

Korean Economic Miracle in the Mirror of the Samsung Chaebol

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Abstract

The study aims to examine the phenomenon of the “Korean economic miracle” through the prism of the genesis and development of one of the leading Korean corporations – Samsung, whose origins are discussed against the background and in connection with the historical challenges facing the Korean nation and analysed in the context of East Asian regional specificity in socio-economic development. Introducing the concept of *chaebol*, the study reveals key aspects of the genesis of the structural-functional nature of Korean society and their impact on the contemporary state of the Republic of Korea using the example of the creation and development of the Korean corporation Samsung. The analysis reveals the pillars of Samsung’s success – tradition, ancestral memory, statehood, and education, within the historical context of their development. The study builds on a significant amount of historical, ethnographic and ethno-cultural facts, as well as economic information. In the course of the analysis, a number of causal relationships have been deduced that are directly related to the formation of the contemporary highly developed Korean state and society.

Keywords: Korea, *chaebol*, Samsung, clan-family community, historical identity, foreign investments, savings

JEL: E2, Z13

Introduction

In search of answers to the causes and interdependencies that led to the emergence of the “Korean economic miracle,” many authors rely solely on complex economic analysis. Thus, a significant part of the issues related to the socio-historical, ethno-genetic and ethno-cultural temporal and geographic dynamics in the East Asian region remain outside

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research focus. Often, researchers “in the field” (regardless of the duration of their stay in the country) remain disappointed by the lack of detailed information about the origins of the development of one or another economic entity and even with the polite refusal to provide such information, without even looking for the real reasons behind such an attitude.

The purpose of the present study is to examine the phenomenon of the “Korean economic miracle” looking at the genesis and development of one of the leading Korean corporations – Samsung, looked into against the background and in connection with the historical challenges facing the Korean nation. The study sets the following specific tasks: to examine the genesis and development of clan patrilineal structure and functioning of socio-economic relations using the example of the history of the Samsung company; to outline the multi-spectrum connections and interdependencies between rulers and ruled (in economic terms), embodied in the *chaebol* concept.

In terms of methodology the research employs an analysis of historical facts and data from various open sources, as well as ethnological, ethno-cultural information and empirical information processed according to the “de Groot cycle”.² Within the framework of the structural-functional approach, retrospective and comparative analyses are used, applied to the socio-historical and socio-economic development of the Korean state.

***Chaebol* – semantic, historical and social dimensions**

Samsung’s well-made hierarchy is often described as a *chaebol*, a typical South Korean form of financial-industrial group. The very mention of *chaebol* carries a certain emotional charge, a feeling that Koreans rarely share, even among themselves. *Chaebol* represents a conglomerate or group of formally independent companies belonging to certain families and under unified administrative and financial control; it is “a family-controlled industrial conglomerate in South Korea” (Meriam-Webster, 2025) or “a large family-owned business conglomerate” (Oxford Dictionary, n.d.). *Chaebols*, according to prevailing non-Asian expert opinion, emerged in South Korea at the end of the Korean War and exist to this day, but this is far from the historical truth.³

Retrospective analysis reveals that the birth of the concept of *chaebol* goes back in time. The roots of this typical clan structure can be found in mainland China as early as the First Millennium BC and the development of commodity-money relations, when large private

² “De Groot cycles” refers to research on cycles in basic innovations, particularly the work of Bert de Groot and others. This research investigates the cyclical patterns of innovation, drawing parallels with economic cycles (de Groot, 2009).

³ In Japan, the analogue of *chaebol* is called *zaibatsu* (財閥), which literally means “asset clique” and refers to industrial and financial vertically integrated business conglomerates in the Empire of Japan. It is particularly interesting that both forms are denoted by the same Chinese hieroglyphs *tsai-fa* (財閥). The combination of the two hieroglyphs means “wealth under a lid” (or “wealth collected in one place”). The same is the meaning of the Korean designation *chaebol* (재벌), which loosely translates as “accumulated wealth”, “possession”.

farms were created on a family-clan basis, both with an agrarian profile and specialized in the production of handicrafts designed and tailored to the specifics of the market.⁴ Too often, the systematic functioning of these clan structures was of a complex nature – from the production of agricultural products and handicrafts to usury, patronage, and the maintenance of clan-family security forces.

The governance of the clan structure largely copies the relationships and interdependencies in the strictly pyramidal structure of Chinese kingdoms and empires, adapting to certain philosophical systems that are advantageous, without forgetting the importance of local beliefs. Under the Qin Dynasty, Legalist philosophers were tolerated. One of their representatives, Han Feizi of the Fa Jia philosophical school, raised, for the first time in the history of civilizations, the postulates “Poverty is a vice!”, and also: “The careless and lazy become poor, and the hardworking become rich!” (Denisov, 2002). A significant part of the ideas of Legalism were preserved, supplemented and transformed over time by the emerging Neo-Confucian philosophical doctrine, along with the Taoist and Buddhist worldviews that were attractive to a certain part of the population. Over time, this complex compilation was adopted and modified within the borders of the Korean Peninsula and the Japanese Islands.

