fat, plywood, miscellaneous products, textile fabric, machinery, clothing, chemical products. By 1974 they were - clothing, electronics products, ships, textile fabrics, sweaters, plywood, footwear, steel plates, cotton goods, and synthetic resin products. By 1984 the order was: textiles and garments, ships, electronics products, steel products, footwear, synthetic resin products, metal products, petroleum products, electric products, and tyres. By 1991, the rank ordering was: clothing, thermionic valves, textile fabrics, ships, footwear, office machines, iron and steel plates, automobiles, telecommunications equipment, and television receivers. It is apparent from looking at these orderings that the export structure has shifted over time from the production of highly-labour intensive goods to more capital intensive, high-tech goods. Exports in 1991 totalled \$71 870.1 million (US dollars).

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2. Economic efficiency

Economic efficiency is defined as the allocation of a nation's resources in a manner that produces the maximum possible benefit (output) at the lowest possible cost. In Korea, the government's role in guiding the economy has been a key determinant of its efficiency. The efficiency curve has generally been in an upward direction, although there was a slight interruption in the early 1990s.

Per capita GNP (in current dollars) increased from \$252 in 1970 to \$6498 in 1991. The unemployment rate steadily declined (from 7.7% in 1964 to 2.4% in 1991). The nation's balance of payments (BOP) turned positive in 1986, a major achievement for a nation that in 1962 was very much a debtor nation. The nation's production index increased from 3.1 in 1964 (1985=100) to 202.6 in 1991 and featured double digit per cent increases per annum for most of the period.

Some weaknesses in the economy began to appear in the early 1990s. The BOP turned negative again in 1990 and the GNP growth rate slowed. There were also increases in the consumer and wholesale price indexes, a slower growth rate in the production index, and a decline in the stock price index.

For the individual, personal disposable income increased between 1970 and 1991 from \$242 to \$5866. The proportion of an urban household's spending going to purchase food dropped from 47.6% in 1971 to 31.4% in 1991; for farm households, from 47.4% to 22.8%. This drop was only slightly offset by an increase in the proportion needed for housing (from 5% in 1965 to 100.4% in 1991 for an urban household; from 3.8% to 8.2% for a rural household). The rate of increase in the consumer price index, which was in double digits throughout the 1970s, dropped to single digit figures in the 1980s. Although the rate headed upward again in 1990, it still remained below 10%. The ratio of farm household income to urban household income, positive through most of the 1980s, turned slightly negative for farm households in the early 1990s but was still in the 90th percentile - quite different from 1970 when it was a mere 75.6%. Tax burdens have changed very little over the past two decades. In 1975, the ratio of the tax burden to GNP was 15.3%; in 1991, 18.9%. Private savings rates increased from 15.6% in 1975 to 28.6% in 1991.

Government's Role in Promoting Efficiency.

The government has virtually controlled the development of the private sector, especially during the early days of rapid expansion. It was able to do this for several reasons. As a major stockholder in the nation's domestic banks, the government had the power to appoint bank managers. The Bank of Korea and the Ministry of Finance were able to dictate interest rates in the formal banking sector. The government also controlled the inflow of foreign capital that served as the primary source of corporate loans in the early days. Businesses either went along with the strings and guidelines attached to government loans and credit or they got none. Today, the government's role in promoting economic efficiency

is geared more toward enhancing competition in its marketplaces than restricting competition to large Korean conglomerates as was the case in the early days. Since passage of the Comprehensive Measures for Economic Stabilization in 1979, the five-year economic plans have called for liberalization of financial institutions, the capital market, and trade.

The Domestic Commercial Bank Industry.

The commercial banking industry in Korea is becoming more competitive as a consequence of the faster pace of deregulation, beginning in 1989. At that time, three new nationwide commercial banks, Donghwa Bank, Dongham Bank, and Daedong Bank were established and the state-run Korea Exchange Bank was privatized. In addition, some 30 new financial institutions, mostly leasing and life insurance companies, were formed. But the downward adjustment of loan interest rates to stimulate small and medium-sized business development and expansion have cut into their profit margins, making the industry considerably more risky than in the past. Some experts project that it will be ten to fifteen years before Korea's commercial banks are competitive with foreign banks, especially if the Korean government continues to overregulate the industry. The major problems lie in the segmentation of the short-term call money and the long-term capital markets and with the inter-bank wholesale money market, the corporate bill market, and the repurchase agreement market. Korea's commercial banks, like its businesses, are expanding into foreign countries in an attempt to increase profits. As of 1991, Korea commercial banks had 146 offices abroad.

The Foreign Commercial Bank Industry.

As of 1991, there were 53 foreign banks operating in Korea, excluding 14 Japanese banks. Foreign banks have generally had a very difficult time acquiring the right to do business in Korea. Government restrictions on the establishment of foreign-owned banks/branches deter them as do foreign exchange swap ceilings and the high level of capital requirements. There has been growing pressure on the Korean government by GATT (General Agreement on Trade and Tariffs) nations and other international financial organizations to liberalize the financial services market as soon as possible.

The Securities Market.

On 15 June 1991, the Ministry of Finance announced that foreign investors would be permitted to invest directly in the Korean stock market starting 3 January 1992. Consistent with its struggle to rapidly liberate all types of markets, the government limited the amount of foreign investment in the Korean Stock Exchange (KSE) to 10% of its outstanding shares. It also set a foreign ownership ceiling of 3% and reserved the right to limit the amount of foreign investment in companies 'vital to the national economy' to 8%. Initially, the number of firms restricted under the latter rule was 478, including the Pohang Iron and Steel Co., the Korea Electric Power Corp., and railroad, airline, and finance companies. As of 1991, the Korean Stock Exchange was the twelfth largest stock market in the world but also one of the most tightly controlled.

The Domestic Securities Industry.

In recent years, the Korean government sought to stimulate growth in the domestic securities industry in anticipation of opening the market to foreign investors. To increase competition in the industry, the government boosted the brokerage commission rate from 0.4 to 0.6 %, converted eight short-term finance companies into securities firms, and established the Korea Development Securities (a wholly-owned subsidiary of the Korea Development Bank) to establish a strong position in international business through bonds and underwriting activities. Liberalization of the market, specifically letting in foreign

investors, has made domestic securities firms more attentive to profits. They have generally shifted their investment patterns from short-term to mid and long-term investments.

The Foreign Securities Industry.

In March 1991, four foreign securities houses were permitted to open branches in Seoul (Merrill Lynch and Citicorp Scrimgeours Vickers la Costa of the United States, Baring Brothers of the United Kingdom, and Jardine Fleming of Hong Kong). The application criteria laid down by the Korean government were so stringent that only 17 firms were eligible to apply; of those, only nine did. The Ministry of Finance limited the breadth of activity of foreign securities firms to three securities activities - underwriting, dealing, and brokerage. The license to undertake all three activities cost a firm \$US28 million.

Venture Capital.

One of the newest developments from a capital acquisition perspective has been the emergence of venture capital firms - however, the first venture capital corporation was actually formed in 1974 - (the Korea Technology Advancement Corporation.) Recent growth in the venture capital industry was prompted by passage of the Small and Medium Enterprise Start-up Promotion Act (SESPA) in 1986. The Act exempted venture capitalists from capital gains taxation. By 1990, the total amount of venture capital financing in Korea was \$US850 million including a sizeable amount from the U.S. and Japan. By 1991, there were 56 domestic venture capital firms. As a whole, the industry puts 62% of its investments in initial start-up companies, 25% in recently-formed firms, and 8% into the expansion of existing firms.

Venture capital activities have been hampered by the government's restrictive regulations on initial public offerings of venture-capital-based companies and limits on the types of companies in which they may make equity investments (mining, manufacturing, software engineering and information research, machinery rental companies). There is also a dual system at work which pits venture firms under the authority of the Ministry of Finance against those under the authority of the Ministry of Trade and Industry. Those under the control of MOF (four technology business financing corporations) generally assist existing companies through loans, leasing, and factoring. Those under the control of MTI (53 companies) support the start-up of small technology-intensive companies through 3 to 6 month short-term loans to their portfolio companies, often funded by venture partnership funds.

Foreign Capital Markets.

In the 1990s, many credit-starved Korean businesses began to turn to foreign markets for capital, primarily to raise funds for crucial technology development and facilities investment. A major stimulant to this external search for capital was higher interest rates at home than abroad - due to the government's slow pace of interest rate liberalization. However, another government policy permitted this external search, namely its relaxation of constraints on overseas financing. Popular overseas investment instruments used by Korean firms are convertible bonds, bonds with warrants, and depository receipts.

Trade liberalization.

Trade liberalization is a highly politically-charged issue in Korea today. On the one hand, the Korean government is being pressured to open its markets to comply with GATT Uruguay free trade requirements as a consequence of its status as one of the world's newly-industrialized economies. On the other, it is experiencing intense pressures from the Korean agricultural and service sectors to protect them against foreign goods and services until they have expanded and improved their efficiencies and technologies.

Some analysts see the Korean government's slow pace of liberalizing its markets as a major ex-planator of the economic inefficiencies that reappeared in the early 1990s.

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3. Economic planning

A rigorous, highly-centralized process of formulating and implementing five-year economic development plans has been the driving force behind Korea's economic growth since the early 1960s when the first plan was passed. Responsibility for the process lies with Economic Planning Board (EPB) created in 1961 immediately after the military coup led by then President Park Chung-hee. Its creation represented Park's strong commitment to making economic development the highest priority for the new government and for those to follow.

The importance of the Board is evidenced by the fact that the EPB Minister concurrently serves as Deputy Prime Minister and is responsible for coordinating business among all the ministries related to the economy and finance. The Board is responsible for the development of the national economy, the formulation and execution of the government's budget, the overall coordination of plans for mobilization of resources, investment, technical development, and economic cooperation with foreign countries and international organizations. Advice is regularly sought from other countries and from international organizations like the World Bank and the International Monetary Fund.

The EPB has a secure political mandate and superior capacities to collect and analyze economic data (macro and micro). However, EPB's role in promoting a free market economy in accordance with the goals of the most recent five-year plans has increasingly resulted in inter-jurisdictional conflicts and tensions between it and the Ministries of Finance, Commerce and Industry, and Agriculture and Fisheries, to name a few.

Citizen Participation

While the EPB maintains the preeminent role in the development of Korea's five-year economic plans, the public's participation in the process has gradually increased, beginning with the Fifth plan. Representatives of academia, research institutes, industry, and other private organizations now serve on ministry-level sectoral planning committees. Opinions are also solicited from the populace through public hearings and regional policy consultation meetings. Plans are more widely-disseminated through the media. The opening of the planning process has paralleled the opening of the political system generally. The result has been a greater emphasis on economic equity and stability (and even protectionism) than economic expansion or efficiency - a result that can be easily observed by comparing the first four five-year plans with the last three (Fifth, Sixth, Seventh).

The initial decision of the economic planners and government officials to implement policies creating rapid growth in the short term have caused problems in the long-term that are extremely difficult to remedy both politically and economically. The initial decision to develop a predominantly export-based economy, and the heavy reliance upon large conglomerates (the *chaeböls*) to do it, created a pattern of inequities from the beginning which have only hardened over time. Government economic development policies are generally perceived to have disproportionately advantaged large firms (especially the *chaeböls*), the manufacturing sector, the Seoul metropolitan area, domestic firms, farmers, large land-owners, and management (vis-a-vis labour).

Goals of the Seven Five-Year Plans.

In broad terms, the plans of the 1960s to mid-1970s emphasized rapid economic growth. The plans of the mid-1970s to mid-1980s stressed efficiency through technological improvements and productivity gains. The plans for the latter half of the 1980s and the early 1990s heavily stressed economic equity (both domestically and internationally). Each of the plans established fairly specific quantitative economic goals. With the exception of the Fourth, the Korean economy exceeded the projected growth rates in each of these five-year time periods. (See Table 1.)

Government Tools for Meeting Plan Goals

Historically, the Korean government has played a major role in directing business expansion and development, primarily by controlling corporate access to credit, capital, and markets. It has used a variety of tools including direct subsidies (tax reductions and exemptions; loans), policies affecting crucial industries and sectors (most notably banking and manufacturing), and regulation. It has also used indirect subsidies, information, and exhortation ('jawboning'). These are all examples of somewhat positive incentive mechanisms.

The government has also used disincentive mechanisms to control the activities of uncooperative firms and ensure compliance with government goals and policies. The three most commonly used have been tax audits, suspension of bank credit or recall of loans, and disconnection of infrastructure services (electricity, water, roads, telephones). (See Song, 1990).

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4. Econometric models

Econometric models are highly quantitative multivariate techniques used to explain, predict, or forecast various dimensions of the economy, such as GNP (macroeconomics) or the impacts of fiscal and monetary policy at the individual sector, household, geographical, or

firm level (microeconomics).

Economic planning. (see **Economic planning**).

Macro-economic models.

Macroeconomics is the study of large economic systems comprised of different sectors, such as that of an entire nation, rather than of specific elements of the larger economy (microeconomics). Macroeconomic models are used to forecast or predict South Korea's economic growth. Major indicators of Korean economic growth often included in such models are: GNP (Gross National Product); GNP per capita; GNP growth rate (%); inflation rate (%); interest rate (%); rate of private savings (%); trade balance; exports; foreign debt; rate of unemployment (%); and the foreign exchange rate (won/US\$). GNP and GNP per capita are expressed in terms of current prices. The rate of inflation is based on GNP deflator. The rate of interest is the bank interest rate on time deposits for the period of one or more years. These variables are collected and/ or disseminated quarterly and annually by the Economic Planning Board (*Major Statistics of the Korean Economy*) and The Bank of Korea (*Economic Statistics Yearbook*).

Macro-economic models focusing on the demand-side factors contributing to Korea's economic growth typically include variables such as inter-industry demand, final consumption, investment, export, and import. Those focusing on the supply side often include variables such as labor, capital, productivity, advances in knowledge, improvement in resource allocation, and economies of scale. (See Byung-Nak Song, *The Rise of the Korean Economy*, 1990).

In addition to forecasting, or explaining, the overall economic growth rate, macroeconomic models are often the basis for government decisions regarding the regulation of the money supply, interest rates, and so forth.

Micro-economic models.

Microeconomics is the study of particular aspects of an economy rather than the economy as a whole (macroeconomics). Microeconomic models have been used to assess the viability and effectiveness of various economic policies on creditors, savers, fixed-income earners, and pensioners. They have also been used to predict, or explain, the impact of various monetary and fiscal policies on urban v. rural areas, on the size of the gap between highest income earners and lowest income earners, and on the growth of one sector vis-a-vis another. Korea's economic planners have relied heavily on micro-economic models to guide the nation's economic development. Government incentives and disincentives to individual sectors and businesses (and to a lesser extent individuals), guided by micro-economic modeling by the Economic Planning Board, have been the basis for Korea's dynamic (as opposed to static) national industrial policy. Some analysts argue that microeconomic approaches emphasizing government loans directly to individual firms rather than macroeconomic approaches altering the money supply for all firms may be much more effective for guiding the economic growth of countries with developing economies. (See Song, 1990:135).

Recent developments and future prospects.

The use of econometric models by both the public and private sectors has intensified as the statistical techniques available to analysts have become more sophisticated. It is likely that their use will increase even more in the future with the globalization of the economy. The demands for models inclusive of the actions of other nations will continue to escalate for three reasons. First, Korea is being forced to move fast in liberalizing its markets (including its financial markets) in order to be recognized as a major developed economy.

Second, the projected emergence of strong regional economic blocs will necessitate the development of different economic models as this occurs. Third, the economic experiences of West Germany following reunification with East Germany have demonstrated to Korean politicians and economists on both sides of the 38th parallel the need to conduct thorough economic impact analyses before any reunification of North and South Korea takes place.

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Education

In a general sense, 'education' refers to the processes and methods needed for teaching and learning all of the many activities necessary for humans to conduct their lives. Education is manifested in many forms and can be seen in the processes of learning how to interact with others in a community, and in particular is generally exhibited in the transmission of knowledge from experienced persons to the inexperienced. Thus, the relationships between parents and children, teachers and students, seniors and juniors, and the mature and immature are all materialisations of the educational process. In examining the processes of education it becomes readily apparent that there are two fundamental functions involved: first is the innate ability that humans are born with to explore and manipulate their environment, and the second is the acquired abilities that come through the interaction of humans in a structured and designed manner with the additional aim of transmitting knowledge.

History of Education in Korea

Prehistoric Age

Even with the first humans in Korea educational activities were carried out, albeit in an unintentional manner. In the prehistoric age where primitive co-operative societies formed the basis for man's existence, educational activities were carried out as a natural extension of the process of life itself. People in primitive societies acquired the needed skills for living through interaction with those in their communities who possessed these skills. Thus, the older generation taught their juniors how to acquire food, make clothing and shelter, and how to protect the community from the dangers present in the area that they lived in. Much of the educational process at this stage of man's existence can be seen in the development of seasonal customs and the transmission of tales and myths. Moreover, the educational activities of this period are characterised by imitation of one's elders, in hopes of securing the same skills that permitted the elders to survive in the world.

Education developed during this primitive period as a way of surviving in a hostile environment and explaining the occurrences in a community. Hence the primitive people preserved this informal, life-experienced based education and it further developed as the primary religious practices of these people. Then, religion focused on practical goals, i.e., the securing of an abundant catch or harvest, and was not based in a profound ideology but

rather on survival. Religious life was directed at controlling the forces of the supernatural, and this information was codified and transmitted to subsequent generations in the forms of myths, ritual practices and beliefs. Those that were deemed best able to control the forces of nature led the ceremonial rituals that were a manifestation of the religious beliefs of these communities. The educational activities were conducted in order to transmit these rituals. However, these were not executed in a practical manner and many customs are believed to have died out within a generation or two.

Ko Chosŏn

With the beginning of an agrarian based state, changes were necessitated in this period. With more settled living conditions came the establishment of social ethics that were derived from common experiences transmitted to the following generations as customs, and these customs established the basic educational ideology. The *Samguk yusa* (Memorabilia of the Three Kingdoms) relates that in the foundation myth of Ko Chosŏn, the *Tan'gun shinhwa*, Hwanung descended from heaven with 3 000 followers and founded this kingdom. Hwanung had the ability to control the wind, rain and clouds, which were essential for agriculture, and further held dominion over disease, punishment, and managed the lives of the people. This reveals that Hwanung had the ability to distinguish good and evil, to teach the people, to govern the human world and to cure disease. These traits in the king divulge that the aim of education in this period was to teach the people in order to ensure their welfare.

In addition to the information concerning Ko Chosŏn contained in the *Samguk yusa*, there is also information on this period in Chinese documents. In particular, the legal code of Ko Chosŏn was recorded in *Hanshu* (History of the Former Han Dynasty). This code, known as the Eight-Article Law (P'alcho pŏp), reveals the items that were stressed by the social code of Ko Chosŏn and thus were among the educational goals of this period. There are presently three of these laws preserved: 'A person who kills another will be executed;' 'One who injures another will compensate him with grain;' and 'One who steals from others will become the servant of that house, or will pay them 50 000 *nyang* to be pardoned.' These three articles reveal that Ko Chosŏn society respected human rights and property, and that the state guaranteed the well being of its people. The education of this period was not institutionalised, nor executed through an educational system, but instead was conducted by familial and clan systems. The chief emphasis of education was on transmitting social mores and customs, agricultural skills, family living methods and military training, all of which were aimed at success in the struggle to survive.

3.) The Three Kingdoms

The Three Kingdoms is characterised by a shift from the unintentional, familial based education of the previous periods to an organised, state sponsored educational system. Moreover, the introduction of Confucian and Buddhist belief systems also had a major impact on educational activities. To build the basis for the educational systems, students were sent to China for study as the rulers of these early states realised the necessity for education. Education now was a monopoly of the ruling class, and the content of education was directed towards their preservation and their culture. Thus, the goals of education were directed at the consolidation of the bureaucracy that was headed by a powerful sovereign, and to further protect the culture of the ruling class. Supplementary goals were to train military leaders and soldiers necessary for the maintenance and protection of the state.

Koguryŏ

Because of its proximity to China, Koguryŏ accepted many facets of Chinese civilisation from an early point in its history. From records concerning documents of Koguryŏ it is

clear that a writing system was used from the beginnings of this Kingdom. One such document is the 100-volume *Yugi* (Extant Records), a national history of Koguryō, compiled in the early years of the Kingdom. This work was later adapted into the five-volume *Shinjip* (New Compilation) by Yi Munjin during the reign of King Yōng'yang (r. 590-618). Although neither of these two works are extant, the fact that they recorded the history of the Kingdom reveal that the writing system of this time was standardised to such an extent that it could be used for a major undertaking. From this we can ascertain that writing was taught in a systematised way from early Koguryō.

Various documents show that Koguryō established the T'aehak (National Confucian Academy) in 372 as a top-level school for the children of ruling class families. King Sosurim (r. 371-384) embraced Buddhism and this educational institution was a means to consolidate the national structures of Koguryō; Buddhism was to provide the nation with spiritual unity and the T'aehak would supply educated bureaucrats to staff the administrative apparatus of the Kingdom. This institution is thought to have been modelled on a similar Chinese institution, and it served as a conduit to the higher Chinese civilisation. The actual organisational structure of the T'aehak is little known, but it is thought to have offered instruction in subjects such as the Confucian classics, literature and military arts.

Aside from the national-level T'aehak, there were also private schools known as *kyōngdang* in Koguryō. There are records of these schools in the Tang history books *Chiu Tangsou* (Old History of Tang) and *Xin Tangsou* (New History of Tang), which provide a glimpse of the educational practices (in these institutions) and of the Koguryō people. One such record notes, 'it is their custom to love books; they erect a large structure and regardless of class all unmarried youths attend classes at this *kyōngdang* where they read the classics and practice military arts.' It is not known when the *kyōngdang* were first established, but these institutions provided education in a manner quite similar to the *hwarang* (youth corps) of Shilla. Thus, aside from just reading, the unmarried youths in Koguryō were trained in the military skills, bravery and in the arts. These institutions of Koguryō can be viewed as the antecedent to the *sōdang* (private school) of Koryō.

