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NATIONBUILDING IN KOREA

by

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## ABSTRACT

TITLE: Nationbuilding in Korea

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Korea was of little strategic significance to the United States when World War II ended. While the United States provided civil and military aid to South Korea from 1945 to 1950, it repeatedly sought to disengage itself from the peninsula and to devote resources to more urgent strategic problems. The North Korean invasion in 1950 wedded South Korea to the United States and confronted the United States with the enormous task of nationbuilding. The inherent difficulties of this task were compounded by a number of factors: US global security responsibilities; US/ROK disagreements; and basic inexperience. Although the Korean economy did not take off until President Syngman Rhee was ousted from office, US aid from 1945-1960 helped lay a foundation for the Korean economic miracle that began in the 1960s.

## BIOGRAPHICAL SKETCH

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## I. INTRODUCTION

In 1952, the Republican party ended its 20-year sojourn in the presidential wilderness. Its “Joshua” was an outsider, a national hero who had led the country and its allies to total victory in Europe. The Republicans also benefited from general discontent that, so soon after the nation had sacrificed so much in the Second World War, it was spending huge sums of money to fight a Cold War around the globe and was sacrificing enormous human and financial capital in an endless hot war in Korea. Eisenhower thus entered office in 1953 carrying the expectations of the nation that he would not lose the Cold War and would bring the Korean conflict to a relatively speedy, and honorable, end.

When Eisenhower left office eight years later, the nation had neither lost the Cold War nor won it. Although the fighting on the Korean peninsula was over, Korea was not really at peace but had been transformed to a front in the larger Cold War. In addition, Eisenhower, believing Indochina to be yet another Cold War front, had assumed France’s burden there. Although the nation now views the Fifties as an idyllic era, in 1960 the electorate rejected the Republicans and chose Kennedy, thus signaling its view that the results of the prior eight years were less than perfect.

Since Korea—with Taiwan, Singapore and Hong Kong—is now one of the four “little dragons” in Asia, the United States can and does point to its efforts in Korea with pride. This paper will examine efforts the United States made to build a nation in Korea from 1945 to 1960. When we entered the peninsula in 1945, we expected our stay to be relatively brief and uncomplicated, but we quickly found ourselves entangled. The outbreak of hostilities in 1950 ended our efforts to disengage ourselves from Korea and bound us to another client state. By 1960, when both the Republicans in the United States and Syngman Rhee in Korea lost their grips on power, we could look back with mixed feelings on a long effort to build a functioning nation. Korea had not fallen to its

northern enemy, but it still could not stand without US support. Its economy had improved, but many thought that the effect of all the aid on Korea's economic performance should have been greater. Between 1946 and 1960, the United States provided Korea with economic and military aid in excess of \$4.2 billion, with all but \$45 million of this in the form of grants. Korea's economy did not take off until after this period. Indeed, the record suggests that the effectiveness of the aid provided was compromised both by US policies and by the policies of Syngman Rhee, Korea's leader from 1945 until his overthrow by South Korean students in 1960. It would, however, be a serious mistake to draw from the Korean example the lesson that the United States cannot help to build a prosperous, democratic nation. Despite the mistakes and difficulties, our efforts in Korea created the preconditions that made possible Korea's economic miracle.

## **II. THE ROOTS OF US INVOLVEMENT**

Although the United States committed itself in 1882 to aiding the Kingdom of Korea were it unjustly treated, it let Korea fall to Japan as the spoils of the Sino-Japanese and the Russo-Japanese wars at the turn of the century. In 1910, Japan formally annexed Korea and continued the already initiated process of integrating Korea into the Japanese economy, brutally suppressing the population and forcing much of the surviving opposition into exile.

During World War II, the prospect of victory in the Pacific theater forced the United States to develop an approach to the Korean peninsula. At the 1943 Cairo Conference, the United States, the United Kingdom and China committed themselves to an independent Korea "in due course." The Soviet Union tacitly agreed to this approach at Potsdam in July 1945, and again in its declaration of war on Japan on August 8, 1945. However, the Soviets made clear at Yalta, and again after Roosevelt's death, that they were also committed to a four-power trusteeship for Korea.<sup>1</sup> The trusteeship concept itself appears to have come from Roosevelt, who used the analogy of the US trusteeship in the Philippines in his meetings with Stalin at Yalta. Although



Roosevelt did not envision as lengthy a trusteeship for Korea as for the Philippines (20-30 years vice 50), the entire concept would soon encounter stiff resistance in Korea, which was eager to be rid of any and all colonial power after its long subjugation to Japan.<sup>2</sup>

### **III. LIBERATION AND THE INTRODUCTION OF KOREAN LEADERSHIP**

US operational planners had given little thought to Korea prior to its actual liberation. As the war neared its end, they scrambled to ensure that the United States would be in a position to influence post-war developments on the peninsula. Late on August 10, 1945, with Japan's collapse imminent and the Soviets in the Pacific war, Pentagon officials began working on General Order No. 1, which would provide MacArthur with guidance for accepting Japan's surrender. The officials quickly decided to have allies accept the surrender of Japanese troops in the zone most convenient to them, but since Russian ground forces were at Korea's doorstep while the closest US forces were in Okinawa, 600 miles away, they realized that hewing to this literally would leave Korea entirely in Soviet hands. In proposing to divide Korea at the 38th parallel, the drafters sought to draw a line as far north on the peninsula as they thought the Soviets would accept, knowing that the Soviets could occupy the entire peninsula before we arrived. Not having maps with existing political boundaries, the drafters proposed the 38th parallel because it divided Korea roughly in half, would give the United States Seoul and an allied POW camp and, when extended into Manchuria, would give Russia the port of Dairen (Dalian), which the drafters judged strategically important to the Soviets. The drafters then enlisted the support of the State Department to fend off Navy desires to propose the 39th parallel and capture Dairen. The President approved the order August 15, by which time the Russians were already near Seoul. Russia concurred in substance to the proposal on August 16 and drew US attention in its reply to the fact that the Liaotung peninsula in Manchuria, where Dairen and Port Arthur are located, was in its zone. When US forces under General Hodge entered

