

## The politics of economic cooperation: industrialization in South Korea and Japan's official development assistance

Yumi Horikane<sup>1</sup>

The *Korean Miracle* has its origins in 1961, when Park Chung-Hee came in power through a military coup. Only within a generation since then, the developmental South Koreans transformed their impoverished resource-poor agrarian society into a fully-developed industrial democracy. Heavy industrialization in the 1970s played an important role in this drastic transition, but this program was very controversial as elsewhere domestically as well as internationally. Japan's cooperation both in terms of finance and technology was critical here at least as a catalyst, yet the relevant aid programs were also controversial in Japan as well. Despite all these difficulties, sometimes through extremely tough negotiations, Koreans won many projects with the help of Japan's assistance, by which they could strongly propel the upgrading of its industrial structure. This paper explores how this became possible by looking at the political processes both within each country as well as between the countries.

The examination of the history tells us how the process of economic cooperation was indeed political, involving various interests internally as well as externally. The relations with third countries, particularly those with the U.S., also seriously affected the process. After explaining the logic of the politics and political economy here, the presentation will conclude with some of the most important factors which enabled this *political* economic cooperation to be rather effective. Most importantly, the exceptionally strong sense of *ownership* was kept on the side of the recipient, and second, a *de-facto* comprehensive development plan was there looking for the sources of finance and technology.

**Key words:** Politics, International cooperation, Industrialization, Developmental state, Ownership

<sup>1</sup>Meiji University, Japan