Paekche

Similar to Koguryō, Paekche also accepted the higher Chinese culture from an early date and incorporated this culture in its society. There are no extant records of the designations of any educational institutions in Paekche, but through Japanese historical sources it is possible to ascertain that the educational levels in Paekche were as high as those in Koguryō. The *Nihon shoki* and *Kojiki* contain records of Paekche scholars travelling to Japan where they introduced Chinese classics such as *Lunyu* (Analects of Confucius) in 258. In addition, other scholars and specialists were invited to Japan periodically. A further indication of the educational activities in Paekche is the compilation of *Sōgi* (Documentary Records) by Ko Hūng in 375, which recorded the history of the Kingdom.

Shilla

Because of its geographical location, Shilla lagged behind Koguryō and Paekche in development of its culture. Shilla was further troubled by her more powerful neighbour to the north and Paekche's encroachments from the west. However, Shilla strove to solidify its central administration, military capabilities and other social systems through the establishment of the *hwarang* order. The fundamental characteristic of the *hwarang* was in the formation of the character of the aristocratic youths that composed its ranks. These young men were taught concepts such as self-sacrifice and bravery that permitted them to develop into warriors, thereby fulfilling the needs of the Kingdom. While the *hwarang* was initially constituted of the sons of aristocratic families and a private institution, from the time of King Chinhūng (r. 540-576) it was organised and formalised according to the needs of the State. The objective of *hwarang* education was to use *hwarangdo* (the way of the

hwarang) to develop the skills that would allow the difficulties confronting the kingdom to be surmounted. The *Samguk sagi* (History of the Three Kingdoms) relates that the *hwarangdo* allowed youths to develop their interpersonal skills through emotional education, to cultivate their aesthetic qualities through songs and artistic pursuits, and through excursions to mountains and rivers develop a sense of love and knowledge for their country. The daily lifestyle of the *hwarang* is revealed in the so-called, 'five secular injunctions' (*sesok ogye*) established by the monk Wŏn'gwang in the early seventh c. These injunctions were: 1) to serve the king with loyalty; 2) to serve one's parents with filial piety; 3) To practice fidelity in friendship; 4) to never retreat in battle; and 5) to refrain from wanton killing. The qualities inherent in the *hwarang* cultivated the skills necessary for Shilla's eventual victories over Koguryŏ and Paekche.

Other educational institutions in Shilla include Confucian-orientated institutions that began around the time of the Greater Shilla period. The Kukhak (National Academy) was established in 682 and was the highest educational institution in Shilla, falling under the jurisdiction of the Board of Rites (Yebu). This institution underwent a name-change during the reign of King Kyŏngdŏk (r. 742-765) to T'aehakkam, but the name subsequently reverted to Kukhak in the reign of King Hyegong (r. 765-780). There are extant records concerning the administrative organisation of the Kukhak, and the features of its curriculum and student composition. The school was headed by a vice-minister (*kyŏng*), several instructors and middle and low-ranking officials. Entrance into the Kukhak was limited to those members of the aristocracy who held the twelfth official rank (*teasa*) or below, including those without official rank. It is thought that most of the students at the Kukhak were, in practice, from the sixth head-rank (*yuktup'um*) since the official position awarded upon completion of studies was either *nama* (11th of the 17 official ranks) or *taenama* (10th of the 17 official ranks), and these positions were too low for members of the aristocracy to consider.

The curriculum of the Kukhak was mainly focused on the study of the Chinese classics and was divided into three courses of study. Each curriculum required the study of *Lunyu* (Analects of Confucius) and *Xiaojing* (Book of Filial Piety) since these works were considered as essential in conveying Confucian ethics and establishing proper moral training. The first course of study additionally required mastery of *Lizhi* (The Book of Rites) and *Zhuyi* (Book of Changes), the second course *Zuozhuan* (A Commentary on the Spring and Autumn Annals) and *Shijing* (Book of Songs), and the third course added *Wenxuan* (Anthology of Literature) and *Shangshu* (Book of Documents). The period of study was for nine years, although some students were given extensions beyond this. In addition to the study of the Chinese classics, there were also special courses in which mathematics, astronomy, medicine and law were also taught in order to provide a broad educational background for the students of the Kukhak.

Another educational innovation in Shilla was the development of *toksŏ samp'umgwa* (examination in the reading of texts in three gradations). This examination was based primarily on the texts that the curriculum at the Kukhak revolved around. However, there was special consideration for those demonstrating even broader knowledge of such texts as the Five Confucian Cannons (*Shijing*, *Shangshu*, *Zhuzhi*, *Lizhi*, and *Chunqiu* [Spring and Autumn Annals]) and the Three Histories (*Hanshu* [History of the Former Han], *Hou Hanshu* [History of the Latter Han] and *Shizhi* [Records of the Historian]). Those students that demonstrated thorough knowledge of these additional works were appointed to higher positions.

The educational institutions in Shilla revolved around the *hwarang* in the pre-unification period and the Kukhak after Shilla had subdued its rivals. The Kukhak system was adopted from the Tang Chinese system and closely followed its model. The Kukhak, however, failed to successfully amalgamate with Shilla society due in part to the resistance of the aristocracy. The highest-ranked shunned the institution and instead clung to their

hereditary rights, and as a result the importance of the Kukhak was greatly diminished by late Shilla. Another important feature in the development of education in late Shilla was the large number of students who travelled to Tang China for study. The number of students continued to increase and by the end of Shilla it was those students who had trained abroad who became the motive force in intellectual matters.

Koryŏ

For the most part, the educational system in Koryŏ can be divided into government and private schools. The central government schools consisted of the central Kukchagam (National University), capital academies (*haktang*) and county public schools (*hyanggyo*). The private schools of Koryŏ include the Twelve Assemblies (*Shibi to*) and the *sŏdang* (private village schools).

The highest national educational institution was the Kukchagam, established in 992. This central institution was structured somewhat akin to the structure of a modern university in that it had six colleges, namely University College (Kukchahak), High College (T'aehak), Four Portals College (Samunhak), Law College (Yurhak), Calligraphy College (Sŏhak), and Accounting College (Sanhak), all of which were created during the reign of King Injong (r. 1122-1146). Although there were six separate colleges, the curriculum offered was not necessarily distinct, as the University College, High College and Four Portals College all offered a predominantly Confucian-orientated education. Among the Chinese works that were covered here, the Five Confucian Canons and Four Books were central. Special texts that provided instruction in mathematics or accounting were also used at the colleges. The mode of study was to master one subject before moving on to the next, and students were evaluated on a yearly basis by their instructors.

The number of regular students was three hundred in University College, High College and Four Portals College, but at times this number increased to as many as six hundred students. The qualifications for entry into the various colleges of the Kukchagam were different. The University College admitted the sons of military or civilian officials of the third rank or higher, the High College the sons of fourth and fifth rank officials, and the Four Portals College the sons of sixth or seventh grade officials. The remaining three colleges admitted the sons of eighth and ninth grade officials in addition to the sons of all commoners, thus providing an opportunity for all free-born men in these technical fields.

The county public schools (*hyanggyo*) were governmental secondary educational institutions established in outlying areas and modelled after the Kukchagam. It is not known when the first of these schools was established, but with a royal edict by Injong in 1127 to further propagate the schools, it is clear that they were already abundant at that time. The county public schools served not only as educational institutions, but also as Confucian shrines to observe rituals to various Confucian sages. The top students at the *hyanggyo* were often sent to the Kukchagam for additional studies, and moreover, these local institutions contributed to the development of the provincial culture. After the reign of King Ŭijong (r. 1146-1170), however, the influence of these institutions waned.

The third type of government educational institution was the five academies (*obu haktang*) located in the five major wards of the Koryŏ capital. These institutions served much the same purpose as the *hyanggyo* did in the provinces, and provided a secondary education for their students. The chief difference between the *hyanggyo* and the *haktang* was that the former incorporated a Confucian shrine and sacrificial rituals into the institution while the latter was solely for educational purposes.

In the private educational sphere the Twelve Assemblies (*Shibi to*) were representative of the higher, non-government institutions. The Twelve Assemblies originated in 1053 when Ch'oe Ch'ung (984-1068) began providing an education to students in his house, deploring

the stagnation of the government schools. This school was known as the Nine-Hall Institute (Kujae) since when Ch'oe opened his school he had such a large number of students that he had to divide them into nine classes. After the death of Ch'oe, however, the school was named the Disciples of Master Munhön (Munhön'gong To) after his posthumous title. Due to the success of this first of the Twelve Assemblies, other scholars retired from their offices and opened their own schools, and eventually the Twelve Assemblies were formed.

The curriculum of the Twelve Assemblies was very similar to the Kukchagam, and centred on the Five Confucian Cannons, Four Books and the Three Histories. These schools became very popular among those students who wished to take the civil service examination, since the masters of the schools had all successfully sat for the higher examinations and held high government office, or even supervised the examinations in the past, thus ensuring the success of their pupils. Hence the educational influence of the Twelve Assemblies was major during the mid-Koryŏ, and these schools came to be supported in part by land grants from the central government. However, as the kings, Yejong and Injong, who were concerned with the decline of the state schools, were successful in their attempts to strengthen the Kukchagam, the influence of the Twelve Assemblies declined, and in 1391 they were closed.

The other private educational institution in Koryŏ was the *sŏdang* (private village schools), which are thought to be the vestiges of similar Koguryŏ institutions. There are few records concerning these schools and authentic records of their curriculum are not extant. However, there is a record in the Chinese source *Gaoli tujing* (Illustrated Account of Koryŏ) written by Xu Jing in the early part of the twelfth c. to the effect that there were many *sŏdang* scattered throughout Koryŏ and that the unmarried children of the common people gathered to learn the Chinese classics at these schools. It is clear, therefore, that the *sŏdang* fulfilled the role of local primary educational institutions during this period.

A noteworthy innovation of the Koryŏ period is the establishment of a government service examination system in 958. King Kwangjong (r. 949-979) at the urging of the Chinese scholar Shuang Ji adopted a civil service examination modelled after the Tang Chinese system. The aim of this system was to employ men of talent in the Koryŏ bureaucracy instead of merely those who had rendered service towards the founding of the kingdom. Hence, education in Koryŏ came to focus on successfully sitting for this examination.

Chosŏn

For the most part, Chosŏn adopted the school system in place at the end of Koryŏ. Accordingly, the educational institutions of Chosŏn can largely be divided along lines of government and private educational institutions. The government schools consisted of the central Sŏnggyun'gwan (National Confucian Academy) and the Sahak (Four Schools) also in the capital, and in the provinces the *hyanggyo* (county public schools) provided secondary education in the outlying areas. The private schools consisted of the *sŏwŏn* (private academies) and *sŏdang* (private elementary schools) in areas outside the capital.

The educational ideology of Chosŏn was strongly influenced and dominated by the neo-Confucian philosophy. This ideology would eventually come to dominate every aspect of the Chosŏn government and the lives of those who staffed it. Although neo-Confucianism first entered Korea during Koryŏ, it was not until Chosŏn that government policy and ensuing legislation made its place in society paramount and unquestionable. The educational institutions of Chosŏn were crucial to the implementation of this ideology, and chief among these institutions was the Sŏnggyun'gwan.

The Sŏnggyun'gwan actually began in the Koryŏ institution, the Kukchagam. The Kukchagam was actually renamed as 'Sŏnggyun'gwan' during the reign of King Ch'ungsŏn (r. 1308-1313), but subsequently reverted to Kukchagam during the reign of

King Kongmin (r. 1351-1374). After King T'aejo (r. 1392-1398) transferred the capital of his new dynasty to Hanyang (modern Seoul), the Sŏnggyun'gwan was established in 1398 in the northeast part of the city (present day Chongno-gu, and the site of the present day Sŏnggyun'gwan University). Initially the organisation of this institution remained as it had been in the Koryŏ period, but with the promulgation of the *Kyŏngguk taejŏn* (National Code) in 1471 it underwent major alterations. The Sŏnggyun'gwan was headed by a Director (*chisa*), an Assistant Director (*tongjisa*) and a Headmaster (*taesasŏng*). In addition, there were two assistant masters (*sasŏng*), three second assistant masters (*saye*), four lecturers (*chikkang*), thirteen librarians (*chŏnjŏk*), and three each of reference consultants (*paksa*), first proctors (*hakchong*), second proctors (*hangnok*) and third proctors (*hagyu*). Thus, this highest educational institution of Chosŏn boasted a large staff headed by a senior second-grade official.

At the inception of Chosŏn the Sŏnggyun'gwan admitted one-hundred and fifty students, but after 1429 this number increased to two-hundred where it remained for the remainder of the dynasty. Qualifications for admission to this school were 1) being either a Literary Licentiate (*chinsa*) or Classics Licentiate (*saengwŏn*); 2) being well-versed in either the Five Cannons or Four Books as a student of one of the Sahak (Four Schools) and being at least fifteen years of age; 3) one who was familiar with the *Xiaoxue* (kor. *Sohak*; Small Learning) and the son of either a meritorious retainer or an official of at least the third rank; 4) one who had passed the Hansŏng Examination (a preliminary examination for the Classics Licentiate Examination), the Literary Licentiate Examination and the regional examinations; 5) a government official who desired to enter the school for additional study. Students who entered the Sŏnggyun'gwan were required to stay in the dormitories and they signed a register before each and every morning and evening meal. By doing so they earned one 'point'. When they had accumulated 300 points they became eligible to sit for the Kwanshi Examination, which was similar to the civil service examination (*munkwa*), but only for Sŏnggyun'gwan students.

The students were subject to many regulations that prohibited morally-questionable activities such as violation of the five Confucian virtues, slander of the government, enjoying wine and the company of women, or even reading Daoist or Buddhist scriptures. The content of education at the Sŏnggyun'gwan naturally centred on the Confucian classics such as the Five Cannons, Four Books and Three Histories. In addition, Korean works such as the *Kyŏngguk taejŏn* and the *Tongguk chŏngun* (Correct Rhymes of the Eastern Nation) were also incorporated in the curriculum. The content of the education at the Sŏnggyun'gwan changed on occasion to reflect the content of the civil service examinations, and students were also taught various forms of calligraphy and poetry. The students' progress was measured by daily, ten-day and monthly examinations, and students who were successful in their studies were allowed to sit for the civil service examination, as well as receiving special consideration for appointments. There was no fixed term of study at the Sŏnggyun'gwan; the day a student successfully passed the civil service examination would be his graduation day.

The Sŏnggyun'gwan, being a government institution, was granted special agricultural land and slaves to meet its operating expenses. The students at the school were completely provided for by the institution during their studies, thus necessitating large land and slave holdings for the school. Accordingly, by the end of the fifteenth c. the Sŏnggyun'gwan held more than 2 400 *kyŏl* (approximately 550 acres) of fields and some 400 slaves to provide for expenses. However, after the devastation resultant from the 1592 Japanese Invasion the amount of land and slaves allocated to the Sŏnggyun'gwan was drastically reduced, and by the mid-seventeenth c. its holdings were down to 358 *kyŏl* (approximately 82 acres). However, the number of slaves that the school had rose dramatically during the fifteenth and sixteenth centuries and by the early eighteenth century there were some 7 000 slaves on the rolls of the Sŏnggyun'gwan. This number was also reduced in 1750 when the ownership of all slaves reverted to the Board of Taxation (Hojo), which then distributed

the taxes collected from the slaves to the Sŏnggyun'gwan. As a result of the diminished financial resources of the school, the educational function of the Sŏnggyun'gwan progressed poorly at the end of the Chosŏn period. Moreover, the development of the *sŏwŏn* as task-orientated institutions also took students away from the Sŏnggyun'gwan as did the factional politics that plagued the late Chosŏn period.

The Sahak (*Sabu haktang*; Four Schools) were so named because there were four schools in the capital, in the southern, eastern, western and central areas, that provided a secondary level of education. The origins of these institutions is in the Obu Haktang (The Five Academies of the Five Wards) of the Koryŏ period. Initially there was also a school in the northern area of the Chosŏn capital but it did not have an independent building and was abolished in 1445. The Sahak offered a curriculum similar to the Sŏnggyun'gwan but on a smaller scale and lower level. The students who demonstrated excellence in scholarship at the Sahak were then permitted to enter the Sŏnggyun'gwan as special students. Thus, these institutions can be viewed as preparatory schools for the Sŏnggyun'gwan.

The qualifications for entering the Sahak were to be the son of either a *yangban* or commoner family and at least eight years of age. All expenses for the students was borne by the central government and the teachers for these institutions were provided by the Sŏnggyun'gwan. Each school had about 100 students and the curriculum was based upon the Five Cannons, Four Books and *Xiaoxue* (Small Learning). At the age of fifteen the students could sit for the Sŭngbo Examination (a special examination for students of the Sahak) and if they were successful they could enter the Sŏnggyun'gwan for further studies. The importance of the Sahak, however, declined markedly after the 1592 Japanese Invasion during which time they were destroyed. They were rebuilt, but never had significant impact after this time.

The regional government schools were the *hyanggyo*, or county public schools. These schools were established with a primary aim at both providing a Confucian indoctrination in the outlying areas and at solidifying the control of the central government in these same areas. The *hyanggyo* thus played a major role in the Chosŏn ideology of suppressing Buddhism while promoting Confucianism. The *hyanggyo* further served as the intellectual centres of small communities as Confucian rites were offered here throughout the year and these schools also served as gathering places for local intellectuals. Thus newly promulgated laws were introduced at the *hyanggyo* and important political matters were debated here also. Resultant from this was the loss of the pure educational function of the *hyanggyo* and the adaptation of these institutions to political centres for the local communities.

The educational process of the *hyanggyo* allowed youths of common families at least sixteen years of age to be admitted for training. The curriculum of the *hyanggyo* featured the study of basic Confucian texts such as the *Xiaoxue*, and the instructors for these institutions were dispatched by the central government. The number of students was closely regulated by the central government since while at the *hyanggyo*, they were exempted from military and corvee labour service. This exemption led to abuse, as many youths maintained their status as students at a *hyanggyo* to avoid compulsory service, even to the extent of recording it on the census register. According to the *Kyŏngguk taejŏn* the number of students allowed enrolled at the *hyanggyo* at any one time was a maximum of 15 330 nationwide. This figure allowed ninety students at provincial level schools, seventy in urban prefectures, fifty at the county level, and thirty at the prefecture level. These numbers were designed to prevent too large a number of students becoming unavailable for government service.

The *hyanggyo* were mostly supported by the central government with grants of lands and slaves. The size of the land granted to an institution varied according to its location, with those *hyanggyo* serving larger areas being granted tracts of land of seven *kyŏl* (about 16

acres) and those serving smaller areas receiving five *kyŏl* (11 acres). The number of slaves provided to an institution also fluctuated with *hyanggyo* serving the larger urban areas having between twenty and thirty slaves, while their smaller counterparts generally had ten or so slaves. The *hyanggyo* also received support from local government officials and Confucian scholars. There were also levies placed upon communities to help fund these institutions. The *hyanggyo* came to wield tremendous political and economic influence in the outlying areas as they represented the political centres of their communities. However, in 1894, with the abolition of the civil service examination these institutions had outlived their usefulness from an educational aspect, and thus only the Confucian ritual side remained.

The *sŏwŏn*, or private academies, best represent the private institutions of Chosŏn. The *sŏwŏn* began with the establishment of the Paegundong Sŏwŏn in the Kyŏngsang Province by the P'unggi County Magistrate, (*kunsu*) Chu Sejong, in 1543. Subsequent to this, *sŏwŏn* were established throughout the country at a rapid pace. Initially, the *sŏwŏn* in Korea were influenced by the private academies of China that operated without ties to the government and provided an education in a liberal atmosphere. However, the *sŏwŏn* of Chosŏn did not remain such simplistic institutions for long and gradually transformed to political and social organisations that had a major influence throughout Chosŏn society. Moreover, the *sŏwŏn* filled a role as a place for the performance of sacrificial rites to particular individuals and as a result, by the nineteenth century, the educational function became blurred with the Confucian ritual import of the *sŏwŏn*.

Since the *sŏwŏn* were private institutions, the regulations concerning them were not fixed. The number of regular students was generally around ten, but this increased towards the end of Chosŏn to thirty. Additionally, the requirements for entering the *sŏwŏn* for study were also subject to variation. We can, however, note the instance of the Paegundong Sŏwŏn that required students to be: 1) a literary licentiate (*saengwŏn*), or a classics licentiate (*chinsa*) or 2) to have passed the preliminary examination or either the classics licentiate or literary licentiate examination; 3) to have been recommended by a Confucianist and have demonstrated both excellence in scholarship and upright moral conduct. The curriculum of these private institutions differed little from that of the Sŏnggyun'gwan or the *hyanggyo*. However, since the *sŏwŏn* were private and not encumbered by government regulations, or a one-track curriculum solely aimed at helping its students pass the civil service examinations, there were also courses of study directed at the cultivation of a proper Confucian character.

The *sŏwŏn* initially served as organisations where the neo-Confucian literati of the late sixteenth c. could establish a foothold in the rural communities under the guise of providing education to those in rural communities. Thus the number of *sŏwŏn* began to rapidly increase and, particularly during the reign of King Sukchong (r. 1674-1726), a large number of these private institutions were opened. Part of the reason for the rapid expansion of *sŏwŏn* during this period was the desire of the neo-Confucian literati to propagate the Confucian ideology. However, the factional strife that was rampant then was another rationale for the establishment of a *sŏwŏn*, since the foundation of a faction was based upon a given school and its particular interpretation of the Confucian ideology. Thus, *sŏwŏn* represented the outlet for the embodiment of the formation and study of the ideology of a faction, and this fact resulted in an explosion in their numbers. For example during the reign of Sukchong alone, some 166 *sŏwŏn* were established.

