The chaebol and the US military–industrial complex: Cold War geopolitical economy and South Korean industrialization

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Received 3 June 2013; in revised form 15 October 2013; published online 20 March 2014

Abstract. Among scholars of East Asia, the role of US military offshore procurement (OSP) and the military–industrial complex (MIC) has been underplayed in explanations of rapid industrial transformation. Yet the foundations of industrialization in places such as South Korea, when analyzed in strongly ‘national–territorial’ and state-centric terms of the predominant, so-called ‘neo-Weberian’ accounts, remain inadequately illuminated. We argue that a geopolitical economy approach focusing on the roles of OSP and relations within the US MIC brings to light crucial sociospatial dimensions of the Korean developmental state’s industrial success during the Vietnam War era, dimensions that are largely absent from the neo-Weberian accounts. We examine, in particular, the Park Chung Hee regime’s participation in the Vietnam War, and the attendant development of Korean industrial chaebol such as Hyundai, arguing that the successes of the south Korean developmental state and chaebol were enabled by their enrolment in the US MIC, via OSP.

Keywords: chaebol, Vietnam War, developmental state, South Korea, offshore procurement

Introduction
On 17 January 1964, as the administration of US President Lyndon B Johnson (LBJ) was intensifying its war effort in Vietnam, the Office of the Assistant Secretary of Defense, Roswell Gilpatrick, issued a news release announcing it would conduct classified briefings for industry on its long-range buying (procurement) and development plans.\(^{(1)}\) The Gilpatrick Memorandum, as it was called in the news release, “was addressed to the military departments and to the Heads of Defense Agencies engaged in development activities”, and noted that the industries to be invited to the six briefings during the first half of 1964 were aircraft, arms and ammunition, chemicals and biologicals, electronics, missiles, and nuclear products, while those to be invited to the six briefings during the second half of the year were clothing, internal combustion power, mechanical products, research, shipbuilding, and ground transportation. These briefings were to “provide industrial leadership with a DOD-wide picture of long-range development and procurement needs”, including projected shifts in development and procurement plans. While the range of industries to be briefed might imply a broad program of information, the process was in fact highly selective: briefings were classified, no more

\(^{(1)}\)Office of the Assistant Secretary of Defense, News Release, 17 January 1964, “DOD to Conduct Classified Briefings for Industry on its Long-Range Buying & Development Plans”, LBJL, White House Central Files, Papers of Lyndon Baines Johnson, Procurement-Disposal, Box 5, File PQ2, Purchasing–Contracting–Procuring, 11/22/63–2/3/64.
than three people from the management of each corporate office were allowed to attend
(owing to “the high-level approach being taken”), and firms were limited to those able “to
obtain a suitable security clearance through the host department”, thus favoring those that
already held R&D contracts with the Department of Defense (DOD).

While there is nothing particularly surprising about this announcement, it can be used
precisely for that reason to make a basic point about US defense contracts: participation in US
military procurement is typically limited to specific, well-positioned firms in key industries
and does not abide by the idealized principles of a ‘free-market’. This fact, however, makes
the story we analyze in this paper somewhat surprising. Defying the general procurement
constraints, crucial South Korean industrial conglomerates, chaebol, began to engage in
enormous amounts of offshore procurement (OSP) contracting for the US military, from the
Vietnam War era forward, effectively becoming players within the US military–industrial
complex (MIC). This was a unique outcome, even among US Cold War allies, and we will
argue that it significantly shaped South Korea’s prodigious industrial transformation.

The literature on military procurement and US economic growth makes the role of such
procurement in US industrial transformation abundantly clear (eg, Block, 2008; Cumings,
2010; Ruttan, 2006). Surprisingly, though, the role of military procurement in shaping
development trajectories outside the Global North is not especially well studied. Even in
the case of war-torn yet economically dynamic East Asia, the role of military procurement is
underanalyzed: while much has been written about Japan’s post-World-War-II recuperation
through US Korean War OSP (Dower, 1999, pages 540–546; Havens, 1987, pages 102–104;
Nakamura, 1995, pages 43–52; Stubbs, 2005, pages 66–73), very little has been written about
the relationship of OSP to economic dynamism in other countries of the region. Moreover,
even in those corners of the so-called ‘neo-Weberian’ developmental state literature where
scholars have paid some attention to general effects of military spending on growth, the
significance of OSP has not been systematically interrogated, emphasis being placed instead
on the role of industrial policies (eg, Amsden 1989, pages 231–232).

Against this background, our purpose is in part to try to redress the neglect of OSP
in accounts of the ‘East Asian miracle’—and, in doing so, to show the inadequacies of
territorially trapped, methodologically ‘nationalist’, and geopolitically underdeveloped
accounts of the South Korean developmental state. We show that OSP—as opposed to general
military assistance—is of particular significance for Korean industrial growth. In doing so,
we also show that to foreground OSP is to foreground the geopolitics and transnational class
dimensions of East Asian industrial transformation.

Our analytical lens, of course, relates to how we view the South Korean developmental
state and the replicability or desirability of its policies. Among the ‘first tier’ of Asian newly
industrializing countries (NICs) that began growing rapidly in the 1950s–1970s, South Korea
emerged as the base for an especially powerful, transnationally active capitalist class, this
being the direct result of not only developmental state policies but the geopolitical moment
that made these policies viable, including unstinting US support for the South Korean Cold
War state. One form of that unstinting support was a vast OSP program targeting South
Korean firms, and we focus here especially on the role of OSP in the growth of South Korean
construction firms, with Hyundai at the center of our story. As we see it, the importance of
OSP to Korean construction industry growth calls into question the replicability of South
Korea’s industrial performance in contexts where OSP is not so readily forthcoming; and
given the death toll in Vietnam that went along with the US war effort, we also implicitly
question the desirability of the ‘East Asian development model’, dependent as it was on the
activities of the US MIC.
To position our argument, we start by briefly noting how the role of geopolitics in East Asia’s industrial transformation has been neglected. While a very small number of works on East Asian developmental states, particularly Jung-en Woo’s Race to the Swift (1991), have provided important details, we show that two key paradigm-forming neo-Weberian accounts have downplayed the importance of geopolitics and OSP to the political economy of East Asian development. We thus argue the need to go beyond these conventional developmental state arguments to clarify the significance of geopolitics for East Asian growth, and we do so empirically by placing the Korean developmental state’s projects in the larger frame of global geopolitical economic manoeuvres undertaken by actors within the US MIC. The fact that key Korean actors began to play roles within this complex, given the typical limitations on military contracting opportunities, is of great historical interest. The fact that it can be argued to have had great significance for South Korea’s patterns of industrial transformation makes the case of considerable theoretical and political moment as well.

