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KOREA NOW IN RELATION TO RUSSIA AND JAPAN

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SPEAKER--Commander Ormond Freile, USNR (ret.)

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CAPTAIN WORTHINGTON: It is not often that we are able to make as much use of recent graduates for school purposes as we have in the case of Commander Freile.

He graduated in June 1946 and left immediately to go to General MacArthur's staff in Tokyo. He returned to this country last year at a time when our group was studying Japan and gave us a most informative, up-to-the-minute discussion on Japan.

This time he is back for another week, and his return happens to tie right in with our study of Korea. We have asked him to give us some of the latest information he has on Korea.

I take great pleasure in introducing Commander Freile.

COMMANDER FREILE: General McKinley, Captain Worthington, faculty, and students: It is always a pleasure to be invited to the ICAF--the "salt mine," as we used to call it. I always feel very humble when asked to speak to a group which represents the pick of the Armed Forces.

In talking about Korea this afternoon, I want to make it clear that I am in no position to claim intimate knowledge of Korea. My tour of duty in the Far East was primarily in Japan and the Islands. But because Korea is part of the Far East Command, it has been my privilege to observe portions of it and to spend time there.

It is my desire this afternoon to give you quickly a "look-see" at the Korean economy.

A "Look-See" at the Korean Economy

Development

Korea stands out among the nations liberated by the Allied victory in that its bondage endured longer than that of any other conquered country. During forty years of Japanese control, nevertheless, it progressed from a state of handicraft industry and economic feudalism to a position among the more advanced industrial states of the Orient. In communication and railway facilities it developed so far as to compare favorably

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with Japan. The Japanese, although investing relatively little money in Korea, fostered industrial development particularly in fisheries, heavy and light industries, hydroelectric development, agricultural irrigation, and mining and inculcated progressive and modern management principles. Trade prospered to impressive figures and Korea's ancient hermit-like characteristics dwindled.

Japan's complete subjugation of the Korean populace and economy was facilitated by several conditions for which Korea's wholly passive role from 1876 to 1905 provides the key. Both court and government were decadent, corrupt, and venal. Economically, the country had remained static. The bulk of the people consisted of a peasantry held to the soil in a state of serfdom and an independent merchant class, mostly of Chinese origin, existed in only a few commercial centers, like Nanking and Seoul. All the rest of the economic wealth and instruments of economic action rested in the hands of the court--nobility or "Yangban" class which had long since lost any capacity to exert more vigorous action than required to maintain their own power and prestige. Resistance to a virile and often brutal oppressor was practically impossible.

The physical aspect of the country was equally backward--Lord Curzon commenting on this situation in his "Problem of the Far East" says, "The East and West coasts are joined by trails impassable except on foot or Mongolian ponies. Lacking suitable communications the trade of the country is on hardly more than a parochial basis, and its considerable resources are tapped scarcely more than enough to meet requirements of handicraft industries." Although this condition improved materially after 1892, the ravages of war, the excessive drain by Japan for war purposes, and the lack of repair and maintenance has deteriorated much of that development.

Obviously, these conditions together with ease of access--an economic geography complimentary to that of Japan--raw materials, food, labor, and a potential outlet for Japanese manufactures were major attractions for Japanese aggression. Japanese aims were assuredly not philanthropic but the Koreans derived considerable benefit in some ways. Public health measures and improved sanitation produced startling demographic results. In general, the advantages of the Japanese occupation to the Koreans were peripheral. Not only did low Koreans grow wealthy but very few participated in government, finance, industry, or commerce. Exclusion of Koreans extended down through managerial and even foremen positions.

The effect of the Japanese economic policy was to produce a relatively small Korean labor force of skilled and semiskilled workers and a much larger force of unskilled labor. Concessional ports were reserved for Japanese. Japan exploited Korean resources to the limit; developed river and mining properties; and extended transportation facilities--keeping pace

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with these developments with extended banking, trading, and financial practices.

The Koreans themselves played little part in this program except as a labor force and enjoyed small direct economic benefit therefrom. Indeed the whole presented a classic example of colonial exploitation. Japanese agents, mostly unmarried, seeking their fortunes, numbered approximately 700,000 in 1941. After forty years of Japanese occupation barely 15 percent of Koreans were employed in other than manual occupations. Resident Japanese monopolized all forms of economic life, in fact, all the motor forces of a modern economy were in their hands. Only in exceptionally rare instances were Koreans permitted to share the wealth created and exploited by the Japanese, or to enjoy an equality of opportunity.

In this connection, a quick look at Korea previous to Japanese domination is illuminating. During many centuries Korea had progressed as an independent nation subject only to moderate influence of the Chinese rulers. She evolved a rich culture in medieval times, was self-sufficient in foodstuffs, and productive enough to support an extensive nobility--sizable numbers of scholars, artists and artisans, eminental to the court and supporting notable artistic and cultural development in oriental civilization.

