

JAPANESE COLONIALISM AND KOREAN ECONOMIC DEVELOPMENT 1910-1945

BETTY L. KING

Since the Kangwha Treaty of 1876 and until 1945, Japanese entrepreneurs have had a virtual monopoly of Korean trade. As early as 1884 more than half of the total Korean imports of \$999,720 came from Japan and more than nine-tenths of the total Korean exports of \$737,635 went to Japan.¹ Unquestionably, Japan had predominant commercial interests in Korea and the Sino-Japanese War of 1894-95 was meant to totally remove Korea from China's "Confucian sphere of influence."² Though Korea's independence was declared by the Treaty of Shimonoseki of 1895, Korea in fact swung between the alternate domination of Japan and Russia. In 1906, after the Russo-Japanese War, Korea was declared a Japanese protectorate; in 1910, it became a colony of Japan, remaining a Japanese possession until the end of the Pacific War in 1945.

This paper is concerned with the economic changes that took place in Korea under Japanese rule. It intends to show the dialectic³ of

¹ Augustine Heard, "China and Japan in Korea," *North American Review*, Vol. CLIX (July-December 1894), p. 301.

² *Ibid.*, p. 301.

³ The term dialectic is taken in the Hegelian sense, i.e. the diametrically opposed elements of any movement. In this paper, I shall attempt to show the contradictory consequences of Japanese colonialism on Korean economic development.

Korean economic development under Japanese colonialism. The administration of Chosen (1910-1945), as the Japanese called their Korean colony, is the period under study.

The first part of this paper gives an overview of the traditional Korean economy prior to 1910. The second part discusses the process of reorganization of the traditional Korean economy by means of which the Japanese Government achieved institutional control over the Korean economy. The third part describes the growth of the Korean economy during Japanese colonial rule. The fourth part attempts to draw certain conclusions from the findings of this paper.

Overview of the Traditional Korean Economy Prior to 1910

Traditional Korean economy was an "oriental economy" — it was principally self-sufficient and self-sustaining. The family and village were the basic economic units through which production and exchange of goods were effected. Since the structure of the traditional Korean economy was predominantly agricultural (dominated by rice production), with very little handicraft industry and commerce, land was the major source of wealth. Traditional Korean economic thought was dominated by the concept of capital accumulation in the form of land investment.⁴

Ideally, land was owned by the State. The State controlled the distribution of land and in the ideal state, all Korean subjects received land to live upon. In turn, a system of land tax was enforced to provide revenue for the State. The State owned and gave out land to be cultivated and withheld it accordingly. In a parochial sense, there was no private property.

However, it is doubtful whether this structure ever existed in its ideal state. Ever since the Period of Unified Silla (668-918 A.D.), the agricultural structure had been feudal. Land was distributed among the nobility and government functionaries at the expense of the peasantry. As the state's control over the distribution of land gradually decreased, land was increasingly appropriated by the ruling class through various methods. Thus, the system of private land ownership and tenancy among the peasantry gradually expanded.⁵

⁴ Shannon McCune, *Korea's Heritage: A Regional and Social Geography* (Ruthland, 1956), pp. 82-99.

⁵ Hochin Choi. *The Economic History of Korea* (Seoul, 1971), pp. 3-34. See also, Gregory Henderson, *Korea: The Politics of the Vortex* (Cambridge, 1968) pp. 32-33.

The traditional Korean economy was a closed economy.⁶ However, foreign trade was allowed but carried only through official channels usually in the form of exchange of goods or presents. In the case of trade with China, it was carried out in the form of tribute.⁷ Korean trade with Japan was limited for a number of reasons. When international market centers were established along the Korean-Manchurian border at the turn of the sixteenth century, private trade was allowed by the Korean government but trade remained principally a government monopoly.

The Achievement of Control Over the Korean Economy by the Japanese

Control over an economic system requires institutional control of the social structure, the agricultural and industrial structure, transportation and communications, and banking and finance. The Japanese Government had achieved this control over the Korean economy by 1920 and only then was it able to integrate Korea into the larger economic system of the Japanese Empire.

The Social Structure

Yi-dynasty Korea (1395-1910) had a rigid and hierarchical social structure. Choice of occupation, eligibility for conscripted labor and military service, liability to taxes, and even style of clothing and housing were determined by an officially stipulated status hierarchy. The main social divisions were:

- (1) The ruling class composed of the *yangban* elite, which monopolized virtually all government positions. They alone had effective access to the more important examinations. They were usually scholars, particularly of Confucian literature, and constituted a politically influential intellectual community.
- (2) The small "middle" class, the *chungin* and *ikyō*, which consisted of professionals or functionaries hired at the lower

⁶ In a "closed economy", no person has any business or trade relationship with anyone outside the area. The term "closed economy" usually refers to an economy in which no imports, exports, or factor movements are permitted across boundaries.

⁷ According to John R. Fairbank, "trade and tribute were cognate aspects of a single system of foreign relations. Tribute was a cloak for trade . . . an ingenious vehicle for commerce." See John K. Fairbank, "Tributary Trade and China's Relations with the West," *Far Eastern Quarterly*, Vol. I (1942), p. 140.

Sino-Korean tributary trade involved the exchange of goods not available in each country. For example, Chinese gifts of silk, brocades, books, herbs were exchanged for Korean gifts of ginseng, animal skins and horses.

levels of government, chiefly the central government, and viewed as technicians or clerks.

