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China's Future Is South Korea's Present
Why Liberalization Will Follow Stagnation
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After overseeing his country's rapid economic development for nearly a decade, the leader of an Asian nation abolishes term limits and assumes absolute power. As justification, he cites the need for national unity in an increasingly uncertain security environment. Western-style democracy, he argues, is neither necessary nor inevitable; the country needs a strong leader and a government with distinctive national characteristics. To counter the influx of Western values, he rehabilitates Confucianism, once shunned as the root of the country's backwardness. In the West, meanwhile, observers lament this political regression, wondering why economic growth has not led to political liberalization; some argue that the country represents a new model of development.

The country is not [China under Xi Jinping](#) ^[1] but South Korea under Park Chung-hee. The year is not 2018 but 1972. At the time, few imagined that South Korea would be a [functional democracy](#) ^[2] and a member in good standing of the liberal international order within a decade and a half. The heavy industrialization program that Park launched when he consolidated power not only helped South Korea overcome poverty to become a producer of high-value goods such as automobiles, ships, steel, and chemicals; the reforms that made South Korea's economic development possible also undermined Park's authoritarian government. The regime tried and failed to stem the tide of liberalization: in 1987, South Korea made a successful transition to democracy.

Today, China is having its own Park Chung-hee moment. Xi has resisted political reforms and tightened his grip on the state while overseeing continued economic growth. However, as with South Korea, what may look like an exception to the rule that economic openness leads to political liberalization is more likely a case of delayed effect. Ultimately, the very steps required to achieve the economic growth that the Chinese Communist Party (CCP) needs will also invite the political liberalization that it fears and resists.

THE ROAD TO DEMOCRACY

Despite a legacy of dire poverty, colonial exploitation, and fratricidal war, South Korea is now an industrial powerhouse. And despite centuries of monarchy, colonialism, and dictatorship, it is a liberal democracy. The country achieved this improbable success by hitching itself to the nascent [liberal international order](#) ^[3].

When Park took power in a 1961 military coup, one of his main objectives was to lift the country out of poverty. Under his leadership, South Korea transitioned to an export-led economic development strategy. In 1962, Park launched the Korea Trade-Investment Promotion Agency, or KOTRA. And from 1965 to 1977, he personally chaired the Export Promotion Meeting, a monthly gathering of top government officials and business representatives where they discussed export goals, addressed grievances, and settled conflicts of interest between the bureaucracy and industry.

In 1967, Seoul signed the General Agreement on Tariffs and Trade, the precursor to the World Trade Organization (WTO). The GATT provided the mechanism for negotiating multilateral trade agreements that reduced import tariffs and dramatically increased the competitiveness of South Korean products. South Korea also had to remove many of its own trade barriers, such as import quotas and export subsidies. Reducing import duties and opening up the domestic market forced South Korean companies to become more competitive. Becoming part of the international order thus helped South Korea upgrade its industrial structure. It also pushed the country to open up and reform society at large. And eventually, economic and social liberalization, reinforced by increasing demands for labor rights, human rights, and political participation, led to political liberalization and democracy.

But the road to democracy would take several detours. In 1969, midway through his second four-year term as president, Park pushed through a referendum to change the constitution and allow him a third consecutive term as president. The referendum was successful, and in 1971, Park was reelected. That same year, however, the United States shocked South Korea by withdrawing one of the two divisions that formed the core of the U.S. forces stationed in South Korea. U.S. Vice President Spiro Agnew also announced that the United States would withdraw all its forces from the Korean Peninsula in five years. In the face of the looming U.S. military debacle in Vietnam and the prospect of a U.S. troop withdrawal from South Korea, Park declared a state of emergency and established the so-called Yushin Constitution, which turned the National Assembly into a rubber-stamp legislature that would reelect him to the presidency in perpetuity.

According to Park, Western-style democracy was unsuited to the challenges facing South Korea. To withstand the threat from North Korea and to bring about the eventual reunification of the Korean Peninsula on South Korean terms, the country needed a leader as powerful as the North Korean dictator Kim Il Sung. Elections, Park argued, were disorderly, disruptive, and wasteful, and party politics only deepened social fissures. South Korea needed a system that could reflect the aspirations, as well as the character, of the Korean people: what Park called “Korean-style democracy.”

