

# U.S. Aid and Uneven Development in East Asia

By  
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This article discusses the divergent developmental outcomes among postwar South Korea, Taiwan, and South Vietnam. While U.S. aid has correctly been identified as a key factor in the rapid postwar development of South Korea and Taiwan, the failure of aid to establish strong institutions in South Vietnam calls for a closer analysis of how different historical and geopolitical factors explain the greater political stability and institutional capacity of South Korea and Taiwan. In particular, the legacies of Japanese colonialism are seen as having played a key role in establishing the strong developmental states of South Korea and Taiwan, while the postcolonial South Vietnamese state was more fragile. As such, there was greater political resistance to land reform in the latter, and large amounts of U.S. economic and military aid were unable to quell domestic insurgency and establish the basis for economic development.

*Keywords:* aid; development; Korea; Taiwan; Vietnam

Since the 1980s, a number of authors have sought to explain postwar East Asia's rapid economic development by referencing the role U.S. hegemony played in the region. From a liberal perspective, Anne O. Krueger, for example, has viewed the role of U.S. aid in South Korean development as a crucial source of savings during the 1950s. Given the country's low domestic savings rates, these aid flows were viewed as necessary to allow for the economic growth and recovery that took place in the postwar years. Furthermore, they allowed the country to embark on export-oriented industrialization (EOI) in the 1960s with minimal

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foreign debt and a credit rating that enabled the country to tap into private international capital flows in the context of declining aid (Krueger 1979, 208–9).

Developmental state theorists largely concur with this assessment, although they tend to be more forthcoming about the range of impacts of U.S. aid. In relation to the Taiwanese case, Robert Wade has argued that in addition to stabilizing the country through the supply of food and rehabilitation investment goods, U.S. aid gave confidence to local and foreign investors; financed “land to tiller” land reform, thereby dispossessing the landlord class; dampened inflation and protected income distribution; facilitated technology transfer; strengthened state planning, military defense, and the private sector; and eased the transition toward the more liberal policies of the 1960s (Wade 1990, 82–83). Other writers have been even more forthcoming about the degree to which East Asian development took place under U.S. auspices (Cumings 1984; Wallerstein 1997; Arrighi 1996; Berger 2004; Gills 2000; Hersh 1993). A key stage in shaping postwar East Asian capitalism in this view was the deployment of American power in the aftermath of the Japanese surrender in 1945 for the purposes of reconstructing the regional economy and, in the case of South Korea, Taiwan, and South Vietnam, to establish new anti-Communist states through military occupations, interventions, and, crucially, the provision of massive levels of U.S. aid (Gills 2000). The location of the East Asian states on the fault line of the Cold War led to “development by invitation” (Wallerstein 1979, 80). Aid was thus central to this invitation, as it enabled the stabilization of East Asian political regimes and laid the institutional foundations for subsequent industrialization. As Cumings (1984, 25) put it, “Taiwan and [South Korea] were clearly part of the chosen few. . . . [They] had in the 1950s a rare breathing space, an incubation period allowed to few other peoples in the world.”

However, South Vietnam’s failure to develop challenges such explanations, since the level of military and economic aid given to South Vietnam exceeded that given to South Korea and Taiwan. Total obligations for economic and military aid to South Korea, Taiwan, and South Vietnam were \$69.149 billion, \$41.81 billion, and \$115.686 billion, respectively (in constant 2011 dollars). These amounts represent 9 percent, 6 percent, and 27 percent, respectively, of total U.S. aid between 1946 and 1975 (1954 and 1975 for South Vietnam). Between 1946 and 1975, South Korea and South Vietnam each received more U.S. aid than the whole of Latin America and the Caribbean (\$68.923 billion), with Taiwan receiving nearly two-thirds of that amount.<sup>1</sup> Even when economic aid is disaggregated from military aid, South Korean, Taiwanese, and South Vietnamese obligations still amount to 60 percent, 28 percent, and 67 percent, respectively, of total economic aid for Latin America and the Caribbean. While South Korea and Taiwan went on to achieve industrialized status, the failure of economic development in postcolonial South Vietnam suggests that aid levels alone do not explain divergent developmental outcomes among the three cases.

The domestic insurgency and, in turn, the full-blown international conflict that made any attempts at substantive institution-building and economic growth all but impossible explain why U.S. aid failed to exert a positive impact on South Vietnam’s development. It is worth bearing in mind, however, that at their

respective moments of decolonization, South Korea, Taiwan, and South Vietnam were all fragile states faced with the challenge of building strong institutions. All three faced the threat of domestic social unrest and contiguous enemy regimes competing for legitimacy and national unity. In this sense, South Vietnam's descent into internal insurrection and war thus does not in itself explain the divergence among the three countries but is itself the phenomenon that needs to be explained. Why was it that South Korea and Taiwan were, under U.S. auspices, able to overcome internal resistance to the postcolonial state and ensure their own existence as *de facto* independent regimes while subsequently embarking on a process of highly successful industrialization, whereas South Vietnam failed to see the emergence of strong institutions capable of containing domestic unrest and instead descended into chaos and war?

