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THE WORLD BANK  
Washington, D.C.

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McNamara Papers

Travel brief  
May 10-21

The World Bank Group  
**Archives**  
 1772562  
 A1995-259 Other #: 5 309686B  
 Travel Briefings: Korea, China (Taiwan), ...

Folder 2 of 2

~~Folder 1~~



**DECLASSIFIED**  
 WBG Archives

KOREA

Would you like a  
5-10 min break  
before next mtg?



맥나마라 세계은행 총재

방 한 일 정

**PROGRAMME**

FOR

MR. AND MRS. ROBERT S. McNAMARA

PRESIDENT

OF

INTERNATIONAL BANK FOR RECONSTRUCTION AND

DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

May 13th—16th, 1970

**MEMO**

May 14 - Notes on mtgs.

Prim Min - Goodma  
For. Min - " -  
DPM - Clark  
Min Fin - Krashu  
Min Constr. - Leif  
Min Agr. - Krashu  
Vice Min - Comm + Industry - Leif  
Min of Public Health - Leif

**PROGRAMME**

FOR  
MR. AND MRS. ROBERT S. McNAMARA  
PRESIDENT  
OF  
INTERNATIONAL BANK FOR RECONSTRUCTION AND  
DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL FINANCE CORPORATION

May 13th-16th, 1970

수행원명단

Mrs. Robert S. McNamara (Magaret Craig)	부인
Mr. Reignson C. Chen	한중월 담당 이사
Mr. Raymond J. Goodman	동아세아 및 태평양 지역 국장
Mr. William D. Clark	공보담당 국장
Mr. Jochen Kraske	한국담당 과장
Mr. Leif J. Christofferson	총재 보좌관

1960. 9. : “포드” 자동차 회사 사장
- 1961.1.-1969.3 : 미국 “케네디” 대통령의 요구로 국방장관에 취임
1968. 4. : 세계은행 총재에 취임

기 타

1. 명 예 박 사:

“하바드” 대학교, “캘리포니아” 대학교, “미시간” 대학교, “콜럼비아” 대학교, “오하이오” 대학교, “프리스턴” 대학교, “뉴욕” 대학교, “노틀담” 대학교, “조지 워싱턴” 대학교, “윌리엄” 대학교, “카담” 대학, “이맥스트” 대학.

2. 사 회 관 계:

“포드” 재단, 하천연구소, 도시연구소의 이사

3. 수 상 관 계:

육·해·공군성으로부터 Distinction and Distinguished Service Medal 및 Presidential Medal of Freedom 수상

4. 저 서:

The Essence of Security (1968년)

5. 가 족 사 항:

1940. 8. 13 결혼, 부인의 본명: Magaret Craig

자녀: Magaret Elizabeth

Kathleen

Robert Craig

May 13, 1970 (Wednesday)

- 18:35 Arrive at Kimpo International Airport  
(KAL 702)
- 19:30 Arrive at Chosun Hotel



May 14, 1970 (Thursday)

- 07:50 Leave the Hotel for the Office of the Prime Minister
- 08:00 Meeting with the Prime Minister  
Mr. Il Kwon Chung  
Place: Capitol Building (2nd Floor)
- 08:30 Meeting with Minister of Foreign Affairs  
Mr. Kyu Hah Choi  
Place: Capitol Building (3rd Floor)
- 08:55 Leave the Capitol Building for the Economic  
Planning Board
- 09:00 Arrive at the Economic Planning Board
- 09:10 Signing of IDA credit and IBRD loan agreements  
for 3rd railroad project between the Deputy Prime  
Minister and the President of IBRD  
Place: EPB Conference Room (3rd Floor)
- 09:40 Meeting with the Deputy Prime Minister  
Mr. Kim, Hak-Yul  
Attendance:  
Mr. Yie Joon Chang (Vice Minister)  
Mr. Byung Tai Hwang (Assistant Minister)  
Mr. Chang Nak Choi (Director, Economic  
Cooperation Bureau)

McNAMARA 총재의 약력

- 성 명: Robert Strange McNamara
- 국 적: 미 국
- 생년월일: 1916. 6. 9.
- 출 생 지: 샌프란시스코
- 현 직: IBRD, IDA, IFC 총재 (1968. 4. 1. 취임)

교육 및 경력

- 1937 : “캘리포니아” 대학 졸업
- 1939 : “하바드” 대학교 경영대학원에서 석사학위 받음
- 1940-1943 : “하바드” 대학교 조교수
- 1943-1946 : 영국 전쟁성 (War department) 에서 군수품, 통  
화, 인력조달에 관한 통계조정 업무를 맡는 민간  
인 고문, 공군 대위로 임명되어 인도, 중국, 태평  
양에서 근무, 중령으로 승진
- 1946-1949 : “포드” 자동차 회사 입사
- 1949-1957 : “포드” 자동차 회사 검사관, 부사장 겸 “포드”  
부총지배인
- 1957-1960 : “포드” 자동차 회사 이사

5월 15일 (금요일)

- 09:45 호텔 출발
- 10:00-11:30 이화여대 방문  
안내: 김옥남 여사
- 12:00 김옥남 여사 주최 오찬
- 14:00-18:25 지방 시찰 (멕시코 총재 일정과 동일)

- 10:40-11:30 Meeting with Minister of Finance  
Mr. Duck Woo Nam  
Place: EPB Building (6th Floor)  
Attendance:  
Mr. Jae Sul Lee (Vice Minister)  
Mr. Duk Chin Chang (Assistant Minister)  
Mr. Sung Hwan Hong (Director, Foreign Exchange Bureau)
- 11:50 Leave the Hotel for the Official Residence of the Prime Minister
- 12:00 Luncheon by the Prime Minister and Mrs. Il Kwon Chung  
Place: Official Residence of the Prime Minister
- 13:50  
14:00 Meeting with Minister of Construction EPB  
Mr. Han Lim Lee  
Attendance:  
Mr. Woun Gie Kim (Vice Minister)  
Mr. Jong Wan Choi (Director, National Construction Research Institute)  
Mr. Pil Eun Huh (President, Korea Highway Corp.)
- 14:50 Meeting with Minister of Agriculture and Forestry  
Mr. Shi Hyung Cho

Attendance:

Mr. Bong Hyun Chin (Vice Minister)  
Mr. Yong Hwan Kim (Assistant Minister)  
Mr. Duck Yong Lee (Assistant Minister)  
Mr. Bong Soo Han (Planning Coordinator)

15:40 Meeting with Vice Minister of Commerce and Industry

Mr. Woo Keun Kim

Attendance:

Mr. Won Chul O (Assistant Minister of Industry)  
Mr. Min Kil Chung (Director, Trade Bureau)

16:30-17:20 Meeting with Minister of Health and Social Affairs

Mr. Tai Dong Kim

Attendance:

Mr. Taek Il Kim (Director, Health Bureau)

17:30 Arrive at the Hotel

18:30-20:00 Reception by the Deputy Prime Minister and Mrs. Kim, Hak-Yul

Place: Chosun Hotel (Grand Ball Room-1st Floor)

MRS. McNAMARA의 별도일정

5월 14일 (목요일)

09:50 호텔 출발  
10:00 수도육군병원 방문  
안내: 김옥남 여사  
11:50 호텔 출발  
12:00 국무총리 내외분주최 오찬  
장소: 국무총리 공판  
14:00-17:00 비원과 Sky-Way 관광  
안내: 김옥남 여사  
18:30-20:00 부총리 내외분주최 Reception  
장소: 조선포텔 (불룸)

5월 16일 (토요일)

08:10 호텔 출발  
09 00 이 환 (KAL 201)  
공항 환송

May 15, 1970 (Friday)

08:00-08:30 E Meeting with Mr. Chin Hyung Kim  
Place: Chosun Hotel (Private Room) *K.D.P.C.*  
08:30-09:00 X Meeting with Mr. Yong Wan Kim *8.55*  
Place: Chosun Hotel (Private Room) *Chos. Korea Fed. Ind*  
09:00-09:30 Meeting with Mr. Yong Joo Kim *20 Some*  
Place: Chosun Hotel (Private Room) *Prof. Eon Sogang*  
09:45-10:15 E Meeting with Mr. Man Chae Kim *9.20*  
Place: Chosun Hotel (Private Room) *9.40* *Prof. Eon Sogang*  
10:15-10:45 E Meeting with Mr. Jae Mo Yang *Director Pop. Council*  
Place: Chosun Hotel (Private Room) *College*  
10:45-11:10 E Meeting with Mr. Jin Hwan Park *App. Eon.*  
Place: Chosun Hotel (Private Room)  
11:20 Leave the Hotel for Ch'ong Wa Dae  
(Official Residence of the President)  
11:25 Arrive at Ch'ong Wa Dae  
11:30 Courtesy call on His Excellency the President  
12:00 Luncheon by H.E. the President  
Place: Ch'ong Wa Dae  
14:00 Leave the Hotel for Field Trip  
Conducted by Mr. Byung Tai Hwang (Assistant  
Minister of EPB)

14:50-15:30 Arrive at Suwon and Tour of the Office of Rural Development  
 Guided by the Director of the Office of Rural Development, Mr. Kim In Hwan

15:40-16:30 Inspection of Family Planning Project  
 Guided by the Minister of Health and Social Affairs

16:30 Leave Suwon for Goolodong, Seoul

17:10-18:10 Arrive at Goolodong and Tour of Korea Export Industrial Estates Corporation

18:10 Leave Goolodong for the Hotel

18:25 Arrive at the Hotel

12:00 대통령 각하 오찬  
 장소: 청와대

14:00 호텔 출발 (지방시찰)—승용차편  
 안내: 경제기획원 운영차관보

14:50 수원 도착

14:50-15:30 농촌진흥청 시찰  
 농촌진흥청장 안내

15:40-16:30 가족계획사업 및 어머니회 시찰 (보사부 안내)

16:30 수원 출발

17:10-18:10 구로동 도착, 수출공업단지 시찰 (상공부 안내)  
 공장: 대한조화, 대한광학 및 서울통상

18:10 구로동 출발

18:25 호텔 도착

5월 15일 (금요일)

- 08:00-08:30 김진형씨 와 면담  
장소: 조선호텔 (별실)
- 08:30-09:00 김용완씨 와 면담  
장소: 조선호텔 (별실)
- 09:00-09:30 김용주씨 와 면담  
장소: 조선호텔 (별실)
- 09:45-10.15 김만재씨 와 면담  
장소: 조선호텔 (별실)
- 10:15-10:45 양재모씨 와 면담  
장소: 조선호텔 (별실)
- 10:45-11:10 박진환씨 와 면담  
장소: 조선호텔 (별실)
- 11:20 호텔 출발
- 11:25 청와대 도착
- 11:30 대통령 각하 예방

배석:

한 국 측: 부총리, 재무부장관, 농림부장관,  
건설부장관

IBRD 측:

May 16, 1970 (Saturday)

- 7.45 Lee Chang-ho  
08:10 Leave the Hotel for Kimpo International Airport
- 09:00 Depart the Airport for Taiwan (KAL 201)

SEPARATE PROGRAMME FOR MRS. McNAMARA

May 14, 1970 (Thursday)

- 09:50 Leave the Hotel
- 10:00 Tour of Army Hospital
- 11.30 Conducted by Mrs. Kim Hak-Yul
- 11:50 Leave the Hotel for the Residence of the Prime Minister
- 12:00 Luncheon by the Prime Minister and Mrs. Il Kwon Chung
- 14:30-17:00 Tour of Secret Garden and Sky-way drive  
Conducted by Mrs. Kim, Hak-Yul
- 18:30-20:00 Reception by the Deputy Prime Minister and Mrs. Kim, Hak-Yul

- 14.00 건설부장관과 협의  
협의사항: 고속도로 및 항만개발계획
- 14:50 농림부장관과 협의  
협의사항: 한국농업육성 정책과 식량정책
- 15:40 상공부차관과 협의  
협의사항: 공업 및 수출개발정책
- 16:30-17:20 보건사회부장관과 협의  
협의사항: 가족계획정책
- 17:30 호텔 도착
- 18:30-20:00 부총리 내외분 주최 Reception  
장소: 조선호텔 (볼룸)

5월 14일 (목요일)

- 07:50 호텔 출발
- 08:00 국무총리 예방  
장소: 중앙청 (총리실)
- 08:30 외무부장관 예방  
장소: 중앙청 (장관실)
- 08:55 중앙청 출발
- 09:00 경제기획원 도착
- 09:10 IDA 및 IBRD 3차 철도차관 협정서명  
서명인: 김학렬 부총리, 맥나마라 총재  
장소: 경제기획원 (3층, 회의실)  
배석  
한 국 측: 재무부장관, 철도청장  
세계은행측: Chen 이사, Goodman 국장
- 09:40 부총리와 협의  
장소: 부총리실  
협의사항: 한국경제 현황, 투자 및 대외 부채에  
정책 과 세계은행 차관사업  
배석: 차관, 차관보, 경제협력국장
- 10:40 - 11:30 재무부장관 예방 및 협의  
장소: 재무부장관실 (6층)  
협의사항: 통화 및 환율정책
- 12:00 국무총리 내외분주회 오찬  
장소: 국무총리 공관

May 15, 1970 (Friday)

- 09:45 Leave the Hotel
- 10:00-11:30 Tour of Ewha Woman's University  
Conducted by Mrs. Kim, Hak-Yul
- 12:00 Luncheon by Mrs. Kim, Hak-Yul
- 14:00-18:25 Field Trip - Same as Mr. McNamara's Programme



ROOM AND CAR ARRANGEMENTS

	<u>Room</u>	<u>Car</u>
Mr. Robert S. McNamara	1824	1
	1825	
	1826	
Mrs. McNamara	"	2
Mr. R. C. Chen	1130	3
Mr. Raymond J. Goodman	1827	4
Mr. William D. Clark	1822	5
Mr. Jochen Kraske	1802	4
Mr. Leif J. Christoffersen	1823	1

5월 13일 (수요일)

18:35 김포공항 도착 (KAL 702)  
공함영 집

19:30 조선호텔 도착

맥나마라 세계은행 총재

방 한 일 정

1970년 5월 13일 - 16일

May 6, 1970

Itinerary for Mr. McNamara's Visits to Korea, China (Taiwan), Paris

	<u>Local</u>	<u>GMT</u>		
May 10	1500		Depart Washington	TWA 61
	1650		Arrive Los Angeles	
May 11	1700	0200 (5/12)	Depart Los Angeles	Continental 001
	1920	0620 "	Arrive Honolulu--Kahala Hilton	
May 12	1130	2230	Depart Honolulu	JAL 071
May 13	1425	0525	Arrive Tokyo	
	1630	0730	Depart Tokyo	Korea Air 702
	1835	0935	Arrive Seoul--Chosun Hotel	
			Evening free	
May 14	0750		Meeting with Prime Minister <i>CHUNG</i> (Hannam Club 25 60-63)	Capitol Building
	0800		Meeting with Foreign Minister <i>CHOI</i> (Gyeongju Hotel)	"
	0830		Loan signing (Third Railway project)	EPB Building
	0900		Meeting with Deputy Prime Minister <i>KIM</i> (economic situation, Government measures to slow down investments, control external debts, and Bank Group assistance)	"
	0915		Meeting with Minister of Finance <i>NAM</i> (monetary and exchange rate policy)	"
	1040	-11:30	Lunch given by Prime Minister	"
	11:50		Meeting with Minister of Construction <i>LEE</i> (Govt's highway and port construction program)	At Hotel
	1200		Minister of Agriculture <i>CHO</i> (policy to accelerate agricultural growth)	"
	1400		Minister of Commerce and Industry (industrial and export promotion)	"
	1450		Minister of Health and Social Affairs <i>EDI</i> (family planning)	"
	1540		Reception by Deputy Prime Minister	"
	1630	-1730	Evening free	
	1730		Individual meetings with prominent Koreans:	
	1800		C.H. Kim, Pres. of Korean Development Finance Co.	"
	1830		Y.W. Kim, Chairman, Federation of Korean Industries	"
			M.C. Kim, Prof. of Economics, Yonsei University	"
			Prof. Park (agricultural economics) Yonsei U.	"
			J.M. Yang, Director of Population Control and Family Planning Department, Yonsei U.	"
May 15	0830		Leave Hotel for Blue House	
	0830		Meeting with the President	Blue House
	0900		Luncheon by President	"
	0930		Leave Hotel by car	
	1000		Arrive Suwon--visit to Office of Rural Dev.	
	1030		Meeting at Family Planning Unit in Suwon	
	1120		Leave Suwon by car	
	1130		Kurodong Industrial Estate	
	1200		Leave Kurodong by car	
	1400		Arrive Hotel	
	1430		Evening free	
	1520			
	1600			
	1620			
	1720			
	1735			

