



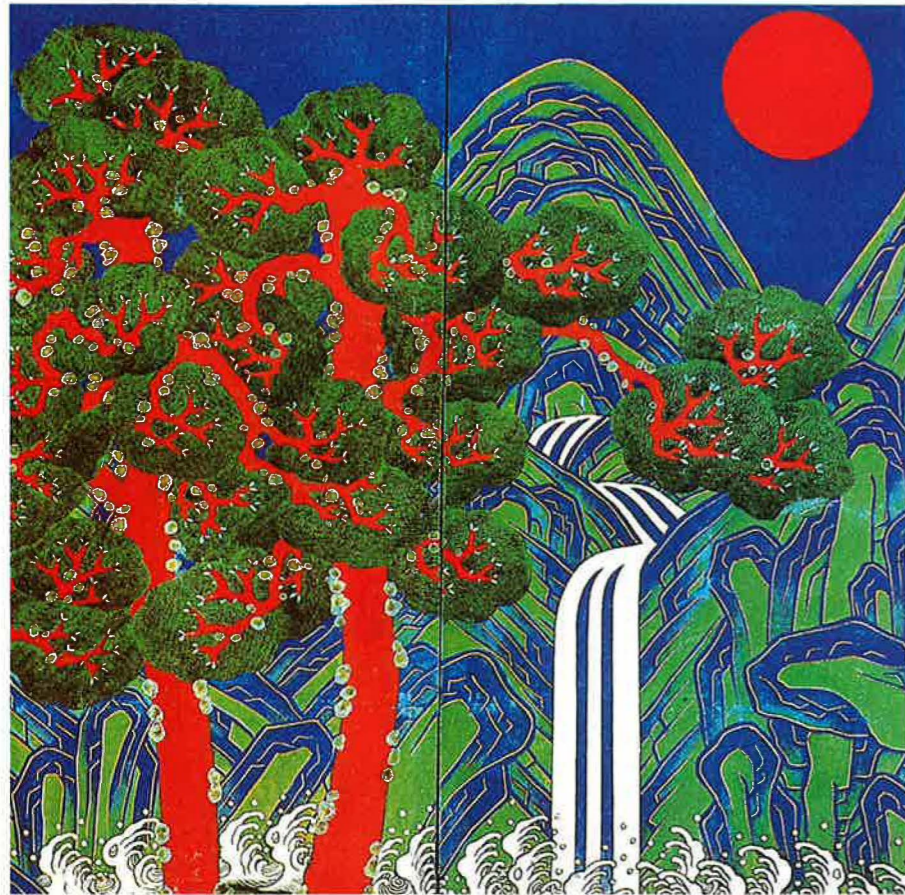
KOREA

LAND OF
MORNING
CALM

KOREA

Land of Morning Calm

Land of Contrasts



The landscape, part of a screen located behind a throne, depicts the sun, moon and all of nature symbolizing the royal right of control on earth.

Korea is a nation of independent-minded, hard-working and hospitable people who during the decades of the 1960's and '70's combined their efforts to achieve one of the highest economic growth rates ever reached among developing nations.

More than ever before, because of the great advancements that contribute to a higher and higher standard of living including leisure time, the people of Korea are finding the time and necessity to develop for themselves, for the generations to come and for visitors as well, this strikingly beautiful country of rugged mountains, long meandering rivers and miles and miles of unpolluted, sandy beaches.

Accompanying this basic development of natural tourist resources is the energetic exploration and renovation of aspects of a cultural heritage extending back through 5,000 years of human habitation on this small but ever so important peninsula in northeast Asia.

From these efforts, a panoramic view of Korea's history is outlined in artifacts



The colorful history of Korea with splendid panoramas of natural beauty welcomes foreign visitors with genuine Korean hospitality.

gracefully displayed in modern museums throughout the country. At the same time, renovated structures such as dolmens of an ancient time; elegant temples and statuary derived from the serenity of Buddhism; royal palaces, pavilions and walled cities typical of the Yi Dynasty which came into existence 100 years before Columbus discovered the new world, and the restored ramparts such as on Kanghwado Island.

Korea, known as the "Land of Morning Calm" might better be described today as the "Land of Contrasts" for two ways of life harmoniously blend into the present way-of-life. Great, modern hotels with every known amenity of the West tower above the traditional inns of yester-year. Traditional ethic and religious beliefs thrive alongside the imported beliefs of the west; traditional costumes and foods are just as familiar as western styles.

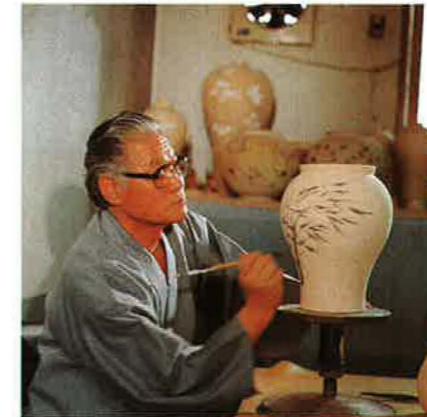
Korea has something of interest for all and therefore has emerged as one of the fastest growing tourist destinations in the Orient.



Sunrise



Changgoch'um-Korea's traditional dance



A master-craftsman perpetuates beauty.



Gilt-bronze seated Maitreya

SEOUL

Blend of the New and Old



Modern Seoul seen over Kwanghwamun Gate.

With a population of over eight million, Seoul is one of the largest cities in the world. It is also one of the most compact and attractively situated.

The city is set amidst surrounding mountain ranges, with the Hangang River to the south. Two medium-size mountains are right in the center of town: Mt. Namsan with the attractive Seoul Tower and Mt. Pukhansan directly behind the Capitol Building. The old walls of the city used to wind over and among these mountains—vestiges of the ancient stone work can still be observed—and two of the four massive main gates to the city are still in existence.

Around and between these mountains and gates, in a space only a few square miles in area, circulates the lifeblood of the city. Here beats the heart of the nation's government and education, business and entertainment, art and industry, transit and finance.

The visitor will note with approval the comfort and cleanliness of his ho-

tel; the courteous efficiency of service personnel; the delicious meals and fine beverages of first-class restaurants; after noticing all this plus the easy informality of the people on the streets, the visitor will want to learn of and experience more of this intriguing city.

Töksukung Palace, with the National Museum of Modern Art and remains of ancient architecture, is located across from the City Hall, on the west side of the central plaza.

Kyöngbokkung Palace, site of the impressive National Museum where most of Korea's great specimens of art and archaeology are enshrined, lies just behind the Western-style Capitol Building at the head of the broad divided avenue leading north from the plaza.

And Ch'angdökkung Palace, with its exquisitely landscaped Piwön or Secret Gardens and the apartments of the former royal family preserved just as they once were lived in, is less than a mile east.



Seoul, capital of Korea, is one of the ten largest cities in the world with a population of more than eight million. Since its selection as the royal capital of the Yi Dynasty (1392-1910), Seoul has well preserved much of its fascinating cultural heritage.



Kyöngbokkung Palace's National Museum



High-rise buildings viewed from Töksukung Palace



Kyongbokkung Palace's Kyönghoeru Pavilion



The Seoul Tower at night.

Korean Folk Village

P'anmunjöm



The old gentleman's house at Korean Folk Village



Skilled cloth weavers



A traditional blacksmith's shop



A traditional wedding re-enactment



The calligrapher

Due south of Seoul, only forty minutes by bus, one can step back 200 or more years into a Korean farm town that is not a museum of how things might have been, but a living, functioning community, displaying how things really were.

The Korean Folk Village at Yongin is peopled by real artisans and craftsmen doing what their ancestors did, dressed in the kind of clothes their ancestors wore, and living in houses that are exact replicas of those in which their ancestors lived.

Here the visitor can watch blacksmiths forging farm tools by hand, weavers creating cloth and reed mats, a herb doctor concocting folk remedies and a potter creating beautiful hand-made ceramics.

North of Seoul less than 35 miles lies the historic truce village called P'anmunjöm, where the Armistice ending the Korean War was signed in 1953.



One hour's ride to the south of Seoul by expressway is the Korean Folk Village, where you can see the traditional Yi Dynasty way of life. Visitors can watch the blacksmiths, weavers, herb-doctors, farmers' dance, and a special customary wedding ceremony evoking the vivid past.



A vibrant farmers' dance at the Folk Village



The South-North Dialogues



Freedom House at P'anmunjöm

Kyōngju

Museum without Walls



On the grounds of Pulguksa Temple, the T'apdori ceremony is performed which offers praise to Buddha and seeks prosperity for all people.

If the tourist has time or inclination for only one side-trip outside of Seoul, Kyōngju should be the choice. This modest country town was once the capital of the great Silla kingdom which unified Korea for the first time over 1300 years ago.

Kyōngju is a veritable treasure trove of historic and aesthetic remains. Dozens of huge earthen tomb mounds of Silla kings and queens stand together in a park.

The unique golden crowns, and jewelry, ceramics, and decorations taken from these tombs may be seen in the Kyōngju national Museum at the edge of town.

A few miles away stands the impressive Pulguksa Temple, now refurbished and partially reconstructed, with its magnificent entry gates and stairbridges, its graceful pagodas and richly gilded images. Up a winding, well-paved mountain road is the Sōkkuram Grotto Shrine, where the immense, granite Buddha gazes at the sunrise across the East Sea in the distance.



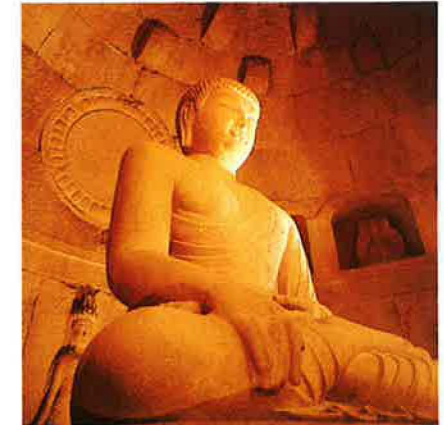
Kyōngju was the capital of the Silla Kingdom, which unified Korea for the first time some 1,300 years ago. The entire area is rich with relics of Korean history and culture. Recently, UNESCO named this city as one of the world's ten historic cities. The Pomun Lake Resort is now in full operation near Kyōngju

On the outskirts of Kyōngju lies the beautiful Pomun Lake Resort, an international tourist complex and site of the PATA '79 Workshop. The challenge of the resort was to harmonize the traditional heritage and natural beauty with modern tourist facilities.

UNESCO recognized the global historic significance of Kyōngju by naming the city one of the world's ten historic sites. A large scale cultural survey will be conducted by UNESCO through the 1980s.



Tumuli Park



Sōkkuram Grotto Shrine



The Pomun Lake Resort Complex



A white horse painting symbolizing the 'Heavenly Horse' tomb (Ch'ōnmach'ong Tomb)



Emille Bell in Kyōngju National Museum

Pusan, Hallyŏ Waterway



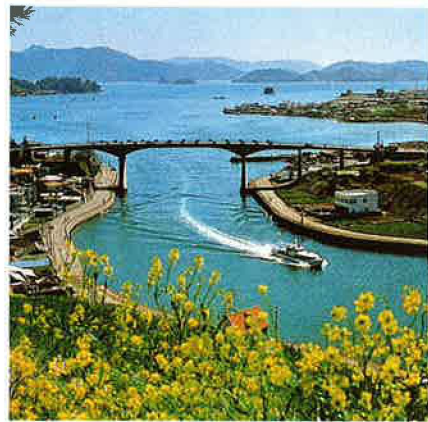
Korea's principal sea port, Pusan, lined with superb bathing beaches, is noted for its resorts for summer vacationers. One and a half hour's hydrofoil cruise to the west of Pusan lies Hallyŏ Waterway, a maritime park and a panorama of lovely seascapes with picturesque islets.



Summer time on Pusan's Haeundae Beach



Pusan Tower atop Mt. Yongdusan



A bridge at the southern seas



Sea angling

At the southeastern tip of the Korean peninsula lies Pusan, the second largest city and principal port. Here the winters are mild, while summers are hot and humid; however, the bay on which the city lies is practically lined with superb bathing beaches where flocks of vacationers congregate in season.

The suburban cities of Haeundae and Tongnae are especially noted as resorts, with their hot mineral water reputed to have medicinal qualities.

