

## Rex Nettleford essay

Academic Discipline: History

*Choose an institution in either the present or the past (for example a political, economic, cultural or legal institution) and discuss how colonialism has influenced its development, and with what consequences.*

### **How has Japanese colonialism influenced the development of Woori bank and what were its consequences?**

Japan colonised numerous countries and territories, establishing puppet states, for instance Manchuria, formally annexing countries like Korea and Taiwan and seizing vast areas of China, South East Asia and the Pacific islands, having a long reigning impact on their developments. The Japanese system was an imperial one where some methods were similar to European colonial practice, including uneven attention to agriculture and limited employment possibilities. Whereas other features of Japanese imperialism were unique, including the depth of the polity, the social order and the economy. In specific, the Japanese colonisation of Korea was based on imperialistic motives, asserting their status as a global power, seeing Korea country as a source of vital resources and a rival to Chinese and Russian influences. Thirty-four years under oppressive Japanese colonisation would deliberately impact Korean development in almost every aspect, creating a base for modern institutions, whilst diminishing the outdated Korean economy. Korean nationalist scholars had traditionally defined the colonial period as a “colonial, semi-feudal society”, with the implication that capitalist transformation dated to the post-liberation period. Similarly, Ahn and Kim (1995) argued that colonial policies were a necessary, though not sufficient, condition for Korea’s economic miracle, and pointed to the numerous structural similarities between Korean growth in the 1930s and 1960s. Known as Korea’s ‘Miracle on the Han river’, the post-liberation period was known to be Korea’s rapid economic transformation, as it achieved unprecedented economic growth, going from an agrarian society, to being known for its industries of technology, shipbuilding and semiconductors. This has led to an expeditious rise in human capital development, industrialisation and large, family owned conglomerates, known as chaebols. Focusing our attention on one economic institution in particular, Woori Bank, with a direct lineage dating to the pre-colonial era as a uniquely Korean-funded institution, it perfectly encapsulates the repercussions of a Japanese economic system, going through several name changes and merges throughout its years. Although being forced to adapt Japanese practices during the colonial period, what would become Woori bank today, arguably benefited from Japan’s ruthless annexation of Korea. It is also important to understand how Japanese colonisation was not unique in the fact that they oppressed Korea’s culture and society, leading to a bitter issue of resentment and animosity between the two countries, but rather the way they constructed the economy, that would eventually contribute to the modernisation of the economy that helped Koreans build a system that would prosper.

To acknowledge the success of Woori bank and Korea’s economic miracle, it is important to gain an overview of what the Japanese generally done to Korea that made its economic growth quite surprising. Typically during colonization of other countries, Japan imposed harsh

rule, extracting resources, forcing labor, and committing severe atrocities like the Nanjing Massacre; all while suppressing local cultures through language and military control - resulting in immense suffering and mass killings. By 1911, Japan officially annexed Korea and referred to it as "Chosen". Under the Japanese, Koreans struggled to maintain their culture as the colonial authorities used their own school system as a tool for assimilating Korea to Japan, placing primary emphasis on teaching the Japanese language and excluding subjects such as Korean language and Korean history. Many Korean farmers were forced off their lands, while others had to fulfill grain quotas for Japan's needs and buildings were taken over for Japanese military and government purposes. In the 1920s the Japanese government responded to criticism of its harsh rule in Korea by easing some of its restrictive policies; they allowed the publication of some books in Korean and began to invest in education, roads and government buildings. As Japan began its conquest of Manchuria and China, it increasingly perceived Korean independence as a threat. The Koreans were deprived of their collective and individual liberties as the Japanese suppressed opposition, built nationwide transportation networks and established a new monetary and financial system. This primarily benefited Japan in the short term, however it is considerable that some of the bureaucratic, industrial and institutional foundations, left by Japan after liberation, assisted Korea's development by providing a solid foundation for infrastructural and economic development. Thus it would make sense that, although colonial structure may seem irrelevant to post-liberation economic growth due to foreign aid and state-led policies, the Japanese colonial period introduced strong foundations that provided a model for the rebuilding after WW2, leading to what would be known as the economic miracle that would indeed allow Woori bank to flourish.

