

Progress of Planned Shipbuilding and Trial of Shipbuilding Industry Promotion

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This study aims to present the whole progress of shipbuilding industry promotion of the Rhee Syngman administration. In addition, the meaning of the promotion is examined in a viewpoint of historical industrial policies, in terms of periods of Japanese occupation and the Park Chung Hee administration.

The policy for promotion of shipbuilding industry in the Rhee Syngman administration focused primarily on planned shipbuilding operations and expansion of shipbuilding yards. The planned shipbuilding was an imitation of Japan's 'wartime planned shipbuilding system' during the Pacific War. The social backgrounds and systemic motives between the two periods were similar in that both of them needed a lot of ship building in a short period of time. However, the Rhee Syngman administration's expansion policy for planned shipbuilding and shipbuilding industry was not promoted as they had expected and intended.

This is primarily due to the fact that they did not grasp the reality of the situation of the shipbuilding industry at the time and failed to establish effective communication lines between buyers and providers. Furthermore, they never succeeded in acquiring the necessary finances for the project. Although it was a government-managed business, the Rhee Syngman administration strongly objected the US financing policy.

However, in terms of industry-historical meaning, related with the situations of the Japanese occupation and the Park Chung Hee administration, the significance of the industrial policy cannot be ignored.

The promotion policy of the Rhee Syngman administration was a continuity of Japan's by nature in that it took advantage of Japanese-run shipbuilding yards, as well as the Japanese system of wartime industry as a wartime planned shipbuilding. This served as the foundation of the promotion policy of the shipbuilding industry during the Park Chung Hee administration. The basic frame

of the administration's policies was closely related to the shipbuilding industry, and this policy frame was maintained in successive administrations.

Keywords: shipbuilding industry, planned shipbuilding, industrial policy, continuity

Introduction

The first modern shipbuilding yard was the Chosun Heavy Industry Company (CHI), a big assembling industry which was established by the Government-General of Chosun in 1937¹. But the establishment of CHI was not for domestic heavy industry markets in Chosun, but rather for the supply of munitions and support of Yen Bloc shipbuilding markets including Japan and its colonies. This means that the shipbuilding yard was larger in size and scale than shipbuilding markets in Chosun. Although CHI could build three 3000-ton class ships² at any given time and owned a shipbuilding dock accommodating up to 7500 ton ships, the heavy industry in Chosun started to wane due to a lack of shipbuilding orders as a result of the dissolution of the Yen bloc and the disappearance of munitions markets in Korea after the Korean Liberation. Shipping companies, once monopolized by the Japanese, were just nominal because of the loss of vessels during the war and Japanese evacuation. There was no capital available to construct a large steel vessel to operate CHI, and there were no vessels, either. At the time of liberation, the only steel vessels over 1,000-ton class left in Chosun were the Pusanho (1,631 ton) that had been stranded at the port of Incheon, and two 2,000-ton class wartime standard ships (Cheonkwangho, Daeyaho) that had been under construction.

Unlike the Government-General of Chosun who had promoted the strengthening of the shipbuilding industry to supply munitions and support shipbuilding markets in Yen bloc, the Rhee Syngman administration could not help but

1. When we say the beginning of modern shipbuilding is construction of motor vessels, the beginning of Korean modern shipbuilding dates back to before the establishment of Chosun Heavy Industry Company (CHI). However, CHI was the first modern shipbuilding yard with proper facilities including a dock, building berth, etc.

2. Unless otherwise explicitly stated, tonnage is gross ton; G/T

endeavor into the strengthening of shipbuilding industry in order to reduce chronic shortages of conveyance capacity after liberation due to vessel losses during the Pacific War. In particular, Japanese vessels had made inroads into the domestic coastal transportation and the coasting line between Korea and Japan in order to compensate for the shortage of domestic vessels. This posed a serious problem for the Rhee Syngman administration, which had made its anti-Japanese ideology part of its political platform. While Japanese vessels had transported aid goods and taken full charge of the transportation of war materials of which especially its demand had tremendously increased during Korean War, public opinion of the day focused on the come-and-go of Japanese vessels along domestic coasts bearing the Japanese national flag.

The strengthening of the shipbuilding industry by the Rhee Syngman administration was based on Japanese policy for the strengthening of shipbuilding industry during the Pacific War. The government, which controlled management of the shipbuilding industry, tried to nourish the industry through planned shipbuilding. Planned shipbuilding was the government's master plan for which they raised funds and intentionally increased shipping construction, nourished the shipbuilding industry, and expanded requisite gross tonnage. As part of the planned shipbuilding plan, the Korea Shipbuilding & Engineering Corporation (KSEC) formerly the CHI, was placed under government management and given full charge of the construction of large ships including steel vessels. They established the Maritime Affairs Office to be in charge of shipbuilding, maritime traffic and other administrative affairs, and also established the law for strengthening of shipbuilding industry to prepare the legal ground for strengthening of shipbuilding industry. In response to the huge demand for skilled shipbuilding workers following Japanese evacuation, a department of marine engineering was established in universities and artificer training centers in shipbuilding yards. In addition, the expansion of shipbuilding facilities was also attempted in major shipbuilding yards throughout the whole country.

The purpose of this study is to present the whole picture of the Rhee Syngman administration's policy for the strengthening of shipbuilding industry, and to examine the progress and consequences of that policy. This research is significant in that there has previously been no complete study on the shipbuilding industry, in terms of industrial history and political history, during the Rhee Syngman administration. The existing studies, which mostly focus on KSEC, observations on KSEC's attempts to accumulate capital from a business management angle (Bae, Sukman 1994), the relations between labor and capital

from a social historical perspective, and the formation of domestic labor market in the case of KSEC (Kim, Yongki 1997; Sihm, Wonchul 2001; Kim, Yongki 2002).

The major subjects of this study are: the background of the Rhee Syngman administration's demand for the strengthening of the shipbuilding industry, their operations and progressing circumstances of planned shipbuilding which were the nucleus of the strengthening policy, the placement of CHI under government management to operate the planned shipbuilding process, the arrangement progress of shipbuilding yards, such as disposal of minor shipbuilding yards managed by Japanese, and the reasons for and consequences of the strengthening policy. Through this research, I seek to give meaning to strengthening of shipbuilding industry in terms of industrial political history during the Rhee Syngman administration, compared to the period of Japanese occupation in Korea and the period of the Park Chung Hee administration.

1. Background of the Strengthening

1) The Need to Expand Gross Tonnage

The gross tonnage during the Japanese occupation of Korea, the growth of trade goods in Japan in the 1930s led to a tremendous increase in gross tonnage. In 1930, there were 889 ships (77,862 tons) registered under the Government-General of Chosun. But in 1945, there were 855 steamships totaling 109,732 tons, 2,181 sailing boats totaling 177,090 tons, which amounted to 3,036 ships of 286,822 tons (Kim Jaegun 1987: 68). But this was just what was recorded in books. At the time of liberation, there were no more than 407 ships totaling 32,600 tons, of which two-thirds of them, 257 ships totaling 21,920 tons, were unusable (Research department, Chosun bank 1948: I-186). Gross tonnage of 32,600 tons was 11% of the total gross tonnage registered in 1945. If there was roughly the same number of ships in North Korea, total gross tonnage would have been 65,000 tons, as much as the total in 1920³. War was the major reason

3. Total tonnage of Chosun had exceeded 40,000 tons for the first time in 1916, a figure which was maintained until 1918. It rose to over 50,000 tons in 1919 and 60,000 ton in 1920, thanks to World War I (Chosun government-general 1920).

for why the amount of gross tonnage holdings went back to that of 25 years ago. Immediately after liberation, the rate of ship loss increased due to Japanese evacuation which took the remaining available ships⁴.

Chosen Yusen Corporation, the biggest shipping company during Japanese occupation, held 26 steamships of 53,767 tons in 1939 (Chosen Yusen Corporation 1939). After liberation, however, the company owned only one ship, 1,631 ton *Pusanho* at Incheon Port, which was out of order⁵. This ship was the only steel vessel in the over 1,000-ton class in South Korea at the time of liberation (Research department, Chosun bank 1948: I -186). CHI had been constructing two 2000-ton-class wartime standard ships, *Cheonkwangho* and *Daeyaho*, under Japanese wartime planned shipbuilding of that time, but freedom from Japanese occupation left the construction unfinished⁶.

As previously mentioned, following liberation the total gross tonnage decreased dramatically, but the problems with expanding maritime conveyance capacity were not apparent because the quantity of vessel transportation also reduced dramatically after liberation (Division of marine traffic in ministry of transportation 1955: 251). The U.S. military administration in Korea expanded the gross tonnage by asking Japan to return ships owned by the Chosen Yusen Corporation, and by altering warships like landing ship tanks (LST) from WWII into cargo ships. As a result, they had 41,363 ton of ships at the time⁷.

But the expansion of gross tonnage during the U.S. military administration was just a temporary arrangement under the circumstances of a transition period. Outward-bound maritime traffic of an independent country could not be placed entirely under the control of foreign ships, and coastal transportation traffic was expected to increase dramatically in proportion to expected economic stabilization. On the other hand, the expanded ships were not only worn-out but also remodeled warships, and thus were not economically efficient. Therefore, build-

4. When Japanese staff members of CHI evacuated to Japan in October 1945, they took with them *Kwangjinho*, which belonged to the company. When they arrived, they sold the ship the following December to Kanmon Shipping Corporation for 175,000 yen and got the money for their retirement grants (Bae, Sukman 2006a: 255).

5. Whang, Boogil (first director of coastal transportation) reminiscences (The Korea Maritime and Port administration, 1980: 1436).