Between the large port Pusan and the smaller harbor of Yŏsu to the west lies the Hallyŏ Waterway, a maritime national park. This scenic seascape is dotted with picturesque islets, fantastic rock formations, and quaint traditional fishing villages.

Hallyŏ Waterway is site of the historical mementoes and relics recalling Korea's naval hero Admiral Yi Sun-shin. And is also a great place for aquatic sports including swimming, water skiing, and boating.

Puyŏ & Kongju, Mt. Songnisan



Puyŏ and Kongju, the ancient alternate capitals of the Paekche kingdom (18 B.C-660 A.D.) permit the traveler to breathe the very air of ancient history. Mt. Songnisan National Park with famous Pŏpjusa Temple is only two hours from Seoul by expressway.

The ancient alternate capitals of the Paekche kingdom toward the end of its existence, Puyŏ and Kongju permit the traveller to breathe the air of ancient history.

A modern branch of the National Museum is located in Puyŏ. Near by is the "Falling Flowers Rock" named for the hundreds of aristocratic court ladies who flung themselves to death in the river far below to save their honor during the fall of the Paekche Kingdom.

In Kongju, on exhibition are the regal jewelry and ornaments excavated from the tomb of King Muryŏng.

Mt. Songnisan National Park is only two hours from Seoul by superhighway. A quarter mile away, embowered in pine woods, stands the imposing Pŏpjusa Temple with the country's largest image of Buddha.

The mountains surrounding the temple are exquisite in their fall array of brilliant colors, or summer garb of pastel wild flowers.



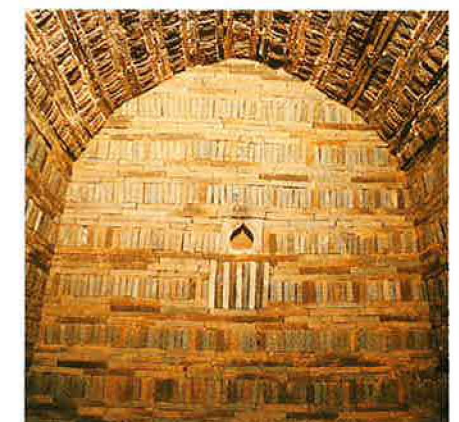
Pŏpjusa Temple



Nakwaam Rock on the Paekmagang River



The Puyŏ National Museum



King Muryŏng's Tomb

Cheju Island

Island of the Gods



Cheju's Ilch'ulbong(Sunrise Peak)with yellow rape flowers

Fifty-five minutes by air from Seoul; 40 minutes from Pusan and one hour 30 minutes from Osaka, the island of Chejudo is a vacationer's paradise; an exotic, semi-tropical land dominated by black basalt rock of volcanic origin that fence the fields, by dynamic women who, as divers and agriculturists, still seem to give evidence to a matriarchy; and striking Mt. Halla-san, the highest mountain in the Republic of Korea, with the huge crater of an extinct volcano on its peak.

Deep-sea fishing, unsurpassed pheasant hunting and miles and miles of hiking trails make every day of the year an unforgettable vacation splendor.

Excellent golf courses grace the lower slopes of Mt. Hallasan while, along the shoreline swimmers can pick their beaches of fine, black sand or broad expanses of shimmering white broken coral, the weather and water inviting from May through October. Nor are the botany-minded forgotten; for here one

will find over 2000 varieties of plants ranging from the sub-tropical to plants of a frigid zone atop Mt. Hallasan.

And sightseeing! Exquisite waterfalls, quaint thatched roof houses, grand as well as grotesque weather and water sculptured lava formations, and great, subterranean caverns await the visitor.

In addition, there are an increasing number of modern hotels scattered over Chejudo, and a highway encircles the island.



Thatched-roof houses



Cheju's stone grandfather, Tolharubang



Yongduam Rock



Cheju's spacious golf course



Chungmun Beach



Cheju Island, long the domain of local tourists, can now be visited directly from Osaka, Japan, for five days without a visa. The initial five days can be extended to another five days upon application to the local Immigration Office. Thus, this verdant land of sea and mountains has become an international vacation land.

Holidays

Holiday festivals usually reckoned by the lunar calendar even today, are an important feature of Korean life. Many are of a religious nature, some related to national events.



Children flying kites.



Sökchönje, Confucian ceremonial rites.



New Year's Day see-saw game



Rituals on the Buddha's Birthday.

January 1st: New Year's Day
The first three days of the New Year are celebrated. People put on their traditional clothes and the younger members bow to their elders as a reaffirmation of family ties.

Buddha's Birthday: (8th day of 4th lunar month): Elaborate and solemn rituals are held at many Buddhist temples. The day's "Feast of the Lanterns," is climaxed by a lantern parade.

Ch'usök (15th day of 8th lunar month): Ch'usök referred to as Korean Thanksgiving Day, is the day of the full moon and harvest festival. People visit family tombs and make food offerings.

March 1st: Independence Movement Day

April 5th: Arbor Day

May 5th: Children's Day

June 6th: Memorial Day

July 17th: Constitution Day

August 15th: Liberation Day

October 1st: Armed Forces Day

October 3rd: National Foundation Day

October 9th: Korean Alphabet Day

December 25th: Christmas

Transportation Accommodations



If you're planning on an Oriental trip taking in Tokyo or Hong Kong, Korea can generally be added at no extra cost. Transit visitors with onward reservations are allowed a 120-hour stay without visa. So, plan ahead and make a stop in Korea.

More than 200 flights weekly connect Korea with worldwide destinations. Seoul is only 2 hours from Tokyo, 4 hours from Hong Kong. The Pukwan ferry provides service between Korea and Japan.

Air Flights: Korean Air Lines provides flights to all the major cities.

Railways: Besides excellent transportation between all major cities and towns, the Korean National Railroads acts as a mobile "tour guide".

Highways: A nation-wide network of express ways connects Seoul with major destinations.

Others: Taxis, call-taxis, car rentals subways, car-ferries and hydrofoils are available.

Good hotel accommodations and meals in several styles are available with souvenir arcades, barber and beauty shops, in addition to recreation facilities.

Budget watchers can enjoy the homely hospitality of a Yökwan, a traditional inn with optional Korean family style meals.



Cheju International Airport



A portion of Seoul-Pusan Expressway.



A typical Western-style hotel.



A cozy coffee shop.

Useful Hints



Haeinsa Temple

Location: The Korean peninsula, approximately 1,000km long and 216 km wide at its narrowest point juts south from Manchuria between the mainland of China and the islands of Japan.

Size: Korea, in overall size, is roughly equivalent to Great Britain or the state of New York.

Population: The 1980 population of Korea was 37,449,000: population increase rate—1.58% Seoul—8,518,000 Pusan—3,217,000.

People: Koreans are descendants of several Mongol tribal groups which migrated south from present-day Manchuria in prehistoric times.

Language: The Korean language is understood to belong to the Ural-Altaic family together with Turkish, Mongolian and Tungusic. Korean is the official language as well as national language. During the reign of King Sejong (1419-1450), the Korean phonetic alphabet called Han'gŭl was invented. Its invention is perhaps the most brilliant achievement throughout the history of Korean culture in view of its scientific efficiency and the excellent usefulness of its phonetic symbols.



Climate: The nation is blessed with four distinct seasons and the climate is temperate tending toward the continental type.

Temperature & Humidity of Seoul

	Spring	Summer	Autumn	Winter
T (°C)	14.5	26.4	11.2	0.8
H (%)	65	81	59	66

History:

Ancient Chosun (24th-1st century B.C.)	Three Kingdoms (57 B.C.-676 A.D.)	
United Silla (668-935)	Koryo Dynasty (918-1392)	Yi Dynasty (1392-1910)
Republic of Korea (1948-present)		

Religion: Koreans follow a variety of religious belief, or a blending.

Buddhism	12.32 million
Protestantism	7.18 million
Confucianism	5.18 million
Catholicism	1.32 million

Currency: The unit of Korean currency is called wŏn (₩).
 coins—1, 5, 10, 50, 100, 500 wŏn
 notes—500, 1,000, 5,000, 10,000 wŏn
 exchange rate: 1US dollar—₩767
 1 Japanese yen—₩3.22

TV, magazines and newspapers: There are two TV networks, KBS and MBC. AFKN-TV operated by the U.S. military is the only English language station. Two English dailies, the Korea Herald and the Korea Times are available at most newsstands and international newsmagazines can be found at bookstores.

Tipping: Tipping is not commonly practiced except in special cases.

Map of Korea



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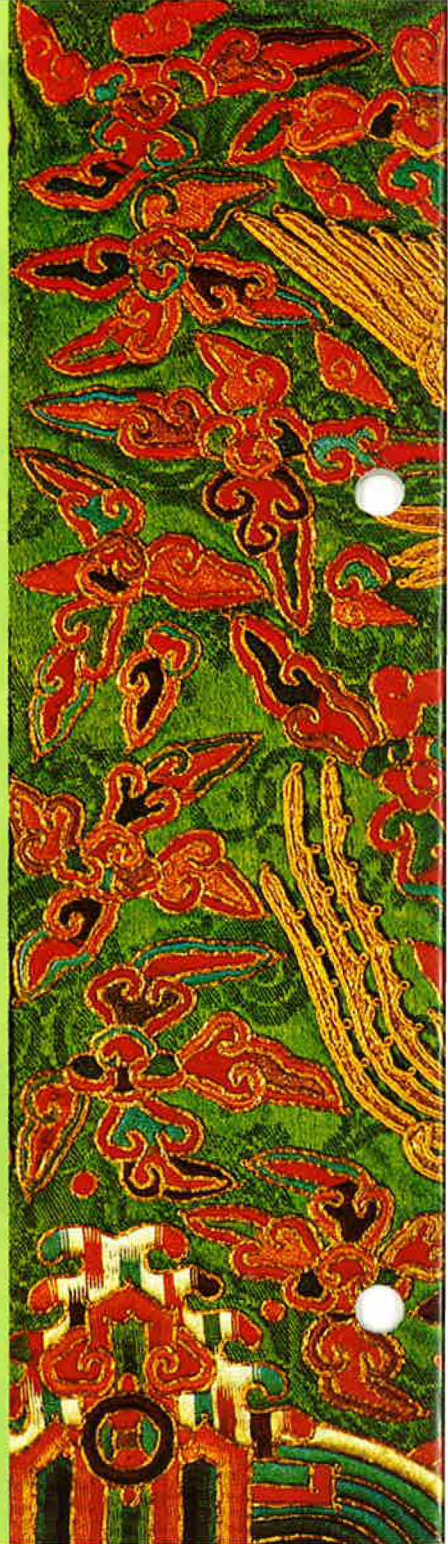
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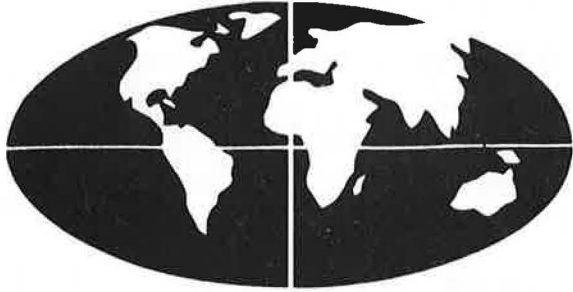
KOREA NATIONAL TOURISM CORPORATION

VI Dynasty's embroidered phoenix insignia

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KOREA KEY ECONOMIC INDICATORS

Unless otherwise indicated, all values are in U.S. \$ Million and represent period averages.