The preponderance of *sŏwŏn* by the late seventeenth c. cannot only be attributed to factional strife as the function of these institutions as ancestral shrines also became magnified at this time. Within the *yangban* families there existed an increased awareness of 'family'. This was manifested in the desire to elevate consanguineous status by the establishment of a *sŏwŏn*, where a family could honour its ancestors. Thus, families wishing to enhance their status dedicated a *sŏwŏn* to an ancestor, be he worthy or not, and this function of the

sŏwŏn came to overshadow its instructional capacity.

The social abuses of the *sŏwŏn* peaked in the late eighteenth c. as the pursuit of scholarship in these institutions stagnated. The money for the establishment of *sŏwŏn* was illegally procured from local government officials, and the *sŏwŏn* provided a haven for the sons of *yangban* who wished to avoid compulsory service to the government. During the mid-nineteenth c., when Chosŏn was under the guidance of the Hŭngsŏn Taewŏn'gun (1820-1898; the father of King Kojong), all but forty-seven of the over 650 *sŏwŏn* were abolished by royal decree, thus ending the influence of these institutions in Korean education.

The other private educational institution of Chosŏn was the *sŏdang*, or village school. *Sŏdang* were designed as primary educational institutions with an instructional objective of preparing students to enter either a *hyanggyo* or one of the Sahak in the capital. Although these institutions were private, the Chosŏn government actively participated in the administration, regulation and encouragement of the *sŏdang*. There are four basic types of *sŏdang* that can be categorised by their management: 1) those schools that were self-managed by a single teacher as his livelihood; 2) schools that were opened by a clan for the primary benefit of their children; 3) a local concord that pooled its resources and then extended an invitation to a teacher; and 4) a town that combined its resources before inviting a teacher. While the basic curriculum of *sŏdang* focused on the instruction of Chinese characters and the basic Chinese Confucian texts, many *sŏdang* taught morality and a variety of other subjects.

The role of the *sŏdang* continued to be of importance even after the advent of the enlightenment period in the late nineteenth c., as many of these schools adopted a modern, Western-style curriculum. However, during the colonial period *sŏdang* became a target of the Japanese and as a result of increased regulation and interference, the function and number of these schools diminished.

Period of Modernisation

The period of modernisation runs from the 1876 Treaty of Kanghwa Island (*Kanghwa-do choyak*) to the advent of the colonial period in 1910. It is characterised by the realisation of many in Chosŏn of the need to bring modernisation to this heretofore isolated and China-focused nation, in order to be able to withstand the onslaught of foreign cultures. The first manifestation of the new educational objectives of Chosŏn was the establishment of the Interpreter Training School (Tongmunhak, or T'ongbyŏn hakkyo) under the auspices of the Ministry of Foreign Affairs in 1883. The first private school was the Wŏnsan Academy founded by Chŏng Hyŏnsŏk in Wŏnsan of Hamgyŏng Province. The government also opened the English Academy (Yugyŏng Kongwŏn) in 1886, not only to provide instruction in English, but also in the natural sciences, mathematics, geography and economics. The schools of this period can broadly be categorised as either government operated schools or privately-administered schools. Of these two categories, it was the private institutions that would have the greater impact on education in this turbulent period.

The single group with the most substantial influence on the development of education in this period was the Christian missionaries, who were in Korea in large numbers. Some of the notable schools founded by missionaries include the Paejae Academy in 1885, and the Ehwa Girls School and Kyŏngshin School in the following year. These institutions provided a Western-style education, in addition to providing instruction in Christian precepts. Paejae Academy was sponsored by the United States North Methodist Church and was founded by Henry G. Appenzeler. This school featured a curriculum that provided instruction in English, astronomy, geography, mathematics, and Bible study, in addition to extra-curricular activities such as debating, baseball and tennis. Ehwa Girls School is noteworthy in the fact that it was the first educational institution for women in Korean history, and thus performed a vital role in freeing Korean women from the fetters of the

Confucian ideology that had long dominated their lives. Ehwa was founded by M. F. Scranton of the United States North Presbyterian Church and served as a secondary educational institution. The Kyŏngshin School, founded by Horace H. Underwood, also of the United States North Presbyterian Church, began as a kindergarten and then developed into a secondary school.

Non-Christian interests also undertook the establishment of private schools. The aforementioned Wŏnsan Academy represents the first private school of this period and in 1895 Min Yŏnghwa (1861-1905) opened the Hŭnghwa Academy, which was closely followed by the Ulmi and Chunggyo schools that were founded in 1899. The curriculum of these private schools varied widely, but they did focus on providing a Western-style, modern education to their students.

The Reforms of 1894 (Kabo Kyŏngjang) brought about many changes to the official policies concerning Chosŏn education. One major change was the abolition of the Board of Rites (Yebu) that had formerly regulated educational policy. In its stead the Ministry of Education (Kyoyuk-pu) was established and charged with the administration of educational policies. The Reforms also brought about the discontinuance of the primary educational focus of the previous five-hundred years. The civil service examination system was eliminated and with this stroke the entire scope of education shifted from Chinese classics-centred education to that of practical, modern and Western-centred instruction. Education also slipped from the grasp of the ruling class during this period, as the primary impetus of educational reform was that of the commoner class. Educational institutions became sources of both new ideologies and the nationalist movement. The conservative elements in Chosŏn society resisted these changes since they not only threatened their power base, but also since they viewed these new educational modes as being improper. Nonetheless, private schools flourished during the period of modernisation and those of the lower class became the dynamic force in both the enlightenment and nationalistic movements.

The Chosŏn government was not entirely passive during this period as some leading forces in the government realised the need for education in the modernisation and preservation of Korea. Thus, in 1895, the government an edict for founding the Hansŏng Teachers' College, with the goal of training primary school teachers that would permit the implementation of a new school system. The establishment of this institution resulted in an upheaval in the various types of schools throughout Korea. All told, in the fifteen years before Korea fell under the complete colonial domination of Japan, some five thousand schools were established in Korea, with a particularly high percentage of these being located in the northern provinces of Korea and in Seoul.

The government did provide an abundance of legislation concerning education in the mid to late 1890s. In 1895, regulations for the operation and the programs of primary schools were promulgated, and these were followed by legislation in 1899 concerning the operation and management of junior high schools. These legislative measures established the age for students in primary and middle school, and the required periods of study before graduation. Specifically, primary-school students were to be between the ages of eight and fifteen and were required to undergo three years of general study, followed by two to three years of study at an upper level. For the junior high schools, students were obligated to complete a seven-year course of study that would enable them to graduate and enter into business. Other legislation enacted by the government concerned foreign language schools (1895), medical schools (1899), and commercial and industrial schools (1899). Such laws provided basic standards that all licensed schools were expected to follow, and thus contributed to fostering educational activities that would help the nation in its quest for modernisation.

As the Japanese encroachments upon Chosŏn's sovereignty increased, however, legislation sponsored by Japanese interests began to impinge upon the new educational institutions. Japan viewed the educational institutions of Chosŏn as a threat to her designs, and thus

during the Residency-General period, enacted a law that required private schools to operate only with government sanction and that only approved textbooks were to be used. As a result, of these restrictions many private schools were forced to close. Education in Korea, after the enactment of the Protectorate Treaty of 1905 (*ülji poho choyak*), can be characterised as stringent regulation by Japanese interests seeking to inhibit and destroy any possible nationalistic uprising fostered by the desire for any new education system .

Colonial Period

Korean education during the Japanese colonial period can be understood in terms of the educational policies implemented in Korea that reflected the colonial aims of the Japanese Empire. The desires of the Korean people were shelved and the focus of the schools turned to producing obedient and productive cogs in the Japanese colonial machine. After the annexation of Korea in 1910, education was redirected to training in manual skills and thus vocational education became the primary educational goal. The rationale for this direction was that the Japanese feared that the Koreans, if provided with a higher level of education, would become critical of the colonial regime and strive for independence. In addition to this reasoning, the Japanese had no desire or need to have Koreans at the higher educational levels with the underlying threat of becoming future leaders. The goal of the Japanese was quite simply to provide only the basic amount of education that would permit Koreans to perform the menial tasks required of them, and to provide this education at the lowest possible expense for Japan. A further and perhaps more sinister objective of Japanese colonial educational policy was the obliteration of the national spirit and culture of Korea. Japan sought to thoroughly assimilate Korea into the Japanese Empire by not only seizing her sovereignty, but also by destroying the essence of Korean culture.

At the time of the Japanese occupation of Korea the number of primary educational institutions established by the government stood at one-hundred and one. This had increased to two-thousand eight hundred and eighty-four by liberation in 1945. The number of government secondary schools increased from three to ninety-seven, and the number of vocational institutions rose from fifteen to fifty-eight. These sharp increases can be attributed to the Japanese desire to educate the people in a manner that would make them better colonial subjects. Thus the focus was on basic educational skills so designed for handling practical affairs and not for preparing students to pursue any higher education ideals. This is seen in the fact that only Keijo (Seoul) Imperial University and eleven colleges were established during the colonial period.

The curriculum and educational policies of the colonial schools also reflected Japanese aims for Korea. Curriculum and policy changes can largely be divided into three periods : 1) the initial occupation years of 1910-1919 which were characterised by the harsh implementation of Japanese will; 2) 1920-1938, the 'enlightened' administration era, and 3) 1938-1945 when the Japanese sought to destroy Korean culture and thoroughly assimilate Koreans into the Greater Japanese Empire.

The activities of the first period are seen in the changes in both curriculum and administrative regulations. Noteworthy is the change in status of the Korean language, which was now designated as the Chosŏn language, while the Japanese language was deemed the 'national' language. The classroom time spent in the study of these two languages was similarly impacted by this change, with the Japanese language taking precedent over Korean. Textbooks also underwent considerable change and naturally reflected the Japanese colonial outlook.

The Resident-General in Korea, Terauchi Masatake, issued sweeping reforms of the Korean educational system that included provisions for all textbooks used in Korean schools to be written in Japanese and which focused mainly on Japanese culture. Moreover, the Japanese language was to be the language of instruction. These policies

resulted in the closure of many private Korean schools since all teachers were required to be fluent in Japanese. In 1910, the first year of the colonial period, some 1 973 private schools closed, and by 1919 an additional 1 230 also closed their doors. At this point in 1919 only some 742 private Korean schools remained open and this, of course, resulted in diminished educational opportunity for Korean children. This can be seen in the fact that 91.5 per cent of Japanese children in Korea attended school, while the percentage for Korean children was a paltry 3.7 percent.

After the March First 1919 Independence Movement the Japanese colonial policy in Korea softened somewhat. The reasonably 'enlightened' educational policy of this period featured more opportunities for Korean students, especially in higher education. The 1922 promulgation of the Second Chosŏn Educational Regulations increased the length of study in primary and secondary schools, established the Korean language as a required subject, and provided the foundation for the establishment of a national university. The concession of the Japanese to permit a national university in Korea was in response to the demands of the Chosŏn Educational Association, which had lobbied strongly for this cause since mid-1920. The Japanese agreed to establish Keijo Imperial University, a measure that allowed them to continue to control higher education in Korea.

The educational policies of this second period are, on the surface, more enlightened and less confrontational than the policies of the first period. In truth, however, the Japanese guise of an 'enlightened' policy was little more than a cover for their continued encroachment into every facet of Korean society. Insofar as educational policy was concerned, the Japanese sought to strengthen Japanese-style education by harmonising it with the Korean system, and in a final analysis their goal of obliterating Korean culture did not waver.

The third period of Japanese educational policy for Korea is highlighted by the cultural assimilation policies of the period. In March 1938, the Japanese issued the Third Chosŏn Educational Regulations, measures designed to forcibly assimilate Koreans. Under the banners of '*Naisen Ittai*' (Japan and Korea are One Entity) and '*Ninku Tanren*' (Perseverance and Discipline), the Japanese changed the names of Korean schools to the same as their Japanese counterparts and also changed the content of the educational curriculum to match the Japanese model. These changes included the complete prohibition of the use of the Korean language at schools; the memorisation of the Oath of Allegiance to the Japanese Emperor was made mandatory for all students, as was its recitation at various functions; Shinto Shrines were erected at all schools and worship at these was compulsory. The adoption of a Japanese name was required for all, with those who refused being barred from either attending or teaching at a school. But with the escalation of the Pacific War in the 1940s, educational activities in Korea went into abeyance in the light of Japan's declining fortunes in this massive conflict.

In 1943, in a last-ditch effort to exploit the resources of Korea, Japan implemented the Fourth Chosŏn Educational Regulations that fully changed the educational system of Korea to a wartime-footing. Thus, school education became an instrument of the war effort and the remaining private schools, which until then had been carefully treated by the Japanese, bore the brunt of these policies. Educational goals now stressed labour and military training, and many students were conscripted and sent to the various theatres of war. As a result of these policies, the education system in Korea collapsed and would not recover until after liberation in 1945.

Education in the Modern Period

United States Military Government in Korea, 1945-1948

The post-1945 liberation of Korea is characterised by the USA's occupation of the

southern part of the peninsula and the USSR's occupation of the north. From this, the educational policies in the south and north reflected the respective political ideologies. Thus, the United States Military Government in Korea (USAMGIK) instituted educational policies that reflected a democratic education, and these would shape post-liberation education in South Korea. A single-track 6-3-3-4 (six years elementary, three years junior high, three years senior high, four years college) system was implemented along with teacher training, adult education and the use of the Korean language in the classroom. In addition, facility expansion was planned and the six years of elementary education was made compulsory. Moreover, elementary education was to be free of charge and the age for elementary students set to begin at six and end at eleven. Secondary educational institutions of this brief period included the junior and senior high schools, teacher's colleges and vocational schools. Higher education was represented by the colleges with a fixed study period of four years for students between the ages of eighteen and twenty-one. A marked accomplishment of this period was the establishment of a teachers' college and of Seoul National University, the first truly Korean national university.

The post-liberation growth in the number of schools and students can be seen in Table 1.

The educational system of South Korea made tremendous improvements during this three-year span not only in quantity, but also in instructional quality. The system was, however, still burdened with a lack of qualified instructors, overcrowding and outdated teaching methods. Thus, while this short period represents a drastic improvement over the colonial era, it still fell well short of educational ideals.

Table 1. School Facilities and Student Enrolment 1945-1948

	1945	1948	Change (%)
Elementary Schools	2 884	3 443	119
Elementary Students	1 366 024	2 426 115	177
Junior High School	97	380	390
Junior High Students	50 343	287 512	571
High Schools	68	184	270
High School Students	83 514	110 055	132
Higher Ed. Institutions	19	31	163
Higher Ed. Students	7 819	24 000	307

Republic of Korea, 1948-1960

The establishment of the Republic of Korea (ROK) in 1948 brought about further refinement of the educational system with the enactment of various legislative measures. These new laws were designed to create a system that contributed to completing the character of the individual who would then have the intellectual means to assist in the growth and development of an independent and democratic nation, and importantly be imbued with the desirable qualities of a citizen in a modern democratic society. Moreover, the educational philosophy reflected the realities of the Korean peninsula and thus education in the ROK promoted an anti-Communist ideology. The single-track educational system of the previous period was retained and was further supplemented with the addition of a two-year kindergarten period. Perhaps most importantly, the foundations for a national educational policy were enshrined in the Constitution of the ROK with the guarantee of equal opportunity in education for all citizens and a guiding ideology of devotion to the welfare of mankind.

Education in the new Republic advanced rapidly, but not without problems. Due to the constitutional right for a compulsory elementary education, enrolment in primary institutions skyrocketed, resulting in a lack of classroom space. However to meet this

increased demand, schools began conducting classes in shifts with those with the largest enrolments operating three to four shifts a day. The greatest setback to education in this period was the outbreak of the Korean War in June 1950. The war resulted in a massive displacement of people and resources and a tremendous disruption of educational activities. Nonetheless, the Ministry of Education (MOE) created a textbook, *Chŏnshi tokpon* (Wartime Reader), that was designed to provide guidance to students during this tumultuous period. Here, the aim of education was to defeat communism and rebuild the nation after the cessation of hostilities. Educational policy was designed to provide the skills needed for living during the war, and to further train each student in one skill that would be of use in the rebuilding of the nation after the war.

Other significant developments in this period include the establishment of an autonomous educational system by mid-1953. Although this system had many early problems, it still represented an early stage of self-government and is thereby quite meaningful. Civil education also came to the fore in this period as a means to educate those individuals who were too old for regular classes. Vocational schools were also founded at both upper and lower levels, and in 1950 sixteen junior colleges were authorised throughout the nation and one national university for each province was approved as a means to combat the heavy concentration of colleges in the national capital. Despite the many hardships caused by the war and the extreme poverty then current in the ROK, education was viewed as the answer to many of the nation's woes, and thus it grew exponentially during this period.

Education after 1960

After the 1960s there were several stages of major change in the composition of the Korean educational system and its goals before it reached its present state. The rapid expansion of the 1950s had resulted in a deterioration of educational quality to some extent and this shortcoming was further exacerbated by the superficial imitation of foreign educational systems. Thus, in the latter half of the 1960s, several projects were launched to revise the curricula of Korean schools to meet the needs of Korean students. One major change was the abolition of the entrance examination for junior high students, which permitted the proportion of elementary school students advancing to the next level to increase from 55 to 75 per cent. The impact of this was to permit a greater number of students to obtain a higher education level and in turn to provide more highly educated workers for the industrialisation process that Korea was then experiencing. Also, a standardised national entrance examination system for colleges and universities was established to provide equal opportunity so that all students might secure a higher education. The effect of this regulation was to guarantee that the best-qualified students were admitted to higher education institutions, thereby raising the overall quality of higher education. Finally, in 1968 the National Education Charter (Kungmin Kyoyuk Hŏnjang) was promulgated, and this substantiated the goals of national education as being to assist the people in the realisation of a concrete national identity in addition to developing respect for history and tradition. Moreover, the Charter emphasised the importance of balancing the needs of an individual with those of the State, and to foster a spirit that would provide for both the individual and the nation. Thus, the Korean educational system was prepared for the period of rapid economic growth and to help usher in a period of prosperity.

The 1970s were distinguished by a great push for economic advancement and a national philosophy of anti-Communism and nationalism. Hence, the educational focus was on the development of scientific and technical skills, while at the same time programs such as the New Village Movement (Saemaŭl Undong) advocated the progression of self-reliant communities. The educational policies of this period created a strong national identity among the Korean people and programs such as the New Village Movement were largely responsible for this increased awareness. At the same time, efforts to realise an improvement in higher education were undertaken. In particular, engineering and technical colleges were developed as these institutions held the key to better preparing Korea for

advancement in high-technology undertakings.

In the 1980s, Korea's educational policies were reorganised with the outlawing of private tutoring and revised college entrance regulations. Other changes executed by the MOE included strengthening of moral education, implementing pre-school education, qualitative improvement in college education, the extension of social education and the strengthening of international education, among other reforms. All of these changes and others besides helped prepare Korea for the 1990s and her place in an increasingly technology-driven society. International exchange programs ensured that Korean students were among the world's best educated and that Korea was able to compete in the global community. In addition compulsory education was extended through junior high school in the early 1980s and this guarantees all Koreans a basic educational level. The tremendous growth of education in Korea can be seen in Table (2):

Education in the Republic of Korea has made tremendous gains since liberation in 1945. Illiteracy, which was rampant at the time of liberation, has been virtually eliminated among Koreans, and this can be attributed to the immense desire of Koreans for education. Education has traditionally and continues to be of great importance to the Korean people and this is seen in the efforts that the Korean people have made in this aspect of their modern society. Primary education has become something all young Koreans have a right to, and access to secondary and higher education is also guaranteed to all Koreans. However, there are problems in the educational system of Korea such as the over-crowding of classrooms, excessive focus of junior and high school students on the college entrance examination and expenses incurred by parents in trying to provide their children with an education. These issues must be addressed in the future in order to prepare educational policies that will best suit Korea and her people in the upcoming years.

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Electronics Telecommunications Institute (ETRI)

Located in Taedŏk Science Town in Taejŏn, the ETRI (Han'guk Chŏnja T'ongshin Yŏn'guso) is one of Korea's leading research institutions. Its origins date from December 1976, when the Korea Institute of Electronics Technology (KIET) was established under the jurisdiction of the Ministry of Commerce and Industry. A year later, the Korea Telecommunication Research Institute (KTRI) was established with responsibility to the Ministry of Communications. In March 1985, KIET and KTRI were combined to form the ETRI, under the control of the Ministry of Science and Technology. In March 1992, the Ministry of Communications assumed control of the ETRI.

The Institute engages in basic and advanced research in the electronics and telecommunication fields. As of 1994, it had a total operating budget of almost \$US180 million with three-quarters of this sum, or thereabouts, utilised for R and D. The Institute's budget supports a direct payroll of around eighteen hundred staff of which three hundred

hold doctorate degrees and fifteen hundred or so have technical qualifications. If consultants and other contracted personnel are included, the total labour force of ETRI exceeds two thousand, three hundred.

ETRI's research interests are multifarious, and include basic and advanced technologies in the fields of telecommunications; semi-conductors; computers; and information technology. These functions are primarily devoted to providing sophisticated telecommunications services to Korea in the twenty-first century, and in expanding the international market share of the country's electronics and communications technologies.

Emille Museum

Located in North Ch'ungch'ŏng Province's Poŭn County, the Emille Museum (Emille Misulgwan) is a private museum founded and operated by Zo Za-yong (Cho Chayong), a renowned architect and art collector. Zo studied architecture at Tennessee's Wesleyan College and then at Harvard University. When he returned to Korea in 1953, he began to gather ancient roof tiles and other artefacts related to Korea's traditional architecture. In the years that followed, his collection widened to include folk art, especially shrine paintings of the mountain spirit (*sanshin*) and works in which tigers are the subject. In 1968, he founded a museum in Seoul's Kangsŏ Ward and the exhibits there slowly grew to about eight-thousand. To house his collection, a museum branch was set up in Poŭn County in May 1982 and in the following year the entire collection was transferred there.

