

# The Impact of U.S. Foreign Aids on the Post-War Development of South Korea

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**Abstract.** The United States mainly exerted influence on the stability of the Korean regime and the historical development of the Korean Peninsula from the two aspects of military and economic aid, thus enabling the post-war Korean society to establish rapid development into a capitalist country. The topic of this article is how Syngman Rhee's government shaped South Korea's postwar development through U.S. foreign aid during and after the Korean War. The actions and decisions of the U.S. and South Korean governments during and after the Korean War influenced the path of development in Korea. The study found that the United States has aided South Korea both militarily and economically. The reason South Korea receives aid is for national reconstruction, political stability, and economic stability. Syngman Rhee's government maximized the use of foreign aid for these three goals and established the authority of its political position while achieving social development in South Korea.

**Keywords:** Foreign aid; U.S.; South Korea; post-war development.

## 1. Introduction

As a member of the four Asian Tigers, South Korea is famous in East Asia and the world for its advanced economy. Unlike other developed countries in the world, Korea did not expand overseas through imperialism and colonialism in the 19th century. In East Asia, especially during the 19th century, the pattern shifted from a tributary system dominated by China to the colonies ruled by Japan through its overseas imperialist expansion [1]. By contrast, Korea's history as a modern country is relatively short. Therefore, for Korea, a new modern country with no imperial accumulation, the Korean economy can be regarded as an economic miracle in East Asia. There are many reasons for Korea's stable social and economic development. Since World War II, Korea's domestic political situation has been in a chaotic state. Due to the end of colonial rule after Japan's defeat, and the increasingly bitter struggle between various parties, the stability and development of Korea after a few years seemed unthinkable. In the early days of a regime in a former colony gaining widespread recognition and consolidating its power base, support from the great powers was essential, especially during the Cold War. Syngman Rhee helped unify South Korea's political parties by cooperating with the United States during the war. This policy laid the foundation for subsequent rulers [2]. As the first president of South Korea, Rhee Syngman successfully used the unified ideology and foreign aid in the proxy war to make South Korea get the attention of the international community and provide a guarantee for the stable development of South Korea's post-war society. What factors have contributed to the development of Korean society is what the author will discuss. The paper focuses on the effects of America's foreign aid in South Korea, and how these effects affected post-war developments.

## 2. Case Description

### 2.1. Historical Background of the Korean Peninsula

The war between North and South Korea, and the armed conflict between South and North Vietnam, took place in a polarized world during the Cold War [3].



The influence of the United States on South Korea's internal affairs was reflected in the Rhee Syngman regime, when military support and training, bilateral economic relations, and ideological unification were responsible for South Korea's steady post-war development.

It was not until the end of World War II that Korea was freed from Japanese colonization. Like other colonial powers, Japan occupied Korea while building railroads and improving its infrastructure [4]. The increase in material exchange capacity has enabled the Korean economy to grow. However, in the study of a country's colonial history, the persecution of the colonists against the indigenous people cannot be ignored. Japan plundered countless resources from Korea, especially near the outbreak of war. Many Koreans were treated as cheap labor, and women faced a tragic fate as forced sex slaves for the Japanese military [4]. As a result, after Japan's surrender and defeat, Korean society and political parties were in a state of instability and chaos, and various political voices emerged throughout the country. The divisive ideology and Syngman Rhee's pursuit of a stable regime made him yearn for the reunification of the Korean Peninsula. Similarly, North Korea's leader, Kim Il-sung, had the same political aspirations. They both hope to achieve national unity by conquering the other side. There is often friction on the border. According to statistics, many leftists were brutally repressed and executed in South Korea [3].

In addition to differences between domestic political parties, outside intervention or assistance has made the situation more complicated. For South Korea, the military aid and political support provided by the United States during the Korean War are essential to the country's fate [5]. Before the Incheon landings, the situation in the Korean War had reached a stalemate. North Korea is in the ascendancy, and the South Korean regime is on the ropes. However, General MacArthur, the sudden cause, made the Korean War longer and more difficult to deal with the problem of prisoners of war. The relationship between South Korea and the United States also became closer during this period. Syngman Rhee's regime was stabilized and strengthened, which was a significant influence caused by the proxy war [6]. This had a great impact on South Korea's internal affairs and laid the foundation for the subsequent politics of South Korea [5].

