

COMMENTS ON PROFESSOR AHN'S PAPER:
KOREA IN THE YEAR 2000

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Let me start by expressing my admiration for Professor Ahn's very comprehensive paper, and also my understanding and to a large extent agreement with the general tone of optimism expressed in the document. Of course, the paper is limited by its economic framework, I shall have occasion to return to that in my comments. But from an economic point of view it is very hard not to share Professor Ahn's optimism not only about the economy of the Republic of Korea, but also of the East Asian region in general, meaning by that Japan, the four "mini-Japans" (South Korea, Taiwan, Hong Kong and Singapore) and--indeed, although slightly in the longer run--the People's Republic of China. The point is very simple: your optimism is our pessimism in the west because your contribution to world trade is increasing much more than world trade itself, meaning that our contribution is decreasing, and particularly in sophisticated goods (with the obvious exception of arms and other types of war materials, passenger aircraft, and still for some time, sophisticated computers). The system is not a zero-sum game, it is an increasing-sum game--but some parts increase much more than others meaning that relatively speaking there are certainly winners and losers. Thus, nobody in Professor Ahn's important position in the west would have written a paper marked by the same degree of optimism where the economy is concerned--except, perhaps, some unrealistic US economists.

Let me then proceed to my comments using the printed version.

Professor Ahn is of the opinion, frequently proposed in the press, that "the US will likely press Japan more strongly to increase its

defense spending". I wonder who presses whom. I think the US has more than its share of naive economists who among other strange theories also have the idea that Japan's contribution to military spending is low, around one percent of GNP (as opposed to six percent for many other "advanced industrial countries"), and that much of the Japanese economic miracle derives from that circumstance, making it possible for Japan to invest more of its tremendous surplus into productive industries making means of construction rather than means of destruction. I think this position disregards completely how Japan might make use of a higher percentage devoted to the military sector: in all probability by launching a substantial arms production of its own, sooner or later leading to a Japanese role in the arms market as important as the Japanese role in any other market in sophisticated goods.

We can even imagine what Japanese arms would be like: they will be miniaturized, very high quality, acceptable price level, with no need to send them back to the factories during combat. They will probably also be ideologically neutral in the sense of being used, for instance, as smart rockets both against US M-1 tanks and Soviet T-72 tanks. Hence, could it not be that it is the Japanese leadership that makes the US understand that it is willing to be pressed on this issue, so that the Japanese leadership can stand in front of a nervous and bewildered population saying that it is not we who want to expand the military sector, but big brother?

Professor Ahn refers to the early 1980s as a period with some signs of a "gradual recovery of the world economy. The United States and Japan showed signs of a recovery". I do not think the United States showed signs of recovery for a more discerning analysis. It is true that there was what economists refer to as "economic growth", but if one looks at the composition of the US trade there is a remarkable decrease in the proportion of sophisticated goods and an increase in the proportion of unsophisticated, particularly in the relationship to Japan. The trade deficit is but one expression of this, another expression is found in the virtual disappearance of the United States from the world market as a producer of sophisticated goods. Of course, the US still plays a very significant role in the services, themselves making 25% of the world trade (and 70% of the US GNP). But my suspicion is that it is only a question of time before other countries catch up in the services, I am not at all convinced that this will be more difficult than catching up with the US and other western countries in highly sophisticated industrial goods.

But I do not think Japan showed signs of recovery since I doubt that Japan was ever really hit by the so-called recession-- maybe the slight decrease in economic growth was only a sign of retooling of the Japanese economic capacity? And finally, in that connection, I do not think that "developing countries showed similar signs of slow recovery"--that would only be as measured by the very superficial, economistic measures of GNP growth. Debt burden and starvation are more characteristic of the Third World.