Exchange Rate: US\$1.00=788.6 won
As of October 5, 1983

	1982	1st Half 1983	Est. 1983	Percent Change		
				1982	1st Half 1983	1983
INCOME, PRODUCTION, EMPLOYMENT						
GNP at Current Prices	65,741	-	69,634	13.4*	-	12.6*
GNP at Constant (1975) Prices	32,043	-	34,863	5.3*	9.6*	8.8*
Per Capita GNP, Current Prices	1,671	-	1,743	11.7*	-	10.9*
Plant & Equipment Investment, Current Prices	6,689	-	6,871	4.4*	-	9.2*
Personal Income, Current Prices	49,979	-	52,657	11.7*	-	12.0*
Indices: 1980=100						
Industrial Production	118.1	129.8	135.2	4.7	14.0	14.5
Avg. Labor Productivity	125.0	-	137.5	6.8	-	10.0
Avg. Industrial Wage	137.8	144.8	151.6	14.6	13.0	10.0
Labor Force (Thous.)	15,080	15,564	15,367	2.5	0.5	1.9
Avg. Unemployment Rate (%)	4.4	4.4	4.2	-	-	-
Total Population (Thous. Mid-year)	39,331	-	39,951	1.6	-	1.6
MONEY AND PRICES						
Money Supply (M2) 1/	26,581	27,003	28,613	27.0*	21.3*	15.0*
Interest Rates (Comm. Banks)	12.3	10.0	10.0	-	-	-
Indices: 1980=100						
Wholesale Price	126.0	126.7	126.6	4.7	0.9	0.5
Consumer Price, all cities	130.1	134.3	135.3	7.3	4.4	4.0
GNP Deflator (1975=100)	310.1	-	321.0	7.7	-	3.5
BALANCE OF PAYMENTS AND TRADE						
Gold and FX Reserves 1/	6,984	6,006	7,100	1.3	-5.4	1.7
External Debt 1/ 2/	37,200	-	40,900	14.5	-	9.9
Annual Debt Service 3/	4,420	-	4,490	16.6	-	1.6
Annual Debt Service Ratio (%) 3/	15.5	-	15.0	-	-	-
Balance on Current Account	-2,650	-1,320	-2,100	-	-	-
Balance of Trade (FOB)	-2,594	-1,184	-1,500	-	-	-
Exports (FOB), Customs Basis	21,853	11,033	23,400	2.8	5.3	7.1
To U.S.	6,243	3,855	7,200	10.3	32.7	15.3
Imports (CIF), Customs Basis	24,251	12,165	24,800	-7.2	2.8	2.3
From U.S.	5,956	3,017	6,200	-1.6	6.0	4.1
Average Exchange Rate (Won/US\$)	731.5	764.0	777.6	7.4	5.8	6.3
Period-End Exchange Rate (Won/US\$)	748.8	776.7	800.0	6.9	4.8	6.8

A. Major imports from the U.S. in 1982 (In U.S. \$ million, CIF): Grain (\$ 849), Electrical Machinery (\$ 830), Non-electrical Machinery (\$ 735), Raw Cotton (\$ 492) and Scrap Iron (\$ 156).

B. Major exports to the U.S. in 1982 (In U.S. \$ Million, FOB): Textiles (\$ 1,652), Electrical Machinery (\$ 992), Footwear (\$ 792) and Iron & Steel Products (\$ 583).

Footnotes: * Percentage changes calculated in won terms.

1/ Data are for end of period. 2/ All external debt including debt of under one year maturity. 3/ Includes payments on debt of one year and longer maturity as a percentage of total exports of goods and services.

Source: Estimates by the Embassy, Bank of Korea, Economic Planning Board, Ministry of Finance, and Korea Development Institute

I. OVERVIEW

The Korean economy grew strongly in the first eight months of 1983, led first by domestic construction and then by export demand. Korea is expected to chalk up 8.8 percent real growth in 1983, despite the KAL Flight 7 and the Rangoon Bombing tragedies. Real growth is projected at 7 to 8 percent for the next three years, but much will depend on the progress of trade, investment, and financial liberalization programs and on a continuing recovery in Korea's export markets, especially the United States. Korea has become a major U.S. trading partner, and the next year should bring additional trade and investment opportunities to U.S. businesses.

II. POLITICAL SETTING

Spring and summer, 1983, were relatively quiet domestic political seasons, as might have been expected in an atmosphere of accelerating economic recovery. Two infiltration attempts by North Korean commandos were foiled, and two banking scandals -- involving the Myungsung and Yongdong groups and two Korean commercial banks -- came to light, with political consequences yet to be measured. A modest trial effort by the Korean Broadcasting System (KBS) blossomed into very popular nationwide TV campaign to reunite family members living in the Republic who had been separated since the Korean War.

September was to be a big month. There was the 30th Anniversary of the US/ROK Mutual Defense Treaty, state visits from Jordan and Malaysia, and 6,500 delegates to the American Society of Travel Agents (ASTA) Congress. Early October was to follow with the Inter-Parliamentary Union (IPU) meeting and a state visit by President Chun to South and Southeast Asia and Australia. But the successful Security, ASTA, and IPU meetings and visits to Korea were overshadowed by the tragic Soviet shutdown of Korean Airlines Flight 7 on September 1 that killed 269 people.

The shadow deepened on October 9 when four Cabinet members and thirteen other senior ROK officials were murdered in a bomb explosion in Burma, assumed by the ROKG to be the work of North Korean agents, during the first stop of the trip to Asian capitals. Among those killed were Deputy Prime Minister and Minister of Economic Planning Suh Suk-Joon, Minister of Commerce and Industry Kim Dong-Whie, Vice Minister of Finance Lee Kie Wook, and the senior economic adviser to the President, Dr. Kim, Jae Ik. They were well-seasoned members of the elite

group of highly competent and respected technocrats who had orchestrated modernization of Korea's economy. They have been replaced by men of similar caliber who are not expected to reverse the encouraging signs that the Korean economy is moving in the direction of liberalization.

III. KOREAN ECONOMIC TRENDS

Macroeconomic Performance: Despite the external political threats and setbacks, Korean economic growth continued to exceed expectations. Real GNP grew 9.6 percent in the first half of 1983; it is now projected to reach 8.8 percent for all of 1983, and 8.1 percent in 1984. Only six months ago, the GNP growth estimate of 7.5 percent for 1983 seemed a bit ambitious.

GNP growth was led in the Spring by domestic construction, which jumped 50 percent from the first half of 1982. By June, however, exports began to pick up, primarily from the growing recovery in the United States, Korea's most important export market. Exports are now expected to grow more than 7 percent during 1983.

In July, several signs pointed to a gathering economic boom. Industrial production and producer's shipments were 18 percent higher than July, 1982, while producers inventories were down 4 percent over the same period. Building permits were up 58 percent and machinery orders up 25 percent from July, 1982.

Agricultural Sector: Improved growing conditions and a continuing expanding livestock sector this year should result in total agricultural production showing about a 4 percent growth rate. An above average rice crop, currently estimated at 5.4 million M.T., should ensure that the government freezes its purchase price at last year's level, as it did earlier for barley. The growing grain management fund deficit, currently estimated at \$1.6 billion, is forcing the Government to start taking drastic measures on price supports. In addition, the fertilizer fund deficit is now about \$900 million, which will likely prompt significant increases in the price of fertilizer to farmers next year.

Lacking domestic production of feed grains, the rapid expansion of the livestock sector forced a rapid increase in corn imports this year, which should exceed 4 million M.T., all from the U.S. The first 7 months of 1983 also saw a substantial increase in other agricultural imports from the

U.S., with the total value running over 15 percent above last year. For the full year, these imports should reach \$2 billion, making Korea our third or fourth best agricultural market world wide. Large carryover stocks of rice, an above average 1983 crop, and the import of the final California rice commitment should preclude any further imports of this commodity over the next year.

Energy: As the economy heats up, so does Korea's energy needs. Korea is working hard to develop alternatives to imported oil. Korea's second nuclear power unit -- Kori No.2 -- went on stream this summer. It is expected to generate 4 billion kilowatt hours a year, saving about 6 million barrels of oil imports annually. Nuclear power unit No. 3, a CANDU heavy water type, began commercial operation in the spring of 1983. Kori No. 5 and No. 6 (there is no nuclear power unit No. 4) are scheduled for completion in late 1985 and 1986, respectively; they are pressurized water type reactors. Some 52.6 million tons of new coal reserves (about 2 1/2 times Korea's annual production) were discovered in Kangwon-do in September. Even so, Korea is expected to import over 16 million tons of soft coal in 1983, rising to 19 million tons in 1986 to meet industrial and home cooking needs. In August, Korea signed a long term deal with Indonesia to supply liquified natural gas (LNG), shortly after it completed the largest single liquid petroleum gas (LPG) receiving terminal in the world (storage capacity 152,000 metric tons) in the south coast city of Yochon. Korea will also share in the proceeds of an oil and gas find it made in a joint venture with a local company in Indonesia.

Overseas Construction: Korea's once booming overseas construction business continues to wane. New orders in the first half of 1983 were about \$3 billion, only a third of the level in the first half of 1982. High labor costs relative to other contractors are part of the problem, but the major reason is declining oil revenues in the major markets of Saudi Arabia, Libya, and Iraq, which have led to construction cutbacks. The ROKG is making an effort to reduce competition among Korean bidders in order to maximize the profitability of the contracts Korean firms do land and to increase their technical and managerial capabilities in the tightening market. Local observers are optimistic, however, that second half construction contracts will pick up considerably.

Money and Prices: Prices remained exceptionally stable. The wholesale price index was actually 0.3 percent lower in August 1983, than in August 1982, while the retail (consumer) price

index rose only 2.6 percent in the same period. Declining inventories and the tightness in housing are expected to put some upward pressure on prices, but not enough to rekindle the double digit inflation of 1980 and 1981.

Total money supply (M2) was 18.9 percent higher in August, 1983, than in August, 1982. Even so, there was some evidence of a liquidity squeeze, with the rate of dishonored bills and checks rising from an average of 0.04 percent to 0.06 percent in August, 1983. There was also a shift from savings and time deposits to demand deposits; August saw a decrease of 78 billion won in the former accounts more than offset by a 109 billion won increase in the latter.

Direction of Economic Management: On June 28, the ROKG announced the economic management policy guidelines for the next 18 months. The guidelines call for price stability and upgraded quality and competitiveness of exports. The total money (M2) growth rate target is 15 percent for 1983, and 10 to 12 percent for 1984, assuming real GNP growth of 7 to 8 percent and money velocity increase of 3 to 4 percent in 1984. M2 growth of 15 percent in 1983 may be difficult to achieve, as first half M2 growth was 22 percent, and unplanned additional liquidity was provided in September to counter the effects of the two banking scandals. M2 growth during 1982 was 27 percent.

The 1984 national budget is expected to be frozen at this year's level of about 10.42 trillion won (U.S. \$8.2 billion). The overall deficit is expected to drop from 1.07 trillion won in 1983 to 0.32 trillion won, from reduced subsidies in the housing and national investment accounts and a surplus of 0.55 trillion won in the general account. The growing economic boom has increased tax revenues faster than expected; at the end of August Government accounts showed an overall surplus of 301 billion won (US \$381 million), compared to a 9 billion won surplus in August, 1982.

Controlling Speculation: The ROKG sees real estate speculation as a dual evil. First, it increases inflationary pressures, making Korean exports less competitive. Second, it allocates scarce financial resources to "non-productive" uses (bidding up prices) rather than to investments that would produce real productivity gains. After anti-speculation measures were announced in February and March 1983, prices and rents stabilized briefly, but began rising again in the Summer, primarily because of declining returns in alternative investments, i.e., the stock market and the private (curb)

money market. In early September, the ROKG announced guidelines to reduce the windfall profit expectations in real estate by:

- Promising intensive investigation of the source of funds used for speculation (those who have sold land worth more than 50 million won since 1981 will also be subjected to an investigation to determine whether or not they paid appropriate taxes);
- Designating 253 additional areas in which real estate capital gains would be heavily taxed;
- Increasing the restrictions against enterprises owning land; and
- Limiting the increase in rent for commercial tenants to the start of each year.

The ROKG is also considering requiring real estate trading permits or reports to allow it to monitor all estate transactions and to collect the assessed taxes. The Government expects to computerize real estate ownership documents for Seoul, Pusan, Taejon and Kyonggi-do by the end of 1983. Land will be excluded from revaluation for accounting purposes, effective January 1, 1984, and development activity will be controlled for 5 to 20 years, if the Government designates an area as part of a city development plan.

Revision of the Fifth Five-year Economic and Social Development Plan: The ROKG is revising the current Five-Year Plan (1982-86) to bring the plan's assumptions more in line with rapidly changing domestic and international economic conditions. For example, crude oil prices declined by 15 percent early this year, instead of the annual 10 percent rise assumed in the current plan. The inflation rate was almost zero in the first half of 1983, while the plan assumes a ten percent annual increase.