Han Feizi’s postulates, especially the second one, find their expression in the contemporary functioning not only of the *chaebol* systems, but also at the national level, especially when it comes to the Republic of Korea and Japan. We find evidence both during the Japanese occupation and in the periods before and after the Korean War, including in the functioning of Korean society after the end of the great economic crisis at the end of the 20th century.

The Samsung *chaebol* in the light of Korean historical, social, and economic development

Researchers of the “Korean Economic Miracle” (and of the Samsung Corporation respectively) rarely attempt at conducting a comprehensive analysis of the cause-and-effect relationships that led to the emergence of this civilizational phenomenon. One can often read general formulations such as: “The Korean Economic Miracle is the result of a pragmatic mix of market incentives, state intervention, and protectionism” (Mudeva, 2010). While true, this statement is incomplete because it does not delve deeply into Korean development.

⁴ Chinese clans (*Zōngzú* in English transcription) are patrilineal and directly linked to the home village or “Ancestral Home” of the clan founder, and members of these clans share a common name, dialect, and often property.

These issues are examined by Avram Agov (2006) in his monographic study “Samsung or the Path of the Three Stars”, in which the author’s personal experience and involvement⁵ are supplemented and enriched with analyses of a significant number of sources of varying nature. Seeking an answer to the question of Samsung’s success, he notes: “You will probably be surprised how banal the ‘truth’ about this ‘miracle’ is, just as the reasons for the rise of the South Korean economy and the other ‘Asian tigers’ are banal. Miracles exist only to the extent that we do not know the reasons for certain phenomena and processes. The key to unlocking Samsung’s success is the integration of highly educated and qualified human resources with an enviable work ethics, new technologies, an ambitious strategy and a matching corporate structure (social hierarchies further support the construction and functioning of a large and complex corporate and technological organization)” (Agov, 2012).

Undoubtedly, Agov is right, but Samsung’s success cannot be understood outside the context of the development of the Korean state (Republic of Korea), however with a different emphasis than that in the above quote.

According to historical records, it all began in 1930, when entrepreneur Lee Byung-Chull started his own small business producing rice flour. A small warehouse in Su-dong near Daegu city became the beginning of the great history of the Samsung Company. At that time, South Korea was a colony of Japan, and it was very difficult to develop private entrepreneurship in the country without the approval, and in some cases, with the protection of the colonial Japanese administration. Despite all the difficulties, Lee managed to establish the first independent export channel from South Korea to China and the Japanese puppet state of Manchuria in 1938. The active development of supplies of food products such as rice, sugar and dried fish made it possible to officially register the trademark Samsung Trading Company. The foreign (for South Korea) origin of the name is a consequence of the promising, ambitious plans of the Korean entrepreneur: as early as the late 1950s, Lee Byung-Chull intended to start trading with countries on the American continent. And after the deployment of US troops on the Korean Peninsula, the production of the rice brandy and beer began to be sold to representatives of the allied troops (Kaur et al., 2024).

The company’s path to success is strewn with a series of socio-historical and socio-economic challenges. First of all, to start such a small business, Mr. Lee needed funds for investment and the appropriate connections in terms of production facilities, warehouses, transportation and sales of products. In this part of the world, asking questions about the origins of the “first million” is *Terra Prohibitus*, i.e. it is impolite to ask or talk about it. However, the answer to such questions is sometimes obvious – indeed, Koreans are known for their hard work and thrift, and if we add their natural intelligence, we get a winning

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combination, the results of which, imposed over a long period of existence of the particular family, bear fruit.

Secondly, it can be assumed that the Lee clan, by delegating powers (possibly on a primogeniture and/or due to the fact that the specific person is smart and enterprising) to Lee Byung-Chull, was doing what was necessary not only to concentrate savings in favour of the common clan cause, but also to logistically support the undertaking.

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In the 19th century, the Korean government introduced a family name registration system to simplify administration and tax collection. This system gave each individual a family name based on their place of origin or family affiliation. Some family names were reserved for royalty and nobles carrying the royal bloodline through the female line – Pak (Park), Kim, Lee (Yi) and Nam. The first two date back to the time of the Goguryeo, Baekje, Silla and Kaya kingdoms (Irion, 2019), and the second two families – from the Joseon Kingdom, with a proven direct family relationship between them through a marriage alliance concluded in the mid-15th century.