My third comment takes up the reference to "the economic situation in the Pacific Basin". I have difficulties accepting this oceanic metaphor. There are many countries bordering the Pacific. The countries of South America, from Mexico downwards, constitute a significant part of the Pacific Basin, I do not see any important economic role played by them. The same applies to the Third world countries on the western side, such as the Philippines, Indonesia and Thailand, not to mention Oceania itself, certainly a part of the Pacific Basin in which they are located. Nor do I think the First world countries on the western side, Australia and New Zealand play any particular economic role or are likely to do so. And the same applies, at least for the time being, to the substantial part of the Soviet Union located in this area. And then, finally, I also have my doubts about the United States in spite of the location of the Silicon Valley: it may be a passing phenomenon. I am not convinced that it has the same stamina as corresponding complexes on the western side. Hence, I think this is more a question of growth in East Asia than growth in what journalists and some statesmen for political reasons refer to as "the Pacific Basin".

And the same applies to another frequently found journalistic phrase: the "newly industrializing countries" or NICs. In this category we find mixed with East Asian countries such countries as Brazil and Mexico, Spain, Yugoslavia and perhaps even Greece and Turkey. I doubt very much that these countries should be put in the same category. Those outside the East Asian group have not been able to make any impact on world trade, however much they have been

capable of exercising some import substitution, even some regional trade. I do not expect Mexican and Spanish products to show up in world trade in anything like the way Korean products of excellent quality today can be found in very many countries--not to mention Japanese products--and I do not expect this to change in the future, certainly not in the near future. To my mind the "vortex or the world economy" is already in the East Asian region, and has already shifted away from the North Atlantic, particularly as Japan overtook the United States as the world's largest creditor nation in September last year (with 26% as opposed to US 25% of world credit).

My fifth comment concerns the growth potential of the Korean economy, put at seven to eight percent annually to the year 2000. These are figures, entirely in line with my comments above, that would make western economists blink, thinking of their own countries. I think they are realistic; if there is any error it may be on the low side. Let me again point to the near monopoly the west still has in the services. Take the closest we come to a marketplace in the global village: the tax free shops at airports. You will have great difficulties finding any US goods for sale, in my view simply because the quality is too low and at the same time the price too high. There are still some western european goods around, in such fields as cosmetics, textiles and food stuffs, of exquisite, luxury quality--like (much too expensive) Swiss watches. There is an abundance of liquor from Western Europe, easily imitated, however.

On the other hand, the buying and selling is very likely done in English, the currency used is the US dollar, the credit cards made use of usually have their headquarters in the US. Again, I assume this basis for economic power to be fragile. There is no reason why East Asian countries could not penetrate the service sector being essentially much more service oriented, much more punctual than people from the west. As a matter of fact, it may well be that the superiority of the west in this field rests on only one pillar: the near universal character of one particular language, English. At that point it might be worthwhile to remember that more people in the world, even considerably more, talk or at least write Chinese than the number of people in command of English, adding to that a point of interest to Koreans: few people in the world have cultural roots both in China and in the west, due to the influx of christianity in both its catholic and protestant varieties. Professor Ahn mentions rightly, and with pride, the high level of education in Korea and I myself have noticed over the span of fifteen years I have had the privilege of being in contact with Korea how the knowledge of English has increased rapidly. In short, what I am saying is that Korea and other East Asian countries may have a substantial future ahead of them also in the services. Example: just compare East Asian and North American airlines!

My comment number six refers to the very astute analysis by Professor Ahn of the dialectic between on the one hand "the homogeneity and standardization characteristic of a developed society" and on the other hand "a strong countertrend toward diversification". Certainly Korea will experience both. But I

do not think Professor Ahn reflects the important type of diversification we have experienced in the west and which, with a high probability will also come to Korea: the emergence of strong movements, such as the green movement in Western Europe (only partly reflected in the green party of the Federal Republic of Germany) which in a certain sense stands for the opposite of all the phenomena Professor Ahn is welcoming in his paper. The movement will tend to reject consumerism as life style; will look for much more participatory forms of social life; will be highly skeptical of technocratic elites and demand much more popular control at the local level; will be less concerned with the economic growth and share in world trade and will be much more concerned with quality of life for the Korean population as such, will be more interested in solidarity with those at the bottom of the world society of nations and people than with ties of friendship to those at the top of world society. Moreover, they will demand political participation now, and a heavy reduction of the power basis of the military and police. In other words, diversification may not only be within a Korean society following the precepts laid out so nicely by Professor Ahn, but also between those who do and those who do not see this as the only path forward.