6. These two ships was constructed and operated as property of Korea Shipping Corporation (Bae, Sukman 2006a: 232).

7. Major steel vessels were US ships; 12 LST (18,000 ton), 8 Baltic (14,240 ton), 4 Japanese ships (7,467 ton), and 2 other ships (1,656 tons) (Research department, Chosun bank 1948: I -186).

ing a fundamental policy for the expansion of gross tonnage and establishing the government were the two most pressing problems for the Rhee Syngman administration.

2) Encroachment by Japanese ships

Another reason for the Rhee Syngman administration's drive to strengthen the shipbuilding industry was the fact that Japanese ships were encroaching on the Korean shipping industry. As previously mentioned, most of the outward-bound maritime traffic was under the control of foreign ships, and most of these foreign ships were Japanese. In particular, Japanese ships were used to transport aid goods for Korea, and most aid goods entered Korea through Pusan Port⁸. According to 1946 and 1947 records of the nationalities of foreign ships, 523 of the 711 foreign ships in Pusan Port were Japanese ships. Eleven of the sixteen ships docked at Pusan Port in September 1947 were Japanese (Research department, Chosun bank 1948: I -133). After unloading aid goods at Pusan Port, the Japanese ships would leave for Japan carrying export goods. In essence, this was Korea-Japan trade under the name of government trade between U.S. military administration and SCAP, because a major portion of the aid goods were supplied by or purchased from Japan (National Economic Board 1948.3: 83). Japanese ships continued to transport the aid goods because most of them had been purchased in Japan. The transportation of aid goods by Japanese ships had continued under the basic conditions of transportation which had not been changed but expanded preferably after the government establishment (*Yonhapsinmoon* 1949.6.9).

This system, in which aid goods were purchased from Japan, loaded onto Japanese ships, and entered domestic ports, brought a large profit for Japan and a big burden for the Rhee Syngman administration. Negative public sentiment toward Japan became even more widespread because the best aid goods fell into Japanese hands. Thus, the Rhee Syngman administration was burdened with this negative public atmosphere that followed Korea's independence from its colony. Therefore, this matter of the transportation of aid goods by Japanese ships triggered the Rhee Syngman administration to recognize the need to strengthen the

8. In the first half of 1948, 81% of all aid goods entered through Pusan Port (National Economic Board 1948.6: 88).

shipping industry and replenish the supply of ships. At the same time, however, there was a tacit acceptance of the reality of that time, meaning that there was not enough capital from the private shipping industry⁹, and it was also impossible for the government to make such a huge financial investment within such a short time¹⁰.

The Korean War evoked the issue of the encroachment of the shipping industry by Japanese ships. As the supply of war supplies and aid goods for domestic demands from Japan greatly increased¹¹, the US Army brought Japanese ships, crews, and engineers on both the Korea-Japan route and the domestic coastal route to ensure the smooth transportation of those war materials under the name of the UN forces. To meet domestic demands for war supplies and aid goods, the US Army organized the Military Sea Transportation Service by chartering 69 Japanese cargo ships (340,000 tons) within several months after the outbreak of the war (Miwa, Ryoichi 1992: 177). Separately, major Japanese shipping enterprises, including Nippon Yusen and Osaka Shosen, requested the UN Pacific Headquarters to enter services and competitively opened their regular lines between Korea and Japan. As competition for Korea-Japan routes got fiercer, 17 Japanese companies even co-organized a society, Kansuikai, and arranged ships on routes of their own (Nihon Yusen Corporation 1956: 527)¹². At that time, 70% of foreign ships in Korean domestic ports were Japanese (Korean International Trade Association 1953: v-4).

The most serious problem was that Japanese ships even dominated domestic coastal transportation. The scale of Japanese coastal transportation was approximately 1,500 crews, 200 ships including steam- and sail-driven boats and tug-boats. In addition, there were 500 Japanese crews who had been on board UN vessels, and 400 Japanese engineers who had worked for salvage or repair using

9. 'Keunhaesangseon' was the first private maritime transportation company after liberation, but more maritime companies were established after the 1950s (Son, Taehyeon 1982).

10. President Rhee Syngman gave a direction that they use Japanese ships for delivery of coal to ports, such as Mookho and Samchuk in February 1949 (*Chosunilbo* 1949.3.8).

11. Japan became a commissary base for Korea War. Everything was supplied from Japan, from materials for weapons to food. For aid goods, ECA stopped supplying aid goods for the sake of the Korean economy and shifted goods to CRIK aid. Therefore, all the aid goods, mostly commodity goods, were made in Japan and supplied to Korea for free. It is well known that the Korean War played an important role in Japan's economic recovery.

12. Due to opposition by the Korean government, competition of regular vessel transportation lines between Korea and Japan was eliminated in March 1954.

the UN equipments (Research dept. bank of Korea 1956 · 57: 1 -181; Korean International Trade Association 1953: v -4). The incoming and outgoing of Japanese ships waving Japanese flags at domestic coastal small ports, even unopened ones, under the name of UN vessels, was getting on people's nerves.

In September 1952, the Korean government began communication with the UN forces asking for the expulsion of Japanese ships. Then, in November of that year, they reached an agreement to get Japanese ships out of Korea through stages and use Korean ships instead, but this process of replacing Japanese ships with Korean ones did not happen very quickly. Not only were there not enough Korean ships to replace Japanese ones, but there were also so many different views regarding the use of Korean ships as transport ships of the UN aid goods, including differences in viewpoints on charters and criteria for hiring ships¹³.

To ensure the availability of Korean ships to replace Japanese ships, the Rhee Syngman administration devised a plan to purchase 149 steam- and sail-driven boats on a \$2-million budget (The Korea Maritime and port administration 1980: 362). They also promoted the operation of planned shipbuilding and the strengthening of the shipbuilding industry under the government leading for the supply of domestic ships. In December 1952, one month after the Rhee Syngman administration had started negotiating the replacement of Japanese ships with the UN, the Ministry of Transportation announced "The First Planned Shipbuilding," which embodied the scheme work for planned shipbuilding. The Ministry of Transportation clarified the purpose of planned shipbuilding as the following: (1) replacement of Japanese ships, (2) defense of the sovereignty of sea, (3) prevention of the introduction of foreign ships, and (4) the guarantee of domestic shipbuilding industry independence (Korea Shipping & Engineering Corporation 1968: 107).

As previously stated, Japanese ships' encroachment of the shipping industry continued even after liberation. This was admitted by inevitable reasons after the government establishment, too. To fully grasp how the inevitable admittance of Japanese encroachment became a big issue at the time of the Korean War, north-eastern political, international relationship should be considered along with the social situations related to the enormous increase of Japanese ships in proportion

13. The evacuation of Japanese ships and staffs was completed in May 1954, one and a half years after the agreement of Korean government and UN. (The Korea Maritime and port administration 1979: 939-940)

to maritime conveyance capacity.

The Korean War led the US to embody the regional integration strategy with an emphasis on Japan, and the Rhee Syngman administration explicitly showed their disapproval of it. Anti-Japanese sentiments were their unpleasant expression, and in January 1952, the announcement of “Rhee line” was the beginning of concrete expressions of this sentiment.

The Rhee Syngman administration’s ultimatum to Japan became stronger, reaching its zenith in 1955 with the rupture of Korea-Japan trade. This reveals that the Rhee Syngman administration’s promotional volition of planned shipbuilding, which had begun with the slogan of defense of sea sovereignty and the replacement of Japanese ships, was considerably firm.

2. The Strengthening Policy

1) Promotion of Planned Shipbuilding

(1) Progress

“The First Shipbuilding Scheme” announced by the Ministry of Transportation in December 1952 was a one-year plan, which included construction of 200 ships (100 100-ton class cargo ships, 100 100-ton class barges), repair of 100 ships (10,000 ton), and production & repair of vessel engines (15,000 horsepower)¹⁴. In the scheme, the construction of light cargos and barges for harbor loading and unloading implies that the major purpose was the replacement of Japanese ships in coastal maritime traffic. But, in 1953, the Ministry of Transportation established a “5-year Shipbuilding Scheme” from 1954 to 1958, a rearrangement and enlargement of the First Shipbuilding Scheme, because the first scheme had supposedly been made in haste. Its purpose was the construction of ships (120,400 tons) and 850,000 tons of ship repair. In ship construction in particular, there was an emphasis on the domestic construction of large steel

14. The Rhee Syngman administration had once planned the planned shipbuilding before the Korean War as part of the ‘industrial promotion 5 year plan (1949~1953)’ projected by the ministry of planning in 1949. It says that first, 325 fishing boats and 276 cargo ships were to be constructed, and 206,500,000 won of construction fees was included in the 1949 budget of the administration. However, this plan did not come into operation because of the Korean War (Chosunsiksan Bank 1949: 136-142; Korean International Trade Association 1955: v-19).

vessels for outward-bound maritime traffic, including of a 48,000-ton class steel vessel. And it also included the strengthening scheme of the shipbuilding industry by accomplishing planned shipbuilding. For the purpose of introducing developed shipbuilding know-how and technical advancement, they had a plan of selecting 5 shipbuilding yards every year to expand their facilities, and also to carry out invitations for foreign experts and domestic engineers to study abroad (Bae, Sukman 1994: 171).

However, the 5-year shipbuilding scheme led by the Ministry of Transportation was not as successful as expected. As there were no shipbuilding materials industries in Korea at that time, most of the shipbuilding materials had to be imported from other countries. However, owing to lack of experience on the importation, many problems like no procurement or delay happened while purchasing the materials. But the most fundamental problem was that the ministry didn't have the necessary capital.