‘Neo-Weberian’ developmental state theories and the margins of geopolitics
The authors whose work on the developmental state we critique in this section have been referred to as ‘neo-Weberian’. The designation can be questioned, given the tenuous link between the authors’ arguments and Weber’s approach to capitalist states. Our purpose, however, is not to systematically interrogate the theoretical moorings of either Weber’s work or those of the developmental state theorists. As such, we choose to call the authors we discuss here by the commonly used moniker, while recognizing that this in fact says little about what various Weberian scholars might say regarding the structure and performance of East Asian states and economies.

Neo-Weberian accounts of East Asian developmental states and their roles in East Asia’s industrial transformation have been among the most prominent and influential over the last three decades (eg, Amsden, 1989; Chang 2003; 2008; Evans, 1995; Haggard, 1990; Johnson, 1982; Kim, 1997; Wade, 1990; Woo, 1991; Woo-Cumings, 1999). There is a considerable variety of specific claims within this literature, and we do not wish to catalogue or summarize them here. In spite of what we take to be the general weaknesses of neo-Weberian approaches (see, eg, Chibber, 2003), we recognize the contributions made by these scholars to our understanding of East Asian industrialization. With the exception of Woo’s early work on South Korean transformation, however, we see in the neo-Weberian literature a deep and sometimes systemic neglect of specific geopolitical and transnational class influences on East Asian development. While this neglect may not be inevitable within a Weberian framework, it is nonetheless clear that the methodological nationalism and state-centric focus of neo-Weberian approaches inclines in this direction. We illustrate the point by showing how two crucial neo-Weberian theorists, Chalmers Johnson and Alice Amsden, got to the edges of the story we will tell while choosing to go no further, thus neglecting the implications of geopolitics for their accounts of developmental states. We focus most on Johnson’s justly celebrated and paradigm-establishing book about the paradigmatic developmental state, MITI and the Japanese Miracle (1982).

Johnson rightly notes that there are multiple factors potentially accounting for Japan’s post-World-War-II developmental success, and he disclaims any attempt to reject other explanations (page 8). Nonetheless, his arguments are designed to make a case for industrial policy as an especially important factor determining Japanese success. The relatively lower significance he accords US imperialism and geopolitics in East Asia is captured by the way he deals with it in his outline of the book’s major theoretical arguments. Johnson discusses four variants of what he calls the “anything-but-politics” approach to Asian economic dynamism (page 7). He labels these the “national character–basic values–consensus” analysis, the “no-miracle-occurred” analysis, the “unique-structural-features” analysis, and the “free ride” analysis.
Johnson argues against all four of these, but since our approach comes closest to the ‘free-ride’ analysis, we will limit our critique to his treatment of this approach.

It is noteworthy that, while Johnson cites advocates of the first three analyses, he does not cite any works that promote the ‘free-ride’ analysis (pages 8–17). This, along with the various problems we note here for Johnson’s arguments, suggests that he is constructing a straw man. Johnson says there are three ways in which Japan is said to have received a free ride: “a lack of defense expenditures, ready access to its major export market, and relatively cheap transfers of technology” (page 15). Johnson regards each of these explanations as being inadequate, though he does not attempt to assess the combined effects of all of them.

More importantly, he limits the list of factors that might have produced a ‘free ride’.

To note what we consider the most important omission, Johnson does not include on this list the contribution of the US military’s OSP to Japanese industrial growth. Even in statistical and quantitative terms, this contribution is recognized to be enormous, and Johnson cannot avoid mentioning it. As he points out, US procurements plus the expenditures of US troops and their dependents accounted for 37% of all Japanese foreign exchange earnings in 1952/53, at the end of the Korean War, and still accounted for 11% in 1959/60 (page 200). Since the Japanese “miracle” had become evident by the early 1960s (page 3), one would think that the impact on Japanese growth of 1950s OSP and troop payments might deserve highlighting. Instead, Johnson downplays the matter, claiming that the OSP windfall “created major international financial difficulties” by challenging Japanese firms to “obtain investment capital fast enough to re-tool to meet the orders that the Americans were placing” (page 200).

All capitalist development, no matter how successful, is hemmed in by contradictions and challenges, and certainly a windfall of procurement contracts poses challenges. But to label these as “major international financial difficulties” is to ignore the fact that these are ‘difficulties’ most developing country actors would dearly love to confront, in contrast to the reality of relatively closed international markets and limited financing that most typically face. Japan did not confront these ‘difficulties’ only in the 1950s, moreover: when the Vietnam War intensified during 1965–70, US military orders from Japan rose by another US $3 billion, pushing the procurement total for the 1950–70 period to US $10 billion, or US $500 million per year for twenty years (Schaller, 1985, page 296).

US OSP contracts provided a sheltered and virtually guaranteed market—and, crucially, they provided a market for a range of industrial goods that might have otherwise been difficult to sell on the relatively limited Japanese market of the 1950s (Schaller, 1985, page 288). OSP thus allowed for rapid expansion of industrial capacity without fear of realization problems, in turn allowing Japanese industrial producers to quickly achieve economies of scale and become globally competitive—even before they had to enter more open global markets.

The fact that many firms might not be able to meet the amped-up demands created by OSP is simply one of the inevitabilities of a booming capitalist market—it is scarcely a reason to neglect the importance of OSP in stimulating rapid economic growth. Indeed, Japanese producers and state planners responding to the opportunities created by the Korean War procurement boom did not do so: the head of the Toyota Motor Sales Corporation referred to the flood of new orders for Toyota trucks as “Toyota’s salvation”, though he lamented that he “was rejoicing over another country’s war.” The Governor of the Bank of Japan referred to the Korean War orders as “Divine Aid” (Schaller, 1985, page 289).

It is worth noting that these kinds of procurement contracts facilitate technological development in various ways. As we will note in the case of Korea, US OSP contracts often demand that the contractors use equipment meeting specifications put forward by agencies like the US Agency for International Development (USAID) and the US Government Accounting Office. Frequently, these standards are rigged to insure that the contractor will have to purchase production equipment from US firms. But this may in turn give the
contracting firms opportunities—at an initial cost—to study and work with state-of-the-art technology, thus increasing their capacity for developing these technologies. Moreover, where the contractor does not have to purchase new equipment, the contract provides an opportunity to deploy and further their own productive technology in a context encouraging the economies of scale vital to such technological development. So, again, the OSP process goes well beyond what Johnson suggests as the opportunities provided by the free ride.

We should note, too, we do not adhere to Johnson’s terminology or claim that firms gaining OSP contracts got anything like a free ride. As we will show, there was much geopolitical manoeuvring and considerable hard work by employees of the chaebol that went into making and taking advantage of OSP opportunities. But recognition of these autonomous efforts cannot sanction shunting OSP into the background.