The founder of Samsung, as the bearer of the iconic **yangban**⁶ (aristocratic) family, was forced to engage in activities typical of the lower classes. This was a consequence of the series of historical upheavals that led to the erosion of the monarchical foundations of the Korean peninsula and the fall of the Joseon Dynasty in the 19th century. The Korean aristocracy had a difficult time adapting to the new socio-historical upheavals and opportunities of the First and Second Industrial Revolutions and the attempts of the British, French, Germans and Americans to break the continuing isolation of the Korean kingdom (declared an empire in October 1897 – after the Donghak Peasant Revolution, under Emperor Gojong).

⁶ The **yangban** (in Korean 양반) were part of the traditional ruling class of dynastic Korea during the Joseon period (1392-1910). The **yangban** were aristocrats, mostly highly educated civil servants and military officers, who embodied the Korean version of the Confucian “scholarly servant”.

Samsung's pillars of success

The first pillar of Samsung's success can be described as continuity or the adaptive application of tradition in the structural-functional concept of existence. At the end of the 19th century, modernization began in Korea with the Gwangmu Reform aimed at carrying out an industrial revolution on a Western model: promoting industrial production, introducing innovations in textile production, creating the first Korean-American enterprise (construction of public electric lighting and a tram network), opening specialized technical and industrial schools, etc. At the same time, the entry of major Western countries and the Japanese Empire into the Korean Peninsula not only did not displace the existing feudal relations in the Korean state, but also a process of specific intertwining between the traditional order and the capitalist mode of production was observed (Torkunov, 2003).

Japanese rule of the peninsula from the late 19th to the first half of the 20th century undoubtedly stimulated the modernization and adaptation of Korean traditions. Japanese occupation or rule began with the Japan-Korea Treaty of 1876 and finally became a fact on August 22, 1910, during the reign of Emperor Sunjong, when the Korean Empire signed a forced treaty of accession to the Japanese Empire. Even before the complete annexation of Korea, Japanese capital began to massively exploit the natural resource potential of the peninsula – mineral resources, land fund, forest fund, etc. This takes legal form through the promulgation of various decrees (e.g. “On the General Land Cadastre Act”, “On Land Survey Act”, etc.), which enable the Japanese to facilitate their penetration into the agricultural sector of the Korean economy. A huge number of farmers, observing the Korean traditions of oral inheritance, and due to mass illiteracy, could not prove their rights to the land in writing. It turns out that huge areas of arable land become “no one's” and automatically replenish the fund of the Japanese Governor-General. In support of colonial expropriation, the “Forest Reserves Ordinance” (1911) and the “Forest and Field Land Cadastre Ordinance” (1918) appeared. In practice, by 1930, the institution of the Japanese Governor-General had become the largest land monopoly in Korean history, but not without the help of part of the *yangban* class, which retained ownership of almost half of the arable land (Torkunov, 2003). Thus, the *yangban* clans survived through adaptation and without losing their historical identity. It is entirely logical that the Lee (Yi) clan, and in particular Mr. Lee, used this survival mechanism.

There is evidence of the impact of past historical events on individual clans. Every large and respected *Yangban* clan maintains a wealth of archived information in which various important clan events are dutifully recorded (a tradition borrowed from medieval China), from the family tree (births, deaths, offspring, eldest son, etc.) to account books, which are direct written sources of evidence. But this information is not available to ‘mere mortals’ and only a specific family of the clan can record the information in the archives, with this honor being passed down again on a majoritarian basis. Absolute access to the information is also held by the clan leader and his trusted families. This is **the second pillar of Samsung's success – ancestral-family memory and commitment.** The

prosperity of the clan and its individual members (families and/or individuals) is tied to the concept of existence, and thus the understanding of the concept of *chaebol* is expanded to a historically imposed synthesized definition of a rich and complex amalgam of clan-family motivations and realizations of societal and economic ambitions. Each clan and/or family logically and systematically predetermined goes through periods of rise and fall, of profitable collaborations and betrayals, but in almost all cases, with common effort and proverbial diligence, strives to realize the dreamed prosperity as a collective value.

The third pillar of Samsung success is the key role of the state (including the personal qualities of the representatives of the ruling elite) **in policy making, planning, provision of market incentives, regulations and protectionism.** This third pillar, however, cannot be understood outside the historical context of the challenges facing the Korean nation after World War II (WWII). This was a period marked by a complex and tense socio-political and socio-economic environment when Korea became independent after decades of Japanese occupation.