Japanese Colonisation introduced modern institutional frameworks for Korea's economy but implemented policies that primarily served Japanese interests, leading to systemic inequality and a legacy of state-centric development. This means that in the short term, the Japanese intended to use Korea's economy to exploit resources and merge Korean banks with struggling Japanese ones, making Japan powerful in the financial sector. Under Japanese rule, the Korean economy underwent dramatic change; between 1912 to 1939, the traditional primary industry (agriculture) shrank from about 70% to about 40% of GDP, meanwhile, the proportion of mining and manufacturing industries combined in the total economy grew significantly, from 5% to 20%. This reflected a prompt transition from a primarily agricultural economy to a non-agricultural one. Following the annexation, the Japanese integrated monetarily with Korea once the Bank of Korea secured unconditional convertibility of its banknote into the Bank of Japan note. Via convertibility of the Korean note with the Japanese note and the creation of development banks, Korea's financial sector was primed to expand just at the time new institutions made it easier to create firms. Bank credit and company savings were the main sources of capital with the development of the banking system and the total amount of bank credit outstanding increased significantly from 16.2m yen in 1908 to 1,053.3m yen in 1938, rising 65 times during the colonial period. However, the percentage of credit that was allocated to Korean-owned businesses was smaller than the credit issued to the Japanese. Between 1908 and 1938, the Korean share of bank credit accounted for around 20% to 37% of all bank credit in Korea, while the Japanese share ranged from 35% to 77%. Considering that the Japanese population in Korea only accounted for about 3% of the total population, this differentiation in bank credit indicates that Korean banks primarily served Japanese citizens in Korea, rather than Koreans. According to Atul Kohli, the basic stance of the colonial government toward Korean capital was discriminatory. The Korean economy certainly grew under Japanese rule, as

annual average growth rates for gross domestic expenditure show that mining and manufacturing saw particularly robust growth at both the beginning and end of the colonial period. Although there aren't many records of banking activity and progress of Chosen Commercial bank from the period of Japanese colonisation, from an overall perspective of the economic growth we can definitely infer that banking excelled compared to previous years.

The nature of the colonial economy can be seen in the first economic policy the Japanese carried out after annexation: the 1910–18 Land Survey. The Land Survey transferred large tracts of agricultural land to Japanese institutions, whilst establishing the capitalist principle of exclusive rights to land ownership as a means to facilitate the accumulation of large landholdings. Next the Japanese implemented a 'Programme to Increase Rice Production' in the 1920s. The Government-General encouraged Japanese individuals and companies to accumulate large landholdings while guaranteeing high profits from rice production, increasing the production of rice exports to Japan. After they provoked war with China in 1937, the Japanese forced Koreans to supply food to the Government-General through their Rice Collection system. Colonial agrarian policy limited the development of commercial agriculture, strengthening the old landlord-tenant system, whilst forcing peasants off the land and creating a large pool of cheap labour for Japan's benefit. From 1930 onwards, the colonial economy began to move beyond the agriculture-centred system as the Government-General pursued a policy of developing Korea as a logistics base for Japan's military aggression against Manchuria and China. The industrial development in Korea was centred on war industries, completely controlled by Japanese monopoly capital and almost unrelated to the development of native Korean capital and technology, reflecting typical colonial features of uneven development and maldistribution. Despite constant hindrance from Japanese policies, Korean capital experienced a limited degree of growth in businesses in the 1920s and by the end of the colonial period there was no national capital to provide financial support for the national liberation movement.

After taking a look at the colonial economy of Korea, it is foremost to understand the roots, journey of development and outcome of Woori bank itself, to justify how the Japanese colonial economy as well as Korea's economic miracle led to Woori bank's success to this day. Woori Bank is a Korean multinational commercial bank headquartered in Seoul, affiliated with Woori Financial Group. Tracing its roots to the Daehan Cheon-il Bank, founded in 1899, it went through multiple transformations until adopting its current name in 2002. Opened by a group of influential merchants with full government backing as the first modern Korean bank, DaehanCheonil became the central bank of the Korean Empire (1897-1910) and directly translates to "the first bank under the sky". Daehan Cheonil Bank was renamed Chosun Commercial Bank following Japanese annexation in 1911 and the establishment of the government of the Republic of Korea, reducing its scope of business to general operations. Under pressure from Japan, Korean banks were forcefully merged with financially struggling Japanese banks, inevitably importing their financial crises. In order to control the Korean economy, the Japanese colonial government established a system of exchange, whilst the protectorate regime revived the coinage law of 1901 which provided that Korea was to have the same coinage system of Japan. After the end of World War II in 1945 and the liberation of Korea, Chosen Commercial bank dispatched its employees to financial institutions in the US, Europe and Japan to learn about the banking systems of major world economies. Continuously striving to contribute to the advancement of Korea's financial development, the bank made improvements to the banking system and enhancements to customer service, pursuing automation throughout the 1950s by installing electronic

