



**REPORT
OF THE
UNITED NATIONS COMMISSION
FOR THE
UNIFICATION AND REHABILITATION
OF KOREA**

GENERAL ASSEMBLY

OFFICIAL RECORDS : TWENTY-FIFTH SESSION

SUPPLEMENT No. 26 (A/8026)

UNITED NATIONS

**REPORT
OF THE
UNITED NATIONS COMMISSION
FOR THE
UNIFICATION AND REHABILITATION
OF KOREA**

GENERAL ASSEMBLY

OFFICIAL RECORDS : TWENTY-FIFTH SESSION

SUPPLEMENT No. 26 (A/8026)



**UNITED NATIONS
New York, 1970**

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
LETTER OF TRANSMITTAL		v
INTRODUCTION		1
<u>Chapter</u>		
I. OBJECTIVES OF THE UNITED NATIONS IN KOREA, AND TERMS OF REFERENCE AND ACTIVITIES OF THE COMMISSION		
A. Objectives of the United Nations in Korea	1	2
B. Terms of reference and activities of the Commission	2 - 6	2
II. QUESTION OF UNIFICATION	7 - 17	3
III. REVIEW OF SECURITY PROBLEMS IN THE AREA		
A. General	18 - 21	6
B. Security problems in the Republic of Korea		
1. General review	22 - 24	6
2. Incidents in the Demilitarized Zone in violation of the Armistice Agreement	25	7
3. Infiltrations by sea in violation of the Armistice Agreement	26 - 27	8
4. Other incidents	28 - 30	9
5. Espionage activities	31 - 36	9
IV. POLITICAL DEVELOPMENTS AND EXTERNAL RELATIONS OF THE REPUBLIC OF KOREA		
A. Political developments		
1. General review	37	11
2. National referendum on the Constitutional Amendment Bill	38 - 44	11
3. National Assembly	45 - 50	12
4. Composition of the National Assembly	51	14
5. Formation of a new party	52	14
6. Cabinet reshuffle	53 - 54	14
B. External relations		
1. Statements on foreign policies	55 - 58	14
2. Diplomatic and consular relations	59 - 60	16
3. Treaties and agreements	61 - 62	16
4. Participation in international meetings and conferences	63 - 65	17
5. Exchange of visits between the leaders of the Republic of Korea and foreign dignitaries	66	17

CONTENTS (continued)

<u>Chapter</u>	<u>Paragraphs</u>	<u>Page</u>
V. ECONOMIC DEVELOPMENTS IN THE REPUBLIC OF KOREA		
A. Introduction	67 - 70	18
B. Rate of growth	71 - 73	18
C. Production trends	74 - 82	19
D. Stabilization measures	83 - 88	21
E. Price movements	89 - 90	22
F. Wages and employment	91 - 92	23
G. Foreign trade	93 - 98	23
H. External resources	99 - 103	24
VI. CONCLUDING OBSERVATIONS	104 - 107	26
ANNEX		29

LETTER OF TRANSMITTAL

Seoul, 13 August 1970

Excellency,

I have the honour to inform Your Excellency that the report of the United Nations Commission for the Unification and Rehabilitation of Korea covering the period from 7 September 1969 to 13 August 1970 was signed today and is being dispatched by air mail. It is submitted to you in accordance with paragraph 5 of General Assembly resolution 2466 (XXIII) of 20 December 1968 and paragraph 5 of General Assembly resolution 2516 (XXIV) of 25 November 1969. Should an item on the Korean question be included in the draft agenda of the twenty-fifth session of the General Assembly, I should appreciate your transmitting the report to the Assembly for its consideration.

(Signed) Benjamin T. TIRONA
Chairman

His Excellency
U Thant
Secretary-General
United Nations
New York

INTRODUCTION

The present report of the United Nations Commission for the Unification and Rehabilitation of Korea, covering the period from 7 September 1969 to 13 August 1970, is submitted to the Secretary-General in accordance with paragraph 5 of General Assembly resolution 2466 (XXIII) of 20 December 1968 and paragraph 5 of General Assembly resolution 2516 (XXIV) of 25 November 1969. It should be read in conjunction with the previous report to the General Assembly, dated 6 September 1969. 1/

1/ Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 29 (A/7629 and Corr.1).

CHAPTER I

OBJECTIVES OF THE UNITED NATIONS IN KOREA, AND TERMS OF REFERENCE AND ACTIVITIES OF THE COMMISSION

A. Objectives of the United Nations in Korea

1. The principal objectives of the United Nations in Korea are to bring about by peaceful means the establishment of a unified, independent and democratic Korea under a representative form of government, and the full restoration of international peace and security in the area. These objectives have been repeatedly affirmed by the General Assembly in a number of resolutions, the latest of which, resolution 2516 (XXIV), was adopted on 25 November 1969.