Johnson’s choices in this regard established a theoretical paradigm for later scholarship on East Asian states, including Amsden’s also justly influential work on South Korea, Asia’s Next Giant (1989). Since we will address the Korean case below, we can be far briefer here in noting the ways Amsden backs away from the geopolitical and OSP story. Military contracting does come up in her discussion. For example, Amsden notes that Hyundai reaped developmental benefits from processes such as learning how to tender a competitive bid and complete a project to the specifications of the US military (1989, pages 231–232), and she acknowledges the significance of such contracts to Hyundai’s cash flow, noting that between 1963 and 1966 military contracts accounted for 26% of Hyundai’s construction revenues and 77% of its total profits (page 266). Yet Amsden provides no systematic account of the effects of military contracting on Hyundai’s development, let alone that of any other firm, and she largely bypasses the significance for Korean development of financial flows generated by participation in the Vietnam War and later US ventures in the Middle East. As such, her brief mentions of this geopolitical dimension of Korean development slip to the background, becoming merely a small part of the general context within which developmental state decision making took place.

In the empirical case study that follows, we show that this neglect of the geopolitical dimensions of East Asian development—and particularly of the OSP story—is not benign. Not only was South Korea’s participation in OSP quite massive, it can be argued to have had considerable effect on Korea’s unique development trajectories. We show this by focusing on the effects of the Vietnam War and subsequent activities of the US MIC in the Middle East, showing the enormous impact on the Korean construction industry of its participation in these ventures. Since the analysis we present is part of a much broader project assessing the geopolitics of industrial transformation throughout East and Southeast Asia, we also position the South Korean construction industry story against the backdrop of broader Vietnam-era geopolitical developments and diplomatic manoeuvring.

The Vietnam War and South Korea’s take-off
Among the first tier of Asian NICs, South Korea emerged after World War II as the base for an especially powerful, transnationally active capitalist class, and this was the direct result of both highly militarist developmental state policies and the geopolitical processes that made these policies viable. Some crucial chaebol such as Samsung, founded by a Korean industrialist who developed his business under Japanese colonialism, grew primarily on the basis of revived connections with Japanese capital and the US market. These were made possible in part by intensive US lobbying and triangular political manoeuvring between US, Korean, and Japanese leaders who had to overcome popular South Korean opposition to normalization of relations with Japan (Chibber, 2003, page 324). Other chaebol, such as the shipping giant, Hanjin, and the construction and industrial behemoth, Hyundai, grew dramatically as the result of US OSP and the opportunities for windfall profits and technological upgrading that
these contracts provided—as well as the opportunities to subdue industrial labor created by the Cold War state (Hart-Landsberg, 1993; Kim and Park, 2007; Koo, 2001; Ogle, 1990).

In this sense, one segment of the post-World-War-II Pacific ruling class (cf van der Pijl, 1984) connected the US MIC and its capitalists—such as LBJ’s construction cronies at Brown & Root (Chatterjee, 2009, pages 23–28; Gardner, 1995, pages 8–9)—first to Japanese capitalists and then South Korean capitalists, such as Chŏng Chu-yŏng of Hyundai, as well as to the Japanese and Korean developmental states. Here, we outline some details of this process of alliance formation as it enrolled Korean capital in the US MIC from the early years of US intervention in Vietnam.

In May 1964 the Johnson administration authored National Security Action Memorandum 298, calling for study of the possible redeployment of a US Division from Korea to Hawaii. This was part of an overall military reappraisal that resulted in the shifting of forces toward Southeast Asia and a planned reduction in the military items the US allowed its allies to purchase through its Military Assistance Program (MAP)—this shift being called the MAP transfer program. The consequences of both reduced troop levels and MAP transfer were seen by the highly militarized regime of Park Chung Hee as financially serious. Thus, military reconfiguration and rearrangement of military spending became crucial items in US–South Korean diplomacy.

In this context the Park regime made an offer that turned out to be highly consequential for the resources of the Korean developmental state and the chaebol. By 1964 South Korea had already sent a mobile army surgical hospital (MASH unit) to Vietnam, and it augmented this in early 1965 with 2416 noncombatant troops (Kim, 1990, page 233). Korean commitments to support the US war effort in Vietnam developed in the context of the Johnson administration’s “more flags” program, inaugurated in April 1964 as an attempt to gain more international support for the US-backed regime in Saigon (Hatcher, 1990, pages 57–58; Kahin, 1987, page 332; Yi, 2000, page 156). With this program failing to generate much commitment among US allies in Southeast Asia, Park made himself more valuable to the LBJ administration by offering to send a combat unit to Vietnam. Earlier feelers regarding US interest, floated by former Prime Minister Kim Hyun-chul, had been discouraged by the US Embassy; and US Secretary of State Dean Rusk originally rejected Park’s more formal offer, noting—among other reasons—that the US had yet to send combat troops of its own, but suggesting that Korean special forces personnel could play useful roles as advisors and trainers. Nonetheless, Park’s move struck a responsive chord in Washington since it offered something tangible to the US Cold War state—something not being offered by Japan or US Southeast Asian allies (Kim, 1990, pages 249–255; Yi, 2000, pages 156–157).

By 1965, US planners began to take seriously the prospects for employing foreign troops in Vietnam. When Park’s 1965 state visit to Washington was in the offing, National Security Advisor McGeorge Bundy suggested to US military leaders the utility of employing ground troops from Australia, the Philippines, South Korea, Thailand, and possibly Pakistan (Gardner, 1995, page 182). After LBJ’s April 1965 commitment of US ground troops, his administration arranged a June meeting between US and Korean military leaders, leading to

(2) National Security Action Memorandum No. 298, Study of Possible Redeployment of US Division now Stationed in Korea, May 5, 1964, http://www.lbjlib.utexas.edu/johnson/archives.hom/NSAMs/nsam298.asp
(3) Office of the Assistant Secretary of Defense, International Security Affairs, “Military Assistance Reappraisal, FY 1967–1971, Volume I Report, Draft Report on Taiwan, Korea, Thailand, Philippines”, LBJL, National Security File, Agency File, Defense Department, Box 20.
(4) Telegram from Berger to US Department of State, March 7, 1964, LBJL, National Security Files, Korea, Box 254, Cables, Vol. I, 11/63–6/64; Telegram from Rusk to US Embassy in Seoul, July 3, 1964, LBJL, National Security Files, Korea, Box 254, Cables, Vol. II, 7/64–8/65.
an official request for Korean support from the South Vietnamese government and, finally, to a vote for Korean troop commitments by the South Korean parliament in August (Kim, 1990, page 249; Yi, 2000, pages 154–157).

In this process, Park did not merely offer the services of Korean troops in Vietnam but negotiated to gain pay levels for enlisted men that were twenty-two times regular Korean military pay (Kahin, 1987, page 335; see also Kim, 1970). This would allow Korean troops to send US dollars home to Korea, and would help make up some of the economic losses that would be incurred if US troops were removed from South Korea (Yi, 2000, pages 159–161).

