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Agricultural Restructuring and Capitalist Industrialization: The Cases of South Korea and the Philippines

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The divergent paths towards development taken by South Korea and the Philippines may be explained by the difference in the systems of colonialism established by Japan and the United States, respectively. The article looks into the distinct agricultural restructuring employed in each country and its effect on industrialization and development. In South Korea, land reform was meticulously carried out, and farmlands strictly redistributed, thereby weakening the position of the landlord class. This would, in turn, explain the absence of any form of resistance from the agrarian classes in the course of its industrialization process. South Korea's economy was also completely integrated to that of Japan; consequently, as the latter shifted its focus from agricultural production to industrial development, the former likewise took off. In contrast, the Philippine colonial economy concentrated on promoting commercial agriculture to cater to the United States' policy of maintaining free trade relations with the country in its favor. The intact agrarian elites, who intended to preserve their hegemony in the prevailing socio-political and economic structures, readily supported this policy. The result is a land reform that failed to restructure the economy, let alone achieve industrialization.

Introduction

The restructuring of agriculture and rural class relations is an intrinsic element of capitalist industrialization. The divergent paths of industrial development in South Korea and the Philippines were due largely to their different forms and paces of agricultural restructuring. In South Korea, agricultural restructuring has contributed to capitalist industrialization. First, the socio-economic power of agrarian classes (vis-à-vis urban industrial classes and the state) was debilitated so as not to offer any significant resistance to the industrializing process.[1] Second, the terms of trade between the urban industrial and rural agricultural sectors favored urban industrial wage workers.[2] Third, the agricultural sector provided sufficient food and put little or no balance-of-payment burden on the economy in general. Finally, a viable "home market" was created in the countryside for industrial consumer goods.[3] These conditions were largely absent in the Philippines.

In this paper, we analyze the processes of structural transformation in agriculture and rural class relations, both during the colonial and post-colonial periods in South Korea and the Philippines. Our study is based on the following premises: (1) The agricultural restructuring and national capitalist development of the two countries is determined by the conjunction of both internal agrarian class dynamics and external world economic forces; (2) Contemporary class dynamics are the products of both the class-structural remnants inherited from the previous local history and the external influences; and (3) The external world economic influences upon internal structural changes are mediated through the "social classes" and the "state" as historical actors.

Colonial Agricultural Economy and Class Dynamics

Korea and the Philippines were colonized during the first half of the twentieth century: Korea was a Japanese colony between 1910 and 1945. The Philippines was an American colony between 1898 and 1946. The first half of the twentieth century was a period of imperialist competition and scrambles for colonies which culminated in two world wars.[4]

During their colonial period, the Korean economy was completely integrated into the Japanese imperialist economic system -- the so-called "The Greater East Asia Co-Prosperity Sphere" -- as its economic hinterland. The Philippine economy operated along the orbit of the U.S. economy as an overseas colony. They were mere appendages to the metropolitan economies that were subject to the requirements of the metropole's monopoly capital. In these bilateral, metropole-colony relations, the external economic forces, in the name of "colonialism", were imposed upon the colonial economies. The colonial states during the period were direct extensions of the metropolitan state itself and were subject to its close supervision.[5]

Philippine Agriculture and Agrarian Elites Under American Colonialism

In the pre-war international division of labor within the American "sphere of influence", Philippine agriculture provided the United States with tropical crops and raw materials such as sugar, coconut (copra and coconut oil), abaca (Manila hemp), and tobacco. This role was due largely to its climatic and topographical propensity for the cultivation of these agricultural products, and to the fact that they were compatible, rather than competitive with U.S. temperate crops. But more importantly, the Philippine social structure supported the production and exportation of commodity crops. As early as the late eighteenth century, under the Spanish rule, the agricultural production for foreign markets (e.g. first, tobacco and later, sugar and rice) began to develop in the Philippines.[6] The external demand for these commodity crops greatly changed the internal social structure during the nineteenth century. These included changes in production forms and relations, population growth and interregional migration, the clearance of the inland frontiers, and the rise of new merchant class. During the century, Philippine agriculture was dominated by a landowner-moneylender-cum-crop-trader class (consisting of indigenous Filipino elites called *principalia* plus Chinese-mestizo intermediary merchants), which exacted rents, debts, and merchant's profits from peasant smallholders and tenants. Its population increased rapidly, and many peasants migrated from the old settlements of seacoast and riverbanks into the interiors and converted vast areas of forest and grassland to farm.[7]

This export-oriented commercial agriculture continued to prosper during the American colonial period. This prosperity was strongly encouraged by U.S. economic policies towards the Philippines and by the enthusiastic support of local Filipino agrarian elites whose economic interest was vested in commercial agriculture. The main feature of the economic relations between the United States and the colonial Philippines was the free flow of commodities bred by the "free-trade" policy of the U.S. government toward the archipelago.[8] This free trade regime was initiated by the U.S. Act of 1909 (known as Payne-Aldrich Tariff Act) and remained effective throughout the pre-war era. It facilitated the provision of certain industrial raw materials and articles of mass consumption such as sugar, copra, coconut oil, and abaca for the American population, and the development of the colonial economy as a market for U.S.-manufactured consumer goods.[9]

The maintenance of free-trade relations with the United States, and the consequent prospering of commercial agriculture were also buttressed by the enthusiastic support of local agrarian elites. Since the inception of American rule, the Filipino agrarian elites favored the free-trade relations with the United States and sought to promote commercial agriculture. Although they had strongly advocated for the political independence of their country, the agrarian elites had always considered this of lesser priority to that concerning the maintenance and promotion of their own economic interests. This prosperity of commercial agriculture, through several decades of colonial rule, further augmented the economic interests of Filipino agrarian elites and helped them retain and reinforce their socio-political power.