Empire News (see *Cheguk shinmun*)

Employment

Employment encompasses those activities in which humans undertake in order to secure the goods or products that they need to ensure their daily survival. It also generally entails a certain set of skills and requires the completion of some task or tasks in order to receive the means that permit one to gain his or livelihood. Resultant from employment is work which serves to satisfy many diverse needs. For the individual employment satisfies his need to exercise his faculties and to participate in the collective work of society. It also provides him a claim on the social product, thereby enabling him to support himself and his family. From the standpoint of the community, work is necessary for both survival and civilisation.

Throughout most of history, man has had to gain his living from the land. In traditional societies, in which the productivity of agricultural labour is very low, virtually the entire population was required to be engaged in agricultural activities. As a civilisation advances and develops, it becomes able to feed its people more easily, thereby requiring a smaller proportion of its population to be engaged in agricultural activities. When agricultural production achieves a certain threshold, the demand for primary products, that being those of agrarian nature, drops and the demand for other goods such as clothing, shelter and manufactured products increases. The production of secondary products ultimately becomes organised in factories and expands dramatically. As demand grows the employment in the secondary sector increases. Another sector of employment, the tertiary sector, emerges as society continues to advance. This sector encompasses the service trades, teaching, administrative functions, scientific research, medicine, arts and other such areas. This sector features slight technical progress when compared to the first and second sectors, hence requiring large numbers of people. In countries with high standards of living, demand for the products of the tertiary sector is great and keeps increasing. Consequently, employment in this sector increases more rapidly than the other two sectors.

History of Employment

In traditional Korean society it is difficult to identify many practices as being employment in a modern sense of the word. However, working in agricultural activities in order to gain one's livelihood is very much like the modern concept of employment. The same can be said for livestock raising activities. However, as ancient societies advanced towards centrally-governed states, there appeared a class of those who supervised and of those who were supervised. A manifestation of this phenomenon is the existence of social and class relations in the ancient kingdoms of Korea. In Shilla the *kolp'um* (bone rank) system reveals this relationship as does the aristocracy of Koryŏ and the upper and lower classes of Chosŏn. In traditional society there was a very close relationship between the occupation that one was engaged in and his social class. Only members of certain classes performed certain occupations. In traditional society one's physical ability or technical knowledge did not determine his occupation inasmuch as his ancestry did. Accordingly, it was of no consequence of what talents or desires an individual had, but to which class he was born determined what he would do for his livelihood. As a result there were tremendous restrictions on one advancing in traditional society. Therefore, traditional Korean societies can be characterised by generations of the same family specialising in a particular occupation.

The economy of the Koryŏ period was founded in agriculture, and the vast majority of the people were involved in direct tillage of the land. However, there were those who received stipends for services performed for the government in other realms. The Stipend Land Law (*chŏnshi kwa*) provided land stipends for various reasons, one of which was the so-called 'soldier's land' (*kunin chŏn*) that was granted to those peasants who entered the Koryŏ military service. Moreover, local government officials also received compensation for their service to the government in the form of stipend lands known as *oeyŏk chŏn*. Both of these occupations were hereditary, and therefore so were the lands that provided support for the recipient families. If there was not a male heir to continue in the family tradition, the land would revert to the state and the family would then receive a small pension.

In Chosŏn the social structure is dominated by the relationship between the ruling *yangban* class and the commoners. The preservation of power by the ruling class was achieved through restrictions on land ownership, outsiders gaining access to official posts, social mobility, and other such measures designed to prevent commoners from entering into the ranks of the governing class. However, the numbers of those in the *yangban* class were not sufficient to staff all positions within the government, so commoners accessed the lower administrative positions. Such positions as *sŏri* (petty clerks), *kun'gyo* (military cadre members) and *t'ogwan* (local civilian officials) were filled by commoners. The individuals in these positions received stipends in various forms and therefore can be considered as employees in the modern sense of the word.

Being tied to a single, hereditary occupation marked the lives of most commoners during Chosŏn. Employment was not a matter of choice, but was instead dictated by one's birth. Even worse than the plight of the commoners of this period was that of the slaves and other low-born peoples. Slavery was hereditary and in accord with the status of one's mother. The lowborn people were those engaged in the hereditary occupations such as butchers, travelling entertainers, tanners, female entertainers (*kisaeng*) and shamans. These individuals were ostracised from society and generally lived in separate hamlets.

The opening of ports in Korea in the aftermath of the 1876 Kanghwa Treaty saw the birth of a class of day-labourers. There had already been, of course, labourers in Chosŏn who were required to work as service for the government such as those in the silver and copper mines, but in the modern sense of the word, it was not until this period when they came into existence in Korea. It was the areas around the newly opened ports of Inch'ŏn and Pusan that day-labourers first appeared. It is thought that by 1911 there were over 22 000 of these wharf workers in Korea. Other evidence of a large employed class forming can be seen in the 1910 mobilisation of 100 000 workers for the construction of railroads. Prior to the Japanese seizure of Korea, a modern army was founded and the bureaucratic structure

was modernised with a system for hiring public officials. In addition to the employment opportunities created in these areas, there were jobs created in the tertiary sector, such as in hospitals and schools. The structure for the creation of employment as such was accelerated throughout the colonial period.

The colonial industrial policies of the Japanese were greatly accelerated in the 1930s and this caused a marked increase in the number of wage-workers in Korea. By 1943 it is thought that there were around 1 750 000 wage-workers in Korea. Of these, 390 000 were employed in factories, 280 000 worked in mines, 170 000 were employed in various transportation-related occupations, 380 000 were employed in construction jobs, and another 530 000 were employed in various other occupations. The vast number of jobs under the Japanese were those requiring labour and in 1942 nearly 67 per cent of all jobs were for various types of labour, 7.4 per cent mine work, 8.6 industrial in nature and 2.0 per cent for marine related occupations. Contrasted to this, only 4.3 per cent of the Korean employed at this time were in jobs that can be classified as either bureaucratic or liberal. An examination of the employment structure created for Koreans and Japanese in Korea at this time, shows that the Japanese were mostly involved in management or technically-advanced employment, while Koreans were largely employed in manual work. Therefore, by the time of liberation in 1945, Korea was presented with a largely unskilled labour force.

Modern Employment

After 1945 the government of South Korea implemented a capitalist economic system. From the 1960's, Korea entered the world market with an export-orientated economy that became one of the fastest growing in the world. The rapid expansion of employment in the second and third sectors of the economy resulted from industrialisation. The shift of employment from primary sectors such as farming, stockbreeding and fishing to other areas reveals the depth of this change. In 1955 the agrarian and marine sectors of the economy were the largest, but by 1975 numbers employed in these sectors had decreased to 48.8 per cent, and in 1983 to 28.5 per cent of the population.

Korean workers are now guaranteed the right to choose the occupation they wish to follow. The fifteenth Article of the Constitution of the Republic of Korea states: 'All citizens have the freedom to choose their occupation'. This is a right that did not exist in Korea until the establishment of the Republic of Korea. However, potential choices in employment are greatly influenced by factors such as age, sex and education. Manufacturing jobs with their relatively low wages remain the domain of those with lower educational levels, and among the manufacturing jobs those that are mostly staffed by women such as in the textile industry generally pay the lowest wages. However, in recent years the gap between the earning power of men and women in the manufacturing sector has somewhat narrowed.

As Korea recovered from the turmoil surrounding the liberation of the country, its subsequent partition and the disastrous Korean War, it entered a stage in the early 1960s that would witness rapid economic expansion and modernisation. The manufacturing sector grew at an annual average of 13.2 per cent from 1962 to 1979, and here employment also grew by leaps and bounds. In 1963 the sector accounted only for about 8.0 per cent of the workforce, but by 1980 this had grown to almost 22.0 per cent. Virtually every segment of the manufactured-goods industry expand during this period. Due to rapid economic growth and an improved industrial structure, the problem of unemployment in Korea has been virtually eliminated. However, with the decline in birth rate since the mid-1980s, the elevation of income levels and the trend among Koreans of avoiding the so-called '3D' (dirty, dangerous, difficult) jobs, the Korean economy has been experiencing a serious labour shortage, particularly in the manufacturing sector since the early 1990s.

The government has undertaken a series of measures to combat this growing problem,

recognizing that a stable supply of manpower is necessary to ensure planned economic activity. With the aim of matching supply and demand for manpower, various employment policies have been implemented and vocational training services established. Those who wish to find new jobs or change their careers have access to guidance services, such as vocational aptitude tests and counselling. Placement services are being promoted to improve job finding and security through country-wide employment security agencies. These agencies are linked with nation-wide computer data bases.

To train technically skilled workers and expand employment in preparation for the advent of an advanced industrial society, development programs focus on better utilisation of educated or trained manpower. Also emphasised are the improvement of working conditions and the environment, including the fostering of a constructive dialogue between labour and management, and the revitalisation of labour unions at the industrial level. To foster the heavy and chemical industries and to promote export industries which are the life-blood of the nation, efforts have been made to ensure the qualitative improvement and increased sophistication of skilled workers and their technical orientation.

The vocational training system in Korea can be divided into public and private sectors. Public training is mainly conducted by the Korea Manpower Agency (KOMA) under the guidance of the Ministry of Labor (*nodongbu*). Other governmental institutions also manage vocational training programs to meet various needs. KOMA training focuses on basic and new technology trades, and skilled labour. Private vocational training consists of in-plant training offered by companies and authorised training conducted by individual or non-profit organisations. The former is conducted to meet the specific needs of the enterprises and the latter is conducted with approval from the Ministry of Labor. However, many companies are reluctant to invest a large amount of money in worker re-training programs, since the focus of many small to medium sized corporations is on immediate profits. This has created something of a dilemma in Korean industry where the need for having workers that are both highly skilled and flexible is evident, but where there remains an unwillingness to invest the money needed to achieve this.

Korea's need for a highly-educated and highly-skilled workforce is becoming increasingly evident as the economy looks to a greater share of the international market. Labour-intensive jobs that are dependent upon a low wage workforce and an export market, such as textiles, have already started to move from Korea to China, Thailand and elsewhere. Therefore, the education of Korea's workforce is more important than ever before.

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Eul-yoo Publishing Company

Eul-yoo Publishing Company (Ŭryu Munhwasa) is a publishing company located in Susong-dong in Seoul's Chongno Ward. It was established in Seoul in December 1945 with Min Pyǒngdo as president, Yun Sǒkchung as editor-in-chief, Chǒng Chinsuk as general manager and Cho P'ungyǒn as managing editor. Its stated role was that of elevating popular awareness of traditional Korean culture while introducing the more advanced aspects of foreign cultures.

In 1946, the company established Chosŏn Adong Munhwa Hyŏphoe as an organisation committed to creating edifying works for children. In February of the same year, Yi Kakkyŏng's children's book *Kajŏng Kŭrssi Ch'ech'ŏp* (A Book of Model Penmanship for Home Learning) was published, followed in November by the weekly periodical *So Haksae* (primary school student magazine), which became a monthly in May of the following year. As one of the first publications of its kind in liberated Korea, *So Haksae* helped to kindle a new interest in the genre of children's literature.

As a further milestone in Korean publishing, the company published the first volume of *Chosŏnmal K'ŭn Sajŏn* in 1947. The sixth and final volume of this comprehensive dictionary of the Korean language was completed in 1957. In 1948, the company created the academic monthly *Hakp'ung*, but its publication, as well as that of *So Haksae*, was soon halted by the Korean War. In October 1952, Chŏng Chinsuk became president, and the company's operations were transferred to Pusan.

In the years following the war, the company moved back to Seoul where it remains today. Its publications include important histories such as *Han'guk t'ongsa* by Han Woo-keun (in Korean) and *The History of Korea*. (in English) by the same author. The company still publishes books for children.

Ewha Womans University

Ewha University (Ihwa Yŏja Taehakkyo) is a private university situated in Taehyŏn-dong in Seoul. Its beginnings can be traced to May 1886, when the Methodist missionary, Mary F. Scranton taught a female student. In 1887, after receiving the name Ihwa (Plum Blossom) from Empress Myŏngsŏng (1851-1895), Scranton named her establishment Ihwa Haktang. Being the first educational institution for women in Korea, the school was accredited in 1908 as a school with departments for primary, junior high and high school students.

In 1910, Ihwa Haktang offered a four-year college curriculum and four years later, three students were the first to receive their diplomas from the school. In 1925, Ihwa Haktang was reorganised as Ihwa Yŏja Chŏnmun Hakkyo and a humanities and music department were established. In order to accommodate increased student enrolment, the school was relocated to its present site in 1935, when new buildings were constructed. In 1939, Kim Hwallan became its principal. Because of pressure exerted by the Japanese colonial government, in 1943 the school changed its name and role to Yŏja Ch'ŏngnyŏn Yŏnsŏngso, a one-year training institute for young women. In 1945, it became the technical school, Kyŏngsŏng Yŏja Chŏnmun Hakkyo.

After liberation, the school was reorganised as Ewha Womans College, but with the outbreak of the Korean War, the campus was abandoned and the faculty moved south to Pusan. While in Pusan, a graduate school was established and Ewha was reorganised into five colleges and nineteen departments. The college was returned to Seoul in August 1953. In the decades that followed, much expansion took place, and Ewha has developed into one of South Korea's foremost universities, with a good measure of international standing.

Today, Ewha Women's University consists of fourteen colleges: Art and Design; Business and Economics; Education; Engineering; Home Science and Management; Law; Liberal Arts; Medicine; Music; Natural Sciences; Nursing Science; Pharmacology; Physical Education; and Social Sciences. For postgraduate studies, there is the Graduate School as well as the Graduate Schools of Design; Education; Information Science; International Studies; Social Welfare; and Translation & Interpretation.

The university also supports the Ewha Women's University Museum. The museum's

collection dates from 1935, and initially consisted of objects donated by faculty members and students. The displays include pottery; roof-tiles; paintings; calligraphic works; bamboo articles; metalwork, set gemstones; personal ornaments; and household utensils used by women during Chosŏn .

Export-Import Bank of Korea	[Banks]
Export Promotion Council, The	[Economy]
Far East Broadcasting Company (FEBC)	[BroadcastingCompanies]
Federation of Korean Industries, The	[Economy]
Federation of Korean Trades Unions	[Politics]
Federation of Small Business	[Industry]

Film and film makers

Korean film is a broad subject to define, and its practitioners are a varied group to describe; but it is possible to outline the most prominent aspects of their interrelated history up to the present time.

Early History : the Japanese occupation, censorship, and two wars serve as backdrop, strongly influencing early Korean film development.

The first showing of a motion picture in Korea was in 1904; it was a news documentary of the feats of the Japanese Navy in the Russo-Japanese War. It was shown to Korean government leaders for obvious reasons and preceded by six years the outright takeover of Korea by Japan in 1910.

The first Korean-made film was shown to the public in 1919. 'Righteous Revenge', a 'kinedrama' designed to be combined with a stage performance, was directed by Kim To-san. There is some discrepancy over the honour of first feature-length film in Korea. One source, *A Handbook of Korea* 1990 ed., says, 'Oath Under the Moon' (1923) was the first such film made there. Directed by Yun Paek-nam, the film was a prelude to the era of silent movies in Korea. However, in 'The Koreans', by the Korean Overseas Information Service, it states that 'Ch'unhyang chŏn' (1922) - the story of enduring romance between an upper-class young man and a common girl, already made famous in novel, *p'ansori* (Korean operatic) and *ch'angguk* (folk song) forms - was the first film of that type.

Regardless, in 1926 the classic 'Arirang', a protest against Japanese colonial oppression, was produced by the writer-actor-director giant Na Un-gyu (who also made a version of 'Ch'unhyang chon' that was Korea's first 'talkie', and who died in 1937 at age 35). Early silent films like 'Arirang', whether domestically produced or imported, used a *pyonsa* , who narrated all the spoken parts live during each showing of the film. Through this vehicle, anti-Japanese sentiments could be inserted for Korean audiences during the Japanese occupation.

'Arirang' was followed by a few more films of its type, and then the Japanese began a crackdown against Korean films in 1930. Only two or three films were made each year in the 1930s and cinema activities in Korea were in the hands of the Japanese until Korea's liberation at the end of World War II : more than 140 films were produced from 1919 to

1945, mostly of a propagandistic nature.

During World War II, virtually no Korean films were made in Korea. The Japanese masters saw to it, though, that propaganda films were made. War documentaries came more into play in Japan than in Korea, but they still were important to the Japanese war effort throughout that nation's empire, inclusive of Korea.

With liberation, the film industry was reborn in Korea. The first 'liberated' commercial success was the 1946 film 'Chayu manse!' ('Hurrah for Freedom!'). Then came the first Korean-made colour film, 'The Diary of a Woman', directed by Hong Sunggi, in 1949. The Korean War (1950-1953), however, dealt a severe blow to the fledgling film industry, and only a handful of war documentaries were made in North and South Korea at that time. In the South, American newsreels also provided coverage of what democracy consisted of, with Japanese voice-overs. Even North Korean prisoners of war developed a liking for these films, once the Japanese soundtracks were disconnected !

In 1955, the South Korean government exempted all domestic films from taxation, which led to a rapid increase in the number of film-makers and a golden age of cinema in Korea. A nicely-done 'Ch'unhyang' broke all box-office records in 1956 by attracting 90 000 viewers in a twenty-one day first run in Seoul. The number of films produced in the late 1950s reached about 100 annually, and about 200 a year in the 1960s. In 1969, The 'History of Korean Motion Pictures' was published to celebrate the 50th anniversary of the introduction of cinema to the country.

Film Making : Early signs were positive; things progressed, albeit gradually; finally, it was time to develop indigenous Korean film possibilities.

The film-making art in Korea has been a gradually progressive form in terms of quantity and quality. Early technology did not allow for colour or sound; black-and-white cues were paramount then. And the struggle to make first-rate films in the face of Japanese censorship was an ongoing one for the first 26 years of the industry's growth. Eventually, the artistic genius of Korean film-makers began to flourish. Early signs had been positive. The vision inherent in an 'Arirang' or the first 'Ch'unhyang chon' is apparent; and when 'A Diary of a Woman' emerged in 1949, Korean film-making began forming an indigenous wellspring of possibilities.

The main force for good in Korean film-making has been the way the technical limitations imposed upon Korean film-makers have been blended with the talent of all personnel involved, producing useful Korean films. A kind of nationalistic and cultural imperative has been obtained in the way those forces have come together, especially since the 1950s, when both Korean governments became active in the promotion of their nations' films. More recently, it is hoped the opening of the film-making market in South Korea since the late 1980s will have effect on the production of even more powerful films near the start of a new millennium.

Directors : there have been outstanding Korean film directors from the early days on. And in Korea today there continue to be many excellent directors.

There have been many leading directors in the Korean film industry over the years. These include Kim Tosan, the director of the very first Korean-made film, *Righteous Revenge*, 1919; Lee Myöngu, dir., *Ch'unhyang chön*, ca. 1922; Yun Paengnam *Oath Under the Moon*, 1923; Na Un'gyu, *Arirang*, 1926; Hong Sunggi, *The Diary of a Woman*, 1949; Shin Sangok (Mr. Shin was the producer-director of more than 200 films, in both South and North Korea - mainly in the 1960s and 1970s in South Korea); U Wöngjun and Yun Yonggyu, *The Tale of Ch'unhyang*, 1978; Yi Tuyong, *P'imak* (Death cottage), 1981 and *Mulleya Mulleya* (Spinning wheel), 1984; Pae Ch'angho, *Kipko p'urün pam* (Deep Blue

Night), 1985; Im Changböm and Ko Hagim, *Pomnal ŭi nunsogi*, 1987; Pae Yonggyun (Why Did Bodhi-Dharma Go East ?), 1989; Chung Ji-Young (Chöng Chiyöng, (The White Badge), 1992; Pak Jong-Won (Pak Chongwön), Our Twisted Hero), 1992; Kim Ui-Suk ('A Marriage Story', 1992); and Im Kwönt'aek, *Söp'yönje*, 1993 and *Ssibaji* (The Surrogate Mother). Film directing in Korea has been a man's profession until recently. Korean women have been making strides there, too, but more slowly than in the West. All-told, Korean directors have made real contributions to the film-making art.

Actors : Korea has produced many fine actors and actresses, especially since the 1970s.

Korean actors have been playing leading roles in the films of their nation since 1919, when the first film made by Koreans, 'Righteous Revenge', was released. Although little information is readily available about the casts of Korea's earliest films, it is safe to say that the Japanese masters of Korea during their most recent occupation of that peninsula kept a close watch so that the 'Koreanness' of these pictures was not overly emphasized. After liberation, government sponsorship was not, at first, profound enough for Koreans to produce many films; and the Korean War slowed what was a fledgling development of film acting styles (which depended on acting styles from the drama) early on.

By the late 1970s and 1980s, things had improved significantly. At the 24th Asian Film Festival, held in Sydney, Australia, in 1978, the South Korean Kim Ja-Ok won the best actress award for her role as a hostess in the feature-length 'Apartment of Miss O'. Then, in 1987, Kang Su-Yon won her first international best actress award at the Venice International Film Festival for her role in 'Ssibaji' ('The Surrogate Mother'). And in 1989, Ms. Kang captured her second award of that magnitude at the Moscow International Film Festival for her role in 'Aje, Aje, Para Aje' ('Come, Come to a Higher Place'). Meanwhile, in 1988, Shin He-Su, a newcomer, won the best actress award at the Montreal Film Festival in an Im Kwon-Taek film, 'Adada'. And by 1992, at the 37th Asia and Pacific Film Festival, held in Seoul, the South Korean Chang Mee-Hee had won the best actress award.

In 1993, a new film was released that proved to be an instant artistic and popular success. 'Söp'yönje' ('A Journey into the Korean Soul', which is an epic dramatization of the life of a family of *p'ansori* performers, *p'ansori* being a traditional Korean song-in-drama, operatic form) starred three actors whose reputations are assured as a result of their contact with this greatest of Im Kwon-Taek films. Those actors were: Kim Myung-Gon, as the step-father, Yubong; Oh Jung-Hae, as the faithful daughter, Songhwa; and Kim Kyu-Chul, as the rebellious son, Tongho. Writing for *Korean Culture* in its Spring 1994 issue, Y.K. Kim-Renaud notes: "These actors... do not just perform music well; they also act superbly, most probably because of their deep understanding and empathy for the life of the people they portray."

