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USAID **50** ANNIVERSARY

CASE STUDY

South Korea: From Aid Recipient to Donor

USAID's role in South Korea's extraordinary transformation



Devastation in Seoul following the Korean War. (Photo: U.S. National Archives)



Seoul today. (Photo: U.S. Department of Defense)

In 2010 the Republic of Korea (South Korea) became the newest member of the OECD Development Assistance Committee (DAC). Its DAC membership marks the first time since the OECD was established in 1961 that a non-European country has joined the “advanced nations’ assistance club” after transitioning from an aid recipient to a donor. To have made this transformation in just a few decades truly speaks to the Republic of Korea’s extraordinary economic rise and its commitment to focused and coordinated development. The Republic of Korea provides a textbook example of aid recipient-turned-donor.

Out of the Ashes: The Beginnings of U.S. Assistance to Korea

Korea was devastated by the brutal war fought there in the early 1950s, and the Republic of Korea emerged from that conflict as one of the poorest countries in the world, poorer than two-thirds of the countries in sub-Saharan Africa. The scale of destruction made recovery seem like a distant dream. In the 1950s, Korean life expectancy at birth was just over 50 years. By 2011, life expectancy is nearly 80 years. In 1960, Korean GDP per capita (on a purchasing power parity basis) was a meager \$1,420, compared with more than \$27,000 in 2009. Nevertheless, the country had the advantage of possessing a strong human capacity base that had been built before the war, as well as a culture that valued hard work and perseverance.

U.S. assistance to Korea, which began in 1952, was vital to Korea’s survival as a nation and its initial post-war recovery. During the early years following the armistice, the Republic of Korea was almost entirely dependent on the United States for food and consumer goods. From 1953 to 1962, U.S. aid financed an average of 69 percent of imports.. U.S. economic and military assistance during this early period was vital to Korea’s survival as a nation and its initial post-war recovery. During these early years, the Republic of Korea was almost entirely dependent on the United States for food and consumer goods. From 1953 to 1962, U.S. aid financed an average of 69 percent of imports.

“Aid to End Aid”

In 1961, two events occurred that would shape the course of the U.S.-Korea aid relationship. First, John F. Kennedy assumed the U.S. presidency and shifted the U.S. government’s approach to foreign as-

Figure 1: U.S. Assistance to Korea
in millions, constant 2009 US\$

Credit: U.S. Overseas Loans and Grants: Obligations and Loan Authorizations, July 1, 1945-September 30, 2009



“I remember when adequate storage was identified as a problem for many farmers —storage both for fertilizer going out in the spring and for the rice and other crops coming in, in the fall. It was decided that USAID was going to work with the National Agricultural Cooperative Federation on a program to help them with storage construction. [...] Just as the program was starting, the President, Park Chung-hee, visited a storage facility and said, ‘Storage is a problem. We have got to solve this problem.’”

“So suddenly our jointly financed program to construct 320 warehouses was a top priority for the Koreans. And it went so fast. In our original planning we had said the program was going to take at least 18 months to complete. The Cooperative Federation staff said ‘we are going to have these done in a year.’ And they were.”

~ Marcus Winter, USAID/Korea agricultural planning office

sistance, placing new emphasis on “aid to end aid” or “helping people to help themselves.”

Also in 1961, Park Chung-hee came to power in a military coup. President Park subsequently made economic development the country’s overriding priority. So important was economic development to President Park that he visited the powerful Economic Planning Board (EPB), the “nerve center” for Korean development, at least once a month and fully reviewed the country’s economic progress at each visit.

Around the same time, the U.S. government began to implement a plan that called for greater interaction with the Republic of Korea on economic development. In line with this policy, USAID (then known as a United States Operating Mission) developed a large advisory presence, with USAID advisors working alongside staff in Korean ministries, including the EPB and the Ministry of Finance. This advisory role extended even to the highest levels, with Dr. Joel Bernstein, a Chicago School economist and Mission Director in Korea from 1964 to 1967, giving private economics consultations to President Park and his staff. Korean officials sought and received U.S. advice but made decisions independently, maintaining ownership of the country’s development path.