The First Shipbuilding Scheme had expected 33,000 million won including 1.77 million dollars of foreign capital¹⁵. In February 1953, the Rhee Syngman administration decided to release needed foreign capital by Korean Foreign Exchange (KFX), and, in April, advised the Office of Foreign Procurement to purchase the materials. But, as a result of the rough negotiations with a selling agency on the matter of standard of needed materials and unit price, the materials were not delivered until June 1954, more than a year after the command. Still, they could not ensure the necessary domestic capital for the planned shipbuilding. Although they issued national reindustrialization bonds, attempts to procure domestic capital failed in 1952 and 1953. And another attempt, the procurement of domestic capital from commercial bank loans, mainly with Korea Shipbuilding Industry Association (KSIA), also failed. While the operation of the scheme was delayed, what's worse was the official won-dollar exchange rate doubled from 60: 1 to 180: 1, thus doubling the amount of won currency needed. Although the previous exchange rate 60:1 was applied by the suppression of Korea shipbuilding Industry Association, due to delay of the scheme operation and higher costs of foreign materials than estimated, the budget of the business went up from 33,000 million won at the beginning to more than 100 billion won by 1954 (The Korea Maritime and port administration 1979: 831-834).

15. Korea and the US agreed on a currency exchange rate of 60:1 and \$1,770,000 was accordingly accounted.

In the end, the materials entered the country but they did not pass customs due to unresolved problems of counterpart domestic capital (Korea Shipping & Engineering Corporation 1968: 107). July 1955 marked the beginning of the planned shipbuilding, when the problems of domestic capital were solved through issuing the national reindustrialization bonds (see table 6). Therefore, the whole term of 5-years shipbuilding scheme was reset to run from 1955 to 1959 (*Pusanilbo* 1956.6.22). It took almost three years from the planning of the first shipbuilding scheme by the Ministry of Transportation to its enforcement.

The background of the beginning of the planned shipbuilding scheme in 1955 was closely connected to The Maritime Affairs Office which had been established in January of the same year. The office was established to handle united and charged maritime affairs, which, including planned shipbuilding, had been scattered in several departments throughout the government. A major objective of the office was the powerful promotion and practice of the planned shipbuilding¹⁶. Only 1,550 tons of ships out of 14,000 tons in the first scheme were constructed as of June 1956 (*Pusanilbo* 1956.6.22). As an alternative plan to the poor planned shipbuilding progress, The Maritime Affairs Office expanded the period of the first-year planned shipbuilding, which had already started, among the 5-year shipbuilding scheme by the Ministry of Transportation, and finished. Meanwhile, it repealed all the schemes after the second period, and announced another new 5-year shipbuilding scheme from 1957 to 1961. The scheme was divided into “the 5-year Shipbuilding Scheme” and “the 5-year plan for the replacement of old ships” at large. While the former served the purpose of increasing domestic gross tonnage, the latter was for improving quality. The subjects of old ship replacement were, for steel vessels, old steel vessels over 30 years old which were rejected by prescribed test standards, and for wooden vessels, old ships over 20 years old among ships over 20 tons. The number of ships by that standard was 14 steel vessels, 8,947 tons and 434 wooden vessels, 25,562 tons, 34,509 tons in total (*Kukjesinbo* 1956.3.20). The whole plan consisted of a total of 188,000 ton, including the shipbuilding construction plan of 153,000 tons for 5 years and the replacement plan of old ships of 35,000 tons.

16. There was strong criticism that the ministry of transportation focused on railroads for land transportation when they were in charge of the planned shipbuilding project. The Maritime Affairs Office received maritime-related affairs from the ministry of transportation and, as a special maritime office, became in charge of all the scattered maritime-related affairs in the other offices of the administration.

Table 1 the 5 year planned shipbuilding by The Maritime Affairs Office (unit: ton)

	1957	1958	1959	1960	1961	total	
shipbuilding capacity	28,000	33,000	40,000	45,000	56,000		
5 year planned shipbuilding	coastal transportation	18,000	18,000	22,000	28,000	30,000	116,000
	ocean transportation			8,000	10,000	19,000	37,000
replacement of old vessels		13,000	8,000	7,000	7,000	35,000	
total	18,000	31,000	38,000	45,000	56,000	188,000	
foreign vessels	31,000	35,000	27,000	25,000	0	118,000	

Source: The Korea Maritime and Port Administration. 1979 *History of Korea Maritime and Port, draft (first volume)*, 956-957

The details and progress by year are described in detail in <table 1>.

In case of the scheme for replacement of old ships, there was no first-year construction scheme. Because they regarded the completion of 4,500 tons under the construction already, which was led by the Ministry of Transportation, as the first-year scheme (The Korea Maritime and port administration 1979: 957). Their major purpose was to fulfill the demands for light cargos, fishing boats, barges on the shore with ships by the domestic construction completely. While ocean-going ships needed to be large steel vessels, they planned to replenish those needs by importing used ships until 1958, beginning domestic construction in 1959 and then accomplishing the replacement of imports by 1961, the last year of the scheme¹⁷. On the occasion of domestic construction for ocean-going ships, the starting time of the scheme was 1959, but they decided to advance the start date if possible. In the case of light ships, almost fishing boats lighter than 20 ton, they didn't need to be registered and were not included in the whole scheme because the Fisheries Bureau in the Maritime Affairs Office had a separate shipbuilding plan of a scale of 30,000 tons¹⁸. They estimated that the whole construction capacities of domestic shipbuilding yards for the achievement of targeted shipbuilding constructions quantities would be 56,000 tons, and planned for expansion of the facilities and strengthening of 1,400 engineers (The

17. The size of ocean-going ships which were to be constructed in Korea was 1,500, 2,000 and 10,000 ton class (*Kyunghyangsinmoon* 1955.12.27).

18. The Maritime Affairs Office made a shipbuilding plan; 569 ships (3,120 ton) in 1956, 3,379 ships (11,722 ton) in 1957, 4,231 ships (14,557 ton) in 1958, 5,515 ships (18,890 ton) in 1959, 6,327 ships (22,100 ton) in 1960, total 20,021 ships (70,389 ton) (Han, Kyuseol 2001: 292).

Korea Maritime and port administration 1979: 955-957).

The total necessary capital was 85 billion hwan, including 8.8 billion hwan for the replacement of old ships plus 65 million dollars of foreign capital at 500:1 official exchange rates (32.5 billion hwan when converted). That foreign capital was planned to be fulfilled with ICA aid funds and KFX and domestic capital with the issuing of government bonds from the Korea Development Bank and the counterpart fund of aid goods.

(2) Operation System of Planned Shipbuilding

The operation system of planned shipbuilding began with making the long-term shipbuilding plan report by The Maritime Affairs Office (formerly the Ministry of Transportation). When the shipbuilding plan report was made, the government bill for it was decided through a Cabinet meeting, and then it was confirmed by the approval of the National Assembly. On occasion that they needed aid funds and counterpart funds for the necessary capital, it needed a separate approval from ICA headquarters under mutual agreement with Combined Economic Board (CEB). Then, the Maritime Affairs Office gave ship orders on an annual basis, based on the confirmed shipbuilding construction plan report. At the same time, the Maritime Affairs Office instructed the Office of Foreign Procurement to import the needed materials for planned shipbuilding¹⁹. The orders were given by allotting them to end users. Construction of steel vessels was assigned to KSEC completely, and wooden ships were assigned to the shipbuilding yards under the Korea Shipbuilding Industry Association (KSIA) which was the co-association in shipbuilding business. At the beginning, there was no order allotment according to their construction capacities, but as small shipbuilding yards with less competence didn't fulfill all their allotted orders, the order allotment was given according to construction capacity of each shipbuilding yard (*Kukjesinbo* 1956.3.25, 4.25).

In case of fishing boats, it's more complicated. Until 1954, orders were assigned to fishermen through the fisheries association, most of whom were ship owners. After that, the proportion of its assignment was decided in competition between fishery traders and shipbuilding traders²⁰. During the process, KSIA

19. The import of foreign materials was made by the government itself from foreign companies or some agents did in favor of the government under permission (*Kukjesinbo* 1956.6.23).

20. Even in the Maritime Affairs Office, there was discord between the office of fishing and the office of shipbuilding, as competition between shipbuilders and fishers was very harsh (*Kukjesinbo* 1956.2.3, 6.3, 1959.3.4; *Pusanilbo* 1956.7.13).

intermediated between the government and affiliated shipbuilding yards, and, on occasion, KSIA by itself, made a contract with the government on behalf of the affiliated shipbuilding companies. Along with the ship orders, the government also assigned the needed materials, including import materials, to each shipbuilding yard by way of KSIA (*Pusanilbo* 1956.7.13).

The Maritime Affairs Office planned a loan support for construction expenses for the ship owners, buyers, and the shipbuilding yards, providers. The objectives, limitations, and terms of the loan varied depending on the times or the plans. This seemed to reflect the government's funding situation and the condition in the process of enforcement of the plan. For the first year in the 5-year shipbuilding scheme started in July 1955, 75% of loan out of its total construction expenses was allocated to shipbuilding traders (The Ministry of Commerce and Industry 1959: 415; *Pusanilbo* 1956.4.21). In the case of the replacement of old ships led by the Fisheries Bureau in the Maritime Affairs Office, if it was self-construction, a buyer could receive an 80 % loan. And if it was an order by the government without any buyers, the shipbuilding yard that got the order received an 80% loan (*Pusanilbo* 1956.7.22). Apart from the loan, there was a plan to provide a government subsidy for shipbuilding construction. In the 5-year scheme of the Maritime Affairs Office it was 20% (*Kukjesinbo* 1956.3.26), and in the shipbuilding encouragement law it was up to 50%. But they couldn't carry this out during the Rhee Syngman administration because of budget restrains (Korea Shipping & Engineering Corporation 1968: 153). They planned that the source of the needed fund for planned shipbuilding would be prepared by foreign capital from KFX and aid funds, and domestic capital from counterpart funds earned by selling aid goods and issuing national bonds. Capital output was supposed to be carried out mostly through the Korea Development Bank.