- (3) The commoners, the *sangmin* (also known as *yangmin*), which included the farmers, merchants, artisans, etc.
- (4) The outcasts, the *ch'onmin*, composed of several elements, like the entertainers, sorcerers and *nobi* or slaves.⁸

Theoretically and ideally, a man's employment was to be hereditary and occupational mobility was restricted.⁹

When the Japanese annexed Korea in 1910 they abolished this traditional status system. Positions at the upper reaches of government which had previously been occupied by the *yangban* were rapidly filled by Japanese immigrants who remained in control of the bureaucracy throughout the colonial period. As a ruling class, the Japanese outnumbered the Korean *yangban* whom they displaced. When the undeclared war with China broke out in 1937, 41.4 percent of Japanese (vs. 2.9 percent of Koreans) were in government service, occupying almost all government positions. Some 16.6 percent of Japanese residents (vs. 2.6 percent of Koreans) were in commerce. In contrast, 75.7 percent of Koreans were still in agriculture.¹⁰ Theoretically, occupations not taken by the Japanese were open to talented individuals including the *sangmin* (commoners) as occupational mobility was allowed. However, the traditional status distinctions were replaced by ethnic discrimination. Even as late as 1944, 95 percent of gainfully employed Korean men and 99 percent of the women were laborers.¹¹ Japanese and Koreans thus existed on a completely different economic level. Such differences tended to increase rather than narrow as expansion and war made the Japanese an increasingly prosperous elite. Koreans watched a rising tide of economic modernization but they were separated from full participation in the modernization process by a thick wall of alien elite occupying almost all important jobs.¹²

The Agricultural Sector

Perhaps the most important sector for both Japan and Korea was the agricultural sector. It was important for Korea because the Korean economy was predominantly agricultural with 80 percent of the popu-

⁸ Edwin Reischauer and John K. Fairbank, *East Asia: The Great Tradition* (Boston, 1960), p. 428.

⁹ Yunshik Chang, "Colonization as Planned Change: The Korean Case," *Modern Asian Studies*, Vol. V, No. 2 (1971) p. 162.

¹⁰ Henderson, *op. cit.*, p. 75.

¹¹ *Ibid.*, p. 75.

¹² *Ibid.*, p. 76

lation in 1910 engaged in agriculture. For Japan, the agricultural sector was important because Japan was not self-sufficient in rice production and depended increasingly on imports of rice from Korea to meet the demand in the domestic rice market. In fact, a serious social crisis (i.e., the race riots especially at the end of the First World War) resulted from the inability of the Japanese domestic rice market to cope with the demand for rice (demand exceeded supply by 40 million bushels per year).¹³

Between 1911 to 1918, a series of regulations and ordinances on land-holding were issued to establish a new and better-defined concept of land ownership which corrected the complicated agricultural structure in Yi-Dynasty Korea. They provided the legal basis for land ownership, made available a land market, and allowed foreigners to buy lands in Korea. The Japanese colonial government then nationalized the royal and Buddhist lands,¹⁴ and also the private lands for which ownership by the *yangban* elite was not identified owing to inadequate documentary certificates. The vast amount of land thus nationalized was rapidly swallowed through purchase by Japanese companies like the Oriental Development Company and Fuji Industrial Company.¹⁵

By 1936, two-thirds of the total lands in Korea had passed into the hands of Japanese immigrants.¹⁶ From 1913-1939, the number of Korean landowners decreased from 21.8 percent to 19.0 percent; the number of Korean owner-tenants went down from 38.7 percent to 25.3 percent; and the number of Korean tenants increased from 39.4 percent to 55.7 percent.¹⁷ These figures indicate that no improvement was brought about in the structure of land ownership and agricultural management although modern concepts of land ownership such as the legal basis of land ownership were established. On the contrary, changes instituted by the Japanese meant the elimination of the middle class in-

¹³ Chang, *op. cit.*, p. 166. See also Ik Khan Kwon, "Japanese Agricultural Policy on Korea: 1910-1945," *Koreana Quarterly*, Vol. VII, No. 3 (Autumn, 1965), pp. 96-97.

¹⁴ For a fuller description of how land in Yi-Dynasty Korea was divided, see Ik Khan Kwon, *ibid.*, p. 97.

¹⁵ These two Japanese companies were the largest Japanese firms in Korea, whose main objective was to help Japanese landowners and companies increase their Korean acreage. See Choi, *op. cit.*, pp. 202-206, 211. See also Chang, *op. cit.*, pp. 168-169.

¹⁶ Ik Whan Kwon, *op. cit.*, p. 98.

¹⁷ *Ibid.*, p. 98. See also, Choi, *op. cit.*, pp. 218, 242; Henderson, *op. cit.*, p. 77.

dependent farmers and consequently a more drastic polarization of rural society.

The agricultural structure remained essentially a feudal production system, much like the traditional Korean structure. The only difference was that a minority of alien landowners replaced the indigenous landowners. To illustrate: 23,903 Japanese landowners in 1942 owned more than 2,450 acres of land while only 4,780 Korean landowners owned 2,450 acres of land each.¹⁸

The Industrial Sector

The same trend in the industrial sector can be noted. Ownership and management of all sectors of industry by 1945 were Japanese. In 1910, a *Kaisha-rei* (Regulation of the Incorporation of New Firms) was issued to control "disorderly" Japanese capital investment in Korea. Prior to 1931, Japanese capital investment on large-scale manufacturing industries was deliberately limited by the Japanese government "to prevent any competition between the Japanese and Korean industries as part of the same empire." Japanese capital was put only into government projects such as transportation, communication, electrical plants and land. Whatever may have been the primary intention of the *Kaisha-rei*, its most notable effect was to retain the rise of Korean capitalists.¹⁹

In the ownership of industry, Japanese capitalists dominated all sectors of the Korean industry — heavy industry,²⁰ small and light industries, mining, manufacturing, etc. By 1938, Japanese capitalists owned 3,136 companies or 57.7 percent of the total as against 2,278 firms or 42.1 percent owned by Koreans.²¹ It must be pointed out that most firms owned by Koreans were smaller in scale and capital than those

¹⁸ Chongcho'ol Im, "The Modernization of the Korean Economy, *Asiatic Research Bulletin*, Vol. VI, No. 10 (February 1964), p. 4.