After Hidayoshi's invasion at the close of the sixteenth century, Korea for nearly three centuries existed practically "within her shell" so to speak, paying nominal tribute to China and avoiding international attention.

In 1894 China and Japan went to war, over Korea, and as part of the price of defeat China was forced to renounce its suzerainty over the peninsula. The independence gained in 1895 by the Treaty of Shimonoseki was an illusion and of short duration. Within ten years Korea had become a Japanese protectorate as a result of the Russo-Japanese war.

The Allies victory, paradoxically, has not been an unmixed blessing. It has thrown Korea into the most acute crisis of its modern history. Divided politically and geographically since August 1945, the ill effects are profound. Disruption of its normal flow of trade within and between Korea and its former trading areas and gradual exhaustion of Japanese-created stock piles have completed the economic dislocation. Only through American aid has South Korea averted so far serious famine and been able to in small part restore production of some consumer goods. Present aid is in the nature of artificial respiration and no solid economy can be erected on it.

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What are we Looking at in Terms of People?

According to the May 1944 Census, all areas contained 25,200,000 people—about 25,000,000 Koreans, 700,000 Japs, and 72,000 foreign nationals (mostly Chinese)—about 70 percent of which are in the American Zone (south of 38° parallel). Migration to Japan and Manchuria cannot be expected to again approximate the almost two million during 1930 to 1944; natural increase of population is about 1.7 percent annually. Soviet encouragement of Korean fishermen to replace Japanese fishermen in Sakhalin and Soviet waters is expected to produce some sizable migration of this nature.

A few statistics on labor distribution may also be valuable. In 1943, in all industry in Korea, distribution was as follows: Approximately 512 thousand Koreans, 2,100 thousand Japanese, 10 thousand other nationals, mostly Chinese. Let's look at skilled and unskilled classification of 10 thousand technicians—only about 1,800 were Koreans. In business and other commercial enterprises of the total of 4 thousand, 2.5 thousand were Japanese. Most of the professional classification were Korean—doctors and lawyers.

Approximately 90 percent of the 23 million listed in the educational part of the 1944 Census did not have any formal schooling. By comparison, 73 percent of Japanese are graduates of primary school, about 30 percent high school and over 6 percent college. This inherent backwardness of education is of major importance in the future of Korea.

What has Happened since VJ-day?

Probably the repatriation of almost 1,000,000 Japanese civilians, which removed the major portion of that segment of the population which provided most of the political, no economic leadership and the industrial and managerial skills during the 40 years of Japanese domination, has had the most profound impact. Basic industries such as power, coal mining, steel, communications, and transportation have in management and operation practically failed to produce. In addition, the physical plant and facilities in general have rapidly deteriorated. While it is well known that materials and replacement equipment is acutely in short supply, there has been literally no effort made to even attempt repair and maintenance.

In a recent survey which I made of power installations—ordinary clearing and maintenance requiring little or no material was not undertaken—I believe a member of your faculty, who subsequently made a similar survey in more minute detail, recorded this same condition.

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Lack of skilled and trained manpower is one of the causes which are primarily responsible for little or no industrial progress in Korea since VJ-day. In fact, the general condition is worse now than previous to U. S. occupation. The importance of an adequate training program to provide sufficient skilled labor cannot be over-emphasized.

Although the Military Government has succeeded in opening over 5,000 industrial plants employing over 140,000 workers, subsequent exhaustion of stock piles has hampered production. Political unrest and lack of faith on the part of Korean owners have added to the inertia. After years of forced operation under Japanese war pressure with practically no repair, buildings and equipment are in bad condition. Equipment is largely of Japanese design and repair parts in many cases cannot be obtained. American technicians are few in number and of those only a handful can be classed as of outstanding professional qualifications. It is difficult to find highly successful engineers and technicians who will put up with the military regulation and red tape or whose patriotic sense is of sufficient strength to offset the lack of understanding of our military which seems to be totally unable to understand why such men are not delighted to be handled like troops.

General economic conditions have militated against industrial development. Basic uncertainties as to future ownership of vested properties and reluctance to prematurely improve plants they may have hopes of purchasing further delay productivity.

Lack of fuel and power is of primary importance. Today factory production is less than 25 percent of capacity (in present condition of plants). About one-third of all manufacture emanates from home and cottage industry.

The political situation is continuing to deter progress. There are about 19 political factions (divided among 240 parties) in South Korea--all trying to gain supremacy. The recent conferences with Russia evidently produce little hope for amity, so settlement of the political situation is anyone's guess.

Lacking any definitive statement of national policy with respect to our objectives in Korea, it is virtually impossible to determine our objectives there. Until such objectives are clearly defined, it is hardly possible to produce any intelligent plan of action.