## **2.2. The Significance and Function of Proxy in War**

After the end of the Cold War, proxy wars that happened in various countries were analyzed by scholars of international relations. The causes, costs, and consequences of those wars have been researched deeply. For instance, the influence of proxy wars on the reconstruction of post-war order in various countries, and how nationalism manifested itself in the Cold War. The ideological dispute during the Cold War led to the division of many countries and nations. The causes of proxy wars were also closely related to different ideologies.

A proxy war is a sort of indirect control, usually, a major power cooperates with local political elites to gain control of a country or region [2]. The principal can use incentives and penalties to make the agent act according to their expectations and interests. The agent cluster belongs to the principal. Whereas, when interests and objectives conflict, the alliance between the principal and the agent begins to become unstable. The principal can also provide the agent with weapons and training, and it has different effects depending on different situations [2]. The principal will threaten or pressure the agent when there is a serious contradiction of interests. In this kind of situation, the agent is likely to use the weapons and resources provided by the principal to accomplish their purposes. Hence, in a proxy war, whether the principal can reasonably judge which of the reward and punishment measures should be used plays a key role in the effectiveness of this method [2]. For example, when a state judges that a regime needs more rewards or penalties to stimulate its agents' behavior, the state will increase its efforts. However, the situation is often related to the attitude of the local regime. For example, the agent's absolute attitude, towards a certain matter, such as refusing to cooperate will make indirect interference ineffective. The state can only intervene directly. Besides, in reality, the information held by the agent may not be completely transparent with the principal because the agent will hide some private information [2].

### **3. Categories of Foreign Aids**

The foreign aid received by South Korea can be divided into two main categories, one is the military aid that was mainly reflected during the war, and the other is the economic aid and investment that continued after the war. Since the proxy war, military and economic foreign aid from the United States has changed the political situation and history of the Korean Peninsula.

#### **3.1. Military Aid Worked on War**

The impact of U.S. military aid and support to South Korea was reflected in the recapture of Seoul in the Korean War. In addition, U.S. military support has enabled South Korea to rapidly develop its modern military force. Before the Korean War, the United States' goal for South Korea was to help eliminate the communist threat in the north, and the United States did so by sending military advisers to build up a small force. However, this goal of the United States was contrary to Rhee's desire to have a large and loyal army [2]. Nevertheless, the United States Congress continued to provide economic aid to South Korea before the outbreak of the Korean War. From 1949 to 1950, the United States provided \$301 million to the Department of the Army in South Korea [7]. Before the war, the relationship between the United States and South Korea was not equal. On the one hand, the United States needed to help South Korea to contain the development and threat of the Soviet Union in Asia. On the other hand, the moves and demands of the South Korean leader, Syngman Rhee, are seen as a potential threat that needs to be restrained [7]. The United States and the United Nations disagreed with Rhee's goals. There are differences even among the Allies. Canada and the United Kingdom, for example, were not as zealous as the United States in fighting communism [7]. Therefore, for the United States to more successfully eliminate the threat of communism in North Korea, the United States can only engage in assistance with the South Korean regime. In the process of aid, it wages its proxy war against communism.

With the invasion of South Korea by North Korean forces across the 38th parallel on June 25, 1950, the United States changed its previous plan to produce only a small force. To prevent the erosion of South Korea by communism, which would lead to the expansion of the spheres of influence of ideologically similar regimes in East Asia, the United States decided to increase the size of its military to maintain its Allies in Asia [8].

Later, Truman agreed to send ground troops to Korea, and the U.S. government recommended that all United Nations forces be controlled by the United States [9]. At the Battle of Incheon, under MacArthur's leadership, United Nations forces recaptured Seoul about two weeks later, pushing back Chinese and North Korean forces [10].

