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**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**THE CURRENT ECONOMIC POSITION  
AND PROSPECTS  
OF  
THE REPUBLIC OF KOREA**

**August 6, 1964**

**Department of Operations  
Far East**

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## CURRENCY EQUIVALENTS

### After May 3, 1964

|                   |   |                   |
|-------------------|---|-------------------|
| U. S. \$1.00      | = | Won 255           |
| Won 1,000         | = | U. S. \$3.92      |
| Won 1,000,000,000 | = | U. S. \$3,921,569 |

### Prior to May 3, 1964

|                   |   |                   |
|-------------------|---|-------------------|
| U. S. \$1.00      | = | Won 130           |
| Won 1,000         | = | U. S. \$7.69      |
| Won 1,000,000,000 | = | U. S. \$7,692,308 |

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BASIC DATA

Area 38,426 sq. miles  
of which cultivated 8,033 sq. miles

Population (1962 census) 26.3 million  
Annual Growth 2.6 - 2.9%

Gross National Product (1963, billion won) 366.  
Annual rate of growth (1961-1963) 4.2%  
Per capita income US\$70

Total Available Resources (1963, billion won) 414  
Contribution of net capital inflow 12.5%  
Gross fixed capital formation 12.2%

Government Finances (billion won)

|                         | <u>1961</u> | <u>1962</u> | <u>1963</u> |
|-------------------------|-------------|-------------|-------------|
| Total revenue           | 32.6        | 41.7        | 51.6        |
| Current expenditures    | 39.8        | 48.7        | 53.0        |
| of which defense        | (16.2)      | (20.5)      | (21.0)      |
| Current account deficit | 7.2         | 7.0         | 1.4         |
| Capital expenditure     | 19.0        | 27.5        | 27.2        |
| Total deficit           | 26.2        | 34.5        | 28.6        |
| U.S. Aid                | 20.7        | 25.3        | 25.9        |
| Residual deficit        | 5.5         | 9.2         | 2.7         |

Balance of Payments (US\$ million)

|                                  | <u>1961</u> | <u>1962</u> | <u>1963</u> |
|----------------------------------|-------------|-------------|-------------|
| Exports & sales to U.N. Forces   | 120.6       | 139.5       | 145.1       |
| Imports                          | 312.7       | 428.4       | 547.4       |
| of which U.S. aid imports        | (193.8)     | (227.6)     | (219.4)     |
| Other current transactions (net) | 18.3        | 35.2        | 51.3        |
| Current account balance          | -173.8      | -253.7      | -351.0      |
| Public grants                    | 223.6       | 209.9       | 226.9       |
| Other capital movements          | -0.7        | -2.6        | 60.7        |
| Net increase (-) in assets       | -47.5       | 50.0        | 64.1        |
| Errors and omissions             | -1.6        | -3.6        | -0.7        |

Money Supply (1960 = 100)

| <u>1961</u> | <u>1962</u> | <u>1963</u> | March<br><u>1964</u> |
|-------------|-------------|-------------|----------------------|
| <u>143</u>  | <u>167</u>  | <u>170</u>  | <u>175</u>           |

Wholesale Price Index (1960 = 100)

| <u>1961</u> | <u>1962</u> | <u>1963</u> |
|-------------|-------------|-------------|
| <u>113</u>  | <u>124</u>  | <u>149</u>  |

## Summary and Conclusions

i. General Park Chung Hee, the leader of the military junta which had seized power in May 1961, was elected President by a narrow margin in December 1963. His party, the Democratic Republican Party, was able to fill 110 out of 175 seats in the Assembly. Upheavals marked the Government's first six months in office. They were sparked by the Government's attempt to normalize relations with the former colonial ruler Japan, but had their deeper cause in dissatisfaction about the economic situation. In spite of vigorous efforts by the Koreans and large U.S. aid totalling \$2.8 billion over the last decade, the rise in per capita income, now at US \$70, has been small and urban unemployment and impoverishment appear to be increasing. The Government has so far resisted pressure to change its economic stabilization policies.

ii. The economic difficulties of South Korea have their origin partly in the separation from the Northern part of the country and the destruction by the Korean war. Long years of inflation and considerable misdirection of investment, have led to a distorted economic structure, marked by over-capacity in many lines of activity and an excessive reliance on net imports. In 1963 foreign exchange earnings covered only 26% of imports. The current account deficit amounted to over 11% of GNP. But in spite of the inflated demand for goods and services during this year, there was widespread under-utilization of capacity.

iii. Yet, when the military government acceded to power in May 1961 it did not concentrate in the first place on the correction of the large dependence on foreign assistance. Through the adoption of a hastily composed and over-ambitious five-year plan it tried to lay the foundation for an industrialized economy. As a short-term remedy for the stagnation caused by a preceding too stringent stabilization attempt it resorted to a large injection of purchasing power. The result has been some acceleration of the growth rate in GNP to somewhat over 4% and a rise in fixed capital formation from 12 to 11% of GNP. These results were, however, overshadowed by a resurgence of the inflation of the fifties. In three years' time the money supply went up by 75% and prices doubled. In spite of a continued large flow of U.S. aid, the country's external solvency was weakened by a large drawdown of foreign assets and the acceptance of substantial short-term liabilities.

iv. Efforts to stabilize the situation in 1963 were successful in reducing the fiscal deficit, but were not sufficient to prevent a large rise in credit to the private sector. The effect of this expansion on the money supply was largely neutralized by a drawdown of net exchange reserves - from \$121 million to \$48 million, as imports rose to a record level. Nevertheless, the inflationary climate led to greatly increased domestic demand, so that prices were pushed up by 30% in the year.

v. In 1964, the stabilization effort became more effective. The budget for 1964 further reduced the Government's need for resorting to bank credit. Tight ceilings were imposed on bank credit to the private sector, and measures were taken to help direct credit towards sound purposes. Severe restrictions were placed on imports in order to keep the further draw-down on exchange reserves within reasonable limits. In the first few months of 1964 credit expansion was small. Imports were below the 1963 level and permitted a small rise in reserves. However, a serious drop in confidence during March and April led to widespread speculative inventory purchases of grains and a dangerous acceleration in the price rise. A chaotic situation appeared imminent and the Government was forced to advance its devaluation plans originally scheduled for the fall. On May 3, the won was devalued from 130 to 255 to the U.S. dollar.

vi. After the devaluation, prices initially jumped by about 10% but since then the price index has remained stable, at least temporarily. As far as public finance is concerned, the devaluation should make it possible for the Government to attain an overall surplus in 1964 because of substantially higher counterpart proceeds. A supplementary budget currently under preparation will be a further indication of the Government's determination to restore financial stability. The immediate effect of the devaluation on exports will certainly be favorable and the official target of \$105 million may be exceeded. However, it would be rash to say that the fight for stabilization has been won. Korea has experienced only the first hints of austerity and the crucial test still lies ahead. There will be strong demands for credit expansion to finance the local currency component of investments underway and for higher government salaries, which have not been increased since 1961. Expansion of public revenue will be essential to satisfy such demands without a recurrence of inflation and, in the longer run, to bring about the increase in domestic savings which is urgently needed.

vii. The net inflow of capital in the next few years from U.S. aid, Japan and other sources will probably not exceed about \$220 million. If full use is made of the possibilities of import substitution and a comprehensive export drive is undertaken, it may be possible to bring the resource gap to \$240-260 million in the next year or so. Part of the gap of \$20-40 million can, for the time being, be filled by some further drawing on exchange reserves. But these are already low, and additional low interest loans or grants will be required. Korea is not eligible now for Bank loans and, in view of the need for large capital inflows for years to come, is unlikely to become creditworthy for Bank loans in the near future. In terms of need Korea is an unquestionable claimant for IDA credits, but the last time such assistance was considered, in late 1962, performance, especially with regard to monetary stability and allocation of resources, was considered inadequate.

viii. Since then, there have been improvements in performance. Since early 1964 strenuous efforts have been made to correct the financial imbalance. A beginning has been made in ensuring a better allocation

of investment resources. But the financial and economic situation is as yet unsettled and the political scene disturbed. Government action in the next several months with regard to the supplementary budget, export promotion and credit control should be watched closely before a final decision is made.

## CURRENT ECONOMIC POSITION AND PROSPECTS OF

### THE REPUBLIC OF KOREA

#### I. The Political and Social Background

1. After long years of Japanese occupation, from 1910 to 1945, Korea emerged a divided country, the Northern part under communist domination and the South trying to function within a democratic framework. Soon after the establishment in the South of the Republic of Korea, the Korean war broke out which devastated the country and led to a huge loss of human life. The people of the South, despite massive American aid, have faced enormous obstacles in creating an industrial base in a primarily agricultural country that is one of the most densely populated in the world. The country's problems have been aggravated by the lack of political experience and the inability of the people to pull together.
2. The degree of political disunity was demonstrated again in last fall's election campaign. Opposition leaders, bitterly fighting General Park and the military group which had seized power by coup d'etat in May 1961, were unable to unite and agree on a common campaign. The elections were won by Park, who became President, and his Democratic Republican Party (DRP), which filled 110 out of 175 seats in the Assembly. Impressive as these victories were, they cannot be regarded as an assurance of reasonable political stability. Park won by a very narrow margin and the DRP, though emerging as the strongest political party among several, fell far short of a majority of the votes.
3. The amended constitution now in force isolates, to the extent possible in a democratic system, the executive from the vagaries of factionalism, by giving the President and the Cabinet under the Prime Minister substantial power. Constitutionally, they are therefore in a position to exercise the unifying leadership which the country needs. The task before the Government is enormous, and the outcome is still doubtful. Upheavals marked the Government's first six months in office. Student demonstrations attained a degree of intensity and bitterness, reminiscent of events culminating in Rhee's ouster in 1960. They were finally suppressed by strong police action and the declaration of martial law for Seoul. Discord within the DRP led to the resignation of the Cabinet in May and of the controversial party chairman and former head of the junta's CIA, Kim Chong Pil, shortly afterwards.
4. Student demonstrations were the most vocal expression of the population's deepening malaise, arising out of economic failures at home and the threat of renewed domination by Japan. Probably an important factor in the popular unrest is the attraction of some kind of rapprochement with North Korea, much richer in natural resources and apparently more successful economically than the South. It is impossible to assess the strength of this attraction. However, it would be unrealistic to disregard its presence and the pressure which it will bring on the Government with respect to its negotiations with Japan and its economic policies.

5. Negotiations with Japan about the re-establishment of diplomatic relations have been dragging on for ten years. The junta finally carried them to the threshold of successful conclusion because it saw in the settlement of Korea's financial claims a way of counteracting the effect of declining U.S. aid on the economy and expected from the inflow of private capital and technical know-how considerable support for Korea's industrial development. By early 1964, most issues were settled, including agreement on the amount to be paid by Japan in grants and loans over ten years. The only major issue outstanding related to Japanese fishing rights off the Korean coast. Even here a solution was in sight. However, then the student demonstrations began and the Korean Government suspended the negotiations. Because of the continuing suspension a final settlement before the end of the year does not seem likely.

6. Korea's difficult economic conditions are the most immediate source of frustration, especially among the urban population. Despite the expansionary policies of the military government, unemployment has remained high - over 15% of the labor force. There has been some improvement of living conditions in rural areas. But higher real incomes there were largely achieved through disproportionate price increases of farm products and thus were primarily at the expense of the urban population, to whom acceleration of industrial development brought little relief of unemployment, partly because of its capital-intensive nature, partly because many of the new plants were located outside the main urban centers. Whatever relief there has been, has come mainly from rapidly rising production from existing facilities. And these gains as well as the prospect of further gains are now being endangered by the threat of curtailed production and investment resulting from restrictive policies necessary to restore financial stability. It is only natural that these prospects should generate widespread apprehension and that opposition to the Government should flare up, although alternative solutions are not being offered and in fact do not exist.

7. There is clearly no responsible alternative to the basic direction of the Government's policies with regard to the country's economic and financial policies as well as towards normalization with Japan. It is, therefore, encouraging to note that the Government's position appears to have been strengthened by recent changes in the Cabinet and the DRP and that it has so far not substantially modified its policies under the pressure of popular opposition. If the Government continues to stand firm, it may eventually be able to convince the population that the task it is undertaking will have to be carried out by the country, irrespective of the Government of the day.

## II. The Economic Setting

### Economic Growth and Structural Problems

8. When the war ended in 1953, South Korea lay prostrate. Its problems of survival and rehabilitation were greatly aggravated by a flood of refugees from the North. Moreover, with the war all hope had vanished that it might soon be possible to re-unite Korea and to end the division of the peninsula's economy which separated the South from the industrial raw materials, heavy-industry products, ample hydro-electric power and markets in the North. Thus the urgent task of restoring production in South Korea to a level where it could sustain an enlarged and rapidly growing population, was complicated by the need to make a beginning in building an integrated economy for the South alone. Achievement of this task required resources far beyond Korea's means, especially as a large army of some 600,000 men at a cost of about 7% of GNP was being maintained to prevent a recurrence of aggression from the North.

9. In view of these tremendous obstacles, achievements since 1953 have been remarkable. Vigorous efforts on the part of Korea and economic aid by the United States, totalling some \$2,800 million in 1953-63, raised GNP by over 50% during the decade, or on the average by 4.5% a year. Important structural changes occurred in the economy. Agricultural production diminished in relative importance, while secondary industry almost tripled its output, giving Korea more nearly the complexion of an industrialized country. Heavy investment helped overcome bottlenecks in infrastructure. These achievements are all the more striking because the country had to struggle against the constraints of a lack of administrative, managerial, and technical skills which was the legacy of 40 years of Japanese domination and which Korea strived to overcome through a determined education effort. The fruits of this effort are now becoming apparent. 16% of the present adult population had at least a high school education; and 25% of the population above 5 years of age are currently in school, including about 150,000 students at colleges and universities; illiteracy is practically non-existent among the younger generation.

10. However, these creditable achievements are overshadowed in considerable measure by the fact that the structure of the economy which was created during this ten-year period suffers from serious defects - most notably from large over-expansion in several lines of production and a heavy built-in dependence on a continued net inflow of aid. Both of these are closely associated with the inflationary climate which prevailed during most of the decade and the very long lags in the adjustment of the exchange rate to the rises in the price level. Between 1953 and the late fifties, fiscal deficits and increases in bank credit to the private sector typically expanded money supply by 50% a year, and prices soared correspondingly. The cause of this unstable financial situation lay in the very low level of public and voluntary private savings. Yet the inflationary financing employed as the remedy for breaking through the constraint of inadequate saving, while helping the economy undertake fixed investment at 11% of GNP, also served to perpetuate this fundamental problem. It created an inflationary psychology with an attendant high relative level of consumption. Gross domestic savings remained around 3% of GNP (less than one-fourth of fixed

investment), hardly sufficient to cover the depreciation of the capital stock.<sup>1/</sup> The counterpart of internal imbalance was a large current deficit of the balance of payments, remaining at some \$300 million a year, equivalent to 8% of GNP (more nearly around 12% of GNP, if a realistic exchange rate is used).

11. Imbalances of such magnitude are, of course, not altogether surprising, considering the country's abject poverty in the years immediately following the Korean war. Moreover, by enabling the economy to expand its productive base, they might have paved the way to achievement of conditions in which growth was compatible with a more stable internal financial situation and a lesser degree of dependence on external aid. However, this did not occur. One reason was that successive Governments were unable or unwilling to compress the high relative level of consumption. The second, and more fundamental reason, was that the productive structure itself, primarily in manufacturing, came to reflect the effects of prolonged financial instability. Over most of the 1950's, the internal financial situation was such that it maintained an artificially high level of domestic demand and that, for the producer, ample credit was available at negligible or no real cost. At the same time, because the Government refused to adjust the exchange rate to the continuing rapid loss of purchasing power of the local currency, imports, including machinery and raw materials, were available at far less than real cost. Roughly estimated, the official exchange rate during this period rarely represented much more than half the real cost of foreign exchange. Moreover, for the very reason that the official exchange rate was too low, foreign exchange was available in ample quantity because the United States felt committed to provide aid in sufficient amount so that at the going exchange rate the counterpart funds generated through the sale of aid goods would cover a reasonable part of Korean military expenditures. Thus highly artificial cost-price relationships prevailed which were bound to warp the industrial structure, unless there was proper guidance of investment by means other than the price system. However, this was not the case. Partly as a reflection of the Government's intention of building a market-type economy and partly by administrative default, there was little, if any, control over the direction of investment, save by the profit motive. The effects are most clearly evident in manufacturing that became geared to inflated demand, rising domestic prices, and artificially low cost of inputs, primarily those of foreign origin. In other words, underneath the overt manifestations of financial imbalance - most noticeably low domestic savings, and a large current deficit of the balance of payments - there were effects on the productive structure which made maintenance of production and growth contingent upon the continuation of inflation at home

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<sup>1/</sup>The level of domestic savings in Korea is, of course, strongly influenced by the large current expenditures required to maintain the defense establishment and by the consequent large amount of U.S. assistance. For purposes of more general comparability one might regard about half of Korea's defense outlays as a kind of external service for which a corresponding amount of U.S. aid was compensation. If this approach is adopted and some adjustment is made for the unrealistic exchange rate, domestic savings were about 6% of GNP.

and the availability of foreign exchange at far less than real cost. As regards the latter, the economy became dependent on imported raw materials requiring about \$230-250 million (roughly one-third of manufacturing output). These imports are in addition to those of food (about \$50 million in normal crop years), fertilizer (\$50 million) and spare parts. In the absence of exports sufficient to cover more than 15-25% of these requirements, and with a productive structure that was not conducive to increasing exports rapidly, maintenance of the economy became conditional upon the continuing inflow of large amounts of aid in the form of commodities.

12. The resultant rigidities were demonstrated when in 1957 the Government, under agreement with the United States, launched a stabilization program. Efforts to redress the financial imbalance by austere fiscal policies and restrictions of private credit became effective towards the end of 1958. They succeeded in attaining approximate stability of domestic prices. Gross domestic savings jumped from 3% of GNP in 1953-58 to 6% in 1959-60. The current deficit of the balance of payments was reduced by one-third, and it became possible to cut U.S. aid from \$330 million annually to \$230 million. However, stabilization was achieved at a high price in terms of curtailed growth. Economic activity slowed down sharply and the growth of GNP (at constant prices) came almost to a halt. In agriculture, unattractive prices for farm products caused growth in production to come to a standstill. Manufacturers were unable to switch from the domestic market to exports and laid large capacities idle. As a result, incomes--and consumption--were depressed much further than would have been necessary for attaining internal financial stability and reducing the deficit on the current account of the balance of payments, if growth had been sustained, i.e., by increasing production for exports.

13. To some extent, these adverse effects of stabilization were undoubtedly caused by the speed with which the program was put into effect and which left little time for proper adjustment. However, they also served to underscore the fact that an economy was being created that was not capable of sustained growth. They showed that the road towards mobilizing greater resources for investment and, therefore, towards accelerated growth was blocked. Internally, there was the existence of over-capacity in many fields and the consequent dependence of a large part of the economy on inflated demand, the removal of which threatened loss of production and thus the very opposite of growth. Externally, the economy depended on a large net inflow of imports for maintaining existing levels of production which domestic producers were apparently unable to reduce by selling more abroad. Against the prospect of a decline in total foreign aid, this inflexibility did not augur well for the chances of increasing imports of capital goods and thus of accelerating growth. Even more importantly, this inflexibility was bound to become a threat even to maintaining existing production should the amount of aid available for financing commodity imports decline, even if no reduction in total aid (grants and project loans) available to Korea were involved.

The Five-Year Economic Development Plan, 1962-66

14. The military Government, coming to power at the height of economic stagnation in May 1961, did not recognize the constraints which the structural imbalances, that had become so clearly visible in the preceding period, imposed on the attainable pace of growth. It put expansion in the forefront of its policies. As a short-term remedy, it resorted to the injection of purchasing power. For the longer term, it announced the adoption of a Five-Year Economic Development Plan to begin in January 1962.

15. Following the Government's directive, the Plan projected an increase of 41% for GNP between the base year, 1960, and 1966; annual growth rates were to rise from 5.7% in 1962 to 8.3% in 1966. On this basis and in conjunction with an estimated overall capital: output ratio, total investment required over the five-year period was calculated at won 320 billion (\$2,500 million). Attainment of this target presupposed that annual investment would increase by 140% between 1960 and 1966.

16. In its financial aspects, the plan made extremely optimistic assumptions about attainable domestic savings, the growth of export earnings, and available foreign financing. During the plan period, the increases in investment outlays over the 1960 level were to correspond to three-quarters of the projected rise in GNP. The plan recognized that financing investment of such magnitude would place an unbearable burden on Korea's domestic resources and assumed that foreign sources would provide aid equivalent to 58% of total investment, or \$1,425 million. Nevertheless, financing of the remaining investment out of domestic resources implied a marginal savings ratio of 60%. This meant that private consumption per capita would be held below the 1960 level over most of the plan period.

17. In its investment aspects, the plan, while attaching high priority to measures designed to raise productivity and incomes in agriculture, placed its main emphasis on the development of power, coal and other energy sources, the provision of an adequate infrastructure, and the expansion of key industrial facilities as foundations for an advanced industrial economy. As a practical guide to investment, the program was seriously deficient. Around a core of much-needed projects, so many less essential and dubious schemes had been clustered, that a consistent set of basic policy decisions about the direction of growth and about priorities was no longer discernible. The impression was given that the Government wanted the economy to move in all directions at once and at a uniformly high speed. Altogether, execution of the plan seemed more likely to perpetuate than to correct the structural defects of the economy.

18. In the form in which it was published, the Plan raised the prospect of a very strong strain on Korea's material resources and an over-loaded administrative and financial machine. The following analysis is concerned mainly with appraising developments during the first two years of the plan period and subsequent efforts to control and correct the extreme financial imbalances created during these years.

III. The Current Economic Position

Gross National Product

19. The Five-Year Economic Development Plan had projected that after 1961, for which no increase in total output was expected, GNP would grow at an accelerating pace and that in 1963 GNP would be 12.6% above its level in 1960. This goal was reached in 1963; GNP (at constant 1961 prices) was 13% higher than in 1960. As population was estimated to have increased by 8.6% during this period, per capita incomes were raised by about 1% a year.

Growth of GNP  
At Constant 1961 Prices  
(In percent)

|                             | 1961   |      | 1962   |      | 1963   |      |
|-----------------------------|--------|------|--------|------|--------|------|
|                             | Actual | Plan | Actual | Plan | Actual | Plan |
| Agriculture, Fish, Forestry | 9.2    | 3.2  | -9.1   | 5.3  | 2.3    | 5.5  |
| Mining, Manufacturing       | 2.6    | -1.7 | 16.3   | 11.2 | 14.7   | 13.8 |
| Construction                | 12.0   | 11.2 | 7.5    | 10.7 | 10.0   | 10.0 |
| Power, Transport, Comm.     | 9.5    | 5.4  | 11.3   | 22.6 | 9.5    | 14.6 |
| Other Services              | -2.2   | -4.6 | 7.7    | 1.6  | 4.2    | 2.0  |
| GNP                         | 3.8    | -0.1 | 2.8    | 5.7  | 5.9    | 6.4  |

20. The performance of agricultural output presented a notable exception from the general trend of growth in the economy. Adverse weather conditions explain largely, if not entirely, why output rose by only 1.3% over the three-year period. The slow growth of agricultural output had important consequences for the sectoral pattern of growth which deviated significantly from the forecast. Whereas it had been calculated in the plan that the directly productive sectors - agriculture, fisheries, forestry, mining, and manufacturing - would expand output by 18% in 1960-63 and contribute over 70% of the projected increase in GNP, the actual increase was only 12% and accounted for less than one-half of the total growth of GNP. In contrast, construction and service industries, by growing 15%, contributed much more to the total increase in GNP than their target of 28%, namely, 55%.

21. The more rapid growth of construction and services should be seen in the context of the inflationary conditions and the substantial increases in imports during these years which were reflected in speculative building, greatly increased spending on personal services and the accrual of inflationary profits in trade. The fact that increased incomes in these lines loomed so large in the overall expansion, casts some doubt on the solidity of the achievement embodied in the growth of GNP in 1961-63. These doubts are reinforced by the fact that the large expansion of manufacturing production and the slow growth of agricultural output entailed a rapid increase of maintenance imports which the economy seems unlikely to be able to sustain at the prospective level of exchange earnings and foreign aid available for financing maintenance imports.