At the same time as South Korean combat units were being lined up for service in Vietnam, Park’s government successfully fought to eliminate the MAP transfer, and in early 1965 it also began promoting another way for South Korea to participate in the Vietnam War and earn dollars. In January Park’s Ambassador to the United States met with Bundy aid Chester Cooper and requested that the US military consider purchasing construction materials such as cement from South Korea. In May the US Ambassador to South Korea cabled the State Department noting that Korean representatives would also ask for opportunities to bid for provision of supplies and services to the US military in Vietnam. Park and other Koreans were well aware of the importance of OSP to Japan’s rapid growth in the 1950s—an outcome that stung because Japan, the former colonizer, had benefited from postcolonial Korea’s torment during the Korean War. In this context it further irritated Park and his advisors that Japanese firms continued to mop up US dollars for Vietnam War OSP. The problem for South Korean firms, however, was that as of the 1960s few of them could expect to win a competitive bid against the Japanese firms already doing much of the US military’s contracting. Park thus made a special plea: he asked that the US military allow Korean firms guaranteed opportunities to obtain OSP contracts, under conditions of limited or no competition, especially from Japanese firms.

The uptake of this request, and the ways it synergized with the offer of a combat battalion for Vietnam, makes for an instructive study in both the internationalization of the state and the deep fusion of military and economic affairs. Park’s request was not entirely novel and had not originated solely in Korea. In 1962, for example, US General James Van Fleet, a staunch supporter of the Park regime, argued for shifting some of the procurement that the US military was undertaking in Japan to South Korea, including trucks that could be purchased in stripped form from Japan and assembled in Korea with Korean tires and batteries. Park’s people were thus clearly aware of the support they might gain among some US planners for increased OSP in Korea, and by 1965 they found another crucial ally in US Ambassador Winthrop Brown. Brown ultimately helped Park in pushing through a series of agreements that generated a windfall for the Korean state and Korean firms (Kim, 1970, page 529; Yi, 2000, page 163).

In a July 10, 1965 cable to the State Department, Brown noted that Park’s request for special procurement opportunities could not be granted. But at this point Park’s regime manoeuvred both a US-backed treaty for normalization of relations with Japan and the approval of combat troops for Vietnam through the parliament, over the heads of political opponents,

(5) Memorandum of Conversation, January 14, 1965, LBJL, National Security Files, Korea, Box 254, Memos, Vol. II, 7/64–8/65.
(6) Brown telegram to Department of State, May 1, 1965, LBJL, National Security Files, Korea, Box 254, Cables, Vol. II, 7/64–8/65.
(7) See telegram from Brown to Department of State, July 10, 1965, LBJL, National Security Files, Korea, Box 254, Cables, Vol. II, 7/64–8/65.
(8) FRUS 1961–1963, Vol. XXII, page 587.
(9) Telegram from Brown to Department of State, July 10, 1965, LBJL, National Security Files, Korea, Box 254, Cables, Vol. II, 7/64–8/65.
with the opposition parliamentarians ultimately walking out in protest over Park’s tactics and the ratification vote being taken in early August with only Park’s party in attendance (Kim, 1990, pages 247–248, 278).

Notwithstanding the lack of a ringing democratic mandate, Park’s position was strengthened, especially in relation to the United States, and as the final arrangements for Korean troop deployments to Vietnam were made, Brown changed his tune and began to move toward Park’s position in favour of special OSP opportunities. In a September 23 memorandum to the Director of USAID, Brown made a pitch for understanding South Korea’s unique situation:

“Korea is providing a full combat division plus a non-combat engineering unit to Vietnam. While the ROKG [Republic of Korea Government] and the U.S. have repeatedly maintained that such action was based on Korea’s own interests in the war in South Vietnam and its responsibilities to the Free World, there is inevitably the feeling within Korea, and particularly in the Assembly, that Korea should receive some tangible trade benefits from its willing response to the request for troops. This feeling is fortified by the feeling that persists in Korea that Japan profited greatly economically from the Korean War. Korea now sees an opportunity to capitalize itself on the economic consequences of the Vietnam engagement. But, equally important, Korea sees an implication that while Korea is contributing troops to the war, Japan may once again be making large profits through U.S. offshore procurement.”

By December 1965, as the Johnson administration awaited the arrival in Vietnam of the first Korean combat troops and requested even more (Yi, 2000, page 168), Brown pushed further, in a cable to the Department of State:

“[I]f the Koreans make this further troop contribution, it will be utterly impossible for them to understand why there can be no preferred treatment for them in matters economic, especially as they relate to SVN [South Vietnam]. They will be making a contribution in the irreplaceable commodity of human life, and doing so on a scale utterly disproportionate to the contributions of their competitors, particularly Japan. In such a case, the assurance of equal treatment with these competitors seems small recompense … . It seems to me that we are being faced with a political and human problem directly related to a bloody war in which we are deeply committed, to the solution of which our normal commercial policy and peacetime procurement must also make their contribution.”

In reality, what Brown was starting to propose was not “normal commercial policy” or “equal treatment” but a convenient bending of official procurement rules. This became evident when on January 19, 1966 he noted in a cable to the State Department that “Preferred treatment for Korea under OSP program becoming one of most important issues in negotiations with ROKG to obtain decision dispatch troops.” On January 27, Rusk cabled Brown with a summary of what the United States proposed as part of these negotiations, including the following:

“[T]o procure in Korea, in competition only with US suppliers, as much as Korea can provide and in time at a reasonable price, a substantial amount of goods being purchased by [US] AID for use in its project program for rural construction, pacification, relief, logistics, and so forth, in RVN [Republic of Vietnam] … . To the extent permitted by RVN, to provide Korean contractors expanded opportunities to participate in construction projects

(10) Brown telegram to Department of State, August 14, 1965, LBJL, National Security Files, Korea, Box 254, Cables, Vol. II, 7/64–8/65.
(11) FRUS, 1964–1968, Vol. XXIX, 126.
(12) FRUS, 1964–1968, Vol. XXIX, 139–140.
(13) Brown telegram to Department of State, January 19, 1966, LBJL, National Security Files, Korea, Box 255, Cables, Vol. III, 11/65–12/66.
undertaken by USG and American contractors in RVN and to provide other services . . . .
Additionally, parallel employment of skilled Korean civilians in RVN can provide sizeable foreign exchange earnings.”(14)

These proposals from the State Department, which allowed Korean firms opportunities to bid on OSP contracts without competition from Japan or other non-US firms, became the basis of the “Brown memorandum”, a March 4 letter from Brown to Foreign Minister Yi Tong-wŏn, outlining a whole series of special economic concessions the US government was willing to make to Korean economic and military actors (Baldwin, 1975, pages 36–37; Subcommittee on United States Security Agreements and Commitments Abroad, 1970, pages 149–150). As we will show, the consequences of this agreement were substantial for both the Korean developmental state and the Korean chaebol.