Seoul in September 8, they were relieved to discover that no organized Soviet units were operating south of the agreed line.<sup>3</sup>

While Roosevelt's strategic misreading of the course of US/USSR post-war relations probably doomed the entire trusteeship policy from the start, the nascent state of Korean politics presented additional obstacles to a smooth transition to Korean rule. The Koreans may have had a common enemy, Japan, and a common goal, independence, but they were far from united. Years of anti-Japanese struggle as well as the establishment of communist states and movements had created a host of generational, geographic and ideological differences among potential Korean leaders, both in and outside of Korea. Potential leaders had gone into exile at different times, settled in different places, and developed different goals for their homeland. Even in a single foreign location, there were often significant rivalries among influential Koreans; in 1945, for example, a Korean student who came to Chungking to join with fellow Koreans in fighting the Japanese found the Korean nationalist leadership there to resemble "a roaring beast fighting for a piece of meat."<sup>4</sup> With Japan defeated, the beasts began to return to the peninsula from their various foreign locations with their differing visions. Many of those returning viewed themselves as morally superior to those who had remained behind and survived under Japanese rule. The division of the peninsula into Soviet and American zones gave footholds to different views and exacerbated the tensions.

Those who returned did not enter a vacuum. Well before General Hodge's troops entered Korea, the Japanese governor general had asked Lyuh Wun-hyung, a moderate leftist who in 1944 had organized a secret underground society named the Alliance for Korean Independence, to form a political body that would take over the administration of the peninsula and protect the Japanese. The political body that Lyuh formed was initially called the Committee for the Preparation of National Reconstruction. It included both Nationalists and Socialists, although the extreme right-wing Nationalists did not join. When the Committee realized that the peninsula would

be divided into Soviet and American zones, it tried to preempt any permanent division by turning itself into a government, called the People's Republic of Korea. Although the fledgling national assembly chose Syngman Rhee as president and Lyuh as vice president, the name—as well as the fact that the proposed cabinet included communists—was an extremely poor choice for a government that would soon face Americans. It appears to have contributed to General Hodge's unfortunate decision—made before the State Department advisor he had requested arrived on the scene—not to deal with Lyuh and the other Koreans but to ask the Japanese to stay in place and help the Americans run their sector. This decision turned Lyuh's organization against General Hodge and led to an outbreak of protest against the American administration.<sup>5</sup>

The USSR, which had apparently done more long-term, strategic planning than the United States, did not disband the local units of the National Reconstruction Committee/People's Republic when it arrived but instead recognized the party's legality. The Soviet Union moved quickly to seal off its sector, installed Kim Il-sung and other Soviet-trained Koreans as party leaders in October 1945 and trained and equipped a large army. By mid-1946, the Kim regime was so secure that the Soviets could withdraw all but 10,000 occupation troops, and those that remained were relatively inconspicuous. While an examination of the Soviet rule is generally outside the scope of this paper, it should be observed that the Soviets gained a significant propaganda and political advantage in the struggle with the United States over the future of Korea by using the incipient Korean government, not establishing their own military government and withdrawing the bulk of their forces quickly. Still, despite the Soviet's more sophisticated political approach, thousands of Koreans reacted to Soviet economic controls and Kim's brutal suppression of possible rivals by fleeing south.<sup>6</sup>

The United States, by contrast, suffered from its lack of advance planning. Faced with demonstrations in the wake of its attempt to keep Japanese administrators, the US military welcomed the arrival of Syngman Rhee in Seoul in October 1945. Rhee had left Korea in 1912. In 1919, he became the head of the Korean Provisional

Government in exile, and he spent much of his time in the United States. His agitation for recognition of the provisional government was never granted and earned him the mistrust of State Department officials.<sup>7</sup> Rhee's outspoken anti-communism, while welcomed by the US military in particular, served to cover a multitude of faults, including his own elimination of challengers.

Although the US had invested little thought and capital in the idea of establishing a trusteeship for Korea, it stuck to the concept well after it should have been apparent that it was doomed to fail. The United States did not provide specific guidance for Korea to General MacArthur until October 17, when it laid out a specific objective of unification, starting from a period of interim civil administration by the United States and the USSR and moving through a joint US/USSR/UK/China trusteeship to independence. While it should have been clear that this plan was doomed, the United States continued to push the concept at a December 1945 foreign ministers' meeting in Moscow. Although the ministers agreed to the idea, the South Koreans rioted upon hearing the results. The Soviet Union pointed to the riots as evidence that it was the United States and not the Soviet Union that wished to prevent the implementation of self-determination and independence for Korea.

With the north cut off, the United States military government was left with the task of cooperating with the Koreans in its sector. This was a Herculean task, for, although Rhee was clearly the most important figure, the South Koreans were badly divided. By June 1946, there were 106 separate political parties fighting for influence in South Korea. Rhee himself was difficult to work with: he did not like General Hodge and agitated continuously against the US military government. In July 1947, the President accepted a State Department recommendation that civil administration in Korea be transferred to the State Department. Rhee continued to attack the whole concept of trusteeship, and in September 1947 a frustrated United States put its Korean problem before the United Nations in an attempt to disengage. Then, ignoring a poll that indicated that 57% of the people of South Korea supported a Soviet proposal that all

foreign troops be withdrawn from the country and that the Koreans be left to their own devices, the United States in October 1947 asked the UN to sponsor elections in Korea.<sup>8</sup> After failing to achieve agreement to peninsula-wide elections, the United Nations sponsored elections in South Korea on May 10, 1948, and the United States began to plan for troop withdrawals. Once it became clear that we were prepared to leave and that the South could not defend itself against the North, President Rhee became more conciliatory. In November 1948, the Korean National Assembly asked us not to withdraw until Korea could defend itself.