bookkeeping and cash dispensers. Many historians believe the extent to which the origins of postwar Korean capital can be traced to Japanese involvement in Korea is questionable. There are both firms and institutions which started in the interwar period, but such firms would have emerged when Japan did not occupy the country. The Korean acquisition of Japanese assets played a role in the origins of some economic groups in the 1950s, but much of the Japanese-financed capital stock depreciated or was destroyed during 1945-53 and had to be restored. Despite there being a lack of evidence, it could be argued that activity of banks like Woori bank during WW2 was also destroyed or diminished, having to be rebuilt, differentiating from its progress during the Japanese colonial period. However, Japanese colonialism can still be viewed as having a great influence as it transformed banks, helping them become modernised at a much swift pace that it would have pre-colonisation. Potentially, Woori bank would not have survived post-war without Japanese colonisation modernising its economy and banking, as Korea was not acquainted with the modern banking system practiced overseas.

By the 1960s, Korea was in deep stagnation with high unemployment rates and intensive inflation. With the economic development plans announced in 1962 to , the Korean government reorganized financial institutions, creating regional and special-purpose banks to help implement government financial policies, and even allowed foreign banks to enter the market to provide economic support ; Simultaneously, the hwan(환 / 圓) was replaced with the won (₩) at one-tenth its value during the currency reformation of 1962. Concerned about balance of payments and a high rate of imports, the government instituted a floating exchange rate in 1965 that depreciated the won, increasing exports 37 percent while decreasing imports. From the 60s to the mid-90s, South Korea underwent a period of rapid economic growth, with the government stressing the importance of deposits and savings. Woori became the nation's first bank to record a total deposit balance of more than 10 billion won in 1965 and continued to develop an array of savings products. According to the enactment of the Banking Act in 1954, Korea Trust Bank (initially established in 1932 as Chosen Trust Co) was merged with the Korea Commercial and Industrial Bank of Korea, again changing the name to Korea Heungeop Bank . After going through conversions and mergers, Hanil Bank was established in 1960. The Commercial Bank of Korea promoted the mechanization of its business with accounting machines and cashier machines, whilst Hanil Bank launched the first overseas branch in Tokyo 1968, opening a bridgehead for overseas exports during the period of economic development. In 1969, the government tried to "cool off" the economy, which had grown at over 10 percent annually, by imposing lending and rediscount ceilings. In 1998, the Commercial Bank of Korea suffered the disgrace of being among the 14 insolvent banks designated by the International Monetary Fund , and managed to avoid being liquidated due to Korea's financial restructuring and self-rescue measures. Following the bankruptcy, the Commercial Bank of Korea and Hanil Bank announced a merger, and Hanbit Bank was launched in 1999. According to the results of negotiations at the time, the surviving corporation succeeded the Commercial Bank of Korea and Hanil Bank was nationalized with a public fund of 3,2642 won. After the government acquired 100% ownership in Woori Financial Group in 2001, strenuous efforts were made for privatization and Hanil bank was renamed Woori bank in 2002. By 2020, Woori ranks 95th among the largest banks in the world in terms of total assets with 311,852 billion in USD. Having evolved from various historic banks, Woori bank's astonishing success, solidifying its major financial role in the Korean economy, is an embodiment of Korea's rapid financial development from imperial times to becoming a global financial institute, combined with Japanese authoritarian rule that brisked areas of banking to become well adapted to contemporary society.

Despite having negative impacts on Korea's cultural and social development, Japanese colonial influence was also significant in shaping a modern economy that later evolved into a strategic path for future development. Kohli suggests that not only did Japanese imperialism effect a profound transformation of the Korean economy at the time, but it also contributed to Korea's long-term growth. The Japanese were able to effectively transform the traditional Korean economy by establishing a framework for a modern financial system, institutionalizing an export-oriented, authoritarian state that prioritized Japanese interests and was more centralized than its pre-colonial predecessor. Undergoing many changes and merges, Woori bank's post-war economic prosperity can only be fully understood by taking into account the contributions of its colonial past. Although ruthless and oppressive, Japanese colonisation was arguably essential to economic institutions like Woori bank, as it helped them adapt to modern banking practices and become a major multinational bank, with various subsidiaries in Asia, America and Europe.

Word Count : 2500

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