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Transcript of interview with

CHUNG PUM SONG

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By: Charles Ziegler

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Memorialist: Chung Pum Song

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Interviewer: Charles Ziegler

ZIEGLER: Today is May 13, 1987. My name is Charles Ziegler and I have with me here at the Headquarters of the World Bank Mr. Chung Pum Song. Mr. Song is a Fellow of the Economic Development Institute, having attended the 1960-61 General Course. He also served as Alternate Executive Director from November 1966 to October 1968. In his home country of Korea, Mr. Song has had a distinguished career both in government service and in the private sector. To assist in this interview, I have also here with me Mr. Il Hi Kang of the Studies Unit of Economic Development Institute.

Mr. Song, could we begin by asking how you were nominated to attend the EDI course?

SONG: I was invited and encouraged by Mr. Michael Hoffman. My forerunner in the EDI course, Mr. In Sang Song, had strongly recommended to the Korean Government that I participate in the EDI course. At that time, Korea was in a difficult situation. First, there were many critics abroad. They felt Korea spent too much of U.S. aid, and relied too much on aid from a single country, particularly from the United States. Second, Korea itself was thinking of pursuing development without American taxpayers' money. And in that Korea needed help from international institutions like the World Bank and the IMF. For that purpose, we Koreans needed to send as many men to the EDI as possible. That's why I came to the EDI course.

ZIEGLER: Mr. Song, what were your expectations at EDI when you came?

SONG: I had two. One, what is the best strategy of development in an underdeveloped country? What is the priority of development strategy? This was most needed. And EDI was the best place to learn about development strategy. And secondly, how to implement the strategy. What kind of institutions? How to make up the projects stage-by-stage, then how to evaluate the development

[SONG]

projects? All those things in the EDI General Course. EDI provided much information about development strategy and about implementation and evaluation. I expected to learn these two points.

KANG: Just a quick reference. As I mentioned during lunchtime, he was actually the fourth EDI Fellow from Korea. I think he mentioned that Mr. In Sang Song, who became Finance Minister, had also recommended that Mr. C.P. Song attend. There was some exchange of information.

ZIEGLER: So you did have some fairly clear expectations.

SONG: Yes. And also in correction of his remark, I translated The Theory of Economic Growth by Sir. W. Arthur Lewis before I came over to EDI.

ZIEGLER: Well, the next question really follows onto that one. Did you actually learn any development economics during your EDI course?

SONG: Yes. I learned a lot in the six month courses. I learned from Professor W.W. Rostow--at that time he was at MIT I think--how to save the capital, how to raise and how to save the money in the agricultural sector and convert it to the industrial sector. I learned that particular point because Korea was an agrarian country at that time. And also, I was impressed with his book on the stages of economic growth. How to take-off. What can be done before take-off, and after take-off, how to follow that. This impressed me very much. Second, I was particularly impressed with Ashok Mitra, the Indian.

KANG: He was an EDI lecturer. Ashok Mitra.

SONG: And he speaks of the Indian experience, particularly how India's first five-year plan was prepared and what were the merits of that plan and what were the shortcomings. This was a useful kind of lesson, an Indian lesson. What he said was that having too many involved in the coordinating process destroys the speed of development. We can have consultations from the top down, from the bottom to the top, and horizontal and vertical. He said, this is an experiment. New countries with new five-year plans must take into account such kinds of complications and merits. This is all very good, he said to us, very good.

[SONG]

And the others who impressed me were [Samuel] Lipkowitz and [Albert] Waterston. Both spoke on the same subjects, from different angles. Waterston's emphasis was that the most important factor in the development strategy is the will of the nation. The nation must develop the so-called will. The will to plan; the will to make up a development plan. He said this is most important. That's true. Without a plan, without a program, no government can implement development. So this is one of the key points.

Lipkowitz described how to divide the private sector and public sector. But, he argued, having too many government projects doesn't help the development of a country. In that sense, he indirectly suggested a large private sector and encouraged private business. That helps development. This was Lipkowitz's point.

And of course you know Michael Hoffman was at that time the Director of EDI. His personality was excellent, you know. He gave a very personal touch to everybody; everyone was on the same basis. So this was why our course was very harmonized, even on field trips. No incident at all, you see. He was very much admired and respected. He was respected by everyone, certainly all the EDI Fellows, even their spouses, you know.

ZIEGLER: You mentioned your field trips, Mr. Song. Did the experience of your field trips, especially that to southern Italy, help you in your later work?

SONG: Yes, particularly in studying the Cassa per il Mezzogiorno, the Fund for the South. Yes. We learned how to utilize a used industrial facility.

ZIEGLER: A used one, one that had been previously used?

