

RESEARCH ARTICLE

Socio-Economic Development and Urbanization in South Korea

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Abstract

This article analyzes the socio-economic development path of South Korea during the second half of the 20th century and the early 21st century. The study examines the industrialization processes that formed the foundation of the "Miracle on the Han River" and the rapid urbanization that resulted therefrom. In addition, alongside the positive outcomes of urbanization, contemporary challenges such as population density, demographic crisis, and social stratification are scientifically highlighted.

KEYWORDS

South Korea, economic growth, urbanization, industrialization, Seoul metropolitan area, social transformation, demographics, digital economy.

INTRODUCTION

Following the Korean War of 1950-1953, South Korea began its journey toward becoming a global competitor in economic growth, surpassing expectations set for nations in similar circumstances. Despite various economic shocks that affected the world-particularly oil shocks, high inflation, and rising unemployment - South Korea managed to develop more rapidly than many already-industrialized, technologically advanced, and large-scale corporate states. Regardless of how far South Korea advanced, attitudes among Korean youth toward marriage began to shift: instead of focusing on building a family, young people increasingly directed all their attention toward achieving success in career and quality of life. South Koreans themselves cite financial difficulties, high housing and child-rearing costs, shifting values, and a competitive environment as the main reasons for the low birth rate - a fact confirmed by official studies. The aim of this research is to examine South Korea's socio-economic transformation, the industrial policies that drove rapid

development, the urbanization processes that followed, and the contemporary social and demographic challenges the country faces today. This study is relevant given the growing interest among developing nations in emulating the "Korean model" of development.

METHODS

This study employs a historical-analytical method grounded in the examination of primary and secondary sources. The research draws on macroeconomic data from the World Bank, demographic statistics from government and international institutions, and scholarly literature on South Korean industrialization, chaebol development, and urbanization policy. Comparative analysis is used to situate South Korea's experience within the broader context of East Asian economic development and to draw lessons applicable to other developing nations, including Uzbekistan.

RESULTS AND DISCUSSION

Economic Miracle: Industrialization and the Han River Model

The Republic of South Korea, starting from the early 1960s and over approximately 40 years, managed to outpace developing nations through swift and sustained growth. In 1961, gross domestic product (GDP) stood at \$2.3 billion (approximately \$91 per capita). At the time, South Korea was an underdeveloped country with scarce natural resources, a small domestic market, and a large population of 25.7 million. Under President Park Chung-hee, a far-reaching modernization program was implemented, which came to be known as the "Korean Economic Miracle."

The government supported the activities of the Economic Planning Bureau, which formulated five-year economic development plans. The administrative system was centralized, large foreign investments were attracted, a national highway network was constructed, and favorable conditions were created for major financial-industrial conglomerates (chaebols) - such as Samsung, Hyundai, Daewoo, and Lucky Goldstar (LG) - that played a locomotive role in economic growth. The economic development strategy was directed toward developing domestic industry and attracting foreign capital with the goal of entering overseas markets.

During the 1960s, primary emphasis was placed on producing light industrial goods that required a skilled workforce, advanced technology, and lower investment. From 1970 onward, fields such as metallurgy, oil and gas, chemicals, shipbuilding, and construction expanded, followed later by the automobile and electronics industries [5]. In shipbuilding, South Korea secured a position among the world's leading nations. The strategic, phased implementation of these policies within an economically planned framework enabled South Korea to compete with developed nations and become Asia's leading economy.

Between 1963 and 1973, agriculture held a higher share of both output and employment compared to industry. Agriculture accounted for approximately 35% of GDP and 55% of employment, while industry accounted for 17% of GDP and 13% of employment respectively. From 1965 onward, numerous reforms were enacted to ensure price stability and high growth: the national currency was devalued, and interest rates were doubled to increase domestic savings. A foreign

trade reform was also implemented to facilitate the import of machinery and spare parts used in export production. As a result of these reforms, the government's role in resource allocation increased, and by the late 1960s, major projects were being executed in certain heavy industries.

Japanese loans played a significant role in financing these projects. In 1965, Japan and South Korea normalized diplomatic relations, and Japan agreed to extend low-interest loans totaling \$800 million, grants of \$300 million, long-term loans of \$200 million, and trade credits of \$300 million. Furthermore, of the \$1.864 billion in foreign direct investment that entered the country between 1962 and 1981, \$1.026 billion (55%) came from Japanese entrepreneurs; the United States was the second-largest investor with \$461 million (26%).

Covering the development periods of 1962–1971, annual average GDP growth reached 7.4% and 11% respectively, while inflation, which had exceeded 13% at the end of the first period, fell to approximately 10% by the end of the second period. South Korea's participation in the Vietnam War alongside the United States and the resulting foreign currency earnings played an important role in the high growth rates achieved during the second period [3]. According to World Bank data, South Korea's GDP grew at an average annual rate of approximately 10% from 1981 to 1987, reaching as high as 12% between 1986 and 1988. By 1987, inflation had dropped to 4.9% (from 24% in 1980), and external debt was reduced significantly - a major achievement for the Korean economy.

Chaebol System and Its Role in Development

A chaebol is a large business conglomerate system that emerged in South Korea in the mid-20th century. In the Korean language, the word "chaebol" is a combination of two words meaning "wealth" and "clan." It signifies a wealthy family, a monopoly, or an accumulation of wealth. Chaebols are typically controlled by a single individual or a single family. Although these chaebol families may not always hold a majority stake, descendants of the founding families generally manage to maintain control through share ownership, positions on boards of directors, appointments to executive positions, and long-term ties with the company.

