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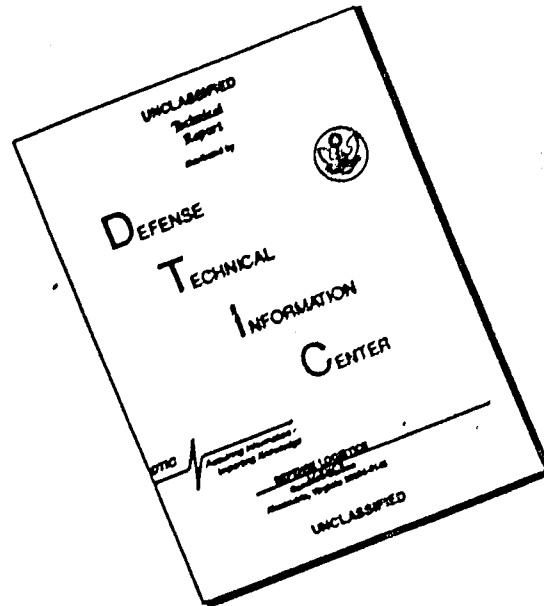
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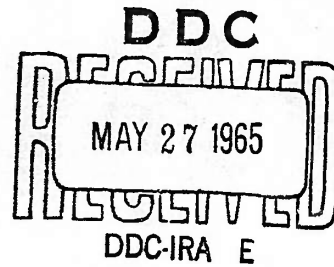
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AGRARIAN REFORM
ACTIVITIES
in the
REPUBLIC OF KOREA



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17 July 1964

AGRARIAN REFORM ACTIVITIES IN THE REPUBLIC OF KOREA

Daniel C. Pollock
Joann L. Schrock

FRAME OF REFERENCE

Agrarian reform, in its narrow definition, refers to nationally legislated programs designed to equalize the distribution of agricultural land. Generally, such programs involve the legal breaking-up (with or without compensation) of large holdings, the distribution of this land, with ownership rights, to landless farmers, and the dissolution of tenancy arrangements.

In a broader sense, however, agrarian reform also involves programs designed to integrate the agricultural sector into the national economy. This aspect of agrarian reform is particularly important in developing countries where other sectors are generally advancing at a faster pace and where pressures easily arise that encourage relapse into pre-reform systems of inequality and exploitation. This broader definition of reform, then, would include with land redistribution the development of agricultural credit arrangements, cooperatives or other organizations designed to aid agricultural growth, programs to increase production (such as technical assistance) and improve marketing, and stabilization of farm input and output prices.

HISTORICAL BACKGROUND TO 1945

To discuss agrarian reform in the Republic of Korea it is necessary to start with the period of Japanese occupation. Japanese policy between 1910 and 1945 aimed to increase Korean agricultural production for the benefit of Japan. To introduce Western agricultural techniques efficiently and to ensure maximum harvest collection, the Japanese built large estates owned by Japanese development companies. Smaller holdings were assigned to farmers brought in from overpopulated Japan. The Japanese thereby continued for their own purpose the ancient Korean agrarian pattern in which the Korean landlord with large

holdings was the key economic feature.

By 1938, 80 percent of the Korean farmers were tenants of the Japanese and the percentage of tenancy was greater in the South than in the North.¹ Under the tenancy system, as much as 50 percent of the crop was paid in rent. In addition, the average tenant was often in debt to the landlord and was required to pay high interest, in kind as well as in cash. Too frequently he had to sell his crop unharvested in the field for what the landlord would pay. Low soil productivity, lack of subsidiary occupations, and few opportunities for alternative employment kept the Korean farmers poverty-stricken.²

The Japanese introduced row-planting for rice, new rice varieties, modern farm tools, and commercial fertilizer. Plants for manufacturing commercial fertilizers were set up in the North, and by 1945 they were producing 95 percent of the amount used in the country. The acreage of arable land was also somewhat increased through construction of dikes and irrigation systems in the southwest.

The produce from this increase in agricultural productivity was siphoned off to Japan. Between one-third and one-half of the annual rice crop was exported, leaving inadequate supplies to meet Korean needs and causing a marked decrease in Korean rice consumption. For Korean use, the Japanese imported

1 Chŏlla-namdo in the South province had the largest percentage of tenants, while Hamgyŏng-namdo and Hamgyŏng-pukto, both in the North, had the smallest proportion.

2 According to 1938 data, 63 percent of all farm households cultivated less than 2.4 acres each, and half of the plots were smaller than 1.2 acres. In areas where intensive cultivation and double cropping were practiced an average of 3.6 acres was considered adequate to support a family. But in the uplands areas a holding of 7.4 acres was considered desirable for a family.

coarse millet, the least palatable substitute for rice as far as the Koreans were concerned. For reasons of taste as well as status, rice is the preferred food, even above meat.