KANG: Instead of a brand new one.

SONG: Not brand new one, a used one.

KANG: People tend to shy away from used ones and seek brand new ones.

SONG: Suppose there is an oil refinery, a used facility in the United States. How do you import that facility instead of a brand new one? The cost of a brand new one is too high, you see. So the first point is, how do you utilize the used one to reduce the initial cost. And the second is the scale of industry. We observed a cement plant in Italy. They said there's this Italian authority. Don't create a big cement plant, like a million tons of capacity. They didn't. Instead they built medium scale plants here and there that would have less investment cost and more convenient locations. So they recommended that to us, you see. They said a 350,000 metric tons capacity cement plant is more than enough. In Italy there is limestone in many places.

We stayed about two weeks or ten days in Sardinia. I don't know the exact date. In a modern sense, it's a resort area; it has recreation facilities, you see. The third thing we learned was how to utilize this island as a base of recreation, you see, for their own national interest. Because in wintertime many Norwegians or Danes or Germans come down -- they cross over the Alps, they spend the winter in the warm Mediterranean area for their health. Then, with the advent of spring, they go back. Then they showed us how to use this limestone and this seaside, the small mountains like that. And it was very impressive.

ZIEGLER: Mr. Kang tells me that you had an author with you on that trip, James Morris, who wrote a book about the World Bank. I think he was commissioned to write this book called The Road to Huddersfield. Maybe you've seen a copy.

KANG: James Morris of the Manchester Guardian accompanied us and he was writing about the World Bank. It became the best seller in the United States.

SONG: Oh, really?

KANG: It was also the selection of the Book of the Month Club.

SONG: And then we went to Yugoslavia. Not all of us, but most of us.

ZIEGLER: This was an extension of that field trip that you were on?

SONG: After the Italian trip.

KANG: Let me just add that southern Italy was an official field trip. After that official trip, one of the participants in the course invited all the Fellows to come to Yugoslavia, not as an official part of EDI but I think at the invitation of the Yugoslav government. This was not an official part of the field trip.

SONG: He was the deputy governor of the Central Bank of Yugoslavia in Belgrade. One point that was very interesting on that trip, you see, was how they failed, how some enterprises fail.

ZIEGLER: This was in Yugoslavia?

SONG: Yugoslavia. How one particular type of steel mill failed under the Socialist system. They told me, "We failed." They told us why it failed, you see. After that experience, from that failure, they discovered how to improve the management.

KANG: This was workers' group management.

SONG: Workers' group management, that is true, yes. And they showed us that steel mill, you see, somewhere in the vicinity of Belgrade. That was very impressive. And also in the Central Bank, they showed us how they control monetary problems. This is almost same as in the United States, technically almost the same, because price is moving on the basis of supply and demand, not much different from here.

ZIEGLER: During your career after EDI, you organized the Economic Planning Board of Korea and the first five-year plan for Korea. Did you find that what you took away with you as a result of the EDI course gave you some direct help with these important activities that you subsequently undertook in your own home country?

SONG: Yes, one hundred percent, maybe more than one hundred percent. In establishing the Economic Planning Board, I used my notebook which had accumulated much information in the EDI, particularly in the area of central planning. And how to implement, and how to monitor implementation. I learned from Ashok Mitra's lectures: how to utilize scarce resources, how to set priorities, how to check the implementation; how to audit the evaluation. This came completely from the notebook which was produced in the EDI, here. I felt a kind of difficulty to make this point.

[SONG]

First, if planning is centralized, it is very efficient but creates too strong bureaucrats. So it is in Korea. In the Economic Planning Board, new technocrats, new bureaucracies, were created which were too strong, straight down to the bottom. So that was in some sense too much of a centralizing effect. This is, I guess, against the desire for local autonomy. It is a very efficient point but simultaneously there are some deficiencies in a political sense, you see. You understand what I mean?

ZIEGLER: Yes.

SONG: And in drafting the first five-year plan, I used Professor Rostow's principles. That means do not ignore the agriculture sector. And the second point is, Korea has no resources. The country is divided. It has high population with no resources. And it is heavily dependent on domestic industry. So the only way to survive is to export. We put more emphasis, very heavy emphasis, on import substitution industries, and exports. This kind of coordination. This I learned particularly from the EDI course. The lessons and lectures from the EDI course had a great impact on the formulation of Korea's first five-year plan and on the Economic Planning Board.

ZIEGLER: You've had a very successful career in the private sector in Korea after you left government service. Were there any instances in the private sector in which your EDI experience proved to be helpful?

