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To

The Preliminary Meeting of the Proposed Consultative Group for Korea

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PROGRESS AND PROSPECTS OF THE KOREAN ECONOMY

Economic Planning Board

Government of the Republic of Korea

	<u>Page</u>
I. Introduction	1
II. Summary of Development Since 1962	2
III. Measures of Economic Growth	6
1. Gross National Product	6
2. Industrial Production	7
3. Agricultural Production	8
4. Balance of Payments	8
IV. Economic Outlook	10
V. Statistical Appendix	

## I. Introduction

The economic history of Korea since the armistice of 1953 can be divided into three phases: a reconstruction period (1954-57); a stabilization period (1958-61); and an accelerated development period (1962-65).

Some of the key characteristics of each period are shown in Table 1 below. During the reconstruction period, for example, the increase in industrial production averaged 19.1% annually, and the growth of GNP 5.5% annually, despite a crop failure in 1956. On the other hand, this was also a period of inflation in which the annual rise of wholesale prices averaged 42%.

The period 1958-1961 was one of more moderate growth, reduced inflation, and social and political upheaval. The rapid phase of reconstruction growth was completed - though many of the consequences of the ravages of war remained. But the basis for accelerated development was lacking. Despite restraints on credit an inflationary psychology persisted, and the exchange rate was overvalued during much of this period. Then in April of 1960 the student uprising led to the overthrow of the Rhee government. Only a year later, in May 1961, followed a second revolution. In 1963, free elections for the Presidency and National Assembly were held and a civilian government established.

The new government made more rapid economic development one of its fundamental objectives, and drafted the First Five-Year Economic Development Plan for the years 1962-1966. During 1962-1965, the rate of growth of real GNP has averaged 7.6 per cent annually, while the growth of industrial production has averaged 14 per cent and exports 44 per cent

annually during the same period (See Appendix Tables 1 and 2).

Table 1

<u>Process of Economic Development</u>					
<u>Annual Rate of Increase in Per Cent</u>					
<u>Period</u>	<u>GNP</u>	<u>Industrial Production</u>	<u>Export</u>	<u>Wholesale Prices</u>	<u>Ratio of Capital Formation to GNP</u>
Reconstruction (1954-1957)	5.5	19.1	-9.4	41.8	11.8
Stabilization (1958-1961)	4.1	9.9	21.2	5.0	10.7
Accelerated Development (1962-1965)	7.6	13.9	44.2	18.7	13.9
Average (1954-1965)	5.9	13.9	18.6	21.8	12.3

II. Summary of Development Since 1962

The sustained rapid growth of the Korean economy in the four-year period, 1962-1965, has reflected steadily expanding output in all sectors. The most dramatic improvement has been in industrial production and in exports. Equally important for long-term development, however, has been the improvement of practices and output in agriculture, and the steady expansion of economic infrastructure and the service industries. The causes of this progress are numerous and interdependent, and the relative importance of different factors is difficult to determine. Perhaps the key factor, however, has been a greatly improved economic policy environment resulting from implementation of an effective financial stabilization program, a realistic exchange rate, and reduction of direct controls over imports, bank credit and other areas of economic activity. Expansion of productive capacity, more efficient use of capacity, and changes in industrial technology and agricultural practices have also played significant roles.

Another factor has been the industriousness and high education level of the Korean people.

Government efforts to encourage exports led first to a system of export premiums and subsidies in 1962 and 1963, and then to devaluation of the currency to a new unitary rate in May 1964. In March, 1965, the exchange rate was freed from its 255 won per dollar rate and allowed to find its own level. The rate has remained at approximately 270 won per dollar since mid-1965. An IMF stand-by credit negotiated prior to devaluation has not been drawn upon, and Korea's gross and net foreign exchange reserves have risen steadily since the summer of 1965. Nearly 80 per cent of Korean imports are now freed from all restrictions, and recently restrictions on invisible payments were substantially liberalized.

The government's policy of maintaining a realistic exchange rate has given a strong stimulus to exports and to the production of import substitute goods. As already noted, exports have grown at an average annual rate of 44 per cent between 1962 and 1965. During 1965 exports grew by 47 per cent, and during the first four months of 1966 exports were 103 per cent above the comparable period for the previous year. The substantial growth of import substitute production is perhaps best indicated by the fact that 1965 imports were only 11 per cent higher than in 1964 (and only 7 per cent above the 1962 level), despite the high import component of many of Korea's manufactured exports.

Domestic monetary and fiscal policies have now arrested the inflationary pressures that frequently plagued the Korean economy in earlier years. From the end of 1964 to the end of 1965, wholesale prices rose by 6.7 per cent. During the first four months of this year, wholesale prices increased

by 1 per cent on a seasonally adjusted basis, while consumer prices rose by 2 per cent. The basic source of past inflationary pressures appears to have been closed off by three successive years of balanced budgets. Through improved tax administration it has been possible to expand substantially the government budget to better meet the need of rapid economic growth and social welfare without resorting to significant increases in tax rates (see Appendix Table 7).