While the Japanese invested heavily in installations and equipment designed to increase Korean agricultural productivity, the pressure of its own domestic requirements and, finally, preparations for and participation in war led to many uneconomic practices. Under the program "Cotton in the North, Rice in the South," specialization of production was fostered at the expense of a diversified agriculture.

Plans were made to raise 700,000 head of Merino sheep on the Korean uplands to supplement the needs of Japan's woolen industry. But Japanese funds had to be diverted to war production and most Korean farmers were still unfamiliar with the breeding of sheep; the project therefore soon came to an end.

EXPERIENCE SINCE 1945

Land Redistribution

Since the end of 1945, a number of land redistribution programs have been instituted in South Korea. The net effect of these programs has not been great: large holdings have again become concentrated in the hands of relatively few owners, and many of the small farmers have slipped back into tenancy.

In February 1946 the American military government proposed a "Homestead Act," under which tenants were to retain the land they occupied in return for payment of 25 percent of the crop for 15 years. This proposal was not implemented, since Korean officials preferred to wait for the provisional government to be established, and the issue of "compensation versus confiscation" generated much political heat.

In March 1948 the American military governor, General Dean, directed the transfer of a large portion of Japanese landholdings to the newly established National Land Administration for sale to Korean farmers with a limit of 2 chungbo (1 chungbo equals 2.45 acres) per purchaser. That phase of the program was completed by the end of United States control in mid-August 1948.*

The newly established government of the Republic of Korea then began to take steps to distribute the remaining Japanese holdings and also to break up large private Korean landholdings which were being established. Appropriate legislation, however, was not enacted until the end of 1949, and only the outbreak of the Korean war in June 1950 spurred the government to implement the program. It purchased all land not farmed by owners and all holdings in excess of 3 chungbo (7.4 acres). By August 1951, about 1.5 million farmers had received about 1.6 million acres of land, for which they were to pay in

* See Enclosure.

farm products over a 5-year period. According to official data, 78.5 percent of the farms in 1953 were under 1 chungbo; 1.6 percent were between 1 and 2 chungbo; 4.2 percent from 2 to 3 chungbo; 1.3 percent were 3 or more chungbo. While average holdings are small, even by Korean standards, it is unlikely that they will be split further, since in Korea, unlike most other Asian countries, the land is generally inherited intact by the first-born son. This tradition has had the effect of driving many young men without hope for land to the city and of swelling the ranks of the unemployed there without, however, appreciably relieving overpopulation in the countryside.

Certain exemptions, however, from the redistribution law, allowed at the discretion of the government, apparently permitted South Korean landlords to buy additional large tracts of Japanese land and to oppose successfully further redistribution. As a result, the redistribution of former Japanese lands has been completed on paper but not in fact. In compensating landlords for land that was given up, the government of the Republic of Korea gave preferential treatment to small landlords by paying compensation, consisting of negotiable government bonds, on the principle of progressive diminution--the greater the landholdings, the smaller the compensation. The bonds were redeemable over a 5-year period, and payment was calculated on the current price of the principal crop. In view of the steeply rising price level, this payment and redemption arrangement stimulated inflation. The government, moreover, subsidized land redistribution by buying land at 150 percent of the annual value of the principal crop and by distributing it at 125 percent. This imparted another upward push to the price level, especially since legislative efforts to restrict the investing of bonds proceeds in industry were defeated. The new owners of former Japanese lands, however, did not have the right to sell until

after they had paid for the lands and until at least 10 years had elapsed since the contract date. This limitation was meant to develop independent new landholders and to prevent indebtedness, which would undo the desirable effects of the land redistribution.

Despite these provisions, strong inflationary pressures on small landholders since the end of the Korean war have produced a new trend toward centralization of landownership. In the process of making good on their debts, many small holders again have lost the titles to their land. Apparently the small farmer in most of these cases stays on as tenant of the land he formerly owned.

Another cause of the new movement toward concentration is the continuing political pressure exerted by the large landowners on the South Korean Government; these pressures have weakened the government's determination to achieve and maintain the original goals of the land reforms.

Cooperative and Credit Associations

In the Korean countryside various types of communal and cooperative associations have a long tradition. Of outstanding importance today is the National Agricultural Cooperatives Federation and Member Cooperatives, which includes both irrigation and financial associations. Before July 1961 this agency was the Agricultural Bank and earlier--until April 1956--the Federation of Financial Associations and Member Associations. Generally, Korean cooperatives have been severely limited by lack of capital and credit and often manipulated for private gain.