A prominent characteristic of the Philippine class structure during the American period was the continuing dominance of the local Filipino agrarian elites in politics and the economy. The monopolistic control of local politics and government, as well as of socio-economic concerns, rested upon big landlords, dealers and processors of agricultural products, money-lenders, and their professional associates (e.g. lawyers), whose economic interests were vested on landownership and agricultural undertakings. In addition, the U.S. economic policy supported free-trade relations between the colony and the metropole, and the prosperity of commercial agriculture. The strength of Filipino agrarian elites and landlords also stemmed from the policy of the American colonial state, permitting a wide range of political autonomy and self-government for the colony. This "permissive" colonial policy in the Philippines can be attributed to the anti-retentionist principle of the U.S. government's policy in the Philippines,[10] as well as the aspirations of the local Filipino elites for self-government.

The political aspirations of the indigenous agrarian elites were very pronounced during the last years of the Spanish colonial rule. Their discontent with the Spanish rule was again turned to the new colonizers, the Americans. The armed revolts against the newly arriving American colonials had been led by these Filipino agrarian elites. After the Filipino resistance had been subdued, it became the urgent task of the American colonial authorities to win back the confidence of these Filipino elites since their help was essential to the successful management of the Philippine colony.

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During the second decade of the American rule, the national legislature of the colonial state came to be completely under the control of popularly elected Filipino elites. They also took over many high-ranking positions in the central colonial government and the low-level administration became dominated by Filipinos.[11] In the provincial and municipal governments, Filipino self-government was even more extensive. All municipal government officials were popularly elected from the beginning of the American rule, and the provincial governments were also dominated by the local Filipino elites.[12] The final steps towards complete Filipino self-government and the local Filipino elites' control of politics and government administration in full scale took place in 1936, with the establishment of the Philippine Commonwealth. Thereafter, the dominance of local agrarian elites, in both economic and political arenas, continued until the Japanese occupation in 1942.

Korean Agriculture and Rural Class Relations Under Japanese Colonialism

One of the distinguishing factors of Japanese colonialism from American colonialism was the Japanese attempt to build around its economy an integrative and cohesive imperium in East Asia around its economy. The colonies, including Korea, were forced to be incorporated much more tightly into the Japanese metropolitan economy than the Philippines were vis-à-vis the American economy. The geographical proximity of its colonies (Korea, Formosa, Manchuria, and South Sakhalin) to the metropole allowed the Japanese to control more closely the hinterland.[13] This geographical proximity led the Korean economy to be closely and meticulously dictated by the requirements of Japan's East Asian "world-economy".

The Japanese colonial period (1910-1945) in Korea can be roughly divided into two stages, from 1910 to 1930, and from 1930 to 1945. Major policy and economic changes, especially the restructuring of agriculture, took place around 1930. In the first colonial regime (1910-1930), Korea served primarily as a rice supplier for the Japanese urban population, and secondarily, as a market for Japanese-manufactured consumer goods. The Japanese economy began its industrialization drive during the last decade of the nineteenth century. Its urban industrial sector expanded rapidly during the first decades of the twentieth century.

One of the motives behind Japanese aggression on Korea and Formosa was to secure a stable supply of food for Japan's urban industrial work force. World War I presented Japan with an industrial boom. Industrial expansion during the war years reinforced the already-strong demand for food grains. As a consequence, Korea's role as an "economic appendage of Japan" was given more emphasis.[14] Thus, in the second decade of its colonial rule, the Japanese colonial government implemented a variety of programs to increase rice production and exports to Japan. Large-scale land reclamation and irrigation projects were undertaken. Korean landlords and farmers alike were mobilized and organized into "irrigation associations" nationwide. They were encouraged and often forced to adopt new farming techniques and to use new farm inputs (application of fertilizers and new varieties of seeds).[15] As a result, rice production increased rapidly and much of the rice yield was exported to Japan; at the end of the 1920s, almost half the nation's total rice yield went to Japan.[16]

In the second regime (1930-1945), the Japanese colonial state abruptly shifted its policy focus from agricultural production to industrial development in Korea.[17] Towards the end of the 1920s, the oversupply of rice from the colonies became a burden to the Japanese government. Japanese farmers, who had been provoked by the massive importation of Korean and Formosan rice, pressured the government to limit rice imports. Hence, at the turn of the 1930s, the colonial government in Korea canceled all plans for increasing rice exports. This sudden change in the colonial economic policy greatly aggravated Korean rural economy in general. It was a disastrous blow to large landlords as well as to small holders and tenant farmers who had been expending painstaking efforts on rice production. Another cause of this policy change was the worldwide economic depression and the emergence of protectionism in the late

1920s, which prompted Japan to shift its state policy from liberalism to authoritarian militarism and to pursue economic self-sufficiency within the empire.[18]

Japan launched a series of military campaigns and took over Manchuria in 1932. Japan relocated its domestic industries to the colonies and attempted to build a new division of labor between the metropole and the colonies in order to establish a self-sufficient economic bloc. Korea came to play a semiperipheral role between Japan and Manchuria.[19] Since the 1930s, Korea was compelled to accommodate the over-developed industry of Japan, especially war-related, heavy and chemical industries, and to develop an "economic supply base for the military adventure on the continent."[20] The growth of urban industry and the development of industrial capitalists in the 1930s further weakened the power base of the Korean landlord class.

During the Japanese colonial period, agricultural production relations were based on share-cropping and a small-scale, owner-operator system. More than half the total farm households were landless tenants, and most were under 50/50 share arrangements with landlords. One quarter of the farm households were part-owners who did not own enough land to sustain a living.[21] Most of the farm owners held less than 2 *chongbo* (1 *chongbo* = 0.99 hectares) of land (85% in 1927).[22] Only 0.5 percent of total farm households owned more than 20 *chongbo* of land.[23] This handful of Korean landlords possessed only a little socio-political power, however. The Japanese colonial state in Korea was completely monopolized by the Japanese bureaucrats. They occupied all of the important positions of both the central and local governments, while the Koreans were only allowed minor positions. Moreover, there was no popular representation for the colonized, neither was there a central legislature nor a local self-government. Korean landlords, thus, were not in any way allowed to participate in the political decision-making

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More important than their political incapacity was their economic weakness. Japanese landlords and agricultural corporations had actual control over Korean agriculture. In 1930, Japanese landlords possessed more than 625 thousand *chongbo*, which comprised 14.3 percent of total arable land. In addition, Japanese semi-statal agricultural corporations such as the Oriental Development Company controlled large areas of farm land (more than 150 thousand *chongbo* of farm land in 1927).[25] In sum, Japanese landownership amounted to a significant part of total arable land in Korea. They also had an advantage over the indigenous landlords in terms of the financial subsidies and loans from the colonial government and government-controlled banks.