In September, 1965, direct controls over the banking system were reduced. Interest rate ceilings on both loans and deposits were raised and direct controls on bank credit were replaced by traditional central bank techniques. The combination of price stability and high interest rates on deposits has led to very large increases in time and saving deposits, which in turn have resulted in growth of bank credit (see Appendix Table 8).

Since 1962 the growth of output in response to these favorable economic policies also reflects, in part, past investments in economic infrastructure and industrial facilities and the cumulative effects of improved technology in industry and improved practices in agriculture. While continued growth and improvement will be required - and is planned - Korea already has electric power facilities approximately equal to present needs, an extensive rail system, and nation-wide telecommunications. An extensive survey to map future power needs was conducted last year by U.S. experts, and an IBRD survey team is now completing an intensive study of future transportation requirements. These and other studies are being integrated into the Second Five Year Plan, 1967-1971, which is discussed in an accompanying paper.

Table 2

Major Economic Indicators

	<u>GNP</u>		<u>Per Capita GNP</u>		<u>Industrial Production</u>		<u>Export</u>		<u>Import</u>	
	<u>Bill. of 1960 Won</u>	<u>Annual Change %</u>	<u>1960 Won</u>	<u>Annual Change %</u>	<u>(1960=100)</u>	<u>%</u>	<u>Mill. Dollars</u>	<u>%</u>	<u>Mill. Dollars</u>	<u>%</u>
1962	265.60	4.1	10,167	1.2	123.5	16.8	54.8	34.0	421.8	33.4
1963	290.25	9.3	10,803	6.3	139.8	13.2	86.8	58.4	560.3	32.8
1964	316.15	8.9	11,442	5.9	151.0	8.0	119.1	37.2	404.4	-27.8
1965	341.31	8.0	12,028	5.1	177.8	17.7	175.1	47.0	450.0	11.1
1965 (1962= 100)	128.5	-	118.3	-	144.0	-	319.5	-	106.7	-
Average Annual Growth Rate	-	7.6	-	4.6	-	13.9	-	44.2	-	12.4

Korean industry has proved its competitive ability in foreign markets, as evidenced by the rapid expansion of exports. Existing capacity is being more effectively utilized and managerial and technical skills are rapidly improving.

In agriculture the use of fertilizers and insecticides has expanded rapidly as farmers have come to realize the benefits of their proper use. Primarily through extensive bench-terracing of hillsides, the amount of land under cultivation is also being expanded. Improved warehousing, transportation and credit availabilities to farmers have also resulted in more favorable marketing opportunities for their products. Through continued improvements in practices, improved seed, and crop diversification it is expected that rapid growth will continue. Fisheries expansion is also expected to continue and to contribute importantly to the growth of foreign exchange earnings.

Favorable attitudes and policies toward foreign capital have attracted several large-scale equity investments and a growing volume of private credits in the last several years. Korea's rapidly improving balance of payments position and modest debt service burden, combined with an industrious and skillful labor force, is expected to attract an increasingly large inflow of foreign capital.

### III. Measures of Economic Growth

The comprehensive character of Korea's economic growth is indicated by an examination of its principal economic series. These will be reviewed briefly here. More complete data are presented in the attached statistical appendix.

#### 1. Gross National Product

Korea's GNP in constant prices, as already noted, grew at an average rate of 7.6 per cent between 1962 and 1965. Per capita GNP has grown by 4.6 per cent per year as the population growth rate has been approximately 2.9 per cent. This has resulted in cumulative increases of 28.5 per cent in total GNP and 18.3 per cent in per capita GNP during the last four years.

Secondary industry grew at an average annual rate of 14.2 per cent, while the primary and tertiary sectors averaged 4.8 per cent and 6.9 per cent respectively. As a share of total output in constant prices, secondary industry rose from 22.4 per cent of GNP in 1962, to 25.2 per cent in 1965. Primary industry has remained approximately unchanged at 33.4 and 33.2 per cent of GNP respectively, while tertiary industry has fallen from 44.2 to 41.6 per cent of the total (See Appendix Table 3).

Table 3

Growth Rate of GNP  
(At 1960 Constant Market Prices)

	1962	1963	1964	1965	Average (1962-'65)
Primary Industry	-7.0	6.2	17.9	1.9	4.8
Secondary Industry	17.5	16.2	5.7	17.5	14.2
Tertiary Industry	7.5	8.1	4.0	7.8	6.9
GNP	<u>4.1</u>	<u>9.3</u>	<u>8.9</u>	<u>8.0</u>	<u>7.6</u>
Per Capita GNP	<u>1.2</u>	<u>6.3</u>	<u>5.9</u>	<u>5.1</u>	<u>4.6</u>

2. Industrial Production

The expansion of industrial output has covered a wide spectrum of production for foreign and domestic markets. Over the four years since 1962, manufacturing has expanded by 45.7 per cent, mining by 42.3 per cent, and electricity by 64.4 per cent. During 1965, the largest manufacturing increases were recorded in transportation equipment (54%), petroleum and coal products (45.4%), metal products (39.8%), beverages (33.7%) food (26.7%), textiles (24.1%) and wood and cork products (19.0%).

The growth of mining output reflected primarily increased production of coal for the domestic market (15.2% per annum increase) and of non-ferrous metals (12.3%), primarily graphite and fluorite for export.