REPUBLIC OF KOREA

Cabinet Members and their Deputies

Prime Minister:	Chung, Il Kwon
Deputy Prime Minister and Minister of Economic Planning Board:	Kim, Hak-yul
Vice Minister:	Chang, Yie Joon
Minister of Foreign Affairs:	Choi, Kyu Hah
Vice Minister:	Yun, Suk Heun
Minister of Home Affairs:	Park, Kyung Woon
Vice Minister:	Park, Yung Su
Minister of Finance:	Nam, Duck Woo
Vice Minister:	Lee, Jae Sul
Minister of Law:	Lee, Ho
Vice Minister:	Oh, Tak Keun
Minister of National Defense:	Chung, Nae Hiuk
Vice Minister:	Lee, Kyung Ho
Minister of Education:	Hong, Jong Chul
Vice Minister:	Kim, Do Chang
Minister of Agriculture and Forestry:	Cho, Shi Hyung
Vice Minister:	Chin, Bong Hyun
Minister of Commerce and Industry:	Lee, Nak Sun
Vice Minister:	Kim, Woo Keun
Minister of Construction:	Lee, Han Lim
Vice Minister:	Kim, Woun Gie
Minister of Health and Social Affairs:	Kim, Tai Dong
Vice Minister:	Hong, Jong Kwan
Minister of Transportation:	Paik, Sun Yup
Vice Minister:	Lee, Yong
Minister of Communications:	Kim, Bo Hyun
Vice Minister:	Kim, Hyung Soo

Minister of Culture and  
Information:

Vice Minister:

Shin, Bum Shik  
Lee, Chun Seong

Minister of Government  
Administration:

Vice Minister:

Suh, Il Kyo  
Min, Yu Dong

Minister of Science and  
Technology:

Vice Minister:

Kim, Kee Hyong  
Lee, Jae Chul

Minister of National Uni-  
fication Board:

Vice Minister:

Kim, Young Sun  
Lee, Kyu Hak

Ministers without Portfolio:

Kil, Chae Ho  
Lee, Byoung Ok

5/14

CHUNG, IL KWON

Prime Minister

Born: November 21, 1917

Education: 1940 Graduate of Military Academy, Tokyo, Japan  
1952 ✓ Graduate of Command and General Staff College, U.S.A.  
1960 ✓ Course in International Relations, Harvard University  
1962 ✓ Course in Political Science, Oxford University

Experience: 1946 Captain and Regimental Commander  
1949 Brigadier General and Vice Chief of Staff, Korean Army  
1950 Commander-in-Chief, Korean Armed Forces  
1954 General, Chief of Staff, Korean Army  
1956 ✓ Chairman, Joint Chiefs of Staff, Korean Armed Forces  
1957 Retired from Army service and Ambassador to Turkey  
1959 Ambassador to France  
1960 ✓ Ambassador to the U.S.  
1963 Ambassador at large  
1963 Minister of Foreign Affairs  
1964-present Prime Minister, 1966-67 concurrent Minister of Foreign Affairs

5/14

CHOI, KYU HAH

Minister of Foreign Affairs

Born: July 16, 1919

Education: Graduate of Tokyo College of Education

Prior to becoming Minister of Foreign Affairs in 1967, Mr. Choi was Ambassador to Malaysia.

KIM, HAK-YUL

Deputy Prime Minister and Minister of Economic Planning Board

The Deputy Prime Minister, as well as many of his colleagues in the Cabinet, is relatively young. He was born on October 26, 1923. He graduated from Chuo University in Japan, received a doctorate in economics from Dongguk University and also studied economics at the Central Missouri State College and at the Graduate School of Akron University in Ohio. Initially he taught economics at the Graduate School of Law of the Seoul National University and then entered the Government service in 1957 in the Ministry of Finance. He quickly moved up in the Ministry of Finance and the Economic Planning Board; he became Vice Minister of the Economic Planning Board and subsequently Minister of Finance. In 1966, he was appointed Senior Secretary to the President for Economic Affairs and held this position until May 1969 when he was appointed to his present position.

Mr. Kim is intelligent and articulate. He has a good grasp of the economic problems confronting his Administration. According to the press he was selected by the President for his present position because of his "active and positive approach" in formulating and carrying out economic policies. The Deputy Prime Minister is thought to be fairly close to the President and to the people surrounding the President. He has, as Senior Presidential Secretary on Economic Affairs, represented the President frequently as special envoy and troubleshooter. In his capacity as Presidential Secretary he should have had opportunity to get to know the President's ideas in the fields of economic and financial policies.



NAM, DUCK WOO

Minister of Finance

Born: October 10, 1924

Education: Ph.D. degree in economics from Oklahoma State University

Experience: Professor of Economics, Sogang College, Seoul

1969 Minister of Finance

Mr. Nam has a profound knowledge of the Korean economy and is well aware of the economic problems confronting the Government. As an economics professor, he published many books and articles on Korean economic problems. He is believed to be in favor of a devaluation. He has made studies to compare gross and net foreign exchange earnings from exports and seems inclined to put the system of export incentives on a more rational basis. While Professor at Sogang College he was an adviser to the President on financial and economic matters.

LEE, HAN LIM

Minister of Construction

Education: Graduate of the Korean Military Academy

Prior to becoming Minister of Construction in 1969 Mr. Lee was President of the Jinhae Fertilizer Company. He had become President of the fertilizer company following his retirement as Commanding General of Korea's First Army.

CHO, SHI HYUNG

Minister of Agriculture and Forestry

Born: April 13, 1926

Education: Graduate of the National War College

Prior to becoming Minister of Agriculture in 1968,  
Mr. Cho was Senior Secretary to the President for political affairs.

LEE, NAK SUN

Minister of Commerce and Industry

Born: December 30, 1927 in Andong, South Korea

Education: Andong Agricultural Highschool

Dong A University

Graduate School of Kyung Hi University, Seoul,  
in political science

Experience:	1963	Secretary to the President
	1966	Director General of Taxation Bureau
	1969	Minister of Commerce and Industry

Mr. Lee participated actively in the 1961 military coup and is accordingly close to the President. As head of taxation bureau he was instrumental in improving substantially tax collection and bringing about sharp increases of tax revenue. Mr. Lee does not speak English.

KIM, TAI DONG

Minister of Health and Social Affairs

Born: March 8, 1918

Education: 1935-37 Meiji College, Japan  
1937-40 Law School, Meiji College  
1958-59 EDI, General Course

Experience: 1940-43 Service with administration of  
Chulla Pukdo Province  
1943-48 Office of Monopoly, Ministry of Finance  
1948-50 Planning Section, Ministry of Foreign  
Affairs  
1950-54 Secretary, Korean Mission in Japan,  
participating in Korea-Japan Normalization  
Conference  
1954-56 Director, Korea Trade Association in Japan  
1956-60 Director, Bureau of Coordination, Ministry  
of Reconstruction  
1960-61 Adviser, Industrial Development Committee  
1961-63 Director, Office of Planning and Coordination,  
and Assistant Minister, Finance and Logistics,  
Ministry of National Defense  
1964-66 Vice Minister, Ministry of Transportation  
1966-68 Vice Minister, Economic Planning Board  
1968-69 Minister of Communications  
1969-  
present Minister of Health and Social Affairs

KIM, CHIN HYUNG

President, Korea Development Finance Corporation

Born: October 26, 1905

Education: 1922 Graduate of Pusan Public Commercial School

1926 Graduate of Yamaguchi Commercial College,  
Japan, majoring in money and banking

Experience: 1926-45 Chosun Industrial Bank  
1945-47 Director, Chosun Industrial Bank  
1947-48 Managing Director, Korean Foreign Exchange  
Bank  
1948-49 Vice President, Korean Foreign Exchange Bank  
1949-50 Director, Bank of Korea  
1950-52 Resident Director of the Bank of Korea in  
Tokyo, Japan  
1952-55 Vice Governor, Bank of Korea  
1955-56 Chairman, Korean Banks Union  
1956-56 President, Korea Agriculture Bank  
1956-60 Governor, Bank of Korea  
1964-66 President, Daesung Lumber Industrial Company,  
Ltd.  
1967- Present President, Korea Development Finance  
Corporation

Mr. Kim is a professional banker. He was one of the leaders of the sponsoring group that worked with the Bank and IFC in setting up KDFC, and he was elected President when KDFC was incorporated in April 1967. Our experience with Mr. Kim has been excellent. To him much of the credit is due for the very good start KDFC has made in the two years since it began business.

Mr. Kim is well known and respected in Government, banking and business circles. We have a great deal of confidence in his judgment and integrity.

IFC subscribed about \$700,000 to KDFC's share capital and the Bank has made two loans to KDFC totalling \$25 million.

KIM, YONG WAN

Chairman, Federation of Korean Industries  
President, Kyung-sung Spinning Co. Ltd.  
Director, Korea Development Finance Corporation

Born: April 9, 1904

Education: Graduated 1929 from Hiroshima Teachers College,  
majoring in mathematics

Experience: 1930-44 Director, Chungang Commerce Company, Ltd.  
1944-present Director and, since 1946, President of  
Kyung-sang Spinning Co. Ltd.

Mr. Kim is a well known, <sup>✓</sup>respected Korean industrialist who has represented Korea's industry at various times as Chairman of the Spinners and Weavers Association, Vice Chairman of the Korean Chamber of Commerce, and member and Chairman of the Federation of Korean Industries. In 1966-67 he was also a Director of the Korean Institute of Science and Technology. Mr. Kim does not speak English

KIM, MAN CHAE

Professor of Economics, Sogang College, Seoul

Born: December 3, 1934

Education: Ph.D. in Economics, University of Missouri



PARK, KI HYUK

Professor of Economics, College of Business and Economics,  
Yonsei University

Born: July 25, 1922

Education: 1939-43 Hosei University, Tokyo, majoring in  
economics  
1946-49 Methodist Seminary, Seoul, study of  
theology  
1950-51 ✓ King's College, New York, majoring in  
economics  
1951-52 ✓ Graduate School, University of Delaware,  
agricultural economics  
1952-56 ✓ University of Illinois, Ph.D in agricultural  
economics

Experience: 1956-57 ✓ Research Assistant, Department of Agricultural  
Economics, University of Missouri  
1957-59 ✓ Associate Professor, Livingstone College,  
North Carolina  
1959-60 ✓ Assistant Professor, King's College, New York  
1960- Professor of Economics, College of Business  
present and Economics, Yonsei University

Publications: Economic Analysis on ✓ Land Reform in Korea, with special  
reference to the field survey in 1964-65, Ph.D Thesis  
(University of Illinois) 1956  
Principles of Agricultural Economics (Written in Korean),  
1964  
Three Clan Village Study in Korea, 1964 (United Board  
of Yonsei University Research Grant)  
A Study of Land Tenure System in Korea, 1966 (The Joint  
EPB/USOM Trust Fund Research Program)  
A Food Consumption Study in Korea, 1968 (Contract with USDA)

YANG, JAE-MO

Professor, College of Medicine, Yonsei University  
Director, Center for Population and Family Planning, Yonsei University  
Chairman, Management and Planning Committee, International Planned  
Parenthood Federation

Born: January 27, 1920

Education: 1948 M.D. degree from Severance Union Medical  
College, Seoul

1955 ✓ Masters degree from University of Michigan,  
School of Public Health

1961 Dr. of Science degree from Graduate School,  
Yonsei University

Experience: 1950-53 Service in the Ministry of Health and  
Social Affairs and with the U.N. Civil  
Assistance Command

1953-57 Instructor, Department of Preventive Medicine,  
Yonsei University

1957-63 Assistant and Associate Professor, College of  
Medicine, Yonsei University

1963- Professor, College of Medicine, Yonsei  
present University

Mr. Yang has been active in the field of population and family planning for the past ten years. He is teaching family planning as well as public health and medical care courses for undergraduate and graduate students, and is also conducting training programs on behalf of the Planned Parenthood Federation of Korea. Since 1961 he has been Chairman of the Board of Trustees of the Planned Parenthood Federation of Korea and more recently he has been appointed Chairman of the Management and Planning Committee of the International Planned Parenthood Federation. In 1965 Mr. Yang participated in a U.N. family planning mission to India and in 1966 he was visiting professor at Johns Hopkins University and the University of Michigan, lecturing on questions of family planning and population control. Mr. Yang has been associated especially with the Koyang Family Planning Action Project which has served in the development of guidelines for the national family planning program.

PARK, CHUNG-HEE

President

President Park is 53 years old. He was born in the North Kyongsang Province on September 30, 1917 and went to school in Taegu where he graduated from the normal school in 1937. Subsequently he received military training at the military academy in Japan from which he graduated in 1944. In 1953 he became Brigadier General and then moved through various military appointments to the position of Vice Commander of the second army, which he held in 1960 with the rank of a Major General.

He was instrumental in toppling the Democratic Party Government on May 16, 1961 and became Vice Chairman of the Military Revolutionary Committee and the Supreme Council for National Reconstruction following the coup. In July 1961, he moved to the position of Chairman of the Supreme Council and was subsequently promoted to Lt. General in August 1961 and to General in December 1961. When the President of the Republic resigned in March 1962, Park became Acting President. In early 1963, the revolutionary leaders started preparations for a transfer of Government powers to a civilian government. They founded a new party, the Democratic Republican Party. After initial hesitation Park finally in August 1963 accepted his election as Party Chairman and agreed to run for President the following October. President Park won his first election by a fairly small margin; in 1967, he ran for a second term which he won by a landslide. Last year President Park was able to muster a two-thirds majority in the National Assembly for a constitutional amendment which would permit him to run for a third term as President in 1971. A subsequent popular referendum approved the amendment by a substantial majority.

President Park comes from a fairly simple background and received a relatively simple education. He is not related to any of the leading families in the Korean society nor has he distinguished himself through his education in a country where a good education is considered a must for a successful Government career. For these reasons, many people in Korea, especially university people, tend to look down on the President.

The President appears to be sincere and selfless in his concern about the welfare of the Republic of Korea. He lives and governs in an austere and disciplined fashion. He is in firm control of the Government and holds his Cabinet in absolute respect of his authority. There are no people known to contradict him, or even discuss his decisions in a frank and open manner. Although President Park has, over the years, developed a good deal of understanding of economic policies, his decisions in economic and financial matters are occasionally not well thought out.

President Park is not a politician. He runs what he himself once called an "administrative democracy" where the real power lies with the experienced and technically qualified Government Administration. In part, this reflects his distaste for the political processes associated with a truly democratic government.

HANS W. KAMBERG

Resident Representative, UNDP

Date of Birth: May 12, 1919

Nationality: Germany

Education: 1937-40 University of Berlin, Economics, Law  
- Referendar  
Summer 1937 University of Geneva, Economics,  
Language - Certificate d'Etudes  
Summer 1938 University of Perugia, Italy - Certificate  
of Knowledge of Law  
1947-49 Training in Court Administration, Germany

Experience: 1945-48 Consultant, Office of US Military Government  
for Germany, Berlin  
1949-51 Advisor, Robert Bosch, G.m.b.H., Bonn  
1951-56 Administrator, Ministry of Economy, Bonn  
1956-61 Regierungsrat, German Delegation, Paris  
1961-65 Oberregierungsrat, Ministry of Economy, Bonn

United Nations

1965-68 UNDP Resident Representative in the Sudan  
1968- Resident Representative of UNDP in Korea  
present

KOREA DEVELOPMENT FINANCE CORPORATION

Biographical Note on  
Mr. Chai Sun Hong, Chairman of the Board

Mr. Hong, 65, is one of Korea's leading industrialists. Until about twelve months ago he was Chairman of the boards of directors of four companies with interests in cement, insurance, textiles and trade. He was also President of one other textile manufacturing company and of the Korean Federation of Industries. In that capacity, Mr. Hong headed the group of businessmen that sponsored KDFC. Because of failing health, he has relinquished all his posts except the chairmanship of KDFC.

Mr. Hong is influential and his support of KDFC's management has been valuable. The relationship between Mr. Hong and KDFC's President, Mr. C. H. Kim, appears to be close and cordial.

Mr. Hong does not speak English. But he understands a fair amount of it. He is shrewd and capable; and, in his relations with us and with KDFC, has shown considerable strength of character and of wisdom. Until his illness, he was rather a flamboyant character; he is now much more subdued.

KOREA DEVELOPMENT FINANCE CORPORATION

Biographical Note on  
Mr. Chin Hyung Kim, President

Mr. Kim, 64, has had a distinguished career in banking and is well known in banking circles, in Korea and abroad. He has held senior positions in the Korea Foreign Exchange Bank, the Bank of Korea and Korea Agriculture Bank. He was Governor of the Bank of Korea from December 1956 until April 1960 and, as a result, a Governor of the Bank and IFC from February 1957 to June 1960. Mr. Kim played an active part in the formation of KDFC. He was elected President on KDFC's incorporation in April 1967.