To understand the evolution of the Cooperative Associations it is again necessary to refer to the period of Japanese occupation. The Federation of Financial Associations (FFA) was organized by the Japanese in 1933 and

incorporated many already existing local financial associations. Its purpose was to supply farmers with operating funds for agricultural improvement at low interest. Activities varied according to Japanese needs: at times the activities included not only the granting of credit but also cooperative buying and marketing of agricultural and consumer goods.

The FFA continued to function in South Korea after 1945 and was given the additional role of distributing chemical fertilizer imported from the United States. Because fertilizer was scarce, the farmer had to obtain a fertilizer ration card at least twice a year from the myon (township) office. Under the Japanese, distribution of fertilizer had been handled through the panjang (a village organization of less than ten families represented by an elected head), but the South Korean government insisted on dealing directly with each farmer. The farmer had a choice of paying for this fertilizer in cash or in grain: because of the government's anti-inflation program, grain was preferred by the government. The farmer could also obtain fertilizer on credit based upon his next harvest.

Through FFA facilities, the government carried on a part of its grain collection program by buying a certain quantity of grain from farmers at a fixed price (usually below the market price) to supply the army and government and industrial workers, who received grain payments as part of their wages. Another function of FFA was the purchase and distribution of controlled consumer goods to government employees. As a result, FFA developed into one of the largest business complexes in South Korea, and its functions as a government agency and instrument for political pressure tended to interfere with the efficiency of its financial operations in the agricultural sector.

Until 1948, the Korean Agricultural Association (KAA), also established

by the Japanese, performed many functions of the FFA. Always suspect because of its close affiliation with the Japanese, the discovery in 1950 of large-scale irregularities led to suspension of its operations and to final dissolution after the end of the Korean conflict.

In May 1956 the Republic of Korea State Council established the Agricultural Bank to assume the financial functions of the FFA, which was liquidated over a three-year period. The Agricultural Bank also took over the distribution of fertilizer. The subsidiary financial associations of the FFA were converted into credit associations, part of a new National Cooperative Association were formed as follows: ri (commonly consisting of 5 to 10 villages) associations; tong (a single upland village); kun (county) or ku (ward of city) associations; horticultural cooperative associations; livestock associations; and special associations. The ri or tong associations were to assist in establishing and carrying out individual farm plans or an overall plan for the ri or tong; purchase materials jointly; market products; utilize community facilities for processing, storage, and medical care; give mutual help for celebrations and funeral services; give mutual insurance against effects of disasters; and support credit operations involving the collection of deposits, the making of loans, and the necessary mediation for procurement of farm loans. The city associations, operating in a wider area, were assigned correspondingly wider responsibilities, including the establishment of rural industries. In May 1956 livestock associations were established in South Korea to develop animal breeding. At least 50 farmers were necessary to form the initial organization (as contrasted with 20 members necessary for the agricultural cooperatives). In other respects the livestock cooperative associations functioned along the lines of the general cooperatives.

According to the Park government, before the 1961 military coup took place the Agricultural Cooperative Association "was deeply involved in politics in contravention of the functions and duties prescribed in its charter." Allegedly "in order to remedy the situation, the government brought about the merger of the Agricultural Bank and the Agricultural Cooperative Association," forming the National Agricultural Cooperatives Federation and Member Cooperatives. Administrative changes included the establishment of 21,520 ri associations, 139 kun associations and 120 "special" associations. Functions of the associations included the distribution to farmers of fertilizer and insecticides either through sale or on credit.

Irrigation associations in the rice bowl area, where large-scale irrigation projects are indispensable, have had formal status since 1906 by a series of laws and decrees. These associations were also reorganized in 1961 and the 695 irrigation associations were reduced to 198 Land Improvement Associations under the principle of one such association for each county. The Park government claims to have checked the misuse of funds and to have eradicated corruption in these associations. Considerable importance is attached to the work of the irrigation associations in connection with raising the agricultural productivity of South Korea. At least half of the total area under rice cultivation has already been provided with controlled irrigation facilities, and a sizable increase in such facilities is planned for the next several years.

The Korean farmer has been greatly hampered by the lack of agricultural credit. In 1956, because of malfunctioning credit facilities, farmers experienced considerable difficulty in financing their credit needs in spite of the fact that the government had set aside ample funds for agricultural credit. Although some help was apparently given by the newly established Agricultural Bank, little of

that money appears to have reached its intended destination. The average farmer in 1957 was still obliged to secure a substantial part of his credit needs from private lenders at interest rates ranging from 10 and 20 percent per annum. A report issued in 1960 by the now defunct Agricultural Bank stated that the average farm family was still carrying a debt of 6,693 won and estimated the national total at 15.2 billion won.³

In June 1961, all debts with yearly interest rates greater than 20 percent were suspended and the government assumed debts under \$125. All debts over \$125 were to be left to the usurers, but to earn no more than 20 percent per annum.⁴ Farmers had some hope for this program but expectations were, on the whole, reserved as Korea's government has had a history of unkept promises and unlimited corruption. This reform was significant, however, in that it attempted to take the farmer out of the cycle of perpetual debt created by interest rates averaging over 100 percent per year. However, the farmers complained that too little capital was really available and the government bureaucracy mismanaged the loan program by enforcing marketing deadlines that were too rigid, thus forcing prices higher and negating the effect of the low interest loans.