Electrical generating capacity has doubled since 1961, reaching 770 thousand kilowatts at the end of 1965. For the first time since liberation in 1945, Korea now has adequate generating capacity to meet current demands (See Appendix Table 4).

Table 4

Industrial Production

	<u>Index</u>				<u>Increase (%)</u>			
	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>62/61</u>	<u>63/62</u>	<u>64/63</u>	<u>65/64</u>
<u>Total</u>	123.5	139.8	151.0	177.8	16.8	13.2	8.0	17.7
Mining	134.6	153.6	169.1	175.7	18.7	14.1	10.1	3.9
Manufacturing	121.8	137.8	147.2	177.5	16.8	13.1	6.8	20.6
Electricity	116.5	130.1	159.1	191.5	11.7	11.7	22.3	20.4

3. Agricultural Production

Almost 60 per cent of Korea's population earns its livelihood through agricultural production, including forestry and fisheries, and their output, at current prices, accounts for approximately 40 per cent of GNP. Food crop production has grown by 7.4 per cent annually since 1962, and Korea is rapidly approaching self-sufficiency in food production. Agricultural output is also becoming more diversified, with rapid increases in sericulture, animal husbandry, fruits, vegetables, ramie, flax and oil crops. Fisheries production is increasing rapidly, both from deep sea tuna fishing, and coastal area fishing, as well as harvested marine crops such as seaweed (See Appendix Table 5).

Table 5

Food Crops Production

Thousands of Metric Tons

<u>Production</u>				<u>Increase Rate (%)</u>				<u>Average</u> <u>62-65</u>
<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>62/61</u>	<u>63/62</u>	<u>64/63</u>	<u>65/64</u>	
5,244	5,434	7,265	7,220	-7.3	3.6	33.7	-0.6	7.4

4. Balance of Payments

In recent years Korea's net current account deficit has fluctuated primarily because of changes in the level of imports of food grains and of capital goods. On balance, however, there has been some decline in the current account deficits during 1964 and 1965 as the rising trend of merchandise exports (from \$55 million in 1962 to \$175 million in 1965) and of total foreign

exchange earnings (from \$163 million to \$290 million for the same period) has grown by more than the growth of raw material imports. Sharp increases in capital good imports anticipated during 1966 and 1967 are expected to temporarily increase the current account deficit, but thereafter the declining trend is expected to resume.

Korea's export trade is based on a wide variety of commodities. Of the \$120.3 million expansion of exports between 1962 and 1965, \$23.3 million represented agricultural products and raw materials and \$97.0 million were manufactures. Manufactures rose from 17.5 per cent to 60.9 per cent of total export during this period. However, agricultural products and raw materials are expected to play an important part in Korea's future export growth. Major components of the recent growth of exports have been fishery products, raw silk and silk fibers, and iron, tungsten and other metallic ores. The expansion of manufactured exports has been led by textiles, clothing, plywood, steel sheets, tires and other rubber products, and a variety of miscellaneous manufactures.

Korea's major customers are the U.S., which purchased 35 per cent of 1965 exports, and Japan, which accounted for another 25 per cent of 1965 sales. Exports to Europe and to Southeast Asia are expanding rapidly, however, and Korea's markets are expected to become much more diversified.

The level of external grant aid has declined from \$261 million in 1960, to \$201 million in 1962, and \$132 million in 1965. This decline has been offset by rising foreign exchange receipts and an increased inflow of official and private long-term loans and equity capital. The downward trend of grant assistance will continue but total foreign resources are expected to rise in 1966 and, probably, 1967, as loan financed import arrivals increase. Korea's total foreign debt amounted to only \$20.5 million at the end of 1961, and hence her debt service

burden is still moderate despite the receipt of \$465.6 million in loans during 1962-1965. Debt service is not expected to reach 10 per cent of foreign exchange earnings before 1969 or 1970.

#### IV. Economic Outlook

Economic forecasting is a notoriously hazardous undertaking, and no projection for an economy over an extended period of time can be expected to be fully accurate. It is the estimate of the Korean government, however that the basic GNP growth trends of the past four years of accelerated development will continue. Rising productivity will raise per capita income and make Korean exports increasingly competitive. The rate of growth of exports will eventually slow down as exports become a larger proportion of GNP, but urgent domestic demand requirements will continue to provide ample markets for the expansion of output. The government is committed to continuing to provide the proper economic climate and incentives for growth of the private sector with stable prices. The interrelationships between production and marketing, consumption and investment, industry and agriculture and other elements of sustained growth are under constant governmental review as a guide to proper policies. Private enterprise is being encouraged to the maximum extent practical, and governmental ownership of productive enterprises will be reduced over time.

To provide the necessary savings to finance the growth of investment for the growth rate of more than seven per cent envisaged in the forthcoming Second Five Year Plan (expected to be released in final form in August or September), the government has launched an extensive savings campaign. The public sector, formerly a large absorber of private savings through deficit operations, has now become a major source of savings for the private sector.