Mr. Kim is a competent, judicious and prudent banker. He is quiet and shy, but forceful. So far, every decision he has made appears to have been a wise one. He has made a special point of consulting the Bank frequently, and of keeping us advised on all important matters.

## Seoul Restaurant With a Dazzling View

By CRAIG CLAIBORNE

Special to The New York Times

SEOUL, South Korea—The place to be seen in Seoul these days—provided you have enough won (there are approximately 300 won to a dollar — is in the Galaxy Room of the glittering, new and still uncompleted Chosun Hotel here.

The club is on the top floor of the arc-shaped hostelry, by far the snappiest looking place in town. The room offers devastating views of the city by night, the menu provides a blend of Western and Korean cooking, and the results are generally excellent.

The chef's assorted appetizers, for example, include two uncommonly good pâtés, one in crust; an excellent cold cauliflower and mushroom salad; ham and asparagus rolls, and three cold, well-seasoned salads, potato, rice and à la Russe. Among the soups there is an onion soup that smacks mildly of curry.

Perhaps the most interesting dish on the menu is the well-known and estimable Korean soup known as sin-sul-lo, served as a main course for two. This, too, has a broth with a body and the many ingredients include tender pieces of beef, shrimps, gingko nuts, pine nuts, mushrooms, and squares of a crepe-like pancake.

It is a dish that needs chopsticks and, oddly, they aren't provided—it took quite a bit of persuasion to obtain a pair.

The Galaxy's menu also offers a dish that has become universal within the last

decade, a combination of steak and lobster.

The Galaxy is a large room with lacquered furniture, a large and fully stocked bar, and continuous amusement in the form of a small group playing Western pop music and, currently, an American singer with the strongest vocal cords in town.

The menu is considered on the expensive side by people who live here. Main courses are priced from about \$3.30 to \$5.

There is also a very good coffee shop at the Chosun called the Doll's House. Another large dining room, the Ninth Gate, will open soon and will serve Western cooking.

ALTHOUGH people only partially conversant with Korean cooking think of it in terms of the pickle called kimchi, or barbecued meat called bulgogi, it is in fact a fascinating, highly diverse and complex cuisine.

There are at times 20 or more dishes placed on a table at once and guests help themselves at will, everyone eating communally with chopsticks.

One of the most interesting restaurants here is the Yudong, situated at 27-2 Kyo Gji Dong, Chongno Ku in Seoul. Guests are seated on pillows around rectangular tables in private dining rooms and, after moist towels are served, the food arrives.

It includes such variety as tender, freshly broiled salmon; fantastic broiled pork, thinly sliced and served with an oyster sauce; cold fern buds; an exceptional seaweed salad with jelly fish and cu-

cumber; delicate zucchini fritters, an intriguing dish of pickled radish and shredded red pepper; beef with onion and, most extraordinary of all, kujolpan.

Kujolpan means nine-hole dish and it refers to the handsome lacquered container in which the foods are presented. The center "hole" is for small thin pancakes that are to be stuffed with contents of the other eight holes—bean sprouts, carrots, onions, beef, mushrooms, spinach, turnip and shredded egg. Fabulous.

There is no menu, but the cost of such a feast including sake for jung jong (as it is

called in Korea) was less than \$3 a person.

BULGOGI, the Korean barbecued beef dish, is the most popular dish of all and there are many restaurants where it may be found. The meat is grilled over charcoal and served with noodles or rice.

Whole garlic cloves to be eaten raw are served on the side, but this is optional. A popular source for Bulgogi here is the Uraok at Ulchiro 4-KA, and the neon sign outside advises, "Fight Communism, Protect Against Spies." The cost of a meal with sake is about \$2 per person.

Basic Design on Korea's Industrial

Development in 1970s

January 14, 1970

Ministry of Commerce and Industry

President has seen



The fundamental objective, when the Ministry of Commerce and Industry was compiling the First Five Year Economic Development Plan, was the development of the import-replacement industry in Korea.

As a result, the primary emphasis during this period was placed on the production of daily commodities and essential items necessary for living, the production, of which, Korea lacked or was short of. This included fertilizers, nylon fibre, cement, petroleum products, and electric power.

As earlier outlined, our main objective during this period was to "produce with our own hands," those products for which we relied on through import. Therefore, the greatest part of our effort and energy was concentrated on the construction of industrial facilities for the making of these products.

As a result, the structure of Korea's industry at the close of the first five year plan could not evade the impression that it merely listed a series of industrial facilities lacking the traces of efforts for overall coordinated planning.

However, in 1964, about halfway into the first five year plan, Korea started to witness the dollar shortage. And in the middle of 1964 this dollar shortage phenomena further deteriorated and Korea's foreign exchange holdings were reduced to a mere 100 million dollars. As a result, the continuation of plant constructions which were in progress was threatened and the prices of daily commodities soared according to the restricted importation of raw materials and Korea suffered economic unrest according to the scarcity of commodities accompanying the inflation.

At such a time President Park called out, "Export First Policy," and personally took up the job of commander in chief of the exportation efforts. In compliance with this spirit of His Excellency, this ministry has been doing the very best it could do.

The problem of ours at that time was what to export. What we could export in those days were those items which we could produce with our own hands with the available facilities; namely, the field of light industry mainly composed of the textile industry with its labor intensive characteristics.

Korea's concentrated efforts on the export industries invariably resulted in the trend toward the light industry. However, as a result of this "export first" policy, the exports amounted to 120 million dollars in 1964, 180 million dollars in 1965, and 250 million dollars in 1966.

The improved foreign exchange holdings not only made it possible to complete the plants under construction during the first five year plan but gave the Korean people the confidence that they could prosper, which was more important than any other one thing.

Thus, Korea's industry was geared to the structure of a light industry mainly intended to manufacture export items during the first five year plan.

The major industry during the second 5-year plan was to produce domestically raw materials required by the light industry. In order to supply raw materials for the fibre industry, the synthetic fibre industry was developed and development of this industry made it possible to develop a petrochemical industry.

The "export first policy" further developed during 1966, and the ratio of industrial products which occupied 27 percent of the total export amount during 1962 rapidly increased to 62.4 per cent during 1966. This is a strong evidence that, in order to increase the export amount, the only solution is to increase the export of industrial products.

Therefore, His Excellency called out "National Prosperity on the Foundation of Industry" in order to

increase the export amount. At that time, Professor Rostow, the American Economist, said that the Korean economy reached the stage of a take-off.

During this period Korea witnessed a boom in the construction of fibre plants to provide raw materials for the fibre industry. The plant capacities of woolen textile plants expanded 2.5 times between 1967 and 1968, those of nylon fibre plants expanded 5.4 times in the same period and those of acrylic fibre plants expanded 2.8 times.

In the meantime there was drafted a plan intended for the production of A. N, Caprolatam and other chemical products which are raw materials for synthetic fibre by developing a petrochemical industry within the period of the second five year plan.

In order to increase the export amount on annual basis it was necessary to shift from low priced products to high priced, high quality items. In order to implement this policy, President Park emphasized, the renovation of technical know-how was the first requisite.

As a result, there was reorganization within the Korean Government and the Ministry of Science and Technology was activated and the Korea Institute of Science and Technology was born.

During the earlier period of the second five year plan, three major objectives for the industrialization of Korea became very outstanding; firstly the concept of national prosperity on the foundation of the industry which includes the export first policy; the encouragement of industrial products with higher rate of export increase rather than farming products; the renovation of technology intended for the improvement of quality and production of high class items to increase the contribution rate of net export. These objectives or this policy clearly indicated the direction into which Korea's future should move forward. The promotion of export specializing industry, such as electronic and ceramics industries, which were developed since the end of 1968, are considered to be one field which can implement the above mentioned three objectives of our industrialization policy.

We plan to attain a complete domestic production of raw materials for the light industrial products by the end of the 2nd five year plan. Thus, the import replacement industry will be completed.

After the above achievement, the following objective of ours will be the domestic production and supply of machinery and equipment for which Korea has been spending large amounts of foreign exchange for importation.

Therefore, the construction of the Iron and Steel plant will become the major industry in our third five year plan which will provide a basic foundation for the development of the mechanical industry.

The development of the iron and steel industry will make possible the domestic production of equipments and machinery which are required for the petrochemical industry and the textile industry. But, in obtaining this objective, renovation of technology is the first prerequisite.

The development of technology was necessary in the process of enhancing the industrial export items for the purpose of quality improvement and the high quality product design. But, at the same time, in the course of developing the mechanical industry, the renovation of technology will be the first prerequisite to make possible the domestic production of machinery and equipments.

In connection with the problem of developing the electronic industry in Korea which was seriously deliberated during 1968, we intend that the initially labor intensive electronic industry, which was largely supported by manual labor, will develop into an electronic industry to which are added our own technical skills through the improvement of the design and quality of products.

Through the development and renovation of technology as in the above, the cultivation of mechanical industry including the completion of the iron and steel plant, and the continued renovation of technology will be the major industry of the third five year plan. In this way, the domestic production of machinery and equipment and self-sufficiency and export of equipment-machinery will be attained.

In order to attain the goal of the 3.5 billion dollar exportation in the closing year of the 3rd five year plan, we would like to emphasize the fact that the mechanical industry field should provide one billion dollar exportation.

The reason for the above is the increase rate of the exportation of light industrial products which is approaching its maximum potentiality.

For example, Korea's chemical fibre products exported to the United States during 1968 occupied 17.7 per cent of the total U.S. importation of the same products in that year. Therefore, Korea's chemical fibre export to the U.S. is approaching the maximum ceiling, having little room for further increase. Taking the case of Korea's export of sweaters to Sweden, Korea's export of sweater to the same country once reached 30 million dollars per year, representing 30 per cent of Sweden's total sweater import in that year.

The above amount is equal to four sweaters per Swedish lady ( approximately 2 million ladies ) and this leads us to conclude that Korea's sweater export to that country is approaching the maximum potentiality.

The renovation and development of technology is vitally necessary in view of the fact that during the 3rd five year development plan the development of the mechanical industry is intended for the exportation of machinery and equipment as well as the import replacement.

When the 3rd five year plan with a strong emphasis on the mechanical industry is completed, it may be said that Korea's industrialization efforts are brought upon a solid foundation and Korea's industry will enter into a stage of maturity.

In summing up from the beginning, Korea's first five year plan called for the cultivation of import-replacement industries; and the 2nd five year plan called for the development of light industries intended for the increase of export together with the Koreanization of raw materials for the same and the renovation of technology for the purpose of producing the high class items; the 3rd five year plan, fully utilizing the renovation of technology, is calling for domestic production of all machinery and equipment and the development of heavy industries.

The fourth five year plan will emphasize the development of Korea's "brain" industries, meaning the design and improvement of products, development of engineering processes, firm establishment of patent license, namely, handling the problems on technical know-how and the "brain."

In this stage, our efforts for the renovation of technology enter into a period of maturity and the solution of problems on technology will mean the independence and perfection of our own industries and our own technology. Through the exportation of Korea's "brain" the amount of export and its contribution ratio to net export will be further expanded.

Last of all, I shall handle briefly the problem of the gap between the living standards in the urban area and the rural area which already started to come to surface as a result of the recent rapid expansion of the economy in this country.

When we estimate Korea's per capita national income to be 500 U.S. dollars for the year 1970, and further

assume that the per capita income of the farming and fishing population must be at least half that amount, which is 250 dollars, the ensuing calculation is that the daily earning of the farming population per person should be two dollars and fifty cents. This income level is considered almost impossible under the present system of farming in this country. As a result, this leads us to the conclusion that we must provide the farmer with jobs other than farming.

The above situation is backed up by the fact that the major income of the farming population in Japan comes from sources other than farming.

This ministry, based on the direction by His Excellency President Chung Hee Park that the even distribution of the industrial facilitation in the rural areas or the industrialization of the rural areas, will play the major role of upgrading the income of the fishing and farming population, has been making continued efforts since the start of the 2nd five year plan for the formation of industrial areas in the countryside, establishment of family industry, the cultivation of industries peculiar to each locality, and the establishment of inspection offices for local products. However, this ministry will continue its efforts concentrating on the development policy for the local areas as outlined above so that our efforts for the development of local areas may bring about fruitful results by the end of the 3rd five year plan.





## CONSULTATIVE GROUP FOR KOREA

### Chairman's Report of Proceedings

A meeting was held at the headquarters building of the World Health Organization, Geneva, Switzerland, on April 27 and 28, 1970 to consider economic developments in Korea during 1969 and prospects for future economic growth. Mr. Raymond J. Goodman, Director, East Asia and Pacific Department of the World Bank chaired the meeting.

The meeting was attended by representatives of the Governments of Australia, Belgium, Canada, China, France, Germany, Italy, Japan, the United Kingdom and the United States. Representatives of the International Monetary Fund, the United Nations Development Programme and observers from the Asian Development Bank, Austria, The Netherlands, Switzerland and the Organization for Economic Cooperation and Development also attended the meeting. A list of the delegates to the meeting is attached as Annex I.

A number of documents prepared by the Government of Korea and the World Bank had been circulated in advance of the meeting or were distributed at the meeting for consideration and as background for the discussions. A list of the documents available to the delegates is attached as Annex II.

#### Opening Statement by the Chairman

The Chairman opened the meeting by welcoming the delegates and, especially, the Deputy Prime Minister of Korea and his associates. Following a few comments on the organization of and agenda for the meeting, the Chairman said he expected the discussion to focus on two subjects: Korea's continued good economic performance; and the targets for future economic growth, investments and capital inflow, including the desirable terms and maturities of the external assistance that will be needed.

The Chairman went on to congratulate the Deputy Prime Minister on the outstanding record of economic growth over the past year, noting that GNP growth in real terms was 15.5% in 1969, and that almost all of the targets set for 1971 (the end of the Second Five-Year Plan) had been met in 1969. The Chairman then traced the role of exports in Korea's economic strategy, which by the early sixties had replaced the earlier policy of import substitution. Using its well educated, relatively low paid labor force, the country concentrated on labor-intensive manufactured goods for the export market, one of the most important factors contributing to the country's economic growth. In 1969 exports reached a level of about \$700 million, 35% above the previous year.

The Chairman noted with satisfaction that the Government, during the past year, had made considerable efforts in preventing the growing disparity between industrial and agricultural development and had substantially stepped up investments in the agricultural sector, at the same time providing additional price incentives. He also drew attention to the Government's active family planning program, which had been instrumental in reducing the population growth rate to 2.2%, ensuring that the standard of living would rise in concert with GNP growth.

The Chairman then turned to Korea's high investment rate and the excessive reliance on external short and medium term loans which threatened to saddle Korea with an unmanageable debt servicing burden. There was little doubt that economic growth in the coming year would, for a number of reasons, be slower than in the past, but nevertheless the resource gap to be filled in 1970 and for the foreseeable future would be large, even at a rate of growth significantly lower than during the Second Five-Year Plan period. The Government had initiated measures to control private investment and to reduce foreign private loans; this, together with the postponement of less urgent public works projects, should bring the investment rate and external debt to more manageable proportions.

The Chairman ended his opening remarks by suggesting that Korea should increase the domestic value added of exports, among other things by increasing the domestic production of intermediate goods, parts and accessories. Korea's export growth would increasingly be determined by the trade policies of industrial nations, and restrictive policies would make more difficult her praiseworthy efforts to reduce her dependence on foreign capital. It was important that members of the Consultative Group continue to supplement Korea's funds for development, and it was essential that those funds be provided on appropriate easy terms.

The Chairman's opening statement is attached as Annex III.

Statement by IMF Delegate

Mr. Albert Mattera discussed the financial strains confronting the Korean economy: the rise of prices, rapid expansion of bank credit and the accompanying 45% increase in the money supply, and the large expenditure for flood relief and grain procurement during 1969. He said sustained corrective action was needed during 1970, particularly in the fiscal sector. Under the stand-by arrangement with the IMF, concluded in March 1970, a ceiling was placed on domestic credit of the banking system as a whole, supplemented by a limit on central bank credit to the Government. The ceilings represented a substantial curtailment in the rate of credit expansion compared to that experienced in recent years.

Mr. Mattera went on to say that in view of the growing deficit in the current account in the balance of payments, accompanied by large inflows of capital which more than offset the deficit, the level of external debt was a matter of concern and its management will become difficult in the near future. Under the new stand-by arrangement the Korean authorities have agreed to sharply reduce the growth of external commercial credits in 1970.

Mr. Mattera's statement is attached as Annex IV.

Statement by Deputy Prime Minister, Kim Hak-yul

Mr. Kim opened his statement by saying he thought past Consultative Group meetings had contributed much to a better understanding of the Korean economy. He then gave a brief explanation of Korea's achievements during the past decade, focussing on the growth rate, which had consistently exceeded the targets; exports, which increased from \$20 million in 1959 to \$700 million in 1969; and domestic savings, which rose substantially during the period.