“The standard ship shape” was designed as an object ship of planned shipbuilding. The designer was “the Research of Standard Ship” which had been separately established under the Maritime Transportation Bureau in the Ministry of Transportation in 1953. Object ships to the standard ship shape were all 4 kinds of ships: 150- and 100-ton class cargo ships and 100- and 70-ton class barges (The Ministry of Commerce and Industry 1965: 36)²¹. The purpose of the

21. The standard shape of vessel engines was also determined. There were three kinds of Yakitama engines (30, 60, and 90 horse power). While they were common for small vessels during Japanese occupation, even after liberation they were commonly used for small vessels for a long time until diesel engines showed up.

standard shape was mass production through shortening of construction period, saving of materials, and raising productive capacity.

The government also decided the price of ship construction by planned shipbuilding. The price of ship construction was determined by the type and size of each ship: a passenger boat, a cargo ship, and a fishing boat. For example, the price of a 30-ton class passenger boat was 300,000 hwan per ton, so a total of 9,000,000 hwan, and the price of a 30-ton class cargo ship was 200,000 hwan per ton, a total of 6,000,000 hwan (*Kukjesinbo* 1956.7.18). For revitalization of the demand for shipbuilding construction, the price of ships decided by the government was cheaper than market prices, while it also guaranteed the profit of shipbuilding yards to scale, which were in charge of planned shipbuilding. In “the first shipbuilding scheme” in 1952, the total 33 billion won of the budget for shipbuilding construction included 1.6 billion won as the profit of shipbuilding yards in charge of shipbuilding construction. In short, 5% of profits was guaranteed (The Korea Maritime and Port Administration, 1979: 831-832).

If the shipbuilding yards, which had been allotted planned shipbuilding by the Maritime Affairs Office, deposited the equity capital in reserved banks from the whole construction funds of allotted ships, and offered the mortgage correspondent with 50% of the government loan as security, they could get the expected amount of loan and continue the shipbuilding construction²². Materials allotted for planned shipbuilding were not allowed to be sold on the market or diverted for other purposes (*Kukjesinbo* 1956.3.11, 3.14).

Planned shipbuilding led by the Rhee Syngman administration was very similar to Japan’s system of wartime planned shipbuilding during the Pacific War in that, for the purpose of expanding gross tonnage in a short time, the government established the long-term shipbuilding scheme through the charged agency, allotted the construction amounts by shipbuilding yards, and supplied the needed capital and materials under government management²³. In particular, the patterns of the two systems mechanism were identical; the government designed the standardized ship shape under the name of standard ship and forced reproductions of them. The government’s direct controlling of the shipbuilding industry

22. For example, in 1955, the first year of the 5 year shipbuilding plan, a planned shipbuilding yard had to invest 25% of all construction costs and had to offer as real estate mortgage half of the 75% government loan (*Pusanilbo* 1956.10.5).

23. For more information o Japanese Wartime planned shipbuilding, see Bae, Sukman (2005a), (2006b).

for planned shipbuilding was identical to the system in Japan. With the establishment of the ship management law, the government ordered shipbuilding based on the law, the approval system of shipbuilding construction, the license system of shipbuilding traders, and required registration of the engineers on the government book, the Rhee Syngman administration restricted free shipbuilding²⁴. For example, although CHI and the Chosen Yusen Corporation had been the national policy corporations for shipbuilding and maritime traffic control of Japan during the Japanese Occupation, they were privately owned. On the other hand, these companies fell under government management during the Rhee Syngman administration. Considering the significance of these two companies in the shipbuilding and maritime traffic business, it is not presumptuous to say that the government management of the companies meant the government management of shipbuilding and maritime traffic.

However, there were several important differences between the planned shipbuilding system of the Rhee Syngman administration and the wartime planned shipbuilding system of Japan. First, Japan had established a powerful control agency like Chosun Shipbuilding Industry Association to control small and medium shipbuilding yards scattered all over the country. Although KSIA, during the Rhee Syngman administration, succeeded to be the Chosun Shipbuilding Industry Association, it was not a control agency to represent government orders but a cooperative agency to deliver communications between ship building business and the government²⁵. Secondly, they didn't determine the final user of the ship building. Thirdly, they completely depended on aid funds for planned shipbuilding expenses. Especially, the latter two reasons became the most important ones for the failure of planned shipbuilding.

2) The Establishment of KSEC and the Disposal of Small and Medium Shipbuilding Yards

24. The government directly controlled incoming foreign used vessels. The office of planning had distributed incoming foreign vessels to the public. The origin of the used vessels was Japan for small ships and the US and Norway for bigger ships (Korea maritime affairs assistant association 1973: 116). After the planned shipbuilding began, when the Rhee Syngman administration prohibited imports from Japan, it became impossible to import small vessels from Japan.

25. KSIA inherited the system of Chosun Shipping Industry Company Association and their official business was identical (Korea Shipbuilding Industry Cooperative 1988).

The Rhee Syngman administration tried to repair, expand, and utilize the shipbuilding yards the Japanese had left behind. At the time of liberation, in Korea, there was only one shipbuilding yard, CHI, that was able to construct large-size steel vessels and around 50 small and middle size shipbuilding yards which were scattered around the country. After liberation, they had been submitted to the American military administration as vested companies, and were handed over to the Rhee Syngman administration²⁶.

KSEC was established by the Rhee Syngman administration in January 1950. KSEC was capitalized at 300 million won, most of which had been from the government, except 1.1million won²⁷ of investment by old facilities and a small amount of private investment. There was 1 billion won (0.1 billion hwan after currency reform in 1953) of increased investment for the purpose of expansion of facilities and induction of materials for planned shipbuilding. All the money came from the government (Korea Shipping & Engineering Corporation 1968: 110). The government's intention was to give KSEC full charge of construction and repair of steel vessels in planned shipbuilding. KSEC had exclusive privileges as a government enterprise; the issue of debentures of money due up to three times, the government replenishment to business loss, the guarantee of the government stock without dividend (in case that the profit rate of money due is less than 10%) and the private stock with 10 % dividend a year, the issue of debentures on a guarantee of the government, and various tax-exemption benefits (Korea Shipping & Engineering Corporation 1968: 81-87; The Korea Maritime and Port Administration 1979: 805-807).

Meanwhile, in 1951 small and middle size shipbuilding yards began to be sold to the public. A disposal policy was decided according to the vested property management law in December 1949 but had been delayed by the Korean War. The disposal began with relatively small shipbuilding yards and had almost finished by 1957.

The distribution of the disposal is shown in table 2. 35 out of 41 shipbuilding

26. There were 56 shipbuilding yards in South Korea after liberation. Among them, 5 were run by Korean, and the other 51 were run by Japanese, 40 of which were taken by the US military administration. (Bae, Sukman 2005b: 149-150).

27. Facilities of investment in kind must have been huge in money value due to rising inflation after the liberation but they were ignored. 11,000,000 won was Japanese investment during the occupation.