The general budget is operated with annual surpluses and government enterprises such as the Korea Electric Company, the Korea National Railroad, and the Tobacco and Ginseng Monopoly, have adjusted their service charges and prices and increased their efficiency of operation over the last several years so that they now earn substantial profits which are used to finance additional investment in their own facilities or to meet other budget needs. Private sector saving has been strongly encouraged by the easing of inflationary pressures and through the higher interest rates offered by financial institutions. Time and saving deposits with banks rose in six months from 27.7 billion won at the end of last September to 50.0 billion won at the end of March.

The efficient use of domestic savings and of foreign resources is the other key element in maintaining rapid growth. The Korean government will continue to make every effort to increase the efficiency of use of resources. The monetary, fiscal, foreign exchange and trade policies are designed to permit market forces to serve as a guide to economic values and to the proper allocation of resources. Every effort is being made through economic planning to anticipate future demand and supply conditions and to identify the highest priority uses for available investment resources, and to make the results of this analysis available to investors. In this connection, Korea is much encouraged by the interest shown by the World Bank and its related organizations and by other nations in establishing a consultative group to discuss their respective loans and investments in Korea in order to assist in the best possible use of this capital.

LIST OF APPENDIX TABLES

	Page
1. Summary of Development . . . . .	1
2. Changes in the Economic Structure . . . . .	2
3. Gross National Product . . . . .	3
4. Industrial Production Indices . . . . .	6
5. Food Crop Production . . . . .	7
6. Trade and Balance of Payments . . . . .	8
7. Government Finance . . . . .	.12
8. Money and Banking . . . . .	13
9. Prices . . . . .	.14
10. Labor Force and Employment . . . . .	15

1. Summary of Development  
(Annual Change, Percent)

<u>Period</u>	<u>GNP</u>	<u>Industrial Production</u>	<u>Export</u>	<u>Wholesale Prices</u>	<u>Ratio of Capital Formation to GNP (%)</u>
<u>Reconstruction</u>					
1954	6.7	..	-38.7	28.3	11.6
1955	5.9	19.5	-25.9	80.9	10.7
1956	1.1	22.4	36.7	31.7	9.6
<u>1957</u>	<u>8.1</u>	<u>15.4</u>	<u>- 9.8</u>	<u>16.2</u>	<u>15.4</u>
Average	5.5	19.1	- 9.4	41.8	11.8
<u>Stabilization</u>					
1958	6.5	10.2	-25.9	- 6.3	12.6
1959	4.8	14.8	20.6	2.4	10.5
1960	2.5	8.9	65.6	10.7	10.4
<u>1961</u>	<u>5.0</u>	<u>5.7</u>	<u>24.5</u>	<u>13.2</u>	<u>5.0</u>
Average	4.7	9.9	21.2	5.0	10.7
<u>Accelerated Development</u>					
1962	4.1	16.8	34.1	9.4	12.4
1963	9.3	13.2	58.3	20.6	18.1
1964	8.9	8.0	37.2	34.7	13.5
<u>1965</u>	<u>8.0<sup>p)</sup></u>	<u>17.7</u>	<u>47.0</u>	<u>10.0</u>	<u>11.7<sup>p)</sup></u>
Average	7.6	13.9	44.2	18.7	13.9
<u>Average (1954-1965)</u>	<u>5.9</u>	<u>13.9</u>	<u>18.6</u>	<u>21.8</u>	<u>12.3</u>

Note: p) preliminary

13

2. Changes in the Economic Structure

	<u>1956</u>	<u>1960</u>	<u>1963</u>	<u>1965</u>
<u>Value Added</u> (At current market price)	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Primary Ind.	45.7	35.2	40.3	38.0
Secondary Ind.	15.8	19.8	20.9	25.8
Tertiary Ind.	38.5	45.0	38.8	36.2
<u>Employment</u>	<u>100.0</u>	<u>..</u>	<u>100.0</u>	<u>100.0</u>
Primary Ind.	79.0 <sup>1/</sup>	..	63.2	58.7
Secondary Ind.	5.3	..	11.2	13.2
Tertiary Ind.	15.3	..	25.6	28.1
<u>Export Composition</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Food <sup>2/</sup>	6.1	31.0	20.8	16.6
Raw materials <sup>3/</sup>	83.8	52.3	34.5	22.5
Manufactured goods <sup>4/</sup> (Inc. not classifiable)	10.1	16.7	44.6	60.9
<u>Import Composition</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Food <sup>2/</sup>	14.1	9.2	21.6	14.2
Raw materials <sup>3/</sup>	24.1	27.4	40.4	55.2
Manufactured goods <sup>4/</sup> (Inc. not classifiable)	61.8	63.4	38.0	30.6

Note: <sup>1/</sup> 1957  
<sup>2/</sup> S.I.T.C. 0 & 1  
<sup>3/</sup> S.I.T.C. 2, 3, 4 & 5  
<sup>4/</sup> S.I.T.C. 6, 7, 8 & 9