Mr. Kim went on to acknowledge that the Korean economy faced a number of problems, principal among them being the stabilization of prices, improvement of the balance of payments and the acceleration of agricultural development. To cope with rising prices, the recent increases of capital expenditure in the public sector would be severely reduced and several large scale public works would be postponed; a special fund for grain purchases would be established, together with reserve stocks of commodities subject to seasonal fluctuation; and increases in the salaries of Government employees would be less than previously announced. To improve the balance of payments Mr. Kim described measures being taken to curb imports, including higher tariff rates and the encouragement of import-substitution industries. The agricultural sector would be stimulated by farm mechanization and continued efforts to increase the land areas under irrigation.

Mr. Kim hoped that the member countries of the Consultative Group, and international lending organizations, would help alleviate Korea's debt burden by extending loans on more favorable terms. He undertook to continue to restrict the inflow of short-term foreign commercial credits and to prohibit cash loans by private enterprises used to raise domestic funds. He stated that the floating exchange rate system would continue to operate and an interest equalization tax to regulate more effectively the inflow of foreign commercial credits was under active consideration by the Government. He believed that with successful implementation of these policies Korea's debt service ratio for external debt with over three years' maturity would be maintained at no more than 15% of the total exchange earnings. Mr. Kim concluded his remarks by hoping that the Consultative Group would remain a forum for the exchange of views and the strengthening of friendly ties.

The Deputy Prime Minister's statement is attached as Annex V.

## Summary of General Discussion

### A. External Debt and Export Earnings

Several delegates expressed concern at the high debt service ratio projected in the Bank's 1970 Economic Report on Korea, being an average of about 25% per year during the Third Five-Year Plan period (1972-76) for all medium and short term debt, and about 17% for loans of greater than three years' maturity. These ratios are based on the Bank's estimates, which among other factors, projected Korean merchandise exports in 1976 at \$2.8 billion, differing markedly from the Korean projection of \$3.5 billion. According to Korean debt ratio projections, servicing of loans of more than three years' maturity will remain below 15% during the Third Plan period, and for all loans will be about 20% of export earnings. The Deputy Prime Minister acknowledged, however, that due to heavy grain imports financed by short term credits in 1968 and 1969, the debt service ratio in 1970 and 1971 would be over 20%.

A country's ability to repay foreign debts is measured against its earning capacity from exports, and as there was a significant difference between Bank and Korean projections on this score the Chairman asked Mr. Shu-Chin Yang, the principal author of the Bank's economic report, to explain the reasoning behind his projections. Mr. Yang said that the Bank mission had projected exports for each major commodity group, based on information supplied by the Ministry of Commerce and Industry (MCI) and took into account future world demand for these commodities and Korea's ability to supply them. For some principal commodities, the mission made a lower and a higher projection. The Bank mission felt that the export of some commodities, such as plywood, raw silk, textile yarn and fabrics, would rise less rapidly than forecast by the MCI, and other commodities, such as clothing and wigs, might rise faster. Adding projections for exports of individual commodities, the mission obtained the projected total export level: for 1976 the lower projection was \$2.5 billion and the higher projection \$2.8 billion. The mission chose the more optimistic projection which indicated an average annual rate of increase for the period 1968-76 of 24.7%.

Deputy Prime Minister Kim admitted that his projections were not based on commodity by commodity review, but he reminded the delegates that at the start of the Second Five-Year Plan the export target for 1971 (the last year of the Plan) was \$550 million. Many experts said that target could not be reached, yet by 1969 exports had climbed to \$700 million. Mr. Kim did not wish to dispute the findings of the Bank mission, and suggested that time should be the judge of who was right.

The Chairman mentioned that conditions obtaining during the Second Plan period would not be applicable to the Third Plan period. Korean exports were now large enough to make a significant impact on the world market, and may run into difficulties in expanding at the same speed as before. He hoped that the Korean Government would, at least, base its investment and borrowing plans on more conservative export projections.

Mr. Shimojo, from the Japanese delegation, returned to last year's Consultative Group meeting where the Korean Government undertook to maintain the debt service ratio below 15% of export earnings. He noted that in the Korean projection this undertaking would be maintained for loans of more than three years' maturity, but drew attention to the Bank's economic report which showed a higher debt burden. Furthermore, the stand-by arrangement with the IMF had no restrictions on loans with maturities of over twelve years, and he wondered what level of borrowing on these terms was contemplated by the Korean authorities.

Mr. Kim answered that it was extremely difficult to obtain loans of over twelve years' maturity and therefore saw no danger there. The Chairman added that the theme of the meeting was to extend medium term loans to longer maturities, and therefore it would be unrealistic to put restrictions on long term loans.

Mr. Moreau, from the French delegation, asked about the relationship between Korea's exports and the military situation in Southeast Asia, and would a change in the situation significantly affect Korea's exports. Mr. Kim said that in 1969 Korea exported only \$23 million worth of merchandise to Vietnam, and total earnings from the Vietnam conflict, including remittances from Korean soldiers and other invisibles, amounted to only \$150 million. The Chairman added that a settlement of the Vietnam conflict might well lead to large reconstruction activities, in which Korea, with its experienced civil works contractors, would probably share.

Mr. Klamser, from the German delegation, praised Korea for its remarkable achievements over the past few years but expressed concern over Korea's increasing trade deficit and high debt burden. He urged the Korean Government to be more cost conscious in its economic policy and more selective in its projects.

Mr. O'Connor, from the U.S. delegation, stressed the importance of the IMF stand-by arrangement and Korea's undertaking to stay within the limits set for foreign borrowing. He noted that Korea should be able to finance from domestic savings a greater proportion of investment over the Third Plan period.

#### B. Growth Rate and Resource Gap

Several delegates commented on the growth rate of the Korean economy, praising the performance over the past few years while expressing the hope that future growth would be reduced to relieve the growing strains on the economy. In 1969 gross domestic capital formation reached a level of 30% of GDP, with domestic savings being 17% of GDP, making the gap to be filled by external capital \$800 million.

The Bank's economic report, based on a growth rate of 9% per annum during the Third Plan period, estimated the resource gap in 1976 at \$660 million. In his statement to the delegates, the Deputy Prime Minister said that the growth rate during the Third Plan period would be set at 8.5% per annum, a considerable reduction from the annual average growth of 12.6% during the first three years of the Second Plan period. This decision to aim for a more moderate and balanced growth met with approval from the delegates.

The Australian delegate, Mr. Fraser, said that the current precipitous growth of the economy was posing a threat to Korea's credit-worthiness and producing shortages in some areas, such as skilled labor. The German delegate, Mr. Klamser, noted that the very high current investment rate was feeding the inflation, and hoped that a more moderate pace could be maintained in the future. Mr. Katori, the Japanese delegate, said that over-investment in the past had led to imbalances in the economy and a high debt burden, and he was encouraged to hear of plans to curb future growth. Mr. O'Connor, the U.S. delegate, said the expansion of Korea's economy had posed a number of problems, and that growth should be commensurate with the country's balance of payments position. He added that the Korean Government's decision to limit growth to 8.5% was a courageous and correct one.

In a summary of the discussion, the Chairman said that the growth target was important for planning purposes because of its implications for investment, the resource gap and foreign assistance. But if the actual growth of the economy exceeded the planned target because of better utilization of resources or other factors, so much the better, provided the high rate was not achieved at the expense of stability. He believed it would be appropriate if the Korean planners, at this stage, based the investment and borrowing requirements on the growth target of 8.5%. The Chairman went on to state that exports will continue to play an important role in Korea's future growth and emphasized that the maintenance of a more realistic relationship between domestic prices and external value of the currency will be essential to achieve an increasing level of exports. He also suggested that Korea should deepen its industrial structure by encouraging the production of intermediate and capital goods in order to increase the domestic value added of Korean exports. He reminded the delegates that whatever the need for external loan capital turned out to be, it should be provided on as lenient terms as practicable to alleviate Korea's substantial debt burden. Private short and medium term loans should be reduced, while the flow of official long term loans should be increased.

#### C. Projects Submitted for Financial Assistance

Mr. Chang Nak Choi, Director of the Bureau for Economic Cooperation of the Economic Planning Board, made a statement to the delegates on the project list and project prospectuses which had been distributed at the meeting. Foreign exchange assistance being requested

included \$10.0 million for land consolidation, \$17.0 million for the Andong Multipurpose Dam, \$7.3 million for agricultural warehouses, \$5.2 million for the manufacturing of agricultural machinery, \$5.0 million for agricultural credit, \$54.0 million for expressway construction, \$12.8 million for the expansion of Pusan harbor, \$15.0 million for electric power transmission and distribution facilities, and \$40.0 million for private industry financing.

Of the projects presented at last year's meeting, several had found financing from bilateral sources, including the Pohang Iron and Steel Mill, the nuclear power plant, railway electrification and a silk reeling project. Several other projects were under active consideration by interested lenders. The Chairman expressed gratification that so many projects presented at the last meeting had been taken up.

Delegates from the World Bank, the U.S., the UNDP, Germany, Japan and several other countries made statements on projects they were financing or considering financing and on technical assistance they were rendering to Korea. The U.S. delegate noted that American aid was to be channeled increasingly through multilateral agencies, such as the World Bank and the Asian Development Bank, and took the occasion to report on the findings of the Peterson Report and possible Congressional reaction to it. Mr. O'Connor emphasized, however, that no changes in U.S. foreign aid resulting from the Peterson Report would be noticeable for at least one and a half to two years.

Mr. Kamberg, the UNDP Resident Representative in Korea, explained what his agency was doing in technical assistance and pre-investment studies, and circulated a paper at the meeting which is attached as Annex VI. Mr. Garcia, from the UNDP headquarters in New York, made a statement, attached as Annex VII, on cooperation between the UNDP and the World Bank, and the expanded role of the UNDP in pre-investment studies.

#### D. Future Work of the Consultative Group

In discussing the timing of next year's meeting, the Chairman made two points: firstly, a rough outline of Korea's Third Five-Year Development Plan was expected to be ready by the end of 1970 and, after discussions within the Government, would be put into more definite form by mid-1971; and secondly, Korea had presidential elections scheduled for May of next year and parliamentary elections in June. For both reasons it might be inconvenient, and perhaps unproductive, to have the next meeting in April, which would be the usual time, and suggested instead the autumn. There were no objections from the delegates, so the next meeting of the Consultative Group was provisionally set for the autumn of 1971.

Deputy Prime Minister Kim thanked the Chairman and the delegates for their interest in the economic development of Korea and pledged to do his best, under the able leadership of President Chung Hee Park, to maintain satisfactory progress. Mr. Kim hoped the members of the Consultative Group would continue to support his country, although he expressed the desire of the Korean people to be able to stand on their own feet in the near future.

The Chairman concluded the meeting by summarizing the main points brought out in the discussion. He said the development of Korea was dynamic and generally well conceived, but there was real concern over the pace of development and the implications for internal stability and the balance of payments. He said the consensus was that regular meetings of the Consultative Group were useful and should continue, and he thanked all the participants for being well informed and forthright in their contributions. The Chairman said he was particularly pleased that Korea was represented at such a high level, this being a reflection of President Park's own assessment of the importance of these meetings.

A press communique was discussed and agreed by the delegates and is attached as Annex VIII.

East Asia and Pacific Department  
May 5, 1970



CONSULTATIVE GROUP FOR KOREA

List of Delegates

<u>BANK</u>	Mr. Raymond J. Goodman Mr. Jochen Kraske Mr. Shu-Chin Yang Mr. Mirza T. Baig  Mr. Anwar Ahmad Mr. Vittorio Masoni	Chairman
<u>AUSTRALIA</u>	Mr. B.W. Fraser Mr. G.J. Price	Head of Delegation
<u>BELGIUM</u>	Mr. Jan Vanormelingen	Head of Delegation
<u>CANADA</u>	Mr. E.G. Drake	
<u>CHINA</u>	Mr. Martin Wong	
<u>FRANCE</u>	Mr. Jacques-Paul Moreau Mr. Yves Maas	Head of Delegation
<u>GERMANY</u>	Mr. Franz Klamser Mr. Gerd Wichelmann Mr. Werner Frank Mr. Karl-Heinz Tebbe Mr. Klaus Kolbe Mr. Gustav-Adolf von Trotha	Head of Delegation
<u>ITALY</u>	Mr. Emilio Bettini Mr. Alberto Schepisi	Head of Delegation
<u>JAPAN</u>	Mr. Yasue Katori Mr. Shinichiro Shimojo Mr. Tamotsu Komiya Mr. Michihiko Kunihiro	Head of Delegation
<u>UNITED KINGDOM</u>	Mr. J.A.L. Morgan	
<u>UNITED STATES</u>	Mr. Roderic L. O'Connor Mr. Howard E. Houston Mr. Henry Bardach Mr. Chester Bell Mr. Michael F. Cross Mr. Albert C. Cizauskas Mr. Lawrence de Milner	

INTERNATIONAL  
MONETARY FUND

Mr. Albert A. Mattera

UNITED NATIONS  
DEVELOPMENT  
PROGRAMME

Mr. Hans Kamberg  
Mr. Adriano Garcia

KOREA

H.E. Kim Hak-yul  
Mr. So Yong Chung  
Mr. Tong Jin Park  
Mr. Chang Nak Choi  
Mr. Sun Hwan Hong  
Mr. Kyong Shik Kang  
Mr. Joung Woo Lee  
Mr. Sung Yong Wei  
Mr. Jong Kun Park

Head of Delegation

OBSERVERS

ASIAN DEVELOP-  
MENT BANK

Dr. K.J. Hoffarth

AUSTRIA

Miss Helga Bidmon

NETHERLANDS

Mr. A. Mansvelt  
Mr. J.W.C. Zandvliet

OECD

Miss M. Gestrich

SWITZERLAND

Mr. Jean-Eugene Toendury

Secretary's Department  
April 27, 1970

CONSULTATIVE GROUP FOR KOREA

List of Documentation

Economic Position and Prospects of the Republic of Korea (EAP 12a, Vols. I, II and III, dated March 16 and March 17, 1970), prepared by the IBRD.

Two Semi Annual Reports on Foreign Assistance extended to Korea, covering the first and second halves of 1969.

Pohang Iron and Steel Company Limited, Republic of Korea, Project Evaluation, dated December 29, 1969, prepared by the IBRD.

Project Prospectuses, distributed at the Meeting by the Korean Delegation.

Present Status of projects submitted to the Consultative Group for Korea in 1969, distributed at the Meeting by the Korean Delegation.

Recent Statistical Data obtained from the Government of Korea, prepared by the IBRD.

CONSULTATIVE GROUP FOR KOREA

Opening Statement by the Chairman, Mr. Raymond J. Goodman

Gentlemen:

It is a pleasure to welcome you to the fourth regular meeting of the Consultative Group for Korea. On behalf of the delegates to this meeting, I welcome especially the Deputy Prime Minister of Korea and his associates. They are here to discuss with us the economic situation and prospects of Korea and their Government's investment program.

(The Chairman then referred to the proposed arrangement of the discussions at the meeting and the documents that had been circulated in advance)

As in previous years, I am happy to begin my comments on the economic situation of Korea by congratulating you, Mr. Minister, on the outstanding record of economic growth. GNP growth in real terms was 15.5% in 1969. This substantially surpasses the 13% growth in the previous year which itself had been an outstanding record. GNP growth has thus been more than twice the 7% annual growth target of the original Second Five-Year Plan and more than 50% above the 10% target of the revised plan. No wonder then, that almost all of the major targets of the Second Five-Year Plan had been met by the end of 1969. Merchandise exports increased by 35% last year, somewhat slower than in 1968, to about \$700 million.

During most of the last decade, export promotion has held a special position in the economic policies of the Korean Government. Korea started out after the war on the path of economic development with import substitution in the area of non-durable consumer goods. By the late fifties, domestic products had replaced practically all imports of simple non-durable consumer goods. Korea did not go further to produce substitutes for imports of intermediate products, such as machinery and durable consumer goods. Instead Korea adopted an "outward-looking" strategy by concentrating on labor-intensive manufactured goods for the export market. The Republics of China and Korea are, in fact, the principal exponents of this strategy among the developing countries.

Exports have contributed to economic growth in various ways. By permitting specialization according to comparative advantage, the export oriented strategy permitted a better use of the country's resources. Exports of non-durable consumer goods utilized the available skilled and semi-skilled manpower; they required relatively little capital. Exports also made it possible to improve production methods and product quality. There is little doubt that the rapid expansion of exports from Korea has been one of the most important factors contributing to her economic growth.

Looking now at the achievements of the last year, a very substantial increase of agricultural output was an essential element in the extraordinary GNP growth. Korea had suffered from two serious droughts in 1967 and 1968 which resulted in less than average crops. 1969 was a year with good, actually rather excessive, rainfall which led to a bumper crop. Yet, the favorable weather conditions were not the only reason for the good harvest. You will recall that at the last two meetings we expressed concern about the growing disparity between industrial and agricultural development and between urban and rural incomes. The Government during the last two years has concentrated its attention on this problem and has stepped up substantially investments in the agricultural sector; it has also provided additional price incentives to stimulate agricultural production. It is indeed gratifying to note that these measures have now begun to pay off.