22. The expansionist policies of the military Government during its first two years in office were reflected in very large increases of GNP in current prices - 17% in 1961 and 1962, 30% in 1963. It is, however, significant that the pattern of sectoral growth in current prices differs notably from that in real terms, because of a very substantial shift in the internal terms of trade in favor of agriculture and to the detriment of manufacturing and mining. The improved position of agriculture resulted largely from deliberate Government policy designed to reverse the deterioration that had occurred in the late 1950's, but was aided by temporary shortages and speculative purchases of agricultural products.

23. As a result, real income from agriculture rose by 16% over the three-year period, while output grew only 1.3%. Even when allowance is made for the share accruing to trade, which appears understated in the official statistics, the farm population by end 1963 undoubtedly enjoyed a somewhat higher standard of living than in 1960. In contrast, real income from mining and manufacturing by end 1963 had risen only by 12.6%, or one-third of the increase in real output. Considering that the urban population appears to have grown at least by 6% a year (for Seoul the annual increase seems to be as much as 10%), real per capita incomes in urban areas appear to have declined markedly over the last three years. The repercussions have recently been felt in outbreaks of urban unrest.

#### Agriculture

24. Agriculture, on which well over half the population directly depends for its livelihood, is Korea's largest economic sector, contributing roughly one-third of GNP. In the struggle for growth of output, basic obstacles on the road towards agricultural development have so far proved stronger than the energy and vigor of the individual farmer. The principal difficulties of Korean agriculture lie in the small size of the average farm (less than two acres), the poor quality of the soil and the large variations in rainfall which, in the absence of dependable irrigation facilities on almost half of the paddy area, strongly influence the crops of rice and other grains.

25. Well conceived and directed Government assistance to overcome these obstacles has been wanting during most of the past decade; e.g., the dissipation of large irrigation funds under the Rhee regime became a national scandal. Moreover, efforts to broaden the base of reliable knowledge about the characteristics of Korean agriculture have lacked in scope and determination. As a result, growth of output has been slow, averaging some 2.8% over the past decade, hardly sufficient to keep pace with the increase in population and to reduce the economy's dependence on large imports of foodstuffs. Even in good crop years about 500,000 tons of grains are still being imported and following poor crops such as those in 1962 and 1963, imports of grains have run well over one million tons. During the last three years, however, the Government has greatly increased its attention to the problems of agriculture. Usurious farm debt has been refunded and institutional credit increased considerably. The supply of fertilizer, from imports and production of Korea's first urea plant, reached a record level of 350,000 tons in nutrient elements in 1963, and consumption per acre rose to 70 kg, only one-third short of consumption in Japan and substantially above average consumption in the region. Moreover, distribution of fertilizer, pesticides, and improved seeds was reorganized to assure delivery on time and more extension officers were sent into the field.

26. In addition, efforts have begun to be made to diversify the cropping pattern. With substantial Government subsidies, large numbers of mulberry trees are being planted under a program designed to increase the production of silk for export. Tobacco is being pushed as a remunerative cash crop. And a few thousand head of cattle have been imported to serve as the basis for improving domestic livestock.

27. If adjustments are made for the effects of bad weather on the rice crop of 1962 and the grain crop of 1963, the increase in agricultural output has been encouraging. The rice crop in 1961 and 1963 was, on the average, 17% above the 1957-59 level, and yields were up by 14%. Similarly, for summer grains, output was 21% higher and yields 19%. Production of potatoes, responding to an increase in acreage and better varieties, went up by 40%.

28. Thus, barring the incidence of adverse weather, one may expect some acceleration of the growth of agricultural output. However, despite some basic improvement in agricultural conditions, it would be unrealistic to predict that growth will quickly accelerate to rates above the recent trend. The main problems lie with the Government which has so far not been able to establish a satisfactory approach to the development of agriculture and even less organize itself for efficiently tackling the major possibilities for increasing agricultural output. For instance, substantial increases in output could result from a better balanced fertilizer mix which would avoid the current excessive emphasis on nitrogen. However, this potential must remain dormant as long as the Government is unable to give the necessary guidance. Another case in point is upland reclamation which according to tentative estimates offers the opportunity of opening up one million acres (20% of the presently cultivated area) for non-irrigated cultivation of grains and various cash crops. In this case the impression is that the Government has not yet focused its attention on the task of training, supervision and provision of supporting services that will have to be accomplished if the undertaking is not to result merely in the creation of denuded and heavily eroding hillsides.

29. In conclusion, there seems to be a considerable potential for increasing agricultural output. Apart from upland reclamation already mentioned, there is the possibility of reclaiming tidal land, particularly along Korea's Southwest coast, which is being studied under a UN Special Fund Project. In time, the results of a soil survey which is just getting underway, also with assistance from UNSF, will facilitate adjustments in the cropping pattern and better balanced fertilizer application. The extent to which these opportunities will be translated into increases in output will, however, depend decisively on the pace at which the Government manages to improve upon the preparation and implementation of development programs and projects.

### Fisheries

30. Growth in output of the fishing industry has been accelerating under the influence of increasing motorization of fishing craft and fast growing importance of shellfish production, which is almost entirely exported. Total exports of fish products have increased from \$1.2 million in 1959 to \$9.1 million in 1963. Fish output suffered a setback in 1963 because of the untimely appearance of cold currents, but the increase in

output in preceding years was very satisfactory. Recently, ambitious plans have been embarked upon to increase tuna fishing by Korean vessels. Large loans have been obtained from European shipbuilders (\$36 million) and foreign tuna canners which will give Korea a fleet of about 125 tuna boats. These acquisitions offer the prospect of a considerable increase in fish production, if the scarcity of adequately trained crews can be successfully overcome. As almost the entire tuna catch is already contracted for with foreign canners, export earnings would be substantial. But net earnings over the next several years will be considerably less because most boats were financed by fairly short-term suppliers' credits and, in some cases, the purchase price was relatively high.

### Forestry

31. Forestry is an almost dormant industry in Korea although available information indicates that 40% of the total area is covered by well-stocked forests. Exploitation of the country's forestry resources is small because the Government has been excessively concerned with conservation. There are some hopeful signs that this attitude may be changing. In the last two years a large-scale and apparently successful afforestation program has been undertaken. With the help of the UN Special Fund a survey of forestry resources will soon get underway. In time domestic production may replace part of the present imports of wood, lumber, pulp and waste paper totalling some \$30 million a year. But in the immediate future such import substitution does not seem likely.

### Mining

32. South Korea is poorly endowed with mineral resources, the exceptions being coal, tungsten and small deposits of iron ore. Thus mining, with a share of 2-3% in GNP and employing less than 1% of the labor force, is a small sector in the economy. Nevertheless, rapidly increasing exploitation of existing resources has made a significant contribution to growth. Total output, starting from a very small base, trebled in the 1950's. In 1961-63, production soared by 16% a year. As coal output rose from less than a million tons to 5.4 million in 1960 and then almost to 9 million in 1963, Korea turned from a large importer of coal (\$25 million in 1956) to a small net exporter. Export earnings from other minerals rose from \$6 million in the late 1950's to \$9 million in 1961-63, despite a slump of tungsten prices and a curtailment of production below the capacity of 6,000 tons (in concentrates), as production and exports of iron ore rose rapidly to 500,000 tons.

33. The rapid increase in coal production was due to improvement in the management of the government-owned corporation, which produces almost half the output, and amalgamation of many small private mining companies which control the major part of reserves, but hitherto had inadequate financial resources. Substantial investments in government-owned mines, assisted by loans of \$9.5 million and \$5.2 million from the United States and Germany, are now getting underway. However, these will merely help maintain output as existing mines are exhausted. The main impetus to expansion will have to come from private mines and these are having difficulty in securing the foreign loans required for their investment

program. Since at the same time foreign loans have been contracted in large amounts for projects of dubious economic justification in other sectors, this difficulty with investments of obviously high priority underscores the need for improving the Government's handling of the economy's development problems. No large-scale expansion in other fields of mining is in sight. Small investments are undertaken in developing iron ore mines, but deposits are small and production will not increase much beyond the present level of 500,000 tons. Tungsten mining remains limited by weak market conditions.

### Manufacturing

34. The increase in manufacturing production in 1962 and 1963 was one of the most spectacular aspects of the Government's expansionary policies. The buoyancy of the industry, marked by increases in output of 15% in each year, was in sharp contrast to the declining growth rates and near stagnation with which manufacturing production had responded to monetary stabilization and the introduction of a realistic exchange rate in the preceding years. Manufacturing thus regained its position as the most dynamic sector in the economy which it had held throughout the 1950's during which it increased output two-and-a-half times and raised its share in GNP from 8 to 13%. In 1963, value added by manufacturing (at constant 1961 prices) was one-third above its level in 1960, and contributed 15.2% to GNP.

35. The expansion of manufacturing output largely reflected fuller utilization of existing capacities, particularly in food processing (15% above the 1960 level), textiles (10%), paper and paper products (77%), rubber products (17%) and a large variety of metal-working industries. However, it was also made possible by the expansion of capacity in existing industries - e.g. bicycles, cement, flat glass, newsprint, paint, steel ingots and tobacco - and the establishment of new lines of production. Foremost among these are two fertilizer plants each capable of producing 85,000 tons of urea. Besides, there is a large variety of new plants in fields such as synthetic textile fibers (nylon, rayon, polyacrylic fiber), electrical equipment (transistor radios, household appliances, telephones, ampere meters, etc.) semi-chemical pulp, plywood, pharmaceuticals, and motor-vehicle assembly.

36. The increases in output and the brisk investment activity (equivalent to well over \$100 million a year in 1962-63 and to some 16% of total investment) were remarkable. Among the most important achievements were the establishment of a fertilizer industry, an oil refinery (under a partnership arrangement with Gulf Oil; the refinery, with an annual capacity of 12 million bbls., started production in May 1964), and several other import substituting industries. The last few years have again shown the ability of the country's entrepreneurs to exploit profitable opportunities, of its engineers to move into new and more complicated processes, and of its workers to learn quickly the operation of new machinery. The manufacturing industry as a whole has, however, some marked weaknesses.

37. Even in 1963, at the height of inflationary consumer demand and easy access to imported raw materials, large segments of the industry were using only about half or less of their installed capacity. Flour milling

and sugar refining, each with capacities twice domestic requirements, are perhaps the most notorious examples. But large-scale under-utilization of capacity was equally true of the country's most important single industry, textiles (around 50%), and a long array of others, including food canning, ethyl alcohol, footwear, tires, soap, explosives, paint, nails, and bicycles. In some of these industries, new capacities were added as late as 1963. And new industries such as cement may enter these ranks when capacity presently under construction will be completed.

38. Dependence on a large net inflow of imports was already mentioned earlier as one of the weaknesses of Korea's manufacturing industry. If the import program for 1964 is carried out as presently conceived, imports of raw materials will probably amount to \$210-220 million, as compared with an estimated requirement of \$230-250 million for maintaining production at the 1963 level. Despite the existence of some stocks, a level of imports as now planned cannot fail to depress industrial production, and lack of imported raw materials, rather than lack of demand as in the cases of under-utilized capacity mentioned above, is likely to force plants to curtail production or to shut down. This has already happened to some synthetic textile mills and the recently completed motor vehicle assembly plant, and overall manufacturing production has shown signs of a moderate downturn. In May 1964, the index of production was slightly below the level of end 1963, and only 2% above the level attained a year earlier. With further decreases in U.S. grant aid for commodity imports in sight, the attainable level of manufacturing production and the scope for growth in future years will be set to an increasing extent by the pace at which export earnings, particularly from manufacturing, can be raised. This will also be true of industrial investment which certainly cannot be kept at the 1962-63 level unless export earnings rise markedly. For attainment of such level was accompanied by contraction of foreign loans totalling over \$100 million, of which a large part was in the form of medium-term suppliers' credits. Korea's small debt servicing capacity limits severely the amount of additional medium-term credits which Korea can prudently contract.

39. As exports of manufactured goods were only \$40 million in 1963 (1962: \$11 million) it would seem unrealistic to expect that the manufacturing industry can soon turn dependence on net imports into net exchange earnings. However, the need for reorientation of manufacturing from the domestic market to exports cannot be overstressed. The Government has indeed begun to show increasing appreciation of the need. Some recent policy changes such as the establishment of a more realistic exchange rate, preferential access to foreign exchange for exporters, preferential access to credit, etc. are encouraging. However, it is not certain that the Government will be able to launch and persistently sustain a concerted drive of pushing and facilitating the redirection of production into exports, thus avoiding a recurrence of the downturn in activity with which manufacturing responded to the financial stabilization efforts of the late 1950's.

40. Apparently much less appreciated by the Government are the implications of the foreign exchange situation for the direction of new investment in manufacturing. It would seem necessary for the Government to recognize more fully that the development of import-substitution industries

of the kind which play a large role in the Government's revised development plan promises no immediate relief to the foreign exchange scarcity. Many of the projects in the plan would effect foreign exchange savings only in the sense that they would eliminate the need for additional imports which, in their absence, would arise from an expansion of the economy as projected. The conclusion is that industries which reduce present import dependence, through import substitution or export earnings, should be stressed much more than so far. It also appears advisable to study thoroughly the presently idle capacities to determine to what extent they could aid in this drive. Very little is known about the conditions of these idle capacities, and a full investigation deserves high priority.

#### Other Activities

41. By far the largest part of fixed investment in recent years has taken place in areas outside directly productive activities and in fields requiring heavy capital outlays without a big immediate contribution to output. The original Five-Year Plan had allocated almost half the total investment planned for 1962-63, or won 56 billion, to such fields with heavy emphasis on power, transportation and housing. In total amount, this target was met. However, because fixed investment in other sectors fell short of the targets, outlays in tertiary industry accounted for a much larger share of total investment than provided for in the plan.

42. In power, installed capacity has almost doubled since 1960 and will reach 655 MW by end 1964. Investments in transmission facilities and better spacing of plants has cut distribution losses by one-third, but they are still fairly high at 20% of net power generated. Power consumption went up by 14% annually over the last three years, consumption by industrial users by almost 20%. These increases did not entirely result from expanding activity, but also reflect the fact that for the first time in many years supply of power has become sufficient, enabling users to shut off their own generating plant. Plants now under construction would boost generating capacity by around 20% by end 1965 and plans for further investment indicate a capacity around 1,000 MW by end 1967. These plans represent some reduction in the targets from the original goals. However, it is difficult to judge whether a program of such size will in fact be needed. Estimates of demand contain a large element of uncertainty because they contain a high and possibly exaggerated assessment of unsatisfied demand. Now that the acute power shortage has been overcome, it would seem important to review carefully the need for additional capacity. At the same time, the technique presently used for evaluating alternative thermal-and hydro-electric schemes, which appears to contain a strong bias in favor of the latter, should be re-examined.

43. Investment in transportation in recent years was concentrated on modernization and, to some extent, expansion of the railroad. Progressive dieselization as well as renewal and expansion of the fleet of freight cars, in conjunction with the rapid growth of coal output, have been the main items in the program. These efforts, and improvements in the administration of the railroad have contributed significantly to prevent the occurrence of bottlenecks in the country's transportation system. Investments in other sections of the transportation sector have been rather small. It would now seem advisable to start drawing up an overall development program for the country's transportation sector, including highways which have so far been rather neglected. Moreover, expansion of the cargo-handling facilities at Inchon in the large

industrial metropolis Seoul/Inchon appears an obvious requirement, in order to avoid the long haul of goods from and to Pusan and to reduce the prospect of congestion in the Pusan port. For the immediate future, however, investments in the railroad will continue to have high priority, in order to complete dieselization, expand the car fleet, and extend the rail system, particularly into new coal mining areas.

IV. The Use of Resources and the Financial Situation

The Allocation of Resources

44. Total available resources which had been rising at an average rate of 5% in the reconstruction period, 1953-57, grew by only 3% annually in 1959-60. However, by deliberately restricting the growth of consumption outlays, primarily through fiscal policies, the Government succeeded in channelling most of the increase in resources into investment. The share of consumption expenditure in GNP declined from an average level of 97% in 1953-57 to 94% in 1959-60, while fixed capital formation rose from 10.5% to 13%. Significantly, reduced negative savings of the public sector played an important role in raising the level of domestic savings from 3 to 6% of GNP.

45. The accession to power of the military Government in May 1961 brought with it a return to expansionary policies. These were accompanied by an acceleration in the growth of GNP (at constant prices) to an annual rate of 6% in 1963. However, they also tended to raise the level of consumption at the expense of savings and thus nullify the accomplishment of the immediately preceding years. The increase in GNP in 1961-63 over the 1960 level (at constant prices) went almost entirely into additional consumption; additional savings were negligible.

Saving and Investment  
(in per cent of GNP)

|  | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| <u>Gross capital formation</u>                 | 12.7        | 12.4        | 15.5        | 15.5        | 20.3        |
| Fixed  | 11.3        | 11.7        | 12.3        | 13.7        | 13.9        |
| Change in inventories                          | 1.6         | 0.7         | 3.1         | 1.8         | 6.4         |
| <u>Gross savings</u>                           | 6.6         | 5.2         | 6.0         | 2.1         | 7.1         |
| Consisting of change in<br>agricultural stocks | -1.6        | -1.2        | 3.4         | -0.8        | 4.3         |
| Available for investment                       | 8.2         | 6.4         | 2.6         | 2.9         | 2.8         |
| Current balance of payments<br>deficit (+)     | 6.0         | 7.3         | 9.5         | 13.4        | 13.2        |

46. Over the 1961-63 period as a whole, the average annual savings rate declined only moderately as compared with 1959-60, from 6% of GNP to 5%. However, for purposes of evaluating policies and determining the feasible level of investment in the future, the concept of savings underlying these calculations is misleading because, when applied to the 1961-63 period, it camouflages a serious setback in the effort of mobilizing a greater part of Korea's domestic resources for investment. The average savings rate as calculated above includes the counterpart of considerable increases in grain inventories which occurred in 1961 and 1963 as a result of bumper crops of rice. To a very large extent, these increases do not reflect sacrifices of consumption and, therefore, an augmentation of investible resources. On the contrary, experience in the past has shown that bumper crops of grains are followed by considerable increases in the

consumption of grains by the farming population itself. This did occur in 1962 and is likely to recur in 1964. Thus, savings represented by year-to-year changes in grain inventories have little in common with savings which represent freely investible resources. If they are eliminated from the calculation and only the remainder - i.e. savings available for investment - taken into account, savings were more nearly around 3% of GNP in 1961-63, as compared with 7% in 1959-60. Thus, there was a serious deterioration, although it should be borne in mind that, as discussed earlier, the 1959-60 level of savings was achieved through measures which also brought growth of the economy almost to a halt.

47. The sharp expansion of fiscal deficits was the major force behind this deterioration. The traditionally negative Government savings doubled in spite of an encouraging improvement in the financial position of Government enterprises. During 1963, the Government began to reverse its expansionary policies and the 1964 budget offers promise of further improvement. However, as will be discussed later, continuation of such improvement is not yet certain.

48. Fixed investment, stimulated by the Government's ambitious development program, increased substantially, reaching a peak in 1963 at 14% of GNP. Over the 1961-63 period as a whole, fixed investment amounted to 13.3% of GNP. Gross domestic savings available for financing fixed investment, i.e., after allowance for the total increase in inventory, amounted to only 1.3% of GNP. Thus, the current deficit of the balance of payments at 12% of GNP, was almost equal to total fixed investment, as compared with about half of it in 1959-60. In financing such a large deficit, equivalent to some \$300 million a year, the Government had to supplement official aid by drawing on its scant reserves and borrowing heavily abroad, often at onerous terms.

49. Against the prospect of a decline in U.S. grant aid as well as the imprudence of continuing use of suppliers' credits and of further large drawings on reserves, the small contribution of domestic savings towards financing fixed investment does not augur well for the maintenance of growth near the recent level, unless a very determined effort is being made to raise savings. In large part, additional savings will need to come from the public sector because it would clearly be unrealistic to expect that austerity in consumption can be achieved through appeals for frugality and voluntary private savings. In this connection, the recent improvement in the fiscal situation is encouraging. But measures taken so far are almost entirely palliative in nature and they will need to be supplemented by a very determined effort of increasing taxation.

50. In connection with the much-needed drive to increase domestic savings, two problems require further discussion: first, the question of the level of savings that Korea can reasonably be expected to attain; second, the transfer problem, i.e., the conditions that must be fulfilled if Korea is to be able to translate a higher rate of domestic savings into a smaller deficit on the current account of the balance of payments, without disrupting economic growth. As regards the first question, consideration must be given to Korea's relatively high defense expenditures which constitute 6% of GNP - whereas a more normal burden for a country in Korea's economic position would be around 3% of GNP. Moreover, these outlays are incurred purely for defensive

purposes. One might well argue that, in judging Korea's performance in mobilizing domestic resources for development, defense outlays in excess of 3% of GNP should be regarded as a kind of external service to the non-Communist world, for which a corresponding amount of U.S. grant aid is compensation. If this were done, domestic savings would be raised to 8% of GNP, and investible savings to 5%. Even after this adjustment domestic savings are still very low. In particular, they would still be inadequate to enable Korea to sustain per capita incomes out of its own resources. Moreover, the argument used above loses its persuasiveness if one considers that in view of high unemployment in the country - around 15% of the labor force - the maintenance of an army of 600,000 men constitutes a considerably smaller real burden on the economy than it might prima facie appear to be. It is difficult to weigh the relative importance of these two opposing considerations. With regard to Korea's performance in mobilizing domestic resources for development, a balanced conclusion is probably that it would be unreasonable to expect Korea to reach quickly a rate of savings available for investment, after adjustment for the unusually large defense outlays, around 10%. Yet, in view of the great shortage of resources for development and the low present savings rate, a very strong effort must be made to raise savings. The achievement of a higher saving rate, rather than its absolute level, should be the principal indicator of performance in this respect.

51. At the same time, care will have to be taken to prevent a recurrence of the 1959-60 experience when large domestic savings were achieved at the price of stagnation. The key to the solution of this problem is to ensure that the reduction in domestic demand - which is the counterpart of increased savings - is taken up by increased sales abroad. In other words, the domestic stabilization effort has to be synchronized with a comprehensive export drive and a systematic utilization of all opportunities for import substitution. Unless this is done, there will not only be stagnation of domestic production, but also domestic savings cannot be converted into machinery and equipment that will have to be bought abroad and without which no greater development effort is possible.

52. Growing awareness of the limitations on the pace of development is indicated by the revision of the plan for the period 1964-66. The projected annual growth rate of GNP was lowered from 7.1% to 5% and investment plans were cut correspondingly. However, a deficiency that was carried over from the original plan is the dominance over the whole planning effort of macro-economic considerations. So far, no thorough studies have been undertaken to determine the development potential of any of the country's major industries and the action necessary for its realization. The corollary is that project evaluation, apart from suffering from the lack of proper experience in the ministries concerned, is conducted largely without reliable knowledge about conditions in the sector of which the individual project will become part. This does not mean that there was not a large number of sound projects among those undertaken. For many of them, the justification was too obvious to require much examination. However, it does mean that projects, which prima facie appear to be of dubious justification, were not properly studied. A random sample of projects approved shows that evidence presented in support of certain projects often was not examined critically and that, as a result, questionable decisions were made, particularly as highly unrealistic exchange and interest rates were also being used.

53. Nevertheless, when compared to the almost complete lack of project evaluation which prevailed in the early stages of the development program, the situation has improved. The need for proper project studies is being increasingly recognized, and the failures experienced as well as the demands of the stabilization program for more carefully husbanding resources available for investment will probably strengthen this recognition. However, the need for further improvement in this field cannot be overstressed, because officials are still giving far too much weight to the macro-economic aspects of planning. The impending arrival in Korea of a large team of American advisors, who are expected to work closely with the Economic Planning Board and other ministries concerned with development, reinforces the hope that further improvements will be achieved.