#### **3.2. Military Aid Worked on Maintenance of Social Foundations**

The proxy war not only provided the foundation for South Korea's post-war development from the most intuitive military aspect but also provided people's livelihood and the basis of the functioning of society for the post-war development by the United States to strictly prevent South Korea from continuing the war.

U.S. military aid can be considered as a vital factor for Syngman Rhee and the South Korean government to retake Seoul and power. However, faced with the long negotiations that resulted from this proxy war, the goals of the United States as principal and South Korea as proxy diverged. In contrast to the original goal of containing or even eliminating communism in North Korea, the United States at the time of negotiations favored an armistice. During the negotiations, Rhee asked the U.S. President and Congress several times to continue the war. But the United States eventually brought him back to the negotiating table [11]. During the negotiations, some domestic politicians were also not in favor of continuing the war with North Korea. Even if Rhee was powerful and carried out political assassinations, it is highly likely that a prolonged war and casualties would cause public resentment and protests.

If the U.S. troops, the U.S.-led United Nations forces during the war, and the United States brought Rhee back to the negotiations enabled South Korea's regime to survive, then the long-term presence of U.S. troops in South Korea after the war can be said to have affected the stability of South Korea. The geopolitical threats and conflicts that Korea faced in the 20th century did not erupt because of the presence of U.S. forces in Korea. For instance, the presence of American troops and direct military-related aid has served as a deterrent against possible war by North Korea's leaders. Even with the end of the Cold War, the number of troops decreased, but the long military training has given South Korea a sophisticated modern army armed forces and combat technology. The assurance of a military base prevents South Korea from being the object of direct challenge, if not the most heavily armed country in East Asia.

#### **4. Reason for Accepting Economic Foreign Aid**

There were three main purposes why it was necessary for Syngman Rhee's government to accept foreign aid from the United States: economic stability, national reconstruction, and Rhee's promotion of his political authority.

##### **4.1. Effect and Necessity of National Reconstruction**

In human society, economic development has always been a multi-dimensional process. Economics, politics, culture, education, and so on are covered [12]. The will to develop, the quality of labor, the development of science and technology, the change of citizens' values and institutions, and a stable economic structure are the necessary conditions for economic development; physical and human capital are important in the process of social transformation to achieve progress [12]. The modern form of foreign aid, as it is widely known, was born after World War II [13]. It is usually manifested in the aid and support of powerful countries to economically underdeveloped countries. In the 21st century, sustainable development has been defined as a goal for developing and less developed countries through the United Nations and various international conferences [13]. State-to-state aid has increased rather than decreased, and the forms and purposes are more diverse and durable. However, the relationship between recipient and donor countries is often complicated. In most cases, assisted countries are in a passive position. This is why aid from some countries is criticized as neocolonialism. Negotiations between countries on assistance are therefore crucial [14]. Because it determines whether the recipient country can have effective sovereignty that is respected. There are many reasons behind the aid. During the Cold War, the major powers' primary concern was the problem of regional stability caused by ideological confrontation, rather than the common reasons for aid after the Cold War.

As South Korea's first president, Rhee wanted to build his political authority by rebuilding the country after the war to gain domestic political stability and popular support. Hence, he combined reconstruction and promotion of authority. The capacity of the indigenous political elite as an agent greatly influences the effective use of foreign aid and the dominance of internal affairs and sovereignty. From this perspective, the personal factors of the local ruling class can closely link foreign and international development with domestic development. As a native political elite, Rhee pursued policies and decisions that tied U.S. assistance during and after the proxy war to the stability and development of Korean society as a whole. This not only reflects the government's top-down control over the national conditions and political situation but also reflects the influence of a national leader as a "personal" level factor on the international system. With the Rhee government effectively used foreign aid to promote economic growth, and South Korea's large import needs led the United States to see the possibility of a mutually beneficial economic relationship, the international community changed its emergency and humanitarian assistance to encourage social development of South Korea after the war [15]. Continued foreign aid helped South Korea reach a trade surplus at a faster pace. He established to deploy foreign aid did provide the foundation and guidance for South Korea's economic development and social stability [15]. This also laid the foundation for South Korea to become a developed country.