Producers : although the film producers of Korea have done yeoman's work, they have not been recognized as widely as Korea's directors and actors.

In North Korea, film producers do the work of the Communist Party. They have been strongly influenced by the Soviet and Chinese models. Meanwhile, in South Korea film producers have been influenced by the Western and Japanese models. South Korea's Kang Dae-Bong was named best producer in 1978 at the 24th Asian Film Festival for his work on 'Butterfly Girl', partly because he recognized the validity of the latter examples. Others have won regional wards since then, but aside from South Korea's Shin Sang Ok, whose talents were so pronounced that he apparently was kidnapped by the North Koreans in 1978, Korean film producers have not yet come into their own in the international marketplace. That is not because they have failed to work hard and well at their jobs, but rather it is because they have not received the publicity of other producers. That may change soon, as the two Koreas continue to move more into the international spotlight.

Companies : Korean film companies do not carry as much clout as Western film companies. Nevertheless, they are making head-way .

North Korea does not have film companies in the Western sense. Films are produced by and for the state, and some good films emerge from that formula; but the best Korean films are being made in South Korea today.

In 1971, the South Korean government, in an effort to help the ailing movie industry of that nation, launched a program of financial assistance for film production and script writing, and established the Motion Picture Promotion Corporation to support cinema circles both in financing and in dealing with technological problems. Film companies *per se* have not been dominant in the industry there; rather, the South Korean government, more recently big business, and individual producers, directors, and their associates have been.

However, in the controversial 1994 Im Kwon-Taek film 'Tae-Baek-San-Maek' ('The Taebaek Mountain Range'), the role of all film production companies came into greater focus, as Tae Hung Production Company defended Im, its employee, from attacks relating to the socialist themes associated with the novel that inspired that company's film. The novel by the same name was attacked by political rightists for its portrayal of South Korea's early leaders as Japanese sympathizers. The rightists branded the novel a 'socialist revolutionary textbook' and were none too happy that a film was being made from it. Lee Taewŏn, the film's producer and president of Tae Hung, noted in the *Korea Newsreview* of 14 May 1994 : 'It is my personal opinion that the novel is a source of controversy. However, making the film has nothing to do with that. It is entirely up to director Im how to make the film. If somebody wants to say something about it, then he should say it after seeing the film.'

Also in 1971, the South Korean government provided outstanding producers with permits to import foreign films, subject to an annual quota. And following-on from the opening of the South Korean film market to foreign film-makers in the late 1980s, in 1995 a new Motion Picture Act was passed, with the thrust of strengthening the domestic film industry. South Korean film-makers are today encouraged to compete directly with the best foreign film-makers, inclusive of those in Hollywood. And yet, Western films continue to attract - like 'Jurassic Park' (1.4 million people in 1993); 'Cliffhanger' (1.3million), and 'The Bodyguard' (1.1 million). Even the Russian-made 'Moscow Doesn't Believe in Tears', continued to draw big audiences in South Korea fairly recently.

Locations : P'yŏngyang and Seoul are keys to Korean film-making, although that is changing.

P'yŏngyang is the heart of the North Korean film industry, as is Seoul in the South. The North Koreans produced a film in 1987 that gained international recognition because it dealt with social themes and not political ones *per se*. That film, 'Pomnal ŭi Nunsogi' ('The Snow Falling Away in Spring', or simply, 'Thaw'), is rare because it attacks the Japanese rather than the Americans. Needless to say, it was not made in Japan.

Seoul is the centre of the South Korean film industry, but that capital is now being tested by other locales. For many years in South Korea, localism was paramount in the nation's film production. Then in the 1980s, overseas location sequences were included more often in South Korean films. However, due to depressed box office receipts in early 1992 by colossal South Korean films containing sequences shot overseas, that nation's film-makers began rethinking their interest in working outside their country. Still, it seems likely that more South Korean films will be shot overseas by the start of the 21st century.

Genres : six categories, broadly defined, cover Korean film-making types.

Comedies : Korean comic dramas have long depended on earthy humour and horseplay; and so have the nation's satires. Korean comic films use these devices plus more subtle humour (in more serious films) to lighten up difficult situations. This was most readily apparent in several recent films. 'Out into the World' (1994), to take one example, is a black comedy written by the former drama critic Yo Kyun-dong. It is the story of two convicts who accidentally become fugitives while being moved to another prison. Joined in their escapades by a worn-out bar girl, the pair poke fun at the 'outside' world. In the end, the star power generated by Moon Sunggün, Lee Kyung-Young, and Shim Hye-Jin (as the bar girl), asks the question: Who really should be in prison - the convicts or the law enforcers?

Documentary : Korean documentary films were originally made under Japanese control, and with pointed imperialistic aims in mind. Most of these films were made between 1938 and 1945, but their history is older than that. Then with liberation and the separation of the two Koreas, new situations called for new methods. In the North, documentaries became a means of teaching Communist techniques. The Soviet model was used there at first. In the South, documentaries have been more influenced by free market mechanisms. During the Korean War, U.S. film-makers influenced South Korean film-makers for the first time at close range. After the war, both North and South Korean film-makers took practical, indigenous roads to new art as well.

Hyondaeguk : This word derives from drama circles, and it means, roughly translated, 'the modern stage'. In terms of Korean films, it describes very generally those films that express their emotions and ideas through modern characters and scenes.

Literary Sources : Korean films have been directly influenced on many occasions by Korean novels, folktales, dramas, and even by songs, paintings and poems. The most important instance has been in the 'original' and remade versions of 'Ch'unhyang chon'. That folktale is perhaps Korea's favourite story. (As with all the major distinctions made in this section, there is some overlap between categories, but that only means that Korean films are as complex in most respects as American, European, or Japanese films.)

Melodrama : Korean films have often been called too melodramatic. That may be the case with some films; but it is also true that the melodramatic form *per se* is a thing of beauty when expressed right in Korea. Again, the story of 'Ch'unhyang chon' is melodramatic, but it also is lyrically poetic and central to the Korean way of life.

Saguk : This word also derives from drama circles, and it means, roughly translated, 'the historical stage'. With regard to Korean films, it refers in some cases to those films created from historical sources. The Japanese occupation (as in the film made from a novel by the same name, 'T'aebaek sanmaek', translated as 'The Taebaek Mountain Range') or the Korean War come into play here; but more likely *saguk* are those films created from royal or more distant-in-time historical sources. These fall into four categories: court drama, melodrama (again, an overlap), action drama, and historical biography.

Film Studies : The specialty is growing in Korea and elsewhere.

Researchers, critics and historians of Korean films have developed decent specialties for themselves not only in the two Koreas, but in other East Asian countries, the United States, the United Kingdom, and the Commonwealth nations, for example. Schools like the University of Southern California's film department and the Institute of Contemporary Arts in London, which recently sponsored a Korean film festival (whose catalogue title was *Seoul Stirring : 5 Korean Directors*) are leading in this area, while film courses are being added in Korean universities, especially since the late 1980s. In conjunction with new studies of Korean art forms in those schools and in more private instructional areas, Korean

film-makers should learn more about what it takes to make good films as time passes.

Film festivals at which Korean films have been featured have included the 'Cinema and Society' series of the American Museum of Natural History, held from 11-14 January 1990. In that series, two films from each of four countries (Hong Kong, Vietnam, India and South Korea) were shown. The films from South Korea focused on the issue of sexism in Korean society. They were : 'The Tale of Ch'unhyang' ('Ch'unhyang chŏn', 1978), and 'Come, Come to a Higher Place' (Aje, Aje Para Aje' 1988)

Libraries and Archives : A selective endeavour, and yet essential.

The largest, single, independent collection of motion pictures in the two Koreas belongs to Kim Jong-Il, the president of North Korea. He is reputed to own more than 20 000 feature films in his library. Among his favourites are the American-made 'Friday the 13th' series, and 'Godzilla', a North Korean remake of the classic American film. Apparently, President Kim loves Hollywood pictures, especially violent ones. He also has a great fondness for North Korean documentaries. Large South Korean collections are owned by leading film producers and the Korean Motion Picture Promotion Corporation. With the growing interest among all types of people in both Koreas relative to film, it is essential that film libraries in those countries be continually expanded, albeit judiciously.

The Television Age : new challenges from other media, and the future.

Like radio and television, film has become an important element of the mass media in Korea. However, before television, film was becoming as influential as radio had been early on there. More recently, television has made vast inroads into film's potential audiences. Today, North Koreans either watch government-controlled programming on the occasional very expensive television set or venture out to see movies in government-controlled distribution centres.

For their part, South Koreans more often stay at home to watch their favourite commercial-network-produced comedies and melodramas than to view similar ones at theatres. Theatre buildings - like the Seoul Cinema Studio Complex (for film and drama) - are themselves useful to both Koreas, but they are not the be-all and end-all of cultural existence.

What does the future hold for film in the two Koreas? It is anyone's guess whether Korean film-making will bring the two Koreas closer together. But most likely it can be said that the two Koreas will find common ground in film at least as quickly as they will in the political arena - if not sooner.

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Financial Institutions

Introduction

The Korean financial system has evolved rapidly since the Korean War (1950-53), in the process, becoming diverse and complex. At its apex stands the central bank, the Bank of Korea, but the real power is held by the Minister of Finance and through him, the government.

The core of the financial system consists of the five old-line commercial banks. They have the power to open branches nationwide. Four of them predate Korea's liberation from Japanese rule in 1945. In the last decade, they have been joined by two joint-venture and three new purely Korean commercial banks. In addition, the Korea Exchange Bank, which formerly specialized in international financial transactions, has become a nationwide commercial bank. All have been given the same powers as the old-line commercial banks.

Other less important deposit-money banks include the 67 branches of foreign banks and ten provincial commercial banks, whose branching is currently limited to adjacent provinces.

Finally, among the deposit-money banks are the following several specialized institutions.

The second level of the system includes development banks, investment companies, savings institutions, and insurance companies. Table 1 shows the relative importance of each major category of institution as measured by its assets and by how rapidly they have grown between 1975 and 1990.

Table 1 Consolidated Assets of the Korean Financial System by Type of Financial Institution

	1975 %	1990 %	Annual Growth %
PRIMARY SYSTEM			
Bank of Korea	23	11	22
Commercial Banks	38	34	27
Specialized Banks	20	12	24
Total Primary	81	57	25
SECONDARY SYSTEM			
Development Banks	10	11	29
Investment Companies	4	15	39
Savings Institutions	4	7	34
Insurance Companies	2	9	41
Total Secondary	20	42	35

At a third level is the informal curb market in which savings are consolidated and re-lent on short maturities, with little or no security, usually at very high rates. High rates and high risk have gone together and while the government has tried to restrict the curb market, it has in fact flourished, particularly at those times when government regulation of the formal banking sector left desperate borrowers with no place else to go. There is little hard information on this sector, but one estimate was that it amounted at a minimum to more than \$2 billion in 1990. This is equivalent to about one per cent of deposit money bank assets, so that it is no longer a significant source of funds in the economy as a whole, if it ever was.

In the past, some large firms took out low-rate policy loans and re-lent the funds in the curb market, thus defeating the purpose of government attempts to direct the flow of capital. Officialdom seems to have turned a blind eye to this practice when an important company was having financial difficulties in order to avoid seeing it go under. Of course, since little is known about the curb market as a whole, the importance of policy funds re-lent in it is even more difficult to determine.

The curb market was diminished by government efforts in the early 1970s during a financial crisis to regularize its loans and bring them within the formal sector where they are subject to government regulation. Several of the non-deposit banking institutions were created at that time to pay somewhat higher deposit rates in order to make the curb market less attractive. The curb market has come under increasing pressure in recent years during which time the government-imposed interest rate structure has been kept very high. The planned move to deregulation of all rates by 1997 will likely see the demise of the curb market.

Evaluation

The Korean banking system has been the subject of much criticism and is currently in the middle of a major reform. It has been described as repressed because of government intervention in what elsewhere would be considered private sector decisions, made in the context of market forces. In the past, many Koreans also considered it to be corrupt in the sense that they believed government allocated credit to businesses that made substantial political contributions. The new Kim Young-sam administration has implemented the real-name law (it has been on the books since 1981 but never enforced), which requires holders of financial assets to record their holdings in their actual names, in order to end one form of corruption in the system. It has also required politicians and civil servants to declare their assets.

Criticism begins with the absence of independence at the central bank. Although the governor is appointed to a four-year term, he really serves at the pleasure of the President : as recently as 1992, a particularly independent governor was forced to resign less than two years into his term because he wanted to maintain tight monetary policy. Moreover, the Monetary Board, which is charged with making monetary policy, is appointed by the President or by his ministers and is chaired by the Minister of Finance. The Finance Minister can override Board decisions, initially by insisting that they be reconsidered and then if they are still rejected, referring the final decision to Korea's president.

The banking system has been the main instrument for financing Korea's investment and growth. It both consolidates savings and, following government guidance, directs them toward designated activities. Both the savings rate and the investment rate have been highly conducive to rapid growth. In addition, government choices of priorities for investment have been generally sound, so that the return on investment has been high.

However, several consequences of government intervention have been adverse. One has

been the weakness of the five core commercial banks. The government used them to direct credit to its priority industries. Some of these industries (for example, shipping, ship-building, and overseas construction) were initially successful, but ultimately experienced financial difficulty. By 1989, despite attempts to improve their position, these banks found 13 per cent of their loan portfolios to be non-performing (see Table 2) and 16.5 per cent to be troubled. Rather than write off the losses, the government chose to subsidize the losing banks and to continue to control their managements.

Table 2 Credit Soundness of the Big Five Old-Line Nationwide Commercial Banks (at the end of 1989, in 100 million won, %)

Also contributing to the financial weakness of the banks has been government ceilings on interest rates. The banks' margins between lending and deposit rates have usually been adequate but at times were squeezed as the government attempted to keep lending rates low in the face of rising market pressures on deposit rates.

Even so, a 1993 World Bank study of the Korean financial market concluded that the repression of interest rates placed them only moderately below free market rates and that they were kept positive in real terms in most years. It gave the performance of the financial system high marks.

A second consequence of government intervention is the failure of the core banks to develop the capacity to determine the creditworthiness of borrowers independently. Instead, bankers simply checked on whether the central bank and the Ministry of Finance would approve rediscounting a loan to a particular borrower. Although the government sold off its controlling holdings of bank stock and gave up its formal power to name bank officers, it continues to nominate senior bank managers who are consistently elected by the stock holders. If these banks are ever to have an independent capacity to judge credit risk, they will have to be turned loose from the remaining elements of government control.

A third consequence is that the banks cannot be thought of separate from the government's industrial policy. They are the instrument by which it is carried out. Freeing the banks from government intervention means finding other instruments to implement industrial policy or giving up having an industrial policy altogether. The new presidency of Kim Young-sam declared it would cease making industrial policy, but pressure to raise the growth rate may induce it to abandon its vow. In any case, the financial system remains mired in rolling over past policy loans, making it difficult for the government to eliminate its direct controls. It recently announced its intention to reduce directed credit and phase out policy loans made through the commercial banks by transferring them to the specialized banks or the government budget. However, it is not clear how rapidly this will happen.

The government's industrial policy selected the winning industries, and companies willing to embrace the government selections were the ones that got capital and grew. (It also required the banks to direct a certain amount of their new lending to small and mid-sized business.) The government's influence on business decisions was amplified by requiring government approval to enter certain activities and to obtain foreign exchange, foreign capital, foreign technology, and approvals to import. Korea might still identify its best idea of the likely industrial winners but not use finance or other controls to promote its choices. Such an 'indicative industrial policy' may yet evolve and would avoid weakening the banking system.

A fourth consequence of government intervention has been the emergence of the large company groups that dominate Korean business. Because so much of their financing came and still comes from the banks rather than from the sale of equity or debt to the public, founding families have been able to maintain a high degree control. This is widely considered to be responsible for inequities in income distribution, although comparative

measures show that Korea's income distribution is among the best in developing countries.

A fifth consequence has been the development of a widespread belief that the government and business are in a corrupt embrace in which the government approves loans to those who will make campaign contributions and pay bribes. Paradoxically, the enforcement of the real-name law and the compulsory revelation of officials' assets seem to confirm this belief even as these two measures make it more difficult for such practices to continue.

A sixth result of financial repression has been difficulty in controlling the money supply at times when inflation began to accelerate. Prices have risen fairly fast in Korea over the years (about 8 per cent) which seems not to have damaged growth. However, at times, they have risen far faster and monetary policy failed to achieve its targets because it could not restrict bank lending for policy loans.

A seventh and last consequence has been that companies with no access to policy credits were often short of capital and generally had to resort to the curb market for funds. They paid higher rates and were often unable to get as much credit as they wanted or for as long as they wanted. This is widely considered to have been particularly damaging to the economy in the 1970s when such labour-intensive industries as textiles had to find capital outside the banking system. Nevertheless, the World Bank considers that Korea has been remarkably successful at allocating credit to highly productive activities and that its industrial policy has not altered the composition of industrial output from what would be expected without industrial policy measures.

In recent years, foreign-invested firms seem to have been the most adversely affected under this regime to allocate credit as they were reluctant (or in some cases, not allowed because of the government's tight monetary policy) to bring in additional funds from abroad or to resort to the curb market. Some foreign companies have reportedly disinvested because of their difficulty in raising sufficient loan funds at attractive rates, when all available bank funds had been allocated to priority activities. Limits on foreign-invested firms access to credit has become a trade issue with such governments as the United States, which is pressing the Korean government to liberalize its financial system. The government has announced several liberalization plans, the latest of which is to run to 1997, the end of Kim Young Sam term as president. It calls for the substantial deregulation of foreign exchange and capital flows. One measure, effective 1 January 1994, allows foreign firms to borrow abroad an amount up to half their capital investment in Korea.

In some measure, liberalization of capital flows into and out of Korea is inevitable. As other capital markets around the world have removed controls, it has become easier to move funds in defiance of Korean government regulations. That this has happened is attested to by the rise in the errors and omissions entry in the balance of payments.

For many years, the stock market played a relatively small role in Korea's economic development. In recent years, however, it has been encouraged to grow and equity now constitutes about a third of companies' capital. The stock market will undoubtedly be a more important source of finance in the future.

The market rose slowly for many years and then took off between 1986 and 1989 when company earnings grew very rapidly. Between 1989 and mid-1990, however, the market fluctuated but was generally flat. The government has wanted to see it appreciate, and particularly to raise price/earnings ratios, in order to make raising equity funds more attractive to companies. As a result, it has limited the number of new issues that it has approved. Despite the limit on the issuance of new shares, however, company earnings have not grown as fast as in the past, so that price/earnings ratios have remained restrained. After 1989, the government also pushed the banks into lending large amounts to securities firms to buy stock and thus boost the market. It failed to do so but left the banks holding

additional non-performing loans.

Foreign investment coming in response to the greater opening of the market at the beginning of 1992 resulted in a marked rise in the Seoul Exchange index, but this was also attributed to a more positive assessment of the profitability of Korean companies as well as less attractive returns in other nations' markets. Net foreign investment in the Seoul market totalled \$1.25 billion in 1992 and \$6.41 billion in 1993. The two-year total is the equivalent of about 7 per cent of the values of stock transactions in 1992.

The 'repressed' character of Korea's financial system which kept returns to savers below market clearing rates has led many to channel their savings into activities which were disapproved by the government, including speculation in real estate and other assets. The system allowed this through the ability of investor-speculators to own property under false names. Since 1982, the government has made these false names illegal, but only taxed them in such a way that they remained attractive. In August 1993, however, the newly-elected president, Kim Young-sam, gave owners of such assets a few months to declare their holdings in their real names or be prosecuted. Some expected this to create turmoil in financial markets and produce capital flight, but these fears seem to have proved wrong. The only reported effect has been a shortage of money in the curb market.

Banking Institutions

Commercial Banks

The core nationwide commercial banks are:

Bank of Seoul
Chohung Bank
Commercial Bank of Korea
Hanil Bank
Korea First Bank

The two foreign-invested nationwide commercial banks are the

Koram Bank
Shinhan Bank

Recent additions to the nation-wide category are :

Korea Exchange Bank
Dongham Bank
Donghwa Bank
Daedong Bank

The provincial commercial banks were originally established to provide banking services in each province. From the beginning they were privately owned and escaped most government interference. They were allowed to open as many branches as they wished in their home province and one in Seoul. Since 1990, they have been permitted to expand to adjacent provinces. They remain, however, relatively less important outside their home provinces.

Table 3 shows the relative importance of loans by each type of Korean deposit-money bank.

Table 3 Loans by Type of Deposit Money Bank (end of 1990)

% of Total

Nationwide Banks	47
Provincial Banks	10
Foreign Banks	7
Commercial Banks Total	64
Specialized Banks	
Total	36

Specialized Banks

The specialized banks were set up to provide lending services to low income clients, mostly for specific groups as indicated by their names. They also provide deposit and general banking services. They include:

The Korea Housing Bank
 The National Agricultural Cooperative Federation
 The National Federation of Fisheries Cooperatives
 The National Livestock Cooperatives Federation

In addition, the Industrial Bank of Korea is designed to help small and mid-sized business and The Citizens National Bank, households and small business.

The Bank of Korea

Korea's central bank has the powers one would expect, including currency issue, bank supervision, rediscounting, open market operations, and reserve requirements. In addition, it still sets some lending and all deposit rates. It also runs the foreign exchange system, including holding Korea's foreign exchange reserves.

Non-banking Financial Institutions

Development Institutions

Their names indicate the type of activity they carry on. They include:

The Korea Development Bank
 The Export-Import Bank of Korea
 The Korea Long Term Credit Bank

Savings Institutions

Savings institutions address the needs of small savers and include:

Trust business now carried out by most banks
 Mutual savings and finance companies
 Credit unions and their close relatives, mutual credit facilities, and
 New Community Finance Associations (part of the New Community or Saemaul Movement)
 The Postal Savings System

Investment Companies

These include:

Investment and Finance Companies which were originally set up to draw funds from the curb market. They deal in commercial paper, underwrite and sell securities, and act as brokers.