### The Internal Financial Situation

#### 1. Money Supply and Prices

54. The military Government's efforts to force the pace of growth seriously destabilized the financial situation, creating forces which have not yet been brought fully under control by more recent attempts of restoring stability. After getting slowly underway in 1961, expansion of net domestic credit reached its peak in the following year. Net additions to domestic credit outstanding totalled won 9.4 billion in 1962, an expansion of 50% equivalent to 30% of the money supply and mainly caused by a sharp jump in the fiscal deficit. In 1963 the Government, under strong pressure for determined action to halt inflationary price rises, greatly reduced its deficit. However, the expansion of net domestic credit slowed down much less drastically as private credit continued to increase almost unabated, and still reached won 6.7 billion. In fact, this amount is an understatement as restrictions on credit were successfully evaded by the use of credit on so-called trust accounts which are not included in the monetary survey. If this is taken into account, net credit expansion in 1963, in absolute amount, came very close to the record of the preceding year.

55. A large part of the inflationary domestic purchasing power created through the expansion of credit went into additional imports, primarily in the form of raw materials for manufacturing and of machinery and equipment, and entailed increasing use of Korea's exchange reserves. In 1961, when credit expansion was still small and uncertainty, resulting from the devaluation early in the year and the coup d'etat in May, restrained demand, there had been an increase in reserves. This was largely responsible for the increase in money supply by won 9.3 billion, or 42%, in that year. In the two following years, however, loss of net external assets absorbed won 3.9 and 6.1 billion, respectively, and thus neutralized an increasing part of the expansion in net domestic credit. Money supply therefore grew by successively smaller amounts - won 5.5 and 0.6 billion, or 18% and 2%. In fact, this decline in the annual rate of expansion in the money supply has been used by the Government to substantiate that it brought monetary expansion under control and reached the goals set by the stabilization program for 1963.

56. Such a claim, but its exclusive concern with money supply, shows some misunderstanding of the basic problem, which may explain official optimism over the possibility of restoring monetary stability within one year. The

fundamental obstacles on the road towards stability, especially stability compatible with growth, have been set out in the preceding section of this chapter, and there can be little doubt that it will take time to overcome them. However, although the Government may not yet be fully aware of the difficulties ahead, it has devised a stabilization program for 1964 from which the most serious loopholes apparent in the previous year have been eliminated. Quarterly ceilings on loans have been set for individual banks from which only credits for certain purposes, primarily export financing, are excepted. Moreover, loans for undesirable purposes, such as financing inventories of certain commodities, real estate, stock market purchases and consumption, were either prohibited altogether or strongly discouraged. Thus an attempt has been made to apply restrictions on private credit in a more discriminatory manner; whether it will be effective is an open question, given the difficulties inherent in such selective controls and the close relationship that exists in Korea between the commercial banks and their big clients. At the moment, one cannot say with certainty that by the end of the year Korea will in fact have been brought closer to financial stability. In the first few months of 1964, credit expansion was small. But pressures for relaxation of restrictions, which would have mounted anyway because of the large investments still underway from the time when expansion was at its peak, will be reinforced by the effects of devaluation. There is the danger that the Government will succumb. It is also possible that it may be too inflexible to accommodate legitimate demand for additional credit, and that the results may be disruptive.

57. Prices responded with considerable lag to the large increases in liquidity. Wholesale prices rose little in the second half of 1961. In 1962, they increased by 11%, but then rapidly accelerated their upward movement which was also supported by the poor rice crop of 1962. Prices went up by 30% in 1963, and by another 16% in the first four months of 1964. Despite large grain imports the increase of grain prices accelerated as widespread lack of confidence in the currency demonstrated itself increasingly by speculative inventory purchases of grains and imported materials. The threat of a chaotic situation forced the Government in early May to devalue the won from 130 to 255 to the U.S. dollar.

58. Almost immediately prices jumped by 10%. Subsequently, the situation calmed. June 1964 was the first month in about two-and-a-half years in which the overall price index did not rise significantly. Partly, this was due to the dampening effect on food prices of the distribution of Government grain stocks, good crop prospects and a large import program of grains. However, other price rises also seem to have come to a standstill, at least temporarily.

## 2. Public Finance

| 59.                             | <u>Government Finance</u> |             |             |             |             |             |                              |
|---------------------------------|---------------------------|-------------|-------------|-------------|-------------|-------------|------------------------------|
|                                 | <u>(in billion won)</u>   |             |             |             |             |             |                              |
|                                 | <u>1958</u>               | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> | <u>Budget</u><br><u>1964</u> |
| Revenue excl. foreign aid       | 19.5                      | 24.7        | 33.4        | 32.6        | 41.7        | 51.7        | 52.7                         |
| Current expenditures            | 26.8                      | 30.4        | 32.7        | 39.8        | 48.7        | 53.0        | 53.9                         |
| Current deficit (-)             | -7.3                      | -5.7        | +0.7        | -7.2        | -7.0        | -1.3        | -1.2                         |
| Capital expenditure & advances  | 14.8                      | 11.7        | 11.5        | 19.0        | 27.5        | 27.2        | 21.7                         |
| Total deficit (-)               | -22.1                     | -17.4       | -10.8       | -26.2       | -34.5       | -28.6       | -22.9                        |
| Counterpart fund proceeds       | 17.1                      | 12.9        | 13.6        | 20.7        | 25.3        | 25.9        | 22.0                         |
| Residual surplus or deficit (-) | -5.0                      | -4.5        | +2.8        | -5.5        | -9.3        | -2.7        | -0.9                         |

The return to expansionary policies in 1961 is clearly reflected in revenue and expenditure. The preceding stabilization effort had gradually reduced the deficit by raising revenue and containing current and capital expenditure. In 1960, an overall surplus was achieved although counterpart fund receipts were relatively small. In contrast, the 1962 budget message called for "a bold policy for expenditures even at the risk of a large deficit in the budget abandoning the old stabilization - first principle". Current expenditures went up by about 50% between 1960 and 1962, reflecting much needed increases in emoluments for civil and military personnel, a sizeable rise in military expenditures and a greatly expanded relief and welfare program. Capital outlays jumped by 150%. Revenues did not increase nearly as much. Large deficits were therefore incurred which amounted to 2.3% of GNP in 1961 and 3.2% in 1962 and had to be financed almost fully by bank credit.

60. During 1963, the original budget underwent considerable pruning in order to bring it into line with the stabilization program. These efforts succeeded in limiting the increase in total government outlays to 5%, a considerable achievement even though the effective increase was somewhat bigger because certain outlays were transferred outside the budget. A 20% increase in revenue brought about to some extent by higher tax receipts, but resulting mainly from a sharp rise in non-tax income, including receipts from government enterprises and non-recurrent receipts of fines for illicit profiteering, led to a sharp reduction of the deficit. The stabilization effort continued in 1964. In the original budget, current expenditure was kept at the 1963 level and capital expenditure was further reduced from won 27 to 22 billion. The overall deficit, after foreign aid proceeds, was estimated to decline to less than won one billion, or about 1% of total expenditure

As a consequence of the recent devaluation, the original budget for 1964 will have to be modified, and a supplementary budget is currently under preparation. The higher exchange rate now applicable to U.S. grant aid will lead to substantially higher Government receipts of counterpart funds. Apart from some additional revenue resulting from revisions in tariffs which are being considered, higher counterpart fund receipts are the principal item in the upward revision of Government receipts, estimated at about won 7 billion (10% above the original estimate). On the expenditure side, the Government will reportedly allow for a modest first step towards a much-needed adjustment in salaries of public servants and for a subsidy on imported fertilizer in order to minimize the effect of devaluation on the farmer. If these and other increases in outlays are in fact kept at a level permitting realization of a small surplus, in the order of won 1-2 billion, it would be a further indication of the Government's determination to restore financial stability.

Government Finance and GNP  
(in percent of GNP at current market prices)

|                     | <u>1961</u> | <u>1962</u> | <u>1963</u> | <u>1964<sup>1/</sup></u> |
|---------------------|-------------|-------------|-------------|--------------------------|
| Current expenditure | 16.4        | 17.3        | 14.4        |                          |
| Capital expenditure | 7.9         | 9.8         | 7.4         |                          |
| Total expenditure   | 24.3        | 27.1        | 21.8        | 18-20                    |
| Current revenue     | 13.5        | 14.9        | 14.0        | 12.0                     |
| Counterpart funds   | 8.6         | 9.0         | 7.1         | 7-8                      |
| Residual deficit    | -2.3        | -3.2        | -0.7        |                          |

1/ Rough estimate.

61. In considering the prospect for fiscal stability after 1964, it is essential to note that the technique of reducing the size of the budget in relation to GNP, which has so far been applied, can only be of limited effectiveness. The relative reduction of current expenditures has been obtained primarily by keeping the remuneration of public servants constant in the face of rising prices of consumer goods. This has resulted in marked demoralization and loss of efficiency throughout the public service. The Government also kept outlays on maintenance and repair works down which resulted in a dangerous state of under-maintenance.

62. Both these palliatives are likely to break down in the near future, endangering achievement of the much-needed improvement in Government savings and threatening fiscal stability or maintenance of capital expenditure at their present, already low level. It may be possible to keep the non-salary component of military expenditure roughly constant. However, over the next few years, a 50% increase in Government salaries, military and civilian, seems to be the minimum necessary and this alone would boost current expenditures by won 12 billion, or by 23% of present revenue. These considerations emphasize the urgent need for measures to raise additional revenue. That this can be done was demonstrated in 1962 when as a result of comprehensive tax reform and better administration, tax receipts jumped by 25%. In 1963, however, tax revenue increased proportionately much less than income and fell to 10% of GNP.

Moreover, when transfer payments are deducted from Government income (including taxes and other income, but excluding foreign aid), the share in GNP of net funds available to the Government declined from 15% in 1960 to 12% in 1963. For a sound improvement in the financial position of both the Government and the country as a whole, it seems imperative that this trend be reversed. The proposal to raise tariff rates likely to be part of the supplementary budget now being prepared, and the intention to widen the scope of commodity taxes are certainly steps in the right direction. In this connection, the Government's decision to keep public utility rates constant after the recent devaluation, while reasonable as a measure to minimize the immediate impact, should be reviewed before long.

### 3. Credit to the Private Sector

63. Gross credit by financial institutions to the private sector (including Government enterprises and public corporations) expanded by 120% between 1960 and 1963. This increase in credit played a vital role in making possible the large investments that were taking place in this period. It corresponded roughly to 40% of total private investment, including inventory accumulation. Because of inadequate statistics it is difficult to be precise about the contribution of credit expansion to financing fixed investment by the private sector. A rough calculation shows that the increase in gross credit outstanding was sufficient to finance about 80% of fixed private capital formation in secondary and 25% in tertiary industry. As for agriculture, the expansion covered more than twice the private investment undertaken.

64. Expansion in gross total credit slowed down in 1963 to won 16 billion or 22%, as compared with won 20 billion in the preceding year. For 1964, the stabilization program as set before the devaluation in May, envisaged an expansion of roughly won 10 billion, including about won 6 billion from funds transferred by the Government and included in the budget. Such an estimate does not seem very realistic, considering the amount of investments still underway. In the first quarter of 1964, the increase of gross credit, won 2.5 billion was in fact kept in line with the program. However, even without the credit needs arising out of the devaluation, it would be difficult to see how a reduction in credit expansion of the magnitude intended could be accomplished without creating a serious disruption. If this is to be avoided, credit expansion is bound to be more rapid than originally planned. Correspondingly, the return to financial stability will take longer than the Government now believes. In the meantime, it would greatly facilitate the transition to more stable financial conditions if the Government were to rationalize the level and structure of interest rates which are now in serious disorder, as interest rates vary from 3 to 18%, depending on the source of funds, rather than on economic considerations about the real cost of capital.

The External Financial Situation

| 65.                               | <u>Balance of Payments</u>  |             |             |             |             |
|-----------------------------------|-----------------------------|-------------|-------------|-------------|-------------|
|                                   | <u>(in U.S. \$ million)</u> |             |             |             |             |
|                                   | <u>1956</u>                 | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> |
| Exports, incl. sales to UN forces | 48.8                        | 95.5        | 120.6       | 139.5       | 145.1       |
| Imports                           | 386.1                       | 342.6       | 312.7       | 428.4       | 517.4       |
| Trade deficit                     | -337.3                      | -247.1      | -192.1      | -288.9      | -402.3      |
| Net invisible receipts            | 24.1                        | 4.4         | 18.3        | 35.2        | 51.3        |
| Current account deficit           | -313.2                      | -242.7      | -173.8      | -253.7      | -351.0      |
| Public grants                     | 314.2                       | 243.1       | 223.6       | 209.9       | 226.9       |
| Other capital                     | -                           | 3.2         | -0.7        | -2.6        | 60.7        |
| Reduction in net assets (+)       | -6.3                        | -1.5        | -47.5       | 50.0        | 64.1        |
| Errors and omissions              | 5.3                         | -2.1        | -1.6        | -3.6        | -0.7        |

The chronic very large current account deficit on Korea's balance of payments, which is the clearest indication of the country's dependence on foreign assistance, was considerably reduced during the stabilization period 1957-61. The trade deficit was reduced from an average level of \$340 million during 1956-58 to below \$200 million in 1961. Subsequent developments have reflected the prevailing expansionary policies, although the jump in imports by over \$200 million or 75% in two years also included a \$80 million increase in food imports (\$121 million as compared with \$40 million in 1961) necessitated by poor crops and consisting almost entirely of grains.

66. The large investments that were being undertaken in connection with the development program and the expansion of domestic manufacturing activity which accompanied the sharp increase in purchasing power resulting from the Government's expansionary financial policies, raised imports by about \$120 million. There was a spectacular increase in imports of machinery and transport equipment, which jumped from \$40 million in 1957-61 to \$70 million in 1962 and \$116 million in 1963. Other imports, consisting mainly of raw materials, spare parts and other imports required to maintain domestic production, jumped from \$250 million in 1960-61 to \$314 million in 1962-63. These large imports are, together with the very low level of export earnings, the chief indication of the deficiencies of the Korean production structure. The fact that the gap between these current imports and total export earnings increased between 1961 and 1963 by 50% to \$178 million is by itself a measure of the failure of economic policy during this period.

67. Export earnings, although still at an unsatisfactory level, have increased more than four times over during the last four years rising from a level of \$20 million to \$87 million in 1963. In the prevailing inflationary climate this achievement would not have been possible without the export-import link system by which the Government permitted exporters to sell foreign exchange proceeds to importers at a premium established by demand and supply. Forty per cent of the increase was due to increased exports of manufactured goods. Especially the export performance of textile products and plywood was very encouraging. These favorable developments were to some extent offset, however, by a sharp decline in 1963 of sales to UN Forces stationed in Korea. Earnings from these sources fell from over \$80 million in 1961-62 to \$58 million in 1963 partly because increasing enforcement of the "buy American Policy" affected the

sale of goods and services, but primarily because, at the prevailing exchange rate, purchase of local currency became unattractive for the U.N. troops in view of the high and steeply rising prices of Korean products.

68. Grant aid, private donations and official loan disbursements were at a high level in 1962 and 1963. There was also a significant increase in the net inflow of private capital, following the granting of official repayment guarantees to private foreign suppliers of plant and equipment, mainly in Japan and the United States. It should be noted, however, that the high level of grant aid from the United States - \$210-220 million in 1962 and 1963 - was only made possible because there were unusually large PL 480 grants (about \$80 million each year) which were connected with the poor grain crops in Korea in those years. While PL 480 grants will probably be available in the future to compensate for poor crops and thus neutralize their effect on Korea's balance of payments, such aid is not fungible. As regards supporting assistance, the other large item in U.S. grant aid, it has been United States policy to reduce such aid, the reduction to some extent to be compensated by development loans. The annual program amount of supporting assistance was in fact reduced from around \$200 million in 1960 to \$90 million in 1963. However, the effect on the supply of goods was partially cushioned by the existence of a substantial pipeline which could be drawn down so that arrivals in 1963 still amounted to \$110 million. Notwithstanding the high level of foreign grants and loans, it was necessary in 1963, as in the preceding year, to draw heavily on exchange reserves. Net reserves were reduced by \$73 million, and at the end of 1963 stood at \$47.5 million.

69. The rapid deterioration of the Korean currency made an adjustment of the currency unavoidable. In early 1963, authorities began to become concerned about the effect of rising domestic prices on exports and imports at the exchange rate of won 130 to the dollar which had been kept constant since early 1961. In an attempt to encourage exports and curb imports, an export-import link system was introduced which permitted exporters to sell their exchange earnings in the form of import rights. Initially, these rights were traded at won 20-30 per dollar. But the premium soon rose and reached won 100 per dollar in early 1964, so that in effect commercial export transactions were made at a rate around won 230 to the dollar. Imports, however, were only partially made at this rate, because imports financed by foreign grants and loans were still transacted at the official rate of won 130 to the dollar. Inherent in this exchange system were, of course, very strong incentives for graft and corruption. In effect, orderly administration of this system broke down in early 1964. A further drop in confidence in March and April and widespread speculative hoardings and price increases precipitated devaluation which had originally been planned for the fall of 1964.

70. On May 3, 1964, the won was devalued from 130 to 255 per dollar. After the example of Taiwan in 1958, the new rate is a fluctuating exchange rate whose actual level is to be determined by transactions in a market for foreign exchange certificates which exporters receive for their export proceeds and which are fully transferable to bona fide importers during a period of 60 days after issue. All other exchange transactions, including the sale of aid dollars for imports and including invisibles, are to be made at the rate prevailing in the certificate market. In effect, no transactions have yet taken place in this

market, because exporters have so far chosen to convert their export earnings at the floor rate of won 255 through the Bank of Korea. One of the reasons presumably is the very tight credit squeeze, but it also appears that, contrary to original intentions, import licenses are still issued in combination with an exchange allocation so that importers have seen no need to buy exchange in the certificate market. Thus, the going exchange rate is still won 255 per dollar.

71. The immediate effect of the devaluation on exports will certainly be favorable, although it should be noted that the encouragement of exports with a high import content (and this includes practically all manufactured goods) will not be as strong as the increase in the official exchange rate from won 130 to 255 might make it appear to be. As explained above, exports were in effect made at about won 230 to the dollar in the months preceding the devaluation. Moreover, a large part of raw materials and machinery were imported at the rate of won 130, giving exporters the incentive of a large differential between buying and selling rates which has disappeared with devaluation. Nevertheless, in combination with other measures, e.g., preferential access to credit and imported raw materials for exporters, it seems possible that the export target of \$105 million will be reached and perhaps exceeded. As regards imports, the Government has drawn up a very tight program which, apart from imports financed by PL 480 (food and cotton) and long-term loans (supplies and materials for investment projects) sets imports at \$230 million (comparable imports in 1962 over \$300 million). This import program was drawn up with a view to limiting the drawdown of exchange reserves to \$20 million in 1964, which seems to be the maximum that prudence would allow. There is considerable doubt about the feasibility of this very tight program which may cause parts of Korea's productive capacity to become idle and, in repetition of the events in 1959-61, threaten the economy with stagnation. There is, however, some hope that some additional commodity imports may be made possible through somewhat higher export earnings than the \$105 million originally expected and/or some Japanese aid prior to the normalization of diplomatic relations. Such additional imports, if wisely allocated, would facilitate a smooth transition to an improved internal and external financial situation.

72. During the first five months of 1964, exports were \$38.6 million. This amount was about 25% higher than export earnings during the same period last year. But it was less than that achieved in the last five months of 1963, and was below the rate necessary to attain the target of \$105 million. However, in June exports jumped to \$13 million, including probably a large amount that had been held up in anticipation of the devaluation. Imports in the period January through May 1964 totalled \$166 million, about 25% less than in the same period last period, largely as a result of less AID-financed imports. After the first quarter, during which few import licenses were granted and reserves rose, net foreign assets declined slightly, but at the end of June were still above the end 1963 level.

## V. The Outlook and Conclusions

73. The vitality and energy of the Korean people, combined with the abilities of the growing class of entrepreneurs and technicians, create a large measure of hope that in the long run Korea will be able to overcome the disadvantages of its poor endowment with natural resources. It may then well be possible to achieve growth considerably more rapid than the annual rate of 4.5% of the past decade. However, these prospects of a more prosperous future are at present obscured by the immediate difficulties of retrenching domestic expenditures sufficiently to restore financial stability and of establishing a framework of Government policies conducive to directing the economic drive of the people towards sound ends.

74. The ill-conceived attempt of recent years to break through the constraints of inadequate domestic savings, insufficient export earnings and a weak administrative machinery has by and large failed. Above all, it nullified the accomplishments of stabilization in 1958-60 and led Korea into another cycle of serious financial imbalance, both internal and external, that has not yet fully run its course. The measures, which the Government has taken since late 1963 are generally steps in the right direction. Moreover, the fact that these measures have produced some results, e.g. in limiting the increase in domestic credit to a marginal amount and in reducing imports, may be taken as evidence that the Government has made in good faith the change in policies which is embodied in these measures. In terms of concrete action, including the devaluation in May, the Government undoubtedly has done a great deal since the previous economic mission visited Korea in late 1962.

75. Nevertheless, it would be rash to say that it is certain that further progress towards financial stability will be made in the months ahead. So far, Korea has experienced only the first few hints of austerity, as the effects of restrictive Government action were undoubtedly cushioned by the existence in the economy of a great deal of liquidity and large stocks of imported goods. The crucial period during which the Government's determination will be tested still lies ahead. In any event, there will probably continue to be pressure on the price level. To some extent this is unavoidable as existing excess liquidity must be absorbed into the economy. In addition, considering the amount of machinery and equipment on order abroad and scheduled for delivery in 1964 and early 1965, there will be irresistible pressure for a considerable expansion of credit for financing the local currency component of these investments. The devaluation will also bring in its train some need for additional credit. However, none of these need necessarily inhibit further progress towards a greater degree of financial stability, provided the Government achieves a surplus of revenue and aid receipts over expenditure and provided further that maintenance imports are sufficient to avoid a sizeable decline of domestic production from existing manufacturing facilities.

76. Although events during the next several months will be important, the period during which Korea will have to walk a tightrope will last considerably longer. This is evident from the size of the existing resource gap which, disregarding the effect on imports in 1963 of successive crop failures, presently amounts roughly to \$240-260 million. Against this gap, Korea is likely to receive a gross capital inflow of some \$230-240 million

a year. Of this amount, about \$160 million would consist of U.S. aid, including development loans, and \$50 million would come from Japan if and when a settlement is reached, perhaps around the end of the year. And \$30 million may be provided by other aid sources and private donations. Deducting repayments, net capital inflows would then amount to \$220 million. Because of the recent devaluation, it is extremely difficult to relate capital inflows of this magnitude to national income aggregates. However, at pre-devaluation prices, it would roughly correspond to 7% of GNP.

77. In 1963 domestic savings, after deducting those consisting of an accumulation of agricultural inventories, were only won 10 billion, or 3% of GNP. Together with the estimated inflow of capital, savings of such magnitude would at predevaluation prices support investment of about won 40 billion, or 10% of GNP, considerably below the 1963 level. This means that a marginal savings rate close to 50% would be necessary in order to raise investment to 15% of GNP by 1966. Moreover, this calculation was made on the assumption that in the meantime GNP would grow by 4%-5% a year - an assumption whose realization will require considerable ingenuity and determination. It also presupposes that the present obstacles to converting domestic into foreign resources are overcome which, in the framework of the calculation, would require export earnings to grow by 40% a year. These calculations demonstrate the difficulties ahead for Korea on the road towards viability of its economy.

78. In these circumstances, Korea, beset by acute exchange difficulties and committed to debt service equivalent to 13% of present exchange earnings, is definitely not now, and unlikely to become for several years, credit-worthy for Bank loans. In terms of need, Korea is an unquestionable claimant on IDA credit. It was performance which was in question when the case for IDA assistance was last considered in late 1962. At that time, assistance was not considered justified. The Government appeared unwilling to attempt seriously to restore financial stability, but rather seemed bent on the opposite course. In addition, a scrutiny of investments undertaken or contemplated gave no assurance that existing resources were being used reasonably well.

79. Since that time, there have undoubtedly been improvements in performance, even though these are in most cases too recent to be demonstrable in actual accomplishment. Their effects, if reinforced by sustained action over the next several months, could lead to an improvement in performance sufficient to justify IDA assistance. However there are also great uncertainties inherent in the yet unsettled financial and economic situation as well as on the disturbed political scene. It would be advisable to follow closely the Government's actions in the next few months, particularly with regard to the supplementary budget, additional taxation, export promotion, and credit control, before a final decision is made.