Park also claimed that the country needed a leader with development experience to oversee the transition from an economy based on light industry to one based on heavy industry. By the end of the 1960s, the cheap labor and land that had initially fueled South Korea’s rapid economic development were beginning to dry up. And light industries, such as textiles, plywood, and shoe manufacturing (the mainstays of South Korean exports in the 1960s), were losing their competitive edge in the global market. As the architect of the earlier shift from an economy focused on import substitution to one focused on exports, Park argued that he was the best, and the only, person qualified to jump-start the transition to heavy industrialization.

To justify his power grab and lay the ideological foundations for Korean-style democracy, Park turned to Confucianism [4]. He believed that Confucian teachings, which emphasize filial piety, loyalty, and respect for authority, could blunt the corrosive effect of Western values, which inevitably seeped into society as modernization progressed. The irony, lost on few Koreans, was that Park had once been one of Confucianism's harshest critics. Like many of his generation, Park believed that Confucianism was responsible for Korea's failed modernization and the resulting colonization by Japan in the first half of the twentieth century. With its complex metaphysical constructs, it trapped the political elite of the Joseon dynasty—which ruled the country from the fourteenth century until the Japanese invasion of 1910—in arcane but highly contentious debates that sapped the nation's strength and unity. Military leaders such as Park held particular animus toward Confucianism because they believed its intellectually elitist culture caused South Korean rulers to discount the wisdom of military officials, thereby leaving the country vulnerable to repeated foreign invasions.

In his early years as president, Park focused on extolling the military exploits of great Korean generals of the past, erecting statues and shrines to commemorate them. Everything changed, however, with the rehabilitation of Confucianism under the Yushin Constitution. The works of Confucian scholars of the Joseon dynasty were suddenly rediscovered and translated into modern Korean, and the government refurbished Confucian academies that had long been neglected. This effort would reach its peak with the founding, in 1978, of the Academy of Korean Studies, whose mission was to preserve and propagate Korean traditions in the face of Western culture and modernity.

CHINA'S HESITATIONS

The parallels with China are striking. Like South Korea, China has overcome imperialism, civil war, and national division to become an economic powerhouse [5]. From the mid-nineteenth century, China was a poverty-stricken agrarian state, but beginning in the late 1970s, it implemented a series of economic reforms, decollectivizing agriculture, loosening the reins of state control, and opening the country to foreign investment. As a result, China became the manufacturing hub of the global economy, lifting hundreds of millions out of abject poverty in the process. As time went on, the country hitched itself to the liberal international order by joining its constituent institutions, including the International Monetary Fund and the World Bank in 1980, the Asian Development Bank in 1986, and the WTO in 2001.

Like South Korea under Park however, China is balking at the next step of political liberalization. In October 2017, during the 19th National Party Congress, the CCP enshrined Xi and his ideology [6] in China's constitution, and in March of this year, the CCP amended the constitution to remove term limits, paving the way for Xi to stay in power indefinitely.

China is also undergoing a Confucian revival. This is nothing short of astonishing: throughout the twentieth century, intellectuals and political leaders alike, including Mao Zedong, excoriated Confucianism as the main obstacle to China's modernization. But at the beginning of this century, Xi's predecessor, Hu Jintao, based his "harmonious socialist society" doctrine, which was designed to counter the inequality created by rapid economic growth, on Confucian teachings. As of this year, the Chinese government has

established ^[7] 525 Confucius Institutes around the world. (The goal is to have 1,000 by 2020.) And since taking power, Xi has repeatedly extolled Confucianism in his speeches as the key to understanding China's history and distinctive national character.

Just as Park did in 1972, China's leaders today argue that the country does not need to become a Western-style democracy to maintain its current level of success. "Socialism with Chinese characteristics," they claim, will continue to make the country competitive. As Xi said at the 19th Party Congress, "We should not just mechanically copy the political systems of other countries." But as Park discovered, economic liberalization generates pressures that even authoritarian leaders cannot fully repress.

AUTOCRACY CANNOT HOLD

Despite the early successes of Park's state-directed heavy industrialization program, by the late 1970s, the economy had started to experience excess capacity, producing significantly more than it could export or consume. The problem was the government's industrial policy: rather than letting the market allocate resources, the government was allotting them through directives. As a result, many companies collapsed, creating labor unrest that sparked massive strikes. The regions around Changwon, Masan, and Busan, home to the country's major export zones and industrial parks, were hit particularly hard. The situation became explosive when Masan University and Pusan National University students who had been leading demonstrations protesting political oppression began to coordinate with striking workers. According to Korea's Confucian tradition, university students represent the conscience of the nation. It was widely accepted that they would remonstrate against perceived injustices, especially those perpetrated by the powers that be.