¹⁹ Chang, *op. cit.*, p. 170.

The Japanese colonial government regulated the inflow of capital into Korean industries in order to avoid any competitions between Japanese and Korean industries as part of the same empire. This is an earlier case in point of the coherence of Japanese economic strategy. The present Japanese economic structure is probably patterned after experiments in Japanese colonies, notably Korea.

²⁰ No large industries developed before the 1930's. The world-wide depression of the 1930's brought Japanese economy to near collapse. As the only way out, the Japanese militarists invaded Manchuria in 1931 and prepared for further expansion in China. Korea became the base and it was only then that Korean large and heavy industries were built. See Hender-son, *op. cit.*, p. 94.

²¹ Choi, *op. cit.*, p. 235.

owned by the Japanese. In 1923, only 36 companies or 17 percent of the total owned by Koreans were engaged in mining and manufacturing. This suggests that native capital at that time was mainly invested in small-scale industries and business.²²

The trend in ownership of capital industry and corporations by Japanese capitalists tended to increase during the later Japanese colonial period in Korea. By the end of 1940, 94 percent of the manufacturing enterprises, 100 percent of the electric and gas industry, and 100 percent of the ceramics industry were owned by the Japanese.²³ One Korean economist believed that the Korean share in the overall industrial capital invested in Korea in 1940 was not over six percent and that nearly 90 percent of money invested even in Korean-operated industry came from the Japanese.²⁴ In 1945, the Japanese owned 89 percent of the total paid-up capital of all manufacturing and industrial facilities, as well as controlled all major banking, insurance and others.²⁵

The same trend can be noted in the management and Korean participation in the industrial process which was limited to the lowest level. Important positions in industry were occupied by Japanese. Availability of even technical jobs was limited; skilled manpower required for development of new industries in Korea was imported from Japan. As a consequence, in 1940, Korean technicians occupied only 20 percent of the total industrial technician population; 11 percent in the metal industry; 12 percent in the chemical industry; 20 percent in the electric, gas, and waterworks industry; 29 percent in the mining industry; and 11 percent in the refining industry.²⁶ To make matters worse, Korean technicians were not assigned to important positions other than serving as assistants to Japanese.²⁷ Even as late as 1944, 95 percent of gainfully-employed Korean men and 99 percent of Korean women were laborers.²⁸ The presence of Japanese technicians in the industry hampered the

²² *Ibid.*, pp. 235, 240. See also, Henderson, *op. cit.*, p. 97.

²³ Chongcho'ol Im., *op. cit.*, p. 4. See also Choi, *op. cit.*, p. 236-237.

²⁴ Ch'oe Mun-hwan, "The Path of Democracy — A Historical Review of the Korean Economy." *Koreana Quarterly*, Vol. III, No. 1 (Summer 1961), p. 61.

²⁵ Henderson, *op. cit.*, p. 97. See also, Choi, *op. cit.*, p. 287. For a comparison of Japanese ownership with Korean ownership of industry, as well as the paid-up capital of both Japanese and Korean capitalists. Refer to Table: Company Ownership by Nationality, Cho, *op. cit.*, pp. 236-237. See also Table: Distribution of Industry, Capital by Nationality, Choi, *op. cit.*, p. 287.

²⁶ Chongco'ol Im, *op. cit.*, pp. 4-5. See also, Choi, *op. cit.*, p. 290.

²⁷ *Ibid.*, p. 4.

²⁸ Henderson, *op. cit.*, p. 75.

growth of Korean entrepreneurship and impeded the development of specialization in the Korean labor force.

The Financial and Banking Sectors

In traditional Korean economy, production and consumption were not separate activities. Exchange of surplus agricultural products was based, for the most part, on mutual trust. Yi-Dynasty Korea did not develop a uniform currency. Several kinds of coins were issued under different pretexts, at different times, and in different places. In central and northwestern Korea, nickel coins were circulated; in southern and northeastern Korea, brass coins were used; and in open ports, Japanese currency circulated freely.²⁹

In order to control the Korean economy, the Japanese colonial government established a system of exchange. As early as 1905 the protectorate regime revived the coinage law of 1901 which provided that Korea was to have the same coinage system of Japan.³⁰ The Bank of Chosen was established in 1909 to carry out this currency reform.³¹ The adoption of a uniform currency was followed by the establishment of banking organizations. In 1910 the Bank of Chosen was made a central bank. In 1918 the Industrial Bank of Chosen (which was formed by the integration of the Agricultural and Industrial Banks created in 1906) was established. Together with the Oriental Development Company founded in 1908, it carried out long-term industrial and agricultural financing (primarily to help Japanese landowners and companies increase their Korean acreage). The Savings Bank of Chosen, commercial banks such as the Chosen Trust and Insurance Company, and other financial institutions were similarly established.³²

Both deposits and loans were virtually Japanese monopolies. In the Bank of Chosen, ownership of deposits was distributed among Japanese and Koreans at a ratio of 95 to five; loans were distributed at a ratio of 98 to two.³³ However, in the Industrial Bank of Chosen, while ownership of deposits was distributed between Japanese and Koreans at a ratio of 76 to 22, loans were distributed at a ratio of 38 to 61.³⁴

²⁹ Bank of Korea, *op. cit.*, pp. 43-57.