STATISTICAL APPENDIX

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|---|------------------|
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Table I

KOREA - EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF  
 DECEMBER 31, 1963 WITH MAJOR REPORTED ADDITIONS JANUARY 1 -  
 MAY 31, 1964

Debt Repayable in Foreign Currency

(In thousands of U.S. dollar equivalents)

| Item                                     | Debt outstanding<br>December 31, 1963 |                          | Major reported<br>additions<br>January 1 -<br>May 31, 1964 |
|--|---------------------------------------|--------------------------|--|
|  | Net of<br>undisbursed                 | Including<br>undisbursed |  |
| TOTAL EXTERNAL PUBLIC DEBT               | <u>85,916</u>                         | <u>186,949</u>           | <u>12,800</u>  |
| Privately-placed debt                    | <u>49,397</u>                         | <u>129,999</u>           | -  |
| Repayment guaranteed                     | <u>32,132</u>                         | <u>34,355</u>            | -  |
| Guaranteed for exchange transfer<br>only | 17,265                                | 45,344                   | -  |
| IDA credit                               | <u>12,049</u>                         | <u>14,000</u>            | -  |
| U.S. Government loans - AID              | <u>24,470</u>                         | <u>42,950</u>            | <u>12,800</u>  |

Statistics Division  
 IBRD-Economic Department  
 June 26, 1964

Table II: KOREA - ESTIMATED CONTRACTUAL SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1963 WITH MAJOR REPORTED ADDITIONS JANUARY 1 - MAY 31, 1964

Debt Repayable in Foreign Currency  
(In thousands of U.S. dollar equivalents)

Page 1

| Year | Debt out-<br>standing<br>plus un-<br>disbursed<br>January 1 | Payments during year |               |        | Year | Debt out-<br>standing<br>plus un-<br>disbursed<br>January 1 | Payments during year          |               |        |
|------|---|----------------------|---------------|--------|------|---|-------------------------------|---------------|--------|
|      |   | Amorti-<br>zation    | In-<br>terest | Total  |      |   | Amorti-<br>zation             | In-<br>terest | Total  |
|      |   | Total debt           |               |        |      |   | Privately-placed debt - Total |               |        |
| 1964 | 186,919   | 10,556               | 2,599         | 13,155 | 1964 | 129,999   | 10,556                        | 2,324         | 12,880 |
| 1965 | 189,193   | 13,444               | 4,591         | 18,035 | 1965 | 119,443   | 13,444                        | 4,287         | 17,731 |
| 1966 | 175,749   | 15,333               | 5,254         | 20,587 | 1966 | 105,999   | 15,333                        | 4,923         | 20,256 |
| 1967 | 160,416   | 14,409               | 5,175         | 19,584 | 1967 | 90,666  | 14,409                        | 4,820         | 19,229 |
| 1968 | 146,007   | 14,130               | 4,370         | 18,500 | 1968 | 76,257  | 14,130                        | 3,991         | 18,121 |
| 1969 | 131,877   | 13,206               | 3,586         | 16,792 | 1969 | 62,127  | 13,206                        | 3,182         | 16,388 |
| 1970 | 118,671   | 9,124                | 2,863         | 11,987 | 1970 | 48,921  | 9,124                         | 2,434         | 11,558 |
| 1971 | 109,547   | 7,699                | 2,431         | 10,130 | 1971 | 39,797  | 7,699                         | 1,974         | 9,673  |
| 1972 | 101,848   | 7,699                | 2,050         | 9,749  | 1972 | 32,098  | 7,699                         | 1,571         | 9,270  |
| 1973 | 94,149  | 8,734                | 1,670         | 10,404 | 1973 | 24,399  | 7,480                         | 1,169         | 8,649  |
| 1974 | 85,415  | 5,732                | 1,286         | 7,018  | 1974 | 16,919  | 3,742                         | 783           | 4,525  |
| 1975 | 79,683  | 5,732                | 1,084         | 6,816  | 1975 | 13,177  | 3,742                         | 595           | 4,337  |
| 1976 | 73,951  | 5,733                | 881           | 6,614  | 1976 | 9,435   | 3,743                         | 405           | 4,148  |
| 1977 | 68,218  | 4,186                | 676           | 4,862  | 1977 | 5,692   | 2,196                         | 216           | 2,412  |
| 1978 | 64,032  | 3,361                | 565           | 3,926  | 1978 | 3,496   | 1,371                         | 120           | 1,491  |

See footnote at end of table.

Table II: KOREA - ESTIMATED CONTRACTUAL SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1963 WITH MAJOR REPORTED ADDITIONS JANUARY 1 - MAY 31, 1964 1/ (CONT.)  
Debt Repayable in Foreign Currency  
(In thousands of U.S. dollar equivalents)

Page 2

| Year  | Debt out-<br>standing<br>plus un-<br>disbursed<br>January 1 | Payments during year |               |        | Year   | Debt out-<br>standing<br>plus un-<br>disbursed<br>January 1 | Payments during year |               |       |
|---|---|----------------------|---------------|--------|--|---|----------------------|---------------|-------|
|   |   | Amorti-<br>zation    | In-<br>terest | Total  |  |   | Amorti-<br>zation    | In-<br>terest | Total |
| <u>Privately-placed debt-Repayment Gtd.</u> |   |                      |               |        | <u>Priv.-placed debt-Gtd. for exchange transfer only</u> |   |                      |               |       |
| 1964  | 84,655  | 5,958                | 1,551         | 7,509  | 1964   | 45,344  | 4,598                | 773           | 5,371 |
| 1965  | 78,697  | 7,592                | 2,788         | 10,380 | 1965   | 40,746  | 5,852                | 1,499         | 7,351 |
| 1966  | 71,105  | 8,155                | 3,227         | 11,382 | 1966   | 34,894  | 7,178                | 1,696         | 8,874 |
| 1967  | 62,950  | 9,403                | 3,231         | 12,634 | 1967   | 27,716  | 5,006                | 1,589         | 6,595 |
| 1968  | 53,547  | 9,403                | 2,696         | 12,099 | 1968   | 22,710  | 4,727                | 1,295         | 6,022 |
| 1969  | 44,144  | 9,071                | 2,165         | 11,236 | 1969   | 17,983  | 4,135                | 1,017         | 5,152 |
| 1970  | 35,073  | 6,210                | 1,653         | 7,863  | 1970   | 13,848  | 2,914                | 781           | 3,695 |
| 1971  | 28,863  | 5,601                | 1,341         | 6,942  | 1971   | 10,934  | 2,098                | 633           | 2,731 |
| 1972  | 23,262  | 5,601                | 1,058         | 6,659  | 1972   | 8,836   | 2,098                | 513           | 2,611 |
| 1973  | 17,661  | 5,381                | 777           | 6,158  | 1973   | 6,738   | 2,099                | 392           | 2,491 |
| 1974  | 12,280  | 2,196                | 505           | 2,701  | 1974   | 4,639   | 1,546                | 278           | 1,824 |
| 1975  | 10,084  | 2,196                | 409           | 2,605  | 1975   | 3,093   | 1,546                | 186           | 1,732 |
| 1976  | 7,888   | 2,196                | 312           | 2,508  | 1976   | 1,547   | 1,547                | 93            | 1,640 |
| 1977  | 5,692   | 2,196                | 216           | 2,412  |  |   |                      |               |       |
| 1978  | 3,496   | 1,371                | 120           | 1,491  |  |   |                      |               |       |

See footnote at end of table.

Table II: KOREA -- ESTIMATED CONTRACTUAL SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1963 WITH MAJOR REPORTED ADDITIONS JANUARY 1 - MAY 31, 1964 /1 (CONT.)

Debt Repayable in Foreign Currency  
(In thousands of U.S. dollar equivalents)

Page 3

| Year | Debt out-<br>standing<br>plus un-<br>disbursed<br>January 1 | Payments during year |               |       | Year | Debt out-<br>standing<br>plus un-<br>disbursed<br>January 1 | Payments during year        |               |       |
|------|---|----------------------|---------------|-------|------|---|-----------------------------|---------------|-------|
|      |   | Amorti-<br>zation    | In-<br>terest | Total |      |   | Amorti-<br>zation           | In-<br>terest | Total |
|      |   | IDA credit           |               |       |      |   | U.S. Government loans - AID |               |       |
| 1964 | 14,000  | -                    | 90            | 90    | 1964 | 42,950  | -                           | 185           | 185   |
| 1965 | 14,000  | -                    | 91            | 91    | 1965 | 55,750  | -                           | 213           | 213   |
| 1966 | 14,000  | -                    | 92            | 92    | 1966 | 55,750  | -                           | 239           | 239   |
| 1967 | 14,000  | -                    | 92            | 92    | 1967 | 55,750  | -                           | 263           | 263   |
| 1968 | 14,000  | -                    | 93            | 93    | 1968 | 55,750  | -                           | 286           | 286   |
| 1969 | 14,000  | -                    | 94            | 94    | 1969 | 55,750  | -                           | 310           | 310   |
| 1970 | 14,000  | -                    | 94            | 94    | 1970 | 55,750  | -                           | 335           | 335   |
| 1971 | 14,000  | -                    | 96            | 96    | 1971 | 55,750  | -                           | 361           | 361   |
| 1972 | 14,000  | -                    | 96            | 96    | 1972 | 55,750  | -                           | 383           | 383   |
| 1973 | 14,000  | 140                  | 97            | 237   | 1973 | 55,750  | 1,114                       | 404           | 1,518 |
| 1974 | 13,860  | 140                  | 97            | 237   | 1974 | 54,636  | 1,850                       | 406           | 2,256 |
| 1975 | 13,720  | 140                  | 96            | 236   | 1975 | 52,786  | 1,850                       | 393           | 2,243 |
| 1976 | 13,580  | 140                  | 97            | 237   | 1976 | 50,936  | 1,850                       | 379           | 2,229 |
| 1977 | 13,440  | 140                  | 96            | 236   | 1977 | 49,086  | 1,850                       | 364           | 2,214 |
| 1978 | 13,300  | 140                  | 95            | 235   | 1978 | 47,236  | 1,850                       | 350           | 2,200 |

/1 Includes service on all debt listed in Table I prepared June 26, 1964.

Statistics Division  
IBRD-Economic Department  
June 26, 1964

Table III

Gross National Expenditure  
(billion won at current market prices)

|                                | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| Private consumption            | 143.8       | 166.3       | 189.1       | 227.6       | 288.7       |
| General Government cons.       | <u>29.4</u> | <u>33.5</u> | <u>37.9</u> | <u>48.0</u> | <u>51.3</u> |
| Total Consumption              | 173.2       | 199.8       | 227.0       | 275.6       | 340.0       |
| Gross Dom. Fixed Capital Form. | 26.5        | 24.7        | 29.7        | 38.5        | 50.7        |
| Change in Inventory            | <u>-3.0</u> | <u>1.5</u>  | <u>7.6</u>  | <u>5.1</u>  | <u>23.5</u> |
| Total Investment               | 23.5        | 26.2        | 37.3        | 43.6        | 74.2        |
| Total Expenditure              | 196.7       | 226.0       | 264.3       | 319.2       | 414.2       |
| Exports of Goods and Services  | 5.2         | 8.2         | 15.3        | 18.4        | 20.5        |
| -Imports of Goods and Services | <u>17.9</u> | <u>25.2</u> | <u>40.9</u> | <u>59.2</u> | <u>72.2</u> |
| Deficit on Current Acc.        | -12.7       | -17.0       | -25.6       | -40.8       | -51.7       |
| Expenditure on GDP             | 184.0       | 209.0       | 238.7       | 278.4       | 362.5       |
| Net Factor Income from Abroad  | <u>1.5</u>  | <u>1.7</u>  | <u>2.7</u>  | <u>3.1</u>  | <u>3.5</u>  |
| Expenditure on GNP             | 185.5       | 210.7       | 241.4       | 281.5       | 366.0       |

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Source: Monthly Statistical Review, Bank of Korea.

Table IV

Gross Domestic Product by Industrial Origin  
(billion won at constant 1955 market prices)

|   | <u>1959</u>  | <u>1960</u>  | <u>1961</u>  | <u>1962</u>  | <u>1963</u> <sup>1/</sup> |
|---|--------------|--------------|--------------|--------------|---------------------------|
| <u>Agriculture</u>                      | <u>40.4</u>  | <u>40.6</u>  | <u>44.8</u>  | <u>39.9</u>  | <u>39.9</u>               |
| Rice                                    | 17.4         | 16.7         | 19.9         | 16.3         | 19.5                      |
| Summer grains                           | 5.4          | 5.1          | 5.6          | 5.2          | 1.6                       |
| Livestock                               | 4.6          | 5.3          | 5.0          | 4.5          | 4.7                       |
| Others                                  | 13.0         | 13.5         | 14.3         | 13.9         | 14.1                      |
| Forestry                                | 2.7          | 2.9          | 2.7          | 3.2          | 3.9                       |
| Fishery                                 | 1.8          | 1.7          | 1.9          | 2.2          | 2.0                       |
| Mining and quarrying                    | 1.7          | 2.2          | 2.6          | 3.1          | 3.5                       |
| <u>Manufacturing</u>                    | <u>16.2</u>  | <u>17.1</u>  | <u>17.2</u>  | <u>19.9</u>  | <u>22.9</u>               |
| Food, beverages and tobacco             | 4.3          | 4.6          | 5.1          | 5.1          | 5.8                       |
| Textiles, clothing and footwear         | 4.3          | 4.1          | 3.8          | 4.4          | 4.7                       |
| Chemicals, chemical products            | 1.1          | 1.3          | 1.3          | 1.6          | 2.0                       |
| Basic metals, metal products            | 0.9          | 1.1          | 1.0          | 1.3          | 1.6                       |
| Machinery, transport equipment          | 0.9          | 0.8          | 1.1          | 1.6          | 2.0                       |
| Others                                  | 4.7          | 5.2          | 4.9          | 5.9          | 6.8                       |
| Construction                            | 5.5          | 5.0          | 5.5          | 5.9          | 6.6                       |
| Electricity, water, sanitary services   | 0.9          | 1.0          | 1.0          | 1.1          | 1.2                       |
| Transportation, storage, communications | 4.3          | 4.9          | 5.0          | 5.5          | 6.0                       |
| wholesale and retail trade              | 17.6         | 18.3         | 17.4         | 18.9         | 20.1                      |
| Public administration, defense          | 5.2          | 5.1          | 5.0          | 5.3          | 5.4                       |
| Other services                          | 18.9         | 18.8         | 18.5         | 19.7         | 20.3                      |
| <u>Gross Domestic Product</u>           | <u>115.2</u> | <u>117.6</u> | <u>121.6</u> | <u>124.7</u> | <u>131.8</u>              |

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1/ Preliminary estimate.

Source: Monthly Statistical Review, Bank of Korea; information provided to the mission.

Table V

Saving and Investment  
(billion won at current prices)

|  | <u>1959</u>  | <u>1960</u>  | <u>1961</u>  | <u>1962</u>  | <u>1963</u> <sup>1/</sup> |
|--|--------------|--------------|--------------|--------------|---------------------------|
| <b>1. <u>Gross Domestic Saving</u></b>     |              |              |              |              |                           |
| a) <u>Private Saving</u> <sup>2/</sup>     |              |              |              |              |                           |
| <u>Personal</u> <sup>3/</sup>              | 6.1          | 2.4          | 8.1          | -5.8         | n.a.                      |
| Corporate                                  | <u>1.1</u>   | <u>1.5</u>   | <u>2.9</u>   | <u>4.9</u>   | <u>n.a.</u>               |
| Net saving                                 | <u>7.2</u>   | <u>3.9</u>   | <u>11.0</u>  | <u>-0.9</u>  | <u>n.a.</u>               |
| Capital consumption allowance              | <u>7.4</u>   | <u>7.8</u>   | <u>8.2</u>   | <u>10.6</u>  | <u>n.a.</u>               |
| Gross private saving                       | <u>14.6</u>  | <u>11.7</u>  | <u>19.2</u>  | <u>9.7</u>   | <u>27.2</u>               |
| b) <u>Public Saving</u>                    |              |              |              |              |                           |
| (i) <u>General Government</u>              |              |              |              |              |                           |
| Current revenue <sup>4/</sup>              | 24.4         | 30.1         | 32.0         | 41.0         | 44.9                      |
| -Transfer payments                         | <u>1.3</u>   | <u>2.7</u>   | <u>6.1</u>   | <u>6.8</u>   | <u>7.6</u>                |
| Net funds available                        | <u>23.1</u>  | <u>27.4</u>  | <u>25.9</u>  | <u>34.2</u>  | <u>37.3</u>               |
| -Consumption expenditure                   | 29.4         | 33.5         | 38.0         | 48.1         | 49.7                      |
| Net saving                                 | <u>-6.3</u>  | <u>-6.1</u>  | <u>-12.1</u> | <u>-13.9</u> | <u>-12.4</u>              |
| (ii) Government enterprises <sup>5/</sup>  | 2.5          | 3.5          | 5.0          | 6.8          | 7.7                       |
| (iii) Total net saving                     | -3.8         | -2.6         | -7.1         | -7.1         | -4.7                      |
| (iv) Capital consumption allowance         | 1.5          | 1.8          | 2.3          | 3.2          | 3.5                       |
| (v) Gross public saving                    | -2.3         | -0.8         | -4.8         | -3.9         | -1.2                      |
| c) <u>Total Gross Domestic Saving</u>      | 12.3         | 10.9         | 14.4         | 5.8          | 26.0                      |
| <b>2. <u>Gross Domestic Investment</u></b> |              |              |              |              |                           |
| a) <u>Gross Fixed Capital Formation</u>    |              |              |              |              |                           |
| Private                                    | 18.2         | 16.2         | 17.3         | 23.2         | 32.4                      |
| Public                                     | 8.3          | 8.5          | 12.4         | 15.3         | 18.3                      |
| Government enterprises                     | (3.3)        | (3.3)        | (4.0)        | (5.8)        | (8.5)                     |
| General government                         | <u>(5.0)</u> | <u>(5.2)</u> | <u>(8.4)</u> | <u>(9.5)</u> | <u>(9.8)</u>              |
| Total                                      | <u>26.5</u>  | <u>24.7</u>  | <u>29.7</u>  | <u>38.5</u>  | <u>50.7</u>               |
| b) <u>Change in Inventory</u>              |              |              |              |              |                           |
| (i) <u>Goods, of domestic origin</u>       |              |              |              |              |                           |
| Agriculture <sup>6/</sup>                  | -3.0         | -2.6         | 8.1          | -2.5         | 15.8                      |
| Others                                     | <u>-</u>     | <u>1.3</u>   | <u>1.1</u>   | <u>0.4</u>   | <u>2.0</u>                |
| Total                                      | <u>-3.0</u>  | <u>-1.3</u>  | <u>9.2</u>   | <u>-2.1</u>  | <u>17.8</u>               |
| (ii) Goods of foreign origin <sup>7/</sup> | <u>-</u>     | <u>2.8</u>   | <u>-1.6</u>  | <u>7.2</u>   | <u>5.7</u>                |
| (iii) Total change in inventory            | <u>-3.0</u>  | <u>1.5</u>   | <u>7.6</u>   | <u>5.1</u>   | <u>23.5</u>               |
| c) <u>Total Gross Domestic Investment</u>  | 23.5         | 26.2         | 37.3         | 43.6         | 74.2                      |

Table V (continued)

|   | <u>1959</u>  | <u>1960</u>  | <u>1961</u>  | <u>1962</u>  | <u>1963<sup>1/</sup></u> |
|---|--------------|--------------|--------------|--------------|--------------------------|
| <b>3. <u>Saving and Investment</u></b>      |              |              |              |              |                          |
| Gross domestic saving                       | 12.3         | 10.9         | 14.4         | 5.8          | 26.0                     |
| -Increase in agricultural inventory         | <u>-3.0</u>  | <u>-2.6</u>  | <u>8.1</u>   | <u>-2.5</u>  | <u>15.8</u>              |
| Savings available for investment            | 15.3         | 13.5         | 6.3          | 8.3          | 10.2                     |
| -Increase in other inventory                | -            | 4.1          | -0.5         | 7.6          | 7.7                      |
| Subtotal                                    | <u>15.3</u>  | <u>9.4</u>   | <u>6.8</u>   | <u>0.7</u>   | <u>2.5</u>               |
| -Gross fixed investment                     | 26.5         | 24.7         | 29.7         | 38.5         | 50.7                     |
| Deficit (-)                                 | <u>-11.2</u> | <u>-15.3</u> | <u>-22.9</u> | <u>-37.8</u> | <u>-48.2</u>             |
| <br>  |              |              |              |              |                          |
| <b>4. <u>Relationship to GNP (in %)</u></b> |              |              |              |              |                          |
| a) <u>Gross Domestic Saving</u>             |              |              |              |              |                          |
| Private                                     | 7.9          | 5.6          | 8.0          | 3.4          | 7.4                      |
| Public                                      | <u>-1.3</u>  | <u>-0.4</u>  | <u>-2.0</u>  | <u>-1.3</u>  | <u>-0.3</u>              |
| Total                                       | <u>6.6</u>   | <u>5.2</u>   | <u>6.0</u>   | <u>2.1</u>   | <u>7.1</u>               |
| b) <u>Gross Domestic Investment</u>         |              |              |              |              |                          |
| Fixed capital formation                     | 14.3         | 11.7         | 12.3         | 13.7         | 13.9                     |
| Change in inventories                       | <u>1.6</u>   | <u>0.7</u>   | <u>3.2</u>   | <u>1.8</u>   | <u>6.4</u>               |
| Total                                       | <u>12.7</u>  | <u>12.4</u>  | <u>15.5</u>  | <u>15.5</u>  | <u>20.3</u>              |
| c) <u>Deficit</u>                           | 6.1          | 7.2          | 9.5          | 13.4         | 13.2                     |

<sup>1/</sup> Preliminary estimate.

<sup>2/</sup> The private sector includes government-owned corporations.

<sup>3/</sup> Derived as a residual.

<sup>4/</sup> Includes the following revenue from the foreign-exchange tax on aid goods (in billion won):

|  | <u>1959</u> | <u>1960</u> | <u>1961</u> |
|--|-------------|-------------|-------------|
|  | 3.4         | 3.8         | 0.3         |

<sup>5/</sup> Comprises the following enterprises: monopoly, transportation, communications, postal life insurance and annuities, grain management, and procurement.

<sup>6/</sup> Includes stocks of imported grains.

<sup>7/</sup> Excludes stocks of imported grains.

Source: Monthly Statistical Review, Bank of Korea; information provided to the mission.

Table VI

Composition of Gross Domestic Fixed Capital Formation  
(billion won at constant 1955 market prices)

|  | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>1. <u>By Industrial Use</u></b>       |             |             |             |             |             |
| Agriculture, forestry, fishery           | 1.8         | 1.9         | 2.7         | 2.0         | 2.3         |
| Mining and quarrying                     | 0.5         | 0.6         | 0.5         | 0.4         | 0.6         |
| Manufacturing                            | 3.1         | 1.9         | 1.7         | 2.1         | 3.0         |
| Construction                             | 0.1         | -           | 0.1         | 0.2         | 0.2         |
| Electricity, water, sanitary services    | 1.1         | 0.5         | 1.3         | 1.6         | 2.8         |
| Transportation, storage, comm.           | 3.7         | 3.0         | 3.4         | 4.6         | 5.4         |
| Trade                                    | 0.6         | 0.7         | 0.5         | 0.8         | 0.8         |
| Housing                                  | 2.6         | 2.6         | 1.9         | 2.0         | 2.7         |
| Public administration                    | 0.6         | 0.7         | 0.5         | 0.4         | 0.3         |
| Other services                           | <u>2.2</u>  | <u>1.7</u>  | <u>1.7</u>  | <u>2.1</u>  | <u>1.9</u>  |
| Total                                    | 16.3        | 13.6        | 14.3        | 16.2        | 20.0        |
| <b>2. <u>By Type of Capital Good</u></b> |             |             |             |             |             |
| Residential building                     | 2.6         | 2.6         | 1.9         | 2.0         | 2.7         |
| Non-residential building                 | 4.2         | 3.4         | 3.2         | 3.4         | 4.1         |
| Other construction and works             | 3.8         | 3.1         | 4.2         | 5.6         | 6.2         |
| Transport equipment                      | 1.3         | 1.4         | 1.2         | 1.4         | 2.8         |
| Machinery and other equipment            | <u>4.4</u>  | <u>3.1</u>  | <u>3.8</u>  | <u>3.8</u>  | <u>4.2</u>  |
| Total                                    | 16.3        | 13.6        | 14.3        | 16.2        | 20.0        |

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Source: Monthly Statistical Review, Bank of Korea.