The major goals of the revised plan will be stable economic growth, improving living standards, improved balance of payments (though increased national savings and exports), technological innovation, balanced development between regions, and equal opportunity and more economic autonomy for the general public, through the free market mechanism.

Changes in economic management policy in the revised plan will be gradual, so that enterprises and individuals can plan and do

business in an environment of stable growth. The new plan will seek to balance sustained growth with broad income distribution without accumulating new external debt. The government will enact legislation to expedite technological development by encouraging private sector research and development (R&D). Parts industries will be encouraged as a key in the development of heavy industries. The revised plan, now expected to be published by December, 1983, will affect the remaining three years (1984-86) of the current plan.

Economic Planning Board (EPB) guidelines for the revision of the Five-Year Plan project sustained real GNP growth over the next three years (1984-86) of 7 to 8 percent per year. Domestic wholesale price increases are projected at zero to one percent. Equilibrium in the country's international balance of payments position would be reached by 1985 or 1986, primarily from high growth in exports. Exports are projected to rise 11 percent and imports 7-8 percent annually in real terms over the next three years, assuming a rise in world trade volume of 4-5 percent annually and in crude oil imports by 2-3 percent annually in real terms. Current oil prices are expected to remain steady through 1984.

The ratio of domestic savings to GNP is projected to rise from 21.5 percent in 1982 to 30 percent in 1986. Savings by households are expected to rise from 5.8 percent in 1982 to 10 percent in 1986 and savings of enterprises from 9 percent to 12 percent. To increase household savings to this level, the ratio of household savings to household income will need to grow from this year's 8 percent to 13 percent by 1986. Government savings are projected to rise from 6.7 percent to 8 percent in the same period. Total budget deficits are projected to account for 4 percent of GNP this year, but only 2 percent of GNP in 1984. The tax share of GNP is projected to increase from 19.1 percent in 1983 to 22 percent in 1986.

Trade, Investment and Financial Liberalization: These goals are quite ambitious, but as the Koreans have shown repeatedly, ambitious goals can be met and often exceeded. Much will depend on the progress of three liberalization efforts -- trade, investment, and finance -- which had built up considerable momentum until the tragic assassination of 17 top Government officials, including much of the economic leadership, in Rangoon October 9. Liberalization -- opening up Korea's domestic market to international competitors -- is difficult but essential if Korean firms are to reach their full productive potential and compete effectively in increasingly

demanding world markets. Liberalization should also help keep the markets open for Korean exports despite growing protectionist pressures in the OECD countries.

The ROKG's proposals to revise the Korean general tariff schedules announced in late August are complex. The reforms would reduce tariffs on 729 items and raise tariffs on 300 other items in 1984 as a step toward a uniform tariff system of progressively lower tariffs for raw material, intermediate, or finished goods. The proposed schedule would be:

	<u>1984</u>	<u>1988</u>
raw materials	5-10%	5-10%
intermediate goods	20-30%	20%
finished goods	40-50%	20-30%

The system is intended to replace existing import restrictions or prohibitions with comparable tariff protection that would be gradually reduced by 1988 to average levels of protection in OECD countries. Transitional measures are provided to protect specific "infant" industries, i.e., semiconductors and computers, and there is an "adjustment tariff system" to control unanticipated surges in imports as the liberalization proceeds. The proposals are now being considered by the National Assembly.

The ROKG had hoped to reduce some of its dependence on direct foreign debt (about \$40 billion outstanding -- the fourth largest developing country borrower in the world) by attracting more direct foreign equity investment. Foreign investment approvals in 1982 were only \$188 million of the revised \$250 million goal, and approvals in the first 9 months of 1983 were only \$111 million. To stimulate the flow and to encourage new technology inflows, the Ministry of Finance (MOF) proposed major revisions of the foreign capital inducement law in late August. The Assembly is also considering these proposals. If adopted in their present form, they would:

- Permit investment in all areas not specifically restricted (i.e., switch from a "positive" to a "negative" list);
- Make investment approval routine for joint ventures with less than 50 percent foreign ownership, and for other joint ventures that produce goods not subject to heavy import restrictions and meet minimum export requirements; and

-- Virtually eliminate restrictions on profit and capital remittances from Korea and on profit reinvestment in Korea.

Liberalizing the financial sector may prove the most difficult task for the ROKG. Directing credit from the banking system to priority industrial sectors has been an important ROKG tool in managing Korea's spectacular economic growth. At the same time, a private "curb" market has remained active, with higher than official rates, that has mobilized some domestic savings and allocated credit to smaller firms or those with urgent, short term needs that could not be met by the banking system. The ROKG wants to develop a broad, deep, and resilient domestic money market able to allocate credit without major distortions and without the kind of banking scandals that seem to be endemic to the present dual (official/unofficial) system. While the goal is fairly clear, the best way to make the transition to the goal is not. The recently begun Korea Development Institute (KDI) study of the role of foreign owned banks in Korea's future domestic financial sector should also help settle some of these questions of timing and transition. The Bank of Korea is working on a similar study. As long as the dual credit market remains, however, banking scandals such as the two recent ones - the Commercial Bank of Korea and Cho Heung - where employees bend the rules and exceed their authority to meet the credit needs of cash short, highly leveraged clients, are likely to continue to erupt.

IV. IMPLICATIONS FOR THE UNITED STATES

U.S./Korea Trade: While influential elements in both countries continue to complain vocally about growing protectionism on the other side of the Pacific, trade between the U.S. and Korea in both directions is growing at a healthy pace. According to American statistics, both our exports to and imports from Korea rose between 13 and 14 percent during the first half of 1983. Moreover, our two-way trade remained very close to being balanced, with a Korean surplus of only about \$150 million out of a total trade during the half year exceeding \$6 billion. (The ROKG figures used in the key economic indicators table are calculated differently and show a somewhat wider imbalance.) The U.S. has seen its share of the Korean market hold steady, while its position has deteriorated in most other East Asian countries. Korea has seen its export dependence on the U.S. grow because economic recovery in its other important markets has lagged that in the U.S.

With one of the best economic growth prospects in the world, Korea remains a very promising market for U.S. agricultural exports and many types of advanced production equipment as the country continues to modernize its industry in order to remain competitive in export markets. Specific categories with good prospects include medical instruments and equipment, analytical and scientific instruments, large scale computers, energy conservation systems and equipment, electronics industry production and test equipment, food processing and packaging equipment, special machine tools, special construction equipment, and telecommunications equipment. Korea also will continue to be a major market for industrial raw materials such as coal, chemicals, scrap metals, and logs.

Major Projects: U.S. firms are interested in participating in construction and providing equipment for the Seoul and Pusan subway systems, the second integrated steel mill and its port to be located in the south at Kwangyang Bay, sewage treatment facilities, and a domestic telecommunications satellite. Other prospects will occur when plans become firm for starting construction of two additional nuclear power plants, expansion of Seoul and Pusan international airports, eventual construction of a new international airport to serve the Seoul area, and expansion of Pusan's port. Some major projects have been delayed because of recession in other countries and slower than expected increases in demand for additional sources of energy and transport facilities.

Foreign Investment: U.S. and other foreign companies already in Korea await with interest the final form of the proposed revisions in the foreign capital inducement law now being considered by the National Assembly and how these modifications will be implemented. While many foreign collaborations have worked out well in Korea, the country must try harder, if it is to overcome a somewhat negative view held by much of the foreign business community of Korea as a place to invest. At this writing, it seems unlikely that new foreign investment this year will be any higher than the 1982 level. Moreover, rather than going into the export oriented high technology industries which Korea needs and prefers, most new foreign investment recently has been in services such as banking and hotels or consumer goods such as pharmaceuticals or food processing. Well aware of these trends, the Korean Government seems determined to improve the investment climate and attract more foreign participation in the economy. Vested interests in the Korean private sector at times are less enthusiastic.

Japan remains the largest foreign investor in Korea, but the U.S. currently is bringing in the largest amount of new equity

capital. (Of 1983 investment approvals through September, the U.S. share of \$35 million is about 31 percent.) One important factor continuing to deter high-tech investment is concern over inadequate patent protection under Korean law. With the largest population and market potential of the East Asian advanced developing countries, however, Korea will remain of growing interest both to U.S. exporters and prospective American investors. It will be up to Korea to find the best way of exploiting this growing foreign interest, keeping in mind the legitimate goals of both enhancing Korean economic development and providing reasonable profit levels and market opportunities for the foreign companies and financial institutions involved.

KOREAN CONTACTS

The following telephone numbers are provided for your convenience during your stay in Seoul

Foreign News Media

U.S.A

AP	765-3056, 765-3057
UPI	764-2864, 765-0273
ABC News	724-8111
CBS News	723-8294
NBC News	723-1494
WP	724-9865, 724-9785
CSM	295-6100
WT	725-0989

OTHERS

Reuters	763-5167, 763-5168
AFP	764-1992
Jiji Press	753-4525
Kyodo News Service	765-1766
NHK	722-1470, 724-2903
Asahi TV	724-8725
NTV	752-1812
Fuji TV	724-9271
TBS-RKB	723-2084
Asahi Shimbun	724-9865, 724-9785
Mainichi Shimbun	725-6798
Nihon Keizai Shimbun	723-9826
Yomiuri Shimbun	722-0381
Sankei Shimbun	725-1244
AWSJ	724-2298
FEER	723-3696

Domestic News Media

Chosun Ilbo	725-6611
Dong-A Ilbo	723-5221
Hankook Ilbo	722-4151
Joongang Ilbo	771-77
Seoul Shinmun	725-7711
Kyunghyang Shinmun	720-5151
Korea Herald	777-8691/8
Korea Times	722-4151
Korea Broadcasting System	7803-1
Munwha Broadcasting Company	724-6151
Yonhap News Agency	763-0301/9

STATISTICS

Classification	Unit	1962 ¹	1982
Total trade with US	\$ mil	232.32	12,205
Exports to US	\$ mil	11.98	6,243
Imports from US	\$ mil	220.34	5,962
Exchange rates of won to in US dollar	won	256.53	750.70
Tourists from US		10,178	151,249

1 1962 is chosen as a base year to provide a 20-year comparison

PROBLEMS AND PROSPECTS

Note: The following is a summary of views widely held by qualified observers of Korea and East Asia. It does not necessarily represent the official views or policies of the Korean government

Within the foreseeable future, significant changes in the strategic environment surrounding Korea are unlikely. Similarly, the situation among the powers surrounding the peninsula—the USSR, PRC and Japan—is not likely to undergo drastic change either in terms of the balance of power or the direction of policies.

North Korea is likely to remain hostile to the South and resist any attempts at reducing tension in the peninsula. It will continue to violate the Armistice Agreement and may, in fact, increase its attempts at infiltration and subversion of South Korea as the 1986 Asian Games and the 1988 Olympic Games in Seoul draw closer. What, if any, changes in North Korean domestic structure or external policy orientation will result from a change of leadership and/or a possible succession struggle in North Korea is impossible to predict. Thus, tensions on the peninsula will remain high and the concomitant threat to world peace unabated.

The role of the United States in the security of Korea will remain essentially unchanged as will the requirements placed upon it for the fulfillment of this role. As the Korean economy grows and the trade and economic relations between the U.S. and Korea expand, so does the stake in continued Northeast Asian security for America and the west.

The Soviet interest in Korea is linked to its global competition with the U.S. The growth of South Korea's strength with a steady U.S. commitment is not likely to tempt the Soviets into risky

initiatives. A weakening of South Korea or an erosion of the U.S. commitment would provide a source of temptation to the USSR.

Although China's interest in Korea is more direct than the USSR's its resources are more limited. The growth of a more liberal Chinese economic policy will highlight the already significant differences between it and North Korea, as will a successfully "non-Communist" hereditary change of power in the North. Despite these problems, China's interest in keeping North Korea from siding with the USSR and against it are high. Thus the demands on China for continuing present policies toward the peninsula will also remain high.

South Korea's economy, it is expected, will continue to grow at an annual rate exceeding 5 percent. By the end of this century it is plausible to assume that the Republic will reach the present per capita income levels of western European nations. Korean economic planning will continue to be pragmatic market-oriented and adaptive. As the economic gap between the North and the South grows, P'yongyang will come under increasing pressure to choose between accommodation with Seoul and risking war to reverse this trend.