When students and workers joined forces, the government responded with force. In October 1979, the government imposed martial law on Changwon, Masan, and Busan. The ensuing dispute over whether to continue the government crackdown against the protests ultimately led to Park's downfall. The protests sparked a heated internal debate. On one side, Kim Jae-kyu, the head of the Korean intelligence agency and one of Park's oldest friends, counseled restraint. On the other, Cha Ji-chul, the head of the presidential bodyguard and Kim's political archrival, called for a hard crackdown. On October 26, during a private dinner, Kim assassinated both Park and Cha.

After Park's assassination, his epigones were able to extend military rule for another eight years—but the tide had already turned. In 1987, South Korea made a full transition to democracy when the government yielded to popular demands for direct presidential elections. Park's dictatorial power and invocation of Confucian principles could not prevent the spread of liberal values. Just as Park had feared, market reforms ultimately undermined the networks of family, clan, and patronage that had defined the traditional order. Yet it was precisely the replacement of an order based on these personalistic ties with one based on rules and individualism that allowed South Korea's economy to grow. Individual initiative and creativity, along with the increasing rationalization of every aspect of life to promote efficiency and productivity: these all contributed to South Korea's competitiveness. Liberalization and democratization were not the downfall of South Korea's economy and society; they were preconditions for the country's progression to the next stage of development.

After Park's death, successive South Korean governments continued to liberalize the sectors of the economy that had been under direct government control. In the 1980s, the government opened the country's capital markets, allowing South Korean companies to raise capital from the global financial markets rather than from state-run banks. In 1997, South Korea fell victim to the Asian financial crisis, forcing the country to ask for an International Monetary Fund bailout. It was a humiliating moment for Seoul, but leaders used the crisis to push through major market-oriented reforms that dismantled the centrally planned investment model. Two years later, the economy was growing again, recording an 11 percent growth rate in 1999. All the while, South Korea further integrated itself into the growing liberal economic order, joining the WTO in 1995, the Organization for Economic Cooperation and Development in 1996, and concluding 15 free-trade agreements with 52 partners, including the EU (in 2011), the United States (in 2012), and China (in 2015). The country's transition from repressive backwater to democratic powerhouse was complete.

CHINA'S PARK CHUNG-HEE MOMENT

Like South Korea during the Park era, China is experiencing the limits of economic liberalization without political reform. The Chinese economy ^[8] today suffers from massive inefficiency and production problems due to an overreliance on state control. State-owned enterprises have become a major drag on the economy, but reform has stalled. Meanwhile, Chinese banks are saddled with massive amounts of bad loans. The real estate bubble, the product of excessive debt and overbuilding, could burst at any moment.

Despite these problems, the sheer magnitude of the CCP's achievement in lifting the country out of poverty and transforming it into the second-largest economy in the world ^[9] has convinced many observers that the Chinese may indeed be onto something. And the regime's ability so far to defy periodic predictions of its demise has led many observers to contend that the so-called China model offers an alternative path of political and economic development.

This tendency to view the Chinese system as anything other than pre-liberal, pre-democratic, and even premodern authoritarianism is reinforced by widespread self-doubt within liberal democracies today. China's rise comes at a moment of deep anxiety ^[10] about the long-term viability of the liberal international order. These two developments are happening at the same time, but they are the product of two very different forces. The ascent of China is the story of a developing country becoming a developed one, whereas the West's current soul-searching is a crisis of success that came as a consequence of having fully embraced economic, social, and political liberalization.

Has Beijing found a new form of state capitalism that will out-perform or even outlast ^[11] liberal democracy? It would be odd if China's path suddenly diverged from South Korea's. Just as "Korean-style democracy" was nothing more than a euphemism for old-fashioned dictatorship, the same is true of "socialism with Chinese characteristics."

There are two possible paths for China going forward: political liberalization, which would enable continued economic success, or authoritarian retrenchment, which would slowly but surely undermine China's economic growth. The lesson of South Korea is that when it comes to sustaining economic growth, political liberalization is not a matter of choice.

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