Meanwhile, we are making an excellent job of estranging the Koreans, creating a lasting distrust, increasing their natural unfriendly and even antagonistic characteristics and building up an ever-increasing "will not to cooperate." As one Korean remarked to me, "Why should we be glad you came? Before we ate and worked. The Japs weren't too bad. Now, with

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American occupation we have nothing but regulations. We can't understand your "Democracy!" These comments are in no way to be interpreted as critical of General Hodge, the late General Lorch, or anyone in the Korean Occupation. They are doing everything humans can do with all too little understanding here in Washington.

The Outlook for the Future.

Considering the myriad indeterminate factors, it would be imbecilic to forecast the nature or volume of Korea's economic and industrial progress over the next few years. Any considerable industrial progress depends primarily on hydroelectric and thermal power rehabilitation and reconstruction of a major part of the industrial plants. Moreover, the picture with respect to lack of skilled labor has been indicated. It is safe to assume that no considerable revival of industry will be feasible for at least five years. The country's resources will be taxed to the utmost during that time to maintain essential communication, transportation, agricultural production, and the basic necessities of consumer goods. Gradually, as the economy stabilizes, the Koreans should be able to exploit more fully their resources, using such Japanese-built facilities as remain or possibly constructing new facilities. But this is a faint picture on futures horizon.

It should be remembered that much of the Japanese plant equipment was in the form of specialized equipment designed to complement either Japanese home industry or war production. Much of it, for instance, Ch'ung Pyong (one of the largest Japanese-constructed hydroelectric plants south of 38°) is a living example of construction under war pressure. Every short cut in construction possible was taken even though foregoing an expectation of certain breakdown in later years and totally ignoring human safety. How much can be salvaged for peacetime production is questionable. It seems not too pessimistic to estimate that of these facilities, over 40 percent will probably deteriorate to the scrap heap.

In the next decade the country may be able to produce sufficient quantities of consumer goods—textiles, shoes, simple hardware, and processed foods—to permit stabilization of the domestic economy and provide for some export of grain. To produce these consumer goods will not call for a large number of skilled workers.

Koreans are adamant in their determination not to readmit Japanese technicians on any terms and so are blocking the easiest solution to re-establishing chemical fertilizer production and operation of many Japanese designed and equipped plants. Korea's industrial recovery could be greatly accelerated if this situation could be resolved.

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Equally as serious a deterrent is the shortage of raw and processed primary materials. Korea previously exported ore or semi-refined materials and reimported the processed or refined commodity for manufacture into end products in Korea. Korean raw cotton was sent to Japan, spun into yarn, reimported to Korea for weaving. This was in Japan's interest, creating a huge credit to Japan--later partially liquidated by vast exports of rice to Japan (while Koreans were forced to eat millet cheap from Manchuria). The long-range ability of Korea to rehabilitate its industrial production is much more encouraging than that of the immediate future.

What about Foreign Trade.

Unless raw materials, American skilled workers, and some new equipment are available, there is little hope for export trade except in handicraft items, now of generally mediocre quality at best. Korea's external trade was completely absorbed from 1910 to 1915 by Japan.

In all but two years, 1910 and 1915, Korea was subject to an unfavorable balance of trade. These balances, however, were of such size that they could have been eliminated by exclusion of luxury items. By 1939, Korean external trade had mounted to 2.5 billion yen giving Korea a high position in Oriental trade areas. Rice, fish, and marine products constituted the bulk of this total. Ginned cotton was fifth in the list. Since VJ-day, Korea has had little foreign trade. The factors prevailing against production have been fully outlined in previous paragraphs.

The immediate economic prospects of Korea are far from brilliant. To maintain a bare living standard will require more agricultural production, concentrated effort to revive fisheries, mines and industrial production, and governmental and national discipline which it is apparent the Koreans may be reluctant to accept. The alternatives are only too clear, an indefinite period of American support or eventual loss of economic independence.

The future course of world affairs particularly that of Japan, China, and the Soviet Union will have dominating influence upon the future of Korea.

Economic thinking about Korea must be totally divested of Japanese influence which predominated it for 40 years. The equation of which post-war Korea is a factor contains all too many unknown quantities to permit ready solution. As conditions exist, without a clearly defined scope of United States' action, it seems logical to appraise Korea's future on the basis of Korea's ability to do for herself with her own resources. There exists no basis for Pollyanna optimism. There is no fool-proof procedure or gilded road to achievement. Korea's economic rehabilitation can be achieved only by yeas of hard, intelligent work in an atmosphere of political

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stability and democratic liberalism. To this must be added education, development of skilled workers, and perhaps material help in raw materials and technical guidance.

Should the present backsliding factionalism and lack of objective policy continue, there is little to be gained by continued pouring of American money and materials into the program unless the National Policy of the U. S. contemplates other objectives now not exhibited.

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