Table 1 disposal conditions of vested shipbuilding yards

shipbuilding yards name	location	manager		allotment price	1st allotment date	contract date	buyer	installment year	priority	remark
		1947	1949							
Bangeojin	Ulsan	Jang, Songshik		30,691,790	7,940,000	1954.11.8	Jeong, Kabkil, etc.		given	Joint assignee Choi, Kison and Jeonghabkil were managing director as of 1947
Hinode	Pusan	Kim, Sookyem	Kim, Soodong	9,904,530	2,005,000	1955.2.16	Kim, Soodong, etc.	10	given	joint assignee were Park, Sangyeon and So, Soohong
Samchunpo	Kyungnam	Chun, Byungsik		6,701,000	448,600	1957.9.	Oh, Kumhee	10	3rd party	
Tongyeong	Tongyeong	Baek, Namkyu		5,540,590	1,507,590	1954.4.30	Lim, Jonghoo	8	given	
Mokpo1	Mokpo		Kim, Yonghak	4,740,000	975,000	1956.7	Choi, Yungjin	10	3rd party	partial disposal
Mokpo2	Mokpo		Kim, Yonghak	4,640,700	465,000	1954.3.8	Kim, Yonghak	10	given	
Nakamoto	Pusan	Joo, Geumhan	Joo, Seokhan	3,720,000	1,675,000	1954.5.31	Joo, Seokhan	7	given	company's name changed: Choyang
Tanaka	Pusan	Jeong, Deokbo	Jeong Deokbo	2,900,000	455,780	1956.6.	Joo, Doohong	4	given	company's name changed: Daeyang
Incheon	Incheon	Lee, Jwasong	Kim, Jaekil	2,577,000	608,400	1953.11.4	Ko, Ha?	5	3rd party	
Jinhae	Jinhae	Song, Geumseok		2,523,900	615,900	1954.5.27	Ahn, Changhae	8	given	Ahn, Changhae was managing director as of 1947
Gooryongpo	Kyungbook	Sim, Taebang	Sim, Taebang	2,350,000		1951.9.24	Sim, Taebang	7		
Nanodo	Jeonnam		Hong, Woonbo	1,895,564	399,164	1954.1.18	Hong, Woonbo	5	given	
Pohang	Kyungbook		Lee, Ilwoo	1,230,000		1951.12.2	Ha, Taewhan	7		
Makisima	Pusan			1,210,000	265,000	1951.9.3	Song, Binsun	5	given	
Kanebocosen	Kunsan	Kim, Byungseop	Lee, Jongwhan	1,116,502	1,116,502	1953.2.27	Kang, Doonam	lump sum	given	company's name changed: Chosun
Chosun vessel	Pusan	Whang, Deokchan	Whang, Deokchan	920,000	200,000	1951.4.20	Whang, Deokchan	10	given	
Murakami	Ulsan			900,000	437,700	1954.11.8	Kim, Dongjoo, etc	10	given	joint assignees Byun, Dongyeon
Pusan	Pusan	Park, Pyungkyu	Lee, Sangbeom	850,000	340,000	1950.4.12	Kim, Jaewon	5	given	
Yeosoo	Yeosoo	Ahn, Ilwhan	Ahn, Ilwhan	815,750	169,850	1955.12	Hankook Chosun	5	given	company's name changed: Hankuk chosun
Geoje	Tongyeong	Cho, Byungik		795,150	163,150	1954.6.30	Kang, Jaebok	8	given	
Dong-a	Pusan	Lee, Kiran	Lee, Kiran	760,000	210,000	1951.3.6	Oh, Jaewon, etc.	10	given	joint assignee: Kim, Dongmoon, Kim, Deokin, Jeong, Saeui
Jangseungpo	Kyungnam	Bae, Woojoo		540,000	144,000	1957.7	Bae, Kongjoo	8	3rd party	
Daejin	Kangwon			483,049	50,000	1957.7	Jeon, Baekdal	5	3rd party	re-bidding
Gahmpo	Kyungbook		Choi, Wonsik	191,000	27,000	1954.3.20	Kim, Myunghak	5	given	
Miyajaki	Yeosoo		Kim, Kwonjong	185,000	72,860	1954.1.10	Kim, Kwonjong	5	given	company's name changed: Yeowoon
Masan	Masan	Kim, Doocheol		170,000	34,000	19513.28	Kim, Doocheol	10	given	
Ekuchi	Kyungbook		Lee, Sangwon	150,000		1951.9.11	Lee, Sangwon	7		
Hirai	Yeosoo		Jeong, Yongho	100,000	50,000	1954.1.10	Jeong, Yongho	5	given	company's name changed: Jacho
Yokji	Tongyeong			83,000	83,000	1956.8	Jeon, Jaecok	lump sum	given	
Sawatetsu	Junnam			61,167	20,240	1954.3.20	Lee, Seungeon	5	3rd party	
Nokdong	Junnam		Choi, Youngbok	8,000		1959.6.	Choi, Yeongbok	lump sum		company's name changed: ?sang
Masan	Masan									dismissed in 1963
Kongwha	Pusan		Joo, Seokwhan							National laborers newspaper, 1946. 4. 26
Kyungnam	Pusan	Son, Sangbong	Yoon, Namdo				Yoon, Namdo			
CHI	Pusan	Moon, Changsun	ministry of transportation			1950.1.1	government owned			KSEC
Pusan kongjokseon	Pusan		Yoo, Yeongbok							
Chosun	Seoul					1948.6.14	Whang, ?gae			
Ulsan	Ulsan	Lee, Sikyi								
Daein	Incheon	Lee, Jonghoi	Kim, Seongdo							
Chosun	Kangwon		Lee, Hoobong							
Arashima	Jeonnam		Lee, Seungyong							

Source: the Ministry of Finance. date unidentified *the Register of corporations*; the National Tax Service. 1966 *the Register of Corporational stocks (government property)*; Research dept. bank of Chosun. 1949 *Review of annual economy*; Chosunyeorontongsinsa. 1947 *Kyungsangnamdo Insarok*; Chosunsangkonghunginsinsa. 1947 *Chosunsangkongrok-Namchosunjonghappahn*.

yards were for identification. 33 of them were sold to the public and CHI, of the rest one fell under government management and the other was broken up.

They were sold mainly to relations like established custodians. Comparatively large shipbuilding yards over one million won were generally sold after 1954. The redemption of disposal costs was usually installment from 5 years to 10 years. But sometimes there were lump-sum payments in case of the redemption of disposal costs of small shipbuilding yards. Considering the extreme inflation at that time, it was such a privilege to be able to acquire Japanese shipbuilding yards. The highest disposal cost was 30,690,000 hwan of Bangeojin Shipbuilding Ironworker, Inc. which had been established in Bangeojin, Ulsan by Hayashikane Store. There were several shipbuilding yards to be repartitioned and sold again, to be forcefully merged or abolished and replaced by wartime planned shipbuilding during the Pacific War. We can see Mokpo Shipbuilding (Ironworker), Inc. in table 2 as an example. Chosun Vessel Industry, Inc. in Pusan was also divided and sold to Chosun Vessel Industry and Kyungnam Iron Factory (*Kukjesinmoon* 1991.5.6). Although it is hard to identify who became the owners of those shipbuilding yards, information from collected data indicates that there was no Korean running a shipbuilding yard during the Japanese Occupation²⁸. This was the result of Japanese monopoly on the shipbuilding industry during the Japanese Occupation.

Meanwhile, by the time of liberation there were a lot of new shipbuilding yards²⁹. But except for Daesun Shipbuilding Iron Factory which was established in Pusan, the others were very small shipbuilding yards doubtful ship construction capacities³⁰. Then the vested shipbuilding yards took charge of construction of wooden ships in the planned shipbuilding.

28. Formerly, they worked as the shipbuilding yard's staff members, engineers, longshoremen, and tin factory workers(Bae, Sukman 2005b: 151).

29. The number of shipbuilding yards increased from about 50 in 1945, 106 in 1954 and 215 in 1962. Ofcourse these figures include other related works but it is obvious that many shipbuilding yards were established in the 1950s (Korea Shipbuilding Industry Cooperative 1988: 76).

30. Daesun Shipbuilding Iron Factory was transformed into a shipbuilding yard when Ahn, Seongdahl was assigned to the Kukdong metal works company. With 150,000,000 hwan of financial resources, he set up a 3,800 ton class dock and became a well-established shipbuilding yard.

Table 3 domestic vessel construction accomplishments from 1955 to 1961.

	ferry		cargo		fishing		others		total	
	quantity	ton	quantity	ton	quantity	ton	quantity	ton	quantity	ton
1955					127	1,257	29	839	156	2,096
1956	1	141	4	240	173	2,175	54	1,547	232	4,103
1957	2	312	9	1,137	121	1,834	11	526	143	3,809
1958	9	571	8	1,187	167	1,701	24	1,131	208	4,590
1959	6	479	7	975	142	2,936	7	135	162	4,525
1960	5	318	5	318	129	3,003	30	585	169	4,224
1961	7	343	7	773	259	3,096	30	362	303	4,574
total	30	2,164	40	4,630	1,118	16,002	185	5,125	1,373	27,921

Source: The Ministry of Commerce and Industry. 1965 *Shipbuilding Industry*, 37.

3. Consequences of Policy

1) Poor Construction

Under the slogan of defending sea sovereignty, the Rhee Syngman administration had planned the shipbuilding business and had promoted a project to drive out Japanese ships and promote domestic self-sufficiency of demanded ships, but the results were miserable. We can see the domestic ship construction accomplishments in table 3, which also includes records of planned shipbuilding from 1955, when the records of planned shipbuilding led by the Ministry of Transportation began to show, to 1961, when the 5-year shipbuilding scheme by the Maritime Affairs Office came to an end.

Among them, 842 ships (60% of the ships) 20,258 ton (73% of total ton) were constructed by the planned shipbuilding (The Ministry of Commerce and Industry 1965: 35). Although the Maritime Affairs Office had planned 188,000 tons of ship construction, including large cargo ships of 10,000 ton class from 1957 to 1961, the entire construction records including planned shipbuilding was nothing but 20,000 ton during that time. Their original plan was to promote the construction capacity year after year for having capacity of ship constructions of 56,000 tons a year in 1961, the last year of the plan. But it accomplished only 4,000 tons of construction. Though one of the biggest purposes of planned shipbuilding was the replacement of infiltrating Japanese ships to Korean domestic coasts which had been caused by the shortage of transportation quanti-

ty by sea, most ships constructed during this time were not cargo ships but small fishing boats. The number of ships was just 80% and the tonnage was 57% of all.

Although the Maritime Affairs Office had tried to extend the facilities of shipbuilding yards for planned shipbuilding execution and double the construction tonnage capacity from 28,000 tons in 1957 to 56,000 tons in 1961, the last year of the scheme, there was no expansion of facilities for extension of shipbuilding construction, such as construction of a building berth or a dock. The only expansion of shipbuilding facilities during the Rhee Syngman administration was the construction of a dock capable of docking repair for 3,800 ton class ships at Daesun Shipbuilding Iron Factory in Pusan, through 150 million hwan of national bonds for industrial reconstruction in 1954³¹.

