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~~EXPORT INTER~~
~~ES KOREA~~

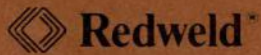
~~1976~~

FOREIGN EXCHANGE - GENERAL QUESTIONS -

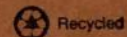
KOREA

1976

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Withdrawn by Ann May	Date June 03, 2022			

S. Foreign Exchange

Sample Size = 100

The November 1974 Won Devaluation and Other Exchange Rate Changes

1/ The Won was devalued in November 1974. Before this, during 1974, did you in any way anticipate that a devaluation might occur?

Yes 18 No 82

2/ If yes, what precautionary measures did you take?

- Building up stocks of imported materials 9
- Putting forward the import of machinery and equipment 6
- Delaying exports 3
- Delaying presentation of export bills 3
- Advancing payments for imported materials 2
- Other (please specify)
- ~~_____~~

Comments:

3/ Following devaluation did you revalue -

	Yes	No	No Ans
Your stocks ?	<input type="checkbox"/> 25	<input type="checkbox"/> 68	9 = 100
Your fixed assets ?	<input type="checkbox"/> 25	<input type="checkbox"/> 67	8 = 100

4/ Did devaluation affect your export and domestic L/C prices (in US\$ or other foreign currencies) in 1975 in any way?

	Export prices	Domestic L/C prices
Lower	<input type="checkbox"/> 28	<input type="checkbox"/> 11
Increased less than otherwise	<input type="checkbox"/> 17	<input type="checkbox"/> 11
No effect	<input type="checkbox"/> 43	<input type="checkbox"/> 30
	12	48
	<u>100</u>	<u>100</u>

Comments: No ans

→ must see product, crossed with B.P.

5/ Did devaluation significantly reduce import competition in the domestic market for any of your products?

① Yes 6 ② No 68 ③ don't know 2 ④ not applicable 8

If yes, please list products for which import competition was reduced.

- 1.
- 2.
- 3.
- .
- .

⑤ No Ans 16

6/ Did exchange rate adjustments (other than the Won/\$ devaluation) lead to any important changes in your exports in 1974 or 1975?

Yes 7 No 87 No ans 6

If yes, please indicate currency, date and nature of adjustment, and whether exports increased or decreased.

Currency	Date	change relative to Won (+ or -)	Exports	
			Increased	Decreased

7/ Do you use any ^{special} ~~hedging or other~~ strategies to protect yourself against losses arising from changes in foreign exchange rates?

Yes No

Comments:

change [in Korean]

8/ During your 1975 financial year, were there any important foreign exchange losses or gains due to exchange rate adjustments?

Yes 16 No 76 No ans 18

If yes, what were they?

If yes, how were they treated in your 1975 accounts?

외환 손익 조정... 1975년... 손익... 처리... 18/87

(B)

1) Rank the importance of influences on your business by the devaluation.

- ① Advantage ^{for} ~~from~~ exports
- ② disadvantage ^{for} ~~from~~ imports
- ③ increasing pressure on external debt
- ④ other

rank	1	2	3	4	No ans	TOT
①	49	19	16	-	16	100
②	20	39	14	1	26	100
③	17	24	20	1	38	100
④	-	-	2	4	94	100

2) Your opinion on current exchange rate

- ① too high 9
 - ② too low 17
 - ③ reasonable 45
 - ④ Don't know 17
- No ans 12
-
- 100

G.D. Foreign Exchange

Translation OK

① Pensions deal. 1971

Who announced the 9.

Circumstance - was there much
newspaper speculation? ^{was it very} ~~surprising~~ -

Yes seems very low

~~Issue~~

② & Most announced consistently
: same name than one measure

③ OK

④ ~~is~~ NB that 45 reduced as
increased less than otherwise
See which products had price
~~was~~ reduced?

Was there competition forcing
them to reduce prices anyway
(unlikely)

Look at actual price changes
for companies announcing yes.

Reason for local i/c answer?

How much ^{did} ~~can~~ foreign buyers
bargain better competing local
firm to reduce prices after devaluation

Q5

Reason for small no of you answered? no effective competition anyway.

temp Note

Find out ~~what~~ import ~~status~~ status (prohibited etc) of items mentioned

Factors - prohibited

Note: aluminum, polyester etc - sev. early upstream situation for local c/c sellers.

Q6

Whoever answered this question did not know enough, usually.

Also: no provision for "don't know".