Politically, South Korea will become increasingly mature and more stable as democracy takes root in a way that is consistent with Korean tradition and requirements. The Korean national consciousness will continue to grow along with the gradual decline of parochial attitudes. There will be a continuing need to allow greater room for popular political participation and self expression while at the same time maintaining organizational efficiency, public order and national security. Thus, Korean politics will probably be characterized by a strong executive chosen through effec-

tive electoral participation based on an effective party system. With a peaceful transfer of power in 1988, as provided for by the Constitution, Korean politics will have been significantly institutionalized and a reduction of tensions in the Korean political arena will result. Korea will then be able to boast a more stable, effective and democratic system of government.

As a nation which has suffered heavily from war, Korea is devoted to the maintenance of world peace and the peaceful solution of international disputes. Through much of its history it has been diplomatically isolated, a condition which Korea has taken firm steps to alter since its liberation. In 1973, the Republic made a conscious decision to welcome relations with any nation regardless of ideology and on the basis of reciprocity. It now enjoys diplomatic relationships with 118 nations in all parts of the world.

In its pursuit of peace, Korea has taken firm steps to consolidate and strengthen its existing relations with friendly nations, especially those with the United States. These are of paramount importance to Korea's security and the prevention of a renewal of hostilities on the peninsula which would threaten the peace of the world.

The country's relations with America are in a highly satisfactory state. The two countries agree on most important issues, especially on the security question. The U.S. has made clear on a number of occasions, and at the highest levels, its continuing commitment to the security of the Republic. Aside from their intrinsic value, such statements are important for the extent to which they influence North Korean attitudes and reinforce deterrence. Earlier talk of reducing the American troop presence in Korea has now subsided, and President Reagan has stated unequivocally that the U.S. "has no plans to withdraw U.S. ground combat forces from the Korean peninsula."

With regard to the U.S. effort to increase Japan's defense contribution in East Asia, Korea has made it clear that such a program should be carried out within the context of the U.S.-Japan alliance and mutual coordination. It has also made clear its belief that America should not reduce its military presence in, and its security commitment

to the Republic of Korea even if Japan extends its regional security role and strengthens its military capacities. Korea has also stated that it feels it should be consulted on the planning and implementation involved in the creation of a stronger East Asian regional security posture and that Japan should expand its economic cooperation with other Asian nations as a means of strengthening regional security capabilities.

Korea recognizes that the policies of the USSR and Mainland China have an important bearing on its own security, especially as these policies relate to North Korea. In accordance with its "open door" policy Korea welcomes relations with these two nations. The Korean Foreign Minister has, in fact, made it clear that the normalization of relations with the USSR and the PRC is one of Korea's foreign policy goals for the 1980's.

In economic diplomacy, Korea is interested in expanding its economic and trade ties with other nations and in diversifying its markets and sources of supply. It is equally as interested, however, in sharing with these nations its experience gained in 30 years of successful economic development. It is expanding its relations with nations of the Third World as a part of a program of South-South cooperation. Korea is now training 1,000 technicians from more than 90 developing nations.

Korea will also pursue efforts to bring about a summit conference among the leaders of the Pacific rim nations, a proposal which President Chun Doo Hwan has made and which has won the support of the United States and other countries with Pacific Asian interests. The visit of the President to the nations of ASEAN in 1981 is concrete evidence of Korea's interest in consolidating cooperative relations with the nations of the Pacific Basin.

Korea is located at a point on the globe where for 5,000 years the territorial and political aspirations of stronger powers have intersected. It is a land bridge between Japan and the Asian continent and, this has meant that it has been an object of great interest to China, Japan and Russia. For this reason it has also been the object of invasion, attempted hegemony and outright colonization.

Until the Korean War in 1950, Korea was not perceived as inherently vital to American security interests. The necessity of containing Communism in Asia which was dramatized by the North Korean attack in 1950 and the support given to North Korea by the USSR and Mainland China altered that earlier American perception.

It is now, moreover, commonly agreed that "the center of strategic and economic gravity in the world," to quote Richard L. Walker, America's current Ambassador to Korea, "is shifting to the Western Pacific and more particularly to the Northwest Pacific. Korea sits right in the center of where the three great nuclear powers meet, where the three greatest industrial giants of the world meet."¹

America's economic interest in Pacific Asia is also high. This area accounted for \$127 billion, or 28 percent, of total U.S. trade (\$456 billion) in 1982.

In addition to these considerations, the Korean peninsula is a highly volatile area owing chiefly to its division by the allies into a Communist North and a democratic South following World War II. North Korea is a bellicose, highly unpredictable adversary which has yet to fore-swear its stated aim of unifying the peninsula under Communism by force if necessary.

The threat to world peace is clear. Neither North nor South Korea is currently capable of prolonged warfare. Military analysts agree that each side would turn to a superpower ally for assist-

ance early in the struggle. This means that a resumption of war on the peninsula could escalate into a great power confrontation quickly with all the attendant dangers for the peace of the world.

The volatility of the region is further heightened by the fact that North Korea holds the military edge. In the number of battle units, the North can claim a two-to-one superiority over the South. Over the past decade its army has doubled in size to 750,000 men, all well-armed. It also trains rigorously a 100,000 man commando-ranger unit designed for behind-the-lines disruption in the event of renewed hostilities. All these forces are deployed offensively, not defensively. South Korea currently retains 520,000 men on active duty, well-armed personally, but seriously deficient in artillery, air and other forms of high fire power support.

The United States maintains 38,000 troops in Korea including infantry and airmen. This presence, taken together with South Korean forces, has constituted a formidable deterrent—and a successful one—for thirty years since the signing of the Armistice.

North Korean hostility remains undiminished, however. It has accused the United Nations of 327,982 Armistice violations of which the UN has admitted to 107. The UN has accused North Korea of 75,939 Armistice violations of which the North has admitted to two. North Korea continues to violate the Armistice Agreement by digging tunnels under the Demilitarized Zone, sending armed infiltrators across the DMZ and attacking (and, in one instance, killing) UN (U.S.) personnel in the armistice administration area. It also attacks peaceful South Korean vessels at sea and kidnaps South Korean fishermen. All of this keeps tensions high on the peninsula and makes it impossible to rule out a renewal of hostilities instigated by the North.

1) Speech to the World Affairs Council of Houston, Texas, April 6, 1983.

When the Korean peninsula was partitioned by the allies at the end of World War II, its major natural resources and industries were at that time located in the North which fell under Communist rule. Eighty-eight percent of the entire peninsula's power-generating facilities and 65 percent of its total heavy industry were thus lost.

The partition thus created a serious gap in the resources available to the South. This, in turn, imposed additional and severe economic hardships on a country already suffering from the effects of World War II. A shortage of production capacity, basic materials and foodstuffs ensued. Spiralling inflation resulted.

By the time the Korean War ended in 1953, this already difficult economic situation had been compounded. The war's officially estimated total damage stood at \$3 billion, including \$1.3 billion in destruction to vital transportation and communications facilities. South Korea's production capacity stood at a scant 15 percent of pre-war levels in metal industries, 20 percent in machine-making and 35 percent in chemical and textile manufacturing. Korea was literally flattened by the war.

The initial problems facing the young Republic were not only vast physical destruction but a shortage of foodstuffs and other necessities together with a sharp increase in consumption caused by a large influx of refugees from the North during the war. A vast program of post-war relief and rehabilitation was instituted by the United Nations and the United States. Without this, it would have been virtually impossible for Korea to survive. A total of \$3 billion in aid flowed into South Korea from 1945 to 1961 alone, much of it coordinated by the United Nations Korea Reconstruction Agency.

The United States alone has supplied some \$13 billion in aid to Korea. About half of this was in the form of economic assistance. Since the 1954 opening of the U.S. foreign assistance program, AID and its predecessor agencies have provided \$5 billion in economic assistance to Korea. This includes \$2 billion in support to Korean annual budgets, \$329 million in technical assistance grants, \$482 million in development loans and \$1.4 billion in food supplies under the PL480 program.

From 1945 to the end of the Korean War, U.S.

assistance was essential to the survival of the Republic. The import of American food grains helped in the critical task of feeding the Korean people. Following the war, it prevented economic deterioration and more positively, promoted a modest rate of economic growth over the next ten years. Possibly more important, when it came time for Korea to enter the world market as an exporting nation, it was able to do so with a very small foreign debt.

The American assistance program also contributed to a marked slowdown in inflation and to the rebuilding of South Korea's industries. From 1954 to 1957, industrial production rose by an annual 20 percent and GNP grew an average of 5.5 percent yearly. From 1957 to 1961, growth rates, in general, declined. This has been attributed mainly to the gradual reduction in U.S. grant aid and the phasing down of the post war relief and rehabilitation effort.

At this point, the great significance of purely Korean efforts in the management of the nation's economy becomes evident. Despite widespread political turmoil, the first Korean Five-Year Economic Development Plan was implemented in 1961. It has been followed by four others.

It is difficult to summarize the detailed provisions of these economic plans but it is accurate to say that Korea's planners set their sights on the goal of breaking the country out of the past vicious cycle of poverty and building a self-sustaining economy. This meant transforming a resource-poor, largely agricultural country into a major exporting nation. Exports, in other words, were to be the engine of growth.

A number of causes underly the phenomenal growth in trade and economic relationships between Korea and the U.S. Some of them are highly technical; others are more a question of economic philosophy or orientation. Others have to do with pure economic reality. It is probably very important that Korea's first five-year plan made a conscious choice of free enterprise as the economic system which the country would adopt and pursue. This undoubtedly created a degree of compatibility with the American system. Korea's planners also recognized very early that the nation's rate of growth would depend heavily on the economic health of its major markets and suppli-

ers, Japan and America. They also faced squarely the fact that a continuing inflow of capital would be needed, again from the United States and Japan. Thus the vital economic links between Korea and America were forged early.

The success of Korea's export drive is now apparent. From 1962 to 1982, exports increased from \$44 million to over \$22 billion, an average annual growth of 34 percent. The importance of the American connection is vividly illustrated by the fact that total trade between Korea and the United States rose to \$12 billion in 1982, a fifty-fold increase in the span of 20 years. Other types of American economic activity in Korea have also increased. Since 1962, the cumulative total of U.S. investment has risen to \$418 million in 154 ventures. The U.S. accounts for 29 percent of total foreign investment in Korea. Korea has now commenced direct investment in the United States: a coal mine in Pennsylvania and a TV/electronics plant in Alabama—with more to follow. As of 1982, a total of 29 American banks had opened branch offices in Seoul while 24 Korean banks had begun U.S. op-

erations. The benefits, however, are even broader. Korea is one of the largest purchasers of U.S. agricultural commodities in the world, thus contributing heavily to the positive side of the U.S. balance of payments. It is also the second largest customer for United States exports in East Asia.

The economic relationship has not been without problems. Korea has been the third largest user of the American "generalized system of preferences" which encourages the duty-free entry of goods from developing countries into the United States. Korea has also subjected itself, after normal negotiation procedures, to several "orderly marketing agreements" which are designed to prevent too rapid an increase of foreign exports to the United States. Korean planners and businessmen are also concerned at protectionist sentiment in the United States.

Nevertheless, an amicable balance has been struck between Korean export requirements and the need to preserve American jobs. It appears that the present mature and restrained approach to these problems will continue in the future.

CHRONOLOGY

1834

May 13 Edmund Roberts, who had travelled in East Asia as a special agent for the United States, reported to the U.S. Secretary of State that opening trade with Japan might lead to trade with Korea. This is the earliest recorded expression of American interest in Korea.

1866

August 20 The *General Sherman*, an American merchant schooner seeking to open up trade with Korea, dropped anchor off P'yōngyang. Korean authorities twice sailed toward the vessel, but were frightened off by warning shots fired from the ship. A few days later the *General Sherman* ran aground and the Koreans burned it on September 15.

1871

May 19 A five-ship naval expedition from the American Asiatic Fleet under the joint command of Rear Admiral John Rodgers and the American Minister to China, Frederick Low, undertook a punitive expedition. A few days later the fleet anchored off Kanghwado Island and landed a contingent of troops which clashed with the Korean defenders, killing and wounding more than 300. The U.S. force also destroyed five forts. This incident is known as the *Shinmi Yangyo* or the 1871 American Incursion.