Along with the GNP, per capita income has grown at a fast pace. It has increased on average by about 6% annually since 1963 to a present level of about \$190 equivalent. This would not have been possible without a gradual slowdown of the population growth rate which declined from close to 3% in 1960 to about 2.2% at the present time. The Government's active family planning program has been instrumental in bringing down the population growth rate. It is expected to decline further to about 2% per annum by 1975. As a consequence, domestic savings should continue to increase as well as the standard of living. In time this should help to reduce Korea's dependence on foreign capital.

The discussion at last year's meeting in Paris was devoted in large part to Korea's high investment rate and the excessive reliance on external short- and medium-term loans. The Government has taken measures to control the further accumulation of short- and medium-term external debt. It has also scrutinized private investment proposals more carefully to ensure that only projects with high economic returns are implemented. These measures were sufficient to enable the Government to observe the ceilings on new commercial debt agreed with the International Monetary Fund. The impact of the Government's measures on overall investments in 1969 and on the structure of Korea's outstanding external debt have so far been small, however, but this is in part because insufficient time has elapsed for them to take effect.

Newly contracted foreign private loans amounted to \$622 million, a figure 34% higher than in 1968 which in turn had seen an increase of 224% over 1967. The terms of external assistance received by Korea did show a slight improvement in 1969. This is primarily a reflection of the Government's policy to limit the contracting of loans on short- and medium-terms. Loans from official sources, which are mostly long-term, increased more rapidly than private loans, which consist primarily of commercial financing and suppliers' credits on short- and medium-terms.

Gross investments at current prices increased by about 27% in 1969 compared with a 40% increase in 1968. Gross domestic capital formation at current prices reached a level of approximately 30% of GDP in

1969. Meanwhile, domestic savings amounted to 17% of GDP. In other words the resource gap is still very substantial. In absolute terms the gap to be filled by external capital was in the order of about \$800 million. In order to maintain domestic stability and reduce the amount of foreign borrowing, I understand that the Government intends to keep investments in 1970 at approximately last year's level. If this can be accomplished and if a more moderate investment growth can be maintained in future years, the investment rate and the net foreign capital requirements should come down to more manageable proportions. I am sure the Deputy Prime Minister and his associates will describe the Government's intentions and investment policy measures in some detail.

There is little doubt that economic growth in the coming years will be slower than in the recent past: firstly, the base is now much broader than it was, say, five years ago; and secondly, a more moderate rate of investment will result in a reduced growth of GNP. At the time of our Economic Mission the Government was tentatively thinking of a 9% target for GNP growth during the Third Five-Year Plan period which starts in 1972. On that assumption, and given a reasonably rapid further increase in exports, the resource gap to be covered from external sources would be reduced from the \$800 million figure which I have just mentioned for 1969 to approximately \$660 million by the end of the Third Plan period in 1976. This is still a large figure. In order to demonstrate the effect of a relatively small change in the GNP growth target we have also calculated the resource gap on the assumption of an 8% growth of GNP; on that basis the resource gap to be financed by external sources in 1976 would be \$430 million, or about 5% of GDP in that year. This should be more manageable and should keep Korea's debt service obligations during the period close to 20% of her foreign exchange earnings. The actual ratio will, of course, depend on the terms of future debt and the rate of growth of exports.

I have mentioned the important contribution exports have made to economic development in Korea. However, this contribution has been achieved in part as a result of a variety of incentives and subsidies which have tended to distort price relationships within the economy. Given inflation, these measures in support of exports have to be constantly increased. It seems to us important to correct these distortions through appropriate policy measures.

Korea might consider reducing her dependence on imports somewhat through "backward integration", that is by increasing the domestic production of intermediate goods, parts, components and accessories. This means in effect increasing the value added by domestic production. Of course, careful consideration would have to be given to the cost of such a policy. The objective should be to undertake production which will, within a reasonably short period of time, become efficient by international standards.

Nonetheless, Korea is correct in following a development policy that is basically export-oriented. Despite substantial increases in real wages during the last couple of years, there is still a significant wage advantage over major competitors in labor intensive manufacturing. As the labor force becomes more skilled, it could be utilized in more sophisticated branches of production, for example in the machinery and machine tool industries. There is also scope for increased participation in the international production process through sub-contracting. While Korea is striving hard to maintain a fast export growth, the future growth of exports will increasingly be determined by the trade policies of the industrial nations. I need not emphasize the damaging effects that restrictive trade policies would have on Korea's economic future and I urge members to consider steps conducive to bringing their trade with Korea into better balance.

Given the generally excellent performance of the Korean economy in the past, I have no doubt that the Government will implement the policy measures required to maintain a viable balance of payments and to improve gradually the external debt profile. However, even with a sharply reduced investment program Korea will depend on a large inflow of external capital throughout the next decade. In spite of vigorous growth over the past ten years Korea is still in an early stage of economic development. Per capita income is low and, consequently, the possibilities of further increasing savings are limited and will remain so for some time. It is important that we continue to supplement Korea's resources for development, but it is even more essential that we do so on appropriate terms keeping in mind the long period during which foreign assistance will still be required.

CONSULTATIVE GROUP FOR KOREA

Statement by Mr. Albert A. Mattera  
International Monetary Fund

In 1969, the Korean economy again registered a high rate of economic growth and already achieved many of the targets of the entire Second Five-Year Economic Development Plan. The rapid economic growth in 1969 was due primarily to the expansion of investment and exports; agricultural production also registered a substantial increase partly as a result of favorable weather conditions. These achievements were, however, accompanied by some financial strains, particularly in the second half of the year, and increased pressure on prices. As in previous years, actual investment exceeded the planned annual target in 1969 and this also resulted in a deterioration in the balance of payments. These developments underscore the need for greater effort by the authorities toward economic consolidation, financial stability and improvement in the balance of payments.

The rise in domestic liquidity during 1969 was partly associated with large fiscal expenditures for flood relief and large grain procurements from the bumper rice harvest at a substantially higher procurement price. Although the Government did not effect any major tax reforms since 1968, tax revenues rose by 32% in 1969 and are expected to increase by 31% in 1970. The Government is reportedly considering changes in the import tariff system so as to increase revenue. In addition, the Government has recently proposed the establishment of a Grain Management Fund to avoid recurrent fiscal deficits arising from the Government's grain operations. These measures, if adopted, are expected to improve Korea's fiscal performance in 1970.

Rapid expansion of bank credit to the private sector and the inflow of foreign cash loans were also major sources of the increase in domestic liquidity in 1969. As a result, money supply increased by more than 45%, despite the fact that time and savings deposits continued to grow at a rapid pace. In the light of the emerging inflationary pressures, the Korean authorities adopted some corrective measures in early November 1969 including the accelerated collection of agricultural credits, the elimination of reserve requirement deficiencies of commercial banks, and the discontinuance of approvals for foreign cash loans. The Government has also taken steps to limit the extension of preferential credits to the export industries.

Sustained corrective action is needed during 1970, particularly in view of the very large credit expansion in the second half of 1969. An important part of the corrective adjustment should come from the fiscal sector. Under the new stand-by arrangement with the Fund in March, a ceiling is placed on domestic credit of the banking system as a whole and this is supplemented by a limit on central bank credit to the Govern-



ment; the increase in total bank credit for the twelve-month period from June 1969 to June 1970 will be limited within 40% over the level as at the end of June 1969, while net central bank credit to the Government will not exceed by more than W5.0 billion, the amount outstanding at the end of September 1969. The maximum increase in credit specified under the stand-by arrangement represents a substantial curtailment in the rate of credit expansion compared with what has been experienced in recent years. The limits on credit expansion during the second half of 1970 will be discussed with the Korean authorities in mid-year.

In 1969, commodity exports expanded by 35% while invisible earnings rose by 30%. Despite the fact that exports continued to increase at an exceptionally high rate, the deficit in the current account widened as imports increased even more. The large increase in imports in recent years largely reflected the high levels of domestic investment and were increasingly financed by private commercial credits. In fact during 1969 the inflow of foreign capital including cash loans more than offset the current account deficit, resulting in a substantial increase in foreign exchange reserves. The rapid increase in external debt in recent years is a matter of concern. Although total external debt, large as it is, has not reached a critical stage from the point of view of the debt service burden, the management of external debt will become difficult in the near future if the recent rate of increase in foreign borrowing and the structure of borrowing are maintained and also if the rate of increase in exports lags behind the ambitious plan targets.

In view of this, the Korean authorities agreed, under the new stand-by arrangement with the Fund, to reduce sharply the growth of private commercial credits in 1970; not more than \$176 million of commercial credits in the three to twelve year maturity range will be contracted during 1970 and in order to improve the debt profile not more than \$96 million of this amount will be contracted in the three to ten year maturity range. This contrasts with a single limit of \$295 million for three to ten year private commercial credits in the stand-by arrangement for 1969.

In 1969, no significant progress was made toward import liberalization. Partly because of import restrictions and principally as a result of the large capital inflow, the flexible exchange rate depreciated slowly by only 3.5% in 1969 up to the early part of November, when it depreciated by more than 4%. This was a step toward the establishment of a more realistic exchange rate. In order to render the exchange rate more responsive to market forces, the new stand-by arrangement requires that net foreign assets of the banking system should not be allowed to decline during 1970 by more than \$10 million from the level of December 31, 1969. As regards import restrictions, the Korean authorities have undertaken a more liberal import program for the first half of 1970, by reducing the number of restricted import items. They are also reviewing the existing tariff system, with a view to increasing its use to limit import demand.

The implementation of the financial program related to the current stand-by arrangement with the Fund should bring about a significant reduction in the domestic and external imbalance in the economy. Especially important in this regard are the restraints on bank credit to the private and public sectors and the limitation on net foreign commercial credits. The Fund is maintaining close and continuous contact with the Korean authorities, and the performance of the Korean economy and the adequacy of the stand-by program will be fully reviewed by a staff mission to Korea within the next few months.

CONSULTATIVE GROUP FOR KOREA

Statement by His Excellency Kim Hak-yul

Deputy Prime Minister and Head of the Korean Delegation

Mr. Chairman and distinguished delegates:

It is a great honor for me to represent the Republic of Korea at this fourth annual meeting of IECOK and present to you the performance of the Korean economy. I would like to extend my warm appreciation to the IBRD and its staff for having made this meeting possible and to your respective governments and agencies in participating in this meeting.

As a member of the Korean delegation to the last meeting, I remember the valuable advice given by the participants and I think the IECOK meetings have contributed very much to better understanding of the Korean economy.

I wish to commend Dr. Shu-Chin Yang who headed the last IBRD mission to Korea and prepared a comprehensive report about the present position and prospects of our economy.

I would like to give a brief explanation of our achievements during the decade of the 1960's and the economic policies of the Korean Government. Then I will discuss briefly the general aspects of the Third Five-Year Plan (1972-76), which we are presently preparing.

It was in 1962 when we started an economic development plan for the first time in the history of my country. During the First Plan period (1962-66), our economy grew at an average annual rate of 8.3% surpassing the original target of 7.1% per annum. The GNP growth target for the Second Plan (1967-71) was set at 7% per annum. However, the annual growth rate during the past three years has averaged 12.6%. Accordingly, the per capita GNP in the last decade has more than doubled from \$95 in 1959 to \$195 in 1969.

During the past ten years Korean exports increased from \$20 million in 1959 to \$700 million in 1969 - a 35-fold increase. The composition of exports has also changed dramatically: in 1959, manufactured goods accounted for a mere 17% of total exports but the ratio jumped to 79% in 1969. Also, the number of countries importing Korean products increased from 20 to 98.

The rate of domestic savings remained at 7.8% on yearly average during the First Plan period, but in 1969 it increased to 18.3%. In addition to domestic savings, substantial amounts of foreign savings were needed for economic development. The successful mobilization of domestic

savings is due to the expansion of the tax base and improved tax collections on one hand and, on the other, attractive interest rates and increasing income levels.

The Korean Government has made continuous efforts for the development of the agriculture sector. Among them are the expansion of irrigation facilities, reservoirs and tubewell projects which are expected to benefit 83.8% of total rice fields. In parallel with these efforts, my Government has put into operation special agro-business projects to increase farm and fishery income, development of livestock farms and pastures, paddy re-arrangement work, and high-price policy for government purchase of rice which is designed to give incentives to farmers to increase production.

As a measure to meet the transportation needs of the economy, my Government has started construction of expressways. An expressway between Inchon and Seoul was completed in 1968. The Seoul-Pusan expressway, crossing the country from north to south, is scheduled to be completed around the middle of this year. We are planning to start construction of the Taejon-Sunchon expressway this year and that of the Seoul-Kangnung expressway next year. The expressways will not only contribute to easing transportation bottlenecks through speedier and more efficient movement of people and goods, but will also stimulate balanced urban and rural development.

During the years of 1963-64, wholesale prices rose by 20 to 30% per annum, but these prices have now been brought under control. Since the latter half of 1964, wholesale prices have stabilized at the average annual rate of 6 to 7% increase.

Mr. Chairman and delegates, now I will explain about the economic performance of last year. In 1969, GNP reached around \$6 billion while per capita GNP equalled \$195. Agriculture and forestry recorded about 10.7% increase, mining and manufacturing 22.5%; and the social overhead and service sectors advanced by 15.5% over the previous year. This growth was made possible by a high rate of capital formation consisting of 18.3% of domestic savings and 11.3% of foreign savings.

Concerning foreign trade, merchandise exports in 1969 reached \$700 million, an increase of 40.5% over the previous year.

Imports with Korean foreign exchange, excluding those imports of raw materials for re-export, decreased by 1% from \$757 million in 1968 to \$749 million in 1969. We intend to further slow down imports this year, and in this connection commodity tax rates on luxury items such as television sets, automobiles, sugar and textiles have been increased.

Last year, new commitments of foreign commercial loans with maturities of over three but less than ten years were \$290 million which is within the \$295 million ceiling as agreed to with the IMF. The ratio of our service of external debts of three years and above maturities to total export earnings remained at only 9%.

With the exception of agriculture, most of the targets established for 1971 in the Second Plan have either been met or exceeded during 1969.

In spite of such rapid growth, there are many problems to be solved: inflation, trade gap, relatively less-developed agriculture, and transportation bottlenecks.

Mr. Chairman and distinguished delegates, now I will explain the economic policies of the Korean Government. The major emphasis will be on:

- (1) Stabilization of prices;
- (2) Improvement of the international balance of payments position;
- (3) Acceleration of agricultural development;
- (4) Reduction of transportation difficulties;
- (5) Establishment of key industries; and
- (6) Development of science, technology and human resources.

Price stabilization is of paramount importance to my Government. Considering that inflationary pressures, to a great extent, were caused by the expenditures for flood rehabilitation in 1969 and excessive investments, my Government has decided to lower the level of aggregate investment. The economic growth rate for 1970 has been set at 10%, compared to 15.5% in 1969. Capital expenditures of the public sector have been planned to increase by 2.9% only for 1970, compared to the increase of 60.6% and 48.8% in 1969 and 1968 respectively. Several large-scale public works projects, including the construction of new government buildings, power plants, railroad workshops and the Yong San Gang irrigation project have been postponed. In addition, steps have been taken to restrict construction of new office buildings of state-owned corporations and expansion of their businesses. To reduce private investment in less urgent projects, building construction is severely restricted.

During the period from July 1, 1968 to June 30, 1969, our domestic credit expanded by 65%, but this year its expansion will be contained within the ceiling agreed upon with the IMF, i.e. not more than 40% during the one-year period ending June 30, 1970.

A new special fund for grain purchases is being created and this fund will help to reduce or eliminate Government borrowings from the Bank of Korea in the harvest time. The previously announced plan to raise salaries of Government employees by 30% has been revised downward to 20%. The punitive rate on overdue loans has been raised from 36.5% to 40% per annum. Similarly, with a view to preventing possible

abuses of export credit, interest charges on export credit have been raised from 6% per annum to 24%, when the term of loans exceeds 135 days.

In addition to these measures, specific measures to stabilize the price of basic commodities are being introduced. In order to balance demand for and supply of major commodities, particularly those whose prices and supply conditions fluctuate seasonally, the Commodity Price Stabilization Fund is being utilized to establish a reserve stock system for major commodities such as lumber, cotton yarn, and steel bars. Similar measures are being taken to control undue rises in the price of agricultural products.

Concerning our balance of payments position and actual measures being taken to improve it, I would like to state that my Government is taking several steps to decrease imports and increase exports.

To restrain imports, my Government has raised the advance deposit rate on imports and made upward adjustments of tariff rates. Consequently, the increased rate of imports, excepting those imports financed with foreign grants and loans and of raw materials for re-export, has been considerably reduced.