³⁰ Chang, *op. cit.*, p. 169.

³¹ Bank of Korea, *op. cit.*, p. 58.

³² *Ibid.*, pp. 58-71. There were at least six Korean-owned commercial banks and three Japanese banks.

³³ Choi, *op. cit.*, p. 311.

³⁴ *Ibid.*, p. 314.

This trend of the Industrial Bank of Chosen can be noted for both the commercial and savings bank, although between 1929 and 1935, Korean deposits in savings bank increased by 85 percent.³⁵

What do these ratios indicate? They show that by and large, the ratio of Korean deposits to total deposits between 1910 and 1937 remained the same, while the Japanese ratio gradually increased. At the same time the ratio of loans extended to Koreans to all loans increased from 28.9 percent to 39.8 percent between 1910 and 1937; while the ratio of loans extended to Japanese decreased from 68.7 percent to 60.1 percent.³⁶ This is significant because despite the fact that the interest rates on loans were lower for Japanese than for the Koreans,³⁷ Korean loans continued to increase. Therefore, from these ratios we can surmise that the well-being of the average Korean was hardly improved during the colonial period.

Communications and Transportation

The exchange of goods and services within the new colonial economic framework in Korea required improved communications. In addition to the Seoul-Inch'on railway line opened in 1899, the Japanese paid special attention to railroad building expanding the lines to 6,362 kilometers by 1945. The Japanese also took over the construction of new roads (by 1945, 20,000 miles of roads had been built); improvement of maritime transport (by 1945, Korea had 230,000 tons of shipping and many port facilities); and management of postal services and other communications (there was a well-developed network of post offices, almost all equipped to transmit telegrams, 7,100 telephone lines, 5,600 miles of telegraph lines, 15 radio stations, 440,000 radio receivers, 72 theaters and 51 cinemas).³⁸

The great majority of these communications and transportation facilities were built to service Japan's needs and were, for the most part, used by the Japanese. However, we cannot ignore the fact that these communication facilities established in Korea by the Japanese were so extensive and pervasive that these facilities appear unduplicated by

³⁵ *Ibid.*

³⁶ *Ibid.*, p. 309.

³⁷ *Ibid.*, p. 323. For example, notes of interest on loans secured by real estates ranged between 12.9 percent and 19.3 percent per month among Japanese. Whereas among the Koreans, rates ranged between 14.3 percent and 21.8 percent.

³⁸ Henderson, *op. cit.*, pp. 98-99. See also, Choi, *op. cit.*, pp. 212-213.

many of the emerging nations. For instance, the Korean communications networks concentrated in the north were then only second to Japan in the Far East.³⁹ Moreover, by 1945, Korea had more radios per capita than South Vietnam, Indonesia, Angola, or Kenya were to have; and more than India, Burma, or Nigeria were projected to have in 1975.⁴⁰

Growth of the Korean Economy During the Japanese Colonial Rule (1910-1945)

We have shown how the Japanese established institutional control over the Korean economy. It was so thoroughgoing that by 1920 not only lands and mines but also the industrial, financial, transportation and communication systems had come under the monopolistic control of the Japanese.

At this point we shall analyze how the Japanese colonial administration contributed to the Korean economic development and industrialization. There are yardsticks for measuring roughly the degree of economic progress. The key economic indicators that will be used are: gross national product (GNP), per capita GNP, agricultural and industrial production and foreign trade.

Numerical estimates show that for the period 1910-1945, Korean economic growth, as a whole, was both substantial and impressive. The gross output of goods (not including services) nearly quadrupled in the course of a quarter of a century.⁴¹ Average annual rate of growth was estimated at 5.4 percent (or 3.7 percent per capital),⁴² which is a comparatively high rate of growth.

From 1915 to 1940, agricultural production increased by 85 percent⁴³ and industrial production increased over 80 percent.⁴⁴ While the development of industry increased after 1930 and after 1938 increased even more steeply,⁴⁵ agriculture still dominated the economy as a whole.

³⁹ Henderson, *ibid*, p. 94.

⁴⁰ *Ibid.*, p. 98.

⁴¹ Chang, *op. cit.*, p. 177.

⁴² *Ibid.*, p. 177.

⁴³ *Ibid.*, p. 173. See also the table showing Korean agricultural growth in section on Agricultural Production, Part III of this paper.

⁴⁴ Henderson, *op. cit.*, p. 94. See also table showing development of Korean industry in section on Industrial Production, Part III of this paper.

⁴⁵ See Note 20, *supra*. This expansion increased sharply after 1938, with the coming of full-scale Japanese war in China.