In addition to the expansion of facilities, they had planned to train 1,400 engineers but the number of engineers was reduced, as shown in table 4. In the 1950s, new engineers studied ship building and graduated from Seoul National University, Korea Maritime University, and Pusan Fisheries College, and KSEC also established an internal artisan training center in 1952. Nonetheless, the

Table 4 Changes in the number of shipbuilding engineers (including craftsmen)

	Incheon	Kunsan	Mokpo	Yeosoo	Cheju	Choongmoo	Masan	Pusan	Pohang	Mookho	Chungjoo	Total
1948												2,137
1953	93	59	84	61	22	110	18	990	56	0	0	1,493
1954	96	64	82	61	52	250	24	990	56	0	0	1,675
1958	80	43	81	60	0	108	18	937	19	0	22	1,368
1960	64	36	69	56	23	73	18	736	7	1	0	1,083

Source: Research dept. bank of Chosun. 1949 *Economic yearbook*, 1 -100; the Ministry of Transportation. 1954 *Annual report on statistics*,. 549-550; Division of maritime traffic in the Ministry of Transportation. 1955. *10 years history of maritime traffic*, 151; Research department of Korea Industrial bank. 1958. *Industries of Korea 2*, 249-250; The Korea Maritime and Port Administration. 1980. *History of Korean maritime and port*, 387.

31. In addition, a lot of shipbuilding yards' facilities were expanded: 7 wooden shipbuilding yards with \$1,140,000 of ICA funds in 1955, 9 wooden shipbuilding yards with 133,000,000 hwan of national bonds for industrial reconstruction in 1955, and KSEC with \$2,000,000 of ICA funds, all of which were just for renovation and repair of the existing facilities(The Ministry of Commerce and Industry 1965: 28-32).

decrease in the number of shipbuilding engineers seems to be a result of the depression in the shipbuilding industry. Accordingly, existing shipbuilding engineers sought other jobs, and newly graduated engineers from universities avoided pursuing work in shipbuilding yards³².

Depression of planned shipbuilding directly caused financial difficulties for shipbuilding yards. KSEC was supposed to have a monopoly on construction of steel vessels in planned shipbuilding, but the company did not construct a single steel vessel over 500 ton class until the end of the Rhee Syngman administration. In fact, though they constructed 26 ships in the 1950s, they were all small ships around 100 ton class. Their 18 ships constructed in 1955 were guard boats and patrol boats ordered by the customs department, but they were also small ships around 20 ton class (Korea Shipping & Engineering Corporation 1968:

Table 5 Construction results of KSEC in 1950s

	ships	Repair (ton)	shipbuilding on land (ton)
1950	0	128	903
1951	1	234	155
1952	0	182	55
1953	0	54	16
1954	2	61	19
1955	18	41	0
1956	1	64	11
1957	0	62	10
1958	2	25	26
1959	2	33	66
1960	0	33	114
	26	917	1,375

Source: Korea Shipping & Engineering Corporation. 1968 *30 years History of Korea Shipping and Engineering Corporation*, 159-160.

Note: 1. From April to March up to 1954, transitional year of 1955, regular session of January ~ December

2. Only 'In-dock repair' is counted as "repair"

3. 'on-land shipbuilding' includes every related works but construction and repair.

32. Even in the 1960s, university graduates from shipbuilding related departments avoided looking for work in shipbuilding yards because of the shipbuilding industry depression.

122). Though KSEC had three building berths capable of constructing a 3,000 ton class ship, and a dock available for 3,000 and 7,500 ton class ships, they almost went completely out of business because they did not receive any work orders.

When they didn't have any work orders, the operating funds came solely from government finances. Their financial resources were the national bonds issued by the Korea Development Bank, which were guaranteed by the government, and counterpart funds from selling aid goods which was a major part of government finances. In the 1950s, the operating funds of KSEC supported by the government were 180 million hwan of the national bonds and 760 million hwan from the counterpart funds, totaling over 900 million hwan. Moreover, the government expanded and improved its facilities in 1956 by giving KSEC repair work of domestic ocean-going ships with 2 million dollars of ICA aid funds. Thus, the investment funds for expansion of facilities was over 1.7 billion hwan (Bae, Sukman 1994: 176). According to the report of "the loan conditions of national enterprises" submitted to The Economic and Finances Committee of the National Assembly in November 1958 by the Korea Development Bank, which was responsible for the KSEC loan, the loaned money totaled 3,450 million hwan up to that point in time (*Dongailbo* 1958.11.7). KSEC's debt ratio was more than 1,000% in 1958 (The Ministry of Commerce and Industry 1965: 119). The interest rate for facilities funds of government loans was between 3 and 13 percent significantly lower than the open market's 18% at that time. At the same time, considering rising inflation and Korea's economic situation, this was preferential treatment to KSEC; the interest payments on the loan was above their abilities because their operating condition was on the verge of shutting down. A large amount of the loss in each session was from the interest payments on the loan. For example, of the 130 million hwan loss for the first half of 1961, interest payments were 100 million hwan (Korea Shipping & Engineering Corporation 1968: 156).

In spite of enormous investment by government finances, KSEC continued to suffer losses due to poor business and finally the government ordered drastic staff cuts. Thus, in 1959, the number of staff members reduced to 322 from more than 2,000. But since the staff had stopped receiving salaries since in April 1958, they went on strike to claim their delayed payments of about 67 million hwan of 8 months worth of salaries (*Kukjesinbo* 1958.12.14). The government conferred with CEB, and the strike was settled by releasing counterpart funds to pay for the overdue salaries (*Kukjesinbo* 1958.12.17; *Pusanilbo* 1959.2.8). But

on the ground of this, CEB demanded a change of the management staff and a radical reform of KSEC. Otherwise, they were going to claim an entire repayment of the counterpart funds which had been invested to KSEC, which would become a huge embarrassment for the government (*Pusanilbo* 1958.12.7). Thus, the government replaced the KSEC management according to the demands made by the joint economic committee. Since its demand was met, the joint economic committee approved 600 million hwan of counterpart funds as supplementary investment to KSEC (*Kukjesinbo* 1959.3.19). However, KSEC's poor business never improved afterwards. Because they didn't have work to do, they could not operate the shipbuilding yards, therefore they needed huge operating expenses for the cost of facilities maintenance and labor cost. Then the government had to invest its finances to solve the problem. It was just a vicious cycle.

Meanwhile, the business state of shipbuilding yards for wooden vessels in the 1950s was not much different from that of KSEC. Because shipbuilding orders were rare for the first half of the 1950s, the rate of working factories was nothing but 30%. However, there were 109 factories in 1952 (Korea International Trade Association 1955: v-25). Since there were replacement demands of worn-out fishing boats by the government's planned shipbuilding scheme in the latter half of the 1950s, they managed to operate factories but their business conditions remained miserable due to financial difficulties. The following example of the Chosun Vessel Industry, Inc. illustrates the business conditions of shipbuilding yards for wooden vessels in the 1950s.

The company was established by combining 3 shipbuilding yards under Japanese management at Bongrae-dong, Youngdo-gu, and Pusan in December 1944 towards the end of the war, according to the combination policy of shipbuilding yards of the Government-General of Chosun during the Pacific War³³. This company was as a vested enterprise that was put under the control of the American military administration after liberation. Hwang Duckchan, who had run a zinc factory before liberation, was chosen as its manager. After the establishment of the Rhee Syngman administration, he not only maintained the position of manager but also was authorized the privilege of being manager of the company and then ultimately given ownership of the company. The disposal cost was 920,000 hwan, as shown in table 2, which was a redemption by install-

33. The names of the three shipbuilding yards were Utsunomiya, Tomimori, and Kurimoto(Bae, Sukman 2006b: 48).

ment in 10 years, and the first installment was 200,000 hwan. This shipbuilding yard had shipbuilding facilities capable of constructing up to 500-ton wooden vessels, and an engineering shop to produce Yakitama engines with a maximum 180 horse power. Until to 1956, its construction records consisted of about 30 ships, 300 tons including fishing boats, passenger steamers, a patrol boat (40 ton class) of Chejudo Police Bureau, and a customs inspection boat (30 ton class) of Yeosu (*Kukjesinbo* 1956.3.14).

They had three engineers including executive director Khong Seokyoung, and a few skilled workers. Engineers were not formally trained in marine engineering but had become experts through years of experience. The executive director, Mr. Khong was fully in charge of shipbuilding drafts. But despite their poor facilities and technological level, there were no major problems with the wooden vessels constructed for use in domestic sea, and their performance was also not bad in comparison with imported ships(*Kukjesinbo* 1956.3.14).

In fact, their biggest problems were that they had very few construction orders and insufficient funds for the construction. In short, it was a market and money problem. Consiring market conditions and financial difficulties of this shipbuilding yard led to a decrease of shipping construction orders which were supposed to have increased after liberation, because the domestic fishing industry or maritime traffic industry couldn't give enough orders for them due to their own financial difficulties and the imbalance of income and outgo(*Kukjesinbo* 1956.3.14). Fortunately, they managed to continue operating, thanks to orders received from the government's planned shipbuilding. However shipping construction by planned shipbuilding didn't make progress, either, due to poor funds for construction. They received construction orders for 4 fishing boats (50 ton class, having a 120 horse power engine) by the government's planned shipbuilding. For the financing of construction, they had a plan of requesting for 55 million hwan of government loan, and another plan to self-supply 18.5 million hwan of money. However, the money they received through a government loan was merely 30 million hwan and, what is worse, it was available after spending of self-supply funds by the government regulations. This meant that the funds for basic shipping construction like materials supply had to be self-sufficient. In the end, they were confronted with a huge financial difficulty and tried to lend from banks but was rejected because of their poor business progress. They then tried to lend money from usury so couldn't progress shipping construction as they had planned to (*Kukjesinbo* 1956.3.14).