This article addresses this question by situating the analysis of the impact of U.S. aid within the broader context of the colonial legacies, postcolonial state-society relations, and geopolitics in South Korea, Taiwan, and South Vietnam. While U.S. aid did play a crucial role in the stabilization of the South Korean and Taiwanese states and in laying the foundations for subsequent export-led industrialization, the failure of institution-building in South Vietnam and consequent lack of absorptive capacity<sup>2</sup> owes much to the country's colonial experience. In comparison to Japan's imperial project, French colonialism in Indochina bequeathed a weak fragile state that was incapable of establishing its authority either before or after decolonization in 1954. By the time of their independence from Japan, South Korea and Taiwan possessed considerable state capacity and autonomy from their respective societies. U.S.-sponsored land reform was as a result far more thorough and played an important role in defusing rural tensions and in establishing a more promising basis for economic development in South Korea and Taiwan. Furthermore, the United States used aid as an inducement to reintegrate South Korea and Taiwan into the Japan-centered regional economy. The failure of land reform in South Vietnam, on the other hand, compounded the state's weak presence in the countryside, thereby fuelling the domestic insurgency. U.S. aid to South Vietnam thus became increasingly focused on immediate goals of pacification and military aims rather than on longer-term developmental aims.

## Aid and Development in East Asia

In the most immediate sense, South Korea, Taiwan, and South Vietnam as distinct political entities owe their existence to the postwar conjuncture and the geopolitical strategies of the Western powers—above all, that of the United States. The division of Korea at the 38th parallel in 1945, the Kuomintang (KMT) retreat to the island of Taiwan in 1949, and the division of Vietnam through the Geneva Conference of 1954 all created new *de facto* states where none had existed before. All three faced significant external threats to their existence in the form of alternative Communist regimes competing for legitimacy and with the

stated aim of national reunification. However, they were also faced with specific challenges associated with national division, which had further negative impacts on economic stabilization and growth and fueled domestic social instability. The division of the Korean peninsula in 1945, for example, led to the South's loss of the country's heavy industry base, major coal deposits, and almost all of the country's power generating capacity, all of which were largely located in the North. The abrupt departure of Japanese managers and technicians also had a negative impact on industrial production. Furthermore, high inflation meant that by 1946 food prices had risen a hundredfold compared to their prewar levels (Cole and Lyman 1971, 18). In addition to the threat that the North posed, South Korea also experienced sustained internal insurrection through the Cheju and Yösun rebellions in 1948. The country also experienced widespread destruction as a result of the fratricidal civil war of 1950–1953, which devastated the economy and physically spared only a small segment of the southeast, which was overwhelmed with refugees. The South Korean state was unable either to feed its people or to provide them with basic necessities, and indeed, the standard of living dropped to below World War II levels and was not to return to them until 1957. Urban degradation and the “spring hunger” of the countryside became the pattern rather than the exception (Steinberg 1985, 18).

While the United States supplied 99 percent of total aid that was provided to South Korea (Chung 2007, 308), it was distributed under a variety of American and multilateral bodies. The initial objective of the aid program was economic stabilization and was to be achieved largely through balance of payments support via a Commodity Import Program (CIP). By 1948, however, the emphasis shifted toward goods that would increase production capacity (Krueger 1979, 13–14). South Korea had, by that time, made some genuine economic progress, and the aid program shifted toward reconstruction. However, the outbreak of war in June 1950 reversed any achievements made, and following the end of the war in 1953, the aid program resumed its focus on reconstruction until the late 1950s. Aid was also provided under the Food for Peace program (PL 480), which amounted to 9 percent of the domestic crop (Wiegersma and Medley 2000, 48). By the late 1950s, there was a marked shift in the form of aid from grants toward loans (Chung 2007, 309). The aid program was largely successful in preventing mass starvation and disease through the provision of basic consumer goods and the stimulation of agricultural production.

To what extent did the aid program establish the basis for South Korea's development more broadly? The evidence is mixed. The government's privatization of colonial government property under U.S. pressure strengthened the nascent capitalist class following independence. However, the transfer of these assets occurred on the basis of political acquaintances, resulting in a close but highly corrupt relationship between government and businesses in which political contributions were given in response to provision of foreign exchange and import licenses (Cheng 1990, 146–51). There was significant friction between Syngman Rhee (president of South Korea) and U.S. aid officials as a result of Rhee's aversion to economic liberalization and, particularly, Rhee's refusal to reestablish economic relations with Japan. Rhee was able to exploit the contradiction in U.S.

policy-makers' preference for both strengthening South Korea as an anti-Communist "forward defense" state and liberalizing the country's domestic economy through deploying threats of a renewed northern invasion and reignition of the Korean War (Woo 1991, 47–48). Thus, Rhee concentrated on state-building over stable economic development, with an emphasis on building factories through import substitution industrialization (ISI) policies. Serious economic problems notwithstanding, the ISI era did witness a rapid growth in the manufacturing sector. Exports contributed 5.1 percent to manufacturing, whereas ISI accounted for 24.5 percent. The annual average growth rate for industry in the 1950s was 10 percent, compared to 2.5 percent for the primary sector and 3.9 percent for the service sector. Rhee had thus succeeded in channeling U.S. project aid predominantly into manufacturing, transportation, and electric power (Woo 1991, 49–59).