14

3. Gross National Product : 1962-1965

A. Industrial Origin of GNP (At Current Market Prices)  
(In billions of Won)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Agr., Forestry & Fishery	121.01	190.05	300.50	296.44
Mining & Quarrying	6.99	8.26	12.30	15.93
Manufacturing	49.68	71.05	106.43	153.01
Construction	16.88	14.01	18.31	23.84
Electric, Water & Sanitary	4.68	5.12	6.60	9.67
Transportation, Storage & Communication	17.08	19.90	23.91	31.45
Wholesale & Retail Trade	41.65	64.02	80.02	108.28
Banking, Insurance & Real Estate	4.88	6.29	8.28	10.61
Ownership of Dwellings	18.49	21.78	25.31	27.85
Public Ad. & Defense	26.54	28.08	33.64	38.00
Services	32.54	38.94	46.17	56.64
Rest of the World	3.18	3.33	5.25	7.67
GNP	<u>338.60</u>	<u>471.53</u>	<u>666.72</u>	<u>779.40</u>

B. Industrial Origin of GNP (At 1960 Constant Market Prices)  
(In billions of Won)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Agr., Forestry & Fishery	88.72	94.19	111.09	113.18
Mining & Quarrying	6.82	7.44	8.57	9.84
Manufacturing	40.55	48.07	50.96	60.39
Construction	10.16	11.46	10.91	12.42
Electric, Water & Sanitary	2.33	2.58	3.04	3.66
Transp. & Communication	13.08	15.63	17.76	20.09
Wholesale & Retail Trade	36.37	40.01	40.68	44.12
Banking, Insurance & Real Estate	4.13	4.26	4.29	4.54
Ownership of Dwellings	17.10	17.47	18.03	18.48
Public Ad. & Defense	17.96	18.71	19.10	19.55
Services	26.79	28.74	30.12	33.16
Rest of the World	1.59	1.69	1.60	1.88
GNP	<u>265.60</u>	<u>290.25</u>	<u>316.15</u>	<u>341.31</u>

C. Expenditures on GNP (At Current Market Prices)  
(In billions of Won)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Private Consumption Expend.	285.97	383.55	561.25	669.65
General Gov't Consumption	49.62	54.76	61.95	71.28
Gross Domestic Fixed Capital	45.30	64.21	71.26	95.28
Increase in Stocks	-3.38	21.28	18.93	-4.18
Exports of Goods & Services	17.98	23.76	42.06	69.56
Less, Imports of Goods & Serv.	58.88	79.48	96.53	135.49
Statistical Discrepancy	-1.19	0.14	2.55	5.63
Expend. on GDP	335.42	468.20	661.47	771.73
Net Factor Income from the Rest of World	3.18	3.33	5.25	7.67
Expenditures on GNP	338.60	471.53	666.72	779.40

D. Expenditures on GNP (At 1960 Constant Market Prices)  
(In billions of Won)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Private Consumption Expend.	222.04	229.27	254.99	281.05
General Gov't Consumption	35.50	36.85	34.64	36.03
Gross Domestic Fixed Capital	35.53	45.81	38.22	44.78
Increase in Stocks	-2.92	12.26	7.19	-1.45
Exports of Goods & Services	12.36	13.79	17.31	23.57
Less, Imports of Goods & Services	37.54	46.80	35.81	42.21
Statistical Discrepancy	-0.96	-2.62	-1.99	-2.34
Expenditures on GDP	264.01	288.56	314.55	339.43
Net Factor Income from the Rest of World	1.59	1.69	1.60	1.88
Expenditures on GNP	265.60	290.25	316.15	341.31

E. Composition of Total Available Resources and  
their Disposal:1962-1965  
(At Current Market Prices)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>Average</u> (1962-'65)
<u>Resources</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
GNP	90.0	90.0	93.1	93.0	91.5
Net borrowing from Overseas	1.2	3.5	0.7	1.5	1.7
Net transfer from Overseas	8.8	6.5	6.2	5.5	6.8
<u>Disposal</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Consumption expenditure	<u>89.2</u>	<u>83.7</u>	<u>87.0</u>	<u>88.5</u>	<u>87.1</u>
Private	76.0	73.2	78.4	80.0	76.9
Government	13.2	10.5	8.6	8.5	10.2
Gross investment	<u>11.1</u>	<u>16.3</u>	<u>12.6</u>	<u>10.8</u>	<u>12.7</u>
Private	6.0	13.0	8.9	7.8	8.9
Government	5.1	3.3	3.7	3.0	3.8
Errors	<u>-0.3</u>	<u>0.0</u>	<u>0.4</u>	<u>0.7</u>	<u>0.2</u>