More than 40 percent of the total gross output of goods in 1940 remained agricultural and the means of livelihood of more than 60 percent of the total population continued to come from agriculture.⁴⁶

The increase in industrial production after 1930 and its steep increase after 1938 is correlated to the Japanese economic policy towards its colonies. In retrospect Japanese economic policy in Korea was always designed to supplement Japanese economic needs. For the first twenty years of Japanese rule, the economic policy of the colonial government was primarily directed towards developing Korea as a source of food for Japan's expanding population and a market for Japanese manufactured goods. The agricultural sector was emphasized, and industry was not greatly strengthened. In fact, the manufacturing industries were deliberately limited by the colonial government's control over the flow of Japanese capital into Korea "to prevent any competition between Japanese and Korean industries as part of the same empire."⁴⁷ However, with Japan's penetration into Manchuria in 1931, and the preparations for a wider "Japanese co-prosperity" sphere of influence,⁴⁸ Japanese economic policy towards Korea changed sharply. It aimed at building up Korean industry and developing Korean industrial raw materials. After 1937, with the coming of full-scale Japanese war in China, the Korean industry quickly expanded to include war industries. This change in emphasis from the agriculture to the industrial sector of the Korean company was clearly indicated in the sudden increase in the value of production of both mining and manufacturing industries between 1930-34 and 1935-39.⁴⁹

⁴⁶ Chang, *op. cit.*, p. 178.

⁴⁷ Chang, *ibid.*, p. 170. See also Henderson, *op. cit.*, p. 94; Ik Whan Kwon, *op. cit.*, pp. 110-111; Chongcho'ol Im, *op. cit.*, p. 3.

The *Kaisha-Rei*, mentioned earlier in this part of the paper, was meant to control "disorderly" Japanese capital investment in Korea. During this early period of Japanese Colonial Rule, Japanese capital that flowed into Korea was mostly put in government projects such as transportation, communications, electricity plants, and lands.

⁴⁸ The Japanese co-prosperity scheme included Manchuria, Inner Mongolia, and North China. In this expansion scheme, Korea, together with Taiwan, became the base for Japanese domination of Asia.

⁴⁹ Chang, *op. cit.*, p. 174, explains the rationale for the change in Japanese economic policy in Korea as: "The economy in Korea, viewed in the international context necessitates a change in industrial policy from one previously centered on primitive industry toward a total development in wider range of industries . . . It is necessary to have a close connection between Japan and Manchuria and to assume responsibilities

Korean foreign trade gradually increased with Japan accounting for 97 percent of the total trade.⁵⁰ Korea's balance of trade was consistently unfavorable, a classic symptom of the colonial nature of the economic relationship between Japan and Korea.

For the period as a whole, the standard of living of Korean workers and peasants was far from improved. While consumption standards did move upwards as a result of the importation of more consumer goods than capital goods, the components of imports as of the end of 1931 consisted of: 53.5 percent of consumer goods, 19.2 percent of raw materials, 12.4 percent of foodstuffs, and 4.9 percent of "others" including capital goods.⁵¹ The Korean workers and peasants, as a whole, were reduced from the state of being poor to that of complete bankruptcy and from being underprivileged to being unprivileged.⁵²

Agricultural Production

Immediately after the First World War, food shortages in Japan caused widespread rice riots. The Japanese colonial government in Korea launched a series of Rice Expansion Plans to increase agricultural production, chiefly rice, by 118 percent, using 1916 as the base year. The Rice Expansion Plans (also known as the Rice Increase Plans) were carried out till 1940 with occasional discontinuity.⁵³

The result of the plans was remarkable. As indicated by the table below, the five-year average value of total agricultural output (at constant prices) from 1915 to 1935 more than doubled. During these two decades, agricultural production increased by 85 percent; rice production, by 50 percent; and average rice yield per acre, by 26 percent. Increased agricultural production was achieved by (1) increased use of natural fertilizers; and (2) improved seeds, methods of cultivation and farm equipment.

for the economic needs of the entire imperial area . . . Under present grave circumstances, we should strive to be victorious in the world economic struggle by total utilization of the resources of our economic sphere."

See also Henderson, *op. cit.*, p. 94, Ik Whan Kwon, *op. cit.*, pp. 110-111; Chongcho'ol Im, *op. cit.*, p. 3.

⁵⁰ Henderson, *op. cit.*, p. 94. See also, Choi, *op. cit.*, p. 293.

⁵¹ Ik Whan Kwon, *op. cit.*, p. 261.

⁵² Choi, *op. cit.*, p. 112.

⁵³ Ik Whan Kwon, *op. cit.*, pp. 99-100.

KOREA: INDEX NUMBER IN AGRICULTURAL GROWTH⁵⁴

Year	Amount (in yen) of agr. products	Amount (in suk) of rice products	Rice Yield per acre	Exports of Rice	Land Under Cultiva tion
1915-19	100	100	100	100	100
1920-24	118	106	106	167	99
1925-29	140	109	106	286	103
1930-34	153	126	116	375	104
1935-39	187	150	127	379	105

1 suk = 4.96 bushels

How far did the Rice Expansion Plan benefit Korea? As the table indicates, rice exports (almost exclusively to Japan) far exceeded the increased production of rice. Using 1915-19 as the index years, rice exports in 1920-24 increased by 67 percent and further increased by 279 percent in 1935-39, whereas rice production increased only 6 percent and 50 percent in the same periods respectively. A logical conclusion from this fact is that the unusual export was made at the expense of Korean consumption of rice. As a substitute for the rice exported to Japan from Korea, cheaper coarser grains were imported from Manchuria. This import of other grains, however, did not offset the curtailed per capita consumption of rice. As the table below shows, total per capita consumption gradually declined during the colonial period from 2.031 suk (10.074 bushels) in 1915-19 to 1.934 suk (8.937 bushels) in 1935-39. This means that imports of lower quality grain from Manchuria involved not only a qualitative sacrifice in substituting coarser Manchurian sorghum (formerly used as cattle fodder) for rice, but also a quantitative sacrifice in the level of food consumption. The table below show the decline in the consumption of other grains, from 1.324 suk (6.567 bushels) in 1915-19 too 1.193 suk (5.854 bushels) in 1935-39. Korean economists call these rice exports "forced or starvation exports."⁵⁵

⁵⁴ *Ibid.*, p. 102. See also, Chang, *op. cit.*, p. 173.