Q7

Consider this in conjunction with Q1

[Foreign Exchange Management System
Policy for Export Promotion]

Please rank according to the importance you give company, the following:

1, 2, 3, 4, ... N = not relevant for your company

- a. Support for establishment of]
new ~~branch~~ foreign branch
- b. Foreign exchange holdings in overseas
branch

c. Foreign exchange operating funds
for overseas branch

d. Creation of ^{common} ~~integrated~~ office
[i.e. common office for different
companies]

e. Support for creation of representative
agencies

f. Support for integrated export
firms

g. ^{eg.} Government guarantee of
L/C

h. Government guarantee of
foreign exchange payment
[by the company]

Check
travel.

Is this
a positive
incentive

- i. Revaluing letter of credit system
- j. Foreign exchange deposit system
- k. Support for export service center [after service center?]
- l. Support for foreign direct investment related to exports
- m. Support for export negotiating commissions.

Note: these are all negative influences; arguments probably indicate ~~the~~ importance attached to these activities for exporting. But some are positive incentives (e.g. govt. guarantees)

Q1. Comments

19: Chang il Textile.

The Co. foresaw the Nov. 74 increase of the exchange rate. However, because of the underestimate of the increase, the Co. made a lower profit than before.

71: Korea TV

Since there had been rumours several times that the exchange rate would go up, the Co. was going to take action against it. But the gov. announced in advance that the exporting co.s were prohibited from outflow of each co's reserved foreign exchange or from delay in ^{negotiation?} transaction with the banks. It's unpleasant to hear that some of the larger firms made excessive profits by taking the hint of the rise in the exchange rate.

(은행 내?)

Q1. Comments

86: Sang Young Ind.
 The co. was unable to take any measures because it couldn't predict the actual time of the raise of the exchange rate.

5: Chon Bang Textile

As the measures against the increase of the exchange rate:

- 1) paid foreign debt in advance.
- 2) held the foreign notes.

Delayed
 of receipt

c-5

Comments for Foreign Exchange Q.4

10. Jung Wha (東華實業)

Q.4. The export price was increased as much as the increase of exchange rate, and it led the mkt to be more competitive.

19. Changill Tex.

Q.4 The import prices of the intermediate goods (raw material) ^{have} gone up while the export prices have been lowered.

C-5-

2880

for Q4

55. Korea Heavy Machinery Ltd.

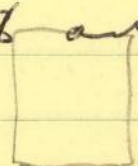
The rise of exchange rate immediately increased costs of intermediate goods and production. Under the apprehension of bringing a failure of foreign contracts due to an increase of prices to compete with the other sellers, the company attempted a gradual and a minimum price increase.

referring
eg. to IBAD
contract
in Korea
(or US
market)
for selling
stock

Limit on the amt. of local \yen by the ^{quota} ~~quarter~~ system has caused the quantity of sales to be reduced.

Materials bought under local \yen : same quota set in value terms, so quantity purchased is reduced.

Some incurrence? - am FX early local contract in \$ or Won?



Possible - IBAD via Murshy

Q4 Foreign Exchange

71. Korea TV.

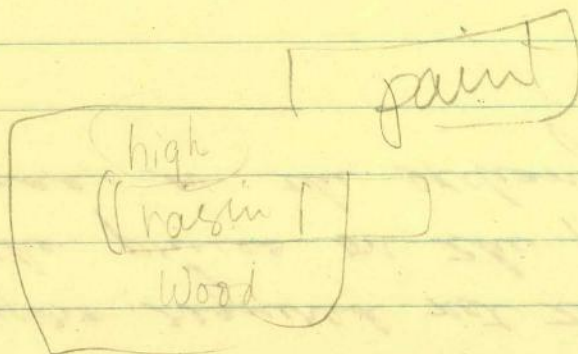
Q4
? The buyers required not to raise or lower the prices on the pretext of an increase in the exchange rate.

77. Sam Yang Tire

Q4: The inflated exchange rate raised production cost.

Wisconsin

244-0650



C-5

Foreign Exchange

Q5: Which imports in comparison with your co.'s products became less competitive in the domestic market?

5 Chon Bang Textile

Q5: None of the co.'s products are competitive with the imports.

18: Sin Sung Textile

Q5: ① polyester fabrics ✓

?

24: Dae Wood Filament

Q5: ① poly. F. yarn
② fabrics

41: Cho Kwang Ind.

Q5: ① aluminum sheet

C-5. Foreign Exchange

Q5:

78: Korea Tire:

Q5: ① Tubeless tire

?

84: Sam Wha Rubber,

? Q5: footwears

~~WRONG~~

local like
items for
footwears..

WRONG

C-5: Foreign Exchange

Q6.

		month year	rate + rate -	Export Inc	dec
5: Chon Bang	70 70				
	¥		+		0
	₡		-	0	
29. Sam Young Hoisery	DM		+	+	
97. General Food	Australia \$		-		0

C-5 Foreign Exchange

Q7. What kind of measures did the Co. take in advance against the Δ of ex. r.