Following the KMT retreat in the late 1940s, the situation in Taiwan was similarly bleak. The sudden influx of between 1 and 2 million refugees from the mainland to an existing population of 6 million exacerbated shortages of food, shelter, and the basic necessities of living (Gold 1986, 54–55). Heavy military spending created huge deficits in the KMT's budget, and price inflation appeared to be on the verge of repeating the events that had contributed to the KMT's defeat in the civil war. Despite efforts to isolate Taiwan from the deteriorating conditions on the mainland, the Taipei wholesale price index rose by 260 percent in 1946, 360 percent in 1947, 520 percent in 1948, and 3,500 percent in 1949. The KMT also lost around \$90 million in gold and convertible currencies, thus reducing its foreign exchange to below a minimum operating level (Jacoby 1966, 30; Ho 1978, 104). In addition to the external threat of a hostile adversary across the Taiwan straits, the mainlander KMT also faced internal rebellion in the form of an island-wide uprising in February 1947.

Aid to Taiwan was administered through two key institutions: the Economic Stabilization Board (ESB) and the Council on U.S. Aid (CUSA), and was in the first instance aimed at achieving stabilization, meeting the basic needs of the population, and tackling price inflation (Jacoby 1966, 29–30). Nearly three-quarters of total aid to Taiwan was nonproject in nature, supplied through a large CIP. In addition to basic daily necessities, such as food and clothing, the CIP also provided for Taiwan's farms' and factories' urgent need for fertilizer, petroleum, cotton, and other industrial materials. It also involved the import of nonproject capital equipment to replace, modernize, or expand existing plants or build new ones. As in South Korea, the latter part of the 1950s saw increased amounts of U.S. aid provided under the PL 480 program, amounting to around 24 percent of all aid obligations to Taiwan. The percentage of nonproject aid to Taiwan fell from 83.6 percent in 1951 to a low of 55.5 percent by 1959, marking the high point of project commitments (Jacoby 1966, 42–45). Projects funded by U.S. aid included, for example, those pursued under the KMT's Second Four Year Plan (1957–1960), which placed particular emphasis on projects such as the Shihmen Reservoir, tidal land reclamation, vocational assistance for retired servicemen, and public housing (Gold 1986, 69–70).

U.S. aid officials had greater influence over the KMT's economic policies than those of Rhee's South Korea or, as we shall see, Ngô Đình Diệm's South Vietnam; both Rhee and Diệm were able to exploit the contradictions in U.S. objectives for their own goals. The KMT was even more compliant with U.S. aims compared to its experience on the mainland, where it was able to bend U.S. will to provide aid with few strings attached through threatening to abandon the war effort and make a separate peace with Japan. This closer alignment between U.S. aid bureaucrats and the KMT in Taiwan has commonly been explained to be the result of the KMT's "turning over a new leaf" upon its arrival in Taiwan. It should also be recognized, however, that apart from the U.S. aid bureaucracy in Taiwan there was little commitment within the United States for continued support of the KMT regime. The U.S. military, for example, rhetorically favored a politically stable and pro-American regime on the island, but was initially unwilling to commit any resources to such a goal. The U.S. State Department sought to balance limited support for Taiwan with the aim of establishing diplomatic relations with the new regime on the mainland. Amid this general ambivalence toward the KMT regime after its retreat to Taiwan, the U.S. aid administration was the only entity willing to provide resources to the KMT, and while aid bureaucrats demanded a high price in terms of reform, the KMT had little choice but to comply (Barrett 1988, 130–33). U.S. aid bureaucrats were thus able to exert a crucial influence on the KMT's policymaking in the early years of its rule on Taiwan.

U.S. aid made a crucial contribution to Taiwan's postwar development by keeping military spending down; financing internal and external deficits; and building up infrastructure, human services, agriculture, and the public sector (Wiegersma and Medley 2000, 47–48). It was central to stabilizing the economy through keeping inflation induced by high military spending under control. Aid also prevented the poor harvests and heightened spending resulting from the geopolitical crises of 1955–1956 and 1959–1960 from having an overly negative impact on the economy. It was also used to fill gaps in foreign exchange, thereby permitting a higher rate of economic growth and fuller utilization of other factors in the economy. Between 1951 and the termination of economic aid in 1965, U.S. economic aid had financed nearly 80 percent of Taiwan's import surplus (Ho 1978, 112–15). Furthermore, U.S. aid bureaucrats pressured the KMT to encourage the growth of the private sector. In the late 1940s, Governor-General Chen Yi had sought to impose an economic model of state socialism, which involved government-controlled monopolies of more than 90 percent of the economy, leaving the local Taiwanese community largely excluded (Roy 2003, 60–67). The U.S. aid community, however, was strongly committed to the growth of the private sector, and without the influence and active intervention by U.S. aid bureaucrats it is unlikely that the private sector would have become the primary source of economic growth (Ho 1978, 117). U.S. aid thus provided much of the capital with which the KMT was able to nurture the growth of a private capitalist class. The state promoted capitalists in key sectors, such as cotton textiles and flour milling, and supplied venture capital through the Small Industry Loan Fund and Model Factory Program. In short, this supply of capital unleashed a

productive boom on the island. Infant industries were protected through multiple exchange rates, tariffs, and import restrictions, making Taiwan's ISI program extraordinarily successful (Gold 1986, 72).