4. Industrial Production Indices  
(1960 = 100)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>Annual Change (%)</u>		
					<u>63/62</u>	<u>64/63</u>	<u>65/64</u>
<u>Mining</u>	<u>134.6</u>	<u>153.6</u>	<u>169.1</u>	<u>175.7</u>	<u>14.1</u>	<u>10.1</u>	<u>3.9</u>
Coal	137.8	165.9	179.9	191.6	20.4	8.4	6.5
Metal	129.3	115.7	129.9	124.8	-10.5	12.3	- 3.9
Non-metal	108.1	151.0	200.0	180.6	39.7	32.5	- 9.7
<u>Manufacturing</u>	<u>121.8</u>	<u>137.8</u>	<u>147.2</u>	<u>177.5</u>	<u>13.1</u>	<u>6.8</u>	<u>20.6</u>
Processed foods	101.7	115.0	84.2	106.7	8.8	-26.8	26.7
Beverages	99.2	90.0	94.4	126.2	- 9.3	4.9	33.7
Tobacco	121.2	134.6	148.5	176.6	11.1	10.3	18.9
Textiles	105.6	109.7	127.0	157.6	3.9	15.8	24.1
Wood and cork	111.5	132.6	108.7	129.4	18.9	-18.0	19.0
Paper, paper Prod.	145.4	176.8	178.1	190.3	21.6	0.7	6.9
Printing & publ.	99.7	106.2	131.9	154.6	6.5	24.2	17.2
Leather prod.	126.2	114.0	130.6	123.8	-9.7	14.6	11.7
Rubber products	99.9	117.2	135.8	140.3	17.3	15.9	3.3
Chemical	142.1	177.1	182.4	206.3	24.6	3.0	13.1
Petroleum & coal	160.9	178.0	257.9	374.9	10.6	44.9	45.4
Glass, clay stone	130.6	140.0	193.8	221.5	7.2	38.4	14.3
Basic metals	119.2	134.4	155.7	144.1	12.8	15.8	-7.5
Metal prod.	134.1	178.4	111.3	155.6	33.0	-37.6	39.8
Machinery	199.7	147.3	134.7	151.4	-26.2	-8.6	12.4
Electric machinery	248.8	325.0	361.6	348.8	30.6	11.3	- 3.5
Transp. equip.	148.2	275.6	286.4	442.1	86.0	3.9	54.4
Miscellaneous	144.0	188.2	153.3	158.7	30.7	-18.5	3.5
<u>Electricity</u>	<u>116.5</u>	<u>130.1</u>	<u>159.1</u>	<u>191.5</u>	<u>11.7</u>	<u>22.3</u>	<u>20.4</u>
<u>Total</u>	<u>123.5</u>	<u>139.8</u>	<u>151.0</u>	<u>177.8</u>	<u>13.2</u>	<u>8.0</u>	<u>17.7</u>

18

5. Food Crop Production  
(Thousands of Metric Tons)

	<u>1962</u> (A)	<u>1963</u> (B)	<u>1964</u> (C)	<u>1965</u> (D)	<u>Increase (%)</u> (D/A)
Rice	3,015	3,758	3,954	3,501	16.1
Barley and wheat	994	305	1,081	1,281	28.9
Miscellaneous cereals	99	108	126	120	21.2
Pulses	182	183	191	203	11.5
Potatoes	954	1,080	1,913	2,114	121.6
<u>Total</u>	<u>5,244</u>	<u>5,433</u>	<u>7,265</u>	<u>7,219</u>	<u>37.7</u>

6. Trade and Balance of Payments

A. Trade <sup>1/</sup>

a. Imports and Exports

	<u>Exports</u>			<u>Imports</u>		
	<u>Mill. Dollars</u>	<u>Increase (%)</u>	<u>Percentage Share to GNP</u>	<u>Mill. Dollars</u>	<u>Increase (%)</u>	<u>Percentage Share to GNP</u>
1960	32.8	65.6	1.6	343.5	13.1	16.5
1961	40.9	24.5	1.9	316.1	-8.0	14.4
1962	54.8	34.1	2.4	421.8	33.5	18.5
1963	86.8	58.3	3.5	560.3	32.8	22.5
1964	119.1	37.2	4.4	404.4	-27.8	14.8
1965	175.1	47.1	6.0	450.0	11.3	15.3

b. Financing Structure of Imports

	<u>AID</u>		<u>KFX</u>		<u>Others</u>	
	<u>Mill. Dollars</u>	<u>Percentage share to total import</u>	<u>Mill. Dollars</u>	<u>Percentage share to total import</u>	<u>Mill. Dollars</u>	<u>Percentage share to total import</u>
1960	231.9	68	97.2	28	14.4	4
1961	196.8	62	103.1	33	16.2	5
1962	218.5	52	179.0	42	24.3	6
1963	232.6	42	232.7	42	94.9	16
1964	142.6	35	184.5	46	77.2	19
1965	135.5	30	248.4	55	66.1	15

<sup>1/</sup> Custom Clearance

20

c. Export Shipments by Commodity: 1962-1965  
(In thousands of U.S. Dollars)

<u>SITC</u>	<u>Commodities</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>Percent Change 65/62</u>
0	Food and live animals	21,847	17,841	26,350	38,189	29.0
1	Beverage and tobacco	141	250	184	898	536.9
2	Crude materials	19,372	26,405	31,442	36,166	86.7
3	Mineral fuels, lubricants	2,760	2,579	2,488	1,899	-31.2
4	Animal, vegetable oils, fats	69	92	89	70	1.4
5	Chemicals	990	904	630	379	-61.7
6	Manufactured goods	6,177	28,115	42,310	66,416	907.5
7	Machinery	1,446	4,067	2,204	5,501	280.4
8	Misc. manufactures	1,954	6,401	13,198	34,487	1,664.9
9	Unclassified commodities	57	152	164	211	270.2
	<u>Total</u>	<u>54,813</u>	<u>86,802</u>	<u>119,058</u>	<u>175,082</u>	<u>217.4</u>

d. All Imports by Commodity 1962-1965  
(In thousands of U.S. Dollars)