10. 屯華實業? (Tung Wla)

- Accumulated
1. Reserved imported intermediate materials which represents about 25% of total necessary raw materials.
 2. Imported hurriedly the equipments (& parts) for the plan of expansion and repair.
 3. Delayed export and import by the buyers until the export prices were stabilized.

11: Sejin Rayon

- Accumulated
1. Reservation of intermediate (raw) materials,

Q5
Foreign Exchange

Q7.

not on Q1

12: Jae Chang.

1. Careful selection of the time for opening $\frac{1}{c}$
2. Delay of negotiations for export ~~import~~ $\frac{1}{c}$.

Q

not on Q1

16: Cheil Syn.

Accum
Reservation of intermediate (raw)
materials

Q7.

19: Chang il

Although we expected the change of the exchange rate, maybe about 15 days before announcement, it was unable to take any steps

29: Sam Young Hoisery

Early payment of the balance of the long-term foreign exchange loan

C-5

07.

Rope?

30. Man Ho 21175

Secured ^{accumulation} ~~reservation~~ of the intermediate materials.

42: Cho Kwang. Leather.

^{accumulation} ~~accumulation~~ of the intermediate material stocks.

Q7

50. Hyun Dai Shipbuilding.

use a strong currency for sales contracts

Sales contract - use a evaluating currency referring to a well informed economic source as a settlement currency.

Purchase contract - use a devaluation currency weak

53. Dae Dong Shipbuilding.

Asked a higher price of the ships and renegotiated for the prices.

Mainly local ships

Put escalation clause in war contracts

Q7.

55: Korea Heavy Machinery

No counter-measure now (against a deficit due to the exchange rate change)

Textile machinery

57: 승리 기구 (Seung Ri Machinery)

No special measures in advance.

C-5

Q 7,

62: Dong Myong Timber

Accumulation
1. ~~Reservation~~ of raw materials

71. Korea TV

The company hasn't considered any counter measures.

72. Signetic Korea

No special measures in advance.

Q 7.

73: Sejin Electronics

Delayed approval (of the contracts?).
 Quicker payment for the
 intermediate materials and saved
 (some) dollars for the purchase
 payment.

Speeded up payment for materials
 & increased holdings of dollar
 (e.g. via branches)

74: Korea Tire

Substituted ~~for~~ more Korean produced
 raw materials (for inputs)
 i.e. local $\frac{\text{Korean}}{\text{input}}$ price increase & less
 than ~~to~~ price

80: ICC

i.e. ① Impossibility of prediction had the
 co. not take any actions in
 advance.
 ② Whenever there was a rumour of the
 exchange rate increase, the co.
 hurried to order the intermediate
 goods and to deliver them quickly.

①. impossible
 to predict
 and
 summarize.

C-5
Foreign Exchange

Q 7:

84: Sam Hwa

- ① Early obtain^{ing} ~~ment~~ of Hc & early import of raw materials.
- ② Delay in shipping within a certain limit.

87: Han Dok Ind..

Accumulation
~~Reserving~~ a sufficient quantity of raw materials for export.

Q 7.

90: Kum Chang

discussion with the buyers to maintain
an agreeable export price

94: Korea agr. & Fishery Development

Didn't take any special measures
against the exchange rate change.

87.

97: General Food.

It was impossible to take any actions in advance.

102: Sep Bang Mool san. (Custom jewellers)

1. In determination of cost, cost is expressed in US \$ on the basis of the US currency.

2. The export prices are determined in terms of the US currency, and it's being practiced.

Use \$ ~~as~~ a for accounting & pricing.

27.

111: Dong - Ah Construction

Accumulation

1. Reservation of raw materials
2. early payment of loans
3. early purchase of the constructional facilities.

Q8. ^{any large} ~~Do~~ Did your co, make profits or deficit on foreign exchange due to the revision of the exchange rate in 1975.

5: Chon Bang Textile

1. Aggravation on the unpaid foreign loans
2. Improvement of profits on the export goods
3. Increase of purchase of domestic raw material (fibre)

☆☆ ☆ ☆ ☆ ☆ ☆ ☆ ☆ ☆ ☆☆

How are those deficits or ~~gains~~ ^{gain} treated in the 1975 accounts?

An incurred ^{difference} due to the revision of exchange rate in foreign loans for the fixed capital was evenly distributed to the rest of the redemption period. The deficits in floating capital was entered in the 1975 accounts.

16. Cheil Synthetic Textile

(answered inconsistently - no deficit or gaining and then answered as below.)

How are deficits or profits treated?