³ A precise dollar evaluation of the won figures is difficult to determine. In 1960 the hwan was still in circulation and was valued at 650 hwan to the US \$1. However, the source of this statement is: Republic of Korea. Ministry of Public Information. Uri chongbunun motsul ot'oke hae watnunga 1963 (What the Government has accomplished and how - 1963. Seoul: 1963. The currency used in the text is won and one can only guess whether or not they converted from the \$650 hwan to the US \$1 to the 130 won to the US \$1, the official exchange rate at the time the book was written and published.

⁴ New York Times, 10 June 1961.

Korean farmers feared that the government moratorium on high interest loans would freeze loan sources and result in much hardship. This concern, and the Korean farmer's traditional suspicion of government, made it difficult to register agricultural loans. However, by October 1961, 39 million dollars in loans had been assumed by the government or registered with it.

Although the Park Government claims to have subsidized the activities of the Cooperative Associations since 1961,⁵ and points out that the associations have supplied farmers with over a million tons of fertilizer on credit each year, the financial problems of the Korean farmer continue. In 1963, the government gave the farmers 80 million dollars (1/4 of Korea's annual money supply) to finance cooperatives. However, after the elections, Park's party tightened credit in order to check inflation and encourage loan repayments. Thousands of farmers were in default by the redemption deadline of December 28, 1963. The government responded by forcing them to surrender their chattels and property.

Farmers complained that the low interest loans were ineffective because they were given in Spring when marketing requirements had forced prices high, and were redeemed in Autumn when grain and meat prices were low. This more than offset the low interest rates and compounded the farmer's dilemma.

The Park government increased 1962 budgetary allocations for low-interest farm loans from 5 billion won to 11.5 billion won.⁶ In 1963, Park appropriated

⁵ Subsidy payments were reported to be 6.3 million won in 1961. Budget allocations were also increased in 1961 from 11.5 billion won to 21.4 billion won. Uri, pp. 15; 17; 19; 25.

⁶ In June, 1962, the hwan was eliminated and the won substituted at the rate of 1 won for 10 hwan. The rate of exchange shifted from 1,300 hwan per US \$1 to 130 won per US \$1.

additional funds for agricultural credit and rice supports, and the 1964 budget has even larger allocations for these purposes. There has been no sign in Korean news media, however, that would indicate implementation of the enlarged agricultural programs. Indeed the newspapers, particularly the editorials, have conveyed the agricultural population's reaction to government proclamations of reforms as one of complaint and frustration.⁷

⁷See Korean Republic (in English) and Tong a Ilbo (East Asian Daily - in Korean) for such reports.

Production and Marketing Measures

Agricultural production, which has constituted about 40 percent of South Korea's gross national product in recent years, has continued to increase moderately since the end of the Korean conflict. Although the 1956 rice harvest fell by between 14 and 18 percent to an estimated 2.6 million tons, the 1957 crop of 3.1 million tons was exceedingly good, as were those of 1958, 1959 and 1960. The 1961 crop of 3.6 million tons was the largest in the country's history, but the 1962 crop fell off to 2.3 million tons, principally as a result of drought. Adequate rainfall brought a slightly increased crop in 1963.

Production of summer grains (barley, wheat, and rye) was about 6.4 percent higher in 1957 than in 1955, although lower than the 1954 record crop. Gains were registered in subsequent years until 1962 when wheat and barley were adversely affected by heavy rainfall. A further fall in production occurred in 1963 when the summer grains were doubly damaged by typhoon and disease. Overall production of food crops in 1963 showed a moderate increase over the level prevailing before 1950. On a per capita basis, however, production was lower because of the influx of refugees from the north and the high rate of population increase.

In order to help meet growing domestic requirements, a large amount of food grain is imported under various aid programs. The United States makes up the bulk of South Korea's grain deficit. By the end of the fiscal year 1957, Korea had received approximately 60,000 tons of rice, 104,000 tons of barley, and 173,000 tons of wheat. To alleviate the food shortage and to help keep prices down, the government distributed 30,000 tons of grain

on loan during 1957 and 150,000 bags of flour per month by June 1957. It also resumed grain payments to its employees as part of their salaries and made available 30,000 tons of rice and 25,000 tons of other grains for sale to needy city dwellers between April and September. In subsequent years the United States continued to pump in surplus food grains at a rising level, reaching a record in 1963 of about 96 million dollars worth and totaling over 260 million dollars worth since 1955-1956.