Merchant Banks which were set up mainly to attract foreign capital but also sell debentures in Korea, all six of which are currently joint ventures with foreign financial institutions.

Insurance Companies

Insurance companies must issue either life or casualty/property insurance. Their rates are set by the Minister of Finance, but such regulation is now scheduled to be phased out by 1998. In the past, most were owned by the large company groups (*chaebol*) which were able to use their large policy reserves to invest in other group companies. The government has attempted to eliminate this practice in recent years, but the restriction can be circumvented if two groups privately agree to lend to each other.

Property and casualty reinsurance is entirely handled by a government established company, the Korean Reinsurance Company. Supervision and 'guidance' is the responsibility of the government established Insurance Supervisory Board. The post office also writes life insurance.

Foreign insurance companies were kept out of Korea until the mid-80s, when unfair trade practice complaints from American companies led to a few being approved. They have had considerable difficulty competing in Korea and one has withdrawn from the market.

The National Investment Fund

The National Investment Fund was started to mobilize investment funds for the heavy and chemical industry program of the government. It gets funds from required deposits by the banks and insurance companies and by public entities as well as the government itself. The fund is administered by the Bank of Korea and makes loans through the regular banking institutions. It has decreased in size in recent years, as the government has tried to extricate itself from making policy loans.

Securites market

The Seoul Stock Exchange has operated since 1956. It started small but has grown to be of increasing importance. To get listed and sell shares on the exchange, companies have to meet requirements as to years since incorporation, amount of paid-in capital, number of issued shares, and proportion of issued shares on public offer. In addition, a company's shares are initially listed in a second tier category and can advance to the first tier if a higher per cent of total shares is publicly held, dividends have been paid in two of the last three years, and the firm has been listed for 6 months. There is also an over-the-counter market where the requirements are still less stringent.

Foreign participation in the market was prohibited for many years, but has been gradually expanded since 1984. Initially, foreign mutual funds were allowed access to the market in a fixed amount. Subsequently, a few Korean companies were allowed to sell convertible bonds or bonds with warrants, and this became a second avenue for foreigners to invest in the Seoul market. In 1992, foreigners were allowed to trade directly in the market if the foreign held proportion of a particular company was kept below 10 per cent.

The issued value of Korean stocks had reached 23 trillion won in June of 1990.

The Money Market

This market has grown rapidly in recent years and trades in :

- Call money
- Commercial paper
- Repurchase agreements

Negotiable certificates of deposit
 Short-term government bonds
 Monetary stabilization bonds
 Trade bills

Flow of Funds in the Financial Market

Financial surpluses and deficits by sectors - individuals, the government, financial institutions, and the foreign sector - indicate who is financing whom. Individuals are increasingly important as a source of savings, followed by government and financial institutions. The business sector has run net deficits as one would expect in a rapidly growing economy. The foreign sector has been a supplier of savings except from 1986-89.

Data on individuals' holding of financial assets shows that money has declined and constitutes less than 3 per cent of the total in the period 1985-89. Time and savings deposits have grown to become their most important holding, at 36 per cent, followed only by insurance and trusts at 26 per cent. Stocks have declined relatively to 13 per cent, and bonds to 3 per cent, while beneficiary certificates have grown to 12 per cent. Other assets have declined to 7 per cent.

Table 4 Business Sector Sources of Funds

	1970-1974	1985-1989
Banks	38	25
Non-Banks	15	19
Government		
loans	4	insignificant
Stock	20	30
Bonds	2	16
Commercial		
Paper	1	8
Foreign		
Borrowing	20	2

Data on the business sector's fund raising shows that financial institutions have declined in importance over the years, reaching 44 per cent in the 1958- 89 period. Stock has grown to 30 30 per cent, bonds to 16 per cent, and commercial paper to 8 per cent, while foreign borrowing has declined to 2 per cent.

J T Bennett

FM Broadcasting

[Broadcasting companies]

Folklore (see under each heading)

Customs and traditions

Folk crafts (see **Art**)

Folk performing arts (see **Music; Literature**)

Folk religion (see **Indigenous religions**)

Folk songs (see **Music; Literature**)

Folk tales (see **Proverbs; Literature**)

Lunar New Year

P'algwanhoe

Yöndŭnghoe

Food and eating

Eating Customs

The Korean meal, laid out on a table or tray, has been influenced by the strong Confucian tradition that has pervaded all of Korean society. During the Chosŏn Period the layout of the food was normalised according to the following characteristics:

There was to be a mixture of different tastes, so salty would be off-set by bland, hot off-set by cold and different colours laid out to enhance the aesthetic appeal. The more dishes the more diverse the colours, tastes and flavours available.

The basic meal offered cereals, uncooked fresh vegetables, cooked vegetables, fermented side dishes including *kimch'i*, a pickle made of a radish, cabbage, garlic, shallot, ginger, etc., and meat or fish. The table setting usually contained a rice bowl, soup bowl, *kimch'i* bowl, bowl for stew and small bowls for side dishes. A spoon and chop sticks complemented the setting. In summer, ceramic or porcelain bowls would be used but during the winter months brass tableware was preferred. People had their own individual rice and soup bowls and utensils.

The layout of the table was also standardised. On the table, immediately in front of the person, the rice would be placed slightly to the left side with the soup to the right. Utensils were usually placed to the right of the soup bowl. Forming a second row across the table were side dishes in small bowls set in the middle and dishes of dried food or other fermented foods set on the outside of these. In a third row across the back of the table would be stews or steamed dishes and *kimch'i* placed in the centre. For a larger table or setting more side dishes would be included.

Staple Food and Side Dishes

The staple foods of Korea are rice, barley and millet cooked without any flavouring or seasoning but sometimes with beans added. These staples provide the main source of calories in the normal diet and rice in particular, because of the balance of starch and thiamine, is regarded as central to any meal.

Basic side dishes include soups, stews and *kimch'i*. Also provided are a selection of fresh uncooked vegetables, green vegetables, salads, grilled meat or fish, fermented dishes, dried fish, dried vegetables, raw fish, raw meat and varieties of pancakes. The basic principle of the side dish is to supplement salt, vitamins, minerals and proteins that may be lacking.

Seasoning and Cooking

Soy sauce is still the main seasoning agent used in Korean cooking. Before mass manufacture, soy beans were boiled, removed from the pot and kneaded into small bricks then left to ferment before being dried in the sun. This dried bean malt was called *meju*. The sauce was then made by mixing one part bean malt with two parts water and approximately half a part salt in large earthenware pots with lids on. After fifty to sixty days the liquid was boiled, cooled and left in the pot. Another important seasoning agent was bean paste. There were various types of bean pastes, but most were manufactured from soy beans.

History

Early States

Incipient farming methods (dibbling and planting) and cattle breeding led to agricultural cultivation becoming the main food source as the inhabitants of the Korean peninsula formed communities and then tribal leagues. These communities benefited initially from

the bronze ware culture imported from Manchuria and later from the iron age culture imported from Han China. In this evolution, the cereals grains produced were ground in earthenware bowls and then cooked in urns (*shiru*) over hut

fires. It is presumed that meat and shellfish were added to the simmering cereals and archaeological excavations have revealed that food was also steamed in urns. Meat and shellfish were also dried and pickled - a type of broiled meat (*maekchŏk*) became very well known throughout the peninsula.

The Iron Age culture provided the advantages of more durable iron vessels for cooking but earthenware pots were still used for preserving foods. Spoons were the common eating utensil used.

The development of agriculture saw the emergence of beverages, with millet and rice used to produce a wine (*t'akju*). The present-day soy sauces and bean curd had their origins in beans produced and processed in the Puyŏ region from this time.

The Three Kingdoms

Koguryŏ

More efficient methods of rice and millet cultivation became possible at this time due to new implements forged of iron. It was during this era that pork became a food used in ritual ceremonies.

Paekche

Flood control methods were put in place along the rivers, with irrigation systems for crops and cattle used as beasts of burden for land cultivation, point-out a notable development in agricultural production.

Shilla

Barley cultivation was the main crop for this area of the peninsula.

After the transition to the Greater Shilla, central granaries were established by the government to store crops - such was the quality and quantity of production. Cereals had by now become the staple food source. From the sixth century, pots with lids were being used and these transformed cooking practices. Simpler ways of cooking were developed and it is from this time that the Korean tradition of morning and evening cooking took hold. The tradition of rice as the staple dish with side dishes for variety has been handed down through the ages to form the basis of the Korean meal.

Other basic foods developed during this period were dried and pickled meats and shellfish used as side dishes, soy sauces, alcoholic beverages and rice cakes.

Koryŏ

Throughout the Koryŏ period agricultural development was strongly encouraged by the royal court. In addition, the rise of Buddhism saw a marked decrease in the consumption of meat which lasted to the end of the period, when a combination of the demise of Buddhist influence and an in-bound migration from Manchuria led to a resurgence in meat consumption. As a direct result of the decrease in meat consumption many new vegetable dishes

were developed - including the forerunner of the present-day favourite, *kimch'i*.

A new development during this time was the use of milk. Milk was processed and used by the aristocracy for medicinal purposes. Another drink enjoyed by the aristocracy was tea and it was at this time that the rituals for the tea ceremony were established. Alcoholic beverages made from rice and other plants and flowers were refined and supplemented with liquor (*soju*) imported from China.

Foreign foods

During the Koryŏ period there was an increase in trade with Sung dynasty China, Japan and other foreign countries. This facilitated the development of drinking establishments and inns providing a variety of different foods, including imported dishes, and accommodation for the foreign traders. An example of the imported dishes is the *sanghwa* , which was made from flour, mixed with alcohol then left to ferment. A bun or dumpling- sized piece of the mixture was then moulded, stuffed with a vegetable mix, steamed and served.

Banquets

The nobility were able to enjoy such favours. The participants would be seated around large tables with each guest receiving a separate small table loaded with individual servings. This was in contrast to the common meal where people sat around a table with dishes laid out for all to access, much like they are today.

Ritual Food

Although meat consumption declined during Koryŏ, following the custom of the earlier period, foods selected for sacrificial offerings were beef, pork and mutton, vegetables and fruits.

Chosŏn

The Chosŏn era was a time of scientific developments and the time when Confucianism emerged to supplant Buddhism as the dominant force within the kingdom. Texts concerning agri-culture and agricultural production were published and disseminated. Supplies for medicines were developed following publication of *Tongŭi pogam* (Exemplar of Korean Medicine) and *Hyangyak chipsŏngpang* (Compendium on Indigenous Medicine) and the previously used chinaware was replaced by Koryŏ celadon. Brass tableware was cast and its usage was common throughout the region.

A great variety of fruits, cereals, oils and spices became available during this period; consequently there were changes in the main dishes - in addition to soups, stews (*tchigae*) and casseroles (*chŏngol*) became common. Different types of fritters, pancakes and other foods were fried in wide pans and the boiling of food became much more widespread also. By the end of the Chosŏn period many specialised skills had emerged, along with recipes for special or ceremonial dishes, medicinal additives, gruels and beverages.

Some of the ceremonial foods that existed were white rice cakes, sticky millet with red beans, coloured rice cakes (*songp'yŏn*), seaweed soup containing meat and various vegetable dishes. These were all prepared for the one-hundred-day birthday celebration, weddings and sixtieth birthday banquets.

Sacrificial or ritual foods were usually laid out with the red foods to one side of the table and white foods to the other. The table would include various fruits (except peaches) vegetables, dried meat, fish (but not carp and scaleless fish), shellfish, pickled fish, rice, soup (meat or meat and vegetable), dumplings, noodles, pork, beef, mutton, chicken, rice cakes and various pancakes. All these would be prepared, set out and then, after the

ceremony, consumed.

Modern Period

Korean society was in transition from an agricultural to an industrial base and this change was reflected in the change in dietary habits. The daily staple diet was still rice supplemented with meat, fish, vegetables and fruit. However, the development of the processed foods industry provided ready access to foods such as pickles and sauces that had previously been laboriously produced at home. More of the population had access to a wider variety of these foods, a greater variety of condiments appeared, as did recipes for western dishes. The country's electricity grid brought power for cooking and the use of electrically-operated appliances in the home made food preparation a lot less burdensome than in the past.

Chinese Influence

The importation of beans from Manchuria led to the development of a 'bean culture' (*k'ong munwha*), which was the origin of many Korean dishes such as bean curd, bean paste, soy and other sauces. Also from Manchuria, with a migration into the Korean peninsula at the end of the Koryŏ period, came many new recipes for meat dishes - this also coincided with the demise of the Buddhist influence. Tea was first cultivated in 828 during the Shilla period and tea drinking became popular during Korŏ when tea and the tea ceremony were imported and adapted from China. The distilled liquor *soju* was introduced from Yüan dynasty China. In mid-Chosŏn pumpkin and sweet potatoes were introduced from China. Initially, these vegetables were cultivated to supplement dietary intake in times of famine.

Japanese Influence

The chilli pepper was introduced to the Korean peninsula from Japan and was widely cultivated and used from the reign of the Chosŏn ruler Prince Kwanghae (r. 1608-23). The condiment brought about a tremendous change in the cuisine of the time and within one hundred years of its introduction it had been universally adapted to develop the chilli paste which became so integral to Korean cooking. Sweet potatoes were also introduced from Japan, being mainly cultivated as a supplementary food source in the years when harvests were lean.

Preservation

In the Early States period some meat and fish products were dried naturally while others were pickled in brine solutions. Later during the Three Kingdoms period ice was utilised to help in the preservation of food. During Chosŏn vegetables and fruits were preserved both by drying and by burying them in the ground. Chestnuts were placed in dry sand inside pots, covered with bamboo leaves and sealed with clay. Fish products were steamed, frozen or soaked in salty water and dried. It was during Chosŏn that the pickling of foods became popular, the techniques for fermenting foods became specialised and information concerning the most appropriate place to store *kimch'i*, in order to maintain the correct temperature and acquire optimum flavour, was spread around the kingdom.

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Tr. Y H Cosgrove

Foreign Trade

Overview

Korea ran current account deficits for many years. (See Chart 1) From the end of the Korean War in 1953 until the mid-1970s when American aid ended, most of the deficits were financed by concessional aid - primarily from the US but also from the World Bank and the Asian Development Bank. As American aid declined, Korea sought additional foreign financing from the private sector. Initially, this took the form of syndicated bank loans, but more recently, Korean companies and financial institutions have been able to sell bond issues, some convertible and some with warrants to purchase stock.

Insert Chart 1 Current Account Balance (\$ Billions) ????

Insert Chart 1 Export Growth (%)

By the mid-80s, Korea had become the fourth largest debtor among the developing countries. This created problems for Korea's economic policy makers on two occasions. During the oil shocks of 1973 and 1979, Korea tried to maintain investment levels and borrowed heavily abroad; on both occasions, foreign banks became nervous enough about Korea's ability to service its debt that they informally put a stop to additional lending. The government had then to cut back on its ambitious investment plans.

The Korean government guaranteed the foreign borrowings of its banks or companies, either directly or implicitly through its support of the banking system. Thus, it was able to obtain foreign credits at only a small margin above the best rates available to the most creditworthy international borrowers.

Korea crossed a divide in 1986 when for the first time it ran a current account surplus (it had run a one-time insignificant one in 1977). The change occurred in part because of the maturing of the Korean economy but also because of three fortuitous circumstances - low interest rates, a rise in the yen which made its exports to the US much more competitive, and low oil prices. Korea continued to run current account surpluses until 1990 when rising labour costs had made it less competitive and when it was going through a major restructuring of its manufacturing sector to higher technology products. Korea's current account had swung from a surplus of \$14 billion in 1988 to a deficit of almost \$9 billion by 1991. However, the deficit was eliminated by 1993.

Korea's economic growth has always been constrained by the speed with which its exports grew. Its imports have been limited by its exports, after taking account of the availability of foreign financing for modest deficits. To see the connection, it must be remembered that Korea produced value-added to imports which were then re-exported. Thus, export growth first allowed employment to grow until full employment was achieved and then produced rising wages in manufacturing, which competition for labour then conveyed to the rest of the economy. The speed at which this process progressed was determined by the rise in demand for Korean exports around the world, most importantly, by the level of economic activity in the US, Korea's long-time largest market.

While most of Korea's foreign earnings have come from the export of goods, service exports were significant in the 1970s when the first oil shock led to high prices and a construction boom in the middle east. That boom evaporated after a few years but Korea has remained a significant competitor in overseas construction, both among the oil-rich and more recently in southeast Asia.

For the balance of the services accounts, Korea is a net exporter of shipping services, which are now its largest earner in services. It is in deficit on other transportation services.

Travel has been heavily in deficit in recent years. It went into net deficit when the Korean government began to allow its citizens unrestricted foreign travel; previously, business travel alone was allowed and family members were not permitted to accompany the business person. Investment income has long also been in deficit, reflecting Korea's heavy overseas borrowing (See Table 4).

Balance of Payments

Table 1 shows Korea's capital account from 1992. Both its long-term borrowing (maturing in more than 3 years) and its short-term borrowing have grown in most years. Part of this went to increase its foreign exchange reserves, and the balance has been used to finance its net import of goods and services.

Table 1 Korea's Capital Account Balance of Payments, 1992 (\$ millions)

Long-term capital balance	7 233
Short-term capital balance	1 110
Errors and omissions	1 084
Foreign exchange assets	4 898

Such deficits are logical in a country with a very high rate of return on invested capital-foreigners find investing attractive and Korea finds that it can grow even faster than would have been possible from its own high rate of domestic saving.

The exception was the period, 1986-89, when its current account surplus allowed it to pay off many of its long-term loans and reduce its net foreign debt (debt less foreign exchange assets) almost to zero. Since 1989, of course, its gross and net debt have increased moderately.

Exports by Commodity Group

Table 2 shows exports by major commodity group. Over the years, virtually all of Korean exports have become manufactured goods.

Table 2 Exports by Commodity Group, 1992 (\$ mill., %)

	\$mill.	%
Food & live animals	2 118	3
Beverages & tobacco	77	0
Crude materials, inedible, except fuels	1 073	1
Mineral fuels, lubricants, & related materials	1 742	2
Animal & vegetable oils, fats, waxes	6	0
Chemicals and related products not elsewhere specified	4 445	6
Manufactured goods specified by material	18 491	25
Machinery & transport equipment	32 547	42
Miscell.manufactures	15 883	21
Other	238	0
<u>Total</u>	<u>76 631</u>	<u>100</u>

The largest category is machinery and transport equipment, followed by manufactures classified by material and miscellaneous manufactures. The three categories accounted for 87 per cent of total exports in 1992.

Table 3 Imports by Commodity Group, 1992 (\$ millions, %)

	\$ mill.	%
Food & live animals	4097	5
Beverages & tobacco	243	0
Crude materials, inedible, except fuels	8315	10

Mineral fuels, lubricants, & related materials	14636	18
Animal & vegetable oils, fats & waxes	269	0
Chemicals & related products not elsewhere specified	7667	9
Manufactured goods specified by material	11898	15
Machinery & transport equipment	28966	35
Miscellaneous manufactures	5227	6
Other	<u>456</u>	<u>1</u>
Total	81775	100

A major element in Korea's development strategy has been to substitute heavy industry and chemical products for its light manufactures, because greater value was added and higher wages could be paid. The percentage of light industrial products (principally textiles, clothing, and footwear) fell to 40 per cent of total exports in 1993.

The distinction between light and heavy industrial products is slightly misleading - electronics and electrical equipment are included.

Table 4 Invisible Trade Balance, Current Account, Balance of Payments, 1992
(\$ millions)

Shipping	1 763
Other transportation	(2 788)
Travel	(523)
Investment income	(1 143)
Other	<u>78</u>
Total	(2 613)

Foreign exchange control

Foreign exchange controls remain pervasive in a formal sense, although in practice they are much less stringent than formerly. Thus, the import licensing system remains in existence, although licenses are automatically granted for almost all goods. Similarly, stringent controls remain on reporting exports, and foreign exchange earnings must be turned in to the Bank of Korea. The justification for continuing formal controls remains that Korea is in danger of attack from the North and that its economy is vulnerable. In addition, Korea maintains control on inward capital movements in order to prevent loss of control of Korean companies and to maintain its ability to conduct an independent monetary policy.

Controls on outward investment remain as well. Companies must seek approval to acquire property abroad, though where it has a business-related purpose, it is usually granted. At times, controls have been relaxed, and while Korea was running current account surpluses, repayment of foreign debt and foreign investment were encouraged.

While Korea was running a current account deficit and borrowing abroad, the government restricted Korean companies' investments abroad. They were allowed where they assured access to a market, for example, by getting around protectionist measures; to acquire market knowledge and technology; and to assure itself of raw materials and energy.

Following the rise of wages beginning in 1987, many of Korea's labour intensive industries became much less competitive. The government then encouraged companies to invest overseas by moving their factories and capital equipment to low-wage markets. At the end of 1992, Korean companies had actual investments abroad which cumulated \$4.4 billion. Most were in the United States, where market access and technology were key, and in Southeast Asia, where its textile and light manufactures found an abundant source of low cost, diligent labour and where its marketing skills and used machinery earned a good

return.

Foreign investment in Korea

Korea's direct foreign investment legislation has been quite liberal for many years. However, in practice, the Korean authorities have wanted direct foreign investment only when it brought foreign technology that was not otherwise available.

Officials argued that everything direct foreign investment brought could be acquired in other ways more cheaply. Marketing was available through its general trading companies, modelled on the Japanese *sogogaisha* or from contract buyers, mainly large American retailers like Sears Roebuck and K Mart. Capital could be obtained more cheaply by borrowing with government guarantees than by issuing equity to foreigners. Technology generally could be purchased at attractive prices, embodied in machines or through licenses, the terms of which the government had to approve. Korean supervisors were generally better able to manage Korean workers than foreigners.