Japanese control was not limited to agricultural production as it also included processing (e.g. rice cleaning and milling), marketing, and export trade of agricultural products.[26] Agricultural surpluses expropriated by the Korean landlords, however large they may have been, were not fully "realized", and a large portion of these surpluses fell into the hands of Japanese merchants and rice millers. Taxes also contributed to the further shrinking of the already-diminished amount of agricultural surpluses in the possession of the Korean landed class. Through the cadastral survey (1910-1918), the introduction of a new land tax system (1918), and the exact implementation of taxation, using the penetrative police network, the Japanese colonial state expropriated a significant portion of agricultural surpluses from the indigenous landlords.[27]

Korean landlords also lost the advantages and authority they had exercised over the peasantry in the previous century. Agricultural reform, beginning with the establishment of legal landownership, and the growing exchange relations in the countryside transformed the personal relationship of the landlords and peasants from one based on customary, informal, and reciprocal dependency relations, to one of formal, legal-contractual nature.[28] This situation not only exacerbated the economic conditions of tenant-farmers by destabilizing the security of tenancy[29], but also reduced the landlords' influence upon the peasants.

All of these developments led to the relative degradation of Korean landlords, not only in terms of economic power and privileges, but also in terms of personal authority and social prestige vis-à-vis their tenants and other indigenous peasant farmers. This trend continued until the end of the Japanese colonial rule, with the growth of urban industry and war-related mobilization of economic and human resources in the countryside.[30]

Post-War Agricultural Restructuring and Industrialization

The period from the end of World War II to the early 1970s was characterized by the Cold War and the division of world into two "spheres of influence", that is, the capitalist sphere, under the U.S. hegemony, and the socialist bloc, under the Soviet influence. The post-war, "free-world", capitalist economic order, operating along orbits around the U.S. economy, was based upon the international monetary order, anchored on the U.S. dollar and a free-trade regime under the GATT system, within which a free flow of capital and commodities was encouraged or even forced.[31]

The post-war, capitalist, world-economic order operated quite differently in the Philippines and in South Korea due to their distinct colonial experiences and class dynamics. The external, world-economic forces, when combined with different internal factors, had different effects on the two countries. The external impact was felt more keenly by the South Korean economy than by the Philippines, which had already been located within the U.S-centered, capitalist world economy.

Post-War Philippine Agriculture and Industrializing Efforts until 1970

From the late 1940s to the 1960s, the Philippine economy retained the basic structural features of the pre-war colonial period. As a result, a series of attempts at land reform failed. The relative importance of export-oriented commercial agriculture and the dominance of agrarian classes remained intact. The absence of agricultural restructuring had a deleterious effect upon the Philippine efforts of industrialization in the 1960s and the decades thereafter.

Immediately following the return of the Americans after the Japanese occupation (1942-1945), the pre-war social and political order was restored. The landlords regained their pre-war, socio-economic influences in the countryside, and the pre-war political leadership, which had enthusiastically represented the agrarian interests of the local Filipino elites during the colonial period, also returned to power. This feat was accomplished with the deep intervention by the U.S. military authorities. The Americans not only reinstated the pre-war political oligarchy in national politics, but they also invigorated local agrarian elites by suppressing the *Hukbalahap*, a communist-inspired peasant rebellion in the countryside by the mid-1950s. In the post-war international order based on Cold War logic, the United States had no intentions of allowing any communist element to secure foothold in the Philippine soil.[32]

The restoration of the *status quo ante*, in the end, led to the failure of agrarian reform programs during the 1950s and the 1960s. The resistance of the national political leadership and local agrarian elites against any fundamental socio-structural change prevented the agrarian reform programs from being successfully carried out. The United States put pressure on the Philippine government to initiate agrarian reforms with a view of rehabilitating the devastated Philippine economy, blocking communism and maintaining stability in the countryside, and bringing back the Philippines as a viable member of the post-war, capitalist world economy. But the Philippine government was quite hesitant to answer the call for agricultural restructuring.

Several attempts to improve the tenancy system and agricultural practices, to redistribute farmland, and to establish owner-operated, medium-size family farm as the basic unit of Philippine agriculture were made during the period. The Land Reform Acts of 1954 and 1955 by the Magsaysay administration (1954 -1957), however, were not successful due to a number of legal loopholes (e.g. a still-too-high ownership limit of 300 hectares for each landlord) and the reluctance of, and even interference by, municipal and regional government officials and land reform agencies, who were under the influence of local landlords. Neither was the Land Reform Code of 1963 successful. It reduced the legal landownership limit from 300 to 75 hectares in an attempt to establish an agricultural system based on owner-operators (through a two-stage conversion of sharecroppers into leaseholders and leaseholders into owner-operators), but the landlord-controlled Congress, by subjecting the reform bill to a number of amendments, incapacitated it from producing any significant changes. Agrarian reform efforts during the period all misfired.[33] The Philippine agriculture, thus, continued to be dominated by high tenancy rates, unenthusiastic absentee landlords, low capital investment, ineffective farming practices, very low productivity, and poor rural living standards.