Efforts are also being intensified to develop import-substituting industries. For example, the Government has already contributed W15 billion to the Machine Industry Development Fund which was established last year, so that our dependence on imported machinery can be reduced. Self-sufficiency in food is another major step in reducing imports. In recent years grain imports have had an adverse effect on our balance of payments position. I will explain later about agricultural development.

We have established a \$1 billion export target for this year. This target is somewhat ambitious, but we will do our best to attain this goal. We are increasing our efforts to diversify export markets, develop new export products, develop the growth of export industries, and facilitate exports on credit. These efforts are producing the desired results.

One encouraging development is the fact that the newly constructed industrial estates for export production are now beginning to bear fruit. Exports from these industrial estates amounted to less than \$7.5 million in 1968, rose to \$38 million in 1969, and are expected to hit the \$60 million mark this year. In addition, the Government has undertaken a project to create a Free Trade Zone at Masan for export processing, with a view to attracting greater inflow of foreign investment.

The Government will continue to restrict the inflow of short-term foreign commercial credits. Cash loans by private enterprises for the purpose of raising domestic funds will not be permitted.

Greater efforts are being made to obtain larger sums of loans on favorable terms from international financial institutions, such as the IBRD and the Asian Development Bank. We hope that the countries represented here at this meeting will also provide us with loans with long and softer terms.

On the other hand, foreign equity investments, singly or jointly with local interests, are being strongly encouraged. Administrative procedures pertaining to direct foreign investments have also been simplified and streamlined greatly.

As to the rate of foreign exchange, my Government is fully aware of the importance of maintaining the exchange rate at a realistic level for the improvement of the balance of payments. During the year of 1969 the foreign exchange rate increased by 8.2%, whereas wholesale prices rose 6.8%. The floating exchange rate system will continue to operate. The rate as of April 20, 1970 was W307.95 to a U.S. dollar.

An interest equalization tax to regulate more effectively the inflow of foreign commercial credits is under active review by the Government for legislation in the near future.

I believe that with successful implementation of these policies Korea's debt service ratio for external debt with over three-year maturities will be maintained at no more than 15% of the total export earnings.

The Government will place priority on the development of agriculture and modernization of the farm economy. In 1969 the Government purchase price of rice increased by 22.6% over the previous year, thus providing incentives to farmers to increase production. Large scale ground water development projects will be continuously undertaken to convert drought areas into the irrigated rice fields, and fertilizer and pesticide applications have been increased. From 1971 the Government will carry out extensive land rearrangement programs to facilitate farm mechanization. We are planning, then, to initiate mechanization of farming. The improved rice seed called IR 667, which promises a "Green Revolution" in Korea, will be disseminated on a wide scale to farmers from 1972.

To solve the transportation bottleneck, efforts to construct highways, increase the capacity of the railroad, and expand harbor facilities and coastal transportation are being actively implemented.

We will also make greater efforts to promote science and technology and technical manpower development programs. Specifically, programs for the expansion of vocational training, in-service training and vocational junior high schools will be launched. International cooperation in science and technology will be furthered and research organizations

such as the Korea Institute of Science and Technology (KIST) and the Korean Scientific and Technological Information Center (KORSTIC) will be fully utilized.

We are now preparing the Third Five-Year Development Plan beginning from 1972 through 1976. The Plan will embody all of these directions and policies and will describe concrete measures. Even though the Plan has not yet been finalized, major targets tentatively established are as follows. First, growth rate will be at a rate of 8.5% per annum. Second, commodity exports will reach a level of around \$3.5 billion by the end of the target year. Third, per capita GNP will be increased to around \$370 by the target year. ||

In closing, may I again express my appreciation to the assistance extended to us by the Bank, its associate agencies and member countries.

I hope that IECOK meetings will remain a forum where we can exchange views on the Korean economy and where we can strengthen friendly relationships among international organizations and member countries.

Thank you.



CONSULTATIVE GROUP FOR KOREA

Investment Potential and Possibilities  
Identified by UNDP in the Republic of Korea

(Report distributed at the meeting by Mr. Kamberg, UNDP Representative in Korea)

This note summarizes the potential investment possibilities identified to date by current or very recently completed UNDP projects.

I. KOR 9 - Soil Fertility Survey and Soil Research Project

The objective of this project has been to institute a general soil fertility survey and soil testing and research programme aimed at increasing crop yields as a contribution to the ultimate national aim of self sufficiency in foodstuffs. The project has of course covered a wide range of improved "inputs", but in the investment field it is probable that its most important contribution has been concerned with fertiliser application. It has provided data in planning the distribution of compound fertiliser. Until now however Korea has produced nitrogen fertiliser only and has to import phosphate and potassium fertiliser. Korea may wish to set up its own production.

The projects have also recommended improved water management through, among other measures, a number of big scale and small scale irrigation projects.

It has been concluded that the implementation of the recommendations of the projects would, or could, lead to the following yield increases:

Rice	-	of the order of 29%
Barley	-	of the order of 36%
Wheat	-	of the order of 110%

This adds up to self sufficiency in food grains.

II. KOR 14 - Forest Survey Project and  
KOR 23 - Forest Survey and Development Project

A desk study carried out by the FAO/IBRD Co-operative Programme has confirmed the preliminary findings of KOR 14, followed up and refined by KOR 23, to the effect that potential exists for a large scale forest industries complex involving the development of softwood plantations and the provision of commercial outlets for utilising lower grade hardwoods in the North Eastern areas of the country.

This complex, referred to as the "Kangwondo Forest Development Project Zone" is substantial in size and covers a large area of the country between the 37th and 38th parallels and bounded by the sea in the East and in the West by a line running roughly Southwards from Chunchon to Wonju. It is very provisionally estimated, on a "guesstimate" basis, that investment would need to be of the order of \$50,000,000 over a 20 year period, involving the establishment of softwood plantations, roading, infrastructure and the commercial exploitation of existing low grade hardwoods.

In the long term, and following the establishment of the necessary fuelwood plantations as the first step, thought and planning consideration will need to be given to the development of commercial timber in the watersheds in which the Forest Survey and Development Project is now working (until the end of 1973) - Sangju - Ansong Chon and Tongjin Gang. Moreover, the Office of Forestry is itself planning the industrial timber development of 14 selected areas throughout the country covering approximately 3,200,000 hectares over the five year period 1970-1971.

### III. KOR-15 Fine Instruments Centre

This project is designed to train technicians in repairing, maintaining, calibrating, and manufacturing instruments, to provide direct services to institutions, educational establishments, testing laboratories and industry, in calibration, to provide consultative service to industry, to undertake production of prototypes.

Although the project is basically a manpower training project work is now being intensively pursued in the field of prototype production and pilot production programmes. Exemplified of prototypes in advanced stages of development include an electronic digital counter, digital frequency meter and a surveying instrument. Pilot production facilities are being set up for production of high quality sophisticated printed circuits and a wide range of dies. Facilities for assembly of instruments not yet manufactured in Korea is under active consideration.

Although industrial production of prototypes and production facilities would most probably require commercial loans however public investment possibilities in these fields cannot be excluded.

### IV. KOR 16 - Pre-Investment Survey of the Naktong River Basin Project

The project has identified 18 major dam and reservoir sites in the Naktong Basin, but is currently concentrating on what it regards as the first priority group -

- (i) Andong Dam - for completion in 1975/1976
- (ii) Imha or Hapchon Dam - for construction between 1976 and say 1983
- (iii) Imha or Hapchon Dam - for construction in the late 1980's

Further consideration needs to be given to the question as to whether Imha or Hapchon should follow the first priority - Andong.

The estimated costs of these multi-purpose dams have been very provisionally calculated to be of the order of -

	<u>Andong</u>	<u>Imha</u>	<u>Hapchon</u>
Dams and Related Structures (inclusive of tunnels)	\$45 m	\$15 m	\$25 m
Hydro Power Component	\$ 8 m	\$ 3 m	\$20 m
Provisional Estimated Total Costs:	\$53 m	\$18 m	\$45 m

A \$116 million investment programme in all.

In the field of other agricultural investment, it must be appreciated that the Naktong Basin is already heavily populated and if anything over developed (certainly in so far as "economic" paddy is concerned). It is estimated that there are between 8,000 and 10,000 individual irrigation schemes, large and small, already in existence and further irrigation development is a continuing process that will be financed, or is likely to be financed, from internal sources. Consequently the room for "manoeuvre", on any substantial scale is strictly limited. In these circumstances, no particular emphasis is being given to irrigation development as a potential for foreign investment (e.g. as in the case of the large scale Pyongtaek and Kungang IBRD financed schemes).

In addition to guaranteeing the 30 cumecs estimated as the requirement for controlling the salt incursion into the Naktong Delta that threatens the main irrigation intakes in the lower reaches and the Pusan City water supply, however, it is provisionally calculated that on the basis of supplying 7,000 cubic metres per hectare (on the high side by local standards but sufficient account must be taken of distribution losses over a large area) the construction of the Andong or Andong/Imha complex would mean, in terms of assured supply for irrigation purposes -

27,000 hectares in a normal year  
34,000 hectares in a dry year  
46,000 hectares in drought conditions for  
limited periods in the Naktong main stem.

Follow up dam construction proposals will probably include the Songliwon and Yong San Dams. Consideration is also being given, and may be the subject of a later, follow up study, to the construction of a barrage in the lower reaches of the Naktong.

V. KOR 21 - Extension Services Department in the Medium Industry Bank

The purpose of this project is to assist the establishing and gradually expanding an Extension Service Department within the Medium Industry Bank responsible for the provision of managerial and technical consulting services to small and medium-scale industries as an integral part of the Bank's overall services as an industrial development bank.

If one or more loans, aside from those already granted, were to be given to the Medium Industry Bank, the UNDP project would most likely assist many of the factories who might become loan beneficiaries. It could, therefore, advise in the establishment of needs and the execution of the loan and thus help to ensure the most effective use of loans granted to the Medium Industry Bank.

VI. New Projects in the Pipeline

In addition to the above mentioned projects, and those described in the IBRD Report, the pipeline of SF requests presented by the Government includes a Food Processing Institute (KOR 11) which envisages assistance to conduct research in food processing and technology and to apply the results obtained in the effective development of the country's food industry. A preparatory assistance mission consisting of a UNDP consultant and a FAO consultant is being prepared for July-August this year in order to study with the Korean Government the present and potential development of specific food crop items for processing within the country and determine their possibilities for domestic and export markets, as well as to identify a specific work programme. The second project is the Strengthening of Plant Protection Research and Training (KOR 32) which was studied and reviewed with the Government by a UNDP mission last February. This project which is now under final appraisal by us calls for a UNDP contribution of around \$900,000 to \$1 million if approved. Another project being considered by the Government with the assistance of UNDP/FAO is for the Development of High-Yielding Crop Varieties which might include rice, wheat, corn and soya as well as seed multiplication, production and certification. We do not yet know the scale, nature and scope of this proposed project.

## CONSULTATIVE GROUP FOR KOREA

Statement by Mr. Adriano R. Garcia  
United Nations Development Programme, New York

May I supplement the exposition of my colleague, Mr. Hans Kamberg, by making several remarks about a number of developments in regard to evolution of UNDP procedures and the relationships of the UNDP with the World Bank. Permit me to summarize these developments which have an important bearing on projects development and projects design in future, as related to Item 6 of the agenda.

Firstly, I would like to inform the Group that an understanding has been reached between the World Bank and the UNDP with regard to our developing and expanding cooperative relationships. This involves the association of our Resident Representative with the Bank's general economic review missions. Specifically, the Resident Representative of the UNDP would play a central role in connection with the analysis of technical assistance and pre-investment aspects of development requirements on a country basis. This understanding is now being carried out in the field. Feasibility studies and Special Fund-type projects have been identified and studied by UNDP and the Bank in several Asian countries during the past eight months.

Secondly, the Governing Council of the UNDP has approved at the January 1970 session a limit in each case of \$300,000 under our Revolving Fund for assistance to Governments in the preparation, elaboration and revision of requests; investigation and appraisal of requests by the Administrator, and for pre-project activities prior to Governing Council approval. It is also now possible to finance from the Revolving Fund shorter term investment feasibility studies which will enable the major sources of potential financing (including IBRD, the Asian Development Bank, bilateral programs) to consider the possibility of making badly-needed investments in small-to-medium scale projects. The ceiling for these types of studies is \$200,000. With these instruments, the UNDP would be able to provide a more flexible response to urgent development needs and also to assist in carrying out specific studies designed to lead to and facilitate capital investment decisions.

Thirdly, the Governing Council of the UNDP is considering revisions in our programming procedures and at its March session, requested the Administrator of the UNDP to present specific proposals to the June session. These proposals have to do with a new system of indicative planning figures, the approach towards regional and multi-country projects and the merger of our Special Fund and Technical Assistance sectors. We would anticipate that the pipelining of projects would continue in the meantime.

Fourthly, a new development which might be of interest to the Consultative Group because of the importance of agri-business and agro-industrial activities as pointed out in the Bank's reports, is the recent issuance of guidelines for working relationships between the UNDP and private industry through the FAO/Industry Cooperative Programme.

Coordination which is the theme of this meeting is a key that unlocks many doors. The new developments I have just mentioned illustrate the efforts to achieve improvement and maximization of coordination opportunities at various levels and in various ranges: coordination between international organizations, coordination of development assistance with the country's needs, coordination of projects with governmental policies and programs and the coordination of external inputs. Since these coordination points converge for their application at the country level, we in the UNDP attach the greatest importance to them.

In view of the UNDP's interest in investment follow-up, we try to ascertain in the corresponding cases the Bank's views at an early stage. Their comments are requested by us especially for those projects with direct investment possibilities and where the Bank has a special interest. In this way the direct investment aspects are built into such projects at the beginning. We in the UNDP see investment in a broad frame and we also work with and through our executing and participating agencies in projects where the investment is indirect rather than direct: investment in training of human resources and investment in institution-building. In this connection, we were very interested to hear the Deputy Prime Minister, Mr. Kim, speak yesterday about the importance of higher technology and trained human resources in Korea's development planning. We are glad Mr. Kraske (IBRD) referred to vocational training as part of the Bank's program in Korea.

The pattern of UNDP assistance in Korea has been evolving over the years into "blocks" of related projects. We highly appreciate that some of these projects have been described in the Bank's reports under the chapter on pre-investment studies. We were glad to hear Mr. Kraske of the Bank speak about a possible fisheries loan, in view of the extensive preparatory work carried out by the UNDP in this field. A UNDP/FAO review mission is now in Korea to study with the Government related aspects of land and water development in three Special Fund projects - the Naktong River Basin project, the project for Uplands Development and the forestry project. The mission will also determine the need for additional UNDP assistance, if any, and define the scope and nature of such assistance.

The UNDP action is thus a continuous process of seeking and encouraging adequate coordination in programming, in projects formulation, in projects implementation and in the follow-up stage. The evolving nature of Government development experience and of the international organizations has made it possible for coordination to develop in such a

way that it could apply not only to the definition of responsibilities for avoiding duplication but also to building up positive cooperating relationships of the type mentioned by Mr. Kamberg in Korea. It is in this sense that we welcome the invitation to attend this meeting of the Consultative Group.