⁵⁵ Chang, *ibid.*, p. 174. See also IK Whan Kwon, *ibid.*, p. 110.

⁵⁶ Chang, *ibid.*, p. 174. See also Ik Whan Kwon, *ibid.*, p. 101.

KOREA: PER CAPITA FOOD CONSUMPTION (in *suk*)⁵⁶

<i>Year</i>	<i>Rice</i>	<i>Other grains</i>	<i>Total Consumption</i>
1910-19	0.707	1.324	2.031
1920-24	0.638	1.341	1.970
1925-29	0.512	1.300	1.812
1930-34	0.444	1.2-6	1.660
1935-39	0.641	1.193	1.834

Industrial Production

The period after 1930 was a classic instance of swift industrial development. It was characterized by the entry into Korea of the largest Japanese industrial and trading concerns — *Mitsui*, *Mitsubishi*, *Sumitomo*, and *Yasuda*.⁵⁷ Some other giant Japanese enterprises such as *Noguchi* developed primarily in Korea. It saw the inflow of Japanese capital and skill; the development of electric power; and the exploration of mineral resources, notably gold. Korean manufacturing industry was completely changed from rice cleaning, food processing, and silk fabric manufacturing to such heavy and chemical industries as iron manufacturing, special refining industry, synthetic fiber manufacturing, and chemical fertilizer industry. Manufacturing industry's share in total industrial output, which had been only 11 percent in 1911, increased to 24 percent in 1930, and grew to 40 percent in 1943.⁵⁸ Heavy industry's share in total industrial output, which had been 38 percent in 1930, increased to 73 percent in 1942.⁵⁹ During the period from 1936 to 1943, the number of manufacturing factories increased from 5,927 to 14,856; the number of employees from 188,250 to 549,751; and and the output from 730,806 *yen* to 2, 050,000 *yen*.⁶⁰

⁵⁷ Choi, *op. cit.*, pp. 282-283 lists the major projects undertaken by the big entrepreneurs of the Japanese *Zaibatsu*. Special emphasis was placed on industries and resources that could not be developed in Japan. For instance, the *Mitsubishi* Mining Company built an iron refinery in Ch'ongjin, the *Chosen* Nitrogenous Fertilizer Company built a plant at *Hungman*, etc. Most of these modern industries were built in Northern Korea.

⁵⁸ Chongcho'ol Im, *op. cit.*, p. 37. See also Chang, *op. cit.*, p. 178.

⁵⁹ Henderson, *op. cit.*, p. 94.

⁶⁰ Choi, *op. cit.*, p. 284.

The table below shows that the increase in the development of industry was smaller than it appeared. Nevertheless, corrected for changes in price level, the gross value of industrial production increased over 80 percent from 1922 to 1944. The increase after 1938 was steep.

KOREA: DEVELOPMENT OF INDUSTRIAL ACTIVITY IN KOREA⁶¹

Year	Gross Value of Industrial Product	
	Yen Millions	Yen millions corrected for changes in price level (wholesale prices)
1922	223.3	721.7
1929	351.5	641.3
1933	367.2	520.3
1937	959.3	672.0
1938	1,140.1	690.0
1944	20,500.0	1,376.7

Despite the rapid development of industry, there was no balanced development of Korean industry. Firstly, a comparison of the industrial structure of Japan and Korea shows that while the Japanese industrial structure at the end of 1940 was considerably well-proportioned and well-balanced, with metallic and machinery industries sharing 45 percent of the total industrial structure (50 percent is considered the ideal in advanced capitalist countries), Korean industrial structure was considerably imbalanced, with metallic and machinery industries accounting for only 20 percent of the entire industrial structure at the end of 1940.⁶² Secondly, while large factories shared only two percent of the total number of factories in 1940, they accounted for 39.3 percent of total employment. In contrast, the small and medium factories, which shared 98 percent of the total number of factories in 1940, accounted for a low 60.7 percent of all employment.⁶³ It must be pointed out here that most of the large factories were in heavy chemical industry

⁶¹ Henderson, *op. cit.*, p. 95.

⁶² Choi, *op. cit.*, p. 286.

⁶³ Choi, *op. cit.*, pp. 284-285.

which was developed in haste to meet war requirements, and with no consideration given to the complex interrelationship with other industrial fields.⁶⁴ And lastly, though the rapidly increasing amount of manufactured industrial products came from new factories, Korean industry still retained many traditional elements. Household⁶⁵ and handicraft industries accounted for 40.1 percent of the total gross value of industrial production in 1933; and though it decreased to 22 percent in 1939, it was still a considerable share.⁶⁶ This was a case of dual economy.

Foreign Trade

Korea's balance of trade was consistently unfavorable, with Japan accounting for 97 percent of the total trade, as indicated by the following table.

KOREA: VOLUME OF TRADE WITH JAPAN AND OTHER COUNTRIES⁶⁷

	1910 - 1939	1920 - 1931	1932 - 1936	1937 - 1939
EXPORTS				
To other countries	16.2%	7.3%	12.2%	21.4%
To Japan	83.8%	91.7%	87.8%	78.6%
IMPORTS				
From other countries	33.8%	30.5%	15.7%	12.7%
From Japan	66.2%	69.5%	84.3%	86.3%

On the basis of the above statistics, it can be said that the structure of Korean trade bears the characteristics typical of a colonial economy. Firstly, Korean imports consistently exceeded Korean exports. Japan accounted for 86.3 percent of the total Korean imports in 1937-39, and 78.6 percent of the total Korean exports. Secondly, exports on the one hand, consisted chiefly of products of primary industries, i.e., raw materials such as raw silk, raw Chinese medicine, iron and metals, ammo-

⁶⁴ Choi, *op. cit.*, pp. 285-286.

