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# Comparing the Economic Developments Between South Korea and China

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# Comparing the Economic Developments

## Between South Korea and China

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Economics 102

**Abstract:**

South Korea and China both have reputations for the countries' economic development however in slightly different ways. South Korea is known for its rapid development that took place decades ago where as China is known for its massive development over the last few decades. With this paper I tried to examine the economic development statuses of both countries by using certain criteria such as GDP growth rate and attempted to analyze their similarities and differences.

Other than the fact that they share a border with the North Korea, a country notorious for its abuse of human rights, China and South Korea have many similarities. Some are as obvious as the geological factors. Both are located at the east side of the Eurasian Continent, and the fact classifies them as the "Far East" countries, which includes another neighboring country, Japan.

Another shared characteristic would be their recent economic growth. Both countries started from the bottom of the world GDP list and climbed up to second place (China) and twelfth place (South Korea) among Organization for Economic Co-operation and Development (OECD) countries<sup>1</sup>, as shown by a report published by the organization in 2015. Figure 1 below shows the same data in chart format with other countries' GDPs listed as comparisons and the

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<sup>1</sup> OECD. (2015), National Accounts at a Glance 2015, OECD Publishing, Paris.

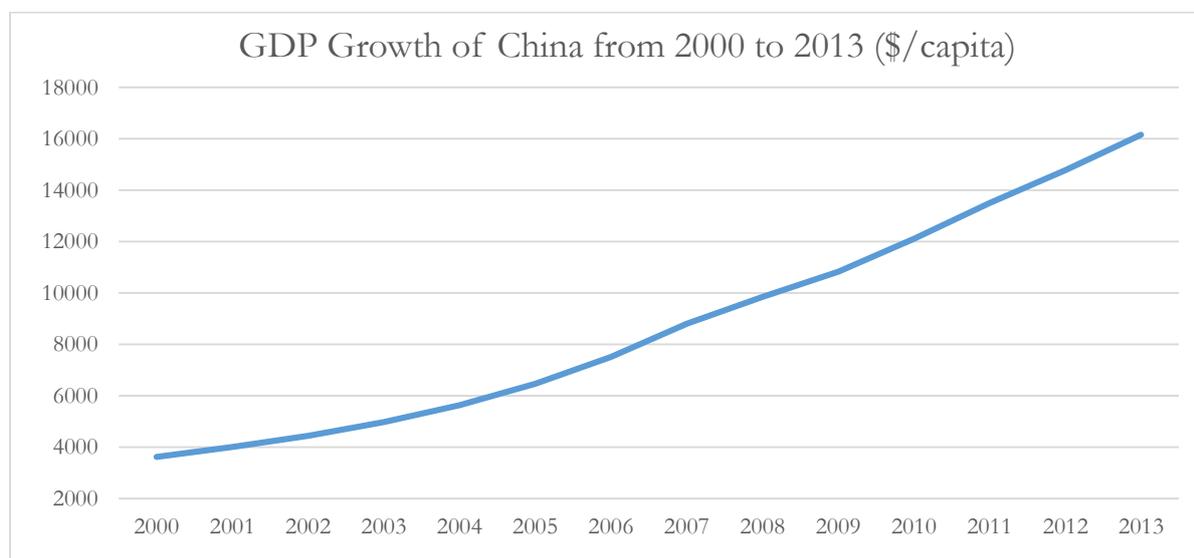
DOI: [http://dx.doi.org/10.1787/na\\_glance-2015-en](http://dx.doi.org/10.1787/na_glance-2015-en)

graphs in Figure 2 and 3 project the GDP growth of China and Korea from 2000 to 2013.<sup>2</sup>