SONG: Yes. First, in the case of small scale industry, I introduced a dry battery project, with technical cooperation with Ray-O-Vac Batteries, with their headquarters located in Philadelphia. Less developed countries need technical assistance in the initial stage. Without technology they cannot develop any industry, so you must not recommend industry without technical assistance. They recommended joint ventures. If a capital and technical joint venture is not feasible, at least technical cooperation is required, and so I used this. It worked, and save lots of capital. It resulted in good products, and we exported to Hong Kong, with the help of American technology.

My second project, Lucky Petrochemical, was a failure. This was to produce a kind of low density polyester. It was a petrochemical project with technical cooperation from Union Carbide. At that

[SONG]

time, Union Carbide had the most advanced technology; it cost less and was very durable. They produced low density polyester. I went over to Texas and to New York for this project. We were almost on the stage of go, you see. But at that stage, oil prices went up.

KANG: The oil crisis.

SONG: At that time, we imported oil from the Saudis. The Saudis' oil prices went up high. So we stopped that petrochemical project.

KANG: Weren't you at that time interested in the IFC [International Finance Corporation]?

SONG: Yes, I went to the IFC. But, anyway, the Saudi oil price was high and interest was very high, so the project didn't make sense, you see. It was supposed to cost \$200 million. But if we were going to complete the project, I needed \$250 million. Interest was very high, you see, around eighteen percent. So we stopped it. So the EDI lessons were not only helpful in the public sector, but also very useful in the private sector.

ZIEGLER: In the 1960s there was a strong EDI Fellows Association in Korea. How and when was it organized and what role did it play in facilitating contacts between alumni?

SONG: In the 1960s three EDI Fellows, Messrs. In Sang Song, Tae Dong Kim and Chong Dai Kim activated the alumni. I.S. Song had his secretary call me and a couple of other EDI Fellows to join. Later, as these men got older, they had no energy to handle this organization. And, secondly, there were too many alumni, too many to gather in one room. It would be like having the government in one room. There were too many Fellows, if you included those who had taken three week courses or four week courses. But, if we omitted them, they would complain about it--you know, discrimination. It was too big a family. Everywhere there were EDI Fellows. Even in the Rural Extension Service, there were EDI Fellows, Agricultural Course Fellows., There were retired Fellows in the private sector, from every ministry, every independent administration. So many EDI Fellows. So we could not handle such a number

KANG: You used to have a monthly meeting, did you not?

SONG: Not monthly meetings. Fellows from the six month course, the regular General Course, met quarterly. There was a very close fraternity among them, and they gave each other advice or help. This is still going on for some of them retired from active life. But it was physically impossible to handle the alumni from the many shorter courses given by EDI. But there is still a kind of network; we are keeping in touch.

ZIEGLER: So basically the formal association lapsed because it was getting too unwieldy, too big.

SONG: Too big.

KANG: Let me just add here that I think Korea is one of the few countries which organized an EDI Fellows Association. Another was Pakistan. I know one that exists now in Sri Lanka, which is continuing. The Pakistan group was suspended after Ayub Khan was overthrown. I think the EDI Fellows Association was closely identified with economic development under Ayub Khan, and continue to be associated was politically not too good. But Korea was a different case. I think from what Mr. Song says, the alumni from the General Course, the six month one, no longer have a formal association but they keep contact and have informal meetings. And I think, as he mentioned, it grew too big, not only in number, but also in the different hierarchical levels. It is just like, I think, division chiefs or section chiefs associating with Ministers and Vice Ministers. I think that they do not mix very well hierarchically.

SONG: And also there is a kind of conflict between the EDI Fellows and the others. The others include American educated Ph.D.'s. So it was not dangerous but there was some kind of conflict, you know.

ZIEGLER: Rivalry?

SONG: Yes, rivalry, you see. So, well, any country does not like rivalries between two big groups.

ZIEGLER: Following up on that, what is it or was the reputation of EDI in Korea, both among those who attended EDI and those who didn't? You've touched on that to some extent already.

SONG: Yes, EDI alumni tend to have more of a worldwide view. This worldwide view is very helpful in their respective governmental jobs. And they are more active in decision making.

KANG: Coming to EDI, they get international exposure.

SONG: Right.

KANG: And then when they go back, because of that experience, they can contribute much better than if they hadn't come to EDI.

SONG: Without coming to EDI, yes.

KANG: And I would just like to add that the reputation of EDI at that time was such that many senior officials were very interested in attending EDI because EDI was the only one, I think, providing courses in very critical development strategy. But also it was an opportunity to go to school, to be away for six months. I don't think Mr. Song had the benefit, but later we allowed the wives to come with EDI Fellows at the Bank's expense. And there were very few fellowships for Koreans where they extended that invitation to wives. But that also added another interesting attraction.