⁶⁵ Household industry, by definition, should be included in the agriculture-related sector. Household industry is industry conducted at the home of the "intrepeneur" and members of his family usually in their spare time.

⁶⁶ Chang, *op. cit.*, p. 178. See also Henderson, *op. cit.*, p. 94.

⁶⁷ *Ibid.*

nium sulfate; agricultural products, i.e., finished or semi-finished food-stuffs such as rice, white soybeans, fishery products. On the other hand, imports consisted of secondary products such as machine and tools, metal products, coal, and manufactured goods such as cloth, dress, medicine material and chemical products.⁶⁸

Per capita Income

In the final assessment, an attempt must be made to measure the economic gain of the average Korean during the Japanese colonial period. In other words, welfare evaluations have to be considered in the analysis of economic development. Total output or volume of production tends to obscure the realities of economic progress. The question posed is: how fully did the sectors of Korean society participate in the benefits of the Korean economic growth? Did increased total production or GNP actually benefit the Korean people as the Japanese colonial government had promised in the Treaty of Annexation in 1910?⁶⁹

In the agricultural sector, we find that Korean tenancy increased by 54 percent in 1941.⁷⁰ Four out of five Korean farm households were tenants. In 1930, the landlords, mostly Japanese absentee landlords who comprised 3.5 percent of the total farm population, owned 60 percent of the total arable land.⁷¹ We also find that the growing number of tenants were compelled to pay not only a rent of 58-90 percent of their total crops or harvest, but also land taxes, fees for inspection of rice, and to provide tribute and all kinds of labor contributions to the landowners.⁷² As a result, tenants were left with only a small portion of their crops, at most, 18 to 25 percent of their rice crops. In 1930, for instance, 17 percent of all farm families earned less than 160 *yen* annually in

⁶⁸ Choi, *ibid.*, pp. 294-298. See also Joseph Whitaker, *An Almanack* (London, 1939), p. 247.

Korea's trade can be an interesting indicator of the direction of Japan's economy. For instance, in the 1920's, rice was the leading import commodity of Japan. But by 1941, iron and metals had replaced rice as the largest export commodity to Japan.

⁶⁹ Carnegie Endowment for International Peace, *Korea: Treaties and Agreements* (Washington, 1921), p. 65.

The treaty proclaimed that ". . . in order to maintain peace and stability in Korea, to promote the prosperity and welfare of Koreans, it has been made abundantly clear that fundamental changes in the actual regime of government are absolutely essential . . ."

⁷⁰ Chongcho'ol Im, *op. cit.*, p. 4.

⁷¹ Chang, *op. cit.*, p. 175; See also Ik Whan Kwon, *op. cit.*, p. 105.

⁷² Ik Whan Kwon, *ibid.*, p. 98-107; See also Choi, *op. cit.*, p. 218-206.

rice production; while 40 percent of all farm families earned less than 300 *yen* annually.⁷³ In such circumstances, any possibility of saving for improving living standards was impossible. In fact, Korean farmers were usually left with a deficit. They had to borrow, usually at usurious interest rates, in order to survive. We note that in 1931, the average debt of a Korean farm tenant was 70 *yen* and every partial landowner, an average debt of 115 *yen*.⁷⁴

With high tenancy rates and increasing degree of impoverishment,⁷⁵ the Koreans were forced to leave their villages for Manchuria and Siberia where they could at least cultivate a piece of land as their own. At the end of 1937, over a million Koreans were forced to settle in Manchuria.⁷⁶

The poverty of the Korean rural communities became extreme despite farm mechanization during the Japanese colonial period. In 1929, an official investigation⁷⁷ reported that 837,000 families out of 3,191,153 had no means of subsistence and in 1930, 1,253,000 families were gathering grass and bark of trees for food. This situation was officially recognized by the Chosen Government-General in his annual report on the administration of Korea.⁷⁸

In the industrial sector, we find that despite the development of industry there were only 1,632 Korean technicians or 20 percent of the total technicians in Korea by the end of 1944.⁷⁹ As pointed out earlier

⁷³ Chongcho'ol Im, *op. cit.*, p. 5.

⁷⁴ Choi, *op. cit.*, p. 273.

This explains why Korean loans tended to increase while Korean deposits remained the same, as pointed out in this paper in the section under Banking and Finance.

⁷⁵ This is no exaggeration. The worldwide depression of the 1930's affected every facet of economic life in Japan and Korea. However, the hardest hit were the Korean farmers because the burden was shifted to them through taxes, tenant rates, etc. The Second Sino-Japanese War aggravated the situation. To meet the sharply increasing demand for food, the Japanese colonial government adopted new measures designed to buy Korean rice forcibly and at arbitrary prices. It is believed that more than 70 percent of the total crop of Korean farmers were forcibly "brought" by the Japanese.

⁷⁶ Ik Whan Kwon, *op. cit.*, pp. 102-103; see also, Choi, *op. cit.*, p. 275.

⁷⁷ Ik Whan Kwon, *ibid.*, pp. 107-108.

⁷⁸ Chosen Government-General, *The Annual Report on the Administration of Chosen, 1936-37* (Seoul, 1938), p. 116.