The United States is currently also providing funds to assist the Ministry of Agriculture and Forestry to develop the technical manpower necessary to raise agricultural, fisheries, and forestry production so as to obtain adequate supplies of food and agricultural raw materials necessary for industrial development. The American-Korean Foundation is working with 4-H Clubs and in 1963 installed five upland development demonstration centers, a field in which the United Nations has also worked since 1962.

Progress of U.S. aid programs through FY 1964 includes: (1) organizational improvements such as the consolidation of research and extension activities, and the merging of credit and cooperative activities into a single organization; (2) increased application of balanced fertilizers; (3) distribution in CY 1963 of 100,000 metric tons of lime; (4) training courses for 91,600 farmers in CY 1963; (5) agricultural production in 1963 11 percent higher than in 1960 despite a very bad barley crop in the summer of 1963; (6) increased fisheries production (486,000 metric tons in CY 1963 vs. 277,000 metric tons in 1952) and exports of marine products (exceeding 11 million dollars in 1963); and (7) planting of over 1 billion acacia seedlings through CY 1963.

The adoption of modern agricultural methods in the Republic of Korea has been hampered by several factors. Although Korean farmers are accustomed to using more tools than are farmers in other rice-growing Asian countries, there is a serious lack of tools even for ploughing and harrowing. Just before World War II, 80 percent of all farm tools and implements were imported from Japan. The remainder were made in Korea by Japanese-owned and Japanese-supervised plants. During the war, these plants were converted to munitions production, and wornout tools could not be replaced. South Korean farm tool plants (approximately 41) have been hampered by lack of electric power, capital, and materials. Available tools are priced too high for most farmers and are usually of very poor quality. Korean village blacksmiths, although relatively numerous, are unable to meet the demand for cheap farm tools. Major pieces of farm equipment are usually owned and operated cooperatively or hired on a seasonal basis. The itinerant pedal-operated grain thresher is carried from farm to farm by its owner and two assistants.

Theoretically, the rich plains of the "rice bowl" are adaptable to more mechanized farming, but so long as there is more than ample manpower for the size of the farms, most of the agricultural operations will continue to be done by hand.

An adequate supply of fertilizer is the key to any sustained increase in agricultural output in South Korea. After military assistance, chemical fertilizer is the biggest aid coming into South Korea. It is distributed largely by the South Korean Government through the Office of Procurement (previously the Office of Supply) and the National Agricultural Cooperatives Association. There are also some firms which import and sell fertilizer.

Methods of distribution have undergone changes almost every year. From 1946 to 1949, fertilizer distribution was carried out by the Korean Agricultural Association and the fertilizer was paid for in cash. In the latter part of 1949, responsibility for fertilizer distribution was transferred to FFA, which acted as both distribution agent and credit source until March 1956, when it was transferred to the Office of Supply. The following month, credit activities in relation to fertilizer were transferred to the Agricultural Bank. After the dissolution of the Agricultural Bank, these functions were passed on to the National Agricultural Cooperatives Association.

In 1954, for the first time, grain was collected in payment for fertilizer, and that year the farmers had a choice of paying in cash or in crops. Those paying in rice were offered a premium consisting of a certificate to buy a certain amount of fertilizer at low government prices. In 1955 fertilizer was paid for in cash and not in rice. In 1956 the government again established the policy of collecting grain for the fertilizer debt. In 1964, fertilizer is distributed either for cash or credit by the Agricultural Cooperative Association.

South Korean farmers strongly object to paying for the fertilizer with rice at harvest time when rice prices are lowest. They prefer to pay in cash so that, if the price of rice increases, they can profit by the increase. If adequate credit were available, and if the crop could be stored properly and used for collateral, then the farmer could hold his rice and attempt to sell it when prices were highest.

South Korean farmers are often unable to obtain fertilizer when they need it and can get only a small part of their allotment at one time: only a

few pounds may be given to a farmer at a time and, unless he has the money to buy on the black market, he is forced to wait for an additional allotment.

The difficulties encountered in fertilizer distribution are the first link in a chain of serious economic obstacles to increased production and better conservation practices. Since most Korean farmers still tend to use less expensive and less efficient fertilizers, only a small proportion of them can enrich their soil enough to fulfill its productive potential. Wider and more continuous use of chemical fertilizer would allow farmers--by increasing total vegetative growth--to produce directly on their fields more organic materials for fuel and soil improvement. This would minimize such common practices as stripping vegetation from already eroded hillsides in order to produce compost and ashes for improvement of lowland fields, since such hillsides are then subject to severe erosion and drought.