The United States was also trying to clarify its strategic vision for the future and compensate for its lack of prior planning. In 1947, the Joint Chiefs concluded that “the United States has little strategic interests in maintaining the present troops and bases in Korea.”<sup>9</sup> An NSC policy paper in April 1948 (NSC 8) advocated supporting a South Korean government “as a means of facilitating the liquidation of the U.S. commitment of men and money in Korea with a minimum of bad effects.” In addition, NSC 8 recommended that the United States avoid becoming so involved in Korean affairs that an action “by any faction in Korea or by any other power in Korea could be considered a casus belli for the U.S.”<sup>10</sup>

NSC 8’s recommendations were consistent with the JCS view that the United States had no strategic interest in Korea, and the United States moved to train and equip South Korea to defend itself. When President Rhee finally asked us to withdraw in April 1949, South Korea had 65,000 people in an army, 4,000 in a coast guard and another 45,000 in police units. Unlike the North Korean army, however, the South had little mechanized equipment; the weapons left by US forces were not very complex, a fact that, while it conformed to the reality of the inability of the local economy to maintain heavy weapons, placed the South at a significant disadvantage vis-à-vis its northern rival.<sup>11</sup> In pulling out, we turned over some \$57 million in military equipment to the ROK plus an additional \$85 million in equipment and supplies such as tractors, motors and barges. We also sought and obtained congressional approval for a Mutual

Defense Assistance Program, although obtaining the necessary funds under the program was difficult in the post-war environment.<sup>12</sup>

#### **IV. BUILDING KOREA S ECONOMY: THE INITIAL STEPS**

Although the Korean economy had not suffered a great deal of war damage, the transition of economic responsibility from Japan to the United States contributed to the political tension in Korea and created problems for a US administration that was not prepared for this role. Under Japan, South Korea had produced about 63% of the peninsula's agricultural output and only 24% of its heavy industrial goods. Most electrical generating plants were in the north, as was the peninsula's only chemical fertilizer plant. The South's loss of power and fertilizer hurt both industrial and food production badly. The influx of nearly 1.5 million refugees from China, Manchuria, Japan, and North Korea from August 1945 to August 1946 not only made the food shortage worse but also created a housing shortage and a severe labor surplus.

Even before US authorities considered disengagement from Korea, they were forced to manage the threat of starvation and the other economic problems. In May 1946, the United States began an Emergency Economic Program; by 1948 the United States had provided a \$25 million loan and another \$409.3 in relief funds to Korea. UN relief programs also provided an additional \$1 million worth of food, medicine and clothing. While the import of food and fertilizer under the relief program did help prevent starvation and hunger and raise the level of internal food production, the benefits of the programs were largely short-term. Although the emergency program did include longer-range economic rehabilitation projects, the United States lacked personnel with the language and cultural knowledge to execute them. Indeed, the United States continued not to cultivate such skills; as late as 1961, no US citizen employee at the Embassy in Seoul had an adequate working knowledge of Korean and it was estimated that the entire nation did not have one citizen of non-Korean ancestry who was fluent in the language<sup>13</sup>

Land reform often plays a critical role in the early stages of a country's economic development. In Korea, the issue took on added importance because many landowners were either Japanese or alleged collaborators. The fact that the Soviet Union moved swiftly in its sector to confiscate land from Japanese and Korean landlords and distribute it to the peasants made the more hesitant and less sweeping US approach vulnerable to a nationalistic charge that the South Koreans had simply exchanged one colonial master for another. The US military administration became the custodian for Japanese-owned land and property on behalf of a future Korean government. It took nearly two years for US authorities to survey their holdings, and much of the property deteriorated in the interim. In March 1947, US authorities finally decided to sell their holdings to responsible and efficient purchasers and thereby create a free enterprise system. Unfortunately, few Koreans had the means to purchase the property and land. Of those that did, few wished to risk their capital, given the continued division of the country and the resultant political uncertainty. Poorer Koreans believed that their blood, sweat and tears during the years of Japanese rule should be counted as capital and that the land and property should be distributed to the people. At least one US official dismissed this sentiment, saying that "we Americans do not approve of the idea of free distribution of somebody's property to someone else,"<sup>14</sup> a remark that reflects a considerable degree of cultural and political insensitivity. Land reform also ran into opposition in the national assembly from South Korean landlords, who did not wish their land to be confiscated, as had occurred in North Korea, and redistributed in a thorough reform.<sup>15</sup> Without such reform, however, the agricultural sector's contribution to economic performance was diminished.

By the time the Korean government took over in August 1948, the United States had managed to sell most of the former Japanese land to the tenants who had farmed it. The new government enacted its own land reform law in June 1949. It was designed to allow the government to purchase all untilled land and all land holdings over 7.5 acres and to subsidize the sale of such land to the peasants. Unfortunately, Rhee did

not wish to antagonize his landlord supporters and so did not implement the law thoroughly.<sup>16</sup> Problems with reform was one reason that agricultural production neither met the country's needs nor contributed much to its development.

## V. THE WAR YEARS

Despite its belief that defending Korea ran counter to US strategic interests, the United States responded forcefully to the invasion of South Korea. Since the Soviet Union was boycotting the UN Security Council because "their" (communist) Chinese had not been given nationalist China's seat in the UN, the United States also obtained UN backing for South Korea's cause. When total victory slipped away after Red China's intervention, Syngman Rhee's inability to accept the continued division of the peninsula contributed to the difficulties that the United States and its UN allies faced in ending the conflict and strained the US/ROK relationship.

To many US officials, Syngman Rhee must have looked like an ingrate. By trying to block a return to the status quo ante, Rhee refused to recognize the risks the United States had taken and the price it had paid in coming to the defense of a place it thought unimportant to American security. In trying to end the conflict, the United States negotiated not just with the enemy but also with Rhee and UN allies. By May 1953, before Rhee's June release of the Chinese prisoners that were being used as bargaining chips, US officials were so frustrated that General Clark drew up a plan to kidnap Rhee and take him to Japan. Although the Joint Chiefs conceptually supported a coup, Washington decided to offer Rhee a security treaty and aid.<sup>17</sup> Rhee cooperated grudgingly, refusing to sign the armistice and continually stirring the pot by threatening to attack the North unilaterally and bring the US back into the conflict under his view of the Mutual Defense Treaty.