" At this moment, there are about forty thousand families of two hundred thousand persons working in the cultivation of fire field in the mountain districts. These poor people are driven by hunger from place to place, making shelters in log cabins and keeping their bodies and souls together by planting grains and vegetables in the hillside."

⁷⁹ Chongcho'ol Im, *op. cit.*, pp. 4-5; see also, Choi, *op. cit.*, p. 290.

in this paper, this restriction was not only on the level of top positions in the government bureaucracy but also on the level of technical jobs seriously hampered the development of Korean entrepreneurship and the specialization of the Korean labor force. We also find that as the war industries expanded rapidly, the number of Korean laborers also increased. In 1931, there was a total of 142,676 Koreans working in various factories and mines; by 1943, this number had increased to 731,751 workers.⁸⁰ Yet, despite this sharp increase in the number of Korean laborers, there was no corresponding improvement of wages. In 1937, the average daily wage for the ordinary mine worker was only 0.763 yen (exchange rate: Y1.00 - \$1.00), which was less than 50 percent of his Japanese counterpart.⁸¹ In most cases, especially the laborers in the textile, wood and cork factories, working hours were usually more than twelve hours.⁸² These exploitative conditions of the Korean workers were reflected by the growing number of strikes which increased from 84 in 1919 to 138 in 1936 despite the extensive network of police and military rule.

Limits of colonial growth

Japanese colonialism in Korea brought a mixture of exploitation and modernization whose impact is debatable and hard to sort out. We have shown that the effects of Japanese colonialism on Korean economic development were manifold and ramified.

During the three and a half decades of Japanese colonial rule, Korean economy underwent rapid modernization. We have shown that during the period of reference (1910-1945), the industrial structure of Korean economy experienced profound qualitative changes. Manufacturing factories were established, railway and telecommunications networks were expanded and large-scale hydroelectric plants were constructed. Yet at the same time, we also noted that Japanese colonial rule did not provide Korean economic progress and industrialization a satisfying or stable social and political framework. We have shown that the industrial structure of the Korean economy was fashioned to fit the Japanese economy as a subordinate and complementary compo-

⁸⁰ Choi, *ibid.*, pp. 244-246, 290-291.

⁸¹ Choi, *ibid.*, pp. 290-291, 244.

⁸² Choi, *ibid.*, pp. 246-254.

ment.⁸³ We have also shown that the industrial institutions had Japanese, not Korean, roots. There was no opportunity for national capital formation, as almost all capital — commercial and industrial, and even land — was controlled by Japanese capitalists. There was no opportunity for Korean entrepreneurship and Korean specialization of labor to develop in a situation where Korean participation in the industrialization process was severely limited to the lowest category. It thus developed that while Korea underwent rapid economic modernization, the Koreans paradoxically, experienced increasing exploitation from Japanese industrial modernizers. Symptomatic of this exploitation was the various peasant movements and agrarian unrest that grew at this time.⁸⁴ Yet, to an extent, this exploitation produced its own reaction — an increased social awareness on the part of the Koreans, a leading factor that propelled Korean national development in the 1950's.

In the agricultural sector, the Japanese by introducing new farming techniques and encouraging agricultural researches gave impetus to agricultural production. In fact, the Yi government made little effort to develop agriculture (in spite of the fact that farming was the backbone of the economy).⁸⁵ Yet, at the same time, the Japanese contribution to Korean agricultural growth was spurious. While agricultural production increased, it meant ironically a decrease in food consumption, and at times, near starvation for many Korean farmers.

⁸³ Perhaps a comparison of the Korean manufacturing industry and the Japanese manufacturing industry would be necessary to assess the position of Korean industry within the "Japanese co-prosperity sphere." Chang, *op. cit.*, p. 184 gives the following figures:

No. of factories	1936	1937	1938	1939
Japan	12,257,588	16,356,176	19,667,270	24,360,130
Korea	5,927	6,928	6,624	6,953
Japan	90,602	106,005	112,332	137,422
No of workers				
Korea	148,799	166,709	182,771	212,459
Japan	2,592,687	2,936,512	3,217,715	3,766,709
Gross Value of Manufactured Industry (in 1000 yen)				
Korea	446,921	638,254	791,130	1,091,780
Japan	12,257,588	16,356,176	19,667,270	24,360,130

These figures show that before the outbreak of the Pacific War, Korea with one-third of the population of the Japanese empire, had only 5 percent of the total number of Japanese factories, 5 percent of the total number of Japanese factories, 5 percent of the total number of workers, and 5 percent of the gross value of manufacturing industry.

⁸⁴ The two major movements are: The Independence Movement of Sam-Il, and the Anti-Colonial Struggle (Yuk-Ship), 1926.

⁸⁵ Chang, *op. cit.*, p. 163.

The Japanese colonial government in Korea succeeded in laying the basis for a modern integrated Korean economy. Roads were built, the basis of modern industrial and mining complex was created in the mineral-rich north, a modern tax and financial structure was set up, and advanced agricultural techniques were introduced. However, it is safe to conclude that while a modern economic structure was developed and rapid economic modernization was effected, the Japanese undermined — in fact, vitiated — most of the benefits of economic modernization and even furthered some opposite results. By putting constraints on Korean economic activity, Japanese colonialism tended to freeze the economic instincts of the Korean people. The Koreans could not perform their own economic experiments in any but the smallest and most meaningless scales for 35 years. Thus while economic development of Korea in the early twentieth century was in some ways successful and efficient, it was a partial and incomplete development. When Liberation came in 1945, the economic base of the Korean state was too weak; its economic infrastructure, grossly inadequate.