South Vietnam faced a similarly precarious economic situation following the Geneva Accords in 1954. The newly established government in Saigon was confronted with a number of serious challenges, including the task of resettling around nine hundred thousand refugees from the North. Problems also arose as a result of the withdrawal of French forces, technicians, and aid, and the country suffered from low agricultural productivity and a lack of any significant colonial legacy in terms of industrial development (Dacy 1986, 2). The task of establishing central authority for the newly independent state was a daunting one. In sharp contrast to the relatively strong postcolonial states of South Korea and Taiwan, South Vietnam was a profoundly fragmented society that barely recognized central authority. The Mekong Delta was dominated by armed religious sects; Saigon was controlled by a crime syndicate; and the Việt Minh, which had led the anti-colonial struggle against the French, retained considerable influence in the countryside (Lawrence 2008, 55). The U.S. aid program to South Vietnam was thus again initially focused on dealing with the refugee crisis caused by the partition of the country. The U.S. aid mission in South Vietnam, the United States Operations Mission (USOM), financed the settlement of the refugees in temporary villages in the delta region, and thereby prevented the refugee crisis from having a negative impact on the economy (Dacy 1986, 2–3). The U.S. aid program also sought to stabilize the economy. As in South Korea and Taiwan, the most important component of the aid program in this respect was the CIP, in which dollars were provided to finance the import of U.S.-manufactured commodities. South Vietnam also received large amounts of PL 480 food aid. Project aid was primarily provided as “technical assistance” in the form of U.S. advisors (Dacy 1986, 194–97).

In the early years of the aid effort, South Vietnam appeared to be making some progress. Such sentiment was captured in *LIFE* magazine's feature on Ngô Đình Diệm as the “Tough Miracle Man of Vietnam.” U.S. aid seemed to be having the desired impacts and had even enabled the country to achieve an appearance of prosperity. However, serious economic problems underlay this facade of progress. The aid was not used to import industrial machinery or raw materials that may have laid the basis for long-term economic growth but was used to acquire consumer items. The appearance of middle-class prosperity in the cities was underpinned by an unsustainable dependence on U.S. aid to maintain a standard of living out of line with the country's actual productive capacity (Lawrence 2008, 59–60). Project aid was often put to questionable use, for example in the construction of a large power plant at Da Nhim in central South Vietnam and the rebuilding of South Vietnam's part of the Trans-Indochina Railway, which ran parallel to the coastal shipping lanes. For the most part, there was little progress in developing and implementing an industrial strategy for South Vietnam (Dacy 1986, 3–6). More significantly, and in contrast to South Korea and Taiwan, South Vietnam was faced with an increasingly powerful and sustained domestic insurgency, and the emphasis of the aid program shifted from

stabilization to pacification. U.S. aid advisors were increasingly sent to serve in field operations, and funds were diverted from the CIP to pacification efforts. The intensification of the war effort led to the emergence of a serious inflation problem, and following Diêm's disposal in 1963, heightened political instability led to a collapse in economic policymaking altogether. Furthermore, the aid-dependent war economy went into decline as a result of a shift in U.S. policy toward "Vietnamization" of the war in the early 1970s (Dacy 1986, 8–10). Thus, while the security threat posed by the North Vietnamese state and the National Liberation Front certainly helped Saigon to secure massive financial resources from the United States, the sheer strength of the insurgency impeded attempts to lay the basis for economic growth.

### From Fragile to Developmental States

As the case of South Vietnam suggests, U.S. aid was a necessary but not sufficient condition for stabilization and laying the foundations for economic growth. What then accounts for the greater absorptive capacity possessed by the South Korean and Taiwanese states? The answer to this question is closely related to ongoing debates surrounding the emergence more broadly of the "developmental state" (Amsden 1989; Johnson 1982; Wade 1992). Much of the literature on developmental states focuses on the specific policy tools used to facilitate late development, such as the channeling of credit toward burgeoning "national champions" in line with economic plans established by autonomous bureaucracies. Yet, from a comparative perspective, a prior question is how such states came to be endowed with the capacity to adopt such policies and were, thereby, able to avoid being captured by particularistic interests opposed to rapid catch-up development. Central to the emergence of this developmental state–society relationship were these countries' distinct experiences of colonialism. The incorporation of Korea and Taiwan into the Japanese imperial project led to comparatively well-developed colonial bureaucracies and infrastructural, agricultural, and industrial development under colonial auspices. As Bruce Cumings has argued, Japan's colonialism was seen by the country's leaders as a defensive reaction to the encroachment of Western powers into Asia. The formal colonization of Korea and Taiwan was justified in terms of Japan's resource scarcity and geopolitical vulnerability. The "lateness" of Japanese colonialism in comparison to its Western counterparts thus resulted in a heightened sense of urgency in which Japan's carving out of its own sphere of influence in northeast Asia was seen as vital to the country's survival as an independent nation. Furthermore, the fact that Korea and Taiwan were both contiguous territories enabled Japan to invest more heavily in its colonies, bringing industry to the labor and raw materials rather than vice versa. Geographical proximity also facilitated the settling of migrants from Japan, who staffed the large colonial bureaucracies (Cumings 1984, 7–11).