Table VII  
Investment Program, 1962-1966<sup>1/</sup>  
 (billion won)

|                                       | <u>1962</u> <sup>2/</sup> |                   | <u>1963</u> <sup>2/</sup> |                   | <u>1964</u>     |                | <u>1965</u>     |                |
|---------------------------------------|---------------------------|-------------------|---------------------------|-------------------|-----------------|----------------|-----------------|----------------|
|                                       | <u>Plan</u>               | <u>Actual</u>     | <u>Plan</u>               | <u>Actual</u>     | <u>Original</u> | <u>Revised</u> | <u>Original</u> | <u>Revised</u> |
| <u>1. Agriculture,</u>                |                           |                   |                           |                   |                 |                |                 |                |
| <u>Forestry</u>                       | <u>7.6</u>                | <u>3.2</u>        | <u>8.6</u>                | <u>3.8</u>        | <u>9.1</u>      | <u>6.1</u>     | <u>9.9</u>      | <u>6.2</u>     |
| Livestock,<br>sericulture             | 1.3                       | 1.5               | 1.3                       | 0.9               | 1.9             | 0.7            | 2.2             | 0.7            |
| Reclamation, land<br>improvement      | 1.6                       | "                 | 2.3                       | 1.6               | 1.5             | 1.6            | 1.9             | 1.5            |
| Afforestation                         | 1.0                       | 0.5               | 1.0                       | 2.1               | 1.0             | 1.1            | 1.1             | 0.9            |
| Others <sup>2/</sup>                  | 3.7                       | -1.0              | 4.0                       | 15.9              | 4.7             | 2.7            | 4.7             | 3.1            |
| <u>2. Fisheries</u>                   | <u>1.0</u>                | <u>0.2</u>        | <u>1.0</u>                | <u>0.4</u>        | <u>1.1</u>      | <u>2.8</u>     | <u>1.1</u>      | <u>4.0</u>     |
| Acquisition of<br>vessels             | 0.8                       | -                 | 0.8                       | 0.1               | 0.8             | 2.4            | 0.9             | 3.4            |
| Others                                | 0.2                       | 0.3               | 0.2                       | 0.4               | 0.3             | 0.4            | 0.2             | 0.6            |
| <u>3. Mining</u>                      | <u>3.0</u>                | <u>1.0</u>        | <u>3.4</u>                | <u>1.3</u>        | <u>5.6</u>      | <u>3.4</u>     | <u>3.6</u>      | <u>4.1</u>     |
| Coal                                  | 1.6                       | 1.6               | 2.0                       | 1.4               | 4.2             | 2.7            | 2.0             | 2.9            |
| Iron ore                              | 0.2                       | 0.4               | 0.3                       | 0.7               | 0.3             | 0.2            | 0.3             | 0.3            |
| Tungsten ore                          | 0.4                       | 0.7               | 0.2                       | 0.6               | 0.1             | -              | -               | -              |
| Others <sup>2/</sup>                  | 0.8                       | -                 | 0.9                       | -                 | 1.0             | 0.5            | 1.3             | 0.9            |
| <u>4. Manufacturing</u>               | <u>8.2</u>                | <u>5.2</u>        | <u>14.2</u>               | <u>7.3</u>        | <u>16.4</u>     | <u>15.7</u>    | <u>21.0</u>     | <u>11.7</u>    |
| Cement                                | 0.9                       | 1.5               | 1.4                       | 1.0               | 0.4             | 0.4            | 0.8             | 1.2            |
| Fertilizer                            | 0.8                       | -                 | 2.9                       | 0.6               | 1.5             | 1.1            | 1.5             | 0.3            |
| Integrated steel<br>mill              | 0.1                       | -                 | 1.2                       | -                 | 3.8             | -              | 1.0             | -              |
| Petroleum refinery                    | -                         | 0.7               | 1.3                       | 2.1               | 0.2             | 1.9            | 0.5             | 0.6            |
| Machinery works                       | 0.5                       | -                 | 0.2                       | 0.1               | 1.0             | 0.3            | 1.2             | -              |
| Pulp, paper, hard<br>board            | 0.4                       | 0.7               | 0.2                       | -                 | -               | 0.1            | 0.9             | 0.1            |
| Shipyards                             | -                         | n.a.              | -                         | n.a.              | -               | 0.6            | 0.6             | 1.1            |
| Synthetic fibers                      | 0.4                       | -                 | -                         | 0.7               | -               | 1.4            | 1.5             | 0.6            |
| Tobacco                               | -                         | -                 | -                         | 1.5               | 2.3             | 1.0            | 1.2             | 0.1            |
| Transportation<br>workshop            | 0.7                       | n.a.              | 1.3                       | n.a.              | 1.6             | 0.7            | 1.6             | 1.0            |
| Utilization, exist-<br>ing facilities | 0.3                       | n.a.              | 0.3                       | n.a.              | -               | -              | -               | -              |
| Miscellaneous,<br>chemicals           | 0.9                       | 1.8               | 0.5                       | 0.1               | 0.3             | 0.2            | 1.8             | 0.8            |
| Others <sup>2/</sup>                  | 3.2                       | 8.6 <sup>6/</sup> | 4.9                       | 9.8 <sup>6/</sup> | 5.3             | 8.0            | 8.4             | 5.9            |
| <u>5. Construction</u>                | <u>0.2</u>                | <u>0.6</u>        | <u>0.2</u>                | <u>0.6</u>        | <u>0.4</u>      | <u>0.3</u>     | <u>0.4</u>      | <u>0.2</u>     |
| <u>6. Electric Power</u>              | <u>8.9</u>                | <u>3.5</u>        | <u>9.6</u>                | <u>6.4</u>        | <u>9.3</u>      | <u>6.0</u>     | <u>8.0</u>      | <u>9.2</u>     |

(continued on next page)

(Table VII continued)

|                           | 1962        |                             | 1963        |                             | 1964            |                | 1965            |                |
|---------------------------|-------------|-----------------------------|-------------|-----------------------------|-----------------|----------------|-----------------|----------------|
|                           | <u>Plan</u> | <u>Actual</u> <sup>2/</sup> | <u>Plan</u> | <u>Actual</u> <sup>2/</sup> | <u>Original</u> | <u>Revised</u> | <u>Original</u> | <u>Revised</u> |
| 7. <u>Transportation,</u> |             |                             |             |                             |                 |                |                 |                |
| <u>Storage</u>            | <u>5.8</u>  | <u>9.0</u>                  | <u>7.1</u>  | <u>10.1</u>                 | <u>7.5</u>      | <u>7.3</u>     | <u>8.6</u>      | <u>7.5</u>     |
| <u>Railroad</u>           | <u>2.5</u>  | n.a.                        | <u>4.2</u>  | n.a.                        | <u>2.3</u>      | <u>4.2</u>     | <u>1.8</u>      | <u>4.7</u>     |
| <u>Highways</u>           | <u>1.3</u>  | n.a.                        | <u>0.9</u>  | n.a.                        | <u>0.9</u>      | <u>0.1</u>     | <u>0.8</u>      | <u>0.5</u>     |
| <u>Vessels</u>            | -           | n.a.                        | -           | n.a.                        | <u>0.7</u>      | <u>0.9</u>     | <u>0.6</u>      | <u>1.4</u>     |
| <u>Others</u>             | <u>2.0</u>  | n.a.                        | <u>2.0</u>  | n.a.                        | <u>3.6</u>      | <u>2.1</u>     | <u>5.4</u>      | <u>0.9</u>     |
| 8. <u>Communication</u>   | <u>0.8</u>  | <u>0.8</u>                  | <u>0.9</u>  | <u>1.3</u>                  | <u>2.3</u>      | <u>1.7</u>     | <u>3.5</u>      | <u>0.9</u>     |
| 9. <u>Housing</u>         | <u>6.0</u>  | <u>3.9</u>                  | <u>6.3</u>  | <u>5.3</u>                  | <u>8.2</u>      | <u>2.9</u>     | <u>9.3</u>      | <u>3.1</u>     |
| 10. <u>Other Services</u> | <u>4.8</u>  | <u>7.0</u>                  | <u>5.0</u>  | <u>6.1</u>                  | <u>5.0</u>      | <u>7.1</u>     | <u>6.2</u>      | <u>8.2</u>     |
| <u>Total Investment</u>   | <u>46.4</u> | <u>39.4</u>                 | <u>56.3</u> | <u>59.6</u>                 | <u>64.9</u>     | <u>53.3</u>    | <u>71.6</u>     | <u>55.1</u>    |
| of which: Fixed           |             |                             |             |                             |                 |                |                 |                |
| <u>Investment</u>         | <u>42.1</u> | <u>34.4</u>                 | <u>51.1</u> | <u>42.6</u>                 | <u>59.5</u>     | n.a.           | <u>63.6</u>     | n.a.           |
| <u>Inventory</u>          | <u>4.3</u>  | <u>5.0</u>                  | <u>5.2</u>  | <u>17.0</u>                 | <u>5.4</u>      | n.a.           | <u>8.0</u>      | n.a.           |

(continued on next page)

(Table VII continued)

|                                    | 1966        |             | 1962-1966 <sup>3/</sup> |              | 1964-1966 <sup>4/</sup> |              |
|------------------------------------|-------------|-------------|-------------------------|--------------|-------------------------|--------------|
|                                    | Original    | Revised     | Original                | Revised      | Original                | Revised      |
| 1. <u>Agriculture, Forestry</u>    | <u>11.5</u> | <u>5.9</u>  | <u>46.7</u>             | <u>39.7</u>  | <u>30.5</u>             | <u>18.2</u>  |
| Livestock, sericulture             | 3.1         | 0.7         | 9.8                     | 4.5          | 7.2                     | 2.1          |
| Reclamation, land improve-<br>ment | 2.1         | 1.5         | 9.4                     | 6.2          | 5.5                     | 4.6          |
| Afforestation                      | 1.1         | 0.7         | 5.2                     | 5.3          | 3.2                     | 2.7          |
| Others <sup>5/</sup>               | 5.2         | 3.0         | 9.9                     | 23.7         | 14.6                    | 8.8          |
| 2. <u>Fisheries</u>                | <u>1.1</u>  | <u>5.0</u>  | <u>5.3</u>              | <u>12.6</u>  | <u>3.3</u>              | <u>11.8</u>  |
| Acquisition of vessels             | 0.9         | 4.3         | 4.2                     | 10.2         | 2.6                     | 10.1         |
| Others                             | 0.2         | 0.7         | 1.1                     | 2.4          | 0.7                     | 1.7          |
| 3. <u>Mining</u>                   | <u>2.6</u>  | <u>5.3</u>  | <u>18.2</u>             | <u>18.2</u>  | <u>11.8</u>             | <u>12.8</u>  |
| Coal                               | 1.8         | 3.8         | 11.6                    | 12.4         | 8.0                     | 9.4          |
| Iron ore                           | 0.2         | 0.3         | 1.3                     | 1.9          | 0.8                     | 0.8          |
| Tungsten ore                       | -           | -           | 0.7                     | 1.3          | 0.1                     | -            |
| Others <sup>5/</sup>               | 0.6         | 1.2         | 1.6                     | 2.6          | 2.9                     | 2.6          |
| 4. <u>Manufacturing</u>            | <u>27.2</u> | <u>13.7</u> | <u>87.0</u>             | <u>70.3</u>  | <u>64.6</u>             | <u>41.1</u>  |
| Cement                             | 3.5         | 0.3         | 7.0                     | 4.4          | 4.7                     | 1.9          |
| Fertilizer                         | 3.0         | 1.0         | 9.7                     | 3.0          | 6.0                     | 2.4          |
| Integrated steel mill              | 1.0         | -           | 7.1                     | -            | 5.8                     | -            |
| Petroleum refinery                 | -           | 0.4         | 2.0                     | 5.7          | 0.7                     | 2.9          |
| Machinery works                    | 0.1         | -           | 3.0                     | 0.4          | 2.3                     | 0.3          |
| Pulp, paper, hard board            | 1.3         | -           | 2.8                     | 0.9          | 2.2                     | 0.2          |
| Shipyards                          | 1.7         | 1.6         | 2.3                     | 3.3          | 2.3                     | 3.3          |
| Synthetic fibers                   | 3.1         | -           | 5.0                     | 2.7          | 4.6                     | 2.0          |
| Tobacco                            | 0.3         | 0.1         | 3.8                     | 2.7          | 3.8                     | 1.2          |
| Transportation workshop            | 1.6         | 1.3         | 6.8                     | 3.0          | 4.8                     | 3.0          |
| Utilization existing<br>facilities | -           | -           | 0.6                     | -            | -                       | -            |
| Miscellaneous, chemicals           | 2.4         | 0.4         | 5.9                     | 3.3          | 4.5                     | 1.4          |
| Others <sup>5/</sup>               | 9.2         | 8.6         | 31.0                    | 40.9         | 22.9                    | 22.5         |
| 5. <u>Construction</u>             | <u>0.4</u>  | <u>0.3</u>  | <u>1.6</u>              | <u>2.1</u>   | <u>1.2</u>              | <u>0.8</u>   |
| 6. <u>Electric Power</u>           | <u>4.8</u>  | <u>8.4</u>  | <u>40.6</u>             | <u>35.1</u>  | <u>22.1</u>             | <u>23.6</u>  |
| 7. <u>Transportation, Storage</u>  | <u>9.9</u>  | <u>7.6</u>  | <u>38.9</u>             | <u>44.7</u>  | <u>26.0</u>             | <u>22.4</u>  |
| Railroad                           | 1.7         | 4.3         | 12.5                    | n.a.         | 5.8                     | 13.2         |
| Highways                           | 0.7         | 0.4         | 4.6                     | n.a.         | 2.4                     | 1.0          |
| Vessels                            | 0.5         | 1.2         | 1.8                     | n.a.         | 1.8                     | 3.5          |
| Others                             | 7.0         | 1.7         | 20.0                    | n.a.         | 16.0                    | 4.7          |
| 8. <u>Communication</u>            | <u>3.7</u>  | <u>1.4</u>  | <u>11.2</u>             | <u>6.1</u>   | <u>9.5</u>              | <u>4.0</u>   |
| 9. <u>Housing</u>                  | <u>10.0</u> | <u>3.5</u>  | <u>39.8</u>             | <u>20.5</u>  | <u>27.5</u>             | <u>9.5</u>   |
| 10. <u>Other Services</u>          | <u>8.0</u>  | <u>6.3</u>  | <u>29.0</u>             | <u>37.1</u>  | <u>19.2</u>             | <u>21.6</u>  |
| <u>Total Investment</u>            | <u>79.1</u> | <u>57.4</u> | <u>318.3</u>            | <u>286.4</u> | <u>215.6</u>            | <u>165.3</u> |
| of which: Fixed invest-<br>ment    | 71.2        | n.a.        | 287.5                   | n.a.         | 194.3                   | n.a.         |
| Inventory                          | 7.9         | n.a.        | 30.8                    | n.a.         | 21.3                    | n.a.         |

(Table VII continued)

FOOTNOTES

- 1/ This table was compiled for the purpose of presenting, in a roughly comparable fashion, Korea's original investment program under the Five-Year Development Plan, 1962-1966, as it was published late in 1961, and its revised version which was prepared in 1963 and covers the period 1964-1966. It should be noted, however, that the data presented here were drawn from various sources and are not entirely consistent. Above all, the original program was drawn up in terms of constant 1961 prices, the revised version uses constant 1962 prices.
- 2/ The amounts of investment in each sector are given at constant 1961 market prices and are therefore comparable to the amounts in the plan. Investments for individual projects, including the item "Others" are, however, given in current market prices.
- 3/ Total investment for 1962-1966 according to the revised version consists of plan data for 1964-1966 (in constant 1962 prices) and actual investment in 1962 and 1963 in terms of current market prices.
- 4/ Original plan in 1961 prices, revised plan in 1962 prices which are about 11% higher than 1961 prices.
- 5/ Includes changes in inventory.
- 6/ Includes also some investment in projects enumerated above.

Source: First Five-Year Economic Plan, 1962-1966 (1961); Adjusted Plan for Korea's First Five-Year Plan (1964); Monthly Statistical Review (EOK); information provided to mission.

Table VIII

Financing of Investment Program, 1962-1966<sup>1 & 2/</sup>  
(billion won)

|                                      | <u>1962</u>  |               | <u>1963</u>  |                             | <u>1964</u>     |                |
|--------------------------------------|--------------|---------------|--------------|-----------------------------|-----------------|----------------|
|                                      | <u>Plan</u>  | <u>Actual</u> | <u>Plan</u>  | <u>Actual</u> <sup>3/</sup> | <u>Original</u> | <u>Revised</u> |
| <u>I. Gross Domestic Saving</u>      |              |               |              |                             |                 |                |
| <u>1. Private Saving (net)</u>       |              |               |              |                             |                 |                |
| a. Households                        |              |               |              |                             |                 |                |
| Disposable income                    | 193.7        | 203.4         | 201.6        | n.a.                        | 212.1           | n.a.           |
| Consumption                          | <u>189.7</u> | <u>204.7</u>  | <u>195.2</u> | <u>n.a.</u>                 | <u>203.9</u>    | <u>241.5</u>   |
| Saving                               | <u>4.0</u>   | <u>- 1.3</u>  | <u>6.4</u>   | <u>n.a.</u>                 | <u>8.2</u>      | <u>n.a.</u>    |
| b. Corporate Saving                  | 4.8          | 4.9           | 5.7          | n.a.                        | 7.0             | n.a.           |
| c. Total Private Saving              | 8.8          | 3.6           | 12.1         | 12.6                        | 15.2            | 4.1            |
| <u>2. Public Saving (net)</u>        |              |               |              |                             |                 |                |
| Current revenue                      | 40.4         | 41.8          | 46.3         | n.a.                        | 52.9            | 56.0           |
| Current expenditure                  | <u>51.1</u>  | <u>52.9</u>   | <u>51.1</u>  | <u>n.a.</u>                 | <u>51.9</u>     | <u>57.0</u>    |
| Saving                               | <u>-10.7</u> | <u>-11.1</u>  | <u>- 4.8</u> | <u>- 9.6</u>                | <u>1.0</u>      | <u>- 1.0</u>   |
| <u>3. Depreciation Allowance</u>     | 10.9         | 12.4          | 11.7         | 12.6                        | 12.7            | 15.4           |
| <u>4. Gross Domestic Saving</u>      | 9.0          | 4.9           | 19.0         | 15.6                        | 28.9            | 18.5           |
| <u>II. Gross Domestic Investment</u> | 49.3         | 39.4          | 60.0         | 59.6                        | 67.4            | 53.3           |
| <u>III. Deficit on Current Acct.</u> | 40.3         | 34.5          | 41.0         | 44.0                        | 38.5            | 34.8           |

<sup>1/</sup> See footnote <sup>1/</sup>, Table VII.

<sup>2/</sup> The definition of 'private' and 'public' savings as used here does not correspond to that used in Table V.

<sup>3/</sup> Roughly estimated.

(continued on next page)

(Table VIII continued)

|                                      | <u>1965</u>     |                | <u>1966</u>     |                | <u>1964-1966</u> <sup>4/</sup> |                |
|--------------------------------------|-----------------|----------------|-----------------|----------------|--------------------------------|----------------|
|                                      | <u>Original</u> | <u>Revised</u> | <u>Original</u> | <u>Revised</u> | <u>Original</u>                | <u>Revised</u> |
| I. <u>Gross Domestic Saving</u>      |                 |                |                 |                |                                |                |
| 1. <u>Private Saving (net)</u>       |                 |                |                 |                |                                |                |
| a. Households                        |                 |                |                 |                |                                |                |
| Disposable income                    | 225.0           | n.a.           | 241.6           | n.a.           | 678.7                          | n.a.           |
| Consumption                          | <u>217.8</u>    | <u>251.6</u>   | <u>235.8</u>    | <u>262.1</u>   | <u>657.5</u>                   | <u>755.2</u>   |
| Saving                               | 7.2             | n.a.           | 5.8             | n.a.           | 21.2                           | n.a.           |
| b. Corporate Saving                  | 8.3             | n.a.           | 9.8             | n.a.           | 25.2                           | n.a.           |
| c. Total Private Saving              | 15.5            | 5.9            | 15.6            | 8.3            | 46.4                           | 18.3           |
| 2. <u>Public Saving (net)</u>        |                 |                |                 |                |                                |                |
| Current revenue                      | 59.7            | 59.3           | 66.0            | 61.4           | 178.6                          | 176.7          |
| Current expenditure                  | <u>52.9</u>     | <u>57.8</u>    | <u>54.5</u>     | <u>58.8</u>    | <u>159.4</u>                   | <u>173.6</u>   |
| Saving                               | 6.8             | 1.5            | 11.5            | 2.6            | 19.2                           | 3.1            |
| 3. <u>Depreciation Allowance</u>     | 13.9            | 16.2           | 15.2            | 17.0           | 41.8                           | 48.6           |
| 4. <u>Gross Domestic Saving</u>      | 36.2            | 23.6           | 42.3            | 27.9           | 107.4                          | 70.0           |
| II. <u>Gross Domestic Investment</u> | 70.4            | 55.1           | 74.4            | 57.4           | 212.2                          | 165.8          |
| III. <u>Deficit on Current Acct.</u> | 34.2            | 31.5           | 32.1            | 29.5           | 104.8                          | 95.8           |

<sup>4/</sup> Original plan in constant 1961 prices, revised plan in constant 1962 prices.

Table IX  
Agricultural Output  
(in 1,000 MT)

|                                    | <u>Average</u><br><u>1957-1959</u> | <u>1959</u>  | <u>1960</u>  | <u>1961</u>  | <u>1962</u>  | <u>1963</u>  |
|------------------------------------|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <u>Grains</u>                      | <u>3,324</u>                       | <u>3,500</u> | <u>3,396</u> | <u>3,927</u> | <u>3,450</u> | <u>3,221</u> |
| Rice                               | 2,364                              | 2,406        | 2,311        | 2,740        | 2,310        | 2,784        |
| Barley                             | 701                                | 820          | 822          | 893          | 848          | 240          |
| Wheat                              | 145                                | 163          | 158          | 172          | 165          | 75           |
| Rye                                | 21                                 | 24           | 23           | 25           | 25           | 11           |
| Miscellaneous grains <sup>1/</sup> | 93                                 | 87           | 82           | 97           | 102          | 111          |
| <u>Pulses</u>                      | <u>169</u>                         | <u>158</u>   | <u>151</u>   | <u>191</u>   | <u>183</u>   | <u>182</u>   |
| Soybeans                           | 148                                | 138          | 130          | 165          | 156          | 156          |
| Beans                              | 16                                 | 15           | 16           | 18           | 19           | 19           |
| Others                             | 5                                  | 5            | 5            | 8            | 8            | 7            |
| <u>Other Food Crops</u>            | <u>1,957</u>                       | <u>1,866</u> | <u>2,012</u> | <u>2,214</u> | <u>2,452</u> | <u>n.a.</u>  |
| Potatoes                           | 692                                | 689          | 757          | 872          | 954          | 1,080        |
| Vegetables                         | 1,116                              | 1,010        | 1,088        | 1,191        | 1,303        | n.a.         |
| Fruit                              | 149                                | 167          | 167          | 151          | 195          | n.a.         |
| <u>Other Crops</u>                 |                                    |              |              |              |              |              |
| Cotton                             | 24                                 | 25           | 19           | 28           | 18           | 12           |
| Hemp, ramie                        | 7                                  | 8            | 6            | 6            | 7            | 6            |
| Silkworms                          | 5.6                                | 5.4          | 4.6          | 4.9          | 5.5          | 6.2          |
| Tobacco <sup>2/</sup>              | 28                                 | 29           | 28           | 32           | 35           | 29           |
| <u>Livestock (in 1,000 head)</u>   |                                    |              |              |              |              |              |
| Draft cattle                       | 996                                | 1,020        | 1,010        | 1,096        | 1,253        | 1,363        |
| Milk cows                          | 1                                  | 1            | 1            | 1            | 2            | 4            |
| Pigs                               | 1,332                              | 1,439        | 1,397        | 1,256        | 1,672        | 1,510        |
| Poultry                            | 10,633                             | 12,253       | 12,229       | 11,362       | 13,269       | 12,082       |

1/ Comprises millet, sorghum, corn and buckwheat.