The case study of the Chosun Vessel Industry, Inc indicates that after liberation, the wooden shipbuilding industry recovered to some extent because of experienced hands. Major shipbuilding yards did not have much difficulty constructing wooden ships lighter than 500 ton with Yakitama engines of about 100 horsepower. Though they might have needed longer time and higher expenses for construction on account of lower technological level than foreign shipbuilding industries, there was no problem if the government paid for damages to ship owners. But there were no voluntary demands for shipping constructions in the fishing and maritime traffic industries, and the government's planned shipbuilding couldn't help improve the management conditions of shipbuilding yards because they couldn't give money sufficient to solve their financial difficulties. So there were no brisk shipping constructions.

Some shipbuilding yards with financial difficulties caused trouble by misappropriating materials for planned shipbuilding so that they couldn't be used for other purposes(*Kukjesinbo* 1956.2.3), or selling them on the market³⁴. There were also cases of fraud, in which supporting funds from the government were seized by disguised ships (*Pusanilbo* 1959.1.30). Trial and error of planned shipbuilding and management depression of shipbuilding yards caused these superficial deeds for the accumulation of capital.

2) Reasons for Poor Progress

The poor quality of records led to doubts over the authenticity of the plan itself. But the Rhee Syngman administration, which claimed an anti-Japanese policy after the outbreak of the Korean War, had to solve the systemic problem of maritime traffic industry in which a shortage of domestic ships was solved by replacing them with Japanese ships. Therefore their driving intention for planned shipbuilding seemed to be strong. We can see that their driving intention in progress lasted long continuing plan revision, implying that it was not a sporadic plan and that the project was transmitted from the period of the Ministry of Transportation to The Maritime Affairs Office. Therefore, the main reasons for failure are in the policy itself and errors in process apart from their driving intention.

34. The Korea Shipbuilding Corporation (former Pusan shipbuilding Co.) was suspected of illegally dealing ICA materials (worth 30,000,000 hwan in value) to the public (*Kukjesinbo* 1959.1.16).

The first problem is that there was a big gap between the shipbuilding market as perceived by the Maritime Affairs Office and the actual shipbuilding market. There was no volunteer or demander for ship building with the government's funds, supporting for planned shipbuilding by the Maritime Affairs Office. As mentioned earlier, there were some differences in the government supporting for ship building through planned shipbuilding according time and objects of ship building construction. But the government usually loaned 75% of all construction costs at a 12% annual interest rate and with a redemption of 7~8 years' installment (the Ministry of Commerce and Industry 1965: 35). This was preferential treatment considering the inflation and the open market interest rate at that time. However, contrary to assumptions made by the Maritime Affairs Office, there were few demands for ship building constructions by planned shipbuilding. Even in case of owners who had ordered ship building constructions by planned shipbuilding, their ships were seized or offered at public auction owing to redemption delays (the Ministry of Commerce and Industry 1965: 35-36).

Considering the conditions of government support for buyers, when they wanted to construct their ships, they had to invest self-supply funds equivalent to 25% of entire construction costs and put up a 75% collateral for the government loan. The consequences of planned shipbuilding showed that these were not good conditions for buyers in which to construct new ships. This also meant that the situation of shipbuilding markets was worse than what the Maritime Affairs Office assumed it to be. In fact, after the cease-fire of the Korean War, the maritime traffic industry as the major shipbuilding market fell under hard times. First of all, as the special military procurement boom had been done away with by the cease-fire, the volume of coastal traffic and outward-bound maritime traffic reduced drastically with no exceptions. The quantity of trade imports had fallen to 1/3 after the cease-fire (Research department of Korea industrial bank 1958: 268). Although the outward-bound maritime traffic was an important motive for the Maritime Affairs Office to promote planned shipbuilding, dependence on foreign ships prevailed. USA's domestic maritime traffic industry protection policy was another reason for the poor progress³⁵. But, basically, there

35. The US demanded that 50% of the ICA aid goods should be carried by US vessels and prohibited aid ships from carrying aid goods (Korea International Trade Association 1956 · 57: 144). The Maritime Affairs Office imported 8 used US cargo ships (4,000 ton class) with \$6,000,000 of ICA funds and put them under the Korea Shipping Corporation to have them

was no competition within the Korean maritime traffic industry to enter into the outward-bound maritime traffic where in Korean economic system depended heavily on foreign aid and the volume of export was no more than 5% of the volume of import. Because there were no goods to load when ships left a port, they had to run empty (Korea International Trade Association 1958: 173). Such was the case with coastal transportation as well. Because they had to compete with land transportation which had started to stabilize after the cease-fire. A representative example of this is coal, one of the major goods that were transported by sea, which began to be transported by train with the opening of Youngnam railroad in January 1956 (Korea International Trade Association 1960: 141).

The ship demanders in the maritime traffic and fishing industries claimed that if the government wanted to accomplish successful planned shipbuilding. These demanders wanted to get involved in planned shipbuilding by government support alone, without any self-supply funds. In addition, 50% of them also wanted the support to be a subsidy for government shipbuilding (The Maritime Affairs Office 1958: 130; *Pusanilbo* 1959.11.4). The Maritime Affairs Office admitted their situations and brought in the government supporting bill with their desires. This bill, which was passed as “the encouragement law for shipbuilding” in March 1958, supports construction costs up to 40%. But this law was a mere scrap of paper during the Rhee Syngman administration because they didn’t have any money to put the law into operation.

Secondly, planned shipbuilding focused mainly on the shipbuilding industry, the ship provider. The Maritime Affairs Office assigned a quantity to each shipbuilding yard according to annual construction plans, regardless of conditions of ship users, supplied materials for the construction, and made each shipbuilding yard start construction. This means that shipbuilding yards had to begin construction without receiving any orders. It would have fortunate if there was actually a prospective buyer during shipping construction. But if not, shipbuilding yards had to conduct shipping construction through self-supply funds, and as a result experienced financial difficulties and ultimately poor records of shipping construction. As previously stated, the Chosun Vessel Industry, Inc. is a typical example of this problem. The reason why shipbuilding yards continued con-

take the conveyance of the aid goods. However, the US stopped it. The imported ships were sent to coastal transportation and worsened the poor business condition of the shipping industry (Korea International Trade Association 1960: 142; Korea Shipowners’ Association 1965: 206).

struction despite the lack of orders was that the government prescribed to the shipbuilding yards that if they had unfinished assignment for planned shipbuilding, they had to hand over the shipbuilding materials to another shipbuilding yard (*Pusanilbo* 1956.10.5). As shipbuilding without an order became to get more and more problematic, the Maritime Affairs Office disposed individual loans to every shipbuilding yard owner who made a contract with a real buyer and got the construction approved. But it was not rectified thoroughly because owners of shipbuilding yards adopted expedients like fake orders (*Pusanilbo*

Table 6 Financial resources of the Rhee Syngman administration’s planned shipbuilding and the results

		funds		results of the planned shipbuilding		marks
	resource	domestic	foreign	quantity	ton	
		capital (hwan)	capital (\$)			
1955	KFX		2,710,000	14,400		4 ships, 1,624
	4th national reindustrialization bonds	500,000,000		758		ton repaired
	7th national reindustrialization bonds	658,000,000				
1956	snow damage restoration fund	86,900,000		4	305	
	8th national reindustrialization bonds	323,316,000		10	1,013	
	ICA fund	466,839,200	500,000	44	1,570	
1957	KFX		2,480,000	10	740	low construction, remaining fund returned to the government
	ICA fund		500,000	12	1,590	
1960	ICA fund	132,829,600	215,000	4	640	20 ships, 1,001 ton repaired
total		2,167,884,800	6,405,000	842	20,258	

Source: The Ministry of Commerce and Industry. 1965 *Shipbuilding Industry*, 34-35.

Note: 1. ICA fund had been marked as a AID fund in the original source but considering that AID was established in 1961, following ICA, it is ICA fund in this table.

2. Domestic capital was marked in “won” after 1960s, but transformed into 1950s’ “hwan”.

3. The total of foreign capital was marked \$8,340,000 in the original source but it is obvious miscalculation and corrected in the table.

1956.4.21, 10.5). With such few demands for shipbuilding in the market, it was more beneficial for owners to operate shipbuilding yard facilities through forged orders than to stop operating the yards completely. It showed serious situation of shipbuilding yards at that time.

Thirdly, the Maritime Affairs Office failed to provide the finances necessary for the planned shipbuilding. As previously stated, although the Maritime Affairs Office had decided to invest 85 billion hwan including 65 million dollars of foreign capital in the 5 year scheme, the amount of money invested from 1957, the first year of the 5 year scheme, to 1960 was no more than 133 million hwan of domestic capital and 3.1 million dollars of foreign capital, as shown in table 6. The sum of capital invested in planned shipbuilding up to 1960, if including the period of the Ministry of Transportation from 1955 to 1956, was nothing but 2,170 million hwan of domestic capital and 6.4 million dollars of foreign capital.

The key reason for such financial difficulties was the failure to raise aid funds, contrary to the original plan. For foreign capital, KFX was 80% of the funds for planned shipbuilding, shown in table 6. And also for domestic capital, reindustrialization national bonds issued by the Korea Development Bank was 70 % of the funds. However, because the reindustrialization national bonds to be the inflation financial resources accepted by the Bank of Korea had been stopped issuing in 1958, they acutely needed to make certain the aid financial resources like the counterpart fund for domestic capital. In spite of their serious condition, there were only twice of fund raisings from ICA which the sum of fund was 600 million hwan, as shown in table 6.