Political developments in South Korea during the war also revealed Rhee's flawed commitment to democratic values. Realizing that the National Assembly would



not reelect him to the presidency when his term expired in 1952, Rhee used the police and a terrorist group to pressure the Assembly into changing the constitution to provide for direct presidential elections and then dumped his vice president to eliminate a possible rival. He equated opposition to his rule with North Korean desire to conquer free Korea, used martial law to quell regional opposition and suspended Voice of American operations for its factual reporting of events in South Korea. President Truman protested Rhee's manipulation of the National Assembly and many in the United States came to view him as a liability.<sup>18</sup>

## VI. BEGINNING AGAIN: SECURITY

However the United States viewed Rhee, the war effectively welded Korea onto US security interests and gave Korea a claim to US humanitarian aid. Since the war had ranged over the entire peninsula, these humanitarian needs were considerable. While accurate statistics are unavailable, estimates suggest that civilian casualties exceeded one million and that another five million people lost their homes and properties. More refugees came south, and there were about 22 million people in South Korea at the armistice. Many industries in the Seoul-Inchon area were completely ruined and others suffered major damage. Agricultural production dropped during the war, and the infrastructure throughout the country—transportation and irrigation/flood control systems, public buildings, electrical generating plants—suffered an estimated \$3 billion in damage, a very large amount for such a poor country. Both inflation and the national debt ballooned during the war. As hostilities ceased, some 90% of industry was idle, and per capita output was under \$50 per year.<sup>19</sup>

Despite the pressing humanitarian situation, security remained the first priority for the United States. Having sacrificed so much, US leaders could not return to their pre-war view that Korea was of little strategic interest to the United States. This fact gave South Korea leverage over our actions and access to the US purse. President Rhee traded his agreement not to block further the armistice that ended the hostilities on June 27, 1953, for US commitments to a mutual defense treaty and aid. The United States sent a mission to Korea under General Van Fleet to determine the scope of the treaty and the extent of US aid. The mission allowed Rhee the opportunity to exploit differences between Fleet and Eighth Army and Embassy officials over the cost to the United States and the inflationary effects on the weak Korean economy of any force expansion. After difficult bargaining that extended beyond the signing of the Mutual Defense Treaty on October 1, 1953, the United States agreed in May 1954 to support a Korean force level of 720,000, including 20 active army divisions. The United States, however, did not agree to provide the Korean forces with the latest US equipment. This

point gave the United States considerable leverage over ROK behavior—if not Rhee’s invasion rhetoric—and thus immediately became an irritant. Since the armistice agreement itself prevented new types of equipment or additional weapons from being introduced into Korea, thus forcing the United States to equip Korea with material on hand,<sup>20</sup> it remained an irritant for a considerable period.

South Korean forces never actually reached 720,000. Supporting such a force would have been formidable under any conditions, but the problems were magnified by South Korean complaints about lack of consultation, by North Korea’s continuing build-up of forces in violation of the armistice, and by severe US defense budget limitations. The consultation problem was solved in 1955 when a Military Assistance Advisory Group was established within the US command to facilitate joint planning with the Koreans. It was more difficult, however, to counter the North Korean buildup in the face of budget constraints. Elsewhere, the United States dealt with its defense budget problem with the New Look policy, but US officials, knowing that the control over nuclear weapons could only be unilateral and that this unilateralism would give the South yet another reason to complain, did not rush to introduce nuclear weapons into the Korean peninsula.

Once the 1954 Geneva conference reached an impasse over Korea, US policymakers began to argue whether North Korean armistice violations justified a US abrogation of its own armistice commitment not to introduce new weapons into Korea. After much discussion, State and Defense finally agreed on a modernization program to correct the force imbalances that had developed since the fighting ended. Even after agreeing, State proceeded cautiously, not wishing to give the North cause to declare the Armistice void and fearing negative world opinion. In May 1956, State passed to the Defense Department the State Legal Advisor’s opinion that the United States could unilaterally interpret Article 13(d) of the Armistice and replace worn-out equipment with modern hardware of the same type. The Defense Department, which wished to solve

the problem with nuclear weapons, countered with its own lawyers and pushed to suspend Article 13(d), not reinterpret it.

Eventually, Defense won the argument. In 1957, the United States began to solicit support from the relevant UN nations in the UN command for suspending Article 13(d). Although the United States had some difficulty documenting North Korean violations convincingly, it eventually obtained the required support and in June 1957 told the Neutral Nations Supervisory Committee (NNSC) monitoring the Armistice that the US side would no longer provide the NNSC with reports on replacement weapons, aircraft and equipment. With this accomplished, the United States began to modernize its own forces' equipment and introduced atomic weapons into the theater. The ROK continued (unhappily) with old equipment until 1959, when a mission under General Draper concluded that the ROK's ability to fight was so degraded that some modernization was imperative. The United States simply ignored Korean desires to be given some role in the use of nuclear weapons.<sup>21</sup>

The United States and Korea also disagreed over the appropriate way for Korea to finance its support for US forces and equipment. The outbreak of hostilities in 1950 brought back to Korea large numbers of US and foreign troops. These troops needed to purchase locally goods and services to function. Following its customary practice, the United States accepted advances of local currency (*won*) from the fledgling Bank of Korea. The Bank, representing the Korean government, obtained some *won* by selling to Koreans the food and other aid items that were entering the country, but, since the country's poor economic state gave the government little chance to collect *won* by taxation, much of the currency advanced to the US/UN forces was simply printed on the government's presses. This, of course, contributed to inflation, which was also being fueled by the demand for goods and services stemming from the foreign troops. The inflation could not be confined to the military portion of the economy, and the precise extent of the wider economic damage it fostered became a matter of debate between the United States and Rhee.