## **4.2. Effect and Necessity on Economic Development**

From the perspective of economics, after the end of the Korean War, South Korea rapidly developed from an underdeveloped economy into an industrial power with the help of foreign aid [12]. For instance, between 1952 and 1956, Civil Relief In Korea (CRIK) provided \$475 million [13]. Aid received during the Korean War was mainly for food and medical care, while foreign aid received after the war increased productivity and accelerated nation-building.

During the proxy war, Rhee emphasized geopolitical importance which made American assistance more necessary. However, after the end of the Korean War, the United States wanted South Korea to prioritize fiscal stability, while Rhee insisted on national independence and reconstruction [14]. One explanation for his defiance of donors' wishes is that Rhee was eager to increase his political power through aid. Despite the differences, the United States has chosen to provide aid to South Korea. Interiorly, Rhee encouraged and increased government investment and lending. In the face of foreign aid, he established an institutionalized aid management system without intermediaries [14]. This measure did not contradict his efforts to strengthen the rule of the centralized and military regime.

While receiving American aid, South Korea has turned American influence in its domestic affairs into an advance for its sovereignty [14]. Judging from the development of South Korea in the decades after the war, the effective use of foreign aid since the Syngman Rhee government laid the foundation for South Korea's future progress out of poverty and dictatorship, and transformed it into a democratic country [12].

## **4.3. Effect and Necessity of Political Stability**

The unity of ideology is important to the stable development and order construction in the early days of the founding of a country. There is no denying that diverse social development and voices can make a country full of vitality and creativity. Because citizens with greater freedom are better able to contribute to building a democracy. However, for a country facing a new regime and in need of comprehensive reconstruction, political stability is what the rulers need most.

Besides the military support and economic aid, the U.S. proxy war in South Korea also played a key role in the ideological unification of South Korea. During the proxy war, the most consistent point of view between principal and agent was the attack on communism in North Korea. With the help of the United States, ideological unification was achieved within South Korea. After Japan's defeat and withdrawal from the Korean Peninsula, the South and the North were separated and in chaos. One of the most obvious symbols is the ideological split. In the first half of the 20th century, Korea suffered from the legacy and lasting damage caused by the colonial system. Korea faced political instability. The partisan split can be seen mainly as a struggle between the Communist Party and the Democratic Party [8]. Ideological conflict was born as a consequence. The elite is deeply polarized [8].

After the proxy war, Rhee built up a personal political network of politicians loyal to him in a system close to him. After eliminating the interference of ideological differences, he gained loyalty to his government, which once again demonstrated that Rhee knew how to maximize his political interests and goals. Rhee tightened his control over the military and parts of the judiciary. At the same time, since the Communist Party had been eliminated in South Korea during the war [14], the unthreatened state of power, which tied the state and capital together, further enhanced political stability in South Korea. In general, the structure of the country was still not completely free from the colonial system, but under Syngman Rhee Korea formed a relatively unified central government [8].

## **5. Conclusions**

To sum up, the impact of U.S. foreign aid on the post-war social development of South Korea was linked together through the political means and decisions of the political leader Rhee Syngman.

First of all, military assistance from the United States began before the outbreak of the war, such as military advisers and guidance. Military assistance reached its peak during the war, such as the direct

commitment of military forces to the war. Even after the war ended, military assistance took the form of sustained military training, such as the presence of troops in South Korea. Military aid helped South Korea retake Seoul while maintaining the foundations of postwar social development.

Secondly, whether economic aid can be well used depends on the political means and personal charm of the political leader. In South Korea, foreign economic aid has played a great role in South Korea's financial and political stability. The proxy war enabled South Korea to receive sustained foreign aid from the United States and the international community. To some extent, it is precisely because of the existence of the Korean War that East Asian international relations and geopolitics have entered the vision of countries that have long been concerned about the Cold War situation in Europe. Economic aid provided the foundation for South Korea's emergence as an industrial power.

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