The attitude toward foreign investment has changed in the last ten years. Much of the more sophisticated technology Korea now seeks is only available with equity investment. Marketing of higher technology goods is not done by American retailers or very well by Korean general trading companies. Profits on equity investments are only remitted when they are made, whereas service payments on loans must be made year-in and year-out. Even so, foreigners find Korea a demanding place in which to invest, partly because some of the old doubts about such investment persist.

Formally speaking, Korea has begun to change its foreign investment legislation to take some of the tax incentives away. The argument has been that foreign investors should be treated on a par with Korean investors. Nevertheless, some special advantages continue to be granted where it is necessary to attract an investor with a particularly desirable technology.

The numbers show that the more favourable policy has produced results. By the end of 1991, foreign direct investment (on an approval basis) totalled \$93 billion. Five years earlier, it had amounted to \$3.6 billion, while in 1981, it had amounted to only \$1.8 billion.

Nevertheless, direct foreign investment is overshadowed by other forms of foreign funding. At the end of 1991, Korea's total foreign debt amounted to \$39 billion. It is now seeking portfolio investment in its stock market as well; after opening its market to direct trading by foreign investors in 1992, they had invested a total of \$7.7 billion in it.

Government Policy on Foreign Trade

Since the 1960s, the Korean government has recognised the necessity of exporting, primarily because it has to import in order even to feed itself. Self-sufficiency and import substitution were never long-term alternatives.

Its pro-export policies have varied greatly over the years but must generally be considered a success. Export growth has been spectacular (see Chart 2). Early on, exports were subsidised through the exchange rate. This was later supplemented by government attempts to reduce the risk in exporting. Credit, foreign exchange, and approval to undertake new manufacturing lines were only available to companies which successfully exported. The most successful exporters were honoured in annual export day ceremonies presided over by Korea's president and the president long presided over monthly meetings with exporters and the economic ministers, at which performance was monitored and problems were addressed.

Korea has long been criticised for what appeared to be import substitution policies. This misread the facts. Korea freely imported raw materials, semi-processed goods that could not be made competitively at home, and capital goods.

Imports of finished consumption goods on the other hand, were mostly considered luxuries that Korea was not yet rich enough to afford. But most of what Korea consumed, as well as exported, had to be made from imported materials on imported machinery.

Explicit import substitution policies were implemented on a narrow range of producer goods as part of Korea's heavy and chemical industry program in the 1970s. The objective was to be less dependent on imports, particularly from Japan. But it was also made clear to Korean companies enjoying this protection that it would be for a limited time and that they were expected to become competitive abroad. Some protection of this sort, involving new products, has continued in the 1980s but has become the target of growing criticism from Korea's trading partners, backed up by threats of retaliation.

Korea began to reduce its import barriers in the late 1970s, when it looked as if its trade would achieve balance. It moved in this direction, based on the notion that it would enjoy the highest standard of living if it exported a small range of internationally competitive goods and imported the balance of its requirements. The second oil shock put its trade back into deficit, and further import liberalisation had to be deferred.

In the early 1980s, however, Korea again began to liberalise, first reducing import licensing requirements, then reducing tariffs, and finally, reducing the restrictions on foreign investment (thereby giving foreign companies the choice of manufacturing in Korea or exporting there). It also installed a system for determining the exchange rate that allowed market forces to influence it.

Nevertheless, Korea's trading partners, especially the United States, continue to criticise its trading regime and to press it to liberalise. Four areas remain of major concern, agriculture, intellectual property protection, the financial system, and direct foreign investment.

Imports by commodity group

Table 3 presents a breakdown of imports by commodity group. As one might expect with a small country specialising in manufactures, they are more diverse than its exports. The three manufactured-goods categories are the most important, but comprise 55 per cent of total imports, compared to 87 per cent of its exports. Fuels are the next most important, followed by crude materials, chemicals, miscellaneous manufactures, and food.

Joint Ventures

For many years, Korea has declined to approve wholly-owned foreign investments except when they brought technology that could be obtained in no other way. Generally, instead, foreigners were encouraged to enter joint ventures and to accept minority positions; most did so.

Joint ventures generally made good sense to the foreign investor because of the difficult Korean business climate. First, foreigners had to deal with the government, and a Korean partner who understood the culture was much more likely to succeed in getting what the company wanted from the government than a foreigner. Second, feverish competition in Korean business and the importance of personal connection made it important for foreigners to have a Korean ally.

A number of important foreign companies have pulled out of Korea after many years there. Several, such as Dow Chemical, Gulf, and Union Oil, did so because of changes in the

conditions of their industries (e.g., energy costs and control of crude oil sources). Nevertheless, had the business in Korea remained attractive, they might well have stayed.

One major factor in the loss of profitability of foreign investments has been the rapid rise in Korean wages. This has forced foreign investors to consider alternative manufacturing bases in Asia. The alternative would have been to upgrade their Korean operations, primarily through the use of new technology. Many foreign investors have been unwilling to do so, partly because of concerns about the adequacy of Korean protection of their intellectual property (i.e., patents, copyrights, and trade marks) and partly because that wasn't part of their business strategy (e.g., the more sophisticated products were already being manufactured elsewhere).

Although most companies date the rise in wages from the election campaign of 1987, when trade unions first escaped enforcement of the repressive labour laws, companies had long been moving abroad because of rising wages. As early as 1975, some of the low-end textile manufacturing had moved to cheaper labour markets, and the duty-free zones that depended on low wages for assembly work had been losing tenants since the early 1980s.

Another element in the decision to divest has been the Korean partner's desire to run the joint venture. Most large foreign firms have been unwilling to take that step, which they thought incurred greater risk.

Similarly, joint venture partners have disagreed on basic strategy and goals. For example, Korean companies are often less interested in large profits than in larger market share. Other times they are interested in reinvesting earnings, whereas the foreign partner wishes to remit its share (but is unwilling to see its equity share reduced, effectively making it impossible to expand), often for business reasons related to conditions outside of Korea.

Many foreign firms have concluded that the goals of investment in a joint venture can be obtained through long-term contractual relationships with much less risk and much greater flexibility. Many Korean firms find this arrangement more attractive as well. Thus, in the absence of the ability to upgrade its technology, the foreign firm can contract for manufacture in Korea, providing a single injection of technology and considerable management control. When manufacture there is no longer competitive, it can move on relatively easily. The Korean partner may also find that its goals and strategy make it attractive to give up its joint venture.

Protectionism

Although exceptions remain, Korea has substantially liberalised its trading regime. Licensing has been virtually eliminated as a restriction on imports, tariffs on average have been cut by more than half, and special laws which affected particular imports have been modified or eliminated.

The principal remaining areas of protection lie in agriculture, but even here Korea starting in 1995 will import some rice, phasing in tariffication of this most sensitive product (Koreans, like many other Asians, have an almost religious attachment to rice growing). It earlier agreed to allow the import of substantial amounts of beef, though this trade is not, even now, completely market determined.

Financial services remain a major source of concern to foreigners. Restrictions on entry and on the freedom to do business affect not only potential foreign investors in the financial sector, but also foreign company subsidiaries that wish to borrow. Korea has committed itself to phase out remaining financial restrictions by the end of 1998. Although it has made similar promises in the past and then put off carrying them out, this time circumstances look more favourable. In any case, foreign banks have been given more freedom to branch, to

borrow locally, and to offer a growing variety of services, bringing them closer and closer to full national treatment. The real issue remains whether Korean banks will be allowed the full freedom to do business as in other countries - a prerequisite to full freedom for foreign bank branches.

Another area of contention is the protection of patents, copyrights, and trade marks. Korea has changed its law to meet most foreign objections. However, despite improvement, enforcement continues to generate complaints. Since enforcement is a problem in many home countries, the complaints may be exaggerated.

Direct foreign investment also remains a source of foreign complaints, primarily because the taking and implementation of decisions to allow such ventures has been slow and seemingly inconsistent with stated policy.

Removing controls on the import of agricultural products has been very difficult for Korea. Agriculture still employs more than 15 per cent of the labour force and is politically potent. While the country cannot feed itself and is a major importer of food and feedstuffs, a majority of Koreans wants to protect and subsidise its farmers. Because the farm population is rapidly falling (the old are retiring and the young are migrating to the cities), the problem will disappear over the next decade or two, but in the meantime, is a very hot potato.

Other areas for foreign investment continue to face restrictions, but are less the subject of complaint.

Trading companies

In 1975, faced with weakness in its export markets, Korea followed the Japanese model and created its General Trading Companies (GTCs). Favoured with preferential loans and other measures, they were intended to become much more aggressive in overseas marketing, particularly of products from small businesses, which lacked the resources to do their own overseas selling.

Originally ten in number, the GTCs currently total eight. Seven are affiliated with the large company groups (Hyundai, Samsung, Lucky-Goldstar, Daewoo, Ssangyong, Sunkyong, and Hyosung) while one, Korea Trading, was government-initiated, with the intention of keeping the others competitive and serving small business.

Today, they account for about half of Korea's exports. Although they were used to promote purchases from the US during the 1980s, they are much less important as importers and still less so as traders between two foreign markets. In contrast, their Japanese counterparts get a substantial portion of their business from imports and trade between two foreign countries. In 1994, the GTCs have announced their intention to begin to invest overseas in production facilities, which will effectively transform their role.

The GTCs have been criticised for making small firms dependent on them and thus facilitating their take-over. It is true that the *chaebol* have acquired many such companies. However, it is not clear whether this was their original intention or the consequence of the competitive failure of the small company on which they depended.

It is also not clear whether the GTCs have played a critical role in Korean exporting. In their early days, they often 'bought' exports (paid another company to route its export through the GTC) in order to meet government requirements for retailing their GTC status and to gain other government benefits. Such practices are said to have disappeared.

More recently, the type of product has changed as heavy and chemical industry products have become a larger share of the total. These are not marketed through the same channels as consumer goods and require quite a different kind of marketing expertise.

Nevertheless, the GTCs have brought substantial benefits to Korean industry. The training and experience working in other cultures has prepared Korean companies for the time when they can no longer depend on contract manufacturing relationships with foreign retailers to meet their marketing needs. They have created a cadre of businessmen who are used to living and working abroad and to addressing the language and idiosyncrasies that distinguish one country from another. They have become a window on the rest of the world, keeping Korean companies aware of what is happening and of the competitive challenges and opportunities that changing conditions bring.

Trading partners

Korea's trading pattern has gone through substantial changes in the last 20 years. Initially heavily dependent on the American and Japanese market for its exports, it subsequently made great efforts to diversify. It found growth in the middle east in the 1970s, and in Europe and Asia in the 1980s and 1990s. Although many Koreans worry about their ability to continue to increase their exports, Asia looks to be the source of future export growth. The dynamism of its economies and the emergence of the Peoples' Republic of China along with Thailand, Indonesia, and Malaysia among the fastest growing, bodes well for future growth.

Korea's largest source of imports remains Japan (capital equipment and components for manufactures). The rest are diversified and involve principally crude oil and other raw materials.

Korea has sought to increase its imports from the United States because of the US complaints about its restrictive trade practices. It has also been concerned to try to reduce its trade surplus with the US (and has virtually eliminated it) while reducing its deficit with Japan by switching sources where this has been feasible. The rise of the yen relative to the dollar has facilitated the transfer. Even so, the US has remained relatively the same as a source of imports (23 per cent of the total in 1977 and 1992). In the same years, Japan declined as a source of imports much more sharply (from 36 per cent to 23 per cent of the total).

Finally, it has tried to find its new growth outside of the US market and has succeeded to a considerable extent. While the US declined relatively as a market (from 31 per cent of total exports in 1977 to 23 per cent in 1992), and Japan declined (from 21 to 15 per cent), non-Japan Asia has been the principal source of growth, followed by Latin America. Europe and the middle east were also down somewhat as a proportion of the total in the same period. The regional distribution of Korean trade is shown in Table 5 and 6.

Table 5 Regional Distribution of Korean Exports, 1977 & 1992 (%)

	1977	1992
Asia	30	44
Middle East	13	5
Europe	18	15
North America	34	26
Latin America	2	6
Africa	2	2
Oceania	1	2
Total	100	100

Table 6 Regional Distribution of Korean Imports, 1977 and 1992 (%)

	1977	1992
Asia	44	41
Middle East	19	11
Europe	9	15

North America	24	24
Latin America	1	3
Africa	0	1
Oceania	<u>3</u>	<u>5</u>
Total	100	100

J T Bennet

Forestry

Forestry is the management of forested land, together with associated waters and wasteland, primarily for harvesting timber but also for conservation and recreation purposes. Forestry includes not only the management of lands in rural areas, but also lands that are surrounding urban areas. The forestry in Korea combines both the management of rural and urban forests, and moreover, both public and private lands. Urban forests in Korea include many different environments such as city greenbelts, parks and mountainous areas located around the major urban centres. Rural forests are located throughout Korea and are generally in the mountainous areas.

Since the Korean peninsula stretches from the north to the south for over 1 000 kilometres, the types of trees that grow in Korea are quite diverse. In addition to great differentials in the mean temperature of the various regions, there are also variations in the amount of precipitation, differences in elevation and dissimilarity in soil composition. Therefore, it is to be expected that the diversification in flora in Korea would be greater than in a country that was relatively similar in composition regardless of size.

Angiosperms, the biological class to which most trees belong, constitute the dominant plant life of the present geologic era. They are the products of a long line of evolutionary development that has culminated in the highly specialised organ of reproduction known as the flower, in which seed development occurs within an ovary. This group includes a large variety of broad-leaved trees; most of which are deciduous but some that are evergreen. The angiosperms are further divided into monocots and dicots. Trees are represented in both groups. There are also those trees that are classified as gymnosperms, such as pine trees, and those that are monocotyledonous like bamboo.

In South Korea forests occupied 6 455 550 hectares of land, or about 65 per cent of the nation's total area at the end of 1995 and trees grow on about 97 per cent of this area. The composition of the forests in Korea can be divided into about 45 per cent coniferous trees, 26 per cent deciduous trees and 26 per cent mixed between the two. In general, coniferous species are found at higher elevations, while deciduous species are found at lower and more temperate elevations.

Species

The chief indigenous tree species in Korea are the Red Pine (*Pinus densiflora*), Korean White Pine (*Pinus koraiensis*), Black Pine (*Pinus thunbergii*), Korean Larch (*Larix gmelina*), Needle Fir (*Abies holophylla*), Hornbeam (*Carpinus laxiflora*), and several varieties of Oaks and Alders. Introduced species include the Pitch Pine (*Pinus rigida*), Jack Pine (*Pinus taeda*), Rigitaeda Pine (*Pinus rigitaeda*), Japanese Larch (*Larix leptolepis*), Japanese Cedar (*Cryptomeria japonica*), Hinoki Cypress (*Chamaecyperis obtusa*), Black Locust (*Robinia pseudoacacia*) and various Poplars. The natural forest zones of Korea include the sub-tropical forest that is predominant in the southern coastal regions and the lower elevations of Cheju Island, the southern temperate forest which encompasses most of the southern half of the Korean peninsula except for the higher elevations of the T'aebaek Mountain Range, and the northern temperate forest which consists of the higher elevations in South Korea and much of the northern part of the peninsula.

The Red Pine grows over much of South Korea but since its form is often stunted and of poor shape, it is unsuitable for many commercial applications. The Korean White Pine grows at a faster rate than the Red Pine and is a favoured tree for reafforestation due to its commercial value and the pine nuts that can be harvested from the trees after they reach maturity in their tenth year. The Black Pine is commonly found in the sandy soils of the southern coastal areas where it thrives and produces a stabilising crown cover. Various types of oak are spread throughout South Korea but usually are not suitable for commercial use. The Pitch Pine was introduced from North America in 1906 and has been widely planted in the past for fuel and erosion control. The Japanese Larch was introduced from Japan in the 1920s and has great commercial value as a tree that can be utilised for construction, pulp and shipbuilding. The Japanese Cedar and Cypress were also introduced from Japan in this same period and both are now widespread due to the value of their timber.

Forest Utilisation

Ownership of most forestland in South Korea is private, with about 96 per cent of the total forest area being owned by individuals with holdings of less than ten hectares. There are also national forests and public forests, which account for the remainder of the nation's forestland. Wood in forests has traditionally been used for fuel. The use of wood as fuel has only recently declined as other forms of heating has spread throughout the rural areas of Korea. In the past fifty years the industrial use of timber has had the greatest impact on Korean forests, with the highest demand being for sawn logs. The export of forest products in Korea reached 530 million dollars in 1995 which was an increase of 19 million dollars from 1994. The main export of the forest product industry is plywood. Other products that are exported from the forest include food items such as chestnuts, pine nuts and mushrooms. However, despite Korea's sizeable amount of exported forest products, she remains heavily dependent upon imported lumber in many areas having imported 87 per cent of her lumber needs in 1995.

Other traditional and modern day uses of the forest include as a source of compost, which is readily available for agricultural needs. However, this is declining with the widespread use of chemical fertilisers. The placement of grave sites, recreation, minor forest by-products and erosion prevention are all other uses of forestland. Most of the nation's forests are dotted with grave sites, which are located on private family lands, and is generally the sole purpose of forestland ownership for individuals. Sites were traditionally chosen for their geomantic qualities, and are noticeable by the small burial mounds in cleared spots on the slopes of mountains. Erosion control is the object of great efforts by the Korean government in many mountainous areas. Since forests are generally located on mountainous lands in Korea, they provide a favoured spot for recreation among Koreans who enjoy outdoor activities such as mountain climbing, camping and other outdoor activities in a natural setting. The increase in the amount of leisure time in Korea in recent years has seen an explosion of recreational activities in forested areas.

History of Forestry

The beginnings of forestry in Korea are found in the colonial period of the nineteenth c. During the Japanese occupation the whole of Korea was exploited for food production and the harvesting of natural resources. Timber did not escape the attention of the Japanese and was used initially to support the development of Japanese industry and then from the late 1930s forward it was used to sustain Japanese war efforts. Although the Japanese introduced many controls concerning the cutting of timber and afforestation, these guidelines were largely ignored by the Japanese themselves as their timber needs escalated in the waning days of the Second World War. Entire mountain slopes and forests were clear cut in the futile attempts by the Japanese to fuel their war efforts.

After liberation tremendous economic hardships and political turmoil beset the Korean peninsula. As a result the Korean people were forced to seek sources of fuel and building materials from the forests, and as a consequence the devastation of Korean forests continued unabated. To compound the crisis in the forests of Korea, the outbreak of the Korean War in 1950 led to wide-scale clearance of forestlands by the military in carrying out the war efforts.

There was no true forestry policy in Korea until legislation was passed in the early 1960s. At this time the government of the Republic of Korea established guidelines for the preservation, maintenance, restoration and usage of Korean forest resources. Large-scale afforestation projects were undertaken and from a beginning of 125 080 hectares reforested in 1962, government led programs saw this number soar to over 450 000 hectares reforested in 1967. Efforts by the Korean government have continued until the present time and have seen the amount of forested land stabilised with an ongoing program for the afforestation of lands used for commercial purposes. In addition, efforts are underway to preserve the so-called 'green-belts' that surround many of the major Korean cities. This type of environmental afforestation covered over 2 000 hectares in 1995 in urban areas, and is forecasted to cover an additional 25 000 hectares by 2004. These environmental projects are being conducted under the auspices of the Korean government and are designed to provide the citizens of Korea with a better living environment by reducing pollution and providing natural areas to relax in.

In establishing government policy, agencies such as the Forestry Policy Bureau (*Imjǒngguk*) and the Forestry Research Institute (*Imǒp yǒn'guwǒn*) are crucial in maintaining the balance between commercial needs for forest products and preserving this great natural asset of Korea.

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Fortune-telling

Fortune-telling or divination practices are various methods that man uses to discover either what the future will bring him, or to modify his actions so as to bring about the most favourable consequences. In ancient times, divinations were used to predict the outcome of battles, matters of state and also to explain natural phenomena. It is tempting to connect practices of divination with the earliest human civilisations as ancient man tried to understand and explain his environment.

Fortune-telling practices are performed in a variety of ways with some using implements and others interpreting signs in natural objects like the moon and clouds. There are in essence four types of fortune-telling practised in Korea today: *shinjǒm* (divine inspired divinations), *chakkwaejǒm* which unravel the fortune of men by interpreting the hexagrams in the Chinese *Yijing* or *I Ching* (Kor. *Yǒkkyǒng*, Book of Changes), *mongjǒm* in which the future is seen through a dream, and *ch'ǒn'gijǒm* which observe natural phenomena such as the shadow of the moon on the fifteenth day of the first lunar month, or the Pleiades (*chomsaengi pogi*) on the sixth day of the second lunar month in order to predict good fortune in farming.

History

The first records of fortune-telling practices in Asia are found in the so-called 'oracle bones' of the Chinese Shang Dynasty (1700-1027 BCE). Oracle bones are turtle plastrons and ox

scapulae on which the Shang kings divined by applying a hot instrument to prepared hollows in the bones and then using the resulting cracks in the bones to divine all matters of state and ritual acts. On the bones themselves, the actual questions that were tested were often recorded and many of these records are extant. It is not known whether this practice was transmitted to Korea or not, but records concerning the Puyŏ Kingdom in the *Sanguo zhi* (History of the Three Kingdoms) reveal similar practices. In Puyŏ during ritual ceremonies to heaven, an ox would be slaughtered and if the cleft in its hoof was found to have widened it was thought to portend disaster. If it had not, it was interpreted as a propitious omen. In Puyŏ the duty of performing divinations was originally that of the king, but as his political authority expanded, the duty of divinations fell under the realm of the shaman.