For the time being, Korea will have to depend on fertilizer imports from the United States. The nitrogen plant at Ch'ongju could supply only about 40 percent of the estimated nitrogen need for the South Korean rice crop, even if it were able to get raw materials. Even a second nitrogen plant of similar capacity, built by German interests at Naju, will not eliminate the need for United States aid. Better distribution practices will of course be necessary.

Livestock raising has always been relatively unimportant in Korea. Before World War II, animal products accounted for not quite 7 percent of the value to total agricultural output. Korea lacks good meadows and pasture land and the limited amount of farmland available is cultivated rather than utilized for grazing purposes. The food value of 1 acre under grain is much greater than the food value obtainable through feeding and slaughtering animals, and the

people are too poor to make meat a regular part of their diet and in any case appear to prefer rice to meat. Cattle are most important as a source of draft power and are normally fed rice hulls and other harvest discards.

Since the human population uses the land and its products so extensively, little feed is available, and there seems to be no possibility of livestock production becoming important in the South Korean economy in the foreseeable future. Farm animals are generally more plentiful in the North than in the South, although South Korean figures for 1963 indicate a substantial gain in the livestock population since the end of the Korean war.

Although forest lands occupy a large proportion of South Korea's total area of 38,175 square miles, the country's forest resources are seriously depleted. Since 1945, overcutting intensified by diversion of all coal to industrial uses, has reduced standing timber to nearly one half of the estimated total for 1942--65 million cubic meters. This denudation of forests not only has resulted in widespread erosion, flash floods, and substantial damage to the areas under cultivation, but has forced South Korea to import timber for its railroads, for general construction, and for other industrial uses.

Although the general fuel shortage is a major reason for overcutting, the damage is aggravated by a general lack of forest management. Until the Park government came to power, no adequate legislation controlled depredation of private forests belonging to the individuals or companies owning more than two thirds of South Korea's forest land. Technically, public and national forests were under the control of the Ministry of Agriculture, but forest guards exercised no authority over the national police and the army. These organizations reportedly were in the woodselling business as a tacitly approved way of adding to their meager pay.

The government has nevertheless made some progress in arresting the depletion of forests and in reforestation. Since 1953 millions of tree seedlings and small trees have been planted on denuded forest lands in South Korea. But a large-scale conservation program of major importance to the country's redevelopment, cannot be successful without cooperation by the farmers. Such cooperation is not likely to be forthcoming until some reasonably cheap fuel can be substituted for wood. In the meantime, the Park government has enacted the Forest Law, the Erosion Control Law, and Forest Products Control Law, and the Hunting Law in an attempt to deal with the problem.

Grain collection in South Korea is accomplished through the land tax, largely paid in kind. Introduction of a tax in kind has given the government direct means of obtaining large quantities of grain required for supplementing the salaries of its employees, supplying food to the armed services, and meeting civilian relief needs. It also provides the state with some insurance against depreciation of a substantial portion of its tax revenues under prevailing inflationary conditions. Actually the system has done little to reduce the overexpanded money supply.

Within the South Korean government, the Ministry of Agriculture and Forestry is the agency responsible for the collection of rice and summer grain crops. It also formulates and implements policies concerning the improvement and utilization of farmlands, irrigation, afforestation, village construction, livestock breeding, and farm guidance. Grain collection has been a chronic source of political trouble. Several Ministers of Agriculture have been forced out of office for failing to meet grain collection quotas. The failure has resulted not only from inefficient administration, especially at the local level,

but also from the dilatory behavior of the National Assembly of the Republic of Korea--behavior which has resulted in ineffective legislation. Legislators have been afraid to antagonize the farmers and have tended to leave loopholes in the laws and to provide inadequate enforcement machinery. Since 1954, improvement--probably caused by a cut in collection quotas--in collections of grain has been reported. As a result of the Park government's tax reforms, the land tax is no longer a government tax but is a local tax collected by the provinces and districts.

The grain shortage and related inflation have stimulated illegal economic activities. In November 1956 the heads of the Ministries of Home Affairs and Justice jointly warned individuals not to seek personal profit by manipulating grain prices and also urged that rice consumption be reduced by mixing other grains in main dishes. Manufacture of sweets and alcoholic beverages from rice alone was prohibited. But illegal distilling continued, and, between January and April of 1957, 52 provincial officials were charged with misappropriation of grain. In 1964 misappropriation of grain had extended to that imported by United States voluntary agencies, resulting in a widespread investigation of black market activities.

SUMMARY

To summarize the South Korean situation, agrarian reforms have been instituted on paper but little action has resulted. The lack of change has persisted through the administrations of Rhee, Chang, and Park and there is little indication that current plans will result in positive action. A partial reason for a conservative estimate of future change is the economic posture of the Republic of Korea: it, like all developing countries, finds it financially difficult to implement substantial agrarian reform programs due to the many demands upon tight government budgets. Also, developing countries with security problems, of course, experience even more budgetary pressure, regardless of the stage of economic advancement.