**Hyundai, Korean construction firms, and the profits of war**

The story of Hyundai’s development in the context of the Cold War exemplifies the effects of OSP on Korean industrial transformation. Hyundai founder Chŏng Chu-yŏng established the firm after liberation from Japan, in 1946, and some of his biggest breaks came when his company received contracts to deliver goods to the US military during the Korean War (Cumings, 2005, page 302; Hyundai, 1982, pages 1197, 1207). Hyundai received contracts during this period to build US Army barracks and to expand the national airport. Both the profits and the experience that Hyundai gained from this—including the upgrading of its engineering skills under the tutelage of the US Army Corps of Engineers—allowed it to expand its construction operations and become South Korea’s most powerful construction and heavy industry conglomerate (Jones and Sakong, 1980, pages 356–357).(15) Still, in the 1950s, Hyundai was primarily a domestically oriented chaebol, undertaking projects within Korea. In the 1960s it was to rapidly become a much more internationalized firm, one of the world’s best-known construction and heavy industry companies.

How this occurred is directly related to Hyundai’s relationship with the US military. Having already developed good relations during the Korean War, Chŏng was able in the 1960s to gain contracts for World Bank and US military projects in Thailand, Vietnam, and Guam, as the US military expanded its war effort in Southeast Asia. The experience and capital accumulated through these projects allowed Hyundai to undertake more infrastructure projects in South Korea during the same decade, and by the 1970s it had expanded further to undertake major construction projects in the Middle East (Hyundai, 1982, pages 1207–1209; Jones and Sakong, 1980, pages 357–358). Most impressively, in the 1970s, Hyundai expanded into shipbuilding, a field in which it had no previous experience and which it was reputedly exhorted to master by Park Chung Hee (Cumings, 2005, pages 323–324; Jones and Sakong, 1980, pages 357–358).

However crucial was this backing and exhortation from the Korean state, the role of the US military and Cold War state looms especially large in Hyundai’s development. Amsden’s account, as noted, emphasizes the early financial spur provided to Hyundai by large US OSP contracts. But the role of the US military was even more substantial than this quantitative contribution, as can be explained by several sometimes noted but little-analyzed chapters in Hyundai’s history, the first being the firm’s construction of the Pattani–Narathiwat Highway project was connected to the US expansion of its military presence in Thailand as part of the Vietnam War effort (Jones and Sakong, 1980, pages 357–358).

The Pattani–Narathiwat Highway project was connected to the US expansion of its military presence in Thailand as part of the Vietnam War effort (Jones and Sakong, 1980, pages 357–358).

(14) FRUS, 1964–1968, Vol. XXIX, 159.
(15) Author interview with Mr Ki-Tae Kwan, Special Senior Advisor, Hyundai Engineering and Construction, former engineer for Hyundai, June 2012.
Hyundai’s corporate history makes much of this project and explains its evolution in considerable detail. In recounting some of that detail here we can highlight the project’s significance—both for Hyundai’s development and for our argument regarding OSP. Hyundai had originally been invited by the US Operations Mission to build landing strips in Thailand, on the basis of the company’s experience in Korea (Hyundai, 1982, page 1197). Chŏng’s brother, who was fluent in English and worked for the US government as a translator, opened the first branch of Hyundai Construction in Thailand in late 1964 (Hyundai, 1982, page 1206). The Pattani–Narathiwat Highway project started in September 1965, after Hyundai won a bid for it, with funding coming from the World Bank. Construction was begun in January 1966 and completed in May 1968, with the road covering 98 km, requiring three large bridges and thirty-five smaller bridges (Hyundai, 1982, page 2028; 1997, page 466).

In spite of the fact that the project was considered by the Korean state to be a major venture and international event (Hyundai, 1997, page 466), and in spite of the fact that the state provided Hyundai with considerable backing, the Pattani–Narathiwat Highway was a debacle. The company encountered numerous problems with issues ranging from climate to language and cultural differences (Hyundai, 1982, pages 2028, 2047; 1997, page 467). Because of these problems, by the time the Pattani–Narathiwat Highway was complete the company had lost 288 million won (Hyundai, 1997, page 467).

The reasons for these losses—which came to the equivalent of US$3 million on a US$8.2 million contract (Hyundai, 1997, page 467)—were various. Most generally, they had to do with the inability of the firm to build the road to the specifications of the US military. At the outset, while Hyundai had hoped to use older US war surplus construction equipment that it already owned, the US military supervisors insisted this was inadequate and forced the firm to buy newer Japanese equipment. Moreover, at one point Hyundai was forced by US supervisors to tear up a full kilometer of road that was already built, because of its poor quality. So severe were the difficulties in meeting quality standards that some Hyundai managers suggested to Chŏng simply abandoning the project—a suggestion he ignored (Korea Daily Joong Ang 2008; Lee, 2011, page 62).

In what sense, then, was the Pattani–Narathiwat Highway a success for Hyundai, as the company history claims? The venture should be placed in the context of management’s reasoning at the time regarding its options for expansion. Chŏng had been one of thirteen business leaders arrested by Park Chung Hee after the coup that brought Park to power in 1961. The businessmen were accused of being “illicit accumulators” of wealth, and although Park did not seriously punish anyone—primarily prodding them to work in the “national interest” (Amsden, 1989, page 72; Chibber, 2003, pages 66–69; Kim, 1996, page 82)—his tactics encouraged them to do a variety of things to ward off such attacks in the future. Chŏng went on the offensive to protect his interests by looking more aggressively for overseas investment opportunities. He reasoned that Hyundai’s experience as a US military contractor would give it an edge in meeting US-imposed international construction standards. In this context, the expanding regional market created by the Vietnam War appeared to provide the most viable avenue to high returns on investment (Hyundai, 1997, pages 464–465).

The reasoning made sense, but the outcome in Thailand failed to meet expectations. Nonetheless, the official company history regards the Pattani–Narathiwat Highway project as a success story, crucial to the company’s development because of the technological and institutional learning that occurred in the process. Within the firm, all the Hyundai officers who later became heads of Hyundai subsidiaries were involved in the Pattani–Narathiwat project and got training in meeting US-imposed international construction standards—these officers including eventual South Korean President and then Hyundai Construction manager Lee Myung Bak (Hyundai, 1997, page 466; Lee, 2011, pages 57–68). The project highlighted the limits of Hyundai’s engineering development and forced the company to upgrade its
technological skills and capacity for innovation, and improve its ability to train and control labor (Hyundai, 1997, pages 467–468). In addition, the company first learned in Thailand—at the suggestion of US military engineers—a project management method called the critical path method (CPM), which it was subsequently to begin employing successfully on other projects.\(^{16}\)

It was on the basis of this kind of experience and upgrading of its engineering and management skills, moreover, that Hyundai was able to successfully complete the Seoul–Pusan Highway in 1970 (Hyundai, 1997, pages 486–487), and then to expand into other construction ventures overseas and other lines such as shipbuilding—directly developed out of Hyundai’s construction division (Hyundai, 1997, page 468). To be sure, Hyundai was deeply assisted in this expansion by Park Chung Hee’s willingness to devote state resources to projects that could generate national industrial growth—but it was also deeply enabled by transnational forces well beyond Park’s control.