During the Korean War itself, the United States exploited Korea's desire to be repaid in dollars for the *won* it had advanced us by linking repayment to a cessation of hostilities, a cessation that President Rhee was reluctant to accept. The issue was contentious: the Koreans believed repayment was the magic solution to all their economic problems; the US Defense Department argued that the United States should charge Korea for the military equipment it was providing; and the US State Department was sympathetic to Korean concerns. Eventually, the United States paid Korea \$12 million in 1951, another \$85 million in December 1952 and smaller amounts in between.

The repayment problems outlasted the actual hostilities. From 1954 on, both sides tried to use a pay-as-you-go plan, which reduced the acrimony, but the sheer size of the US/UN forces' need for *won* fueled continuing differences over the exchange rate.<sup>22</sup> During the first half of 1954, the huan/dollar exchange rate plunged from 15-1 to 180-1 but failed to stabilize. In November, Rhee got UNC officials to agree to purchase huan at a fixed rate of 500-1, at a time when the black market rate was 800-1. The United States agreed to continue the 500-1 rate a year later and later extended the rate through 1957, giving the South a good deal of breathing room to work on its inflation problem.<sup>23</sup>

Since the cessation of hostilities did not end the North/South enmity, the ROK government continued post-war to spend for defense massive amounts of money that were then unavailable for productive economic development. With the United States providing about 77% of Korea's military budget via military assistance—\$527.8 million from 1953-1957, \$331.3 million in 1958, \$190.5 million in 1959 and \$190.2 million, as well as an addition \$133 million in Title I common defense grants from 1953-1959—South Korea itself did not bear the full weight of its defense burden, but its sacrifices were considerable.<sup>24</sup>

## VII. BEGINNING AGAIN: ECONOMY

The Korean War did far more damage to the peninsula than the Second World War. President Eisenhower clearly recognized the magnitude of the problem and wanted to mount a broad response, but his initial vision quickly gave way to more pressing concerns. Having promised Syngman Rhee aid during negotiations over the armistice, Eisenhower acted swiftly to fulfill this promise. On July 27, 1953, two days after the armistice was signed, he asked Congress to spend \$200 million for reconstruction in Korea, with the money to come from Defense reductions attributable to the cessation of hostilities (a “peace dividend”). On July 31, Eisenhower went further in a memo to Secretaries of State and Defense, Dulles and Wilson, and said that the Eighth Army under General Maxwell Taylor had a golden opportunity to rebuild South Korea. He saw it as “something almost unique in history. It is the opportunity of an army in a foreign land to contribute directly and effectively to the repairing of the damages of war; to rebuild and revive a nation, to give to itself the satisfaction of constructive and challenging work, dedicated to the preservation and enhancement rather than to the destruction of human values.”<sup>25</sup>

Eisenhower appears to have envisioned an extensive nationbuilding program for the United States, with the Eighth Army rebuilding roads, railways, schools, and hospitals; training teachers and medical staffs; and generally transforming Korea. Under the Armed Forces Aid to Korea (AFAK) program, which was begun as a private effort by individual soldiers during the Korean War and received small amounts of money from the official budget for several years thereafter, the Eighth Army did provide building material and technical advice for many projects built by Korean labor, and the UN and missionary organizations also carried out reconstruction work.<sup>26</sup>

But Eisenhower’s grand vision was never realized. The Secretaries of State and Defense, as well as General Taylor, had other concerns. In Korea, the Army needed to construct a good defensive line, for the threat of renewed war was still present. The

Secretary of Defense could not afford to divert precious defense funds to nationbuilding in a country that he probably regarded as a sideshow to the real issues facing the United States. And Secretary Dulles' attention had turned to Vietnam, Iran and the other hot spots of the world. Once the Korean armistice was signed, Vietnam, in particular, became Dulles' next crisis to solve. Both the Korean and the Vietnamese issues were agenda items for the 1954 Geneva conference, but no one expected the conference to solve the Korean issue. When the impasse was reached, the participants quickly shifted their discussion to Vietnam.<sup>27</sup>

With the top agency officials increasingly focused on global security, it is not surprising that their subordinates moved Korea to the backburner. The President himself never objected to the lack of progress on the vision in his memo and probably knew the vision was idealistic. In the face of the perceived communist threat in Southeast Asia, the Middle East and Europe, the purposes of US aid were changing. From 1944-1946, US aid was designed to provide relief and rehabilitation; from 1946-1951 longer-term reconstruction. The Korean War then "transformed military aid from a minor to a major aspect of the American program."<sup>28</sup> While the percentage of US aid allotted to military assistance was 24% in FY-51 and 38% in FY-52, the FY-53 allocation, the first under the Military Security Act of 1952, channeled over two-thirds of all foreign aid to military assistance. The intensification of the Cold War triggered by the outbreak of hostilities on the Korean peninsula thus made it almost impossible for Korea to become the beneficiary of a program along the lines of the Marshall Plan. While a perception that Syngman Rhee was difficult to work with may have made it emotionally easier for the Congress not to allocate more money, it seems unlikely that the amount Korea actually received would have been much higher had Rhee been more popular.

Even though US priorities centered on security, the Eisenhower administration provided a great deal of non-military assistance to Korea. The \$200 million in post-armistice reconstruction aid was accompanied by an additional 10 million pounds of

food. In 1953, the new Administration sent Henry Tasca to Korea to investigate Korea's economic situation. Subsequently, the National Security Council established the position of Economic Coordinator "to coordinate all US and UN aid programs, including those of the United Nations Korea Reconstruction Agency and of the Korea Civil Assistance Command," with a view to preventing Rhee from disrupting the Armistice.<sup>29</sup>

### **VIII. FOSTERING FREE ENTERPRISE**

The United States continued to inject its values into Korea by trying to reduce state control of enterprise. Members of a congressional subcommittee visited Seoul in October 1953 and "blamed the low production in South Korea on government ownership of the basic industries. As a remedy they proposed that the constitution be amended so that commercial activities by both private and foreign investors could be encouraged."<sup>30</sup> In 1954, three US governors visited Korea at Eisenhower's request and backed efforts to encourage private and foreign investment. South Korea amended its constitution and, to implement terms of a 1954 economic agreement with the United States to encourage private ownership, proceeded to sell over fifty government-owned industries to private concerns and to conclude a series of contracts with foreign private companies