My comment number seven has to do with a rather skimpy treatment given in the paper to those rather important factors of income distribution on the one hand and nonmaterial needs on the other. Professor Ahn is probably correct in predicting that by the year 2000 "the majority of Korean people are expected to lead a comfort-

able life that meets their basic needs". I hope that also means that Korean workers exposed to toxic vapors without adequate protection, unable to form trade unions capable of pushing through minimum demands, will participate in this "comfortable life". More particularly, I hope that will also apply to Korean female workers, not benefitting from the same level of security as their male counterparts. At this point I would warn against using parameters of income distribution as sufficient indicators of equality in Korean society. Quality of life consists of so much more: the quality of work, for instance, as indicated above. And not only in the sense of whether it is dangerous or not but also in the sense of whether it is boring or exciting, routine work or work with some built-in challenge for personal growth. I think that Korea like other industrialized countries would have to reflect on the injustice done to the older generation in our societies by retiring them even when they do not want to. Maybe we shall come to see the right to work as a human right extending practically speaking from birth and practically speaking to death--if the individual so wants? Maybe we shall come to see mandatory retirement as cruelty?

My comment number eight has to do with the "rising demand for political participation". I think this demand in Korean society is already more than high enough, and that it should be satisfied immediately. It is important to understand that people might want to have a say in how a society is run not only when it is run badly but also when, or if, it is run well! The best way of doing this

is certainly today through an election system that satisfies the three classical demands of offering the voters real alternatives, with a very high participation in voting, and direct election of executive power, whether that rests with the party or with the president (or both). It should be pointed out that the United States satisfies only the last of these demands, only the last of these demands, the range of choice between the two parties, the Democrats and the Republicans, being much too narrow and the level of participation, only 50% and 52% in the last presidential elections being much too low (in fact the lowest of all democracies, even lower than 56% in India which, given the level of literacy and of logistics in Indian society, is quite an achievement). Moreover, I do not think democracy should be seen as something should be given to people from above, but rather as a human right the implementation of which is much overdue in Korean society.

My comment number nine has to do with the idea that "the most significant step towards institution-building in the remainder of this century would be the introduction of a system of local autonomy". While in favor of local government for the reasons pointed out by Professor Ahn I think it should be pointed out that this should not be seen as a substitute for democracy at the national level. Maybe one should point out that the effort to get around the problem of democracy through a system of local autonomy was also one of the policies of the former President Marcos of the Philippines, and seen by the population as a highly transparent ploy. On the other hand, national and local level democracy should go hand in

hand, and not only include elections over parties and people, but also voting, referenda over concrete issues for a fully mature democracy to emerge. And even so one should remain conscious that parliamentary assemblies, at the national or local levels are never sufficient. Parliamentocracy is not the same as democracy. Democracy also presupposes a politically active population, capable at any time of engaging in any form of nonviolent action to fight for just causes. A parliament may very easily become a sleeping pillow celebrating the past, insensitive to new demands. It is the combination of institutionalized democracy and citizens' actions that form the essence of parliamentary life. Both are needed.

My comment number ten refers to Professor Ahn's probably very correct prediction that "by the end of the 1980s, Korea is expected to become a net capital exporter beginning in the early 1990s". But this, of course, raises a problem. As Korea starts exporting capital Korea may certainly become less dependent on the countries that Korea has been dependent, the United States and Japan, but at the expense of making other countries dependent upon itself. I am thinking particularly of Indonesia, being in no doubt that "Korea will be prepared to play a significant role in its development"--only wondering how. Indonesia may not have the same ability to work itself out of dependency that Korea seems to have had--making itself dependent for a shorter period, probably a wise strategy in economic development provided one is able to get out of that rather dangerous condition.