During the 1950s and 1960s, the Philippines continued to play the same role in the post-war international economic order as it did in the pre-war order (i.e. as an exporter of tropical agricultural crops, such as coconuts, sugar, and abaca). The complementarity in the traditional bilateral colonial exchange [34] between the Philippines and the United States continued to operate in the post-colonial trade regime. The post-war, free trade relations conferred privileged access of Philippine exports to the U.S. market. The post-war Philippine economic structure was organized around the Philippines' role as an agricultural exporter in this free trade regime. During the 1950s, coconut, sugar, abaca, and tobacco exports accounted for 75 to 85 percent of total export earnings each year (coconut, 40-45%; sugar, 20-30%; abaca, 8-15%; tobacco, 1-1.5%), while other non-manufacturing primary products (mineral ores, logs and lumber, etc.) made up most of the remaining.[35] "Nontraditional" manufacturing products such as textiles, clothing, footwear, and chemicals[36] comprised only two to five percent of total exports through the 1960s.[37]

The Philippines' attempt at industrial development began in 1949, with the import-substitution industrialization (ISI) policies. Various protectionist measures — quantitative import controls and overvalued exchange rates — were adopted, which encouraged the growth of local manufacturers producing for domestic markets. Many local Filipino entrepreneurs started new businesses and manufacturing production grew rapidly in the 1950s. But the ISI efforts in the 1950s were mainly concentrated on food processing (e.g. sugar, coconut oil, canned fruits). By the end of the 1950s, after a decade of the ISI drive, manufacturers of processed food, beverages, and tobacco accounted for over 40 percent of total manufacturing value added.[38] Meanwhile, agriculture still dominated the Philippine economy, contributing to GNP at around 28 percent and employing over 60 percent of total employed labor force in 1960.[39] The share of "agricultural crops and agro-industrial products"[40] to total exports was 69 percent in the same year. This lack of diversification burdened the export-oriented industrialization (EOI) drive in the following decade.

The protectionist umbrella was removed in the early 1960s due to the resistance of traditional agrarian elites who had always preferred the export-oriented commercial agriculture and free-trade relations with the United States.[41] Import/exchange controls were relaxed and the Philippine currency was devalued by almost 100 percent in 1962. The Philippines returned to its traditional open economy and the EOI drive was pursued. But exports grew very slowly at an average annual growth rate of 2.2 percent between 1960 and 1970. This growth rate is quite small when compared to South Korean exports' average annual growth rate of 34.1 percent, Thailand's 5.2 percent, Malaysia's 5.8 percent, and Indonesia's 4.0 percent during the same period.[42] Agricultural crops and processed foods still accounted for over 40 percent of total exports in the late 1960s (51% in 1968, 44% in 1969 and 1970), while wood products and minerals accounted for around 50 percent and "nontraditional" manufacturing products, only 5 to 7 percent.[43]

Although some scholars argue that the unsatisfactory outcome of EOI in the 1960s was due to inadequate export-promotion measures, such as the retention of tariff barriers,[44] the problem was more with the absence of a diversification in the economic structure than with insufficient liberalization. The Philippine economy, which failed to fully develop high value-added, "nontraditional manufacturing" industries in the ISI decade, was obliged to depend on traditional agricultural exports for the foreign exchanges which it needed badly to finance its growing imports.[45] However, the relatively low and precarious nature of international agricultural commodity prices ruined the agricultural sector's and agro-food sector's ability to earn foreign exchange. Even the expansion of agricultural exports was not an easy task.[46] It was severely constrained by the low agricultural productivity caused by the inefficient production relations based on the traditional absentee landlord and sharecropper system.

Post-War Agricultural Restructuring and Industrialization in South Korea Until 1970

In contrast to the Philippines, South Korea underwent fundamental structural changes in agriculture during the 1950s and 1960s. Many favorable conditions, both internal and external, were behind Korea's agricultural restructuring. Among them were the absence of any significant resistance to agricultural restructuring, including land reform and the fact that United States reorganized the economic structure of South Korea to incorporate it into the post-war capitalist world-economy. It made much more of an effort in South Korea than it did for the Philippines which had always been within the United States orbit.[47] One of the necessary conditions for the building of U.S.-centered international capitalist market economy was the penetration of capitalist exchange relations into the self-sufficient agrarian economies of the Third World, including the commodification of Third World agriculture.[48] Owing primarily to the successful agricultural restructuring and the massive U.S. economic aid (especially food aid), South Korea developed a diversified industrial structure and was able to "take off" in its industrialization path in the late 1960s.

After Korea was emancipated, the political vacuum left by the Japanese was gradually filled by Korean bureaucrats, army officers, and policemen who had served under the Japanese colonizers, as well as the handful of independence movement leaders returned from the United States and China. Added here was a group of Korean intellectuals who were fluent in English and served high positions in the U.S. Army Military Government (1945-1948). Together, they constituted the majority of the newly emerging state structure and gradually consolidated their power base. Except for a few large landowners whose interests were represented by the Korean Democratic Party, which was politically emasculated under the authoritarian rule of Syngman Rhee (1948-1960), the political power and socio-economic privileges of most local landlords were greatly diminished. In the countryside, their power was seriously challenged by the rising political power of the peasants. The political weakness of landlords and the rise of radicalism in the rural areas made the implementation of land reform, both inevitable and feasible.

U.S. military authorities also played an important role in Korean land reform by directly implementing a reform program during the three years of its tutelage and, afterwards, by placing strong pressure on the Korean government to continue the program. The U.S. military authorities supported land reform for two reasons. First, the United States did not want the Communists to gain influence in the Korean countryside. Second, the United States wanted the Korean economy to be fully incorporated into the post-war, capitalist "world-economy" operating around the U.S. hegemony. The distribution of farmland to the landless peasants and the establishment of small-scale, owner-operators in agriculture, to be attainable through land reform, were considered to serve well these two objectives.

Korean land reform began with the land redistribution program of 1948 by the American military government. The government confiscated all farmland and forests left by the Japanese and sold 243,000 hectares of farmland (around 10 percent of total cultivated land at the time) to the former Korean tenants of the land;[49] total cultivated land area in 1946 was 2.44 million hectares.[50] In March 1950, the Land Reform Act was finally passed. The law prohibited the ownership of farmland over three *chongbo* and the ownership of farmlands by non-tillers. Although the law was suspended for the first several months of the Korean War (1950-1953), during which North Korean forces were assuming control over most part of South Korea, it was resumed soon after they retreated to the north and the war was stalemated around the 38th Parallel. The absence of landlord resistance and the full utilization of efficient state machineries led the land reform program to be successful.