Japan initially imposed a trade relationship on Taiwan, whereby primary commodities, mainly sugar and rice, were exchanged for manufactured goods from



Japan. However, the colonial government actively sought to increase agricultural production and tax revenues. The ability of the colonial state to collect taxes was bolstered by a cadastral land survey in 1901, followed by a land reform in 1905, whereby absentee landlords were dispossessed and cultivators, who themselves often took on tenants, were given title to the land and held responsible for paying tax based on estimates of land productivity. The colonial state also sought to increase production by introducing new technologies and seeds (Gold 1988, 105). The process was much the same in Korea, whereby the Japanese strengthened the state's bureaucratic capacity and boosted agricultural production through improvements in irrigation, drainage, reclamation of arable land, and spreading the use of improved seeds and fertilizer. These improvements did not, however, lead to rises in food consumption, since the bulk of the increased production was exported to Japan (Kohli 1994, 1278). Colonialism also brought a weakening of the traditional dominance of the landowner class in both colonies, and robbed the landlords of much of their political power, appropriated large portions of their material base, and caused them, particularly in Korea, to be tarred with the collaborationist brush (Hamilton 1983, 40).

In the early years, industrialization was limited to the infrastructure and industries needed to extract agricultural surpluses. Taiwan, for example, saw the rapid development of rail and sea freight capabilities and the expansion of factories engaged in food processing. It was not until the mid-1930s that the island saw broader development of textiles, and metal and chemical industries (Ho 1978, 71–74). Korea, however, saw relatively greater levels of industrialization, as it was closer to the front line of the Sino-Japanese war and thereby a site for wartime production (Cumings 1984, 115). The 1920s saw investments in raw materials processing, mining, iron, steel, hydroelectric power, and shipbuilding; and the following decade saw an annual industrial growth rate of 15 percent, including significant growth in heavy industries, especially in chemicals (Kohli 1994, 1280). Although in both colonies industry remained largely in the hands of the Japanese, the colonial era saw the emergence of a native capitalist class that would, particularly in South Korea, play an important role in postwar industrialization (Eckert 1991; Gold 1988, 109–16). Perhaps most important, however, in terms of understanding how the colonial experience shaped the postwar developmental state, was the bolstering of the colonial state's bureaucratic capacity. In South Korea, the size of the colonial bureaucracy and extent of its penetration was significant. In 1910, there were around 10,000 officials in the colonial government, a figure that rose to 87,552 by 1937. Nearly 40,000 Koreans worked as government officials just before the Second World War. While most of them did not occupy senior positions, they were an integral part of the government and played a key role in the running of the state following independence (Kohli 1994, 1273). Though the colonial state in Taiwan was smaller by virtue of the less important role played by industry and the relative acquiescence of the Taiwanese population, in 1945 there were 46,944 Taiwanese civil servants working at the lower levels of the colonial bureaucracy (Wang 2002, 67; Tsai 2006, 114–15). As in South Korea, the colonial state was preserved nearly intact in Taiwan following the defeat of the Japanese, and in many cases, Japanese personnel remained well

into 1946, training Taiwanese replacements, and native bureaucrats who had served in the colonial administration continued in office. Thus, when the KMT took over, they added a powerful military component that gave the state even more autonomy from society (Cumings 1984, 22).

The role of the United States is central, however, in understanding how the colonial states survived more or less intact through to the postcolonial era. Following decolonization, the South Korean and Taiwanese states were faced with widespread domestic resistance to their rule. After their arrival on the southern half of the Korean peninsula in September 1945, U.S. forces were confronted with alternative structures of governance that had emerged following the surrender of the Japanese. The occupying U.S. forces sought to revive the basic structures of the colonial state more or less as they were while repressing the spontaneous forms of governance. As such, the bureaucracy, the military, and the police of South Korea were all essentially colonial creations and continued to be key sources of repressive stability (Cumings 1981, 151–69). While the KMT inherited many of the colonial mechanisms of social and political control in Taiwan (Gold 1988, 116–7), state autonomy was also institutionalized through the organizational structure of the KMT itself. Through the KMT's Leninist party structure, key social groups were integrated into the party in corporatist fashion (Haggard 1990, 81). Though the direct role of the United States in establishing the autonomy of the postcolonial state in Taiwan was more muted, the defense of the island from the advancing Communist forces in 1950 was a key moment that largely determined the survival of the regime.

As such, the postcolonial South Korean and Taiwanese states possessed a superlative repressive capacity that underpinned their autonomy from society. Another key stage in this process was the land reform carried out under U.S. auspices in both countries. The first stage of land reform in South Korea was carried out by the U.S. military government following the Japanese surrender. The Japanese had been significant landowners in Korea, and these former Japanese-owned lands were distributed to tenants, amounting to around 14 percent of total farmland. A "land to the tiller" reform act was passed in 1949, but the landlord influence in the Rhee government blocked further reform. It was only the Korean War and the manifest popularity of land reform both in the North and occupied areas of the South that further weakened the hold of the landowner class and led Rhee to relent to U.S. pressure. Land reform was highly significant for the country's subsequent development. Combined with U.S. food aid and the government's food pricing policy, it helped to keep down food costs and thereby wages for workers, which in turn aided industrialization. U.S. aid also established the National Agricultural Cooperative Federation, which controlled marketing, credit, inputs, adoption of new technologies, the distribution of fertilizer, and the pricing of staple agricultural goods (Wiegersma and Medley 2000, 43–45).