After WWII, the Korean peninsula became an arena of growing confrontation between the then USSR (along with the PRC) and the US, which demonstrated its military presence in pursuit of its strategic plans on a regional and global scale. In 1945, the United States and the USSR signed an agreement to jointly govern Korea. An American occupation zone was established with the northern border running along the 38th parallel (Cumings, 2010). At the end of August 1945 a Korean Provisional Government was established which professed views and intentions that were very progressive for its time. These intentions were perceived by the Americans as too communist and by military decree the Provisional government was overthrown. The government was taken over by the military (American military government headed by Brigadier General Archibald Arnold) who maintained the administrative system of the country from the time of the Japanese occupation, with officials remaining in their posts, even many Japanese continued to work in the country until 1946, as Japan (or the Japanese islands) was needed in the long-term strategy of the US in the region in the context of the emerging Cold War.

Under these circumstances the questions ‘who should lead Korea?’, ‘who is the right leader for this historic moment?’ brought to the political stage Mr. Syngman Rhee. Seeking an alternative, the American administration made its choice in deference to the traditional functioning of Korean society and the role of the yangban clans and the clan-family principle of inheritance. A major factor was that Mr. Rhee’s family tree could be traced back to King Taejong, and this was too significant for a future leader. Mr. Syngman Rhee studied at prestigious Western universities – he got a Bachelor’s Degree from George Washington University, a Master’s Degree from Harvard University and a Doctorate from Princeton University. His political biography (he was the First President of the Provisional Government of Korea formed in Shanghai in 1910) and his life and work in the Korean diaspora in New York, Washington and Hawaii supported his selection. Last but not least, he was a member of the Korean Methodist Church and Institute and openly stated his anti-communist beliefs. In mid-October 1945, the future First President of Korea arrived in Seoul aboard General

MacArthur's personal plane, thus pre-empting the return of most political émigrés to the peninsula. On August 15, 1948, Lee Sin Man officially accepted power from the American military government. The Left was excluded from the political process - the beginning of the political model of R. Korea – right-wing authoritarian administrations followed by protests and repression leading to regime change (in 1948, 1960, 1980, 1987 respectively) (Agov, 2006).

Syngman Rhee's rise to power was also the starting point in the development of the country. Between 1945 and 1949, South Korea's population increased by 3.3 million people, mostly due to the arrival of immigrants (1.1 million from Japan, 300,000 from Manchuria, 20,000 from China, along with 86,000 who left the territories north of the 38th parallel). The economic start of the new state was difficult because the former colonial industry was concentrated in the northern part of the peninsula, while the south was mainly agrarian and home to 2/3 of the peninsula's total population, characterized by mass illiteracy and poverty (in 1948, real incomes in South Korea were only 33% of their level in 1936). The southern part of the former colonial Korea produced 82% of cotton fabrics, 72% of machinery and machine parts, 89% of printed materials, 65% of food products, etc. It should be noted that despite the uneven industrial development in favor of the North, the beginnings of modern development were also appearing in the south, especially in the machinery manufacturing sector. Korean subcontractors from Seoul and Incheon (a port 40 km west of the capital) even supplied aircraft parts to Japanese manufacturers.

The South has another important advantage – 80% of bank assets (about 4.2 billion won) are south of the 38th parallel. During the colonial period, 81.7% of the available capital in all Korean enterprises was Japanese, mostly in the hands of the *zaibatsu* such as Sumitomo, Mitsui, Mitsubishi, etc. In some industries, the Japanese share was almost 100%. For instance, in the chemical industry it was 97%, in cement industry – 97%, in metallurgy and engineering – 93%, etc. (Agov, 2006). Between 1946 and 1950, three land reforms were implemented, under which land confiscated from Japanese owners was sold by the state to large Korean landowners, and even in 1950 the state committed by law to buy and redistribute land from owners not engaged in agrarian activities. The agrarian reform undertaken under the US administration and Syngman Rhee's rule failed to destroy large-scale landholding. As early as 1947, confiscated Japanese properties and production facilities were redistributed between the state and private owners (and especially those with the necessary means, i.e. *chaebols* who managed to adapt and survive during the Japanese occupation), who quickly formed an organization to protect their interests – the Association for Trade and Industry, which in turn provided support to Syngman Rhee's party.

The question of power is of vital importance not only for the *yangban* clans, who are taking advantage of the military-political developments to varying degrees, and in the face of fierce competition. The businessmen of the 1950s were broad specialists, seizing various opportunities to fill the many available niches in the local market. Firms (new or

long-established) expanded relatively quickly with the help of the state and of course with the significant clan-family support, demonstrating visible success (Agov, 2006).