Under the Land Reform Act, the government forced the sale of farmland exceeding the three *chongbo* limit and farmland owned by absentee landlords with compensation made in land-bonds. The farmland was then distributed to the landless peasants in return for "an amount in cash or in kind equal to one-and-one-half times the average annual production of principal crops (mostly rice) from the purchased land in annual installments over a period of five years".[51] This policy led some contemporary observers to describe land redistribution in South Korea as "expropriation rather than compensation".[52] The landlords' economic base was completely destroyed and an owner-operated, small-farm system was fully established in the countryside during the 1950s. By 1960, only seven percent of total farm households remained pure tenants, while 73 percent of farm households were full owners of their farm.[53] This owner-operated family farm system, which was more prone to farm mechanization and the adoption of new farming techniques, improved crop varieties and new farm inputs, and provided fertile ground for the successful agricultural development drive for rice self-sufficiency and rural income increase in the 1970s.

South Korea was one of the major recipients of U.S. food aid (e.g. wheat, barley, corn, and cotton) in the post-war era. U.S. food aid began in 1945, under the American military government, through the GARIOA (Government Appropriations for Relief in Occupied Area) relief program. Food and fertilizer formed a major part of the more than US $400 million of economic relief.[54] During the Korean War, wartime relief food was provided under the CRIK (Civil Relief in Korea) program of the United Nations. Of US $457 million of CRIK relief goods provided between 1950 to 1956 (of which US $429 million came from the United States), around

40 percent was food crops.[55] From 1956, U.S. food aid took a new form on a large scale under the Public Law (PL) 480. Between 1956 and 1970, South Korea received almost US $800 million of U.S. aid commodities under the PL 480 program (of which wheat and raw cotton accounted for 43% and 42%, respectively).[56]

This massive inflow of U.S. surplus agricultural commodities into South Korea had a dramatic effect on local markets. First, importing cheap and abundant U.S. food grains made possible the maintenance of cheap labor, which was the most important factor in Korea's rapid economic growth and export expansion. Importing cheap U.S. grains -- wheat, barley, corn, and rice -- kept the prices of all food grains in South Korea at low level throughout the 1960s. Provision of cheap food to the urban industrial work force in a sufficient quantity significantly reduced wage levels. The resulting price competitiveness of manufactured goods enabled the dramatic increase in exports during the 1960s and 1970s.

The enormous inflow of U.S. grains and raw cotton, however, damaged Korean agriculture, especially the wheat and cotton sectors, which had been an important part of Korean agriculture in the pre-war period.[57] Annual wheat imports during the late 1950s and the 1960s were maintained at between one-and-a-half and almost four times as much as total domestic wheat production.[58] The cultivated area of cotton was reduced from 238 thousand *chongbo*, from 1940 to 1944, to 16 thousand *chongbo* in 1968.[59] Not only were these sectors under the direct influence of U.S. grain imports, but other domestic grain sectors, including rice and barley, were also seriously affected by the low prices of food grains in general. By the end of the 1960s, agriculture was no longer a dominant economic sector, let alone a viable and competitive foreign exchange earner. This situation is in sharp contrast to the Philippines in which agricultural products still dominated the domestic economy and foreign export.[60]

The transformation of Korean agriculture into a basically domestic, market-oriented national agriculture and its degradation into a relatively minor sector in the Korean economy led to the promotion of manufacturing industries from the late 1960s as a means of fulfilling foreign exchange requirements. The share of manufactured goods (e.g. textiles and clothing, footwear, machinery and transport equipment, etc.) in total exports increased from around 15 percent (US $5 million) in 1960, to 77 percent (US $641 million) in 1970, compared to the Philippines' 4 percent (US $22 million) in 1960 and 8 percent (US $81 million) in 1970.[61] Several factors contributed to Korea's industrialization during this period. The diversified development of manufacturing industries, especially of labor-intensive light industries, and the continuous maintenance of a low urban wage level were critical. An immense influx of U.S. economic assistance and international capital,[62] an efficient, selective, and aggressive state intervention,[63] and a highly educated and skilled labor force were also important.

Divergence in Industrial Development since the 1970s

The stability of post-war capitalist, world-economic order began to break down in the early 1970s. U.S. hegemony gradually faded, and with the rise of Japan and the Economic Community, a new "multicentric", world-economic system was formulated.[64] Neo-protectionism -- trade barriers, import restrictions, and other neo-mercantile policies replaced the pre-1970 free trade regime of U.S. hegemony. The "post-war international food order"[65] also collapsed. The prices of food grains soared and the world entered an era of food scarcity.[66] With the reduction of world grain reserves and the emergence of the Soviet Union and East European countries as new customers of food grains, the U.S. food aid to the Third World countries was discontinued. Following the food crisis was a series of oil crises. The price of raw petroleum rose by leaps and bounds. The surge in prices for food grains and fuel put a heavy burden on the balance of payments in most oil-importing, peripheral countries. In this high torrent of food shortage, the oil crisis, and the exchange reserve problems, South Korea managed to keep its head well above the water, while the Philippines could not.

The Philippines had long suffered from the chronically high tenancy rates, high rents (50%), and low productivity. As a consequence, production and exporting of agricultural crops lagged, and the production of rice, the staple food grain, could barely keep pace with the rapidly growing population's food requirements. Average yields of rice per hectare in the 1960s was among the lowest in Asia.[67] Increases in rice production yields during the 1960s had not been sufficient, and in the mid-1960s, the Philippines had to import 4 to 18 percent of total rice consumption requirements each year.[68] Philippine agriculture was again hard hit by bad harvests, from 1971 to 1973, which were caused by adverse weather and plant diseases. Low yields of food grains, bad harvests, the fall and fluctuations of international agricultural commodity prices, and discontinuation of U.S. food aid concurrently put intolerable burdens on the Philippine economy in the early 1970s.