2/ Purchases by the Government.

Source: Agricultural Yearbook, 1963; Status of Livestock in Korea 1963; information provided to the mission.

Table X

Supply and Disposal of Cereals  
(1,000 MT)

|  | <u>Average</u><br><u>1957-1959</u> | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> | <u>1964</u> <sup>3/</sup> |
|--|------------------------------------|-------------|-------------|-------------|-------------|-------------|---------------------------|
| <u>Imports</u>                           |                                    |             |             |             |             |             |                           |
| Rice                                     | 76                                 | 4           | -           | -           | -           | 117)        |                           |
| Wheat                                    | 307                                | 133         | 349         | 330         | 371         | 898)        | 1,080                     |
| Wheat flour                              | 45                                 | 39          | 32          | 18          | 24          | 53)         |                           |
| Others                                   | <u>251</u>                         | <u>62</u>   | <u>51</u>   | <u>234</u>  | <u>147</u>  | <u>250)</u> |                           |
| Total                                    | 679                                | 238         | 432         | 582         | 542         | 1,318       | 1,080                     |
| <u>Exports</u>                           |                                    |             |             |             |             |             |                           |
|  | 2                                  | 5           | 26          | 4           | 60          | 7           | n.a.                      |
| <u>Net Imports</u>                       |                                    |             |             |             |             |             |                           |
|  | 677                                | 233         | 406         | 578         | 482         | 1,311       | 1,080                     |
| <u>Domestic Production</u> <sup>1/</sup> |                                    |             |             |             |             |             |                           |
| Rice                                     | 2,225                              | 2,406       | 2,382       | 2,418       | 2,633       | 2,428       | 2,750                     |
| Summer grains <sup>2/</sup>              | 867                                | 1,007       | 1,003       | 1,090       | 1,038       | 326         | 1,040                     |
| Miscellaneous grains                     | <u>93</u>                          | <u>87</u>   | <u>82</u>   | <u>97</u>   | <u>102</u>  | <u>111</u>  | <u>110</u>                |
| Total                                    | 3,185                              | 3,500       | 3,467       | 3,605       | 3,733       | 2,865       | 3,900                     |
| <u>Opening Stocks</u>                    |                                    |             |             |             |             |             |                           |
|  | 75                                 | 698         | 623         | 498         | 429         | 464         | 253                       |
| <u>Total Supply</u>                      |                                    |             |             |             |             |             |                           |
|  | 3,937                              | 4,431       | 4,496       | 4,681       | 4,644       | 4,640       | 5,233                     |
| <u>Closing Stocks</u>                    |                                    |             |             |             |             |             |                           |
|  | 255                                | 623         | 498         | 429         | 464         | 253         |                           |
| <u>Apparent Consumption</u>              |                                    |             |             |             |             |             |                           |
|  | 3,682                              | 3,808       | 3,998       | 4,252       | 4,180       | 4,357       |                           |
| <u>Per Capita Consumption (kg)</u>       |                                    |             |             |             |             |             |                           |
|  | 157                                | 158         | 162         | 168         | 161         | 164         |                           |

1/ Supply of domestic rice in each year is calculated as consisting of three-quarters of previous year's crop carried over and one-quarter of current year's crop.

2/ Consists of barley, naked barley, wheat, rye and oats.

3/ Estimates based on the following assumptions: Imports: 9th Agreement under PL480, including Title III, proposed amendments to this Agreement; Government purchases contracted with CCC and other suppliers carry-over from 1963; Domestic Production: average crops.

Source: Agricultural Yearbook 1963; Economic Statistics Yearbook 1963; External Trade Statistics 1963; information provided to the mission.

Table XI

Acreage and Yields of Agricultural Products  
(1,000 acreage; kg per acre)

|                             | <u>Average</u> |              | <u>1959</u>    |              | <u>1960</u>    |              | <u>1961</u>    |              | <u>1962</u>    |              | <u>1963</u>    |              |
|-----------------------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
|                             | <u>Acreage</u> | <u>Yield</u> |
| <u>Cultivated Area</u>      |                |              |                |              |                |              |                |              |                |              |                |              |
| <u>Paddy</u>                | <u>2,961</u>   |              | <u>2,972</u>   |              | <u>2,980</u>   |              | <u>2,991</u>   |              | <u>3,022</u>   |              | <u>3,022</u>   |              |
| Irrigated                   | 1,502          |              | 1,554          |              | 1,640          |              | 1,643          |              | 1,686          |              | 1,732          |              |
| Partially irrigated         | 751            |              | 706            |              | 628            |              | 636            |              | 624            |              | 578            |              |
| Non-irrigated               | 708            |              | 712            |              | 712            |              | 712            |              | 712            |              | 712            |              |
| <u>Dry Fields</u>           | <u>2,002</u>   |              | <u>2,009</u>   |              | <u>2,022</u>   |              | <u>2,030</u>   |              | <u>2,078</u>   |              | <u>2,087</u>   |              |
| Total                       | 4,963          |              | 4,981          |              | 5,002          |              | 5,021          |              | 5,100          |              | 5,109          |              |
| <u>Land Use and Yields</u>  |                |              |                |              |                |              |                |              |                |              |                |              |
| Rice                        | 2,739          | 863          | 2,750          | 875          | 2,770          | 834          | 2,787          | 983          | 2,814          | 820          | 2,854          | 975          |
| Summer grains               | 2,365          | 367          | 2,322          | 433          | 2,353          | 426          | 2,376          | 458          | 2,479          | 418          | 2,622          | 124          |
| Miscellaneous grains        | 533            | 175          | 532            | 164          | 507            | 162          | 502            | 193          | 496            | 206          | 501            | 222          |
| Pulses                      | 778            | 217          | 775            | 204          | 787            | 192          | 836            | 228          | 833            | 220          | 830            | 219          |
| Potatoes                    | 247            | 280          | 246            | 280          | 264            | 287          | 270            | 323          | 307            | 311          | 337            | 320          |
| Vegetables                  | 278            | 401          | 270            | 374          | 288            | 378          | 288            | 414          | 335            | 389)         |                |              |
| Fruit                       | 54             | 276          | 57             | 293          | 55             | 304          | 57             | 265          | 58             | 336)         |                |              |
| Special crops <sup>1/</sup> | 241            | n.a.         | 234            | n.a.         | 200            | n.a.         | 201            | n.a.         | 195            | n.a.)        | n.a.)          | n.a.         |
| Tobacco                     | 51             | 549          | 50             | 580          | 49             | 571          | 49             | 653          | 55             | 636)         |                |              |
| Total                       | 7,286          |              | 7,236          |              | 7,273          |              | 7,366          |              | 7,572          |              | n.a.           |              |
| Excess over Cultivated Area | 2,323          |              | 2,255          |              | 2,271          |              | 2,345          |              | 2,472          |              | n.a.           |              |

<sup>1/</sup> Consist primarily of cotton, hemp, ramie, sesame seed, rape, peppermint.

Source: Agricultural Yearbook 1963; Economic Statistics Yearbook 1963; information provided to the mission.

Table XII

Production of Fish and Related Products  
(1,000 MT)

|                                  | <u>Average</u><br><u>1957-1959</u> | <u>1959</u>  | <u>1960</u>  | <u>1961</u>  | <u>1962</u>  | <u>1963</u>  |
|----------------------------------|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <u>Marine Production</u>         | <u>393.5</u>                       | <u>382.1</u> | <u>342.5</u> | <u>412.5</u> | <u>450.4</u> | <u>435.7</u> |
| Fish                             | 279.1                              | 266.2        | 241.7        | 244.9        | 297.2        | 245.4        |
| Shell fish                       | 13.6                               | 12.7         | 13.5         | 21.6         | 20.0         | 16.7         |
| Sea plants                       | 31.1                               | 29.7         | 27.4         | 36.9         | 45.6         | 35.7         |
| Others                           | 69.7                               | 73.5         | 59.9         | 109.2        | 87.6         | 137.9        |
| <u>Cultured Fishery Products</u> | <u>8.1</u>                         | <u>9.9</u>   | <u>14.7</u>  | <u>12.1</u>  | <u>18.1</u>  | <u>n. a.</u> |
| Laver                            | 0.9                                | 1.0          | 1.1          | 1.9          | 3.4          | n. a.        |
| Agar agar                        | 0.1                                | -            | 0.5          | 0.2          | 0.9          | n. a.        |
| Cysters                          | 5.7                                | 7.0          | 9.8          | 6.8          | 7.6          | n. a.        |
| Clams                            | 0.5                                | 1.0          | 2.0          | 1.6          | 3.1          | n. a.        |
| Others                           | 0.9                                | 0.9          | 1.3          | 1.6          | 3.1          | n. a.        |
| Total                            | 401.6                              | 392.0        | 357.2        | 424.6        | 468.5        | n. a.        |

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Source: Economic Statistics Yearbook 1963; information provided to the mission.

Table XIII

Index of Industrial Production  
(1960=100)

|                           | <u>Weight</u> | <u>Average</u><br><u>1957-1959</u> | <u>1959</u> | <u>1960</u>  | <u>1961</u>  | <u>1962</u>  | <u>1963</u>  | <u>1964</u><br><u>March</u> <sup>1/</sup> |
|---------------------------|---------------|------------------------------------|-------------|--------------|--------------|--------------|--------------|---|
| <u>Manufacturing</u>      | <u>80.5</u>   | <u>85.9</u>                        | <u>95.1</u> | <u>100.0</u> | <u>104.3</u> | <u>121.8</u> | <u>137.8</u> | <u>134.5</u>                              |
| Food                      | 9.8           | 95.0                               | 95.2        | 100.0        | 109.9        | 105.7        | 115.0        | 64.7                                      |
| Beverage                  | 4.2           | 81.1                               | 94.5        | 100.0        | 105.1        | 99.2         | 90.0         | 82.1                                      |
| Tobacco                   | 4.1           | 96.7                               | 101.5       | 100.0        | 108.6        | 121.2        | 134.6        | 142.8                                     |
| Textiles                  | 23.4          | 99.7                               | 103.2       | 100.0        | 91.2         | 105.6        | 109.7        | 121.8                                     |
| Wood and cork             | 5.7           | 95.2                               | 99.6        | 100.0        | 93.5         | 111.5        | 132.6        | 104.7                                     |
| Paper, paper products     | 3.1           | 61.6                               | 76.7        | 100.0        | 122.3        | 145.4        | 176.8        | 252.5                                     |
| Printing, publishing      | 4.8           | 74.9                               | 86.5        | 100.0        | 80.9         | 99.7         | 106.2        | 109.4                                     |
| Leather, leather products | 0.4           | 132.6                              | 113.9       | 100.0        | 123.0        | 126.2        | 114.0        | 100.0                                     |
| Rubber products           | 5.8           | 77.5                               | 104.0       | 100.0        | 94.7         | 99.9         | 117.2        | 128.3                                     |
| Chemicals                 | 5.9           | 53.7                               | 74.5        | 100.0        | 120.2        | 142.1        | 177.1        | 189.0                                     |
| Petroleum and coal prod.  | 3.0           | n.a.                               | n.a.        | 100.0        | 137.3        | 160.9        | 178.0        | 106.9                                     |
| Glass, clay, stone prod.  | 9.0           | 84.3                               | 97.6        | 100.0        | 99.8         | 130.6        | 140.0        | 162.9                                     |
| Basic metal               | 2.9           | 69.6                               | 89.3        | 100.0        | 85.6         | 119.2        | 134.4        | 135.6                                     |
| Metal products            | 3.1           | 91.9                               | 92.5        | 100.0        | 107.7        | 134.1        | 178.4        | 88.3                                      |
| Machinery                 | 2.8           | 137.8                              | 134.1       | 100.0        | 145.9        | 199.7        | 147.3        | 111.8                                     |
| Electric machinery        | 1.3           | 83.7                               | 111.3       | 100.0        | 134.9        | 248.8        | 325.0        | 339.8                                     |
| Transport equipment       | 3.2           | 112.4                              | 79.4        | 100.0        | 146.8        | 148.2        | 275.6        | 276.2                                     |
| Miscellaneous             | 1.6           | 102.4                              | 105.2       | 100.0        | 101.2        | 144.0        | 188.2        | 191.4                                     |
| <u>Mining</u>             | <u>15.2</u>   | <u>61.0</u>                        | <u>76.1</u> | <u>100.0</u> | <u>113.4</u> | <u>134.6</u> | <u>153.6</u> | <u>165.6</u>                              |
| Coal                      | 72.61         | 57.6                               | 77.3        | 100.0        | 110.0        | 137.8        | 165.9        | 176.5                                     |
| Metal                     | 23.27         | 70.8                               | 69.8        | 100.0        | 124.1        | 129.3        | 115.7        | 128.4                                     |
| Non-metal                 | 4.12          | n.a.                               | n.a.        | 100.0        | 113.2        | 108.1        | 151.0        | 187.4                                     |
| <u>Electric Power</u>     | <u>4.3</u>    | <u>88.7</u>                        | <u>99.3</u> | <u>100.0</u> | <u>104.3</u> | <u>116.5</u> | <u>130.1</u> | <u>144.9</u>                              |
| Total                     | 100.0         | 81.5                               | 91.8        | 100.0        | 105.7        | 123.5        | 139.8        | 139.7                                     |

<sup>1/</sup> Preliminary; seasonally adjusted.

Source: Monthly Statistical Review, Bank of Korea.

Table XIV

Output of Major Manufactured and Mineral Products

|   | <u>Average</u><br><u>1957-1959</u> | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> |
|---|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <u>Manufactured Goods</u>               |                                    |             |             |             |             |             |
| <u>Food (1,000 MT)</u>                  |                                    |             |             |             |             |             |
| Canned food                             | 9                                  | 10          | 6           | 8           | 5           | 4           |
| Wheat flour                             | 217                                | 163         | 230         | 210         | 319         | 545         |
| Refined sugar                           | 47                                 | 60          | 64          | 64          | 54          | 40          |
| <u>Beverages (1,000 kilolitres)</u>     |                                    |             |             |             |             |             |
| Beer                                    | 14                                 | 17          | 18          | 13          | 7           | 13          |
| Distilled spirits                       | 89                                 | 109         | 121         | 131         | 85          | 87          |
| Soft drinks                             | 7                                  | 9           | 7           | 8           | 15          | 15          |
| <u>Tobacco (1,000 MT)</u>               |                                    |             |             |             |             |             |
| Cigarettes                              | 13.8                               | 14.5        | 14.4        | 15.4        | 17.1        | 19.1        |
| Cut tobacco                             | 6.9                                | 7.2         | 6.8         | 8.0         | 9.1         | 9.8         |
| <u>Textiles</u>                         |                                    |             |             |             |             |             |
| Cotton yarn (1,000 MT)                  | 45                                 | 48          | 49          | 44          | 53          | 63          |
| Cotton cloth (million sq.m.)            | 125                                | 133         | 126         | 111         | 126         | 148         |
| Other yarns (1,000 MT)                  | 4                                  | 4           | 3           | 4           | 5           | 8           |
| Other cloths (million sq.m.)            | 75                                 | 70          | 70          | 65          | 85          | 53          |
| Raw silk (MT)                           | 328                                | 322         | 297         | 388         | 530         | 557         |
| <u>Paper (1,000 MT)</u>                 | 22                                 | 33          | 46          | 60          | 77          | 92          |
| <u>Rubber Products</u>                  |                                    |             |             |             |             |             |
| Truck, passenger car<br>tires (1,000's) | 122                                | 181         | 175         | 160         | 179         | 237         |
| Rubber shoes (million prs.)             | 44                                 | 55          | 56          | 54          | 64          | 69          |
| <u>Chemical Products (1,000 MT)</u>     |                                    |             |             |             |             |             |
| Plastics                                | 4                                  | 5           | 6           | 6           | 7           | 11          |
| Soap                                    | 26                                 | 28          | 30          | 23          | 33          | 43          |
| Paint                                   | 4                                  | 5           | 6           | 4           | 5           | 5           |
| Urea fertilizer                         | -                                  | -           | 13          | 65          | 81          | 98          |
| <u>Glass, Clay and Stone Products</u>   |                                    |             |             |             |             |             |
| Bricks (1,000 MT)                       | 434                                | 405         | 395         | 176         | 184         | 263         |
| Tiles (1,000 sq.m.)                     | 601                                | 825         | 726         | 624         | 525         | 558         |
| Flat glass (1,000 cases)                | 103                                | 169         | 193         | 310         | 259         | 537         |
| Cement (1,000 MT)                       | 248                                | 358         | 431         | 523         | 790         | 778         |

(continued)

Table XIV (continued)

Output of Major Manufactured and Mineral Products

|                                    | <u>Average</u><br><u>1957-1959</u> | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> |
|------------------------------------|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <u>Basic Metal, Metal</u>          |                                    |             |             |             |             |             |
| <u>Products (1,000 MT)</u>         |                                    |             |             |             |             |             |
| Pig iron                           | -                                  | 8           | 14          | 9           | -           | 5           |
| Steel ingots                       | 25                                 | 38          | 50          | 66          | 148         | 160         |
| Steel bars                         | 28                                 | 40          | 45          | 34          | 42          | 53          |
| Electrolytic copper                | 0.8                                | 0.7         | 1.0         | 1.3         | 2.2         | 2.4         |
| Galvanized iron sheets             | 8                                  | 6           | 5           | 4           | 7           | 30          |
| <u>Machinery (units)</u>           |                                    |             |             |             |             |             |
| Diesel engines                     | 5,695                              | 3,810       | 2,167       | 3,345       | 8,817       | 7,302       |
| Jacquard looms                     | 986                                | 927         | 746         | 558         | 331         | 391         |
| Sewing machines                    | 31,659                             | 28,779      | 22,888      | 51,494      | 123,345     | 91,744      |
| <u>Electric Machinery</u>          |                                    |             |             |             |             |             |
| Transformers (units)               | 2,344                              | 4,405       | 3,066       | 4,634       | 8,184       | 27,436      |
| Motors (units)                     | 779                                | 1,409       | 1,224       | 1,741       | 2,350       | 11,451      |
| Dry batteries (1,000 units)        | 3,249                              | 3,267       | 3,867       | 6,244       | 9,966       | 14,986      |
| <u>Others</u>                      |                                    |             |             |             |             |             |
| Bicycles (1,000's)                 | 28                                 | 23          | 38          | 53          | 86          | 105         |
| Plywood (1,000 sq.ft.)             | 127                                | 159         | 187         | 152         | 284         | 335         |
| <u>Mineral Products (1,000 MT)</u> |                                    |             |             |             |             |             |
| Anthracite coal                    | 3,083                              | 4,136       | 5,350       | 5,884       | 7,444       | 8,858       |
| Iron ore                           | 243                                | 282         | 392         | 505         | 471         | 501         |
| Tungsten concentrate               | 3.3                                | 2.9         | 4.9         | 6.3         | 5.8         | 4.7         |
| Manganese concentrate              | 1.2                                | 0.5         | 1.4         | 1.4         | 1.0         | 4.2         |
| Amorphous graphite                 | 107                                | 82          | 92          | 88          | 184         | 338         |
| Lime stone                         | 393                                | 492         | 637         | 1,265       | 1,260       | 1,363       |

Source: Monthly Statistical Review, Bank of Korea.

Table XV

Analysis of Factors affecting the Money Supply  
(billion won)

|   | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> | <u>March 1964</u> <sup>12/</sup> |
|---|-------------|-------------|-------------|-------------|-------------|----------------------------------|
| <u>I. Public Sector</u>                                 |             |             |             |             |             |                                  |
| <u>1. Bank Credit to Government</u> <sup>1/</sup>       | 30.0        | 29.0        | 34.9        | 41.7        | 41.3        | 42.5                             |
| Bank of Korea   | 29.6        | 28.7        | 34.5        | 41.4        | 41.0        | 42.2                             |
| Commercial banks  | 0.4         | 0.3         | 0.4         | 0.3         | 0.3         | 0.3                              |
| <u>2. Bank Credit to Local Gov'ts.</u>                  | 0.3         | 0.3         | 0.8         | 0.5         | 0.6         | 0.5                              |
| Bank of Korea   | -           | -           | -           | -           | -           | -                                |
| Commercial banks  | 0.3         | 0.3         | 0.8         | 0.5         | 0.6         | 0.5                              |
| <u>3. Bank Credit to Gov't Fin. Inst.</u> <sup>2/</sup> | 2.5         | 4.8         | 5.1         | 1.0         | 3.7         | 3.6                              |
| Bank of Korea   | 2.5         | 4.4         | 4.7         | 0.6         | 3.4         | 3.3                              |
| Commercial banks  | -           | 0.4         | 0.4         | 0.4         | 0.3         | 0.3                              |
| <u>4. Gross Credit to Public Sector.</u>                | 32.8        | 34.1        | 40.8        | 43.2        | 45.6        | 46.6                             |
| <u>Offsets:</u>   |             |             |             |             |             |                                  |
| <u>5. Gov't Cash Balances</u> <sup>3/</sup>             | 18.7        | 21.0        | 20.5        | 17.0        | 14.9        | 17.4                             |
| <u>6. Counterpart Balances</u> <sup>4/</sup>            | 1.4         | 1.1         | 2.9         | 4.2         | 6.7         | 4.5                              |
| <u>7. KRB Cash Balances</u> <sup>5/</sup>               | 0.5         | 0.5         | 2.8         | 1.2         | 1.4         | 1.1                              |
| <u>8. Miscellaneous Accounts (net)</u> <sup>6/</sup>    | 1.5         | 2.7         | 6.4         | 5.3         | 4.4         | 6.5                              |
| <u>9. Total Offsets</u>                                 | 22.1        | 25.3        | 32.6        | 27.7        | 27.4        | 29.5                             |
| <u>10. Net Credit to Public Sector</u>                  | 10.7        | 8.8         | 8.2         | 15.5        | 18.2        | 17.1                             |
| <u>II. Private Sector</u>                               |             |             |             |             |             |                                  |
| <u>11. Loans, Discounts, Overdrafts</u> <sup>7/</sup>   | 18.3        | 24.0        | 31.9        | 46.0        | 55.5        | 57.3                             |
| <u>12. Securities</u>                                   | 0.3         | 0.3         | 0.8         | 0.8         | 0.8         | 0.8                              |
| <u>13. Gross Credit to Private Sector</u>               | 18.6        | 24.3        | 32.7        | 46.8        | 56.3        | 58.1                             |
| <u>Offsets:</u>   |             |             |             |             |             |                                  |
| <u>14. Time, Savings Deposits</u>                       | 4.7         | 5.0         | 8.2         | 15.3        | 16.0        | 17.0                             |
| <u>15. Fiscal Funds lent to banks</u> <sup>8/</sup>     | 6.8         | 8.3         | 10.2        | 12.9        | 14.7        | 15.1                             |
| <u>16. BOK Credit to NACF</u>                           | 0.9         | 2.8         | 3.1         | 0.6         | 3.4         | 3.3                              |
| <u>17. Misc. Accounts (net)</u> <sup>9/</sup>           | 0.6         | 0.3         | 0.6         | 5.3         | 5.5         | 4.7                              |
| <u>18. Total Offsets</u>                                | 13.0        | 16.4        | 22.1        | 34.1        | 39.6        | 40.1                             |
| <u>19. Net Credit to Private Sector</u>                 | 5.6         | 7.9         | 10.6        | 12.7        | 16.7        | 18.0                             |
| <u>20. Total Net Domestic Credit</u>                    | 16.3        | 16.7        | 18.8        | 28.2        | 34.9        | 35.1                             |
| <u>III. External Sector</u>                             |             |             |             |             |             |                                  |
| <u>21. Gross Assets</u>                                 | 7.9         | 10.7        | 27.8        | 22.3        | 16.7        | 17.4                             |
| <u>22. Liabilities</u>                                  | 3.2         | 4.3         | 8.9         | 7.3         | 7.8         | 7.8                              |
| <u>23. Net Assets</u> <sup>10/</sup>                    | 4.7         | 6.4         | 18.9        | 15.0        | 8.9         | 9.6                              |
| <u>24. Adjustment for Devaluation</u> <sup>11/</sup>    | -           | -1.2        | -6.5        | -6.5        | -6.5        | -6.5                             |
| <u>25. Adjusted Net Assets</u>                          | 4.7         | 5.2         | 12.4        | 8.5         | 2.4         | 3.1                              |
| <u>26. Net External Sector</u>                          | 4.7         | 5.2         | 12.4        | 8.5         | 2.4         | 3.1                              |
| <u>MONEY SUPPLY</u>                                     | 21.0        | 21.9        | 31.2        | 36.7        | 37.3        | 38.2                             |
| Annual Change   | 1.7         | 0.9         | 9.3         | 5.5         | 0.6         |                                  |
| Annual Change in %                                      | 9%          | 4%          | 42%         | 18%         | 2%          |                                  |

Source: Monthly Statistical Review, Bank of Korea; information provided to the Mission.