The period of Syngman Rhee's rule (the so-called 'First Republic') was a kind of preparation for the rapid economic growth of the Republic of Korea after 1964, despite the lack of planning, the presence of inconsistent policies, covert and overt corruption, strong-arm measures in his anti-communist campaign, etc. The desire became clear to avoid regional domination by Japan, which was actively supported by the US, through import substitution. Governance in post-WWII Korea, despite the existence of multiple parties, the adoption (as early as 1948) of a Western-style constitution, and the combination of presidential and parliamentary rule, was characterised by authoritarianism and dictatorship, and responded to centuries of regional traditions in relations between rulers and ruled. However, this was also a period in which the existing *yangban* clans had to adapt to new socio-economic conditions and the rapid increase in the number of private owners, who in one way or another were proving to be competitors in the way of their financial prosperity, and countering the old clan-family structures found in the high power positions of the state and their overt and covert opportunities. Success in their intentions was often garnished by various corrupt mechanisms.

During this period, American support for post-war Japan was evident, at the expense of the necessary self-development of the Korean economy, which almost automatically unleashed a deep and historically predetermined hostility toward the Japanese, who had brought the Korean people numerous sufferings and humiliations since the establishment of the Joseon dynasty. Issues related to the 'external enemy' (be it Japanese pirates, Manchurians, Mongols, Tokugawa samurai, Japanese occupation troops in the twentieth century, the communist threat from the North) placed a clear emphasis on the First Republic's governance. At the same time, it cannot be denied that American aid played a key role in the South Korean economy for a long period. They proved to be a major component in the so-called 'Import Substitution Period' (South Korean version of the Marshall Plan). The historical situation on the peninsula required a high rate of economic development and, in particular, the industrialization of the R. Korea in order to proceed to the solution of security issues (in the sense of survival).

The *chaebol* Samsung – a tale of Lee Byung-Chull's striving and success

Samsung's founder Lee Byung-Chull was doing business in many directions. From producing rice flour to trading food products, in 1945 the company began to engage in transporting goods not only within Korea. Thus, by the start of the Korean War in 1950, the company had become one of the 10 largest transportation companies in Korea. The company was headquartered in Seoul, but after the city was captured by the North's army, Mr. Lee was forced to move his business to Busan. The massive incursion of American troops over the next year and a half proved very favourable to Mr. Lee's company.

The Korean War (1950-1953) and its aftermath directly affected Samsung's founder – the rice brandy and beer factory, various other industries and warehouses, even the entrepreneur's own home in Seoul were burned down in the course of hostilities, and his plans to expand trade to the Americas collapsed. After a truce was reached between the North and the South, the state in R. Korea, in the person of the Syngman Rhee administration, re-launched its actions to rebuild the South Korean economy, with the massive support of American financial aid. Syngman Rhee appeared to command strong levers for implementing his economic policies and exerting influence (even pressure) such as the distribution of dollar (or other currency) flows, bank credits, import licenses, etc. In other words, the state could control the business with political tools. A. Agov (2006) reveals part of this mechanism by pointing out that domestic firms were able to buy raw materials through US aid at high official exchange rates of the local currency and sell the final products on the local market at high prices dictated by the deficit.

Another important factor was state-assisted lending, which was particularly effective in favouring private business. For example, if a factory was being built with the help of ICA (International Cooperation Administration), the company had to guarantee the loan with as little as 15-20% of its available capital. In this case, a firm could take a small loan from a commercial bank and deposit it as a guarantee with the Industrial Bank in exchange for a larger long-term loan at a lower interest rate. This local currency loan was converted into dollars at the official exchange rate (cheap dollar) and so the profits for the entrepreneur concerned could be substantial and the producers could quickly gain a monopoly position in the market (Agov, 2006). In other words, it was vital for entrepreneurs to get approval and access to financial aid from the government. Mr. Lee Byung-Chull, the founder of Samsung, got rich quickly given that the average per-capita income in South Korea in the 1960s did not exceed \$ 80⁷. There is a close relationship⁸ between President of Korea Syngman Rhee and Mr. Lee Byung-Chull, and it was probably a matter of mutually beneficial cooperation.

Samsung's rapid and powerful involvement in the post-war economy of R. Korea was also due to the *Yangban*-clan Lee, which remained faithful to the ancestral-family traditions that have continued to exist, albeit not so obviously, in the contemporary functioning of Korean society. In this case, it is a combination of mutually beneficial interests of families from the same clan, in the context of favourable socio-economic conditions (key positions

⁷ Legend has it that in the ruins of his burnt-down home, Mr. Lee Byung-Chull found a hidden chest of money, which he put into his new business. These were a textile factory, a sugar factory, and later an insurance business. Every legend also hides a 'grain of truth' and there is some possibility that this happened, especially if keeping in mind one of the meanings of the term 'chaebol', namely 'wealth under a lid', "possessions" and the tradition of burying money and jewels 'for a rainy day' in thick-walled ceramic containers (or living like a rich man from the 1960s. - in a fireproof safe of appropriate dimensions).