As the above suggests, US aid programs were not conducted in a planning vacuum, and Henry Tasca and the three governors were not the only inputs into the planning process. The 1954 Nathan Report, prepared for the United Nations Korean Reconstruction Agency (UNKRA), "advocated specific projects and programs in various sectors of the Korean economy, and served as a guide for subsequent program planning for both the UNKRA and the United States. " In 1955, the UN command and the Embassy presented the incoming US Ambassador with its assessment of the US rehabilitation effort, which was then beginning its third year, telling the Ambassador that



the goal of a viable Korean economy was as far away in 1955 as it was when the programs began in 1953.<sup>31</sup>

At economic discussions in Washington in August 1955, the United States and Korea agreed to speed up the reconstruction and rehabilitation program. The US Embassy's annual report for 1955 said that, while industrial production was 55% higher than that of 1949 (a low base year), grain production was lower in 1955 than it had been in 1949 and GNP had risen only 2.9% from the previous year. A year later, the Embassy reported no or negative progress on inflation, the foreign trade gap, and agricultural production, but recognized that manufacturing and minerals production were up and that the Korean economy was moving from the reconstruction phase to the more difficult phase of genuine economic development.<sup>32</sup>

In 1957, the Senate sponsored a survey of the Korean economy as part of a comprehensive review of US aid programs. While the survey team recognized that some US aid was being used for industrial, mining, transportation and other infrastructure projects, it admitted that aid to Korea was of necessity dominated by security considerations and that economic progress would therefore be slow. The team's suggestions were thus relatively modest and/or obvious: try to reunite the peninsula, maintain a strong defense, make the economy a priority, keep US economic advisors in country longer than 18 months for continuity, train Koreans, conduct a geological survey, and set a realistic exchange rate.<sup>33</sup>

The belief that Korea was leaving the reconstruction/rehabilitation phase inevitably had an effect on the amount of aid the United States was prepared to provide. The total amount of military and economic assistance dropped from \$622.1 million in 1958 to \$463.3 million in 1959, and continued generally to drift lower.<sup>34</sup> Korea was further affected by a worldwide reduction of 20% in American aid for FY-58. The drop in aid levels served to raise the level of tension between Korea and the United States, with Korea complaining that the United States was trying to control its economy

and refusing to train local leadership and the United States sensitive to the political structures and stubbornness that made effective use of the aid difficult. The United States management presence in Korea was also often divided over the control of US aid. Those today who feel that the Department of Defense should stick to defense should recall that, due to US military opposition, the Embassy did not establish a normal country team under the direction of the Ambassador until 1959, when the Ambassador finally wrested control of the economic assistance program from CINCUNC. (The Ambassador's victory was incomplete: the CINC kept his independence over the control of military programs in Korea and their funding.)<sup>35</sup>

## **IX. ECONOMIC RESULTS**

From 1953-1960, South Korea benefited from over \$2 billion in foreign aid, most of this from the United States. US aid accounted for over one-third of the government's budget, nearly 85% of Korea's imports and almost 75% of fixed capital formation. The aid prevented the economy from collapsing, but growth was very slow and uneven with per capita income only rising from \$67 in 1953 to perhaps \$83 by 1961. Some of the assistance undoubtedly demonstrated the validity of the law of unintended consequences. For example, food assistance under US PL-480, while probably essential to survival—at least initially, given the land reform problems—was not simply an altruistic program but allowed the USG to dispose of US agricultural surpluses. Thus, the import of US grain in 1957 contributed to a serious drop in the price for a bumper crop of rice, a drop which hurt Korean farmers and damaged the prospects for rational agricultural development.<sup>36</sup> Rice production during this period was nearly flat, rising from 2.143 million tons in 1954 to just 2.294 million tons in 1960, a devastating figure for an agricultural nation seeking to modernize.<sup>37</sup>

## **X. FALL OF RHEE S GOVERNMENT**

While Rhee retained his office in the 1956 and 1960 elections, it was clear that much of the populace was dissatisfied with the state of affairs. During the 1956 campaign, the opposition Democratic Party held its traditional disunity in check and attacked Rhee's Liberal Party incessantly for corruption and its failure to improve economic conditions. Their presidential candidate, although he died mid-campaign of a heart attack, won 1.8 million of 8.7 million votes. Rhee's vote total dropped to 56%, down from 80% in 1952 when he benefited from war fervor. The Democratic Party's vice presidential candidate beat the Liberal Party's candidate, creating a serious threat to the Liberals for 1960, by which time Rhee would be 81.

Rhee's economic performance had never been strong, and, as it worsened with age, the opposition's strength grew. In 1958, the Democrats increased their representation in the Assembly, and the Liberals, seeing the handwriting on the wall, took advantage of their majority to pass a national security law that allowed them to intimidate the opposition with threats of imprisonment for disseminating 'communist' propaganda. The Liberals, thinking beyond Rhee to their own future, marshaled their forces in 1960 to retake the vice presidency. The Democratic Party again ran a corpse for president, its candidate having died in the United States on a medical trip, and Rhee took nearly 89% of the vote. In addition, the Liberals' VP candidate crushed his popular incumbent opponent, 8.225 million votes to only 1.85 million.