June 10 The fleet withdrew and sailed back to China, reporting that action was taken to "punish the natives" for the *General Sherman* attack.

1882

May 22 The United States officially established diplomatic relations with Korea when Commodore Robert W. Shufeldt negotiated and signed the Treaty of Peace, Amity, Commerce and Navigation at Chemulp'o. The Shufeldt Treaty, ratified one year later, contained an extraterritorial article and established diplomatic and trade relations.

1883

May 20 Lucius H. Foote, the first Minister of the United States to Korea, presented his credentials to King Kojong.

1888

January 17 Pak Chong Yang presented his credentials as the first resident Korean Ambassador to the United States.

1905

November 24 U.S. Secretary of War, William H. Taft and Japanese Prime Minister, Taro Katsura, signed the Taft-Katsura Memorandum in Tokyo, under which the United States agreed to recognize Japanese sovereignty over Korea in exchange for Japan's promise not to interfere in the Philippines. The next day the U.S. announced the withdrawal of its mission from Korea.

November 28 The U.S. legation in Seoul closed.

December 16 The Korean legation in Washington closed.

1910

August 29 Japan forcibly annexed the Korean peninsula putting Korea under colonial rule which lasted for 35 years.

1919

March 1 Encouraged by the doctrine of self-determination formulated by President Woodrow Wilson at the end of World War I, Koreans staged an unarmed revolt against the Japanese. The Samil (March 1) Independence Movement was brutally suppressed by Japanese forces.

1943

December 1 The Cairo Declaration was issued stating that the United States, China and Russia, "mindful of the enslavement of the people of Korea, are determined that in due course Korea shall become free and independent."

1945

July 26 The Potsdam Proclamation was issued stating that the "terms of the Cairo Declaration shall be carried out," but omitted any time requirements.

August 15 Korea was liberated from Japanese colonial rule when Japan surrendered.

September 7 A U.S. military government was established for South Korea.

September 8 United States occupation troops entered Korea; Soviet forces had entered the North a few weeks earlier.

December 27 Foreign ministers of the U.S., Britain and the Soviet Union, "with a view to the re-establishment of Korea as an independent state," agreed to establish a joint (U.S.-USSR) commission in Korea.

1946

March 20 The Joint Commission held its first meeting in Seoul.

1947

May 21 The Joint Commission reconvened in Seoul.

July 2 The Joint Commission reached an impasse.

November 14 The U.N. General Assembly adopted a U.S.-proposed resolution establishing a nine-nation U.N. temporary commission on Korea to assist in expediting fair elections for an independent Korea.

1948

January 12 The U.N. Temporary Commission on Korea held its first meeting in Seoul after the Soviets barred their entry to the North.

May 10 In South Korea, National Assembly elections were conducted with observer teams of the U.N. Temporary Commission on Korea overseeing the balloting.

August 15 The Republic of Korea government was formally inaugurated, the U.S. military government in South Korea was terminated, and the transfer of authority began.

August 26 An American diplomatic mission to Korea was established under the direction of John J. Muccio, special representative of President Truman to Korea with the rank of ambassador.

1949

January 1 The U.S. extended *de jure* recognition to the Republic of Korea government.

- February 6 The new U.N. Commission on Korea assumed its duties in Seoul.
- 1950**
- January 26 The Korea-U.S. Mutual Defense Agreement was signed and put into effect.
- June 25 North Korean armed forces launched a full-scale surprise invasion against the Republic of Korea. U.S. President Truman authorized the U.S. Commander in the Far East to furnish military supplies to the Republic of Korea.
- July 8 President Truman, in response to the July 7 UN Security Council resolution, named General Douglas MacArthur commander of all U.N. forces in Korea.
- September 15 Combined Korean and U.S. army and marine forces, led by General MacArthur, landed at Inch'ön.
- November 5 The U.N. Command in Korea reported that "in certain areas of Korea, the U.N. forces are meeting a new foe, Chinese Communist military units."
- December 1 The U.N. General Assembly, by a vote of 51-0-5, adopted a resolution establishing the U.N. Korean Reconstruction Agency to conduct a program of relief and rehabilitation in Korea.
- December 14 The U.N. General Assembly, by a vote of 52-5-1, adopted a resolution to establish a group "to determine the basis on which a satisfactory cease-fire in Korea can be arranged."
- 1951**
- April 11 President Truman relieved General Douglas MacArthur of his Far East Command and appointed Lieutenant General Matthew B. Ridgeway.
- July 10-11 A U.N. Command delegation headed by Vice Admiral C. Turner Joy met twice at Kaesöng with a Communist delegation led by Lieutenant General Nam Il to discuss a cease-fire.
- October 25 Armistice negotiations in Korea were resumed at a new conference site near P'anmunjöm.
- 1953**
- July 27 The Armistice Agreement was signed at P'anmunjöm.
- October The Korea-U.S. Mutual Defense Treaty was signed in Washington.
- 1960**
- April 26 President Syngman Rhee resigned following the April 19 student uprising, and Foreign Minister Huh Chong became head of a caretaker government.
- 1961**
- February 8 Korea and the United States concluded agreements with respect to U.S. economic, technical and related assistance to Korea, superseding previous economic aid agreements.
- November 13-17 General Park Chung Hee, who succeeded in the May 16 military revolution, visited Washington D.C. at the invitation of President John F. Kennedy and discussed plans to transfer power to a civilian government.

1963

November 26 Korean President-elect Park Chung Hee met with President Lyndon B. Johnson following funeral services for the assassinated President Kennedy. Johnson assured Park of continued U.S. military and economic support for Korea.

December 17 Park Chung Hee was sworn in as Chief Executive of the new civilian government.

1965

January 8 Korea decided at the request of the United States and South Vietnamese governments to dispatch 2,000 noncombat troops to South Vietnam.

May 16-27 President Johnson invited President Park to the U.S. Johnson asked Park to send more Republic of Korea troops to South Vietnam.

1966

January 1-2 Vice-President Hubert Humphrey visited Korea to ask Korea's continued military assistance to South Vietnam.

October 31 President Johnson visited Korea for summit talks with President Park and thanked Korea for its military support in Vietnam.

1968

April 18 President Park held two rounds of talks with President Johnson in Honolulu.

May 28 The first Korea-U.S. defense ministers meeting was held in Washington, D.C.

December 23 North Korea, released the captain and crew of the *Pueblo* at P'anmunjöm after forcing an "apology" from the U.S.

1969

August 20 President Park left for the United States to hold talks with President Richard M. Nixon in San Francisco.

1970

July 6 Secretary of State Rogers proposed the initiation of consultations on U.S. troop reduction in Korea with the Seoul government.

1971

March 27 The 7th U.S. Infantry Division left Korea.

July 12 The first session of the two-day Korea-U.S. Security Consultative Meeting (SCM) was held in Honolulu.

November 22 President Gerald Ford arrived in Seoul for talks with President Park Chung Hee.

1975

February 22 U.N. Command, U.S. Forces Korea and the Eighth U.S. Army operationally combined under a single command.

1976

August 18 Two U.S. Army officers were brutally hacked to death in an unprovoked attack by some 30 axe-wielding North Korean Communist guards in the Joint Security Area of P'anmunjöm.

1977

March 9 President Jimmy Carter announced that U.S. ground combat forces would be gradually pulled out of South Korea.

March 19 President Carter recalled Major General John Singlaub, Chief of Staff, U.S. Forces Korea, who had voiced objection to Carter's plan to phase out U.S. troops from Korea. Singlaub was relieved of his Seoul post on May 21.

1978

November 6 Secretary of Defense Brown arrived in Seoul for a three-day visit to discuss the security issue and to attend the activation ceremony of the Korea-U.S. Combined Forces Command (CFC). The CFC was formally activated on the following day.

1979

June 29 President Carter arrived in Seoul for a three-day state visit at the invitation of President Park.

October 26 President Park was assassinated. A powerful American naval task force moved into the Korean strait to counter any possible North Korean plans to exploit the death of President Park. At the same time, the United States dispatched two AWACS aircraft to Korea.

1980

September 1 Chun Doo Hwan was inaugurated as the Republic of Korea's new President.

1981

January 28 President Chun left for the United States at the invitation of President Ronald Reagan.

February 2 President Chun and President Reagan held summit talks at the White House.

April 28 The 13th session of the Korea-U.S. Security Consultative Meeting (SCM) was held in San Francisco. A Korea-U.S. economic consultative meeting was conducted in Seoul to expand trade and economic cooperation between the two nations.

1982

January 25-27 The Korea-America Cultural Exchange Committee held its first meeting in Washington to discuss ways to facilitate cultural exchange between the two nations.

April 26 Vice-President George Bush visited Seoul and made a centennial commemoration speech before the Republic of Korea National Assembly.

May 22 The Centennial of ROK-US diplomatic relations.

KOREAN CONTACTS

The following organizations are involved in Korean-American Affairs:

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BUSINESS/COMMERCIAL

Korea-US Economic Council

Address: 10-1, 2-ka, Hoehyöndong,
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Chairman: Dr. Nam Duck Woo

American Chamber of Commerce in Korea

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KOREA

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U.S. Embassy

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USIS

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Information Officer: 266-2601/19
(Ext. 4389)

STATISTICS

Classification	Unit	1962 ¹	1982	1983 (Projected)
GNP	\$bil.	2,315	65,987	68,700
% Growth GNP	%	2.2	5.4	7.5
Per capita GNP	\$	87	1,678	1,720
Exports	\$ mil.	56.7	21,853	23,500
Imports	\$ mil.	390.0	24,251	25,500
External debt	\$ mil.	89	37,200	
Debt service ratio	%	0.7	15.5	
Labor force	1,000 persons	7,662	14,424	
Agricultural	1,000 persons	4,837	4,623	
Industrial	1,000 Persons	667	3,157	
Service	1,000 persons	2,158	6,644	
Population	1,000 persons	26,513	39,331	
Rural	1,000 persons	15,097	9,688	
Urban	1,000 persons	11,416	29,643	
Women/Men	%	49.76/50.24	49.54/50.46	
Birth rate	%	2.86	1.57	
Religions				
Catholics	Followers	451,808	1,439,778	
Protestants	Followers	623,072	7,637,010	
Buddhists	Followers	6,832,546	11,130,252	
Confucianists	Followers	-	5,201,189	
Other	Followers	1,587,756	4,364,323	
Tourists	Foreign Visitors	22,061	1,145,044	
No. of homes with T.V.s		34,744	7,119,252	

1 1962 is chosen as a base year to provide a 20-year comparison

Comparison of Army Strength

Classification	South Korea	North Korea
Regular Forces	1 Mechanized Div. 20 Infantry Divs. 3 Airborne Divs. 2 AA Artillery Bdes. 2 SSM Bns. 2 SAM Bns. 1 Army Aviation Bdes.	2 Armored Divs. 3 Motorized Divs. 35 Infantry Divs. 5 Armored Bdes. 4 Infantry Bdes. 2 Independent TK Regts. 5 Independent Inf. Regts. 250 Artillery Bns. 80 Rocket Bns. 2 SSM Bns. 12 SAM Bns. 5 River Crossing Regts. 20 Bdes. (incl. 3 Amph.cdo.) Some AB Element.
Special Forces	2 Bdes.	
Tanks	1,000	2,825
Armored Personnel Carriers	850	1,140
Guns/Howitzers	2,104	4,100
Mortars	5,300	11,000
Multiple Rocket Launchers	Some	2,000
Anti-Tank Guided Weapons	TOW	AT-3 Sagger
Anti-Aircraft Guns	106 (Vulcan, 40mm)	8,000 (23mm ZSU-57)
Helicopters	230	
SAM	180 (Hawk, Nike Hercules)	250 (SA-2)
SSM	12 (Honest John)	54 (FROG-5/7)

Source: The Military Balance 1982-1983. International Institute for Strategic Studies (IISS)

Comparison of Air Force Strength

Classification	South Korea	North Korea
Combat Aircraft	434	700
Bombers	—	3 Sqns. 70 IL-28
Fighters Ground- Attack	18 Sqns. 250 F-5A/B/E 70 F-8bF	13 Sqns. 20 su-7 290 MIG-15/-17 72 MIG-19
Interceptors	3 Sqns. 60 F-4D/E	12 Sqns. 120 MIG-21 120 MIG-19
Counter-Insurgency	1 Sqns. 24 OV-10G A-37	— — —
Reconnaissance	1 Sqns. 10 RF-5A	— —
Anti-Submarine Warfare	2 Sqns. 20 S-2A/F 10 500 MD hel.	— — —
Helicopters	Search and Rescue 26 UH-1B/H-19	20 Mi-4 20 Mi-8
Transport	38 C-54-123-130	230 An-2-24, 24, Tu-154
AAM	Sidewinder, Sparrow	AA-2 Atoll

Source: The Military Balance 1982-1983, IISS

Comparison of Navy Strength

Classification	South Korea	North Korea
Submarines	—	19
Destroyers	18	—
Frigates	7	4
Corvettes	3	—
Large Patrol Craft	8	33
Fast Attack Craft (Missile)	8	18
Fast Attack Craft (Gun)	—	151
Fast Attack Craft (Torpedo)	—	180
Coastal Patrol Craft	28	30
Landing Craft	28	99
Minesweepers	9	—

Source: The Military Balance 1982-1983, IISS

The Korean economy is of the free enterprise type. Although it has been, to a certain extent, subject to government direction through a series of five-year plans, the latest plan, the fifth, makes a conscious break with the Korean economic past. It has adopted planning measures which call upon market forces for the allocation of resources and stimulate free competition.