CONSULTATIVE GROUP FOR KOREA

Press Release

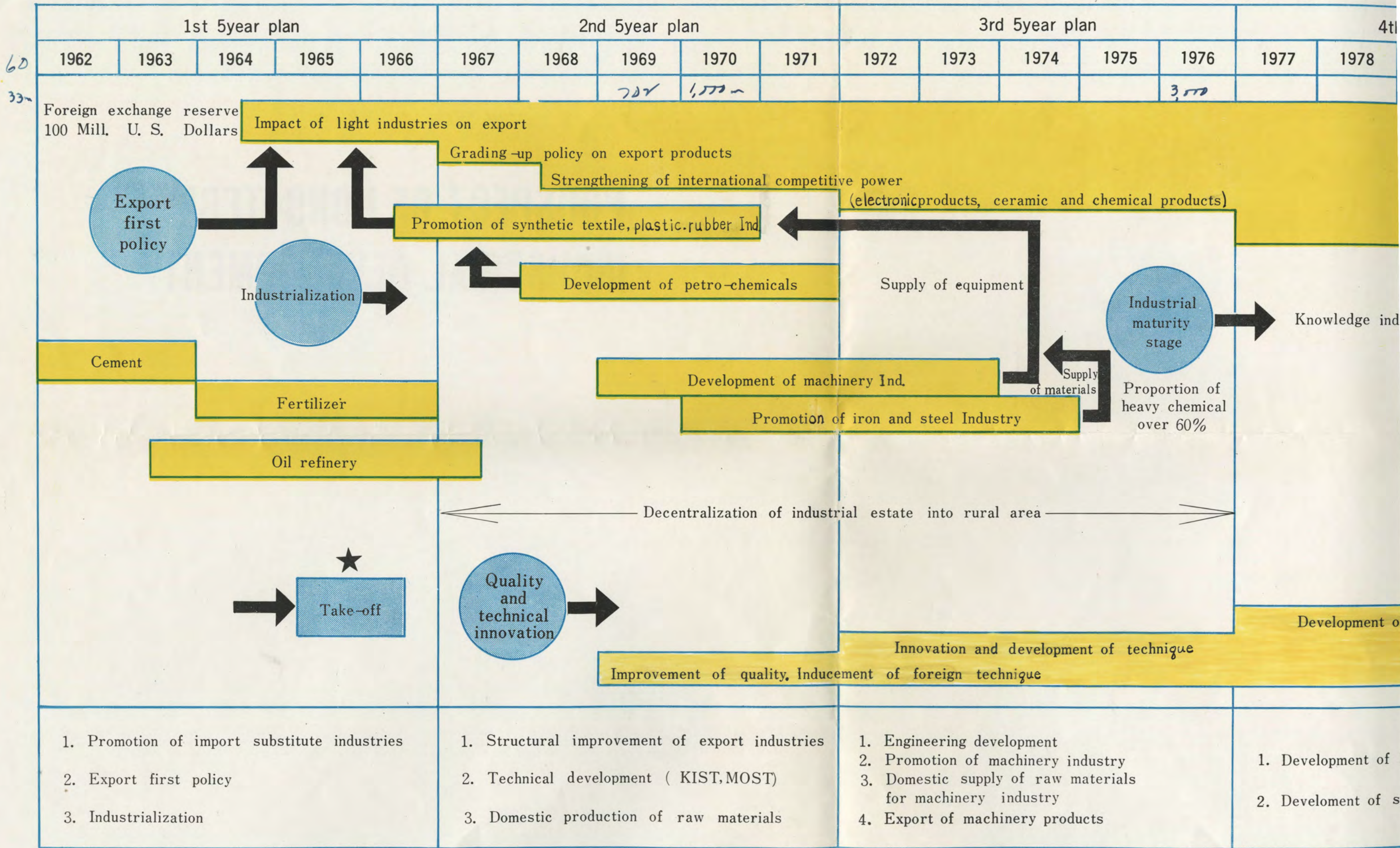
1. The Consultative Group on development assistance to Korea met in Geneva on April 27 and 28 under the Chairmanship of the World Bank. The following countries were represented: Australia, Belgium, Canada, China, France, Germany, Italy, Japan, the United Kingdom, and the United States. Representatives of the International Monetary Fund, the United Nations Development Programme and observers from the Asian Development Bank, Austria, the Netherlands, Switzerland and the Organization for Economic Cooperation and Development also attended the meeting. The Korean delegation was led by the Deputy Prime Minister, Mr. Kim Hak Yul. The Consultative Group heard a statement from Deputy Prime Minister Kim outlining the major issues confronting the Korean economy and the measures the Government has taken and proposes to promote future growth in an orderly and stable manner. This, together with the documentation prepared earlier by the Government of Korea and by the World Bank, constituted the framework of the Consultative Group's discussions.
2. The members of the Group expressed admiration at the dynamic growth of the Korean economy, especially at the achievement by the end of 1969 of many targets originally set for 1971. The Group showed concern at the level of external debt servicing projected for the mid-1970's, but were encouraged by the Government's stated intention to take necessary measures to maintain monetary stability and to keep external indebtedness within manageable limits. The members of the Group agreed that Korea deserved the continued support of capital exporting countries and international institutions, but emphasized that such financial assistance should be granted on as liberal terms as practicable to alleviate Korea's growing debt burden.
3. It was provisionally agreed that the Consultative Group would hold the next meeting in the autumn of 1971.



**PROSPECT OF LONG-TERM  
INDUSTRIAL DEVELOPMENT**

President has seen

# Prospect of Long-term Industrial Development



# Prospect of Long-term Industrial Development

1st 5year plan		2nd 5year plan					3rd 5year plan					4th 5year plan				
1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
				20%	1,500 ~						3,000			5,000		
<p>Effect of light industries on export</p> <p>Grading-up policy on export products</p> <p>Strengthening of international competitive power (electronic products, ceramic and chemical products)</p> <p>Promotion of synthetic textile, plastic, rubber Ind</p> <p>Development of petro-chemicals</p> <p>Supply of equipment</p> <p>Industrial maturity stage</p> <p>Proportion of heavy chemical over 60%</p> <p>Knowledge industries</p> <p>Development of knowledge industry</p> <p>Innovation and development of technique</p> <p>Improvement of quality, Inducement of foreign technique</p> <p>Decentralization of industrial estate into rural area</p> <p>Quality and technical innovation</p> <p>Take-off</p>																
<p>Industrialization</p> <p>Fertilizer</p> <p>Oil refinery</p>																
<p>Substitute industries</p>		<ol style="list-style-type: none"> <li>1. Structural improvement of export industries</li> <li>2. Technical development ( KIST, MOST)</li> <li>3. Domestic production of raw materials</li> </ol>					<ol style="list-style-type: none"> <li>1. Engineering development</li> <li>2. Promotion of machinery industry</li> <li>3. Domestic supply of raw materials for machinery industry</li> <li>4. Export of machinery products</li> </ol>					<ol style="list-style-type: none"> <li>1. Development of knowledge industry</li> <li>2. Development of system engineering</li> </ol>				

# PROSPECT OF LONG-TERM INDUSTRIAL DEVELOPMENT

President has seen



# Country Profiles

Issued by The Population Council  
and The International Institute  
for the Study of Human Reproduction,  
Columbia University

April 1970

## THE REPUBLIC OF KOREA

*Dae Woo Han, M.D., Chief of the Maternal and Child Health Section of the Ministry of Health and Social Affairs, Republic of Korea, prepared this profile. He was assisted by George C. Worth, Population Council Field Associate in Korea; Eung Ik Kim, Evaluation Unit of the Ministry of Health and Social Affairs; and Thomas Bacon and Stanley Hudson, Peace Corps Volunteers in Korea.*

### Location and Description

The Republic of Korea is a peninsular nation in Northeast Asia which separates the Yellow Sea from the Sea of Japan. One hundred and twenty miles to the southeast lies Honshu, the principal island of Japan; to the west, at about the same distance, lies the Shantung peninsula of China. Korea's total land area, 37,427 square miles, is comparable to that of the state of Indiana in the U. S.

Korea has a much-indented coastline. The rocky east coast, with a tidal fall of only one or two feet, has few good harbors. The west coast, more indented and with large mud flats, has a tidal fall of from 17 to 27 feet. The major harbor of the west coast is Inchon, where the tidal difference of 27 feet is the second highest tidal movement in the world. The coast is dotted with numerous islands, many of which are inhabited.

Steep and stony mountains run the length of the peninsula and limit the area available for cultivation. The rivers are short and swift. The hottest months are July and August; the coldest, December and January. The bitterly cold Siberian-type weather, publicized during the Korean War, occurs only in the extreme north. During the rainy season, which begins

in June and ends in August, the rivers and streams are filled with run-off water, often causing floods which aid rice production. Occasionally, when the rainfall is limited or late or when it is concentrated in a few severe downpours, the crops fail and food must be imported.

### Population

#### SIZE

The estimated 1970 population is 32.2 million. The country's population as of October 1966 totaled 29.2 million. It is estimated that this number exceeded 30 million at the end of 1967 and was 31.1 million by June 1969. The population density in mid-1969 was 832 persons per square mile. The population in urban areas in 1966 was 9.8 million, with a density of 7,295 persons per square mile; the population in rural areas was 19.4 million, with a density of 528 per square mile.

*Number and size of households.* The total number of households in 1966 was 5.1 million, with an average household size of 5.7 persons.

*Married women of reproductive age.* As of the 1966 census, the total number of women between the ages of 20 and 44 years was 4,713,301. Of this group, 3,757,819 (80 per cent) were married; 289,398 (6 per cent) wid-

owed or divorced; and 665,951 (14 per cent) unmarried. By age 30 almost all women marry: only 0.5 per cent of the age group 30-34 have never married.

*Average age at marriage.* In 1955 the average age at marriage for women was 20.5 and for men 24.6. In 1968 the average age for women was 23.0 and for men 26.8. Of women aged 20-24, 20 per cent were single in 1955; in 1966 over 50 per cent were single. Today, marriage remains a universal custom, but the age at marriage has risen.

### GROWTH PATTERNS

Between 1910 and 1967 the birth rate fluctuated. From a level of about 45 or more per 1,000, it hit a low during the 1950-1953 War, and was back to about 42 per 1,000 in 1960-1961. In 1968 the birth rate was estimated to be about 33 per 1,000. During this same period the death rate dropped from traditionally high levels to about 10 per 1,000 in 1968. In 1960 the growth rate was estimated to be 29 per 1,000 and in late 1968, about 23 per 1,000.

### AGE STRUCTURE

Forty-nine per cent of the total population in 1960 was under age 14 or aged 60 and above. In 1966 the number of dependents (the young and the aged) was almost the same, but the number of children under 14 had decreased sharply while the number of persons aged 60 and above had increased.

### RURAL/URBAN DISTRIBUTION

There has been a strong trend toward migration to the cities and especially to the capital city, Seoul. Between 1960 and 1966 the average annual rate of population increase for the entire country was 2.7 per cent; the rate of increase in the rural areas for this

same period was 1.3 per cent, while the rate of increase in the cities was 6.0 per cent. Seoul alone increased at the average rate of 7.9 per cent between 1960 and 1966. The rural/urban ratio in 1949 was 83:17; in 1966, 66:34.

#### ETHNIC AND RELIGIOUS COMPOSITION

Ethnically Korea is a homogeneous nation. Although religion has always been an important social factor, relatively few people reported a formal religious affiliation in the 1966 census. Of the total population, 3.2 per cent described themselves as Buddhist; 3.1 per cent, Protestant; 2.7 per cent, Roman Catholic; and 2.7 per cent, adherents of various indigenous religions. These figures are subject to some question since it is difficult to define these religions. Many of the indigenous religions have roots in Christianity; Buddhism usually has more adherents than those who claim formal affiliation; and Confucianism has played an important role in shaping social attitudes and permeates the religious attitudes of much of the population.

#### LITERACY

Education is an essential ingredient to social and personal improvement in Korea. Because of the emphasis on the importance of education, illiteracy is a very small problem. According to the 1966 census, the literacy rate was 85 per cent for the whole country; 93 per cent for males and 78 per cent for females. Elementary education is required for every child in the 6-11 age group. Literacy statistics show that this policy has practically eliminated illiteracy from the younger age groups. The largest group of illiterate persons is among those aged 50 and above.

#### ECONOMIC STATUS

Of the population 14 years of age and older, 55 per cent were economically active in 1967. In 1963 the economically active group made up 51 per cent of the total population. Between 1963 and 1967 the number of persons working in primary industry (agriculture, forestry, and related industries) decreased from 63 per cent of the economically active population to 55 per cent; the number working in tertiary industry (service, transporta-

tion, commerce, and government) increased from 25 per cent to 29 per cent.

#### FUTURE TRENDS

With anticipated Government support for family planning programs, the population growth of Korea is expected to decrease in the future. Between 1967 and 1976 the death rate is expected to drop from about 10 per 1,000 to 7 per 1,000 while the birth rate is expected to decrease from about 33 per 1,000 to 22 per 1,000. The expected growth rate in 1976 will be 1.5 per cent.

Presently, about 27 per cent of the eligible couples (married couples, wife less than 45 years old) are practicing family planning through the Government program. It is anticipated that by the end of 1971, 35 per cent of the eligible couples will be employing some method of contraception.

#### Population Growth and Socio-Economic Development

##### RELATIONSHIP TO NATIONAL INCOME

Since 1961 Korea has undergone intensified national development. Industry and investment are encouraged while imports are tightly restricted. As a result of the measures taken by the Government, the per capita net income has increased from \$82.6 per year in 1960 to \$138.9 per year in 1968, an increase of 68 per cent. During this same period the population grew by 25 per cent. An increasing gross national product and a decreasing birth rate are expected to improve the per capita net income greatly.

##### RELATIONSHIP TO SIZE OF LABOR FORCE

Between 1930 and 1963 the economically active population declined as a percentage of the whole population because of an influx of children. Since 1963 this trend has been reversed.

The ratio of non-farmers to all economically active persons will show a gradual increase for the period 1971-1986.

The number of persons aged 15-59 is increasing at over 3 per cent a year and will grow even faster in the next 8-10 years because of the postwar baby boom. After that, the increase rate will gradually drop, reaching

about 1 per cent from the late 1980's to the year 2000. During the same period, the number of farmers will decline as a proportion of the labor force and perhaps decline in total numbers if farming becomes mechanized. Menial labor jobs will undergo the same process. The net result will be an annual increase in the industrial labor force that is well above the increase in population aged 15-59.

##### RELATIONSHIP TO AGRICULTURE

Between 1956 and 1967 the total population increased by 35 per cent. During the same period food production increased by the following percentages: rice, 48; potatoes, 133; barley, 67; miscellaneous cereals, 39; pulses (leguminous crops), 36; and fruit, 207. The population ratio of farmers to non-farmers is expected to decrease to 53:47 by 1971. By 1976 there will be more non-farmers than farmers within the economically active group.

In 1967 agriculture, forestry, and fishery produced 33 per cent of the total gross national product, 11 per cent less than in 1956.

##### RELATIONSHIP TO SOCIAL WELFARE EXPENDITURES

Between 1962 and 1968 the population of Korea increased by 14 per cent. In 1962 the Ministry of Health and Social Affairs received 2.6 per cent of the total national budget; in 1968, 1.6 per cent of the total budget. Because the total budget has risen sharply, this 1968 figure represents an absolute increase in funds over 1962.

*Public health.* During this same period, 1962-68, the number of beds in the general hospitals increased by 36 per cent. In 1962 there was one general hospital bed for every 2,656 persons; in 1967, one bed for every 2,011 persons.

*Public education.* In 1968 the Ministry of Education received 16 per cent of the total budget, a 4 per cent increase over the 1962 figure. Expenditures for elementary schools are currently 76 per cent of the total education budget. It is the stated objective of the Ministry of Education to place special emphasis on qualitative education at all levels in view of the fact that the accelerated quantitative growth of education over the last few

years had been achieved without equal emphasis on quality.

### History of Population Concerns

During the Japanese colonial rule of Korea, the Government sought to supply manpower for the military and economic needs of the expanding empire, but there was no official population policy. Following independence from Japan in 1945, 1,800,000 Koreans returned home from Japan and China. The destruction of the 1950-1953 War reduced social and economic facilities and made it even harder to accommodate the rapidly increased population.

It was during this war, when so many families had to take refuge under very difficult conditions, that the concept that large families were good was questioned. Contraception became more common and abortions in the cities increased. Soon after this war, in 1955, the first modern census was taken. This census became the base line against which future growth is measured.

In the 1950's concern about population growth was manifest in a variety of ways. Some doctors opened small family planning clinics or widened the range of contraceptives in their private practice. Professors mentioned the problem in university courses and in public lectures.

In 1960 a number of events occurred which culminated in the proclamation of a Government family planning policy. After a change in government leadership a freer climate for discussion developed. The Planned Parenthood Federation of Korea was organized. A census taken in 1960 showed a national growth rate of 2.9 per cent. Then in 1961, following another change in leadership, the Government formulated a series of five-year development plans and announced that family planning was one of its main economic programs. A nationwide movement for modernization was started by the Government, and family planning information and support was a part of this program. Also at this time the loop was introduced to Korea and was used by clinics and doctors.

### Population Policies

In 1961 the Government of the

Republic of Korea announced that it would undertake a family planning program, under the direction of the Ministry of Health and Social Affairs. Family planning was to be included in the regular health network by the addition of 2,500 field workers over a three-year period. In addition, private doctors were to be trained to insert loops and to perform vasectomies.

Laws against the import of contraceptives, introduced during the period of Japanese rule, were repealed by the Government at this time. Local manufacture of foam tablets, condoms, and loops developed in the early days of the program. A law restricting abortion remains in effect.

No law specifies the control and legal limits of the family planning program. Executive decree, cabinet decisions on organization, and budgets passed by the national assembly have determined the program's operation.

The Ministry of Home Affairs has assisted in the program by instructing local governments to add personnel and match funds from the central budget.

Family planning targets have been included among the priority items for economic development. Responsibility for seeing that targets are met lies with the county and township chief, rather than with the health personnel—a fact which encourages local civil servant support for family planning.

### Population Programs

#### OBJECTIVES

Limiting population increase through the family planning program is an integral part of Korea's economic development plan. According to census figures, the estimated natural increase rate of population in the 1955-1960 period was almost 3 per cent. In 1963 the Ministry of Health and Social Affairs formulated a ten-year plan for family planning programs which included natural increase rate targets of 2.5 per cent and 2.0 per cent by the end of 1966 and 1971, respectively. In a recent decision, the Ministry established a new target for the period from 1972-1976, a natural increase rate of 1.5 per cent by the target year.