The ^{incurred} difference between the original amount of long-term loans (foreign loans and debts) and the recomputed amount with the new exchange rate was itemized as the exchange rate adjustment and entered in the account book as depreciation in accordance with the tax law. Other deficit or profits were itemized according to the revenue schedule.

Q 8

19: Changil Textile

(inconsistently answered. — no deficit
 & no profits for ex~~s~~ Δ (thor))

2nd Q

the payment for the foreign loans
 were increased because of the
 exchange rate change (adjustment of
 the exchange rate)

30: Man Ho 71170

(benefits from ?) unshipped exports
 * * *

sic

all payments & expenses related to export
 are itemized in the account book.

28

47: Dong Kuk Steel

The amt of repayment for ^{the} constructed loan has been increased.

* * * * *

The difference (between the loans computed with the old exchange rate & with the revised rate) is listed deferrably as the deficit in foreign exchange.

53: Dae Dong Shipbuilding

The difference between the old & revised exchange rate appeared as a gain when the payment of exports was collected.

* * * * *

[Would-be deficit resulted in a profit.

As ~~so~~ a result of foreign ex. gain they had a profit. otherwise it would have been a deficit.

移
3
計
元

28

76995

57: Seong Ri Machinery.

1973 exports were on deferred payment basis so gain there a lower gain

The co. gained from the 1973 exports as much as the increase of the exchange rate.

* * * * *

The gains made from the foreign exchange adjustment would be treated as out-of-business profit. However, since the co. practices deferred payment, the late(?) collection of payment for the export still entered into the year when final contract was made as the revenue after the relevant expenses was reduced

7
0

not clear the from Korea - see then B4

Q8

59: Dong Yang Moolson

An increase of the exchange rate
is a relative price decrease in $1/c$

**

**

? [租金計是上利得의 亦 相對的인 對인 對인
會計處理不要

Doesn't make sense in Korean

73: Sejin Electronics

** **

Itemized as exchange loss & gain.

Q8.

C-5

75: Nwa Sin Sony

[~~for a material~~]

7
9

There was a loss because advance ^{receipt} payment had been made in the US currency before the exchange rate was adjusted.

* * * * *

The difference caused by the adjustment was treated as a loss of the year that the new exchange rate became effective.

77: Sam Yang Tire

The unpaid loan brought the co a (nominally) heavier debt and the increased amt of the loan after the revision of the exch. rate entered in the acct book as the adjustment of foreign exchange

Q 8

78: Korea fire

The losses were in foreign exchange & raw materials.

* * * * *


{ created as happened
 < the losses were itemized as the "loss" >
 losses are losses! | treated as it happened (i.e. not referred)

88: Korea Wonyang:

A higher profit from the exports (because of the rise of the exchange rate.)

28

100: Yu Jui (Eel Culture)


 The losses created by the exchange rate adjustment were made in advanced payment for the exports and unpaid loans.

** * * **

Those losses were treated as the miscellaneous losses.

110: Daclin Ind.

** * * **

The losses were logged in the item of the loss due to the exchange rate revision.

i.e. they put it at $\bar{}$
 FF adjustment also

d) Benefits for the Govt. backing

23: Sam Kong Mool San

Need financial support and guarantee
for competition for (a higher) sales.

25. Han-il Synthetic Tex.

- Subsidized for (the expenses of) establishment of the branch offices
- Simplification in remittances for (general) activities.
- Support for trading activities, foreign sales

c-5

Benefits (or Request)

29. Sam Young Hosiery

- ? - Payment for commission to the foreign firms. abroad.

35: Korea Heavy
(Request):

The co. is the 2nd largest manufacturer of the wheel tires in the South East Asia and those are regarded very popular. Therefore, the Co. calls for the govt's support on finance for exporting, the activities abroad, and ^{the govt's} assistance in collecting info. for business abroad.

28 (last one) ^{C-5}

64: Gae change Plywood

(not clear when they occurred favor or ask?)

Subsidized the expenses for establishment.

13: Cho Saw Silk

: no specific benefits

Q 8.

55: Korea Heavy Machinery.

local 1/2 contract
in \$, but
receipt &
payment
afterward
affected
by the
devaluation

There were no changes in sub local and master 1/2 of the first contract but the time difference between contracting and approval brought disadvantage. A loss was in scrap iron & machinery imports while a gain in export goods due to the revision of the exchange rate.

* * * *

A loss and a gain caused by the adjustment were offset.

PART B

* ①② Korea Heavy Machinery.

(14) - (2)

Unit offer price for the exports is lower than the other countries' and the final negotiated price is also lower than the other foreign competitors. (<at the same time> the unit price ^{of exports} is lower in comparison with the import unit price.)

Squadron comment.