See next page for footnotes.

Table XV

Footnotes

- 1/ Includes securities held by the banking system.
- 2/ Comprises the Korean Reconstruction Bank (KRB), National Agricultural Cooperatives Federation (NACF) and Medium Industry Bank (MIB).
- 3/ Consists of deposits of the Central Government with the Bank of Korea, including deposits of the counterpart fund special account.
- 4/ Consists of deposits with the Bank of Korea on US Embassy accounts.
- 5/ Includes only deposits with the Bank of Korea.
- 6/ Consists of other assets and liabilities of the Bank of Korea, NACF and MIB which are not separately classified in this table, Miscellaneous accounts of the Bank of Korea from 1961 onwards have been adjusted to exclude devaluation profits (see fn. 11). Also includes time and savings deposits of local governments.
- 7/ Credit of NACF includes excess of assets over liabilities of marketing department (0.4 billion in 1962, 3.2 billion in 1963).
- 8/ Comprises funds lent by the Government to the NACF, MIB and commercial banks as well as loans to banking institutions by the Bank of Korea out of the counterpart fund loan fund, but funds not on loan have been excluded. Excludes Government loans to KRB which is treated as part of the public sector.
- 9/ Includes commercial banks and Citizens' National Bank.
- 10/ Balance of foreign exchange assets and liabilities as it appears in statements of condition of the Bank of Korea, except that local currency deposits against imports are excluded from liabilities and treated as part of the miscellaneous accounts.
- 11/ Comprises estimated profits arising out of devaluations (1.2 billion in 1960 and additional 5.3 billion in 1961).
- 12/ Some component items are estimated on the basis of data for end February 1964.

Table XVI

Private Credit from Financial Institutions<sup>1/</sup>  
(billion won)

| <u>End of Year</u>                      | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> | <u>March 1964<sup>4/</sup></u> |
|---|-------------|-------------|-------------|-------------|-------------|--------------------------------|
| <u>Source of Credit</u>                 |             |             |             |             |             |                                |
| Commercial banks                        | 9.6         | 11.8        | 13.5        | 21.7        | 24.3)       |                                |
| Citizens' National Bank                 | -           | -           | -           | 2.0         | 3.1)        |                                |
| Nat'l Agricultural Co-ops <sup>2/</sup> | 9.0         | 12.8        | 17.1        | 19.0        | 22.9)       | 58.3                           |
| Medium Industry Bank                    | -           | -           | 2.8         | 4.5         | 5.9)        |                                |
| Korean Reconstruction Bank              | 14.1        | 15.8        | 20.3        | 24.9        | 28.4        | 28.9                           |
| Trust accounts of commercial banks      | -           | -           | 0.1         | 1.5         | 4.4         | 4.3                            |
| Total                                   | 32.7        | 40.4        | 53.8        | 73.6        | 89.0        | 91.5                           |
| <u>Direction of Credit</u>              |             |             |             |             |             |                                |
| <u>Primary Industry</u>                 | <u>8.8</u>  | <u>12.2</u> | <u>17.3</u> | <u>19.1</u> | <u>22.9</u> |                                |
| Agriculture                             | 8.2         | 11.5        | 16.5        | 17.7        | 21.6        |                                |
| Forestry                                | -           | -           | -           | -           | 0.1         |                                |
| Fisheries                               | 0.6         | 0.7         | 0.8         | 1.4         | 1.2         |                                |
| <u>Secondary Industry</u>               | <u>18.1</u> | <u>20.9</u> | <u>24.6</u> | <u>32.2</u> | <u>35.3</u> |                                |
| Manufacturing                           | 14.7        | 17.0        | 20.2        | 27.2        | 29.4        |                                |
| Mining, quarrying                       | 1.4         | 1.6         | 1.8         | 2.1         | 2.6         |                                |
| Construction                            | 2.0         | 2.3         | 2.6         | 2.9         | 3.3         |                                |
| <u>Tertiary Industry</u>                | <u>5.5</u>  | <u>6.9</u>  | <u>11.1</u> | <u>18.2</u> | <u>22.0</u> |                                |
| Electricity, gas                        | 1.6         | 1.7         | 5.3         | 7.6         | 9.4         |                                |
| Transport, storage                      | 0.9         | 0.9         | 0.8         | 1.3         | 1.5         |                                |
| Others                                  | 3.0         | 4.3         | 5.0         | 9.3         | 11.1        |                                |
| <u>Not Classified<sup>3/</sup></u>      | <u>0.3</u>  | <u>0.4</u>  | <u>0.8</u>  | <u>4.1</u>  | <u>8.8</u>  |                                |
| Total                                   | 32.7        | 40.4        | 53.8        | 73.6        | 89.0        |                                |

<sup>1/</sup> Includes credit to government-owned enterprises.

<sup>2/</sup> Includes excess of assets over liabilities of marketing department.

<sup>3/</sup> Consists mainly of equity investments of commercial banks and the Korean Reconstruction Bank, loans on trust accounts and remunerations of the Citizens' National Bank for which no breakdown is available.

<sup>4/</sup> Some small component items are estimated.

Source: Monthly Statistical Review, Bank of Korea.

Table XVII  
Price Indices <sup>1/</sup>  
(1960=100)

|  | Average <sup>2/</sup><br><u>1957-1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> | <u>1961</u><br><u>December</u> | <u>1962</u><br><u>December</u> | <u>1963</u><br><u>June</u> <u>December</u> |       | <u>1964</u><br><u>February</u> <u>April 15</u> |                     |
|--|---|-------------|-------------|-------------|-------------|--------------------------------|--------------------------------|--|-------|--|---------------------|
| <u>1. Wholesale Price Index</u>          |   |             |             |             |             |                                |                                |  |       |  |                     |
| All commodities                          | 90.8                                      | 100.0       | 113.2       | 123.8       | 149.3       | 114.2                          | 126.7                          | 146.5                                      | 164.4 | 182.7  | 190.3               |
| Grains                                   | 98.3                                      | 100.0       | 123.9       | 131.4       | 208.3       | 108.6                          | 137.6                          | 220.4                                      | 202.1 | 262.8  | 280.5               |
| All commodities<br>excluding grains      | 88.4                                      | 100.0       | 111.3       | 122.5       | 139.1       | 115.1                          | 124.8                          | 133.8                                      | 158.3 | 168.9  | 174.8               |
| Producer goods                           | 84.2                                      | 100.0       | 114.0       | 125.3       | 138.9       | 118.9                          | 127.1                          | 133.3                                      | 157.9 | 161.5  | 167.0               |
| Consumer goods                           | 94.5                                      | 100.0       | 112.7       | 122.8       | 156.8       | 110.8                          | 126.4                          | 156.0                                      | 169.6 | 198.1  | 207.2               |
| <u>2. Seoul Consumer Price<br/>Index</u> | 91.6                                      | 100.0       | 108.1       | 115.2       | 139.9       | 102.9                          | 120.3                          | 133.1                                      | 154.6 | 174.4  | 183.6 <sup>3/</sup> |

<sup>1/</sup> Data for full years are annual averages.

<sup>2/</sup> These data are not strictly comparable to the others in this table; they are calculated from the index previously in use which was constructed on a basis different from the one now applied.

<sup>3/</sup> Preliminary.

Source: Monthly Statistical Review, Bank of Korea; information provided to mission.

Table XVIII

Consolidated Government Revenue and Expenditure <sup>1/</sup>  
(billion won)

|  | <u>1958</u> | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u>              | <u>1963</u> <sup>2/</sup> | <u>1964</u> <sup>3/</sup> |
|--|-------------|-------------|-------------|-------------|--------------------------|---------------------------|---------------------------|
| <b>I. <u>Revenue</u></b>                           |             |             |             |             |                          |                           |                           |
| <b>1. <u>Tax Revenue</u></b>                       |             |             |             |             |                          |                           |                           |
| <u>Direct Taxes</u>                                | <u>4.9</u>  | <u>6.6</u>  | <u>6.4</u>  | <u>6.2</u>  | <u>7.6</u>               | <u>8.8</u>                | <u>10.9</u>               |
| Personal income tax                                | <u>1.8</u>  | <u>2.2</u>  | <u>2.1</u>  | <u>2.5</u>  | <u>4.6</u>               | <u>5.4</u>                | <u>5.9</u>                |
| Corporate income tax                               | <u>0.5</u>  | <u>0.7</u>  | <u>0.9</u>  | <u>1.7</u>  | <u>2.0</u>               | <u>2.6</u>                | <u>4.2</u>                |
| Other direct taxes <sup>4/</sup>                   | <u>2.6</u>  | <u>3.7</u>  | <u>3.4</u>  | <u>2.0</u>  | <u>1.0</u>               | <u>0.8</u>                | <u>0.8</u>                |
| <u>Indirect taxes on domestic goods</u>            | <u>7.3</u>  | <u>9.1</u>  | <u>10.8</u> | <u>14.1</u> | <u>18.0</u>              | <u>20.9</u>               | <u>21.0</u>               |
| Commodity tax                                      | <u>2.5</u>  | <u>3.3</u>  | <u>4.3</u>  | <u>4.9</u>  | <u>4.7</u>               | <u>4.5</u>                | <u>4.5</u>                |
| Business tax                                       | <u>0.9</u>  | <u>1.1</u>  | <u>1.0</u>  | <u>1.1</u>  | <u>1.9</u>               | <u>2.4</u>                | <u>2.6</u>                |
| Liquor tax   | <u>0.8</u>  | <u>1.0</u>  | <u>1.2</u>  | <u>1.3</u>  | <u>2.5</u>               | <u>3.2</u>                | <u>3.4</u>                |
| Monopoly profits                                   | <u>2.2</u>  | <u>2.4</u>  | <u>2.3</u>  | <u>2.7</u>  | <u>4.2</u>               | <u>4.6</u>                | <u>4.7</u>                |
| Others   | <u>0.9</u>  | <u>1.3</u>  | <u>2.0</u>  | <u>4.1</u>  | <u>4.7</u>               | <u>6.2</u>                | <u>5.8</u>                |
| <u>Indirect taxes on foreign goods</u>             | <u>4.4</u>  | <u>8.3</u>  | <u>10.1</u> | <u>5.6</u>  | <u>6.8</u>               | <u>6.5</u>                | <u>7.8</u>                |
| Foreign exchange tax <sup>5/</sup>                 | <u>1.4</u>  | <u>4.7</u>  | <u>5.0</u>  | <u>0.3</u>  | <u>0.1</u>               | -                         | -                         |
| Tariff   | <u>3.0</u>  | <u>3.6</u>  | <u>5.1</u>  | <u>5.3</u>  | <u>6.7</u>               | <u>6.5</u>                | <u>7.8</u>                |
| Others   | -           | -           | -           | -           | -                        | -                         | -                         |
| Total  | <u>16.6</u> | <u>24.0</u> | <u>27.3</u> | <u>25.9</u> | <u>32.4</u>              | <u>36.2</u>               | <u>39.7</u>               |
| <b>2. <u>Other Revenue</u></b>                     |             |             |             |             |                          |                           |                           |
| Current surplus of Gov't enterprises <sup>6/</sup> | <u>-0.1</u> | <u>-1.1</u> | <u>3.0</u>  | <u>0.2</u>  | <u>-0.9</u>              | <u>3.3</u>                | <u>4.8</u>                |
| Revenue of other special accounts                  | <u>1.9</u>  | <u>1.0</u>  | <u>1.9</u>  | <u>2.4</u>  | <u>5.7</u> <sup>7/</sup> | <u>4.4</u> <sup>7/</sup>  | <u>3.3</u> <sup>7/</sup>  |
| Other revenue                                      | <u>1.1</u>  | <u>0.8</u>  | <u>1.2</u>  | <u>4.1</u>  | <u>4.5</u>               | <u>7.7</u>                | <u>4.9</u>                |
| <b>3. <u>Total Revenue</u></b>                     |             |             |             |             |                          |                           |                           |
|  | <u>19.5</u> | <u>24.7</u> | <u>33.4</u> | <u>32.6</u> | <u>41.7</u>              | <u>51.7</u>               | <u>52.7</u>               |
| <b>II. <u>Current Expenditure</u></b>              |             |             |             |             |                          |                           |                           |
| <b>1. <u>Administration</u></b>                    |             |             |             |             |                          |                           |                           |
| Defense  | <u>12.4</u> | <u>13.7</u> | <u>14.3</u> | <u>16.2</u> | <u>20.5</u>              | <u>21.0</u>               | <u>22.5</u>               |
| Justice & police                                   | <u>2.2</u>  | <u>2.8</u>  | <u>2.8</u>  | <u>3.6</u>  | <u>4.5</u>               | <u>4.3</u>                | <u>4.5</u>                |
| Others   | <u>1.3</u>  | <u>1.8</u>  | <u>2.3</u>  | <u>2.9</u>  | <u>3.3</u>               | <u>4.1</u>                | <u>3.8</u>                |
| <b>2. <u>Social Services</u></b>                   |             |             |             |             |                          |                           |                           |
| Education  | <u>0.3</u>  | <u>0.4</u>  | <u>0.5</u>  | <u>0.5</u>  | <u>0.8</u>               | <u>0.9</u>                | <u>1.1</u>                |
| Health   | <u>0.3</u>  | <u>0.3</u>  | <u>0.2</u>  | <u>0.4</u>  | <u>0.3</u>               | <u>0.6</u>                | <u>0.3</u>                |
| Others   | <u>0.4</u>  | <u>0.3</u>  | <u>0.5</u>  | <u>0.4</u>  | <u>0.6</u>               | <u>0.7</u>                | <u>0.9</u>                |

(continued on next page)

Table XVIII (continued)

|   | <u>1958</u>  | <u>1959</u>  | <u>1960</u>  | <u>1961</u>  | <u>1962</u>  | <u>1963</u> <sup>2/</sup> | <u>1964</u> <sup>3/</sup> |
|---|--------------|--------------|--------------|--------------|--------------|---------------------------|---------------------------|
| 3. <u>Economic Services</u>                   | <u>1.0</u>   | <u>1.1</u>   | <u>1.4</u>   | <u>1.4</u>   | <u>1.6</u>   | <u>1.7</u>                | <u>1.6</u>                |
| Agriculture                                   | 0.6          | 0.7          | 0.7          | 0.9          | 0.8          | 0.8                       | 0.8                       |
| Manufacturing, mining                         | -            | -            | 0.1          | 0.1          | 0.1          | 0.1                       | -                         |
| Other industry                                | 0.2          | 0.2          | 0.5          | 0.3          | 0.6          | 0.8                       | 0.6                       |
| Roads, waterways                              | 0.1          | 0.1          | -            | -            | )            | )                         | )                         |
| Water supply, sanitation                      | -0.1         | 0.1          | 0.1          | 0.1          | )0.1         | )0.3                      | )0.2                      |
| 4. <u>Transfer payments</u>                   | <u>8.9</u>   | <u>10.0</u>  | <u>10.7</u>  | <u>14.4</u>  | <u>17.1</u>  | <u>19.7</u>               | <u>19.2</u>               |
| Social security, welfare                      | -0.4         | 0.2          | 0.5          | 0.5          | 0.7          | 1.6                       | 0.9                       |
| Pensions, payments to war veterans            | 0.5          | 0.6          | 1.2          | 2.0          | 2.1          | 2.5                       | 2.4                       |
| Grants to local Gov'ts                        | 5.2          | 7.5          | 7.5          | 8.2          | 9.6          | 11.5                      | 11.7                      |
| Others  | 2.8          | 1.7          | 1.5          | 3.7          | 4.7          | 4.1                       | 4.2                       |
| 5. <u>Total Current Expenditure</u>           | <u>26.8</u>  | <u>30.4</u>  | <u>32.7</u>  | <u>39.8</u>  | <u>48.7</u>  | <u>53.0</u>               | <u>53.9</u>               |
| III. <u>Capital Expenditure</u> <sup>8/</sup> | <u>14.8</u>  | <u>11.7</u>  | <u>11.5</u>  | <u>19.0</u>  | <u>27.5</u>  | <u>27.2</u>               | <u>21.7</u>               |
| IV. <u>Total Expenditure</u>                  | <u>41.6</u>  | <u>42.1</u>  | <u>44.2</u>  | <u>58.8</u>  | <u>76.2</u>  | <u>80.2</u>               | <u>75.6</u>               |
| V. <u>Surplus/Deficit</u>                     | <u>-22.1</u> | <u>-17.4</u> | <u>-10.8</u> | <u>-26.2</u> | <u>-34.5</u> | <u>-28.6</u>              | <u>-22.9</u>              |

1/ Includes general and non-enterprise special accounts of the central government as well as the current surplus and capital outlays of the following government enterprises: transportation, communication, grain management, office of supply and postal life insurance and annuities.

2/ Third supplementary budget.

3/ Approved original budget.

4/ Includes education and land income taxes which were transferred to local governments in 1962.

5/ Premium on foreign exchange sold by auction in 1958, 1959 and 1960.

6/ Includes excess of profit of monopoly enterprises over amount transferred to government general account and included under indirect taxes. Also includes overall surplus or deficit resulting from transactions on grain management special account.

7/ Includes collections of fines from convicted illicit profiteers.

8/ Comprises direct capital expenditures as well as capital subscriptions and loans.

Source: Economic Statistics Yearbook (BOK), Bank of Korea; Economic Planning Board.

Table XIX  
Composition of Government Capital Expenditure<sup>1/</sup>  
 (billion won)

|  | <u>1958</u>  | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> | <u>1964</u> |
|--|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>I. <u>Direct Capital Expenditure</u></b>      |              |             |             |             |             |             |             |
| 1. <u>Administration</u> <sup>2/</sup>           | <u>0.3</u>   | <u>0.3</u>  | <u>0.6</u>  | <u>0.5</u>  | <u>0.4</u>  | <u>0.6</u>  | <u>1.1</u>  |
| 2. <u>Social Services</u>                        | <u>0.8</u>   | <u>1.2</u>  | <u>1.4</u>  | <u>1.7</u>  | <u>2.7</u>  | <u>1.1</u>  | <u>1.1</u>  |
| Education  | <u>0.5</u>   | <u>1.0</u>  | <u>1.1</u>  | <u>1.4</u>  | <u>2.0</u>  | <u>0.9</u>  | <u>1.0</u>  |
| Health   | <u>0.1</u>   | <u>0.1</u>  | <u>0.1</u>  | <u>0.1</u>  | <u>0.3</u>  | <u>0.1</u>  | <u>0.1</u>  |
| Others   | <u>0.2</u>   | <u>0.1</u>  | <u>0.2</u>  | <u>0.2</u>  | <u>0.4</u>  | <u>0.1</u>  | -           |
| 3. <u>Economic Services</u>                      | <u>6.7</u>   | <u>6.0</u>  | <u>6.5</u>  | <u>8.9</u>  | <u>11.9</u> | <u>15.7</u> | <u>13.7</u> |
| Agriculture                                      | <u>2.1</u>   | <u>1.9</u>  | <u>2.0</u>  | <u>3.5</u>  | <u>2.5</u>  | <u>3.0</u>  | <u>2.0</u>  |
| Mining   | -            | -           | <u>0.1</u>  | <u>0.1</u>  | <u>0.1</u>  | -           | -           |
| Manufacturing                                    | <u>0.6</u>   | <u>0.6</u>  | <u>0.5</u>  | <u>1.2</u>  | <u>2.2</u>  | <u>1.6</u>  | <u>1.6</u>  |
| Other industry                                   | <u>0.8</u>   | <u>0.6</u>  | <u>1.3</u>  | <u>0.6</u>  | <u>0.8</u>  | <u>2.3</u>  | <u>2.4</u>  |
| Roads, waterways                                 | <u>-1.3</u>  | <u>0.9</u>  | <u>0.7</u>  | <u>1.2</u>  | <u>2.0</u>  | <u>1.9</u>  | <u>1.1</u>  |
| Water supply, sanitation                         | <u>0.5</u>   | <u>0.5</u>  | <u>0.5</u>  | <u>0.4</u>  | <u>2.0</u>  | <u>1.9</u>  | <u>1.1</u>  |
| Railways   | <u>- 1.0</u> | <u>0.9</u>  | <u>0.9</u>  | <u>0.9</u>  | <u>3.2</u>  | <u>3.6</u>  | <u>3.7</u>  |
| Communications                                   | <u>- 0.4</u> | <u>0.6</u>  | <u>0.5</u>  | <u>1.0</u>  | <u>1.1</u>  | <u>3.3</u>  | <u>2.9</u>  |
| 4. <u>Others</u>                                 | <u>0.3</u>   | -           | <u>0.2</u>  | -           | <u>0.2</u>  | -           | <u>0.2</u>  |
| 5. <u>Total</u>                                  | <u>8.1</u>   | <u>7.5</u>  | <u>8.7</u>  | <u>11.1</u> | <u>15.2</u> | <u>17.4</u> | <u>15.1</u> |
| <b>II. <u>Loans, Advances, Subscriptions</u></b> |              |             |             |             |             |             |             |
| 1. <u>Social Services</u>                        | <u>n.a.</u>  | <u>n.a.</u> | <u>n.a.</u> | <u>0.3</u>  | <u>1.1</u>  | <u>0.6</u>  | <u>0.3</u>  |
| 2. <u>Economic Services</u>                      | <u>n.a.</u>  | <u>n.a.</u> | <u>n.a.</u> | <u>7.6</u>  | <u>11.2</u> | <u>9.2</u>  | <u>6.3</u>  |
| Agriculture                                      |              |             |             | <u>1.3</u>  | <u>4.5</u>  | <u>2.4</u>  | <u>1.5</u>  |
| Electric power                                   |              |             |             | <u>3.9</u>  | <u>1.5</u>  | <u>1.9</u>  | <u>2.2</u>  |
| Mining, manufacturing construction               |              |             |             | <u>2.1</u>  | <u>4.3</u>  | <u>3.2</u>  | <u>1.4</u>  |
| Transportation, storage, communications          |              |             |             | -           | <u>0.2</u>  | <u>0.4</u>  | <u>0.5</u>  |
| Others   |              |             |             | <u>0.3</u>  | <u>0.7</u>  | <u>1.3</u>  | <u>0.7</u>  |
| 3. <u>Total</u>                                  | <u>6.7</u>   | <u>4.2</u>  | <u>2.8</u>  | <u>7.9</u>  | <u>12.3</u> | <u>9.8</u>  | <u>6.6</u>  |
| <b>III. <u>Total Capital Expenditure</u></b>     | <u>14.8</u>  | <u>11.7</u> | <u>11.5</u> | <u>19.0</u> | <u>27.5</u> | <u>27.2</u> | <u>21.7</u> |

<sup>1/</sup> Excludes outlays on grain management account for accumulation of inventory.

<sup>2/</sup> Excludes capital expenditures for defense purposes which are treated as current outlays.

Source: Economic Statistics Yearbook (BOK), Bank of Korea; Economic Planning Board.