The land reform in Taiwan, overseen by the Sino-American Joint Commission on Rural Reconstruction, took place in three stages: the first was the "confiscation of enemy property," in which Japanese properties were seized, amounting to 20 percent of arable land. The second involved rent reductions whereby rents

were limited to 37.5 percent of the value of the major crop. The final stage of the reform was the land-to-the-tiller stage in which an additional 16 percent of all arable lands were expropriated and subject to compulsory sale (Wieggersma and Medley 2000, 39–40). As in South Korea, the reform played a key role in establishing an agricultural base for subsequent industrialization, as rising agricultural productivity provided a subsequent source of rapid labor transfers into industry as well as a significant source of domestic savings. Agricultural and processed agricultural goods provided a key source of foreign exchange during the 1950s, helping to finance the initial capital and raw material imports required by the growing industrial sector (Ho 1978, 106). With the elimination of the traditionally powerful landowner classes, this crucial U.S. intervention was instrumental in establishing the autonomy between state and society that would underpin subsequent development. It meant that economic development in South Korea and Taiwan was relatively equitable, particularly in comparison to Latin America (Kay 2002). Furthermore, land reform served to remove the threat of a Socialist revolution in the countryside and, thereby, eliminated the last issue on which the Left could have hoped to achieve substantive rural support.

## South Vietnam and the Antidevelopmental State

If South Korea and Taiwan were cases of “developmental colonialism,” Vietnam was a case of “colonization without development or modernity” (Cumings 1999, 82). French colonialism in Vietnam was a more typical example of Western imperialism in that it was primarily concerned with facilitating the extraction of Vietnam’s agro-mineral resources to exploit differences between the costs of acquisition and the prices that could be obtained on the world market. As such, only a small colonial bureaucracy was required, and there was little need for the provision of long-term political and social security or intervention in land and labor policies. Developmental efforts were limited to infrastructural projects that were exclusively aimed at facilitating the movement of commodities to the market (Murray 1980, 35–36). Such efforts included the building of a land and water transportation network to link the interior regions to the ports at Saigon and elsewhere, including a 77-kilometer railway built between 1881 and 1886, which connected Saigon with the Mekong Delta’s network of rivers (Murray 1980, 169). Nonetheless, the small size of the colonial bureaucracy is striking. Vietnam was ruled with some 3,000 French officials, whereas the similarly sized colony of Korea was ruled by 87,552 officials, around half of whom were Japanese. Thus, for every French official in Vietnam, there were around fifteen Japanese officials in the Korean bureaucracy (Eckert et al. 1991, 257). The weak colonial state thus meant that there was nothing like the degree of penetration that Japan had achieved in its colonies, and thus Vietnamese villages lay largely outside the purview of the state. Collaborators were bought off with large land grants, but there were no attempts to rationalize land arrangements or develop agriculture. Neither did the French establish an education system that provided anything

more than an elite-centered education (producing such figures as the French protégé Bảo Đại). French colonialism bequeathed little in the way of administrative or industrial skills that could be deployed in postcolonial South Vietnam (Cumings 1999, 83–84). Furthermore, following independence, Diệm made few attempts to reform the South Vietnamese state and instead worked within the inherited political structure. This failure of state-building was also compounded by the fact that the United States did not appear to appreciate the extent of Saigon's administrative and political weakness and that the South Vietnamese state was primarily an urban-oriented government with only a minimal presence in the countryside (Brown 1991, 219).

The South Vietnamese state was also weakened by the failure to carry out genuine land reform. Inequality in land ownership was central to the domestic insurgency that inhibited development in the country. In the early 1960s, only 23 percent of farming families in government-controlled parts of the Mekong Delta owned all the land on which they worked, and more than seven farming families out of ten were substantially dependent on tenant farming. These figures gave the Mekong Delta one of the five highest rates of landlessness in the world (along with Java, northeastern Brazil, West Bengal and the contiguous parts of India, and the Huk country of Central Luzon), equaling or exceeding that of prerevolutionary China, Russia, and Cuba. Similarly high rates of landlessness existed for Vietnam's Central Lowlands (Prosterman 1970, 752–53). Land thus became central to the platform of both the Việt Minh and later the National Liberation Front (NLF). Indeed, the Việt Minh's land policies and broader anticolonial nationalism had been central in generating rural support in their struggle against the French. In Việt Minh-controlled areas, strict limitations were placed on rent and interest rates, and communal lands, lands held by the French, and the land of "traitors" were confiscated and given to poorer peasants (Prosterman 1970, 754). Attempts by the Diệm government to resolve the land issue were half-hearted. In October 1956, Diệm adopted a law, known as Ordinance 57, which sought to regulate relations between landlord and tenant. The actual impact of the law, however, was to restore the landlord-tenant relationship for hundreds of thousands of families in formerly Việt Minh-controlled areas. The law contained mild provisions for the acquisition and distribution of large holdings, while allowing for retention of holdings of over 100 hectares. This limit was at least thirty times greater than the retention limits in the South Korean and Taiwanese programs. The program came to an end in 1961, having only benefitted around one in ten families (Prosterman 1970, 755).