Being poor in natural resources, the chief engine of growth for the Korean economy has been, and will continue to be, a vigorous exporting effort. However, in 1982, a "second engine of growth" appeared in the form of investment in social overhead and housing.

Korean economic planning is highly flexible and adaptive to the economic environment in which Korea finds itself at any given time. Thus, lagging exports in 1982 fell behind domestic spending as the chief source of growth for the GNP. Flexibility and rapid adaptation to changing conditions will continue to be a hallmark of Korean planning as will a greater dependence on market forces.

Like most nations of the world, Korea suffered severely from the 1973 "oil shock" and the resulting world price inflation and economic stagnation. Recession conditions in those countries which were its chief trading partners, especially Japan and the United States, contributed to "stagflation" conditions in Korea as well.

With the nascent recovery of these markets from the recession, Korean economic indicators are rebounding on all fronts too. The Gross National Product which shrank by a real 6.2 percent in 1980, grew 6 percent in 1982 and is projected at 7-8 percent in 1983. Exports are also on the rise.

Korea's performance in controlling inflation is now one of the most outstanding in the world. Measured in wholesale prices, the Korean rate of

inflation soared to 40 percent in 1980. It now stands at less than 1 percent.

The growth requirements for Korea are made clear by the fact that the Korean labor force will increase at a rate of about 3 percent per year over the next ten years. This means that a half a million new workers will need jobs. It is estimated that to create these jobs, the GNP must grow by at least 5-6 percent annually.

Unlike other developing countries, Korea must also maintain a high rate of growth to offset heavy expenditures on defense. Faced with a hostile adversary in North Korea, the South spends a third of its annual budget on defense. Military and military-related items account for 6 percent of GNP, equal to that of the United States.

The Fifth Five-Year Economic and Social Development Plan, now in its second year of implementation, has established three broad objectives: continued high growth, inflation control and improvement in income distribution. This plan is scheduled for revision in December of 1983 since economic conditions have changed more markedly than originally expected and because the Korean performance in several key areas has surpassed earlier expectations.

The fifth plan also calls for several reforms aimed chiefly at freeing market forces and improving competition. Among other things, cartels and other monopolistic arrangements have been severely curbed; the Korean government is turning over the banking industry to private enterprise and eliminating the formerly dominant government role; tax preferences have been eliminated, especially those which formerly favored so-called strategic industries thus increasing competition; and special emphasis has been placed on agriculture to bring about development which will parallel that of industry.

The Korean government and business community also lay heavy emphasis on free trade. As of July of 1983, the liberalization ratio of Korean imports stood at 80 percent. It will reach 90 percent in 1986, the end of the current five-year plan. This is the same level of advanced industrial nations.

New incentives have also been put in place to encourage foreign investment in Korea. The new policy allows a maximum equity share of 100 percent in many industries while still maintaining existing tax incentives and other privileges extended to foreign investors.

NORTH KOREA

In the words of the U.S. Department of State's human rights report for 1982, "... North Korea's society is one of the most highly regimented in the world today." Although the constitution of the Democratic People's Republic of Korea (DPRK) appears to guarantee most of the political, civil, and human rights which are protected by other democratic states, the reality is far different. Based on the State Department human rights survey and more recent evidence from North Korean defectors, it is clear that the people of North Korea are constantly subject to cruel, inhuman or degrading treatment or punishment; arbitrary arrest and imprisonment; the denial of a fair trial; continuing regimentation and indoctrination; terror, coercion and surveillance; restrictions on freedom of speech and press; and severe restrictions on social mobility and freedom of movement.

The government is controlled completely by the Korean Workers' (Communist) party which, in turn, is under the complete control of Kim Il-sung and his family. Kim Il-sung is both President of the DPRK and General Secretary of the Korean Workers' Party. The party itself has failed to evolve since Kim Il-sung was placed in power by Joseph Stalin. It is in the grip of a primitive "cult of personality" which dictates an idolatry of Kim Il-sung bordering "on the pathological," as one western newsman has described it.

The evidence strongly suggests that Kim Il-sung, having observed the denigration of Mao Tse-tung and a series of Russian leaders after their deaths, has determined that this will not be his fate too. He has taken steps to insure that his son, Kim Chong-il, will succeed him. This "uncommunist" hereditary method for the transfer of power has caused embarrassment among Kim's Communist allies, including the USSR and Mainland China, although both countries have refrained from open criticism of the choice.

The North Korean population is something in excess of 18 million. The Gross National Product

stood at an estimated \$13.6 billion as of 1981. Estimated growth of GNP is 2 percent and the per capita share of GNP is \$750, one-third that of the South. Its main trading partners are the USSR, Mainland China and Japan.

North Korea's foreign indebtedness stands at \$2.6 billion which it faces great difficulty in repaying. North Korea, in fact, has become the first Communist country to default on its loans from free market countries.

It devotes over 20 percent of its GNP to military and military-related items which is thought to be one major reason for its abysmal economic performance. However, a rigid, centralized, bureaucratic, Soviet-type of economic direction has also contributed heavily to its economic failures. Food is still rationed in North Korea.

Religion is totally and brutally suppressed in the North. A number of officially sponsored religious "federations" exist and provide the façade for a claim of religious freedom. These organizations, however, are totally government-controlled and are utilized to achieve the domestic and foreign policy aims of the state.

Since February of this year, Kim Il-sung has kept the country on a semi-war alert. This was ostensibly to guard against attack from the South during joint military exercises which were begun at that time between Korea and the United States. North Korea was invited to send observers to these exercises as a tension-reducing measure. The North refused.

This alert, plus continued violations of the Armistice Agreement of 1953, and other bellicose actions against South Korea have served to keep tensions high on the peninsula. These tensions are made even more severe by the fact that the North enjoys a two-to-one advantage over the South in many military categories and has, over the past ten years, strengthened its military markedly. Northern military units are also deployed in an offensive, rather than defensive, manner.

KOREA'S SECURITY PROBLEM

The fundamental security problem of Korea is the existence in the North of a bellicose, well-armed adversary which has failed to disavow its aim of uniting the peninsula under Communism, by force if necessary. North Korean bellicosity takes many forms, the most serious of which are the recent bombing and assassination of a delegation accompanying President Chun to Burma and continued violations of the 1953 Armistice Agreement. In addition to formal violations of the Armistice, the North has regularly sent armed agents into the South with the aim of fomenting unrest among the populace as well as subversion and sabotage.

The North also preys on peaceful Korean fishing vessels and has, on several occasions, kidnapped fishermen and held them for extended periods of time in the North attempting to indoctrinate them into anti-Seoul attitudes before releasing them. Many fishermen are still in captivity.

Thus, tensions on the peninsula are high. South Koreans live under the constant threat of a renewed attack from the North. As a result, the Republic of Korea devotes over a third of its annual budget to defense and 6 percent of its Gross National Product takes the form of military or military-related items. All Korean males are subject to a military draft and must serve a prescribed length of time in reserve units after their active service.

The Korean security problem is not restricted to the peninsula alone. It displays clear international features. Should hostilities break out again in Korea, it is quite clear that neither side would be capable of waging a prolonged war. Each would approach its great power allies for assistance. Thus the conflict would almost immediately escalate and become internationalized. The threat to the peace of Northeast Asia and, by extension, to the rest of the world is evident.

Aside from this, the security question on the peninsula displays additional international overtones. Northeast Asia—with the Korean peninsula at its virtual center—is the place at which many vital interests of the major powers intersect.

The USSR's determination to prevent even

the most innocent intrusions into its Northeast Asian airspace has been demonstrated by its ruthless destruction of a Korean civil airliner with the loss of 269 lives. Much of its recent marked military and naval buildup, as well as missile development, has taken place in this region contributing to the increase in tensions. Mainland China is also highly sensitive about its military bases and activities in the area. The threat to Korea and Japan is quite clear, as is that to U.S. security interests.

Making the threat even more serious is the fact that North Korea is heavily armed and in some cases maintains a clear military edge over the South. During the last decade the North doubled the size of its army to 750,000. In the last three years, North Korea's infantry divisions have been converted to mechanized or motorized units; its towed artillery is being converted to self-propelled. A new tank—the T62—is now in the North Korean military inventory replacing the older T55 of 1950 vintage. Overall tank strength is about two and half times that of combined Korean-American armored resources in the South. The North has a two-to-one advantage in armored personnel carriers and artillery and a three-to-one edge in the number of pieces and their range, including rocket artillery. A North Korean command force of 100,000 is in a high state of training aimed at providing the North with a capability for massive infiltration and deep strikes within the South. The North enjoys a two-to-one numerical advantage over the southern and American air forces combined. Its airlift capability is also high.

The United Nations Command, which is responsible for the administration of the Armistice Agreement in the South, has, on many occasions, attempted to reduce tensions on the peninsula. Most recently it invited the North to send observers to joint military exercises carried out by Korean and American forces. The North has consistently refused to take advantage of this offer and continues to violate the Armistice Agreement.

It still enjoys diplomatic and military support from its major allies, the USSR and Mainland Chi-

na with whom it is linked by security treaties. While the North appears at times to attempt to play the USSR off against Mainland China, there has been little evident diminution of support for the North from these allies.

Thus tensions remain high in Northeast Asia and the combined threat to Korean and world security remains very real.

Official relations between Korea and the United States opened on May 22, 1882 with the signing of a Treaty of Peace, Amity, Commerce and Navigation. Until that time, Korea had been an independent kingdom in a tributary relationship with the Chinese Empire. The treaty, which marked the opening to the West, also signalled the end of Korea's preferred status as an isolationist nation, the so-called Hermit Kingdom.

The earliest contacts between Americans and Koreans came almost immediately after the signing of the treaty when American educators and medical missionaries journeyed to Korea in significant numbers and entered into the process of modernizing the Kingdom. American businessmen also arrived. Many took part in the process of laying down the first modern infrastructure of the country in the form of railroads, electric generating plants and other key enterprises.

American official interest in Korea was, however, overshadowed by U.S. concern with the rising power of Japan, especially as a naval presence in the Pacific. Japanese designs upon Korea had been of long standing and when Japan formally annexed Korea as a colony in 1910 the United States raised no objection since its major objective was to secure the Philippines as its chief Asiatic outpost with the concurrence of the Japanese.

U.S.-Korean trade which had initially been fairly significant fell off markedly. The American diplomatic presence in Korea had already been ended in deference to Japanese desires and contact between the two countries was largely carried on by the American Christian missions in Korea which, in addition to their church work, continued their medical and educational activities.

Many of these early Americans in Korea also gave support and encouragement to Koreans who were determined to regain Korea's independence and freedom from Japan. Many also encouraged Koreans who were dedicated to the establishment of a modern democracy on the peninsula.

During World War II, with the United Nations determined to bring about the defeat of Japan and the break-up of its empire, the question of Korean independence arose. The Cairo Conference of 1943, addressing the Korean question, formally declared that, following the Japanese defeat, Korea should be independent "in due course."