Table XX

Government Deficit and Its Financing  
(billion won)

|   | <u>1958</u> | <u>1959</u> | <u>1960</u>  | <u>1961</u> | <u>1962</u> | <u>1963</u> | <u>1964</u> |
|---|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| Revenue   | 19.5        | 24.7        | 33.4         | 32.6        | 41.7        | 51.6        | 52.7        |
| Expenditure                                     | <u>41.6</u> | <u>42.1</u> | <u>44.2</u>  | <u>58.8</u> | <u>76.2</u> | <u>80.2</u> | <u>75.6</u> |
| Deficit   | -22.1       | -17.4       | -10.8        | -26.2       | -34.5       | -28.6       | -22.9       |
| <u>Financing</u>                                |             |             |              |             |             |             |             |
| Counterpart fund proceeds                       | 17.1        | 12.9        | 13.6         | 20.7        | 25.3        | 25.9        | 22.0        |
| <u>Domestic Financing</u>                       | <u>5.0</u>  | <u>4.5</u>  | <u>- 2.8</u> | <u>5.5</u>  | <u>9.2</u>  | <u>2.7</u>  | <u>0.9</u>  |
| Depreciation allowance of government enterprise | -           | -           | -            | 1.4         | 2.4         | 2.4         | 2.4         |
| Bonds, bank credit, use of cash balance (net)   | 5.0         | 4.5         | - 2.8        | 4.1         | 6.8         | 0.3         | - 1.5       |

Source: Economic Statistics Yearbook (BOK), Bank of Korea, Economic Planning Board.

Table XXI

Balance of Payments  
(million US\$)

|  | <u>1953</u> | <u>1956</u> | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> <sup>1/</sup> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|---------------------------|
| <u>Current Account</u>                       |             |             |             |             |             |             |                           |
| <u>Merchandise</u>                           |             |             |             |             |             |             |                           |
| Exports f.o.b.                               | 39.7        | 24.7        | 19.8        | 32.9        | 40.9        | 54.8        | 86.8                      |
| Sales to UN Forces <sup>2/</sup>             | 30.6        | 24.1        | 63.3        | 62.6        | 79.7        | 84.7        | 58.3                      |
| Imports c.i.f.                               | -345.4      | -386.1      | -302.7      | -342.6      | -312.7      | -428.4      | 547.4                     |
| Commercial <sup>3/</sup>                     | -153.6      | -66.2       | -92.0       | -110.7      | -118.9      | 200.8       | 328.0                     |
| Aid  | 191.8       | -319.9      | -210.7      | -231.9      | -193.8      | 227.6       | 219.4                     |
| Trade Balance                                | -275.1      | -337.3      | -219.6      | -247.1      | -192.1      | -288.9      | -402.3                    |
| <u>Other Current</u>                         |             |             |             |             |             |             |                           |
| Transport and insurance                      | -2.1        | -0.1        | 1.5         | -0.6        | 1.8         | 1.3         | 2.0                       |
| Investment income                            | 0.5         | 1.7         | 3.5         | 4.3         | 4.4         | 4.9         | 2.7                       |
| Other invisibles                             | -3.2        | -0.3        | -12.9       | -18.9       | -12.5       | -7.5        | -5.4                      |
| Private donations                            | 0.1         | 22.8        | 17.2        | 19.6        | 24.6        | 36.5        | 52.0                      |
| Total  | -4.7        | 24.1        | 9.3         | 4.4         | 18.3        | 35.2        | 51.3                      |
| Current Balance                              | -279.8      | -313.2      | -210.3      | -242.7      | -173.8      | -253.7      | -351.0                    |
| <u>Capital Account</u>                       |             |             |             |             |             |             |                           |
| <u>Private Capital</u>                       |             |             |             |             |             |             |                           |
| Direct investment                            | -           | -           | -           | -           | -           | 0.6         | 4.8                       |
| Long-term loans (net) <sup>4/</sup>          | -           | -           | -           | 0.6         | -2.0        | -4.9        | 13.9                      |
| Total  | -           | -           | -           | 0.6         | -2.0        | -4.3        | 18.7                      |
| <u>Official Capital</u>                      |             |             |             |             |             |             |                           |
| Grants (net) <sup>5/</sup>                   | 194.2       | 314.2       | 214.9       | 243.1       | 223.6       | 209.9       | 226.9                     |
| Loans (net)                                  | -           | -           | 0.8         | 2.6         | 1.3         | 1.7         | 42.0                      |
| Total  | 194.2       | 314.2       | 215.7       | 245.7       | 224.9       | 211.6       | 268.9                     |
| <u>Reduction in Net Assets</u> <sup>6/</sup> | 85.7        | -6.2        | -5.2        | -1.5        | -47.5       | 50.0        | 64.1                      |
| <u>Total Financing</u>                       | 279.9       | 308.0       | 210.5       | 244.8       | 175.4       | 257.3       | 351.7                     |
| <u>Errors and Omissions</u>                  | -0.1        | 5.2         | -0.2        | -2.1        | -1.6        | -3.6        | -0.7                      |

Source: Balance of Payments Yearbook (IMF); International Financial Statistics (IMF) information provided to the mission.

(Footnotes on next page)

Table XXI

Footnotes

1/ Preliminary.

2/ Consists of sales of goods and services, utility charges and sales of local currency as follows (in million US\$):

|                    | <u>1961</u> | <u>1962</u> | <u>1963</u> |
|--------------------|-------------|-------------|-------------|
| Goods and services | 38.4        | 34.1        | 22.1        |
| Utility charges    | 5.6         | 3.4         | 5.7         |
| Won sales          | <u>35.7</u> | <u>47.2</u> | <u>30.5</u> |
| Total              | 79.7        | 84.7        | 58.3        |

3/ Consists of the following (in million US\$):

|  | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Commercial imports                                   | 81.0        | 97.2        | 103.2       | 177.2       | 233.7       |
| Private relief goods                                 | 8.5         | 8.0         | 12.0        | 12.3        | 42.9        |
| Goods purchased from US army                         | -           | -           | -           | 2.0         | -           |
| Other imports without payment<br>of foreign exchange | 3.6         | 6.4         | 4.1         | 10.0        | 52.1        |
| Adjustments  | <u>-1.1</u> | <u>-0.9</u> | <u>-0.4</u> | <u>-0.7</u> | <u>-0.7</u> |
| Total  | 92.0        | 110.7       | 118.9       | 200.8       | 328.0       |

4/ Includes down payments as negative items.

5/ Consists of US Government grants and other relief grants to the Korean Government as well as trade credits and won liabilities arising out of the import of US agricultural surplus commodities. Also includes counterpart funds used by US Government and UNKRA.

6/ Coverage is not identical with the data presented in Table XXII.

Table XXII

External Assets<sup>1/</sup>  
(million US\$)

| <u>End of Period</u>                       | <u>1959</u>  | <u>1960</u>  | <u>1961</u>  | <u>1962</u>  | <u>1963</u>  | <u>March</u><br><u>1964</u> | <u>June</u><br><u>1964</u> |
|--|--------------|--------------|--------------|--------------|--------------|-----------------------------|----------------------------|
| <u>Gross Assets</u>                        |              |              |              |              |              |                             |                            |
| Bank of Korea                              | 157.1        | 164.0        | 213.7        | 171.2        | 128.2        | 131.6                       | 125.8                      |
| Commercial Banks                           | -            | -            | -            | 5.1          | 3.4          | 3.6                         | 1.8                        |
| Total                                      | <u>157.1</u> | <u>164.0</u> | <u>213.7</u> | <u>176.3</u> | <u>131.6</u> | <u>135.2</u>                | <u>127.6</u>               |
| <u>Liabilities</u>                         |              |              |              |              |              |                             |                            |
| Korea-Japan open acct.                     | 44.2         | 44.1         | 44.2         | 49.4         | 42.4         | 44.2                        | 49.6                       |
| Credit from US banks                       | -            | -            | -            | -            | 10.0         | 10.0                        | 10.0                       |
| Deposits, etc. <sup>2/</sup>               | 14.1         | 9.0          | 4.0          | 6.3          | 7.6          | 5.5                         | 4.9                        |
| Other short-term liabilities <sup>3/</sup> | -            | -            | -            | -            | 24.1         | 19.0 <sup>4/</sup>          | 14.3                       |
| Total                                      | <u>58.3</u>  | <u>53.1</u>  | <u>48.2</u>  | <u>55.7</u>  | <u>84.1</u>  | <u>78.7</u>                 | <u>78.8</u>                |
| Net External Assets                        | 98.8         | 110.9        | 165.5        | 120.6        | 47.5         | 56.5                        | 48.8                       |
| Change in Net Assets                       |              | 12.1         | 54.6         | -44.9        | -73.1        | 9.0                         | -7.7                       |

<sup>1/</sup> Korea's liquidity position, defined as determined by gross assets plus export letters of credit outstanding minus credit from US banks, deposits, other short-term liabilities and import at sight letters of credit (excluding those financed by AID, but including those financed by other foreign sources), is as follows (in million US \$):

|                   | <u>1962</u>  | <u>1963</u>  | <u>June</u><br><u>1964</u> |
|-------------------|--------------|--------------|----------------------------|
| Gross Assets      | 176.3        | 131.6        | 127.6                      |
| Export L/C's      | 29.6         | 45.6         | 42.4                       |
| Total             | <u>205.9</u> | <u>177.2</u> | <u>170.0</u>               |
| Liabilities       | 6.3          | 41.7         | 29.2                       |
| Import L/C's      | 67.4         | 98.7         | 103.4                      |
| Total             | <u>73.7</u>  | <u>140.4</u> | <u>132.6</u>               |
| Net Liquid Assets | 132.2        | 36.8         | 37.4                       |

<sup>2/</sup> Foreign exchange deposits of the Government with the Bank of Korea are excluded. Deposits covering the stabilization grant by the United States of US \$20 million in 1961 are also excluded.

<sup>3/</sup> Consists of usances.

<sup>4/</sup> Estimate.

Source: Monthly Statistical Review, Bank of Korea; information provided to the mission.

Table XXIII

Composition of Imports  
(million US \$)

|  | Average<br>1957-1959 | 1959        | 1960        | 1961        | 1962        | 1963         |
|--|----------------------|-------------|-------------|-------------|-------------|--------------|
| <u>Food</u>                            | <u>66.8</u>          | <u>27.3</u> | <u>31.6</u> | <u>40.1</u> | <u>48.6</u> | <u>120.6</u> |
| Dairy products                         | 2.0                  | 1.1         | 1.3         | 1.1         | 2.5         | 3.1          |
| Cereals, cereal preparations           | 51.0                 | 17.5        | 20.6        | 30.2        | 40.1        | 107.2        |
| Fruits, vegetables                     | 0.4                  | 0.3         | 0.2         | 0.2         | 0.3         | 0.4          |
| Sugar, preparations                    | 8.7                  | 7.6         | 8.8         | 8.3         | 4.5         | 4.7          |
| Animal foodstuffs                      | -                    | -           | -           | -           | 0.1         | 4.2          |
| Others                                 | 4.7                  | 0.8         | 0.7         | 0.3         | 1.1         | 1.0          |
| <u>Beverage, Tobacco</u>               | <u>3.9</u>           | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>0.1</u>  | <u>0.3</u>   |
| <u>Crude Materials</u>                 | <u>63.2</u>          | <u>62.3</u> | <u>68.5</u> | <u>63.3</u> | <u>89.7</u> | <u>107.1</u> |
| Crude rubber                           | 5.0                  | 6.7         | 7.6         | 5.8         | 6.9         | 7.9          |
| Pulp wood                              | 8.4                  | 6.5         | 8.1         | 7.4         | 0.2         | 0.4          |
| Saw and veneer logs                    | 8.4                  | 6.5         | 8.1         | 7.4         | 16.8        | 20.7         |
| Shaped wood                            | 8.4                  | 6.5         | 8.1         | 7.4         | 1.1         | 1.3          |
| Pulp, waste paper                      | 2.2                  | 2.7         | 3.4         | 5.0         | 8.3         | 9.6          |
| Textiles, fibers                       | 44.4                 | 43.9        | 46.4        | 42.1        | 50.2        | 56.4         |
| Crude fertilizers, minerals            | 0.7                  | 0.3         | 0.6         | 0.5         | 1.7         | 3.7          |
| Metalliferous ores, scrap              | 0.2                  | -           | -           | -           | 1.4         | 4.8          |
| Others                                 | 2.3                  | 2.2         | 2.4         | 2.5         | 3.1         | 2.3          |
| <u>Mineral Fuels, etc.</u>             | <u>39.6</u>          | <u>38.2</u> | <u>23.0</u> | <u>27.4</u> | <u>30.6</u> | <u>34.4</u>  |
| Coal                                   | 14.9                 | 9.0         | 0.6         | 4.3         | 2.2         | 2.2          |
| Petroleum, petroleum products          | 24.7                 | 29.2        | 22.4        | 23.1        | 28.4        | 32.2         |
| <u>Animal, Vegetable Oils and Fats</u> | <u>2.5</u>           | <u>2.5</u>  | <u>2.5</u>  | <u>3.9</u>  | <u>3.9</u>  | <u>4.8</u>   |
| <u>Chemicals</u>                       | <u>71.5</u>          | <u>68.7</u> | <u>76.1</u> | <u>61.7</u> | <u>94.3</u> | <u>80.0</u>  |
| Chemical elements, compounds           | 4.5                  | 4.4         | 5.4         | 5.6         | 11.7        | 13.3         |
| Dyeing, tanning materials              | 3.2                  | 3.7         | 3.4         | 4.0         | 5.3         | 3.7          |
| Medical, pharmaceutical products       | 5.0                  | 4.1         | 3.4         | 5.2         | 5.8         | 4.5          |
| Essential oil, perfumes                | 0.3                  | 0.4         | 0.4         | 0.7         | 1.0         | 1.1          |
| Fertilizers                            | 51.0                 | 48.0        | 55.4        | 40.3        | 62.3        | 48.0         |
| Plastic materials                      | 3.2                  | 3.1         | 3.7         | 3.3         | 4.7         | 5.4          |
| Others                                 | 4.3                  | 5.0         | 4.4         | 2.3         | 3.5         | 4.0          |
| <u>Manufactured Goods</u>              | <u>49.8</u>          | <u>38.1</u> | <u>47.0</u> | <u>39.5</u> | <u>73.1</u> | <u>88.3</u>  |
| Rubber manufactures                    | 0.4                  | 0.1         | 0.1         | 0.1         | 0.3         | 0.9          |
| Paper, paperboard                      | 10.8                 | 7.1         | 7.7         | 4.5         | 3.6         | 2.3          |
| Textile yarn, fabrics                  | 14.9                 | 15.8        | 18.1        | 18.8        | 28.8        | 29.5         |
| Cement                                 | 4.3                  | 1.1         | 1.1         | 1.5         | 3.6         | 5.2          |
| Glass, glassware                       | 0.9                  | 0.1         | 1.1         | 0.5         | 0.5         | 0.4          |
| Iron, steel products                   | 12.1                 | 8.7         | 11.6        | 7.8         | 21.8        | 32.5         |
| Non-ferrous metals                     | 3.4                  | 3.4         | 3.1         | 3.3         | 7.6         | 8.5          |
| Manufactures of metal                  | 1.6                  | 1.1         | 3.0         | 1.8         | 4.9         | 7.7          |
| Others                                 | 1.4                  | 0.7         | 1.2         | 1.2         | 2.0         | 1.3          |

(continued on next page)

(Table XXIII continued)

|  | Average<br>1957-1959 | 1959         | 1960         | 1961         | 1962         | 1963         |
|--|----------------------|--------------|--------------|--------------|--------------|--------------|
| <u>Machinery, Transport Equipment</u>        | <u>40.3</u>          | <u>41.8</u>  | <u>40.1</u>  | <u>42.4</u>  | <u>69.8</u>  | <u>115.6</u> |
| Power generating machinery                   | 1.4                  | 1.2          | 2.1          | 4.5          | 8.9          | 15.9         |
| Agricultural machinery                       | 0.4                  | 0.1          | -            | 0.1          | 0.7          | 0.5          |
| Metal washing machinery                      | 1.6                  | 1.7          | 0.9          | 1.8          | 1.5          | 2.5          |
| Textile and leather machinery                | 6.2                  | 6.2          | 5.8          | 4.7          | 8.1          | 9.5          |
| Machines for special industries              | 2.4                  | 1.9          | 3.0          | 3.5          | 1.7          | 6.6          |
| Machinery, appliances,<br>non-electric       | 9.5                  | 14.3         | 16.6         | 7.8          | 12.6         | 27.0         |
| Electric power machinery, switch<br>gear     | 2.2                  | 2.2          | 1.8          | 8.3          | 8.5          | 10.4         |
| Equipment for electric power<br>distribution | 0.8                  | 0.6          | 0.5          | 1.3          | 1.5          | 3.0          |
| Telecommunication equipment                  | 1.9                  | 1.2          | 1.7          | 2.1          | 12.3         | 3.4          |
| Other electrical machinery                   | 5.5                  | 5.4          | 6.5          | 7.0          | 6.4          | 5.5          |
| Railway vehicles                             | 4.4                  | 0.5          | 0.1          | 0.3          | 3.0          | 19.3         |
| Road motor vehicles                          | 1.3                  | 0.2          | 0.1          | 0.1          | 3.1          | 7.7          |
| Ships and boats                              | 2.6                  | 6.1          | 0.8          | 0.4          | 0.3          | 3.6          |
| Other transport equipment                    | 0.1                  | 0.2          | 0.2          | 0.5          | 0.2          | 0.7          |
| <u>Miscellaneous Manufactures</u>            | <u>9.2</u>           | <u>6.3</u>   | <u>6.0</u>   | <u>5.7</u>   | <u>10.2</u>  | <u>8.0</u>   |
| Sanitary, heating, lighting<br>fixtures      | 0.3                  | 0.1          | 0.3          | 0.2          | 0.8          | 0.3          |
| Clothing                                     | 2.3                  | 0.3          | 0.1          | 0.1          | 0.2          | 0.3          |
| Professional, scientific equip-<br>ment      | 4.0                  | 3.9          | 3.9          | 3.6          | 6.4          | 4.8          |
| Musical instruments, etc.                    | 0.4                  | 0.5          | 0.5          | 0.4          | 0.9          | 0.5          |
| Printed matter                               | 0.7                  | 0.6          | 0.6          | 0.7          | 1.1          | 1.1          |
| Others                                       | 1.5                  | 0.9          | 0.6          | 0.7          | 0.8          | 1.0          |
| <u>Not Classifiable</u>                      | <u>27.9</u>          | <u>18.6</u>  | <u>48.7</u>  | <u>32.1</u>  | <u>1.5</u>   | <u>1.2</u>   |
| <u>Total Imports</u>                         | <u>374.7</u>         | <u>303.8</u> | <u>343.5</u> | <u>316.1</u> | <u>421.8</u> | <u>560.3</u> |
| Of which: Grant aid                          | 298.6                | 210.7        | 231.9        | 196.8        | 218.5        | 232.6        |
| Foreign loans                                | 0.2                  | 0.6          | 2.4          | 1.1          | 4.5          | 52.1         |
| Commercial                                   | 58.9                 | 81.0         | 97.2         | 103.1        | 178.9        | 232.7        |
| Relief goods                                 | 17.0                 | 11.5         | 12.0         | 15.1         | 12.3         | 22.5         |
| Others                                       | 17.0                 | 11.5         | 12.0         | 15.1         | 7.6          | 20.4         |

Source: External Trade Statistics (BOK); Economic Statistics Yearbook

Table XXIV

Composition of Exports  
(million US \$)

|  | <u>Average</u><br><u>1957-1959</u> | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963</u> |
|--|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| <u>Food</u>                            | <u>3.3</u>                         | <u>4.1</u>  | <u>9.7</u>  | <u>8.9</u>  | <u>21.8</u> | <u>17.8</u> |
| Live animals                           | -                                  | 0.1         | 0.7         | 2.5         | 1.5         | 3.7         |
| Fish, fish preparations                | 1.9                                | 1.2         | 2.7         | 4.0         | 8.3         | 9.1         |
| Cereals, cereal preparations           | 0.3                                | 0.8         | 3.8         | 0.5         | 9.0         | 1.3         |
| Others                                 | 1.1                                | 2.0         | 2.5         | 1.9         | 3.0         | 3.7         |
| <u>Beverages, Tobacco</u>              | <u>0.1</u>                         | <u>0.1</u>  | <u>0.5</u>  | <u>0.2</u>  | <u>0.1</u>  | <u>0.3</u>  |
| <u>Crude Materials</u>                 | <u>12.4</u>                        | <u>11.7</u> | <u>15.8</u> | <u>21.0</u> | <u>19.4</u> | <u>26.4</u> |
| Silk                                   | 1.1                                | 1.0         | 1.3         | 3.1         | 4.4         | 5.3         |
| Crude minerals                         | 2.4                                | 1.8         | 2.5         | 3.0         | 2.7         | 3.0         |
| Iron ore                               | 2.2                                | 2.2         | 2.5         | 4.3         | 3.8         | 5.9         |
| Tengsten ore, concentrates             | 3.0                                | 3.4         | 4.7         | 4.5         | 3.4         | 3.1         |
| Bristles                               | 0.4                                | 0.6         | 0.8         | 1.1         | 1.0         | 2.0         |
| Agar-Agar                              | 0.6                                | 0.7         | 0.9         | 1.1         | 1.3         | 1.7         |
| Seaweed                                | 0.3                                | 0.3         | 0.6         | 0.4         | 0.4         | 0.7         |
| Others                                 | 2.4                                | 1.7         | 2.5         | 3.5         | 2.4         | 4.7         |
| <u>Mineral Fuels, etc.</u>             | <u>0.3</u>                         | <u>0.7</u>  | <u>1.1</u>  | <u>2.2</u>  | <u>2.8</u>  | <u>2.6</u>  |
| <u>Animal, Vegetable Oils and Fats</u> | <u>0.1</u>                         | <u>0.2</u>  | <u>0.2</u>  | <u>0.1</u>  | <u>0.1</u>  | <u>0.1</u>  |
| <u>Chemicals</u>                       | <u>-</u>                           | <u>0.1</u>  | <u>0.4</u>  | <u>0.6</u>  | <u>1.0</u>  | <u>0.9</u>  |
| <u>Manufactured goods</u>              | <u>2.6</u>                         | <u>2.1</u>  | <u>3.9</u>  | <u>4.0</u>  | <u>6.2</u>  | <u>28.1</u> |
| Veneer sheets, plywood                 | -                                  | -           | -           | 1.2         | 2.3         | 6.3         |
| Textile yarn, thread                   | 0.3                                | -           | -           | -           | 0.1         | 1.3         |
| Textile fabrics                        | 0.9                                | 1.4         | 2.4         | 0.9         | 2.1         | 6.0         |
| Iron and steel products                | -                                  | -           | -           | -           | 0.6         | 11.7        |
| Others                                 | 1.4                                | 0.7         | 1.5         | 1.9         | 1.1         | 2.8         |
| <u>Machinery, Transport Equipment</u>  | <u>-</u>                           | <u>-</u>    | <u>0.1</u>  | <u>0.9</u>  | <u>1.4</u>  | <u>4.1</u>  |
| Machinery, other than electric         | -                                  | -           | -           | -           | 0.3         | 1.1         |
| Electrical machinery                   | -                                  | -           | -           | -           | 0.1         | 0.7         |
| Road motor vehicles                    | -                                  | -           | -           | -           | 0.3         | 2.1         |
| Others                                 | -                                  | -           | 0.1         | 0.9         | 0.7         | 0.2         |
| <u>Miscellaneous Manufactures</u>      | <u>0.3</u>                         | <u>0.1</u>  | <u>0.1</u>  | <u>0.1</u>  | <u>2.0</u>  | <u>6.4</u>  |
| Clothing                               | -                                  | -           | -           | -           | 1.1         | 4.6         |
| Footwear                               | -                                  | -           | -           | -           | 0.2         | 0.7         |
| Others                                 | 0.3                                | 0.1         | 0.1         | 0.1         | 0.7         | 1.1         |
| <u>Not Classifiable</u>                | <u>0.2</u>                         | <u>0.1</u>  | <u>1.0</u>  | <u>2.9</u>  | <u>-</u>    | <u>0.1</u>  |
| <u>Total Exports</u>                   | <u>19.3</u>                        | <u>19.2</u> | <u>32.8</u> | <u>40.9</u> | <u>54.8</u> | <u>86.8</u> |
| of which: Good processed in<br>bond    | n.a.                               | n.a.        | n.a.        | n.a.        | 1.0         | 4.9         |

Source: External Trade Statistics (BOK); Economic Statistics Yearbook.