In order to deal with this set of problems, the Martial Law regime of President Marcos devised various agrarian reform programs. In October 1972, Presidential Decree No. 27 was declared. It legally prohibited sharecropping in rice and corn fields and made leasehold compulsory. It made the retention of over seven hectares by the landlord illegal and invited tenants of landowners of over seven hectares to buy their land over 15 years through amortization payments. But this land transfer program was of limited success as a result of landlord resistance and the government's poor management of the program. And this time, the resistance came not only from the large landlords, but also from small- and medium-size landlords, most of whom were professionals, government officials, and from the middle class.[69]

The government also started in 1973 the Masagana-99 program, a rural credit program designed to increase agricultural production by providing extension services, agricultural inputs, technical advice, and most importantly, governmental credit for the small farmers. The program enjoyed considerable success in the first year, but since the second year, it encountered many difficulties such as the lack of well-trained personnel and a malfunctioning loan system. The program was inefficient and politically oriented, and did nothing to improve access to credit for small farmers.[70] The general failure of Marcos' agricultural development efforts in the 1970s resulted in the continuing low productivity and low yields of agricultural crops and the deterioration of farm income and rural living standards.

The still-low proportion of nontraditional manufacturing exports (35% of total exports in 1979 compared to South Korea's 89%)[71] put the responsibility of earning foreign exchanges upon the agricultural sector and agro-industrial sector. But the low productivity and low yields of agricultural crops and their declining world prices made this task impossible. What made matters worse was the second oil crisis in 1979. All these problems -- plus the rise in the interest on the Philippine's foreign borrowings, which had soared dramatically since the first oil crisis -- culminated in a balance-of-payment crisis in 1982 and foreign debt crisis in 1983.[72] These economic crises were further exacerbated by a political turmoil, following the assassination of former Senator Benigno Aquino in the summer of 1983. By the early 1980s, the Philippine economy was a wreck.

In contrast, because of its successful land reform, the South Korean state was able to launch an ambitious agricultural development program for food self-sufficiency and rural income increase, known as *Saemaul Undong* or the New Village Movement, in the early 1970s. Although its initiation in 1971 was politically motivated,[73] the changing external world-economic environments -- international food crisis and the termination of U.S. food aid -- in the early 1970s, helped escalate the program into a nationwide rural development movement. Under the financial and technical assistance of state agricultural machineries (e.g., National Agricultural Cooperatives Federation, Office of Rural Development) -- which were effective, responsive, and sometimes aggressive -- and with the introduction of new rice varieties (*t'ongil* and *yusin*) in the mid-1970s, Korean agriculture managed to achieve a rapid increase in agricultural production and rice self-sufficiency during the 1970s. Moreover, the rapidly growing urban demand for meats and higher value cash crops other than cereals encouraged farmers to divert their production to fruits, vegetables, and livestock.[74] Rural income rose significantly during the 1970s and the rural sector developed into a stable and substantial "home market" for the domestic manufacturing industries toward the end of the 1970s.

Another important factor regarding agricultural development in this period was the government's grain price policy. Korea's grain price policy was more resolute than that of the Philippines in the sense that it attempted to achieve two contradictory objectives: raising farm income and maintaining low urban wage food prices. By adopting a "two-tier price system" for rice and barley -- the government procured food at a relatively high price from farmers and sold it at a lower price to urban consumers, with a substantial fiscal deficit -- the Korean government could maintain low food prices without sacrificing rural income throughout the 1970s.[75] Due to the increased yield of agricultural crops and the low grain prices, urban industrial wage level continued to be kept at low level through the 1970s as in the previous decade. This led to the price competitiveness of South Korean manufacturing products in the world market.

Owing chiefly to the price competitiveness of manufactured goods, the total merchandise export of South Korea rose dramatically from US $835 million in 1970, to US $17 billion in 1980, and to US $30 billion in 1985 (When compared with the Philippines during the same period, the amount were US $1 billion, US $6 billion, and US $5 billion, respectively).[76] The rapidly expanding export earnings provided enough exchange reserves to pay for its rising import bills and repay foreign debt; debt-service ratio was consistently kept low during the 1970s.[77] The highly competitive and quantitatively grown Korean manufacturing industries was able to infiltrate successfully the booming U.S. market in the early 1980s with its low-price consumer goods.

Conclusion

Our analysis suggests that the different paths of development taken by South Korea and the Philippines can partially be explained by the two different systems of colonialism that were established in these countries. Their institutional forces, in turn, set in motion a set of class dynamics that have shaped the current restructuring of agricultural production in East Asia. This interpretation of developmental forces resists many of the internal-external debates in the literature over the causal mechanisms of social change. It is difficult to make an analytical distinction between internal and external forces in a historical context.

The importance of agriculture to the development of capital has been clearly established in the literature. This research suggests that land reform played a particularly important role in the rapid development of South Korea in the post-World War II period. Japanese colonialism had the effects of weakening the landowners, and have paved the way for successful efforts to redistribute land.

The role of agriculture in the current period of economic restructuring in South Korea and the Philippines is much less certain. Rural class relations have become less important determinants of capitalist development in both cases as multinational forces shape the path of development. Yet the local class structure maintains a relative autonomy that we should continue to consider.

Notes

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3 Harriet Friedmann and Philip McMichael, "Agriculture and the State System: The Rise and Decline of National Agricultures, 1870 to the Present," *Sociologia Ruralis* 29 (1989): 93-117; Philip McMichael, "The Concept of Primitive Accumulation: Lenin's Contribution," *Journal of Contemporary Asia* 7(4) [1977]: 497-451.

4 Eric J. Hobsbawm, *The Age of Empire, 1875-1914* (New York: Vintage, 1987), pp. 56-83.

5 Harriet Friedmann and Philip McMichael, p. 93.

6 Brian Fegan, "The Philippines: Agrarian Stagnation Under a Decaying Regime," in Gillian Hart, Andrew Turton, and Benjamin White (eds.) *Agrarian Transformations* (Berkeley: University of California Press, 1989), p. 127; John A. Larkin, "Philippine History Reconsidered: A Socio-economic Perspective," *American Historical Review* 87: 606-612.

7 Fegan, "The Philippines...," pp. 127-128.

8 The U.S. international economic policy before the 1970s can be characterized by free trade within its "sphere of influence". The Philippines had been inside this sphere since the beginning of the twentieth century. In 1974, "preferential" free trade relations with the U.S. officially ended.