At the Yalta and Potsdam meetings in 1945, more detailed planning for the post-war future of Korea took place and it was agreed that there should be two separate Soviet and U.S. occupation zones on the peninsula to make it possible to accept the Japanese surrender, disarm Japanese troops, and evacuate them to Japan. For a variety of reasons, these two temporary occupation zones became permanent and in 1948, after an election sponsored by the United Nations, the Republic of Korea was established and the U.S. occupation was terminated. In the North, the Soviets refused to countenance elections and the Communist North Korean regime came into being with its leader, Kim Il Sung, installed by Stalin.

The Truman administration reached the decision that Korea was indefensible and very likely to collapse because of serious internal divisions, political unrest and economic difficulties. With the withdrawal of U.S. troops completed in 1949, the Americans left behind only a lightly-armed Korean constabulary and a small post-war relief and arms assistance program.

The North Korean Communist regime attacked South Korea in 1950. The Truman administration saw this invasion as not only a threat to South Korea but to Japan as well—and the possible harbinger of a general Soviet advance into non-Communist Asia. American policy was reversed. The United States led the way in the formation of a United Nations military force to repulse the invasion and after three years of bloody fighting, the war ended in an armistice in 1953.

The United States also entered into a treaty of mutual defense with Korea three months after the armistice and re-stationed American military forces on the peninsula. The American government additionally entered into a program of economic and military aid to the Republic of Korea which was successful in assisting Korea to engage in rapid economic development culminating, after 30 years of effort, in Korea's emergence as a major economic power in Asia.

The question of a continuing U.S. troop presence in Korea once again became an item of domestic American political debate, especially against the backdrop of U.S. difficulties in Vietnam. The Nixon Doctrine reflected a general American unwillingness to commit American

combat forces to Asia or to station troops there. In the event of hostilities involving its Asian allies, the doctrine stated, the U.S. would adhere to its treaty commitments but mainly with naval and air power. Ground combat would be the responsibility of its allies. Military assistance to modernize the Korean armed forces would be stepped up. The U.S. withdrew the 7th Division from Korea in March of 1971.

The Carter administration, partly out of dissatisfaction with the human rights policies of President Park Chung Hee, announced its intention of withdrawing the remaining American division in Korea, the Second. This decision was later held in abeyance after a reassessment of North Korean military strength by U.S. intelligence agencies gave evidence of a greater military threat to the South than had previously been realized.

Very early in the Reagan administration, the President, during a summit meeting with President Chun Doo Hwan in 1981, announced that there were no plans for a reduction of U.S. combat ground forces in Korea. Under the Reagan administration, U.S.-Korean military security cooperation has been generally enhanced and the relationship has broadened into the cultural field.

Economic and trade relations between the two countries have grown steadily over the years to the point where Korea is now the 7th or 8th largest trading partner of the U.S. The U.S. has also supported President Chun Doo Hwan's initiatives toward peaceful reunification of the peninsula and the calling of a summit conference of the nations of the Pacific Basin to advance economic cooperation in the Pacific area.

The Fifth Republic of Korea came into being on March 3, 1981 after a period of prolonged and sometimes violent domestic unrest. The question uppermost in most Korean minds at that time was how the new administration of President Chun Doo Hwan would move to deal with the divisions and antagonisms which had surfaced in the country.

The answer was not long in coming, for in one of his first public utterances as the new Chief Executive, President Chun announced that the "national nightmare" was over. This signalled the initiation of a domestic policy based on three principles—reconciliation, liberalization and reform.

In a little over a year and a half, President Chun established and extended the new spirit of national reconciliation by a series of sweeping amnesties which have freed or reduced the sentences of the vast majority of those imprisoned as a result of the unrest. This binding up of the nation's wounds has also taken economic form in increased investment in disaffected areas, and more government spending on schools and social overhead projects in the provinces which had lagged behind the general national advance.

The liberalizing drive of the Chun administration can be seen most vividly in new legislation. The Korean Constitution has been revised, strengthening the protection of Korean human rights, curbing excesses by the police in the form of forced confessions, establishing firmer guarantees of freedom of press, assembly and speech, and improving the conditions of Korean workers.

Probably the most striking constitutional change, however, was the amendment guaranteeing the orderly transfer of presidential power. The Korean president is now limited to one seven-year term and is expressly forbidden by the Constitution from succeeding himself. President Chun has made it clear that he feels the prolonged incumbency of his predecessors was a significant cause of domestic unrest in the past. He has several times reiterated his intention to abide by the Constitution and step down at the completion of his term.

A new law governing the make-up and function of the National Assembly, Korea's legislature, has resulted in a less confrontational style in Korean politics and, through a multiple party system, reduced the old polarization of the Assembly into two obdurate partisan political camps.

The recent report on human rights issued by the Department of State takes note of Korean improvements in curbing police excesses and the greater protection of prisoners' rights. The nightly curfew has been lifted, Koreans have been granted greater freedom to travel abroad and the strict dress code for Korea school children has been relaxed.

The Chun administration's efforts at reform have taken several directions. A very real effort has been made to control the formerly rampant use of money in Korean political activities through limits on campaign fund raising. Civil servants are under strict orders to meet the needs of the public and refrain from seeking bribes for their services. Strong penalties are imposed for infractions, and citizen polls indicate that Koreans see and appreciate the changes wrought in civil servants' attitudes.

In foreign affairs, Korean diplomacy has moved in two major directions simultaneously. First, it has consolidated the country's existing relationships with long-time allies, especially the United States. President Chun visited President Reagan for a series of summit conferences in 1981 which resulted in a reaffirmation of the United States commitment to Korean security and the declaration by President Reagan that there are no plans for a reduction in the United States troop presence in Korea.

A series of military and economic joint consultations, held in abeyance under the previous administration has been resumed. There were also agreements on U.S. assistance to Korean defense industries, enhanced trade and commerce, increased cultural exchange and continuing consultations between Korea and the United States on security matters and other issues intimately affecting the two parties.

The second major thrust of Fifth Republic diplomacy has been a policy of outreach to other nations of the world. In strictest historical terms, this is the continuation of a basic Korean decision made in 1973 to welcome relations with all nations, regardless of ideology, as long as strict reciprocity is observed.

In an effort to diversify its markets, and sources of supply as well as to share its experiences in thirty years of highly successful economic development, Korea has already moved toward closer ties with Asia and the Third World. President Chun's visit to the ASEAN countries in 1981 and

his trip to Africa and Canada in 1982 are both examples of the Korean policy of outreach.

A major highlight in the history of Korean foreign relations was the visit to Seoul by Japanese Prime Minister Nakasone in January of 1983 before his departure for the United States. Like President Chun's visit to Washington, this signalled the end of a period of strain between the two countries created, among other things, by the question of future Japanese economic relations with Korea and the highly controversial textbook issue. The new, easier relationship between Seoul and Tokyo has been warmly welcomed in Washington.

President Chun has proposed a meeting of the leaders of the Pacific Basin nations to set the stage for greater cooperative efforts in this dynamic new area. This initiative has won wide endorsement by Pacific Nations. Korea's foreign minister has also stated that the normalization of relations between Korea and the major Communist powers are foreign policy goals for Korea in the 1980's.

President Chun has proposed a meeting between himself and North Korea's Kim Il-sung at any time, and without conditions, to open a dialogue on the peaceful unification of the peninsula. He has also proposed that work begin immediately on the drafting of a constitution for a unified Korea and the negotiation of a Provisional Agreement on Basic Relations between the South and North to govern the relationships between them while work on the constitution goes forward. The agreement would, among other things, preserve the existing political and social systems of each party to the negotiations as well as their international agreements and national security arrangements.

North Korea has so far refused these initiatives, but President Chun has stated several times that he intends to continue his efforts to win acceptance of them by the North. The United States and over 100 other nations have endorsed the President's approach.

Governor . 7.42
4/30

Doug Frengle:

Y. C. Chen reluctant to say Taiwan/China. Acceptable to use Province and that is what they will do.

Jay Lee, President, United Industries will represent Jack Burns on the Korean portion of the trip.

Final briefing for trade mission Monday. Jack Burns who chairs the Oregon Korea Committee would like an opportunity to have meeting with Governor before trip. Frengle is going to have him attend the briefing



COORDINATION COUNCIL FOR NORTH AMERICAN AFFAIRS

OFFICE IN SEATTLE

24TH FLOOR, WESTIN BUILDING
2001 SIXTH AVENUE
SEATTLE, WASHINGTON 98121

TEL. (206) 682-4586 OR 682-4967

April 26, 1984

Ms. Gerry Thompson
Executive Assistant
to the Governor
State Capitol
Salem, Oregon 97310

Dear Ms. Thompson:

Further to our telephone conversation this morning, I am enclosing herewith copies of Resolutions respectively passed by the Legislatures of the state of South Dakota and the state of Wyoming, which are self-explanatory.

Please convey my best wishes to Governor Atiyeh and his party for having a pleasant trip to Free China.

Sincerely Yours,

Y. C. Chen
Director

HOUSE CONCURRENT RESOLUTION NO. 1003

A CONCURRENT RESOLUTION, Adopting Taiwan-Republic of China as a sister state.

WHEREAS, Taiwan-Republic of China is of great strategic importance in the defense of East Asia and the Pacific; and

WHEREAS, the people of Taiwan-Republic of China are and have been among the most trusted friends of the people of the United States; and

WHEREAS, the commercial, cultural and other nongovernmental relations between the American people and Taiwan-Republic of China are now and have always been excellent and mutually beneficial; and

WHEREAS, the people of South Dakota wish to conduct and carry out numerous economic and cultural programs, transactions and other relations with the people of Taiwan-Republic of China; and

WHEREAS, the products of South Dakota agriculture and manufacturing are continually essential for maintaining the trade patterns which are developing between the United States and Taiwan-Republic of China; and

WHEREAS, the Legislature has strong reason to believe that it is the will and pleasure of the people of this state that Taiwan-Republic of China be adopted as a sister state:

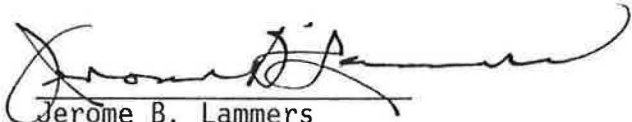
NOW, THEREFORE, BE IT RESOLVED, by the House of Representatives of the Fifty-ninth Legislature of the state of South Dakota, the Senate concurring therein, that Taiwan-Republic of China is hereby adopted as South Dakota's sister state;


BE IT FURTHER RESOLVED, that the Chief Clerk of the House of Representatives of the state of South Dakota shall forward a copy of this Resolution to the President of the United States of America, to the President of the United States Senate, to the Speaker of the House of Representatives of the United States, to the Chief Executive Officer


of the government of Taiwan-Republic of China, to the Speaker of the Provincial Legislature of Taiwan-Republic of China and to the Governor of the state of South Dakota.

Adopted by the House of Representatives,
Concurred in by the Senate,

January 23, 1984
February 15, 1984


Jerome B. Lammers
Speaker of the House


Paul Inman
Chief Clerk of the House


Lowell C. Hansen II
President of the Senate


Joyce Hazeltine
Secretary of the Senate



ORIGINAL HOUSE
JOINT RESOLUTION
NO. 0003

ENROLLED JOINT RESOLUTION NO. 1, HOUSE OF REPRESENTATIVES

FORTY-SEVENTH LEGISLATURE OF THE STATE OF WYOMING
1984 BUDGET SESSION

A JOINT RESOLUTION relating to the Republic of China; and adopting the Province of Taiwan as a sister state.

WHEREAS, the Province of Taiwan is of great strategic importance in the defense of East Asia and the Pacific; and

WHEREAS, the people of Taiwan are and have been among the most trusted friends of the people of the United States; and

WHEREAS, the commercial, cultural and other nongovernmental relations between the American people and Taiwan are now and have always been excellent and mutually beneficial; and

WHEREAS, the people of Wyoming wish to conduct and carry out numerous economic and cultural programs, transactions and other relations with the people of Taiwan; and

WHEREAS, Wyoming products are continually essential for maintaining the trade patterns which are developing between the United States and Taiwan; and

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Legislatur

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