⁸ Some researchers believe their relations were friendly. However, this conclusion is far from reality, because according to Korean traditions, friendly relations can only exist provided that there is no more than two years difference between the two persons. This condition in communication (regardless of its nature) still exists nowadays.

in the governance of the state, distribution and redistribution of significant cash flows, launching or stopping of permit regimes, granting of licenses, profitable deals, etc.).

Mr. Lee Byung-Chull actively and successfully engaged in the symbiosis between tradition, contemporary challenges and power. His post-war profitable venture came with the establishment of Cheil Jedang (today's CJ Holding Company) in August 1953 as a sugar and flour manufacturer and was originally part of the Samsung Group as its first manufacturing business. In 1955, it opened the first flour mill in South Korea, and in 1962 it began exporting sugar to Okinawa, Japan. In 1965, Cheil Jedang's sugar business was named Beksul. The company entered the artificial spice market in 1963 with Mipoong, competing with Miwon, the then bestseller from Daesang (Cheil Jedang, n.d.). The income Mr. Lee earned from the sugar business was invested in building the foundations of other companies in textiles, automobiles, insurance, electronics, etc. Many of these companies are still in operation today, and bring in significant revenue for the computer giant.

The timid process of democratization, following the resignation and exile of Syngman Rhee and the declaration of the Second Republic on January 1, 1960, was associated with increasing political chaos. The government, demonstrating a desire to establish contacts with the Democratic People's Republic of Korea (North Korea), proceeded to cut military spending and downsize the army, and this proved to be a fatal mistake that contradicted the concepts and intentions of the shadow *yangban*-families in power. Thus, General Park Chung-Hee's military coup in 1961 marked the beginning of a 30-year rule by some of Korea's generals. Park Chung-Hee renewed investigations (that started during the Second Republic) not only against the founder of Samsung, but also against eleven other of the richest businessmen, with charges of ill-gotten wealth and corruption, which de facto constituted a settlement of political scores. On the other hand, however, the general was very well aware that in order to achieve his goal of security and economic development of R. Korea, he would have to make a series of domestic and foreign policy compromises. Notwithstanding the fact that the strategist Park established an Economic Planning Board functioning as a "General Staff" or "a Government within the Government", he still needed the help of these same richest people in the R. Korea that he had subjected to repression.

The first key moment in the existence and development of Samsung after the reign of Syngman Rhee was the government's collaboration with *chaebols*. Immediately before the coup, Mr. Lee (with Syngman Rhee's approval) visited Germany and Italy in search of investment to carry out the construction of a fertilizer plant, which was a long-standing intention of his. The businessman was promptly warned of the new ruler's revanchist intentions and on his return from Europe remained in Tokyo, from where he received information on developments through various channels. On the way to implement his ambitious and complex program for the development of the country, general Park made a correct and inevitable strategic choice – to push anew the path of collaboration with the powerful clan-family structures or *chaebols*, the same ones that after the coup fell into the mill of his political revanchism. Through two emissaries, General Park persuaded Mr. Lee to return to Seoul. The latter in a special press conference at the Imperial Hotel in Tokyo,

formally declared his desire to return to Korea and to provide all his assets to overcome poverty in South Korea (Agov, 2006).

It is important to understand why it is exactly the founder of Samsung, Mr. Lee Byung-Chull who happened to be the person the President of the country turned to and not some of the other powerful eleven businessmen. The *Yangban*-family name Lee (Yi) is invariably recognized by the people and justified historically, through the Joseon Kingdom. Tradition commands respect and homage to each of the direct descendants. The Korean etiquette demands that when two persons of different age and different social status communicate the one who is younger and of lower social status should listen respectfully to the older person of higher social status. The family background of General Park was rural, which, according to the *yangban*-families, automatically placed him in the bottom of the social hierarchy. Thus, Mr. Lee was both of higher social status (as a member of the Lee *yangban*) and older than General Park by seven years, which put the President in a position that, in the course of a possible conversation, he would have to listen to Mr. Lee respectfully, slightly bowed, and only nod affirmatively. But General Park was also the President of the country and such behaviour was out of the question. The case was complex enough and it because of that intermediaries were sent to negotiate the terms of a possible future communication between the two.

President Park turned to Mr. Lee also because the latter was the most successful businessman of the group of eleven, with a great deal of experience gained since the Japanese occupation and with the necessary connections and influence, not only in Republic of Korea, but also in countries in Europe and Asia. His business image among the other *chaebols*, his proverbial industriousness, entrepreneurship, vision and thrift tilt the selection in his favour.