In the case of the Republic of Korea, government reform efforts have left the farmer as short of income and as hardpressed by debts as ever before. Concentration of land ownership is again rising and inflation is making the farmer's repayment of past and present debts even more difficult.

COUNTERINSURGENCY ANALYSIS

Agrarian reform activities have failed to achieve established goals and instead have been a source of complaint and frustration to the Koreans both under the Japanese and under the successor administrations of the Republic of Korea. The last three years of government reform efforts have left the South Korean farmer as short of income and hard-pressed by debts as ever before. In contrast to North Korea, industrialization in South Korea has not greatly reduced overpopulation and underemployment in rural areas--a situation which is hindering efficient crop production. The agricultural sector as a whole has been unable to increase production sufficiently to keep pace with the needs of the population. Rice production is so low that South Korea, once an exporter, now receives U.S. surplus grains.

Japanese policy did increase Korean agricultural productivity but the resultant increase was siphoned off for the benefit of Japan. The average land holdings per Korean farm family were above the Japanese average but lower soil productivity, lack of subsidiary occupations, and few opportunities for alternative employment kept the Korean farmers poverty stricken.

Since the end of 1945, a number of land reform programs have been instituted in South Korea. The original goal of increasing the land proprietorship base and reducing tenancy by the redistribution of former Japanese lands and the breakup of large private Korean holdings has been accomplished on paper but not entirely in fact. Exemptions, allowed at the discretion of the government, permitted some South Korean landlords to buy additional large tracts of Japanese land and has limited further redistribution. Continuing political pressure exerted by the large landowners on the South Korean Government have weakened the government's determination to achieve and maintain the original goals of land reforms.

The average land holdings at present are small even by previous Korean standards. The tradition that the land is generally inherited intact by the first-born son has driven many young men without hope for land to the city, where they have swelled the ranks of the unemployed without appreciably relieving overpopulation in the countryside.

Despite the efforts of the ROK Government, strong inflationary pressures on small holders since the end of the Korean war have produced a new trend toward centralization of ownership. In paying off debts, many small farmers again have lost the titles to their land and, apparently in most cases, stay on as tenant of the land they formerly owned. In essence, the initial benefits derived from land reform programs after World War II have largely been dissipated by inflation.

Failure to properly appreciate the role of and to implement meaningful programs to coordinate such economic factors as taxation, credit availability, fertilizer and farm equipment prices, marketing facilities and procedures, and of course stable currency has severely limited the success of the agrarian reform programs in Korea since the Korean War. Improvement in South Korea's agricultural production lies in the continuation of large scale United States aid and in sound policy measures taken by the South Korean Government designed to keep prices stable, lower the farmers' costs of production and provide them with better credit facilities.

Ultimately, increasing the stability and modernization of the entire South Korean economy will not be achieved by agrarian reform alone. Agrarian reform activities must be integrated into other national programs such as industrial development and all brought into balance with other governmental expenditures, such as defense and education, if real progress is to be achieved.

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For further information on agricultural credit, the International Monetary Fund has had advisory missions in the Republic of Korea and is considered the best authority on ROK public finance and fiscal policy. The I.M.F. would probably be a valuable source of information on past and present agricultural credit and price stabilization policies.

ENCLOSURE

Extracted from the State Department Report

Korea 1945 to 1948: A Report on Political Development
and Economic Resources with Selected Documents.

Department of State Publication 3305, Far Eastern Series
28, released October 1948.

Climatic conditions, terrain, and population density in south Korea necessitate an intensified system of agricultural production, which requires both irrigation and heavy utilization of natural and commercial fertilizer.

Grain production declined during and after World War II owing both to a decline in planted acreage and to a decreasing yield per acre. The primary reason for this decline has been the shortage of commercial fertilizer. During the war almost all chemical production, especially nitrogen production, was reserved for the Japanese war effort. Lack of fertilizer caused severe soil depletion during the war years. After the war the division of the country cut off practically all sources of commercial fertilizer. Since almost all chemical plants were located in the Soviet-occupied zone, only insignificant quantities of fertilizer were available for the 1946 crop. Heavy imports from the United States during subsequent years made it possible to increase the 1947 and 1948 crops.

Squeezed between a rapidly growing population and a declining food production, south Korea, formerly a net exporter of foodstuffs, became a food-deficit area. Furthermore, cereal imports from Manchuria have not been available since the war. The American Military Government, from the outset of the occupation, developed measures to meet the immediate shortages and to rehabilitate Korea's agriculture.