Almost without exception, USAID staff who served in Korea during the 1960s and 1970s recalled the government’s focused and driven approach to development. Christopher Crowley, who served in USAID’s Korea mission from 1976 to 1978 and currently is Senior Deputy Assistant Administrator of USAID’s Middle East Bureau, was struck by the pace of development: “They made up their mind, and they did it. You’d go home one night, and there would be construction overnight, and the next morning a new building would be standing.”

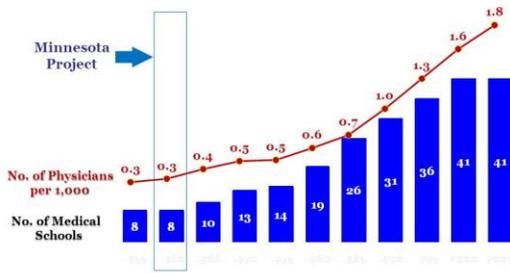
USAID’s Lasting Impact

- **Food aid and infrastructure assistance** during the initial reconstruction allowed the country to get on its feet in the 1950s, and prepared a strong foundation for growth. U.S. support for infrastructure projects—electric, rail, and ports—also laid critical groundwork for the country’s recovery and, according to one study, “enabled Korea to become a major exporter of construction services to the Middle East in the 1970s and early 1980s.”¹
- **Training at U.S. universities** created a cadre of well-educated professionals to lead Korea’s development. In the 1950s and 1960s, USAID sent nearly 3,000 Koreans to the United States for training. Programs like the Minnesota Project, which facilitated the training of 77 Korean medical professionals in the United States,

¹ Krueger, Anne O., and Vernon W. Ruttan. “Assistance to Korea,” in Anne O. Krueger, Constantine Michalopoulos, and Vernon W. Ruttan, eds. *Aid and Development*. Baltimore: Johns Hopkins University Press, 1989, p. 235.

Figure 2

Increase in number of Korean physicians and medical schools



Credit: Seoul National University Hospital



The former USAID building in Seoul (left). Between 1952 and September 1980, when the Mission closed out, USAID and its predecessor agency provided \$18.7 billion (constant 2009 US\$) in assistance to the Republic of Korea.

CONTACT INFORMATION

U.S. Agency for International Development
Asia Bureau
Washington, DC 20523-6100
Tel: (202) 712-0200
E-mail: AME_Events@usaid.gov
www.usaid.gov/locations/asia

helped to build a base of expertise and leadership to spearhead development (see **Figure 2**). Today, the Republic of Korea is a global health-industry leader and is supporting the Lee Jong-wook–Seoul Project, a “new Minnesota Project” to train health professionals to build the public health system in Laos.

- **Organizational development** was facilitated by USAID through the creation and support of organizations like Korea Development Institute, Korea Institute of Science and Technology, the Korea Health Industry Development Institute, and the Korea Trade and Investment Promotion Agency.

Member in Full

In remarks made to the DAC during the session in which the Republic of Korea was welcomed into the Committee, then-Deputy Minister of Foreign Affairs Oh Joon noted that the bread and milk he was served in elementary school came in packages marked “U.S. Government” or “United Nations.” Years later, in his official duties as Deputy Minister, he visited a school in Mongolia in which children were studying from books marked as gifts by the Republic of Korea.

As a member of the DAC, the Republic of Korea has taken on full DAC obligations and norms of aid effectiveness and transparency. This is significant because DAC practices are the “gold standard” of development assistance. The Republic of Korea’s adherence to these practices reflects its commitment to “development done right”—development that is focused, neutral, and evidence-based.

The Republic of Korea now plays an active role in the international donor community. In November 2010, the Republic of Korea successfully hosted the G20 and drove through a major statement on development, the Seoul Development Consensus on Shared Growth. And in November 2011, the Fourth High-Level Forum on Aid Effectiveness will be held in the Korean city of Busan.

Today, the United States and the Republic of Korea work together as donor partners in these international arenas and are seeking to deepen collaboration on the ground in sub-Saharan Africa and elsewhere on such crucial global development issues as food security and improving maternal and child health. This partnership for development, which has achieved so much over the past 60 years, now has the opportunity to work together to help others follow the Republic of Korea’s path.