And then, there is the reference to the perennial problem of the Korean Peninsula, the tragic division of the country into two parts, as a result of super power arrogance after the Second World War, with total disregard for the unity of the Korean nation and particularly for its heroic struggle against Japanese colonialism. So Ahn predicts that South Korea will not only have political and economic superiority over North Korea but by the early 1990s "will also achieve military superiority over the North". Maybe, maybe not--in a sense it should be easy to obtain superiority having about twice the population of the North, today with about 40 million as opposed to 20 million. Where I disagree with Professor Ahn is in the assumption that with this triple superiority there will be "favorable preconditions for the peaceful reunification of the Korean Peninsula". There is hardly any general historical experience that "peaceful reunification" is a likely consequence of superiority. It is a much more likely consequence of equality, and I think that equality to some extent exists today and for that reason today is the moment to work for reunification--even yesterday for that matter. The triple superiority indicated might make North Korea even more recalcitrant, not less--leaving alone the arrogance it will foster in the South and the tendency of many people in the South to translate superiority into a potential for conquest.

Whereas most comments in the preceding points have been critical let me now, towards the end, say how much I agree with

Professor Ahn when he mentions the need for distribution of economic power. This can take many forms. One is through effective trade unions, capable of promoting workers interests. Another is through the distribution of capital, away from closed families and clans, towards a broad distribution of shares among the public at large. Moreover, I also very much agree with Professor Ahn in the significance of building on "worthwhile values of traditional Korea", for instance through family systems based on three generation households, not marginalizing old people into old aged homes or young people into kindergarten or schools for most of the day, even the night, even the whole week. If Korea succeeds in doing this that would be a major contribution to not only the theory but the practice of development!

Then, there is the general image of Korea's role in international cooperation in Professor Ahn's paper. I certainly agree that "Korea must move from its present vertical relationship which involves chronic trade deficits, to one characterized by greater equality" in the relation to Japan--I would only add again that this should not be done at the expense of creating the same relationship, but the other way, towards less fortunate countries in East Asia or elsewhere. The relations with Japan are bound to be difficult, for years or even generations to come, particularly given the domineering, imperialistic tradition in Japan as expressed in the hakko ichiu (unifying the eight corners of the world under one roof, presumably with its pinnacle in Tokyo) doctrine. Let us only hope that Korea will not develop any corresponding doctrine inspired by the pride, or even arrogance that so easily comes in the wake of success.

Summarizing I would emphasize the following. There is no doubt about the economic achievements, nor any doubt that this is based on hard work. I would not emphasize confucianism alone in this context although it certainly makes for discipline and hard work. I would also emphasize the role buddhism plays in Korean society by weaving ties of solidarity among the members of society; always proposing agendas of equalization. And I would certainly argue that christianity has played a considerable role as a third part of the cultural matrix of the country, with its focus on competitive individualism, allowing for capitalist entrepreneurship.

But then there are problems: how Korea deals with the less fortunate members of their own society, particularly in exploiting defenseless workers; Korea's failure to implement democracy, and the creation of vertical dependence on Korea, not of Korea. And to this list I would then add a last point: could Korea not be a little bit innovative, and somewhat less imitative in her quest for development? Is Korea not taking over the agendas of other countries, particularly in the west although to some extent also of Japan, and could that not lead, sooner rather than later, to a deep sense of alienation from Korean culture and tradition? I am not convinced that development by cloning is a process that can last forever--for which reason I think the Korean planning elites in general and maybe also Professor Ahn in particular are in for some interesting surprises in the future, and not only along the lines I have indicated. Growth has its price; and the bill may be presented in unusual currencies. And even before the magic year 2000.