Korea's Industrial Development Strategy  
from 1950s to 1980s*

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(I. Overview  
II. Industrialization Strategy in the 50s  
III. Export Promotion in the 60s and the early 70s  
IV. Import Substitution in the 70s  
V. Economic Liberalization in the 80s  
VI. Discussion)

I. Overview

This paper examines a few issues concerning: 1) how Korea has pursued her industrialization from 50s to 80s; 2) what role the government has played; and 3) what implications may be drawn for Bangladesh.

As reported in numerous publications, the Korean economy has achieved remarkable growth in the past 30 years. For example, Gross National Product per capita has grown from only 82 U.S. dollars in 1961 to 7,500 dollars in 1993 at ap-

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proximately an average annual rate of 15 percent. Korean exports have also increased at a similar rate of 15 percent from 55 million dollars in 1962 to 82 billion dollars in 1993. In addition, the Korean economy has undergone a dramatic structural transformation from an agrarian economy into a manufacturing and service-oriented economy. The primary sector accounted for approximately 40 percent of total Gross Domestic Product in 1962, but now it represents less than 10 percent of GDP. This decline is directly attributable to the growth of the manufacturing sector: in the same period, its share has gone up from 10 percent to approximately 30 percent.

What was the driving force behind this remarkable growth and industrialization of the Korean economy? Various studies have indicated that continuous expansion of Korean exports was a prime factor behind Korea’s development. In what follows, we shall discuss what policies Korea has utilized to industrialize her economy during the period from 50s to 80s. Note that Korea’s trade policy will also be discussed, since it is closely connected to industrial policy at least for Korea.

II. Industrialization Strategy in the 50s

Overall, Korea’s industrialization strategy during the 50s was very much inward-looking. It was aimed at reconstructing economic infrastructures such as electricity and transportation, and developing a few import-substitution industries that were essential to the daily economic life of the Koreans.

In order to promote import substitution, Korea adopted a very restrictive import policy. The government enacted various restrictive measures on imports such as export-import linkage\(^1\) and import licensing. In addition, prohibitively high tariffs were imposed on imports. Although Korea’s emphasis was placed on import substitution and construction of economic infrastructures, the government provided a few incentives to promote exports. The incentives included subsidies for a

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1) Under this regulation, one has to export to be allowed to import.