B. Terms of reference and activities of the Commission

2. By resolution 376 (V) of 7 October 1950, the General Assembly established the United Nations Commission for the Unification and Rehabilitation of Korea, consisting of Australia, Chile, the Netherlands, Pakistan, the Philippines, Thailand and Turkey.

3. In January 1956, the Commission established a Committee with authority to act on its behalf when the Commission was not in session, consisting of the representatives of Australia, the Philippines, Thailand and Turkey, who reside in Seoul. At its 583rd meeting on 19 December 1968, the Commission decided to include the alternate representative of the Netherlands, who resides in Seoul, on the Committee, and the alternate representative of Chile resident in Seoul was also included on the Committee on 11 December 1969.

4. The Commission was to assume the functions previously exercised by the United Nations Commission on Korea ^{2/} and to represent the United Nations in bringing about the establishment of a unified, independent and democratic government of all Korea.

5. Under General Assembly resolution 2516 (XXIV) of 25 November 1969, the Commission is requested: (a) to encourage the exercise of restraint and the easing of tensions in the area; (b) to pursue these and other efforts to achieve the objectives of the United Nations in Korea; (c) to continue to carry out the tasks previously assigned to it by the General Assembly; and (d) to keep members of the Assembly informed on the situation in the area and on the results of these efforts through regular reports submitted to the Secretary-General, and to the General Assembly as appropriate.

6. During the period under review, the Commission held three sessions - one in Tokyo, on 21 and 22 January 1970; the other two in Seoul, from 11 to 15 May and from 11 to 13 August 1970; its Committee held thirty meetings in Seoul. The Commission and the Committee each undertook one field trip.

^{2/} See General Assembly resolutions 195 (III) of 12 December 1948 and 293 (IV) of 21 October 1949.

CHAPTER II

QUESTION OF UNIFICATION

7. Since the submission of its last report to the General Assembly on 6 September 1969, 3/ the Commission has continued to pay close attention to the developments in connexion with the question of unification of Korea. It remains receptive to opinions and views expressed in this regard by government leaders and political parties.

8. The position of the Government of the Republic of Korea on the question of unification was set out in its memorandum to the Secretary-General dated 10 October 1969, which reiterated its position that "first, the Republic of Korea seeks unification of the country through peaceful means; secondly, it believes that the unification should be achieved through free elections held throughout Korea, representation to be in proportion to the indigenous population; thirdly, the Republic of Korea maintains that the United Nations should supervise and observe the national elections in order to guarantee the genuinely free and democratic character of the elections, and the United Nations forces should remain to prevent renewed aggression in Korea until the conditions for a lasting peace and security in the area are created". 4/

9. Numerous statements on the various aspects of the problem of unification were also made by leaders and officials of the Republic of Korea. At a press conference held on 9 January 1970, President Park Chung Hee stated that his country "should seek a positive approach on the problem of territorial unification for Korea during the decade of the 1970s". He also stated that his nation "should maintain an absolute superiority over North Korea in all aspects in order to cope with any type of approach for unification - peaceful or otherwise....

10. The President received the members of the Commission on 11 May 1970. Referring to the question of the unification of Korea, he reaffirmed the peaceful policy of the Government of the Republic of Korea and stated: "My Government will never resort to the use of arms in order to achieve unification".

11. At the same time, the Ministry of National Unification Board of the Republic of Korea continued throughout the year to sponsor research programmes designed to study various aspects of the question of unification.

12. The attitude of the Government of the Democratic People's Republic of Korea on the question of unification was outlined in its memorandum dated 8 October 1969 to the Secretary-General of the United Nations and to the President of the General Assembly, which, inter alia, stated that the only way to unify Korea is by the Korean people themselves "independently on a democratic basis and by peaceful means without any interference of outside forces". 5/ Furthermore, the Democratic People's Republic of Korea maintained its previous position of rejecting the role of the United Nations in the solution of the Korean question, and has again

3/ Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 29 (A/7629 and Corr.1).

4/ A/C.1/985, para. 14.

5/ A/C.1/987, p. 29.

demanding the dissolution of the United Nations Commission for the Unification and Rehabilitation of Korea and the withdrawal of United Nations forces from the Republic of Korea.