While Diệm himself was not a big landowner, much of his support base lay in the professionals and officials of landowning families who occupied important positions from the national offices down to the provincial and village levels. As a result, those who would be in charge of applying land reform measures were also those most likely to be hurt by them (Wiegersma and Medley 2000, 79). However, colonial legacies again factor into the equation. In contrast to the more diversified economies of South Korea and Taiwan, South Vietnam was more heavily dependent on the cultivation and export of rice. Elites thus were concerned that their economic well-being would be threatened if land reform encouraged

peasants to consume rice that had formerly been exported (Wiegersma 1988, 175–77). Neither did U.S. aid officials place great emphasis on land-based grievances and were unwilling to acknowledge the success of the NLF land program in bringing social and economic benefits to millions of peasants. Instead, they preferred technical or bureaucratic solutions to the problem of rural unrest (Sansom 1970, 229–36). Such attitudes coincided with broader changes in U.S. aid policy. The South Korean and Taiwanese land reforms took place when New Deal principles focused on the provision of economic well-being for the lower classes were still dominant in U.S. aid policy. The transition from the Truman to the Eisenhower administration, however, led to a shift toward establishing security for existing elites, an emphasis that continued under Kennedy's Alliance for Progress (Wiegersma and Medley 2000, 17–24).

The Diêm government thus focused on pacifying rural areas and consolidating state capacity in ways that would not challenge the power base of the landowner class. For example, it launched a "civic action campaign," which involved a cadre program in which progovernment individuals would live in the villages and promote the South Vietnamese government. However, many of these individuals were Catholic zealots from central and northern Vietnam, whose vast cultural differences worked against their integration into the local communities, thereby undermining the program's rationale. Corruption and a vigorous anti-Communist campaign, far from "winning hearts and minds," led to the mistreatment of innocent people and provoked further animosity toward the regime (Brown 1991, 215–16). Furthermore, as the insurgency intensified during the early 1960s, Diêm adopted a draconian program of control over the population through forcible relocation of peasant families into so-called strategic hamlets. The aim was to establish an identifiable front line between Communist forces and the wider population. The program reflected Saigon's belief that most villagers provided material support to the NLF demands out of fear rather than sympathy with their cause. Strategic hamlets would thus represent safe havens in which peasants could escape the hold of the NLF and, in the process, nurture a previously non-existent communal solidarity and national consciousness. The hamlets would also have their own citizens' militia more suited to NLF's guerrilla warfare, thereby reducing the role of the regular army and provincial forces and enabling a reduction of military aid to South Vietnam (Catton 1999, 928–30). However, the program was nothing short of a disaster.

In Bình Dương Province for example, 70 families relocated voluntarily while 140 were resettled at gunpoint. The program provoked extreme resentment among peasants, as they were forced off ancestral lands, put on *corvée* labor teams, denied access to their crops and fields, and their former dwellings were burnt by South Vietnamese soldiers. Furthermore, far from breaking the hold of the NLF, revolutionaries were able to infiltrate the hamlets, often with the cooperation of their inhabitants (Latham 2006, 36–37). The U.S.-backed disposal of Diêm in 1963 did not lead to an end of attempts at social engineering, and was followed by the New Life hamlet program in 1964 and the U.S. program for Civilian Operations and Revolutionary Development Support in 1966 and 1967, neither of which was met with much success (Latham 2006, 38).

As the political and military situation deteriorated, extensive military operations took precedence over pacification. Even in 1966, despite rhetorical emphasis on winning hearts and minds, only \$600 million was spent on pacification out of a total U.S. budget of \$21 billion. Furthermore, military efforts led to the further alienation of the population (Brown 1991, 212). In the early 1970s, U.S. aid officials and the Saigon government resurrected the land reform program. In contrast to Diệm's Ordinance 57, a genuinely progressive "land to the tiller" law was passed. However, the reform came too late to have any real impact on the outcome of the insurgency. Not only did the law fail to undermine support for the NLF, but in fact legitimized in South Vietnamese law that which had been a central part of the NLF platform (Brown 1991, 234–55). By this time, the security situation and the will of the United States to continue to provide military and economic aid to South Vietnam had deteriorated to such an extent that the fate of the country was more or less sealed.

## Toward Export-Led Development

As can be seen, divergent legacies of the colonial experience and the temporal specificities of integration into the postwar U.S.-centered order had a profound impact on the developmental paths of South Korea, Taiwan, and South Vietnam. However, the relatively fortuitous circumstances in South Korea and Taiwan did not in themselves determine these countries' subsequent developmental trajectories. U.S. aid played a key role in stabilizing their economies, but actual advances in the value-added hierarchy of the capitalist world economy did not begin until South Korea and Taiwan were reintegrated into the hierarchically organized East Asian regional political economy centered on Japan and extending outward toward the immediate northeast Asian periphery and to Southeast Asia (Gills 2000, 389–90). As noted above, Syngman Rhee had stubbornly resisted reestablishing South Korea's subordinate position vis-à-vis the Japanese economy and instead focused on ISI and the maximization of U.S. aid. It was only Rhee's disposal in 1960 and the subsequent military coup led by General Park Chung-Hee that enabled the United States to push for a change in economic strategy. Paradoxically, it was the reduction of U.S. overseas aid and increased emphasis by the Kennedy administration on export-oriented industrialization (EOI) and Rostovian ideas surrounding the need to facilitate an industrial "take-off" more broadly that made such a change of strategy unavoidable for the Park regime (Woo 1991, 73–78). Yet Park was also in fact the perfect figure to carry out such a shift toward EOI. As a former officer in the Japanese army, Park was strongly influenced by Japanese ideas of the active role of the state in bringing about industrialization (Moon and Jun 2011) and, despite "liberalization measures" imposed by the United States, was able to maintain protection of the domestic economy and a strong role for the state. He was also favorable to the reestablishment of diplomatic relations with Japan amid widespread public opposition, which opened up a new source of capital in the context of declining U.S.

aid. Although the Japanese had intended reparation to be used for investment in light industry, it quickly found its way into other industries, notably steel, a project that had been shunned by all foreign countries, as well as the by the World Bank, as unrealistic (Woo 1991, 87–88).