Park and Lee reach a settlement at a price (that was to Lee's detriment), and after Lee's recommendation, the detained businessmen were released (also at a price), pledging to help the new regime manage the economy. The fact is that almost all the ideas of industrial development of R. Korea come from the private sector (Agov, 2006).

A second key point in Samsung's existence and development is its focus on industrialization and raising living standards. The founder of Samsung became the first President of the new Economic Association, later renamed to Federation of Korean Industries, and it was he who focused on industrialisation of the country and raising living standards. For all this, a strategic development plan was drawn up and presented to President Park by Mr. Lee Byung-Chull. In presenting it, Mr. Lee pointed out that the South Korean economy did not have the necessary time to carry out English-style industrialisation and that it needed to start in reverse order, from large enterprises to medium and small ones. The key to this endeavour was foreign investment from Japan, the US and Europe and representatives of the Lee clan travel to the US and Europe to secure such investments. President Park has to 'lie down with the enemy' Japan and implement the first step of industrialization – building a huge scale steel mill with Japanese blessing and funds (Tanev, 2016). While Park's team, instead of getting investment from international banking

institutions and from developed European countries and the US, received rejections and poorly disguised sarcasm towards such a venture, Mr. Lee Byung-Chull used his personal contacts in the US to launch the idea of an industrial belt along the East Sea coast. Of course, he did not fail to work also on his old dream of modernising agriculture and building a fertiliser plant with a capacity of 350 thousand tons a year.

A third key moment in the existence and development of Samsung is the focus on export-oriented economy. Although Samsung was actively involved in the development of heavy industrialisation and in the development of the chemical industry, these sectors were not becoming competitive businesses for the *chaebol*. Samsung's involvement in heavy industrialisation was a 'marriage of convenience' – something necessary but not necessarily desirable for the group's development. With Samsung's help, foreign trade expanded rapidly and President Park awarded Lee Byung-Chull for his success in exporting Korean products. Thus, exports became a cornerstone of the government's strategy and a goal in the industrialization of R. Kore and in long-term economic growth. The government provides export incentives through cheap credit, discounts on export commodity fees, etc. Similar to Japan, the country puts the development of the economy on the basis of an export strategy that provides the valuable foreign exchange to invest in new domestic industries (Agov, 2006).

A fourth key point in Samsung's existence and development has been the integration of the Korean traditions of the clan-family functioning of the society into the state politics. President Park, for the first time in Korea's history, implemented economic development planning (First Five-Year Plan launched in 1962) and officially launched his concept of "The country is one family!", trying to reconcile Korean traditions (patrilineal-family system) with the challenges of the modern era. His original doctrine of economic development was based on three basic principles: maximalism, purposefulness and dynamism and it is still valid today. In the course of realizing his intentions, Park began openly tolerating certain chaebols. New levels of symbiosis of *chaebols* with the state were reached. Park Jong-hee never forgot the attitude of the old aristocratic families and all too soon elevated as his favourite a promising man from his stratum - *Chung Ju-Yung*, the founder of Hyundai. The close personal relations between Park Jong-hee and Chung Ju-Yung made Hyundai, by 1980, the largest *chaebol*, whose leadership in the rankings continued until 1997.

Samsung's founder Mr. Lee Byung-Chull-Chol succeeded in saving the eleven businessmen he had the honor of doing business with. He created conceptual plans for economic development and secured outside investment thus fulfilling his duty to the state, however at the price of forcibly parting with his already realized longtime dream, the nitrogen fertilizer plant. He remained markedly reserved about Park's personality and is the only *chaebol* head not to set foot in the presidential residence for the traditional Lunar New Year meeting.

Education – the forth pillar of Samsung’s success

The fourth pillar of the success of Samsung and the Korean economy is built on the attitude of the Korean people towards education, a conscious pursuit of personal and group improvement in the acquisition of knowledge and professional skills, combined with the application of the competitive principle in selecting the best. The Confucian traditions deeply embedded in Korean society prescribe that the key to good governance is a literate and prosperous population, i.e. “a country can be well governed only if its population is prosperous and if its prosperity allows it to have greater access to education” (Konfutsii, 2007).

The foundations of the winning combination of education and competitiveness are outlined as follows: “Around 958, King Gwanggaeto, the fourth ruler of the Goryeo kingdom, established the *gwageo* – national examinations for candidates for state officials, modelled after the Chinese civil service examination system introduced during the Tang Dynasty...King Songjong, the sixth ruler of the Goryeo Kingdom...in 992 established the *kukjagam* – the highest educational institution in the country at that time: a school for scholars...”; “in 1392 ... the Joseon Dynasty emerged on the political scene ... the foundations were laid for what would be characteristic of the Korean people and society in the following centuries – from local provincial government and the division into classes⁹ to the creation of the Korean alphabet and the transformation of Hanyang (present-day Seoul) into the capital of the country” (Kim, 2020: 15-16). Kim Su’s description refers to the reign of Sejong the Great (1418–1450), the fourth king of the Joseon Dynasty of Korea and one of Korea’s most famous rulers. Through the introduction of *Hangul* (the Korean alphabet), literacy became more accessible to the common people, breaking down the barriers imposed by the complex classical Chinese alphabet, which was then the written language of the elite.