Another underanalyzed chapter in Hyundai’s history that we want to examine is the company’s contracting history in Vietnam. This history is so extensive that it cannot be recounted with any one example such as the Pattani–Narathiwat Highway. Hyundai contracts in Vietnam covered construction ventures such as building military housing, and also activities such as the dredging of Cam Ranh Bay, from which it made the lion’s share of its revenues (Hyundai, 1997, pages 469–472; Lahlum, 1967). The quantitative significance of early Vietnam War contracts is recognized by Amsden, and this quantitative significance was indeed great (as shown further below), but the qualitative significance of the contracts was arguably even greater.

Hyundai, like many other Korean firms, moved into Vietnam in part on the strength of the OSP opportunities opened up by the Brown memorandum. It did much of its work under subcontract to the major US conglomerate organizing the vast majority of US contracting work in Vietnam, the Halliburton subsidiary Raymond, Morrison-Knudsen, Brown & Root and J A Jones, or RMK–BRJ (Carter, 2008; Lahlum, 1967). LBJ had risen to political power in the United States in no small part on the strength of his connections to George and Herman Brown, the founders of Brown & Root (Gardner, 1995, pages 8–9), and as the parent conglomerate that grew from this Texas construction company, Halliburton became one of the most powerful and favored firms of the LBJ regime (Chatterjee, 2009, pages 23–28).

By subcontracting with RMK–BRJ, Hyundai was in its own way beginning to participate yet more fully in the US MIC and the Pacific ruling class alliance. A Hyundai manager who worked in both Thailand and Vietnam has noted to us how Hyundai’s Vietnam experience differed from its experience in Thailand and how the former contributed to the company’s development.\(^{17}\) Whereas in Thailand the company had been forced to buy new construction equipment, in Vietnam all the requisite equipment and construction materials were provided in abundance by the military and the parent contractor. For example, as the company developed its ability to make precast concrete (PCa) for prefabricated building construction—a technique that was to subsequently pay great dividends in the Middle East—the US military supplied it with the necessary concrete mixing machinery.\(^{18}\) And whereas in Thailand the company had to experiment on its own with meeting quality standards, sometimes failing

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\(^{16}\) Author interview with Mr Ki-Tae Kwan, Special Senior Advisor, Hyundai Engineering and Construction, former engineer for Hyundai, June 2012.

\(^{17}\) Author interviews with Yong-Ky Eum, former CEO of Hyundai Lumber Industry (1991–98), former CEO of Hyundai Corporation (1989–11), former CEO of Hyundai Mipo Dockyard Co. (1988–89), former Vice President of Hyundai Heavy Industries (1983–88), former accountant for Hyundai Construction (1966–), June 2010 and June 2011.

\(^{18}\) Author interview with Mr Ki-Tae Kwan, Special Senior Advisor, Hyundai Engineering and Construction, June 2012.
and paying the price, in Vietnam it was literally trained directly by US military engineers on how to meet construction requirements. Moreover, when it built military housing in Vietnam, Hyundai engineers had to begin working with a wider array of heavy equipment, mastering the international engineering standards connected with use of these machines. Given the advantages, opportunities, and demands not only did Hyundai engage in tremendous learning and technological upgrading in Vietnam, but unlike in Thailand it profited enormously and accumulated considerable financial capital—much of this, again, being ploughed back into projects in Korea, such as the building of an airstrip in Osan. (19)

Hyundai’s corporate history mentions several specific aspects of the company’s process of technological upgrading in the context of the Vietnam War, as well as its related activities in the same era at the US military facilities on Guam. In Vietnam the company’s main activity was dredging, and it purchased its two dredges from the Japanese firm Nomura, purchases facilitated by OSP revenue. Hyundai studied and worked with these dredges to master their mechanics (Hyundai, 1997, pages 469–472), one of several technological learning endeavours that contributed to the firm’s later ability to segue into activities like shipbuilding (Hyundai, 1997, pages 507–509).

In Guam, on the US military base, Hyundai engaged in a variety of projects during the period 1969–75. One of the most significant was construction of military barracks and houses, which required mastery of a range of new construction processes. This included further employment of prefabricated housing and the PCA method, which enabled the company to complete housing projects far more quickly. The development of the ability to rapidly build prefabricated structures, along with the revenues Hyundai generated from construction contracts and sale of houses in Guam (totalling over US$70 million in earnings), formed foundations for the construction company’s quick and massively successful moves into the Middle East after the Vietnam War (Hyundai, 1982, pages 2056–2059).

The rapid engineering and technological upgrading of the company during the Vietnam War era is illustrated by the differences in outcomes between several projects of that era that were undertaken just a few years apart. In 1969 Hyundai received a private contract to build a bridge in Alaska, and in 1970 it received a private contract for dredging in Bunbury, Australia. It lost money on both projects. By 1972 its OSP opportunities had enabled it to master CPM and engineering practices such as the use of deep well pumps, while its general expansion had enabled it to master such techniques as the New Austrian Tunneling Method—a method for monitoring the performance of underground construction, which it learned from the Austrian government. (20) As a consequence, in 1972 Hyundai was able to successfully complete the Ramu underground hydro plant in Papua New Guinea, generating a profit of 30% on its investment (Hyundai, 1997, pages 469–472).

More generally, on the basis of its Thailand, Vietnam, and Guam ventures, Hyundai was able to expand its operations both sectorally and geographically. The several thousand engineers who were trained in this era became crucial to the company’s overall development, continuing to work for the company, training the next generation of engineers as the company expanded into different fields of activity—such as heavy industry, shipbuilding, and automotives (Hyundai, 1997, pages 384–385)—and even in some cases moving to other firms and helping them develop their construction and engineering capacities. (21) Moreover, Hyundai’s financial growth in this era funded the subsequent expansion into projects in

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(19) Author interview with Mr Ki-Tae Kwan, Special Senior Advisor, Hyundai Engineering and Construction, June 2012.

(20) Author interview with Mr Ki-Tae Kwan, Special Senior Advisor, Hyundai Engineering and Construction, June 2012.

(21) Author interviews with Yong-Ky Eum, June 2010 and June 2011.
the Middle East, where the company began to generate truly enormous revenues even in comparison with those from its Vietnam ventures (figure 1). These Middle East projects, fittingly, came to fruition as the presidency of Hyundai Construction was assumed by former Korean military General Chang Woo-Joo, who had been involved in the negotiations that ultimately led to the Brown memorandum.\(^\text{(22)}\)

Hyundai’s construction contracting history from the Vietnam era forward is worth further reflection. As figure 1 makes clear, one of the striking features of this history is that OSP contracts were consistently available to the firm—and in increasing dollar amounts—over the entire period from 1965 into the 1980s. As Vietnam War contracts subsided, Hyundai received new contracts for work in Guam and, as these subsided, the boom in Middle East contracts (officially registered through Saudi Arabia) drove the value of procurement orders even higher; and, even as the Saudi contracts diminished, a number of OSP contracts for work in South Korea itself partly filled the gap. By the end of the 1980s, of course, Hyundai had become a far different company than in the early 1960s, and its dependence on OSP diminished dramatically. But this industrial maturation evolved over a forty-year period (counting 1950s contracts) in which the firm was consistently supported by US military orders.