0	Food and live animals	48,647	120,607	68,235	63,504	30.5
1	Beverages and tobacco	86	326	124	184	114.0
2	Crude materials	89,690	107,074	97,064	110,020	22.7
3	Mineral fuels, lubricants	30,606	34,377	28,470	31,269	2.2
4	Animal, vegetable oils, fats	3,856	4,781	3,887	3,764	-2.4
5	Chemicals	94,314	79,980	84,335	103,427	9.7
6	Manufactured goods	73,093	88,328	46,114	71,184	-2.6
7	Machinery	69,783	115,569	69,520	59,653	-14.5
8	Misc. Manufactures	10,241	8,033	5,336	6,768	-33.9
9	Unclassified commodities	1,467	1,198	1,206	176	-88.1
	<u>Total</u>	<u>421,782</u>	<u>560,273</u>	<u>404,352</u>	<u>449,952</u>	<u>6.7</u>

21

B. Balance of Payments 1962-1965  
(In millions of U.S. Dollars)

I. <u>Current Account</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
A. Receipts - total	163.2	175.5	211.0	289.8
1. Merchandise <u>1/</u>	54.8	86.8	119.1	175.1
2. UN Forces Expenditures	84.7	58.3	63.7	74.0
3. Government, excluding UNC	5.8	13.8	12.0	14.1
4. Other Services	17.9	16.6	16.1	26.6
a. Travel	3.1	2.7	2.8	7.7
b. Transp and insurance	4.2	4.8	5.4	7.9
c. Investment Income	5.2	3.4	3.8	3.7
d. Miscellaneous	5.4	5.7	4.2	7.3
B. Payments - total	455.2	578.3	432.0	482.3
1. Merchandise <u>1/</u>	390.1	497.0	364.9	415.9
2. Government	10.2	17.5	13.6	12.8
3. Other Services	54.9	63.8	53.5	53.6
a. Travel	2.2	2.3	2.4	1.7
b. Trans. and Insurance	43.0	49.7	38.4	43.1
c. Investment Income	0.3	0.7	1.7	2.3
d. Miscellaneous	9.4	11.1	11.0	6.5
Balance on Goods and Services	-292.0	-402.8	-221.4	-192.5
II. <u>Transfer Receipts - Net Total</u>	236.5	259.5	194.9	190.9
A. Private	36.5	52.0	53.9	68.7
B. Government	200.0	207.5	141.0	130.2
III. <u>Capital and Monetary Gold Inflow-Net</u>	57.1	144.2	27.3	-0.4
A. Net long-term capital	4.5	63.7	22.3	42.1
1. Long-term capital	5.0	65.6	28.7	47.2
2. Repayment of Loans	-0.5	-1.9	-6.4	-5.1
B. Foreign exchange reserves	38.4	37.2	0.7	-9.4
C. Others	9.0	50.4	3.3	-33.9
D. Korea-Japan Open accounts	5.2	-7.0	1.0	0.8
IV. <u>Errors &amp; Omissions</u>	1.6	0.9	-	6.0

1/ Export and Imports, F.O.B.

22

C. Foreign Investment  
(In millions of U.S. Dollars)

	<u>1959-1963</u>		<u>1964</u>		<u>1965</u>		<u>Cumulative Total 1959-1965</u>	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
<u>Gov't and Int.</u> <sup>1/</sup>								
<u>Agency Loans</u>	<u>12</u>	<u>82.5</u>	<u>6</u>	<u>37.9</u>	<u>6</u>	<u>76.6</u>	<u>24</u>	<u>197.1</u>
AID	10	59.7	4	31.4	5	71.8	19	162.9
IDA	1	14.0	-	-	-	-	1	14.0
Germany	1	8.8	1	5.2	1	4.8	3	18.8
England	-	-	1	1.4	-	-	1	1.4
<u>Commercial Loans</u> <sup>2/</sup>	<u>18</u>	<u>56.5</u>	<u>9</u>	<u>61.8</u>	<u>14</u>	<u>78.4</u>	<u>41</u>	<u>196.8</u>
U.S.A.	7	33.8	2	6.3	5	4.4	14	44.5
Japan	-	-	1	0.4	7	69.9	8	70.3
Germany	7	17.3	5	15.0	-	-	12	32.2
Others	4	5.4	1	40.2	2	4.1	7	49.8
<u>Direct or Joint Ventures</u>	<u>5</u>	<u>9.0</u>	<u>5</u>	<u>0.8</u>	<u>11</u>	<u>22.6</u>	<u>21</u>	<u>32.4</u>
<u>Total</u>	<u>35</u>	<u>418.0</u>	<u>20</u>	<u>100.5</u>	<u>31</u>	<u>177.6</u>	<u>86</u>	<u>426.1</u>

Note: <sup>1/</sup> Including projects for which Loan agreement are concluded.

<sup>2/</sup> Including projects for which L/G's or L/C's have been issued by Bank of Korea.