The program was based on two points:

1. A food import program to prevent starvation and to assure Korea's urban residents a bare subsistence diet until indigenous production could be increased to meet minimum food needs;
2. A fertilizer import program designed to restore the fertility of depleted soils and to increase agricultural production to levels at least as high as those that had been reached in the past.

From the beginning of the occupation through July 1948 the United States spent or obligated over \$250 million for assistance to Korea. Most of this sum went for such essential items as food, fertilizer, and agricultural supplies. Under the Foreign Assistance Act of 1948 \$20.5 million was earmarked for economic rehabilitation in Korea. Of the total appropriation for Government and Relief in Occupied Areas, \$95 million was allocated to Korea for the fiscal year 1949.

The \$250 million represented relief and rehabilitation supplies distributed in south Korea after the liberation in 1945 through mid-1948, including materials ordered from the United States and scheduled for delivery during the latter part of 1948. Furthermore the United States agreed, under the "Initial Financial and Property Settlement Agreement", to pay for most of the products ordered from Japan for the use of the Korean people.

Soon after Military Government was established in south Korea, it became evident that it would be necessary to institute a grain collection and distribution program in order to prevent starvation in the cities. The rice collection program did not start to operate until February 1946 and yielded only 75,000 metric tons, but the summer grain collection program for 1946, launched in June, netted over 87,428 metric tons, about one sixth of total production. In order to supplement indigenous production to meet the minimum needs of the non-self-suppliers in south

Korea, 180,848 metric tons of wheat, corn and flour were imported into south Korea from May through December 1946.

During the summer of 1946 and in 1947 grain collections were given highest priority by Military Government, with the result that the collection programs were a complete success, bringing in almost 100 percent of scheduled quantities of rice and summer grains. The rice collection in 1947 yielded almost 550,000 metric tons; the 1947 summer grain collection, 75,000 metric tons. About 30 percent of total production was collected. With the importation of about 450,000 metric tons of wheat, corn, rice, barley, and wheat and soya flour, it was possible to stabilize the food situation in 1947.

The rice collection program for 1948 was completed in February, with a total collection of 764,579 metric tons, or 97.6 percent of the established quota. The summer grain collection for 1948, nearing its conclusion in the middle of September, was also a success. In all provinces except South Cholla and Cheju over 100 percent of the quota was collected. The total collection amounted to slightly over 100,000 metric tons of polished grains or equivalent.

Agricultural production in south Korea increased significantly during the three years after 1945. Although heavy rains, floods, and typhoons destroyed a portion of the 1948 harvest and may affect the rice crop, the total crop yield of 1948 was very good, exceeding that of 1947. While in 1947 it was necessary to import 450,000 metric tons in order to balance the food position of the country, import requirements for 1948 were close to 350,000 metric tons.

Among the outstanding achievements of American Military Government was the lowering of farm rentals and the starting of a distribution of farm lands to tenants through the sale of formerly Japanese-owned lands.

Shortly after the United States Army arrived in Korea, Military Government issued an ordinance establishing maximum farm rentals at one third of the annual production of major crops. This action in effect almost doubled the farmer's share in his production and materially improved the economic status of a large sector of the population.

On February 21, 1946, Military Government created the New Korea Company to manage all formerly Japanese-owned properties, including farm lands. Eventually the New Korea Company took over the management of the farm lands of the former Oriental Development Company, the largest single landholding agency under the Japanese, and all other lands of Japanese nationals. In 1947 the New Korea Company managed 15.3 percent of the farm lands of south Korea, consisting of approximately 500,000 acres of paddy fields and 150,000 acres of dry fields.

In 1946 Military Government, in collaboration with the State Department's Economic Mission, developed a plan to transfer ownership of the land to the tenants who actually cultivated it. Annual payments, rendered in kind over a period of 15 years, were set at 30 percent of the major crop; in a later draft of the plan they were reduced to 20 percent per year, to continue over a 15-year period.

After consultation with Korean officials, the plan for distributing the former Japanese-owned farm lands was placed in effect with the issuance on March 22, 1948, of ordinance 173 of the South Korean Interim Government, under the terms of which the New Korea Company was abolished and its organization designated the National Land Administration. The purpose of this ordinance was "to assist landless tenant farmers to become independent farm owners also as to strengthen the agriculture of Korea by fostering wider ownership of the land, through sale of farm land which was formerly Japanese owned."

By the end of May 1948, after only two months of operations, the National

Land Administration had succeeded in distributing 76 percent of the total land earmarked for sale under this ordinance. Of the 587,974 farm units to be distributed, 448,513 had been transferred by sale, deed, and mortgage. The change in the land tenure pattern of south Korea that resulted from the operations of the National Land Administration was startling: by mid-1948 the number of owner-operators had risen by 126 percent over the 1944 totals, while the number of tenants had decreased by 56 percent as compared with 1944.