Hyundai is no doubt one of the premier cases of this kind of OSP-enabled transformation in South Korea, but it is scarcely unique [on Hanjin, see, eg, Woo (1991, pages 68, 96–97)]. For example, firms such as the large but more domestically oriented construction company, Daelim, had experiences very similar to those of Hyundai, except for the absence of OSP opportunities in Guam (where Hyundai was the sole Korean contractor). Indeed, as figure 2 shows, Hyundai was not even the South Korean construction firm that reaped the most in OSP contracts over the 1965–91 period. Moreover, as figure 3 shows, the value represented by these contracts was substantial; the total value of US military construction and engineering contracts received by South Korean firms—not counting here private contracts or the unrecorded subcontracts with firms like RMK–BRJ—can be conservatively estimated to have peaked at as much as 25% of value added in the construction industry during the Vietnam War era (averaging 21%) and 35% during the Saudi period (averaging 18%). These figures do not include, moreover, revenues from the large numbers of privately

\(^{22}\)Author interview with General Chang Woo-Joo, current Chairman of Korean American Business Institute, former Head of the delegation of UNC Military armistice commission (1963), Assistant Deputy Minister of South Korean Department of Defense (1965), former CEO of Hyundai Construction and Hyundai Corporation (1975–85), June 2011.
contracted construction projects in places such as the Middle East, contracts fundamentally made possible by the geopolitical economy of military procurement and the movement of Korean firms into regions where the US military was becoming increasingly active. (See, eg, http://www.samwhan.co.kr/sw/english/, which contains a long list of private sector projects carried out by the most prolific US military contractor among the construction firms, Samwhan Corporation.)

To place these figures in further relief, construction output reached 9.4% of total South Korean GDP by 1979, and 11.3% by 1990, the highest share for any OECD country during the latter year (Field and Ofori, 1988, page 44; Park, 2011, page 190). In-Young Kim notes that overseas construction accounted for between 7.5 and 11.5% of total South Korean GDP growth during the years 1977–81 and was the leading source of chaebol accumulation during this period (Kim, 1996, pages 106, 119). When one adds that the construction industry is known to have historically strong connections to manufacturing growth (Bon and Pietroforte, 1990), and that South Korea’s construction sector has been shown to have had especially strong backward linkages to a wide range of other industries (Park, 1989, pages 371–372; Polenske and Sivitanides, 1990, pages 154–159), the importance of the construction contracting history that enabled this growth becomes clear. Indeed, it would seem to provide a key to understanding why the South Korean growth dynamic has resulted in what Bae-Gyoon Park and others call the rise of a “construction-oriented state” (Park 2011).
We are highlighting here a sociospatiality that exceeds much of what is described in the neo-Weberian literature. What we argue is that the US Cold War state did not merely passively provide what one could regard as the enabling background conditions for the activity of the Korean developmental state; rather, in the case of Hyundai and other Korean construction firms, it entered constitutively into the development of the firms’ industrial capacity, while—insofar as it disciplined firms in particular instances—it actively carried out one of the roles more frequently attributed to a developmental state. In other words, geopolitics and political economy were deeply fused in the class and class-relevant transnational processes by which Korean chaebol were inducted into the US MIC.

We provide a sense of the overall significance of OSP to the Korean economy—and thus a sense of the overall importance of the geopolitical economic issues we have been analyzing—in figures 4 and 5. Figure 4 shows the overall levels of OSP assistance received by the major US Vietnam War allies, South Korea, Thailand, and the Philippines, while figure 5 shows what combined OSP and MAP amounts came to as a share of gross capital formation in each economy. We note that the figures must be regarded with some caution. The figures on both OSP and MAP come from a US National Archives database that lists contracts for the Vietnam War and other ‘Prime Contracts’. This dataset does not include all contracts. At the same time a number of firms listed under the country headings for OSP are firms with North American names, implying that they were branches of US-based corporations receiving contracts for work overseas (though there are far fewer

![Figure 4. Combined value of OSP (offshore procurement) and Military Assistance Program (current US $ million).](image)

![Figure 5. OSP (offshore procurement) and Military Assistance Program as share of gross capital formation.](image)
of these in the case of South Korea). The former problem could lead to the figures being underestimated, while the latter could lead to overestimation, though more so for Thailand and the Philippines than for South Korea. Given the possibly large number of unlisted subcontracts, underestimation is the more likely problem, but in any event we take the general magnitudes and trends indicated to be accurate, and we note that they fit relatively comfortably—in their general implications—with some of the figures on the importance of US economic and military assistance to South Korea that are cited by Woo (1991, page 45), and also with the assessment of authors like Seiji Naya (1971).

Clearly, with OSP and MAP collectively equalling between 40% and 60% of South Korea’s gross capital formation during the late 1960s, their significance for the ramping up of Korea’s industrial ‘take-off’ was enormous. We want to emphasize, however, two qualitative claims embedded in the quantitative data. First, as we have shown, OSP has a significance that goes well beyond the volume of capital it pumps into economies, though the volume is by no means irrelevant. OSP provides a direct subsidy—and protected market opportunity—to specific industrial firms, thus contributing in tangible ways to the very processes of learning, development of engineering skills, and technological upgrading that are core concerns for developmental states and their theorists. As such, we think the enormous windfalls to Korean firms from Cold War era OSP need to be counted among the crucial conditions for the success of both Korean chaebol and the Korean developmental state.

Second, and related to the first point, we have shown the amounts of Korean OSP and MAP compared with the figures for Thailand and the Philippines to make a broader point about both the regional economy and the South Korean developmental state. We have emphasized the transnational dimensions of Korean dynamism, and in figures 4 and 5 what we also illustrate is that this dynamism was part of a hierarchical regional process in which not all players within the Cold War alliance were equal (see Bernard and Ravenhill, 1995; Cumings, 1984; Hart-Landsberg and Burkett, 1998). The US Cold War state was clearly the dominant player, even though it could not simply dictate terms to regimes like Park’s. Japanese elites played the role of silent regional subhegemon, gaining in fact a much larger share of OSP than Korea, though this was far less important to Japan’s overall economy by the late 1960s because of its much greater size (Havens, 1987, pages 102–106).