The reason why the aid fund supply for planned shipbuilding was hard to get was that its fund supplying policy clashed with the US, who had the authority of deciding how the aid funds would be operated³⁶. During the Rhee Syngman administration, the basic planning of US economic policy toward Korea was to reduce their financial deficit and maintain an equilibrium between incomings

36. The Rhee Syngman administration didn't have the right to decide whether the counterpart fund and aid fund could be used. To use the funds, the administration had to report to CEB and wait for their approval. Upon approval, the government started to make a draft plan for another approval by the aid committee. If they misused the money, they had to return an equivalent amount of money to the committee board. The Korean administration was told that they had misused \$400,000 and had to return it by KFX(*Kukjesinbo* 1959.3.19).

and outgoings for economic stabilization by controlling inflation. The issuance of the reindustrialization national bonds, which had been a major part of the government's treasury loans and investments in 1958, was put to a halt by the basic policy of US, the government's financial stabilization (Shin, Yongok 1995: 98). Besides, the US also demanded that the Korean government quit its control on the economy and, under the name of cutting down the government's expenditure, privatize large-scale national enterprises. Therefore, provisions on national planned and controlled economy in the constitution were rescinded by amending the constitution in 1954 and promoting the privatization of national enterprises³⁷. KSEC was also promoted to be put under private management through an abrogation of KSEC law in October 1957 and an announcement of disposal order of government stocks property by an executive order in December. But no one showed any interest in buying the government stocks, so KSEC failed to switch to private management. The failure of KSEC under the situation that KSEC law had been abrogated worsened the company's financial difficulties, causing confusion of KSEC's business system³⁸.

Under US's powerful stabilization policy over Korean markets at the time, it was really hard to go on the planned shipbuilding. Major reasons for the poor progress of planned shipbuilding were the government's lack of experience in the shipbuilding market, the policy's complete devotion to only the supply, and the failure to raise the necessary funds. In addition to that, several problems were also supposed to be the reasons in process of operating the project, including entire dependence on imports of shipbuilding materials, underdevelopment of the basic industry for shipbuilding, a delay of materials supply caused by dependency and underdevelopment, wrong assignment to wrong people without shipbuilding ability, and misappropriation of materials for planned shipbuilding that couldn't be used for any other purposes by an unreliable management (*Pusanilbo* 1956.4.18, 10.5; *Kukjesinbo* 1956.3.11).

37. 1954. 11. 29 the second revision of the constitution (so-called, "rounding-off amendment"); clause 88 "Except for cases established by law because of national defense or people's urgent needs, private companies cannot be owned by the government or put under the government control." (Song, Woo 1980: 164).

38. When clause 57 was removed in August 1957 and the system was changed to place private corporations subject to commercial law, the already-used KFX's \$2,480,000 and ICA's \$2,000,000 automatically become debt (the Ministry of Commerce and Industry 1965: 67).

Conclusion

Domestic marine transportation capacity after liberation was extremely fragile due to the loss of ships during the Pacific War and the appropriation of ships for Japanese evacuation. That difficulty was covered with foreign ships like Japanese ships. Therefore, expanding gross tonnage became one of the most urgent and pressing problems for the Rhee Syngman administration. However, it was permitted tacitly until the outbreak of Korean War, as it required a huge amount of time and money.

Taking advantage of the Korean War as an opportunity to recover the shipbuilding industry, the Rhee Syngman administration earnestly pursued the expansion of gross tonnage. While the war caused an increase in the demand for goods transportation, there were not enough ships. As a result, the US Army hired Japanese ships to cover the marine transportation capacity. While the Rhee Syngman administration estimated that the US put importance to Japan after the Korean War, they adopted an anti-Japan policy. Then, for political reasons, they had to find a solution for the invasion of Japanese ships into the domestic marine transportation capacity.

The Rhee Syngman administration tried to settle this matter through planned shipbuilding. Planned shipbuilding referred to the Japanese wartime planned shipbuilding system, which Japan had carried out to expand its marine transportation capacity during the Pacific war. As part of planned shipbuilding, they reorganized the shipbuilding industry by rearranging and expending the national enterprise, KSEC, and selling Japanese-managed small and medium shipbuilding yards to domestic buyers. The government also gave large but low-interest loans and expanded facilities for KSEC. Fund supplies and facilities expansions were also planned for other shipbuilding yards as well. In addition, the government established in 1955 the maritime Affairs Office as a civil agency fully responsible for marine affairs and announced “the encouragement law for shipbuilding” in 1958 as a legal action for the promotion of the shipbuilding industry.

But the Rhee Syngman administration’s policy of expanding the shipbuilding industry through planned shipbuilding did not kick off as they had expected or intended. There are three main reasons for this. In the first place, there was no actual condition grasp of shipbuilding market mainly with shipping industry. The government policy for planned shipbuilding as offered by the Maritime Affairs Office didn’t give any incentives for creating new demands for the ship-

building market. Thus, there were few applicants for ship construction. Moreover, ships were seized if constructors couldn't pay back government loans.

Secondly, the Maritime Affairs Office didn't connect suppliers with buyers, and had a policy that centered only around suppliers. Regardless of what the conditions of ship users or buyers were, the Maritime Affairs Office continued progress of the shipbuilding project, assigning shipbuilding quantities to each shipbuilding yard and supplying corresponding materials for it. The overeagerness of the office to promote progress of the project is the main reason for the failure of both the users and suppliers. Members of the shipping industry criticized that planned shipbuilding had been based not on demand but on shipping construction itself, forcing demand to comply with shipbuilding. They also claimed that planned shipbuilding in the future must ensure proper demands of the marine industry (Korea Shipowners' Association 1965: 179, 184-185). Furthermore, the shipbuilding industry and its suppliers also claimed that the government had forced shipbuilding yards to do the construction of shipbuilding, and they demanded that the government decide the buyers of ships (*Kukjesinbo*, 1956.7.18).

Thirdly, the administration failed to acquire the necessary finances for planned shipbuilding. Considering the government's weak financial power at that time, a business like planned shipbuilding required a huge amount of money and had to heavily rely on aid funds. But the raising of aid funds was rarely accomplished. Due to limited information, it is difficult to figure out the reasons for this, but it is assumed that the Korean ship building policy clashed with US economic policy toward Korea. US policy at that time lay a big stress on the settlement of the Korean economy by holding back inflation, primarily through the retrenchment in the Korean government finances. Therefore it was hard for the US, who had the authority to decide the operations of aid funds, to cooperate with the Korean government in investing in planned shipbuilding which required a huge amount of money. After all, the Rhee Syngman administration supplied funds for planned shipbuilding through KFX and the reindustrialization of national bonds as an alternative to operational funds, but this method had its limits.

When we say that industrial policy should not begin with a complete arrangement but becomes a complete arrangement through finding and correcting errors by trial and error, the real cause of the three reasons for the failure of planned shipbuilding was a failure of planned fundraising. Both users and sup-

pliers cited intensified support of the government as a basic solution for planned shipbuilding problems, though they also complained of the Maritime Affairs Office's planned shipbuilding scheme. It seems that the Maritime Affairs Office recognized the shipbuilding market weak in the course of operating planned shipbuilding. This recognition was supported by 'the law encouraging shipbuilding', legislated by the Maritime Affairs Office which had been planned in 1956. But this law ended up becoming nothing more than a mere scrap of paper, and it was not applied to planned shipbuilding during the Rhee Syngman administration because there were no financial resources to support the law.

The failure of planned shipbuilding meant poor progress of shipbuilding industry of the suppliers. The plan for the facility expansion was not more than a plan and KSEC, having preferential treatment from the government, was the most problematic enterprise in the 1950s. Small- and medium-sized shipbuilding yards which were sold to the public also experienced financial difficulties because of insufficient orders and poor capital.

The planned shipbuilding scheme of the Rhee Syngman administration had two ambitious aims of supplying needed vessels and promoting the ship building industry as a key industry, but they both ended in failure. However, in terms of industry-historical meaning related to the situations of the Japanese occupation and the Park Chung Hee administration, the significance of the industrial policy cannot be ignored.

With regard to the Japanese occupation, the Rhee Syngman administration focused on anti-Japan and anticommunism as its ideological basis for staying in power, but they positively took advantage of the Japanese industrial system, which had been planned for shipbuilding in wartime. Then, how could the Rhee Syngman administration ironically focus on Japanese wartime industrial policy while announcing anti-Japanese policy as their ideological background. The answer might be that social backgrounds between the two periods were similar to each other in that both of them needed a lot of ship building in a short period of time. Specifically, the restricted situations of the Korean War and the Pacific War were much similar, too, in that both wars needed ship building techniques that quickly produced large quantities of ships .

The promotion policy of the Rhee Syngman administration was by nature a continuity of Japan's in that it took advantage of shipbuilding yards run by Japanese, as well as Japan's system of planned shipbuilding during wartime. From a different perspective, the Rhee Syngman administration was flexible

stance in that they announced anti-Japan ideology but at the same time accepted and took advantage of Japan's wartime industry system.

The Rhee Syngman administration's policy has more significance when its promotion policy for ship building industry is regarded in relation to the promotion policy of the Park Chung Hee administration. The basic frame of the promotion policy for key industry had continued even after liberation. The ship building industry had never been excluded from major promotional industries during the Park Chung Hee administration. The ship building industry was one of the prime industries for promotion under the Economic Planning Board's "4 key factory construction plan" in the 1970s. On the ground of the continuity of the system, major policies in the Rhee Syngman administration were continued by the Park Chung Hee administration. During the Park Chung Hee administration, planned shipbuilding operated under 'the encouragement law for shipbuilding' and the management of KSEC were at the center of the promotion policy.

The Park Chung Hee administration attempted to solve its fundraising problems by inviting Japan and Europe to give loans, such as the Free aid fund and claim against Japan. Of course, the above description of the continuity of the two periods is simply a rough representation of the situation. However, the two systems are not identical, so more detailed and specific analyses are needed in future studies.

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