13. According to a North Korean official press statement, Premier Kim Il Sung stated in July 1969 that "the unification of Korea and the attainment of the Korean people's cause of national liberation depends, in the final analysis, on the preparation of the three revolutionary forces: (1) the socialist forces of North Korea; (2) the revolutionary forces of South Korea; and (3) the international revolutionary forces.... Whilst striving to strengthen and develop the revolutionary forces in North and South Korea, his country will continue to develop the international revolutionary movement..."

14. Further, the joint communiqué issued at the conclusion of Premier Chou En Lai's visit to Pyongyang from 5 to 7 April 1970 referred to the question of the unification of Korea. It stated "holding that the United States imperialist occupation of South Korea and their policy of aggression are the main obstacle to the unification of Korea and constant source of war in Korea, the Chinese side fully supports the correct line of national unification put forth by the Government of the Democratic People's Republic of Korea to achieve unification of the country by the Korean people themselves in an independent way free from any outside interference after making the United States imperialist aggression army withdraw from South Korea".

15. On 3 June 1970, the Government of the Democratic People's Republic of Korea outlined once more its policy on the question of the unification in a letter addressed, on behalf of Premier Kim Il Sung by the Committee for the Peaceful Unification of the Fatherland to Mr. Byongcholl Koh, President of the United Front for Korean Democracy in New York, in reply to his letter of 1 March 1970. The letter set out the policy adopted and measures taken in the past by the Government of the Democratic People's Republic of Korea for the unification of Korea and then proposed the following steps in this regard:

"To have the United States imperialist aggression army withdrawn from South Korea, conclude a peace agreement between North and South Korea and drastically reduce the armed forces of the North and South.

To establish a unified central Government by holding free North-South general elections on a democratic basis.

To enforce a confederation of North and South Korea as an interim step, prior to complete unification, leaving the existing different social systems of the North and South as they are today if necessary.

To effect trade and economic co-operation and realize mutual exchange and co-operation in the field of science, culture, art and sports between the North and the South.

To effect mail exchanges and personal visits between the North and South."

In addition, the letter stated, inter alia, that the position of the Government of the Democratic People's Republic of Korea is "to meet any time with representatives of all the South Korean political parties, social organizations

or individual personages except Park Chung Hee for negotiation to solve these questions".

16. The reaction of the Government of the Republic of Korea to the letter was expressed in a memorandum issued by the Ministry of Foreign Affairs on 15 June 1970. The memorandum stated "...the so-called peace formulas contain nothing new at all,... The Government of the Republic of Korea has been fully co-operating with the United Nations in carrying out its mission on Korea and has met provocations with fraternal tolerance and patience instead of retaliation for the easing of tension and the creation of a peaceful condition in Korea, one of the prerequisites for the peaceful unification of the country.... If the North Korean Communists really yearn for a genuinely peaceful reunification, they should prove their sincerity in deeds, not in words, by giving up forthwith their scheme of communizing the whole of Korea and by ceasing without delay acts of infiltration and provocation against the Republic of Korea as well as by respecting the United Nations resolutions on the unification of Korea. Rather than launching the propaganda campaign on the peaceful unification, they should permit the entry into the North of the members of the United Nations Commission for the Unification and Rehabilitation of Korea, as a token of their sincerity in accordance with the relevant United Nations resolutions...."

17. Thus, in the light of the statements made by the Government of the Democratic People's Republic of Korea, there seems to be no indication on its part to accept the established United Nations objectives in Korea, or indeed to accept the competence of the United Nations in the Korean question. However, the Commission wishes to state once more that it will remain available at all times to seek the views and proposals of the parties concerned on this problem in order to discharge its mandate with regard to the achievement of the United Nations objectives in Korea.

CHAPTER III

REVIEW OF SECURITY PROBLEMS IN THE AREA

A. General

18. During the period under review, the Commission continued to observe developments related to the over-all security in the Korean peninsula.

19. The planned reduction of the United States forces, which constitutes the major foreign component of the United Nations forces in the Republic of Korea, has recently been a matter of great concern to the Republic. In his reply on 8 June 1970 to a questionnaire submitted to him by the opposition New Democratic Party, President Park Chung Hee reaffirmed his Government's view that the present scale of the United States forces in the Republic of Korea should be maintained. Moreover, the National Assembly, on 16 July 1970, passed a resolution opposing any reduction of the United States forces stationed in the Republic of Korea and calling on the United States Government to adhere to its commitments under the United States - Republic of Korea Mutual Defence Treaty. There has also been a number of official statements during the same period favouring the continued presence of the United States forces in the Republic of Korea until the modernization of the national armed forces could be achieved.