Even today, education in the Republic of Korea is a path to successful personal fulfilment. The ‘miracle’ would not have been possible without the mentality of people never giving up or saying ‘no’. Koreans worked hard, saved a third of their income and invested everything in the education of their children (Mudeva, 2010). The modern education system in the Republic of Korea is rigorous, clearly structured, with a strategic vision outlined by the state – approximately 20% of the central government budget is allocated to education. South Korean education turns out to be one of the most successful every year, especially thanks to the literacy rate of almost 100% and the continuous high achievements in international terms (ICDET, n.d.). Education is still highly valued in Korean culture and is seen as a means of climbing the social hierarchy.

From the age of 6, all children must move on to six years of compulsory primary education with the study of English, fine arts, Korean, mathematics, music, physical education, science, social studies, etc. The transition to the three years of middle school

⁹ It should be mentioned that *yangban* after taking the *gwageo* exams received the status of nobles and held state positions (Author’s note).

can be difficult. Most Korean high school students take a test to determine their academic ability in order to advance to the next level of their education. The standards are high, and some students start preparing at a much younger age. The pressure could also be due to the fact that starting from high school, education is no longer free. Therefore, the financial burden becomes more intense as students progress. Regular high school education also offers elective programs such as art, ethics, mathematics, history, music, physical education, technology, etc. To meet expectations for early improvement, children study both at school and with private tutors (a practice observed since ancient times and today widely spread and supported by ambitious parents).

The South Korean exam system with its in-built competitiveness plays a major role in determining a child's future. Everything in Korean society is subordinated to the expectation of success. Parents pray for their children's success, and planes are banned from flying over places where tests are being held. University education offers completely new and challenging standards of excellence. On the one hand, students are under enormous, almost insurmountable pressure, but on the other hand, they have a clear awareness that this is a profitable investment in personal skills and knowledge that will help them succeed in the highly competitive Korean society.

Young people in South Korea are encouraged to be open-minded and even change their field of study at any time. Launching an original idea in the form of a project and having it approved by a company or corporation opens up the opportunity to work as interns and receive financial support. It's not about graduating and getting a job as early as possible, but about building the confidence that you've come close to perfection, to the best competitive position. Society itself, the work environment, places demands above all on hard work and diligence, talent is not considered an important factor there and there is no excuse for failure (ICDET, n.d.).

Technological literacy of the individual is a key concept in the education system. Advanced gadgets can be observed in almost every classroom: personal tablets, high-tech screens, wireless communications, etc. – i.e. everything that is typical of modern technology and can be used for educational purposes. It should be noted the bright and active presence of Samsung Electronics, as the largest representative of the Samsung *chaebol*, which back in 2019 offered its new vision for the company's Corporate Social Responsibility "Together for Tomorrow! Enabling People". The company's focus is to provide education for future generations, to empower children and young people to reach their full potential and become global citizens capable of stimulating positive social change, building a better world. As a leading technology company in the industry, Samsung Electronics recognizes that the next few decades will be influenced by the rapid changes brought about by technological advancements. In the future, two out of three of today's students will have jobs that do not exist today. Therefore, Samsung Electronics believes that it has a responsibility to ensure that the next generation is prepared for this future (3eNews, 2020). In other words, the responsibility of the state is also the responsibility of the corporation, with the responsibility of the latter being just as valid and significant as that of the former.

Conclusion

The Republic of Korea is an example of how an economy based on savings and foreign investment can generate sustainable growth over time and constantly increase the quality of life of its citizens without having problems with foreign debt.

The success of South Korean society comes at a price. In the pursuit of well-being, the individual is aware of his or her importance as part of the whole, for the rise of the state, and is willing to sacrifice time, money, and personal happiness in the pursuit of his or her own perfectionism. This mentality, which seems strange and even incomprehensible to residents outside the East Asian region, has contributed to the successful presentation and performance of the Republic of Korea on the stage of the global economy today. Thus, at the heart of the success of both Samsung and the Republic of Korea lies the deeply rooted Confucian spirit of collectivism and willingness to serve one's family and country regardless of and despite historical challenges. The role of the individual, whether the head of a chaebol or the president of a corporation or an ordinary employee, remains visible, significant, and recognized in the complex and diverse journey of the Korean nation towards the future.

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