U.S. aid similarly provided Washington with a crucial lever over which it could influence Taiwan's industrialization strategy. U.S. aid officials demanded a similar set of liberalization measures while at the same time drawing up a Nineteen Point Proposal that emphasized investment promotion, restriction of consumption, and encouraged export. Again, the proposal did not end the protection of selective industries and state monopolies but rather provided incentives to add new export industries alongside the domestic market, and thus, the ISI strategy continued to exist alongside the expansion of EOI (Ngo 2005, 104–105). Taiwan saw less in the way of the formal provision of aid from the Japanese government, but the shift in economic strategy saw the emergence of Taiwan as a key site of investment for firms from Japan and the United States searching for low-cost production sites. Indeed, U.S. aid officials promoted Taiwan as an investment site, and from the mid-1960s, large Japanese corporations began to invest in Taiwan to lower labor costs to recapture market shares lost by the off-shoring of American manufacturers (Gold 1986, 79).

Curiously, however, South Vietnam's developmental quagmire and the massive U.S.-led war effort in Southeast Asia provided a significant boost to the South Korean and Taiwanese economies. As Stubbs has argued, in the context of the phasing out of U.S. aid, the Vietnam War provided a well-timed boost to the Taiwanese economy. In addition to the dollars spent in Taiwan by U.S. troops visiting on R&R, Taiwan's exports to South Vietnam increased rapidly from the mid-1960s. More importantly, these were exports in Taiwan's nascent heavy industries such as cement, iron and steel, aluminum products, machinery, and transportation equipment. Furthermore, there was an explosion of demand within the U.S. market, which Taiwan was well placed to take advantage of, establishing a rapid surplus by the early 1970s. For South Korea too, just as the Korean War had provided the impetus for the revival of the Japanese economy, the Vietnam War provided opportunities for further growth and industrial upgrading through procurement contracts for Korea's nascent conglomerates and dollar earnings for South Korea's military participation in the war (Stubbs 2005, 131–33).

## Conclusion

The provision of U.S. military and economic aid played a crucial role in the post-war stabilization of South Korea and Taiwan and in laying the foundations for their subsequent economic development. However, the failure of U.S. aid to achieve similar aims in South Vietnam raised the question of how the divergent and colonial legacies affected the degree to which these states were endowed with sufficient absorptive capacity to effectively use U.S. aid. As has been argued,

the colonial era saw the establishment of autonomous states that played an active role in agricultural and, in the later stages of the colonial era, industrial development. Colonialism bequeathed a strong bureaucratic apparatus that was utilized in the postcolonial era by political elites seeking to facilitate a process of national development. While external threats sustained the massive U.S. aid commitment to the three regimes, South Vietnam's confrontation with a sustained domestic insurgency led to the country's failure to pursue a developmental program along the lines of those of South Korea and Taiwan. That failure owes much to the fact that French colonialism left behind a weak state lacking any organic connection with the country's peasantry, standing in marked contrast to the developed social and political mechanisms of control and administration in South Korea and Taiwan. Consequently, the South Vietnamese state was unable to direct resources toward development and, instead, was forced to focus on pacification and military operations, which only served to alienate the rural population further and intensify the insurgency.

The failure to carry out land reform in South Vietnam is in marked contrast to the experience of South Korea and Taiwan. Although this failure was to some extent a result of the social basis of the South Vietnamese state, it is also clear that U.S. aid officials did not vigorously pursue land reform and preferred less revolutionary policies toward the countryside, most of which were largely counterproductive. Thus, while the divergent colonial legacies at play in South Vietnam explain the resistance of elites to fundamental changes in rural social property relations, the unfortunate coincidence of the country's independence with a broader shift in U.S. aid policy away from New Deal ideals played a role in the antidevelopmental nature of the South Vietnamese state. Nonetheless, explanatory weight must be given to geopolitical contingency in explaining divergence among the cases rather than policy failure alone. This same contingency played a role in the reintegration of South Korea and Taiwan into the Japan-centered regional economy. While U.S. aid no doubt laid the foundations for industrialization and economic development in South Korea and Taiwan, reintegration from the 1960s to a regional and global supply of capital and technology largely explains the "catch-up" nature of the countries' industrialization. South Vietnam, on the other hand, remained mired by classic conditions of colonial underdevelopment.

## Notes

1. U.S. Overseas Loans and Grants; see [gbk.eads.usaidallnet.gov](http://gbk.eads.usaidallnet.gov).

2. "Absorptive capacity" refers to the state's capacity for the effective management and direction of both foreign and domestic capital, and the extent to which economic and social infrastructure are developed enough to support economic expansion (Stubbs 1989, 520).

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