7. Government Finance

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
(1) <u>Tax Burden to GNP (%)</u>					
<u>Gross</u>	<u>11.3</u>	<u>9.3</u>	<u>7.8</u>	<u>8.8</u>	<u>10.4</u>
Central Gov't.	9.8	7.8	6.5	7.5	8.8
Local Gov't.	1.5	1.5	1.3	1.3	1.6
(2) <u>Revenues and Expenditures of General Government</u>					
a. Revenues					
Amount (Bill. Won)	<u>93.2</u>	<u>76.0</u>	<u>79.4</u>	<u>94.7</u>	<u>130.3</u>
<u>Composition (%)</u>					
Tax	30.3	40.9	47.1	56.7	55.5
Counterpart fund	30.8	34.6	35.3	30.0	25.1
Others	38.9	24.5	17.6	13.3	19.4
b. Expenditures					
Amount (Bill. Won)	<u>88.4</u>	<u>72.8</u>	<u>75.2</u>	<u>94.7</u>	<u>130.3</u>
<u>Composition (%)</u>					
General Exp.	49.6	43.7	44.3	45.5	42.8
Defense	23.2	28.1	33.2	30.9	30.9
Invest. and loans	27.0	27.9	22.1	23.2	26.0
Others	0.2	0.3	0.4	0.4	0.3

24

8. Money and Banking  
(In billions of Won, Year End)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>Annual Change, Percent</u>		
					<u>63/62</u>	<u>64/63</u>	<u>65/64</u>
<u>Money Supply</u>	<u>36.7</u>	<u>37.3</u>	<u>43.1</u>	<u>56.6</u>	<u>1.6</u>	<u>15.5</u>	<u>31.3</u>
<u>Deposits</u> <sup>1/</sup>	<u>39.5</u>	<u>39.2</u>	<u>43.5</u>	<u>80.1</u>	<u>-0.8</u>	<u>11.0</u>	<u>84.1</u>
Demand deposits	23.2	22.0	23.2	40.4	-5.2	5.5	74.1
Time & savings deposits	16.3	17.2	20.3	39.7	5.5	18.0	95.6
<u>Loans &amp; Discounts</u> <sup>1/</sup>	<u>67.3</u>	<u>76.7</u>	<u>86.4</u>	<u>110.3</u>	<u>14.0</u>	<u>12.6</u>	<u>17.7</u>
Loans from banking fund	30.1	34.4	39.5	57.7	14.3	14.8	46.1
Loans from gov't fund	37.2	42.3	46.9	52.6	13.7	10.8	12.2
<u>Credit from the Bank of Korea</u>	<u>2.0</u>	<u>7.0</u>	<u>9.7</u>	<u>19.2</u>	<u>250.0</u>	<u>38.6</u>	<u>97.9</u>
<u>Turnover of demand Deposits (Commercial Banks)</u>	<u>6.5</u>	<u>7.7</u>	<u>10.1</u>	<u>10.5</u>			

Note: <sup>1/</sup> Includes the Korean Reconstruction Bank.

25

9. Prices

(1960 = 100)

	<u>Weight</u>	<u>Annual Average</u>				<u>Annual Change (%)</u>		
		<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>63/62</u>	<u>64/63</u>	<u>65/64</u>
A. <u>Wholesale price</u>	<u>100.0</u>	<u>124</u>	<u>149</u>	<u>201</u>	<u>221</u>	<u>20.6</u>	<u>34.7</u>	<u>10.0</u>
Grains	14.7	131	208	263	247	58.5	26.3	-6.3
All commodities excl. grains	85.3	123	139	190	217	13.6	36.9	13.9
Producer goods	41.9	125	139	185	217	10.9	33.0	17.7
Consumer goods	58.1	123	157	213	224	27.7	35.8	5.2
B. <u>Seoul consumer prices</u>	<u>100.0</u>	<u>115</u>	<u>139</u>	<u>180</u>	<u>204</u>	<u>20.7</u>	<u>29.5</u>	<u>13.6</u>
Food and beverage	46.4	118	157	213	231	32.6	36.4	8.4
All commodities excl. food and beverage	53.6	113	124	151	181	9.8	21.9	19.9
C. <u>Import Commodities</u>	<u>100.0</u>	<u>126</u>	<u>150</u>	<u>211</u>	<u>253</u>	<u>19.6</u>	<u>40.1</u>	<u>20.0</u>

10. Labor Force and Employment  
(In thousands)

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>Annual Changes (%)</u>	
				<u>64/63</u>	<u>65/64</u>
Population (A)	26,868	27,631	28,377	2.8	2.7
Production age population (B)	15,684	16,348	16,591	4.2	1.5
Labor force population (C.)	8,652	8,894	9,199	2.8	3.4
(Participant rate, C/B)	(55.2%)	(54.4%)	(56.4%)		
Employment	7,947	8,210	8,523	3.3	3.8
Primary industry	5,022	5,084	5,000	1.2	-1.7
Secondary industry	888	917	1,125	3.3	22.7
Tertiary industry	2,037	2,209	2,308	8.4	8.6
Full Unemployment (D)	705	683	677	-3.1	-0.9
Unemployment rate, D/C	(8.2%)	(7.7%)	(7.4%)		

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