### TYPE

To date the national family planning program has been the only official attempt to lower fertility. There are, however, several other factors which are affecting the fertility rate. The new status of women, as the country undergoes urbanization and secularization, is possibly the most important of these factors. It has resulted in higher educational levels for women and a greater number of women seeking employment; these conditions, combined with required military training for men, serve to raise the age at marriage. Another factor affecting the fertility rate is the desire for economic improvement and business success, which has supplanted the old Confucian ideal of scholarship.

### ORGANIZATION

The national family planning program operates through the Family Planning sub-section of the Maternal and Child Health (MCH) Section of the Bureau of Public Health, one of five bureaus in the Ministry of Health and Social Affairs. The chief of the Family Planning sub-section and the MCH chief handle the day-to-day management of the program in close consultation with the Bureau Director. These officials carry direct responsibility for policy, budgets and targets, supplies, records, and relations with the provinces. The Family Planning Advisory Committee to the Minister, organized in 1962, consists of about fifteen representatives from all areas related to family planning.

The Ministry of Health and Social Affairs works with the Ministry of Home Affairs, which oversees provincial and local government. This Ministry acts through the nine provincial governments and two special city governments, all of which have Family Planning sub-sections in their Bureaus of Public Health and Social Affairs. All targets for acceptors of contraceptive methods are given to the provinces. From here they are passed on to the counties, then to the townships, and finally to the field workers.

The actual services have been implemented through the already existing national and provincial health service network, which consists of 191 health centers, located one per county

(139) in rural areas and one per city ward (52) in urban areas. From the beginning this organization provided an automatic network for routine administration, a channel for reporting, and a definite chain of command from the national to the local level. This enabled the program to get off to a fast start, and avoided the necessity of constructing a large, new organization.

#### OPERATIONS

*Character of program.* In order to achieve the initial ten-year goal by 1971, it is estimated that 45 per cent of the married couples of childbearing age must actively practice family planning, 35 per cent through the Government program and 10 per cent through their own resources. It was estimated that less than 5 per cent of eligible couples were practicing family limitation prior to 1961.

Implementation of the program is dependent on the family planning field workers dispersed throughout the country. Targets are devised in accordance with the population characteristics of each area. Workers recruit eligible couples to accept one of the methods offered by the program through door-to-door visits and group meetings.

The field workers themselves distribute condoms and oral pills and refer IUD and vasectomy acceptors to private physicians trained and authorized by the Government. These physicians provide the services at their own facilities and are reimbursed through the program on a per case basis (\$1.33 per IUD insertion and \$3.30 per vasectomy). Each vasectomy acceptor receives \$3.00 compensation for work time lost; the field staff receive a \$.33 vasectomy referral fee, \$.33 IUD referral fee, and a small travel allowance. The only method not offered free to acceptors is the oral pill: there is a slight charge of \$.10 per cycle.

Acceptors experiencing medical difficulties as a result of one of the methods can obtain treatment free. Minor complications are handled by the private physicians themselves, while major complications are referred to provincial or university hospitals.

*Information and education.* A primary task of the field worker is to inform and educate the public about the family planning program. In 1968 field workers reached over 400,000 persons through home visits and group meetings. Korea's high literacy rate of over 90 per cent has facilitated the education program.

During the initial years of the program, the main methods of providing information were radio, sound trucks, movie shorts, and printed material such as posters, flip charts, and hand bills. The success of these methods may be seen in the results of the special information effort undertaken in 1964 when the IUD was introduced to Korea. During a two year period, there was a rise from 11 per cent to 60 per cent in the number of married women under 45 who said they knew of the method (1964 and 1966 KAP surveys).

In the past year increasing emphasis has been placed on the mass media, with the more effective use of television the primary goal of this effort. Although there has been only limited use of TV to date because of the high cost, it is felt that this is one of the best ways to reach the urban population.

On a group level, the Mothers' Classes were organized in 1968 in about 16,800 administrative villages throughout the country. Meeting quarterly, these groups were intended to educate women in the rural areas, to facilitate introduction of the pill, and to strengthen acceptance and continuation rates. These groups, about 12-15 women per class, offer a place for discussion of problems which may arise from one of the contraceptive methods, and thus aid in dispelling false rumors. Some 200,000 women have participated to date.

*Methods.* Since 1964 the national family planning program has placed primary emphasis on the IUD. The Lippes loop, manufactured in Korea with imported materials, has been used almost exclusively to date. The national target for the IUD was one million current users by the end of 1971. But because of the low retention rate of the IUD, some 1.8 million loops will have to have been inserted by that time; even this will produce only about 800,000 wearers by the

end of 1971. The deficit will be covered by pill users.

Until 1968 the only other methods offered in the program were vasectomy and condoms. The goals for 1971 are 150,000 vasectomies and 150,000 couples who are regular, monthly users of condoms. Vasectomies are performed by the private physicians trained and authorized in this method. The condoms, manufactured in Korea, are distributed free by the family planning field workers.

In 1968 the oral pill was added to the program. Originally intended only to compensate for IUD target deficits, the pill was first offered only to women who had discontinued using an IUD. This policy was changed, however, in the summer of 1969; the pill is now offered to all women. All pills used in the program are provided by the Swedish International Development Authority (SIDA) through a commodity grant.

In addition to the methods offered by the Government program, several types of contraceptives are available through private channels. Pills, condoms, jellies, and foams are manufactured locally and are sold at pharmacies. In early 1968 legislation was passed to make importation of contraceptive materials tax-exempt, thus helping the commercial firms.

In recent years induced abortions have had an increased effect on the fertility rate in Korea. Although illegal, abortions are performed by numerous physicians with very little interference from the Government. A 1967 KAP survey (knowledge, attitude, and practice of family planning) showed that 25 per cent of urban women and 7 per cent of rural women had experienced at least one induced abortion. A 1968 fertility survey showed the experience rate at 30 per cent in urban areas and 15 per cent in rural areas, a sharp rise among rural women over the 1967 figures. Abortions are usually performed at private hospitals and doctors' offices at relatively low cost.

*Personnel.* Since the program relies heavily on the clinical methods of IUD, vasectomy, and the oral pill, qualified medical personnel are essential to the success of the service network. From its inception the program has used private physicians, trained



and authorized by the Government, for performing both IUD insertions and vasectomies. At present there are some 1,200 qualified IUD physicians and some 500 trained vasectomy physicians.

In the 1962-63 period when the family planning program was initiated, the Government hired and trained approximately 380 nurse-midwives to work out of the existing county and city health centers as family planning field workers. In 1964 it was decided that this number was inadequate to meet the targets set for the program. Lay workers, 80 per cent of whom had at least a high school diploma, were recruited and assigned to the township level as assistant field workers. Their number totaled 1,473. The number of nurses at health centers was increased to 911. At present there are about 2,200 full time field workers, an average of one field worker for every 1,600 eligible couples in the rural areas and one for every 2,400 eligible couples in the urban areas.

The addition of the oral pill to the program brought with it the problems of distribution and follow-up. To meet these problems, 139 pill administrator-community organizers have been assigned to the county level. In addition to the pill program, they assist in organizing the Mothers' Classes. The pill program is closely tied to the Mothers' Classes since their regular meetings offer an ideal opportunity for the distribution of the pills.

*Budget.* The program is financed primarily through annual budget appropriations. The estimated cost for the current ten-year program is slightly below 20 million dollars, or about \$.065 per person per year, a part of which is devoted to direct maternal and child health items. On a yearly basis this had averaged \$1.5 million provided by the central government, and \$.5 million each provided by the provincial governments. Foreign assistance has been limited to training of personnel, evaluation, public information, and supply of some materials. Except for SIDA-supplied pills which entered Korea in 1968, commodities did not begin to enter the country in quantity until late 1969.

The national expenditure on family

planning for 1969 totals \$1.8 million. Of this amount, 48 per cent went for contraceptive services; 35 per cent, salaries of field workers; 6 per cent, public information; 4 per cent, mobile units; 3 per cent, training; 3 per cent, construction costs for the national family planning center (Korea's matching funds to the SIDA grant); and 1 per cent, evaluation. Local governments have given matching funds for salaries and provided operating costs for vehicles assigned to the health centers.

#### RESEARCH AND EVALUATION

The Family Planning Evaluation Unit of the Ministry of Health and Social Affairs is the primary bureau through which regular surveys and evaluation studies are conducted. Extensive surveys conducted from 1965-1968 were designed to measure the progress of the program since its inception in 1962 and to assess change of attitudes in the general population. In addition to these special surveys, regular monthly reports and simple data on a cross-section of acceptors are processed continuously.

Numerous studies and surveys have also been conducted at universities and colleges, most notably in various departments and schools of Seoul National University and Yonsei University. Research by individuals at other universities, such as Woo Suk and Kyung Book, has been important. The Planned Parenthood Federation of Korea has stimulated and coordinated both field and clinical research, and has participated in the administration of funds for research.

*Accomplishments.* Korea began implementing her nation-wide IUD program in May 1964. The cumulative IUD acceptors reached 1,468,000 in June 1969, representing 98.7 per cent of the target for that date in the ten-year program.

Acceptance of the IUD is highest among women in their thirties. This figure can be understood in terms of a growing desire by still fecund women of the middle parity groups to avoid further pregnancy. In Korea possibly a more important factor than parity is the number of sons a woman has. The highest acceptance rates are among women with at least three sons and at least five children in

total, though the greatest numbers come from the more numerous women with fewer children. In regard to educational level, IUD acceptance rates increase as the level of education decreases: over 50 per cent of all acceptors are women with little formal education, though women in this group comprise less than 45 per cent of the total number of women in the country.

As of June 1969, there were 742,000 current users of IUDs, amounting to 18.9 per cent of all eligible women. This reflects the fairly high IUD termination rate which has been experienced in Korea—roughly 38 per cent after one year and 56 per cent after two years. Urban women show a higher termination rate after one year (41 per cent) than rural women (37 per cent). However, the fertility rate is low after loop terminations because women resort to other methods of contraception and to induced abortion.

In the vasectomy program there were 124,692 acceptors by June 1969, 90.3 per cent of the target set for that date. There are approximately 140,000 regular, monthly users of condoms (93 per cent of the target) and 125,000 regular users of the oral pill. The number of oral pill users is less than half the target—partly because of the late start of the program in 1968 and partly because the pills were originally offered only to women who had discontinued using an IUD. A rapid increase in pill users is expected with the recent removal of the latter restriction.

Estimates indicate over 300,000 births prevented by IUD insertions from their start in 1964 through 1968, or a 10 per cent drop in the crude birth rate as of December 1968. In that same period approximately 75,000 births were prevented by vasectomy, and 55,000 by conventional methods.

The crude birth rate in late 1968 was about 31-33 per 1,000, a drop from the 40 per 1,000 estimate for 1961. With an estimated crude death rate of about 9 per 1,000 in 1968, the natural population increase rate stood at about 2.3 per cent. From the current rate, it seems that the target of 2.0 per cent for 1971 can be reached.

### Private Efforts

Prior to 1962 there was no national program. Some individuals, however, realized that Korea's population problems had already reached critical proportions and they did what they could to encourage family planning, basing their arguments on human welfare rather than on economic development.

In 1960 the International Planned Parenthood Federation sent representatives to Korea to meet with interested persons and to encourage the adoption of a family planning program. As a result of this visit and the increasing interest in family planning among the public and private citizens, the government instructed the appropriate health officials to draw up plans for such a program.

The Planned Parenthood Federation of Korea (PPFK) was officially founded in April 1961. It was reorganized in the fall of that year, following the military revolution, and has continued in that form to the present. As a voluntary agency comprised of leaders from many fields, PPFK was founded to support and supplement the Government's national family planning program.

Close cooperation between the Government and PPFK has contributed to the success of the program. From the beginning of the program, certain functions have been delegated to PPFK, which, it was felt, it could handle more effectively than the Government. The training of family planning personnel, including doctors, nurses, and field workers, has been one of its main functions. PPFK also sponsors educational and informational efforts, administers foreign grants, operates several training and mobile clinics, and represents Korea in voluntary international organizations in the field of family planning.

PPFK has a staff of 35 in its main office in Seoul, as well as some 200 other staff members in provincial and county offices. Ten per cent of its annual budget of approximately \$800,000 comes from the Korean Government. The primary source of income for PPFK since 1964 has been the Population Council (\$1.4 million, 1964-1968) and, secondly, the International Planned Parenthood Federation (\$531,000, 1964-1968).

### Foreign Assistance

Foreign assistance for the national family planning program has been varied in kind and scope. Assistance has included technical, financial, and material aid, given either directly to the Government or indirectly through PPFK.

A breakdown of the utilization of assistance shows: pilot projects, research, and evaluation, 31 per cent; activity support, 29 per cent; training of various categories of workers, 18 per cent; information and education, 13 per cent; and contraceptive supplies, 9 per cent.

Besides financial and commodity assistance, the program has received useful advisory services from foreign groups. In the initial stages of the program this involved mainly encouragement of policy makers, establishment of demonstration pilot projects, and coordination of the involved ministries and departments. As the program has expanded, foreign assistance has served to supplement weaker areas of the program, filling financial and material gaps. In addition, it has supported the training of personnel, especially in research and evaluation.

### POPULATION COUNCIL

In early 1963 the Government invited the Council to send a mission to advise on the program's future. At the Government's invitation, the Council assigned a permanent representative to Korea in late 1963 to advise on the national program and to coordinate foreign assistance to the program. The \$1.4 million which the Council provided from 1964-1968 to the program (all through PPFK) represents about 50 per cent of all financial assistance from foreign resources to the program. The Council also provided over \$200,000 in funds granted to it by AID for the founding and operation of the Mothers' Classes for one year starting in 1968.

### INTERNATIONAL PLANNED PARENTHOOD FEDERATION

Instrumental in encouraging interest in family planning in Korea, IPPF has also provided financial assistance through PPFK since 1961, including a grant of \$242,000 in 1969.

### SWEDISH INTERNATIONAL DEVELOPMENT AUTHORITY

Since the start of the oral pill program in 1968, SIDA has provided all of the pills used. To date, more than 4 million cycles have been promised. It also agreed to support the National Family Planning Center, now under construction. When completed in 1970, this facility will house training, evaluation, and information activities, and the Population Council staff. SIDA has also provided new mobile vans for the provinces and counties, as well as audio visual equipment.

### UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID is making a direct commodity grant of over \$1 million in the form of vehicles, audio visual equipment, computing equipment, and other items, to be placed in the health centers throughout the country and in the National Family Planning Center.

### OXFORD COMMITTEE FOR FAMINE RELIEF

In 1965 OXFAM made a grant of \$18,700 for the establishment of family planning clinics at the medical schools of two universities in Seoul (Seoul National University and Yonsei University) where pilot projects and surveys are conducted. These clinics, and others aided by OXFAM outside of Seoul, provide general family planning services to the public.

### OTHERS

Brush Fund, Pathfinder Fund, and the Asia Foundation have provided financial assistance for various projects, including mobile clinics, pilot projects, and research.

### Summary

Factors that have facilitated the development of the Korean family planning program are the following:

- (1) The people are generally receptive to the idea of the need to limit births and to do this through contraception. Because literacy is high in the group of women now having children, printed materials and mass media have been useful in supplementing word-of-mouth and face-to-face information techniques.

- (2) Family planning has received strong and continuous support from the Government through budget allocations and policy decisions.
- (3) There is an adequate supply of field workers, especially for the rural areas, so that all fertile women can be reached through group and individual meetings on a regular basis.
- (4) At the beginning of the program, all services were free and money was given to the vasectomy acceptor to compensate for time lost at work. The oral pill program charges a small amount (\$.10) for each cycle.
- (5) Many groups, especially the medical profession, voluntary agencies like PPFK, and the universities, have performed cooperative and supportive roles in the program.
- (6) The Government program has been strongest in the rural areas where other services are not readily available. Private purchase of contraceptives has been heaviest in the urban areas.

Factors that have limited the development of family planning follow:

- (1) A dearth of available medical services in much of rural Korea has necessitated extra effort in order to bring contraceptive services to the client.
- (2) The target system, which emphasizes the initial acceptance of a

method, has not emphasized follow-up by field workers. There is a need for more contact with women, by field workers, to lower the rate of discontinuation of contraceptive protection.

- (3) The program has been almost totally related to health centers and doctors in private practice: the hospital network has been involved only sporadically. Efforts are currently under way to solve this problem.
- (4) Although a number of other Government and private agencies have cooperated, their cooperation has not been systematically sought or coordinated.
- (5) Low levels of maternal and child health care make people want to have more children in order to insure that some live to maturity. However, this problem seems to be slowly diminishing.

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