ZIEGLER: Turning to another area, I'd like to ask just a little bit about your career as an Alternate Executive Director. From your own particular experience, could you describe the role that you were expected to play as an Alternate in contrast to the role played by an Executive Director?

SONG: This is a subject on which I would rather not speak, because I was an Alternate, you see. At that time, R.C. Chen from China, now Taiwan, was the Executive Director. He was a very well-informed banker during World War II. He was very much a gentleman and very much respected as a scholar. He was excellent in human relations. So I was lucky to have worked with him in the Bank.

KANG: Maybe we can ask Mr. Song about some of the outstanding Korean EDI Fellows.

ZIEGLER: Okay.

KANG: He mentioned In Sang Song; he mentioned I think Tai Dong Kim and also Chong Dai Kim, who were either Minister or Vice Minister including Mr. Song, who was Vice Minister of EPB [Economic Planning Board]. But there are others.

SONG: One Fellow is Minister of Energy. Another was Minister of Agriculture. A third Fellow is the Minister of Commerce and Industry. They're all EDI Fellows.

KANG: Mr. Won Gie Kim was Deputy Prime Minister.

SONG: Yes, Deputy Prime Minister a short while anyway. So they all played an important role in the key posts of government organization, covering planning, finance, commerce, trade, you see, and agriculture. There are many, many EDI Fellows. Koreans must say thanks to EDI, you see.

KANG: I think they were the brain trust behind the economic development of Korea today. They are the ones who contributed, planned, implemented and negotiated.

ZIEGLER: So in the Korean case it's fair to say that EDI played a very fundamental role in developing and creating a newly industrialized country.

SONG: Right. It's Korea's effort to industrialize, you see. There is no doubt that EDI played a key role.

KANG: I would just qualify that. It was not only the industrialization but the modernization of Korea. The agricultural side has tremendously modernized today. For example, now there is a lot of vinyl culture--using plastic sheeting to protect plants in the winter, making it possible to produce items that they were unable to produce earlier. I was told that now they can have watermelon in wintertime. And I learned that they now raise many things unheard of in earlier times in the wintertime. So it's actually the modernization of Korean agriculture. But in all this comprehensive economic development--in designing, planning, monitoring, and implementing--the EDI Fellows, particularly those who attended the six month General Course, has a very, very important input in Korea.

SONG: Well, EDI Fellows played a key role in 1960s and 1970s, they were key players from the top down, you know, upstream and downstream, of planning and implementing. They did a wonderful job.

ZIEGLER: This has really been very interesting, Mr. Song. I always like to end interviews by asking whether there is anything that we haven't covered that you would like to record or say?

SONG: I heard that this population control course in the late 1970s or early 1980s contributed a lot to family planning. EDI's knowledge and very organized information has helped a lot without propaganda, you see. They just implemented it.

KANG: It was called the Population Planning, Health and Development Course, EDI. They brought in higher level officials from about three different ministries to implement health planning, including somebody from the Ministry of Planning and somebody from the Ministry of Finance, because if the health project or population or family planning project is important, not only should the project be included in the planning, but also the finance people should be on hand to allocate the money. Now this is what I think they had and I think that's the course he's referring to. And Korea has not only, I think, attended in this seminar, but they did borrow, I think, our first project, I know, \$20 million for a project. The major component was health, but I think the health clinics were made for family planning purposes also. They used lots of audio-visual productions.

SONG: You know, after the 1950s our development strategy was based on the help of U.S. aid. In the 1960s and 1970s, these EDI Fellows played a key role as a kind of a locomotive, you see, in the Korean development. In the point of human development, you see, they made lots of impact everywhere.

I'm now writing a Korean economic history from 1945. In that history, I mentioned the EDI. EDI itself is very small, you see. When it was located at 1620 Belmont Street, it was a very small, small house. But this small house provided Korea with plenty of knowledge pertaining to development. As this is a true story, you see. Okay, individual knowledge can be obtained from periodicals and schools, but it's not organized. EDI coordinated this knowledge. EDI was good at that time. I don't know these days, you see.

KANG: Let me just ask one question. There are many EDI Fellows who went through the six month courses. That made planning much easier than if they had not taken the course. For example, if you have some idea that you picked up from EDI, and there are other people who came and also picked it up, it's easier to communicate. If they hadn't taken the course, then, I think that you might have some difficulty.

SONG: Oh, yes. You mean communications?

KANG: Yes.

SONG: If they came to EDI, communication was easy; it was easy to pick up the subject. Where, what, and how, you see.

ZIEGLER: You have a common vocabulary.

SONG: It's a basic knowledge that you share.

ZIEGLER: Thank you very much, Mr. Song.