Among the Asian allies that provided troops to the US war effort, South Korean elites benefited the most. Korean industrial firms’ receipt of especially large amounts of OSP—even long after the Vietnam War was over—both reflected their significance as regional allies in the 1960s and helped to further their regional position by the 1980s. Even though firms like Hyundai were relatively small players in the early 1960s, they were better connected than any industrial firms in Thailand, where the economy was far more dominated by Sino–Thai merchant capital, agribusiness, and bankers (Glassman, 2004; Hewison, 1989). These differences were in turn amplified by the Vietnam War and OSP: while Korean construction firms sucked in large amounts of OSP and began to assert themselves as powerful regional players, Thailand gained economic and military assistance that spurred rapid economic growth, but without undergoing a similarly dynamic industrial transformation. Naya’s study confirms how the Vietnam War economy helped consolidate this differential pattern: 75% of the value of Thai exports to Vietnam came from rice, while for South Korea most exports were manufactured goods, including many ‘new industrial products’, with Vietnam absorbing 94% of Korean exports of steel products and 52% of exports of transport equipment (1971, pages 42–45). The consequences of these kinds of differential development trajectories are obvious to most observers today (see Doner, 2009): while firms like Samsung, Hyundai, LG, and Hanjin are not just Korean but global brand names, there are no comparable, globally recognized Thai industrial firms.
The case of the Philippines is slightly different. In the 1950s the Philippines was one of the most industrially developed countries in Southeast Asia, and was in at least as strong an economic position as South Korea. Naya’s study shows that even by the late 1960s, although its exports were limited, the majority of Philippine exports to Vietnam were manufactured goods (1971, page 42). The Philippines’ tortured subsequent history is a topic we cannot recount here, but we note one important dimension that relates to our case study. In 1966, as it surveyed the OSP opportunities being opened to South Korea by the Vietnam War, the Marcos regime—which was supplying noncombat troops and engineers to Vietnam—asked the LBJ government for special procurement opportunities. There were Philippine firms with some of the necessary capacity, particularly in construction. But CIA analysts and other US policy makers were concerned about issues such as the Philippines’ reliability as an ally—Marcos having just been elected on the ticket of a nationalist party with a radical wing they distrusted—and the leadership’s willingness to normalize relations with Japan.\(^{(23)}\)

Moreover, Marcos, though cooperative with the US war effort, was the US regional ally that most frequently suggested curtailing the US bombing campaign in Vietnam, and he even turned down requests to send Philippines combat troops to Vietnam for fear of the domestic reaction.\(^{(24)}\) In this context of partial distrust, the Johnson administration replied to Marcos’s request for special procurement opportunities in the subtly dismissive fashion that one might expect from a former colonial master: the US would set up an office in Manila to facilitate Philippine firms getting information about OSP opportunities, but no special favors could be expected.\(^{(25)}\) As the data in figures 4 and 5 make clear, the Philippines did not in fact gain any substantial opportunities for OSP, and thus even the inflow of capital it received from US economic and military assistance did nothing to forestall its descent into the grips of what has been dubbed an “anti-developmental state” (Bello et al, 2004). As figures 6 and 7 show, South Korea, effectively utilizing its OSP windfall, quickly surpassed the Philippines in both manufactured output and exports. The successful East Asian developmental state, in short,

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\(^{(23)}\) CIA, Intelligence Memorandum, “The Situation in the Philippines”, October 12, 1966, LBJL, National Security Files, Box 278, the Philippines, Memos, Vol. III, 7/667/67 [1 of 2]; CIA, Current Intelligence Weekly Special Report, “The Philippines Under President Marcos”, September 9, 1966, LBJL, National Security Files, Box 278, the Philippines, Memos, Vol. III, 7/66–7/67 [2 of 2].

\(^{(24)}\) Telegram from US Embassy Manila to Department of State, August 21, 1967; telegram from Blair to Department of State, September 29, 1967; LBJL, National Security Files, the Philippines, Box 279, Cables, Vol. IV, 8/67–11/68.

\(^{(25)}\) Memorandum for the Record: Final Conversation between President Johnson and President Marcos, September 15, 1966, LBJL, National Security Files, the Philippines, Box 280, Marcos Visit Papers 9/14–16/66.

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![Figure 6. Manufacturing value added (constant 2000 US $ million).](image-url)
has been a geographically–historically unique phenomenon, not replicated even throughout the region during the major period of its success.

**Conclusion**

We have argued that the dynamic growth and industrial transformation of the South Korean economy—and especially its crucial construction firms—are attributable not only to the actions of the Korean developmental state but to the effects of a Cold War geopolitical economy that made access to technological and engineering learning opportunities available to South Korean contractors on unusually favorable terms. In saying this we deny neither the very active role of the South Korean state in this process nor the successful efforts of South Korean firms and their workers to take advantage of the opportunities; rather, we emphasize crucial processes buttressing these efforts that are largely missed or downplayed in most neo-Weberian accounts, especially the role of OSP and the induction of South Korean firms into the US MIC.

In doing this, we have tried to show that conceptually and methodologically it is useless to partition the economic performance of states like South Korea from geopolitics and transnational class issues. Statist analyses of the ways policies guide the market are superior to neoliberal arguments in this regard, but they do not go far enough. Economic development in East and Southeast Asia has been shot through with the same kinds of class power and destructive military violence that have accompanied capitalist industrial transformation elsewhere in the world over many centuries. A geopolitical economic analysis of East Asian development that makes the enrolment of Asian states in the US MIC a centerpiece of industrial transformation provides one important corrective to this absence of war from the story of East Asian industrialization. As such, it also provides a corrective to the antiseptic political recommendations for building developmental states that often follow from such geopolitical silences.

**Acknowledgements.** The authors would like to thank Samuel Bowles, Seung-Ook Lee, the PEAS group at National University of Singapore, and Joel Wainwright for helpful comments on earlier versions of this paper.

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Data on offshore procurement contracts (OSP) and military assistance program (MAP) spending are calculated from the datasets available at the US National Archives and Records Administration website: http://aad.archives.gov/aad/series-description.jsp?s=492&cat=WR28&bc=,sl (Records of Prime Contracts Awarded by the Military and Service Agencies for the Vietnam War); http://aad.archives.gov/aad/series-description.jsp?s=503&cat=WR42&bc=,sl (Records of Prime Contracts Awarded by the Military and Service Agencies); and http://aad.archives.gov/aad/series-description.jsp?s=3284&cat=WR42&bc=,sl (Records About Military Goods and Services Provided to Foreign Countries). The calculations of OSP and MAP as a share of GFCF also use the GFCF estimates provided by the World Bank, at http://data.worldbank.org/. Deflators used to obtain constant dollar estimates are also obtained from the World Bank data, as are all of the values for figures 6 and 7.

Sources for archival material
Most of the archival material cited in footnotes is from the Lyndon Baines Johnson Presidential Library in Austin, Texas, and is cited as “LBJL”. Remaining archival materials are from the US State Department historical series, Foreign Relations of the United States, published by the United States Government Printing Office in Washington, DC, and cited as “FRUS”, with the specific years and volume number indicated.