**Figure 1. The 2013 GDP Growth of Top Twelve OECD Countries**

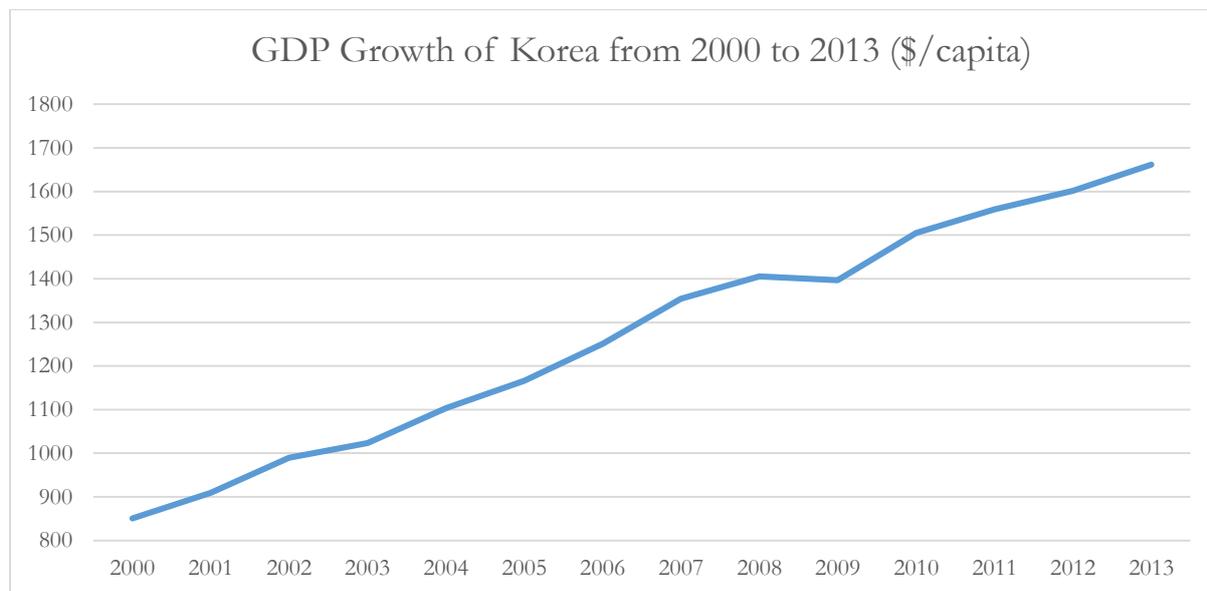
Names	GDP (USD/capita)
United States	16663.16
China	16157.70
Euro area	12738.10
Japan	4612.63
Russian Federation	3592.40
Germany	3553.61
Indonesia	2504.30
United Kingdom	2483.66
France	2478.25
Italy	2109.33
Mexico	1999.82
Korea	1661.72

**Figure 2. GDP Growth Rate of China from 2000 to 2013**



<sup>2</sup> OECD (2016), Gross domestic product (GDP) (indicator). doi: 10.1787/dc2f7aec-en (Accessed on 25 April 2016)

**Figure 3. Figure 2. GDP growth rate of Korea from 2000 to 2013**



Once can draw two conclusions from observing those graphs. First of all, the noticeable upward slope during the years shows that those countries enjoyed massive growth of GDP during the 14 year period. Another possible conclusion that can be drawn from the graphs is that growth for both countries during the first few years differs significantly from that during the later years. While Korea showed a two-fold growth rate during the 14 years, the difference of growth from 2000 to 2013 is about \$800, whereas during the same time the difference in growth of China was nearly \$13,000. This indicates that during the period the GDP growth rate of China was much, much bigger than that of Korea. The growth of China’s GDP is nothing short of massive.

However it would not be fair to South Korea to factor in only those years when analyzing its economic development. The massive economic growth took place in South Korea during the years 1962 to 1976.<sup>3</sup> The average GNP growth for those years was 10.2%, which is even more impressive considering the fact that the oil crisis in 1974 and 1975 caused the GNP

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<sup>3</sup> Oh, B. (2014). Economic Development Policies of China and the Regional Differences. Hanseo University Press, 1-113. Retrieved April 28, 2016, from <http://dlps.nanet.go.kr/SearchDetailView.do?cn=KDMT1201423054&sysid=nhna>

of almost every developed and developing country to significantly drop, while the Korean GNP recorded steady growth of 8.7% and 8.3%, in those two years. Comparably, the economic growth of China started after 1978, when it opened its doors to Western countries by starting an economic reform that lasted six years; which changed China's economy as well as its impact on the world itself. Thus there is a difference of timeline.