The margin of victory strained beyond the breaking point the electorate's willingness to tolerate corruption. There were demonstrations and protests, which grew in size during the month after the March 15 election. Over 100,000 people marched in Seoul on April 19, leading the government to declare martial law and to move troops into the city to enforce a curfew, an effort which resulted in some 115 fatalities. With Rhee appearing not to understand the depth of the feeling against him, the United States distanced itself from his government by issuing a statement regretting the use of

repressive measures unsuited to a true democracy. On April 27, Rhee resigned; and in May he left Korea for the United States.<sup>38</sup>

## **XI. CONCLUSION: SO WHAT?**

Given the chaos that existed from 1945-1953 and the fact that the United States had relatively little experience in creating a functioning nation from scratch, it is not surprising that the record is checkered. Nationbuilding proved to be difficult. Working from its unique, “Yankee-ingenuity” national heritage, the United States sometimes attempted to impose its own system upon Korea and often failed to appreciate the sensitivities of a people seeking to rid itself of a colonial yoke. But the Koreans themselves proved difficult to work with. Much of the blame for the ill feeling that not infrequently manifested itself must be laid at the feet of Syngman Rhee. While he does not appear to have been corrupt in the sense that he used his power to influence economic developments to enrich himself or his family, he did use his position to ensure that he and his party remained in power. Rhee’s commitment to uniting Korea also served to keep the nation on edge and probably reduced the willingness of those with money to invest it in the sort of capital-intensive, long-term projects that produce jobs but defer profits. Industrial development in the South was further delayed by a hope that quick reunification would give the South access to the North’s heavy industry. It was also difficult for the Rhee government to sponsor thorough agricultural reform without hurting its own supporters and benefiting those in the opposition with strong rural ties.<sup>39</sup>

All South Koreans today who are happy not to be ruled by North Korea’s “Dear Leader” should be grateful that President Truman and his key lieutenants at State and Defense had not heard of Philip Crowl’s six questions when they gathered together in June 1950 to decide on a response to the North Korean invasion. To be fair to Crowl, it is clear that these US officials had thought along the lines of Crowl’s first question—what’s it all about?—even if they had not seen the question in print. And the consensus

judgment was that South Korea wasn't worth it, i.e., it lay outside the sphere of our true security interests and we ought to avoid being drawn into a larger war with more serious enemies by becoming entangled in its affairs. In retrospect, of course, this was the wrong answer. Truman committed the nation to Korea's defense, and, if officials dissented, they apparently did so silently. Over fifty years later, with the effort seemingly vindicated by time, we ought to look more favorably upon our actions in Korea.

The course of events as described in this paper suggests that we ought to be careful about claiming too much credit for having aided the Korean miracle through calculated, rational actions of our own. We certainly restored the balance of power on the Korean peninsula, gave Korea a significant amount of aid, helped alleviate much hunger and suffering, and periodically evaluated what we were doing. We also apparently chose not to take the time to educate our own officials about the land and its people, rotated officials so frequently that we failed to maintain continuity, and hurt our own effectiveness by internal wrangling.

The record in Korea seems to suggest that nationbuilding is a long and arduous task and that one does not need to get everything right to reach the ultimate objective. We should not limit ourselves to doing only what we know we can do well. While our efforts and our tolerance of the Rhee government's anti-democratic behavior may be criticized, the United States, whatever its limitations in execution, did give the Koreans millions of dollars annually while the Cold War was raging and did so hoping ultimately to create a free, prosperous and united Korea. When the Korean economic miracle finally began, it was aided by the fact that we had given, and not loaned, so much. Korea has developed both economically and politically along the lines that we favor. While the United States considered overthrowing Syngman Rhee, it proved to be the Koreans themselves who ousted their president, a move which opened the door to real economic growth. The Koreans thus can reasonably claim that they themselves exercised the right that is enshrined in our own Declaration of Independence to alter or

abolish their government whenever it becomes destructive of life, liberty and the pursuit of happiness. Korea is not yet reunited, but, despite all the delays and mistakes, it is not unreasonable to predict that the goal of all the blood and all the aid we have provided may at last be realized in toto.

## ENDNOTES

<sup>1</sup>Matthew B. Ridgway, The Korean War, (Garden City, NY: Doubleday & Co., 1967), pp. 4-5. James F. Schnabel, Policy and Direction: The First Year, (Washington, DC: Center of Military History, United States Army, 1992), p. 7.

<sup>2</sup>Richard C. Allen, Korea's Syngman Rhee: An Unauthorized Portrait, (Tokyo: Charles E. Tuttle Co., 1960), p. 66.

<sup>3</sup>Schnabel, pp. 9-16.

<sup>4</sup>Quoted in Andrew C. Nahm, Korea: Tradition & Transformation, (Elizabeth, NJ: Hollym International Corp., 1988), p. 317.

<sup>5</sup>Allen, pp. 74-75; Nahm, pp. 331-332, 340-341.

<sup>6</sup>Nahm, pp. 333-334.

<sup>7</sup>Allen, p. 5.

<sup>8</sup>Nahm, p. 357; Allen, pp. 80-90.

<sup>9</sup>Harry S. Truman, Memoirs, vol. 2, Years of Trial and Hope, (Garden City, NY: Doubleday & Co., 1956), p. 325.

<sup>10</sup>Quoted in Donald S. Macdonald, U.S.-Korean Relations from Liberation to Self-Reliance: The Twenty-Year Record, (Boulder, CO: Westview Press, 1992), pp. 5-6.

<sup>11</sup>Providing an ally with inferior equipment is, of course, one way for the major partner to constrain the inferior's freedom of action. After the Korean War, the United States clearly used equipment transfers to keep Rhee and the South Koreans on a tight leash and prevent them from attacking the North and dragging us into another conflict. How prominent a role such considerations were playing at this point in time is unclear, but it certainly was not as large as it later became.

<sup>12</sup>U.S., Department of State, The Conflict in Korea, Far Eastern Series 45, no. 4266 (1951), pp. 9-11.

<sup>13</sup>Nahm, pp. 353-354. Edward W. Wagner, "Failure in Korea," Foreign Affairs 40 (October 1961), p. 130. According to Wagner, no one at the Embassy rated higher than two on the five-point language scale. The lack of interest in official US circles probably

reflects a lack of interest in the country as whole, for Wagner's article was the first article on Korea in this journal since at least 1952.

<sup>14</sup>Bong-youn Choy, Korea: A History, (Tokyo: Charles E. Tuttle Co., 1971), p. 353.

What a native American would say about this remark can be imagined.

<sup>15</sup>Nahm, p. 354.

<sup>16</sup>Choy, pp. 354-355.