9 Teodoro Agoncillo, *A Short History of the Philippines* (New York: New American Library, 1969); Shirley Jenkins, *American Economic Policy Toward the Philipines* (Stanford, CA: Stanford University, 1954); Norman G. Owen, "Philippine Economic Development and American Policy: A Repraisal,"in N.G. Owen (ed.) *Compadre Colonialism: Studies on the Philippines Under American Rule* (Ann Arbor: University of Michigan Center for South and Southeast Asian Studies, 1971) and "Philippine-American Economic Interactions: A Matter of Magnitude," n N.G. Owen (ed.) *The Philippine Economy and the United States* (Ann Arbor: University of Michigan Center for South and Southeast Asian Studies, 1983); Karl J. Pelzer, *Settlement in the Asiatic Tropics* (New York: American Geographical Society, 1945); David R. Sturtevant, *Popular Uprisings in the Philippines, 1840-1940* (Ithaca,NY: Cornell University Press, 1976); Frederick L. Wernstedt and J.E. Spencer, *The Philippine Island World: A Physical, Cultural and Regional Geography* (Berkeley: University of California Press, 1967).

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11 Joseph Ralston Hayden, *The Philippines* (New York: Macmillan, 1942), pp. 96-97.

12 Hayden, *The Philippines*, 1942; Bonifacio Salamanca, *The Filipino Reaction to American Rule, 1901-1913* (Quezon City: New Day Publishers), pp. 52-75.

13 Bruce Cumings, *The Origins of the Korean War*. (Princeton, NJ: Princeton University Press, 1981); "The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences," *International Organization*, 1984a; "The Legacy of Japanese Colonialism in Korea," in Ramon H. Myers and Mark R. Peattie (eds.) *The Japanese Colonial Empire, 1895-1945* (Princeton,NJ: Princeton University Press, 1984b);Mark R. Peattie, "Introduction" in Ramon H. Myers and Mark R. Peattie (eds.) *Japanese*

Colonial Empire, 1895-1945 (Princeton, NJ: Princeton University Press, 1984), pp. 348-350; Hoon K. Lee, *Land Utilization and RuralEconomy in Korea* (Chicago: University of Chicago, 1936).

14 Peter Duus, "Economic Dimensions of Meiji Imperialism: The Case of Korea, 1895-1910," Ramon H. Myers and Mark R. Peattie (eds.) *The Japanese Colonial Empire, 1895-1945* (Princeton, NJ: Princeton University Press, 1984); Andrew Grajdanzev, *Modern Korea* (New York: Institute of Pacific Relations, 1944); Samuel Pao-San Ho, "Colonialism and Development: Korea, Taiwan and Kwantung," in Ramon H. Myers and Mark R. Peattie (eds.) *The Japanese Colonial Empire, 1895-1945* (Princeton, NJ: Princeton University Press, 1984), pp. 348-350; Hoon K. Lee, *Land Utilization and Rural Economy in Korea* (Chicago: University of Chicago Press: 1936).

15 Hoon K. Lee, 1936.

16 Seung Woo Park, "Agrarian Transformation and Colonialism in the Context of Capitalist Development" (Ph.D. dissertation, University of Georgia, USA, 1991), p. 162.

17 Andrew J. Grajdanzev, *Modern Korea* (New York: Institute of Pacific Relations, 1944); Lee, 1936.

18 Cumings, 1984a; 1984b; Ho, 1984; Peattie, 1984.

19 Cumings, 1984a; Paul W. Kuznets, *Economic Growth and Structure in the Republic of Korea* (New Haven, CT: Yale University Press, 1977).

20 Yunshik Chang, "Colonization as Planned Change: The Korean Case," *Modern Asian Studies* 5: (1971) 161-186; Grajdanzev, p. 135; Sang-Chul Suh, '*Growth and Structural Changes in the Korean Economy 1910-1940* (Cambridge, MA: Harvard University Council on East Asian Studies, 1978); USAMGIK,1947.

21 Grajdanzev, pp. 108-109.

22 Lee, p. 145.

23 Ibid, pp.145-146.

24 Grajdanzev, 1944; Park, pp. 124-138.

25 Lee, pp. 147-148.

26 Grajdanzev, p. 169; Peattie, p. 36.

27 Cumings, pp. 41-42.

28 Karl Marx, *Capital Volume 3* (New York: International Publishers, 1894), pp. 796-802.

29 Cumings, p. 42.

30 Grajdanzev, pp. 106-107; Lee, pp. 144-161.

31 Fred L. Block, *The Origins of International Economic Disorder* Berkeley: University of California Press, 1977); Harriet Friedmann, "The Political Economy of Food: The Rise and Fall of the Post-war International Food Order Economy Post-war International Food Order," *American Journal of Sociology* 88 (Supplement) [1982]: 248-286.

32 Daniel B. Shirmer and Stephen Rosskamm Shalom (eds.), *The Philippines Reader: A History of Colonialism, Neocolonialism, Dictatorship and Resistance* (Boston: South End Press, 1987), pp. 105-110; Stephen Roskamm Shalom, "Counter-insurgency in the Philippines," *Journal of Contemporary Asia 7(2)* [1977]; for the *Hukbalahap*, see Benedict J. Kerkvliet, *The Huk Rebellion: A Study of Peasant Revolt in the Philippines* (Berkeley: University of California Press, 1977).

33 Francis J. Murray, Jr. "Land Reform in the Philippines: An Overview," *Philippine Sociological Review* 20 (1/2) [1972]; World Bank, "The Philippines: Priorities

and Prospects for Development," *A World Bank Country Economic Report* (Washington DC: World Bank, 1976), pp. 476-477.

34 Friedmann and McMichael, p. 96.

35 The proportion of these four commodities in total export gradually declined in the 1960s, but they still commanded over 40 percent (in 1970, coconut, sugar, abaca, and tobacco products accounted for 19.7 %, 18.5%, 1.6% and 1.4% of total exports respectively). The export of wood products (around 80 % of which was logs) and minerals (e.g. copper, chromite and iron ore) accounted for another 30 to 50 percent of total exports during the 1960s and their share increased rapidly toward the decade's end, compensating for the otherwise lagging growth of Philippine export; see also Frank Golay, *The Philippines: Public Policy and National Economic Development* (Ithaca,NY: Cornell University Press:1961), p. 45.