The chaebol structure may encompass a single large corporation or a collection of smaller business groups. These companies cover diverse sectors including manufacturing, electronics, finance, automobiles, retail, and others. Because

chaebols possess enormous financial resources and influence within South Korean society, they are exceedingly powerful and impactful on the economy. Since the 1960s, chaebols have played a pivotal role in shaping the Korean economy. The most prominent chaebol families include Samsung, Hyundai, SK, LG, Lotte, and Hanjin. The top ten Korean chaebols control more than 50% of Korea's stock market capitalization, owning a total of 181 listed companies with a combined market capitalization of 778.5 trillion Korean won as of July 2016 [2].

Urbanization Processes and Urban Challenges

South Korea underwent rapid urbanization from the early 1960s through the late 1990s and early 2000s, a period that coincided with the seven "Five-Year Plans" that followed the Korean War and redirected the country's development. During those years, the large-scale migration of the population to Seoul gave rise to serious urban problems: housing shortages and inadequate infrastructure, traffic congestion and the absence of adequate public transport, and air and water pollution. In reality, these problems closely resembled the urban challenges then being faced by rapidly urbanizing cities in Latin America and the Caribbean.

Korea implemented a series of plans to resolve these urban challenges, and among these, the development of new cities can be regarded as the primary solution to Korea's urbanization problems. These new cities, developed since the 1960s, were designed in varying sizes, forms, and purposes to meet the needs of each era, and continue to develop in line with the ongoing shift in the urbanization paradigm. New cities developed up to the year 2000 were primarily aimed at promoting sustainable urbanization by reducing excessive concentration of population and functions in Seoul [4].

Demographic Crisis and Social Stratification

South Korea's population grew steadily over the years, and from 1990 to 2015, the standard of living improved dramatically. Immigration of workers from abroad increased annually; these migrants not only worked but also formed families and began acquiring South Korean citizenship, contributing to population growth. However, regardless of how far South Korea advanced, attitudes among Korean youth toward marriage changed: instead of starting families, young people increasingly concentrated their efforts on achieving a good quality of life and career success. South Koreans themselves cite financial difficulties, high housing and child-rearing costs, shifting values, and a competitive environment

as the primary reasons for the low birth rate - facts confirmed by official research [7].

The decline in population prompted the government to take decisive measures. Incentives were introduced to encourage childbirth, and young people were offered free housing and interest-free loans. In the conservative society of the Republic of South Korea, cohabitation without marriage and childbearing is becoming increasingly acceptable, and the number of single-person households is on the rise. The government is striving by every means possible to increase the population - to this end, it is even helping foreign men who have settled in the country to obtain permanent residency and employment, form families, and occupy an important place in social life. Population density in the country stands at 515 persons per square kilometer and continues to grow year by year.

Nearly half of the country's population (25.96 million people) currently lives in the metropolitan area - in the capital, Seoul, and several other large cities. In other countries, similar demographic problems are partly addressed through immigration; however, in Korea, this approach has yet to find its place, even though the number of foreigners is gradually increasing - not, however, to the degree seen in Europe. Korea has not had, and still does not have, a consistent policy for attracting skilled foreign specialists [9]. South Korea's working-age population (ages 15 to 64) will account for 55.7% of the total in 2040, down from 70.5% in 2022. In 2022, the elderly are estimated to constitute 17.8% of the population. According to The Korea Herald, discussions are underway about raising the retirement age from the current 60 in view of the country's changing demographic structure.

South Korea-Uzbekistan Relations

Strong and friendly relations have been established between the Republic of Uzbekistan and South Korea. From the early days of Uzbekistan's independence, friendly ties between the two states have developed consistently, and under the initiative of Islam Karimov, international partnerships and friendly dialogue were further strengthened. Major enterprises were established in Uzbekistan with South Korean investment.

At the invitation of President Moon Jae-in of the Republic of Korea, President Shavkat Mirziyoyev of the Republic of Uzbekistan made a state visit to Seoul on November 22, 2017. On November 23, President Mirziyoyev participated in the South Korea-Uzbekistan Business Forum, attended by the

heads of the two countries' economic and financial institutions and their leading businesspeople. In his address, President Mirziyoyev noted the growing trade and economic ties between the two countries and the creation of adequate conditions and opportunities for conducting business in Uzbekistan [8].

The current high level of close cooperation between the two countries has been achieved in large part through regular high-level dialogue. The Republic of Korea is one of the leading investment and technology partners in the implementation of priority programs for the diversification and modernization of industry and infrastructure in Uzbekistan. Bilateral relations are expanding in the fields of science and technology, medicine and education, and cultural-humanitarian cooperation. It is particularly important to draw on South Korea's advanced experience in city management, transportation systems, and the development of housing and communal services on the basis of modern technologies [1].

CONCLUSION

South Korea's economic model represents a unique example demonstrating the path of rapid development. The "Miracle on the Han River" has proven to every nation in the world how quickly a country can achieve a high level of development. The country's future stability depends not only on economic growth, but increasingly on restoring social balance in the urban environment, overcoming the demographic crisis, and harmonizing technological achievements with human well-being.

The Korean experience teaches that in order to achieve genuine and sustainable progress, the pace of economic growth must be balanced with social protection, demographic stability, and regional equity. This model serves as an important theoretical and practical lesson for developing nations on the path to modernization. The strategic phasing of policies, the creation of industrial conglomerates as engines of growth, planned urban development, and active educational reform all constitute the core pillars of the Korean miracle - pillars that remain highly instructive for countries such as Uzbekistan that are pursuing their own paths of accelerated development.

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