Through historical records such as the *Samguk yusa* (Memorabilia of the Three Kingdoms) we know that there were many instances of fortune-tellers being consulted by the royal courts to either explain natural phenomena or to predict the outcome of battles and other matters of state. Those who were charged with predicting the future were the *ilgwan* of Shilla, the *ilja* and *muja* of Paekche, and the *mu* and *samu* of Koguryŏ. Legends passed down that concern divinations and those who performed this art include *Ch'ŏyong ka* (The Song of Ch'ŏyong), *Yŏnorang seonyŏ chŏnsŏl* (The Legend of Yŏnorang and Seonyŏ), *Manp'ashikchŏk chŏnsŏl* (The Legend of the Flute that could Calm Ten Thousand Waves) and the legend concerning the demise of the Paekche Kingdom. In *Ch'ŏyong ka*, King Hŏn'gang (r. 875-886) is told by his *ilgwan* that he must build a temple to appease the Dragon of the East Sea. After he does this, the Dragon presents to the King one of his sons who becomes a royal adviser to the King. In *Yŏnorang seonyŏ chŏnsŏl* the Shilla King summons his *ilgwan* and asks him to explain why the sun and the moon had stopped shining in Shilla. The fortune teller explains that the spirits of the sun and moon had left Shilla for Japan. The King sends a messenger to Japan who meets with Yŏno-rang and Seo-nyŏ and is told that the god of heaven wished them to come to Japan. They then presented him with some golden cloth with which to offer a sacrifice to the heavens, and after this the sun and moon again shone in Shilla.

Manp'ashikchŏk chŏnsŏl tells of a magical flute that was given to King Shinmun (r. 681-692) by the spirit of his father, King Munmu (r. 661-681) and the spirit of Kim Yushin (595-673) that could control the waves in the East Sea, whereby the Japanese marauders could be repelled. King Shinmun was presented with this flute after consulting his *ilgwan* to discover why there was a small mountain floating off the Korean coast. These examples of divinations are all recorded in the *Samguk yusa*.

One tale concerning the downfall of the Paekche Kingdom is recorded in the *Samguk sagi* (History of the Three Kingdoms). In mid-reign of Paekche's King Ŭija (r. 641-660) on a turtle shell that was unearthed, it was recorded that: 'Paekche is as a full moon, Shilla is as a crescent moon'. This was interpreted by the King's *muja* as foreboding the downfall of Paekche, which shortly was realised.

In Buddhist beliefs the *Chŏmch'al kyŏng* (Divination Sutra) was used by some to foretell the future and the results of their karma in their next lives. To discover their future using this work, wooden sticks would be cast and then interpreted in light of the Sutra. The *Chŏmch'al kyŏng* was also used at Chŏmch'al Dharma Assemblies. According to the *Samguk yusa* this work is said to date to the Chinese Sui Dynasty (581-617) and was given to the monk Ch'inpyo by Maitreya along with 189 divination sticks.

The use of divination was also widespread throughout Koryŏ and Chosŏn, but as shamanism was replaced as the state religion firstly by Buddhism and then by Neo-Confucianism, the status of fortune tellers and their trade became degraded. However, among the common people of these ages, fortune-telling was accepted as one way in which to understand both current and future events. Although many *mudang* (shamans) of these periods continued to practice fortune-telling through the use of various implements, there

also gradually appeared a class who performed only fortune-telling functions. In addition to those who specialised in telling fortunes, many of the common people relied upon the observation of heavenly bodies, the outcome of various folk games such as tug-of-war, or the behaviour of animals as means to predict future events. In particular, the amount of divinatory practices surrounding the farming culture of Chosŏn reveals strong beliefs on the part of the farming communities in the validity of these practices. Many of these practices are still observed to some degree.

One mode of fortune-telling that was well received during Chosŏn and continues to enjoy popularity to the present-day is the use of the *Yijing* (Book of Changes). This method of divination uses an interpretation of a reading of certain hexagrams in the *Yijing*. The hexagrams are selected from a total of sixty-four by casting lots for each of the six lines that will compose one's fortune. Then the *Yijing* practitioner interprets these six hexagrams. There are different ways to determine which hexagrams are selected such as casting wands, drawing yarrow twiglets from a bunch or tossing coins. Of these methods, the tossing of coins (usually three in number) is probably the most common in present-day Korea. Once a hexagram has been created by casting the coins six times, the reader then interprets this in the light of the appropriate passage in the *Yijing*. Adherents to this mode of divination commonly use this method to determine answers to questions of marriage, family and business.

Modern Practices

Today, divinations are still received by Korean people in many of the same modes as they had been in traditional times. Consultations with *Yijing* practitioners are very common and on any given week-end afternoon many of these fortune-tellers can be seen in areas around parks, temples and palaces in the major urban areas of South Korea. Consultations with *mudang* are also very common for adherents to shamanism. The divinations of the *mudang* are used in a wide range of applications from matters concerning poor health to where to locate a house. Divination by observing items of nature is also very common, particularly in rural areas. These arts of predicting the future continue to thrive in many forms since they are used to provide answers to people's problems and often to comfort them. Fortune-telling, along with closely related practices and arts such as incantations and taboos, help humans cope with the external world. Generally, taboos and incantations are used to prevent an undesirable event from occurring while fortune-telling is used to discover what the future holds.

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France and Korea

Chosŏn Period Relations

Korea-France relations began with French missionaries attempting to introduce the Catholic faith to Koreans. Catholicism was known to Koreans in Beijing, where the work of French and other Western missionaries was prevalent, but the Church was not established in Korea because of the threat of persecution by the Chosŏn government. The first French missionary in Korea was Fr. Maubant who came in early 1836. He was followed by Fr. Chastan who arrived at the end of the same year and Fr. Imbert, a year later. The

missionaries work was proving successful, with 6 000 converts in 1836, to over 9 000 two years later. Apart from the endeavours of the priests, a major reason for the spread of Catholicism at this time was a relaxation of the anti-Catholic stance of the Chosŏn government, which was a direct reflection of the royal father-in-law Kim Chosun (1765-1831), the real power behind the throne. This attitude, however, underwent a drastic change with the arrival of a new royal in-law power, the P'ungyang Cho family, which commenced with the reign of King Hŏnjong (r. 1834-1849). As a direct result of Cho policies, the Catholic Persecution of 1839 took place and the three French priests along with many Korean Catholics were massacred.

Once the deaths of the three friars became known to the French authorities, a French warship was despatched to the Chŭngch'ŏng coast, and a letter was delivered to the Korean authorities demanding an explanation. A year later another French vessel appeared in Korean waters, requesting Chosŏn authorities to reply to the first letter, and expressing France's wish to conclude a friendship treaty with Chosŏn. The Chosŏn government, however, was aware of the hardships that befell China in her constant clashes with Western nations in the Opium War and the Arrow Incident, and it preferred a policy of isolation as a means of avoiding similar trouble. Also, the Chosŏn government feared the Catholic doctrines, which they saw as patently confrontational to the teachings of neo-Confucianism. However, despite the Chosŏn government's intentions and actions to prevent the spread of Catholicism, an increasing number of French missionaries journeyed to Korea, and by the early years of King Kojong's reign (r. 1863-1907), there were about 20 000 followers.

The policy of Kojong's father, the Hŭngsŏn Taewŏn'gun (1820-1898), while at first moderately tolerant of Catholicism in his country, was soon swayed by his advisers and in 1866 he launched a major persecution of Catholics. Initially, the Catholic missionaries had persuaded some members of the Chosŏn government that if Chosŏn entered diplomatic relations with France and England, it would prevent the Russians from gaining a foothold in Korea. The aim of the church was certainly that of securing an unfettered hand for their missionary activities, in exchange for the promise of France's assistance against the Russia gaining a foothold on the peninsula. The Taewŏn'gun sent for the leader of the missionaries, Bishop Berneux, but later declined to go ahead with the meeting, on the Bishop's delayed arrival at the palace. The Taewŏn'gun saw the Catholics as a threat to his political power and demonstrated his disdain for them by ordering the full-scale persecution that occurred in 1866. Nine of the twelve French missionaries in Korea were executed, together with a large number of Korean converts. The three missionaries remaining fled to safety across the Chinese border where they reported the massacre to the French Legation.

On hearing of the death of their missionaries in Korea, the French decided to take punitive action against Chosŏn, in what became known as the Foreign Disturbance of 1866. Under the command of Admiral Roze, three naval vessels crossed the Yellow Sea, sailed up the Han River, anchored within sight of Seoul, and prepared for action. A flotilla of seven French warships had also left China for Korea, from which the admiral sent a detachment to capture the fortifications on Kanghwa Island and despatched another to Seoul. While the French on Kanghwa met with limited success, the ships that attempted to make their way to the capital were repulsed by a Korean contingent led by Han Sŏnggŭn. A second attack on Kanghwa Island was also repelled by troops led by Yang Hŏnsu, and this forced Roze to withdraw to China, with his punitive mission against Chosŏn closing without achieving its objectives. This ended French attempts to force Korea to enter into relations it did not want.

Early Diplomatic Relations

After the Chosŏn government concluded the 1876 Treaty of Kanghwa Island (Kanghwa-do Choyak) with Japan that opened Korean ports to foreign trade, China urged Chosŏn to also sign similar treaties with Western powers, such as Great Britain and the United States. Insofar as France was concerned, however, China hindered attempts to negotiate a treaty

with Chosŏn, cautioning the Koreans about the problems associated with the propagation of Catholicism in Korea. The French persisted in their efforts, and eventually the thirteen-article 'Treaty of Friendship' was concluded in 1886, with Kim Manshik and Georges Cogordan as signatories for their countries.

The treaty between Korea and France was somewhat different than those that the United States and Great Britain had concluded with Chosŏn, since it reflected to a greater extent the independent will of Korea. Even so, the treaty provided protection for French nationals on the peninsula, and stated that they should be subject only to French law and to trial by the French authorities. Moreover, the treaty allowed the French to trade openly at the ports of Pusan, Wŏnsan and Chemulp'o, and to lease or purchase land or buildings at these locations. Moreover, French nationals with visas were allowed to travel freely in Korea, and those who wished to learn the Korean language were to be provided with help by the Korean government. Other clauses in the treaty secured France's right to freely propagate French language and culture, and to employ Koreans in various capacities.

Although France now had a treaty with Chosŏn, its interests in the peninsula were only peripheral compared to its other areas of interest in Asia. The French government did, however, consider its diplomatic representation in Korea to be on an equal footing with its diplomatic missions in Japan and China, thereby revealing that it held Korea in equal esteem with her neighbours. Its envoys were further instructed to concern themselves with commercial and cultural activities only and not interfere in Chosŏn's domestic affairs. France did not recognise Korea as being a Chinese suzerain, but treated it as an independent nation. France also sought to pursue mining and construction projects in Korea, and in particular was awarded the concession to build the Seoul-Ŭiju railway, but eventually had to surrender this right to the Japanese authorities.

In contrast to the subdued French view of Korea, the Chosŏn government had many high expectations concerning the relationship. Korea saw the treaty as a way to improve her international standing, to modernise her military and training techniques, so as to keep China at bay, but also as a possible source of financial support. While France did supply Korea with some texts on military organisation and tactics, it was not interested in taking an active role in reforming the Chosŏn army, and actually declined a request to do so. The French also declined to guarantee French military support against Chinese intervention in Korea. Lastly, Chosŏn's requests for loans from France were also rejected on the grounds that the Chosŏn government was a poor credit risk and that the people of France knew very little about the country and its situation. Thus, the relationship between the two countries excluded military intervention amongst foreign powers and it proved unsatisfactory to Chosŏn in its sought-after economic aid. This was not what Chosŏn had contemplated in concluding its treaty with France.

The economic relations between France and Korea proved of little consequence. Despite some initial interest on the part of French companies for importing Korean paper and ramie, this was not realised. According to 1889 statistics, imports from France accounted for less than one per cent of Korea's total imports, and these imports were confined to a small amount of wine, canned food and cotton products. The lack of French interest in Korea is seen in the minuscule French population there, of about twenty persons. Of this, the number of merchants was at most one, and often none.

The only area in which the French proved to have a serious interest in Korea was in the propagation of Catholicism, and this was pursued by French missionaries with vigour. Although the clause in the treaty between Korea and France was understood by the Chosŏn government as allowing the teaching of the French language and culture, the French interpreted it as permitting the teaching of Catholic doctrines, and this was a point of contention between the two nations. The Korean government was eventually compelled to allow the missionary activities and so Catholicism spread rapidly. By 1910 it had secured a

strong foothold throughout the peninsula.

Relations during the Colonial Period

The cause of Korean independence was not an issue with the government of France, which was then far more concerned with the preservation of its Indochina interests. There were individuals in France, however, who aided the Korean independence movement indirectly. Félicien Challayé, a professor at a French university, joined with the Chinese journalist Xie Dongfa and formed the Paris branch of the Aid Korea Association (l'Association des Amis de Corée), which had a membership of some forty persons at its inauguration in 1919. Other activities during this period included the publishing of a journal, *La Corée Libre*, which presented arguments for Korean independence. However because of a shortage of funds, the journal was only published for one year, from May 1920.

Aside from some indirect cultural influence from France in the realm of literature, the contacts between France and Korea all but ceased during the colonial period. The reasons for this are twofold. First, the Japanese were very restrictive in allowing Westerners to enter Korea. Secondly, the French were beset by their own internal problems; reconstruction after the conclusion of World War I; the political conflicts of the 1930s, and the outbreak of World War II, in September 1939. The independence movement activities of Koreans abroad centred on courting the Western world powers, mainly the United States and Great Britain, and France was largely ignored in the process.

Free City Incident

[History of Korea]

Fu Jian Qin

[History of Korea]

Furniture

Domestic furniture and interiors

Korean furniture consists of three distinct yet over-lapping traditions: a court tradition of elegant and luxurious pieces; a temple tradition of intricate pieces with colourful Buddhist, Daoist, and shamanistic motifs; and a domestic tradition of wood furniture used primarily in upper and middle class homes. Little from the court and temple traditions survive, but its existence can be verified in scanty records, depictions of furniture in old paintings and in what remains of old furnishings from Korean palaces, temples, and shrines. Its rich beauty can also be experienced in a few surviving small boxes, trays, and tables that are lacquered and date from as early as Ancient Chosŏn (1 000-500 BCE). The Shōsōin in Nara, Japan preserves a few seventh c. cabinets which might have links to Korea. From the Koryŏ period (918-1392) onwards, cabinetry for upper class use in temples and palaces was often lavishly inlaid with mother-of-pearl.(see Lacquerware).

Korea's household furniture, with most extant pieces dating from the last two hundred years of Chosŏn (1392-1910, has commanded wide interest for its originality of style, simplicity of design, beautiful proportions, and flexible utility. Based mostly on a simple box design with few interior compartments or drawers, Korean chests are surprisingly versatile and fit easily into modern or traditional decor. They were made from native woods, of which over twenty varieties have been identified. In the northern provinces mixed coniferous forests predominate and soft woods with fine grain like pine and linden were the usual timbers for furniture. Perhaps to compensate for the plainness of the grain, chests from North Korea, such as those from P'yŏngyang tended to be more profusely decorated with metalwork. In the milder climate of South Korea, many varieties of

deciduous trees thrive and a wide selection of hardwoods with decorative grain such as persimmon, maple, Korean ash, and zelkova (a type of elm) was available. So as to not detract from the beauty of the wood grain, chests from the Southern provinces tended to be simply or delicately adorned with metalwork. Regional differences were also evident in the overall style of chests and this largely depended on the taste and the wealth of the patrons. Furniture from Kyōnggi Province, where the capital was located, was often of generous proportions, made of solid wood, and magnificently ornamented. Cheju Island, which was home to exiles and prisoners produced basic furniture of rough and rustic character.

Glue and bamboo or metal nails were in use in the construction of furniture, but pieces were usually held together by means of jointing techniques, the most common being mitre joints (*yōngwi*), finger joints (*ssagae*), lap joints (*tōk*), mortise and tenon joints (*chok*), and butt joints (*mat*). Wood surfaces were either left unfinished or polished with an oil made from the perilla plant (*tūl kirūm*). Smaller pieces were sometimes subjected to a smoking process which caused the resin in the wood to come to the surface where it was then rubbed to form a protective coating.

The furniture of Chosŏn was generally modest in size, low in height, and frontally oriented. Chests usually opened at the front where the decoration was also concentrated. These features evolved not only to fit the spaces of the Korean house but to accommodate traditional living habits. An agrarian and nature-oriented people, Koreans ventilated their houses and kept them tuned to seasonal changes through the use of detachable open lattice-work doors and windows called *ch'angho*. The outdoors was also brought under the roof of the house through the use of open verandahs, corridors, and side-rooms with wood plank floors called *maru*. The cool, raised *maru* floor was the preferred place to work, socialise, and rest during the warmer months. Household items requiring cold storage were also kept year-round on *maru* floors. In the winter months, Koreans retreated to small, low-ceilinged rooms that were designed to facilitate a unique type of underfloor heating called *ondol*. *Ondol* floors were sealed and plastered over with thick oiled paper. (see **Architecture**) Living in tune with the environment and staying close to the source of heating contributed to the adoption of a floor-living culture by Koreans. The floors of a traditional house, particularly those of *ondol* rooms, doubled as activity rooms during the day and sleeping quarters at night. They were kept spotlessly clean through the removal of outside shoes and daily wiping. People sat, slept, ate, worked, and studied on straw mats or padded cushions directly on the floor. Rooms did not have built-in closets. The furniture in a room had to accommodate both items in daily use as well those in long-term storage. To keep the centre of a room cleared for human activity, storage chests and cupboards were relegated to the walls, where they were placed side by side, and sometimes stacked one on top another.

Placed against the wall, only the fronts of chests were in full view. Thus the fronts were typically fashioned out of the best wood (sometimes in veneer panels) and embellished with the fanciest fittings. The two sides were made of less-desirable wood and hinged with simpler fittings. The backs of chests were made of the least-desirable wood and hardware without compromising function. Chests were raised off the floor on attached or detachable stands to protect their bases from exposure to the intense heat of the *ondol* floor in winter, humidity in summer, and pests year-round.

Domestic furniture of the Chosŏn period also reflects the hierarchal Neo-Confucian ordering of society under which people lived. To the extent that wealth and social status permitted, the houses of this period were segregated into men's and women's quarters and furniture was designed accordingly. In upper-class *Yangban* families, the men lived and studied in outer rooms collectively called *sarang ch'ae*. They entertained and took their meals in a main *ondol*-floored room called a *sarang-bang* or, in warm weather, on an adjoining balcony or the *maru* wooden-floored rooms. Their women lived in inner rooms collectively called *anch'ae* and the principal *ondol*-floored room of their domain was called

the *anbang*. Sometimes connected to the *anbang* by sliding showing doors was a raised alcove called an *utbang* which housed larger storage units and cabinets. The *anbang* was entered from a wooden-floored porch called a *taech'ŏng maru*, where women worked and close-family members socialised in warm weather. Sometimes opposite the *anbang* was a smaller sitting and sleeping room called the *könnŏbang*.

Confucian ideology emphasised that the man of virtue should lead a life of moderation and decorum, and this encouraged an ethos of austerity in the design of the men's quarters and its furnishings. The result was furniture that was restrained in style, sober in colour, and made of subdued woods like pine and pillion. Fittings were plain, kept to a minimum, and fashioned from dull metals like cast iron. Standard pieces of furniture found against the walls of the *sarangbang* were a pair of low chests for stationery and incidentals called *mun'gap*, a four-tier book and display stand called a *sabang t'akcha*, a two-tier book chest called a *ch'aekchang*, a wardrobe chest called an *ũigŏri chang*, and a storage chest (*chang*) for items in daily use. In the centre of the room would be such low and portable pieces as a scholar's desk (*ch'aeksang* or *kyŏnsang*) and an inkstone box (*yŏnsang*). At meals times, individual serving tables (*soban*) laden with food were brought in from the kitchen. The adjoining wooden-floored *maru* might contain such additions as a low bamboo or wood slatted platform bed and one or two book storage cabinets.

In contrast to the restraint ambiance of the *sarangch'ae* and its furnishings, the women's quarters or *anch'ae* was a much brighter and cheerful place. The furniture of the *anbang* was more exuberant in style, brighter in colour, and made of more ornate woods like persimmon and zelkova. Chests of red or black lacquer embellished with ox-horn panels, mother-of-pearl inlay, and carved motifs were not uncommon. Fittings were also more ornate, often incised with decoration, and made of shinier metals like brass or nickel. Hinges were fashioned into whimsical and auspicious shapes such as flowers, butterflies, bats, swallow tails, or the Sino-Korean characters for happiness (*pok*) and longevity (*su*). An *anbang* typically contained a three-level chest for everyday clothing called a *samch'ũng chang*, a two-unit stacked chest for out-of-season clothing called a *ich'ũng nong*, a pair of *mun'gap*, an all-purpose chest called a *bandaji* upon which the daily bedding was stowed, and several low chests such as *mŏrit chang* (headside chest), *aegijang* (a baby-sized chest), or *posŏnjang* (chest for socks). These pieces were placed against the wall; on top of them were stacked such small, portable boxes as *ham* (a pair of wedding boxes), *kori ham* (a document box), and *kyŏngdae* (mirror box).

The kitchen of a Chosŏn house was connected to the far end of the women's quarters and built at a lower level to the *anbang*. It had an earthen floor in the stove area and in the area opposite where crockery, utensils, and food were stored, a raised wooden platform or *maru* floor. Typical pieces of furniture found on the *maru* include stands of two or three tiers (*ch'ant'ak*) for the storage of ceramic bowls, jars, and bottles; chests for the storage of rice (*ssal twiju*) and beans (*p'at twiju*); and a three-level chest with a row of small drawers (*samch'ũng ch'anjang*) for the storage of eating utensils and crockery. Kitchen furniture was built to be sturdy and functional, usually made of solid pine and fitted with plain cast iron or tin hardware.

As late as the 1970s, fine specimens of domestic furniture were still being found in villages as Koreans moved to the cities and abandoned traditional ways of living. Today, however, unadulterated pieces of high quality are extremely difficult to acquire, with fine specimens having found their way into museums and private collections. The National Folklore Museum of Korea, the Onyang Folk Museum, the Korea University Museum, Ehwa Woman's University Museum, as well as most university museums in Korea will have excellent pieces of traditional Korean furniture on public display. The Japan Folk Crafts Museum in Tokyo and the Koryo Museum of Art in Kyoto both display notable old Korean furniture. In the West, almost any large museum with a collection of Asian art is likely to have isolated specimens of Korean furniture.

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