36 "Nontraditional" manufacturing in the Philippines refers to the manufacturing of industrial products other than the following "traditional" agro-industrial products such as coconut oil, refined sugar, cordage, and canned pineapple; lumber and other wood products except furniture; and mineral products such as copper and iron concentrates; see also Golay, p. 45.

37 World Bank, 1976: 536-537.

38 Ibid, p. 192.

39 Ibid , pp. 525 - 530.

40 Primary products from agricultural sector such as copra, abaca and tobacco; plus such agro-industrial products such as sugar, coconut oil, and other processed fruits.

41 Seung Woo Park and Gary P. Green, "Agrarian Transformation and Colonialism: A Historical-Comparative Study of Korea and the Philippines," *International-Journal of Sociology of Agriculture and Food*, 1993.

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43 World Bank, 1976: 536-537.

44 Jesus P. Estanislao, "Economic Relations," in John Bresnan (ed.) *Crisis in the Philippines* (Princeton, NJ: Princeton University, 1986), p. 210; Bernardo Villegas, "The Economic Crisis," in John Bresnan (ed.) *Crisis in the Philippines* (Princeton, NJ: Princeton University Press, 1986).

45 World Bank, 1976:11, 219.

46 Ibid, p. 457.

47 The fact that the main crops in South Korean agriculture were such temperate crops as rice, wheat, barley, corn, and cotton, and they were competitive, rather than compatible, with United States agriculture also favored the changes.

48 Harriet Friedmann, "The Political Economy of Food: The Rise and Fall of the Post- war International Food Order," *American Journal of Sociology* 88 (Supplement) [1982].

49 Bank of Korea, *Annual Economic Review* (Seoul: Bank of Korea, 1955).

50 United States Army Military Government in Korea (USAMGIK), *Present Agricultural Position of South Korea* (Seoul: USAMGIK Headquarters, 1947), p. 6.

51 Republic Law 31, Ch. 3, Sec. 13.

52 Edward Mason et al., *The Economic and Social Modernization of the Republic of Korea* (Cambridge, MA: Harvard University Council on East Asian Studies, 1980), p. 10.

53 Ibid, p.420.

54 Ibid, p.168.

55 Mason et al., p. 175; Hyon-ch'ae Pak, "The Characteristics of U.S. Economic Aid and its Consequences," in *Han'guk Kyongje-ui Jon-gae Gwajong* (The Developmental Process of Korean Economy) [in Korean] (Seoul: Tolbegae, 1981), p. 77.

56 Sung Hwan Ban, Pal Yong Moon, and Dwight H. Perkins, *Rural Development* (Cambridge, MA: Harvard University Council on East Asian Studies, 1980), p. 30; Chul-Kyoo Kim, "Capitalist Development, the State and the Restructuring of Rural Social Relations in South Korea," (Ph.D. dissertation, Cornell University, 1993), pp. 78-79.

57 Grajdanzev, 1944; Suh, 1978; USAMGIK, 1947.

58 Hyon-ch'ae Pak , "The Economic Consequences of U.S. Agricultural Surplus Aid," in 1950 *Nyondae-ui Insik* (An Understanding of the 1950s) [in Korean] (Seoul: Han-gil, 1981), p. 281.

59 Pak, 1970: 293; USAMGIK, 1947: 8.

60 One additional fact should be noted here. The agricultural commodities provided the rough United States aid came to be important industrial inputs for the newly emerging, ISI-oriented Korean industries in the 1950s and early 1960s. Many South Korean *chabol* conglomerates began their businesses early in the 1950s as the processors of imported wheat, cotton, and sugar. For example, Samsung Group, one of the top industrial conglomerates started as wheat flour miller and sugar refiner in the 1950s; see also Kim, p. 78.

61 Mason et al., p. 137; World Bank, 1976: 536-537; *World Development Report*, various years.

62 Foreign borrowings increased rapidly since the latter half of the 1960s. Total foreign indebtedness in 1965 was over US $300 million. It increased ten times by 1971;see also Mason et al., p. 14.

63 Leroy P. Jones and Il SaKong, *Government, Business and Entrepreneurship in Economic Development: The Korean Case* (Cambridge, MA: Harvard University Council on East Asian Studies, 1980); Mason et. al, pp. 244-294.

64 Albert Bergesen, "Cycles of Formal Colonial Rule," in Terence K. Hopkins and Immanuel Wallerstein (eds.) *Processes of the World System* (Beverly Hills, CA: Sage, 1980).

65 Friedmann, 1982.

66 Walter Falcon et al., "The World Food and Hunger Problem: Changing Perspectives and Possibilities, 1974-1984," in J.P. Gittinger, J. Leslie, and C. Hoisington (eds.) *Food Policy: Integrating Supply, Distribution and Consumption* (Baltimore, MD: John Hopkins University Press,1987.)

67 World Bank, 1976:134.

68 Copra production also made a poor record. The average annual yield from theperiod of 1961-1965 was 1.54 million metric tons in 1970, but the increasewas primarily due to the expansion of cultivated area which was doubled in a decade. The productivity of sugar rather dropped from 6.8 metric tons per hectare in 1960 to 5.1 metric tons in 1970 (World Bank, 1976:152); see also World Bank, 1976:132.

69 Fegan, 1979:133 -134; World Bank, 1976: 477-483.

70 Emmanuel F. Esguerra, "Some Notes on the Masagana 99 Program and Small Farmer Access to Credit, *Philippine Sociological Review* 29 (1981): 35-43; Fegan p. 135; World Bank, 1976:133.

71 *World Development Report*, 1982:126-127.

72 Estanislao, 1986; Bernardo Villegas, "The Economic Crisis," in John Bresnan (ed.) *Crisis in the Philippines* (Princeton, NJ: Princeton University Press, 1986).

73 Kim, 1993; Mason et al., pp. 12; 230.

74 Mason et al., p. 12.

75 Ban, Moon, and Perkins, 1980; Mason et al., pp. 224-236.

76 World Bank, *World Development Report*, New York: Oxford University Press, various years; World Bank, *World Tables*, 1989-1990 ed. (Baltimore, MD: John Hopkins University Press, 1990).

77 Mason et al., p. 201.

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