<sup>17</sup>Nahm, p. 430. It may be a difference of perspective, but I believe that it was worth paying the price in loss of life by US/UN forces resulting from the extension of hostilities caused by Rhee's release of the Chinese. Having begun a war to preserve freedom in Korea, we should not have ceded the moral high ground by trading Chinese, whose desire to stay in our zone clearly validated the values we were fighting to defend. By acting, Rhee may have saved us in spite of ourselves. From a more political point of view, trading Chinese after Truman "lost China" might have turned into a political disaster for the Administration.

<sup>18</sup>Allen, pp. 137-147; Nahm, pp. 427-429.

<sup>19</sup>Choy, pp. 346-350; Allen, p. 192.

<sup>20</sup>Macdonald, pp. 95-96.

<sup>21</sup>For this and material in preceding two paras, see Macdonald, pp. 77-79, 96. The fact, if true, that the United States could not easily document North Korean violations must have sparked some interesting discussions.

<sup>22</sup>Macdonald, pp. 82-85, 262.

<sup>23</sup>Allen, pp. 195-196; Kyung Cho Chung, New Korea: New Land of the Morning Calm, (New York: Macmillan Co., 1962), pp. 29-31.

<sup>24</sup>U.S., Agency for International Development, U.S. Overseas Loans and Grants and Assistance from International Organizations: Obligations and Loan Authorizations July 1, 1945 - June 30, 1964: Special Report Prepared for the House Foreign Affairs Committee, p. 63; and David I. Steinberg, The Republic of Korea: Economic Transformation and Social Change, (Boulder, CO: Westview Press, 1989), p. 109.

<sup>25</sup>Stephen E. Ambrose, Eisenhower, vol. 2, The President, (New York: Simon and Schuster, 1984), pp. 108-109.



<sup>26</sup>Allen, p. 192.

<sup>27</sup>Ambrose, p. 108; Townsend Hoopes, The Devil and John Foster Dulles, (Boston: Atlantic Monthly Press, 1973), p. 226. According to Hoopes, the Korean phase of the conference started first and deadlocked immediately, with the ROK calling for the UN to supervise peninsula-wide elections and the DPRK responding that the UN's "illegal" intervention in 1950 rendered it incapable of playing a neutral role. Rhee, of course, knew his position would be unacceptable to the North, which had just one-third the population of the South.

<sup>28</sup>U.S., Congress, Senate, "The Objectives of United States Economic Assistance Programs," prepared by the Center for International Studies at the Massachusetts Institute for Technology, in Foreign Aid Program: Compilation of Studies and Surveys, 85th Cong., 1st sess., 1957, S. Doc. 52, pp. 4-6.

<sup>29</sup>Macdonald, pp. 252-253.

<sup>30</sup>Choy, p. 348.

<sup>31</sup>Macdonald, pp. 268-270.

<sup>32</sup>Macdonald, pp. 270-272.

<sup>33</sup>U.S., Congress, Senate, "Survey No. 5: Korea, Japan, Taiwan (Formosa) and the Philippines," prepared John A. Hannah, President, Michigan State University in Foreign Aid Program: Compilation of Studies and Surveys, 85th Cong., 1st sess., S. Doc. 52, pp. 1375-1384.

<sup>34</sup>Agency for International Development, p. 63.

<sup>35</sup>Macdonald, pp. 277-281. The fact that DOD played the lead role for so long is not all that surprising, given the military threat in Korea and the need for all efforts to be guided by that threat. The fact that DOD held the lead for so long may help explain why the Embassy had little language expertise in the early 1960s: with the diplomats in the back seat, why bother learning Korean?

<sup>36</sup>Pong S. Lee, "United States-Korean Economic relations and Their Impact on Korean Economic Development," in The Problems and Prospects of American-East Asian Relations, ed. John Chay (Boulder CO: Westview Press, 1977), pp. 225-226, Macdonald, pp. 278-279.

<sup>37</sup>Steinberg, p. 123. The statistical picture from this period, like the progress it seeks to measure, is uneven. One analyst claims the GNP fell 15.1 % in 1950 and 6.1 % in 1951, then rose 8% in 1952, 25.7% in 1953, 5.2% in 1954, 4% in 1955, and 0.3% in 1956 ( Jounghwon Alexander Kim, Divided Korea: The Politics of Development 1945-1972, Harvard University Press, Cambridge, MA, 1975, p. 146). Another claims that, from 1955-1960, the economy grew only 2.3% per annum, measured in 1955 terms. (Choy, pp. 349-350). Still another claims that the GNP was about one-third of its 1940 level in 1953, grew annually an average of 4.8% from 1953-1958, and then declined to about 3.5% growth by 1961. (Lee, p. 226.) One estimate placed the unemployment rate in 1960 at 25% (Wagner, pp. 130-131), but the fact that few others cite unemployment figures may indicate a quality problem with the calculations from this period. By one measure, exports were only averaging \$20 million per year in comparison with \$200 million for imports (Wagner, pp. 130-131); by another even-year exports from 1952-1960 exceeded \$25 million per year, with imports for this period exceeding \$313 million per year, on average (Lee, p. 224).

<sup>38</sup>Allen, pp. 204-242. Many analysts lay much of the blame for Korea's poor economic performance at Rhee's feet and cite Rhee's unwillingness to trade with Japan as an example of his lack of economic understanding. Rhee was no economist. But neither was Japan an economic powerhouse during the 1950s. It is difficult to quantify just how much damage to Korea's economy was caused by Rhee's hostility to Japan in particular, or by his economic ignorance in general.

<sup>39</sup>Steinberg, p. 127. The mismanagement of the agricultural sector was probably a big mistake and it was fortunate that Korea had a patient benefactor in the United States. From a tour in Taiwan, I received the impression that the KMT's land reform program, which took land from landlords and distributed it to peasants, with the landlords being given shares in the fledgling government-run heavy industries, turned into a powerful locomotive for economic development. Agricultural production increased tremendously once the peasants were tilling their own land, and the government could levy a stiff tax in kind without discouraging production. The KMT government sold the produce it received in taxes and used the money to finance industrial development.

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