What are the catalysts behind this rapid economic growth that made the growth possible for those two countries? First, by looking deeper at the economic development of Korea from the 1962 to 1976, one can speculate several hypotheses.

A possible factor behind the growth would be that it all accompanied meticulously pre-arranged plans with full support from the two governments. If you look at the case of Korea, the first economic stimulus plan started in 1962 as a 5-year plan of constructing infrastructure across the war-stricken country, followed by another 5-year plan for government funded development projects in heavy industries and crop science.<sup>4</sup> The plans were carried out with the mighty force fueled by a dictatorship.

The Korean War of the 1950s had wiped out all the country's potential sources of economic development. The dictator, Jung-Hee Park, started a military coup d'état in early 1960 and led economic development with the mighty force of terror and dictatorship. He is a very controversial figure in Korean history; no one will deny that the dictatorship and his use of terror as a means of control helped facilitate the speed of economic development in Korea. But it is also true that much blood was shed during the 17-year dictatorship and some people questioning such rapid development was worth the life of the people. The discussion boiled over in 2012 when his daughter was elected as the President of Korea, and it still continues.

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<sup>4</sup> Oh, B. (2014). Economic Development Policies of China and the Regional Differences. Hanseo University Press, 1-113. Retrieved April 28, 2016, from <http://dlps.nanet.go.kr/SearchDetailView.do?cn=KDMT1201423054&sysid=nhna>

On the other hand, the history of China's economic development follows a very similar path. When the famous Deng Xiaoping took his place as the leader of the Communist Party in 1978, he started something that his predecessor had not attempted. He started an economic reform that is called the "Open Door Policy."

Like the economic development plan implemented in South Korea, the Open Door Policy also carried out a series of structured development plans while opening up China's doors to foreign trade, immensely benefitting the country. In a decades-old but still a well-written article regarding the Open Door Policy, the author states that the reform was successful to the degree that it made the country to literally become, "a textbook example of export-led growth."<sup>5</sup> The average annual rate of trade expansion for China, from 1978 to 1990, was 15%, whereas the same index for the world on average was hitting below 5%.

Again, such a rapid development was possible for both China and South Korea under the dictatorship of a party, where plans were meticulously pre-arranged and carried out in a practical manner. The economy, along with the country, moved as one under the leadership of Deng Xiaoping and the communist party. Like the case of Korea, the head of the country still belongs to the party that facilitated those extreme reforms. The Communist Party of China is still going strong, reigning in China for decades, under the current leadership of Xi Jinping.

Throughout the essay, we took a look at the rapid economic growth of both Korea and China and identified the key characteristics of both countries' development. The economic reform of Korea, which the Korean people proudly call "The Miracle of Han River" - named after the river that flows through the heart of the Korean capital, Seoul - took place mainly from 1962 to 1976. Many factors helped to facilitate the growth, and among those is the terror-tainted

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<sup>5</sup> Wei, S. (1993). Open Door Policy and China's Rapid Growth: Evidence from City-level Data. *Growth Theories in Light of the East Asian Experience*, 4, 73-104. doi:10.3386/w4602

leadership of a dictator.

The Chinese economic reform took place after the Korean reform was stabilized. Starting in 1978, facilitated by another dictatorship under the Communist Party, Deng Xiaoping led the so-called Open Door Policy and changed the economic structure of China from trade to installing infrastructure. This led to the most massive economic growth the world had ever seen; China, one of the poorest countries in the world now ranks second in GDP growth, as published in 2015.<sup>6</sup>

The economic developments of both countries has similarities, as well as differences. As seen above in the graph, Figure 1, the economic growth of China is much larger, which is obvious considering the differences in size, population, and natural resources of both countries. Also, the rapid growth took place in different time frames; the Korean was in the late 1960s-70s, and the Chinese started in the late 1970s. However they share many similarities from a historical point of view; both started with building infrastructure, each was led by dictators, and the descendants of dictators are still heads of the governments as of now. These shared characteristics and differences in China's and South Korea's economic development are the points that makes economic history a fascinating subject to study.

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<sup>6</sup> OECD. (2015), National Accounts at a Glance 2015, OECD Publishing, Paris.  
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