20. The defence of the Republic of Korea was the main subject of the third annual meeting of the United States - Republic of Korea defence ministers, held in Honolulu on 21 and 22 July 1970. The joint communiqué issued at the conclusion of the conference expressed the readiness and the determination of the United States to render prompt and effective assistance to the Republic of Korea in accordance with the Mutual Defence Treaty in the event of an armed attack against the Republic of Korea. The extent and timing of the reduction of the United States forces was not mentioned in the joint communiqué, but it was announced that certain redispositions of air forces would be made and that further discussions would be held on the modernization of the armed services of the Republic of Korea and the establishment of defence industries.

21. The reaction of the Government of Japan to these developments has been outlined by the Director-General of Japan's Self-Defence Agency, Mr. Yasuhiro Nakasone, who stated on 13 July 1970 that, although the reduction of the United States forces in the Republic of Korea may affect the national security of his country, the Japanese forces will not assume the role of those of the United States after the withdrawal.

B. Security problems in the Republic of Korea

1. General review

22. According to information supplied by the United Nations Command, incidents of intrusion into the Demilitarized Zone south of the Military Demarcation Line

and of infiltrations into the interior of the Republic of Korea, in violation of the Armistice Agreement, continued to occur during the period under review (see annex), but in much lesser numbers than before. However, these incidents have taken more diverse forms

23. On his part, the senior member of the Korean People's Army side on the Military Armistice Commission had on several occasions, claimed during the meetings of that Commission that there have been numerous infiltrations by armed agents into the northern portion of the Demilitarized Zone. The truth of these allegations, however, could not be verified by the competent authorities.

24. The casualties resulting from incidents of North Korean intrusions within the Demilitarized Zone south of the Military Demarcation Line and infiltration into the Republic of Korea by land and sea in violation of the Armistice Agreement during the period from 1 September 1969 to 1 July 1970 were: 38 North Koreans killed and 2 apprehended; 7 United Nations Command personnel and 3 Republic of Korea National Police killed; 17 United Nations Command personnel and 17 Republic of Korea National Police and civilians wounded; and 20 United Nations Command personnel missing.

2. Incidents in the Demilitarized Zone in violation of the Armistice Agreement

25. The following is a summary of some of these incidents based on information made available to the Commission by the United Nations Command:

- (a) On 12 October 1969, two North Korean intruders were killed in a firefight with the United Nations Command personnel in the Demilitarized Zone.
- (b) On 14 October 1969, a United Nations Command security patrol was attacked by three North Korean armed intruders south-east of the Military Demarcation Line. One North Korean intruder was killed.
- (c) On 18 October 1969, some armed North Korean agents ambushed a marked United Nations Command Demilitarized Zone vehicle and killed all four United Nations Command soldiers in the vehicle.
- (d) On 18 October 1969, United Nations Command defence forces intercepted two North Korean armed agents near the Imjin River. Both were killed.
- (e) On 13 March 1970, United Nations Command personnel intercepted two North Korean armed infiltrators south of the Military Demarcation Line. Both were killed.
- (f) On 8 April 1970, United Nations Command defence forces intercepted three North Korean armed infiltrators near the village of Munsan. All three agents were killed.
- (g) On 30 April 1970, three North Korean armed agents were intercepted by United Nations Command personnel south of the Military Demarcation Line. All were killed.

- (h) On 14 June 1970, three North Korean intruders were discovered south of the Military Demarcation Line in the western sector of the Demilitarized Zone. One was killed.
- (i) On 15 June 1970, three North Korean armed agents infiltrated into the area south-east of Munsan. All were killed.

3. Infiltrations by sea in violation of the Armistice Agreement

26. During the period under review, there were indications that the emphasis of agent infiltration from North Korea has shifted from the Demilitarized Zone to the coastal areas of the Republic of Korea. Further, the Commission has been informed that the North Korean agents are better trained and use more sophisticated equipment.

27. The following is a summary of some infiltrations by sea based on information made available to the Commission by the United Nations Command and the Republic of Korea Government:

- (a) On 23 September 1969, a North Korean agent boat attempted to infiltrate North Korean agents into the Republic of Korea at a point west of Imja-do. A Republic of Korea Navy destroyer intercepted the agent boat and sank it after an exchange of fire.
- (b) On 20 September 1969, a North Korean agent surrendered to the Republic of Korea National Police manning a guard post on Osik Island on the West Coast and assisted them in discovering another three North Korean agents infiltrating into the Republic of Korea with him. In an ensuing fight all three North Korean agents were killed and their boat was captured.
- (c) On 14 October 1969, it was announced that the Republic of Korea Navy, with the assistance of Air Force fighters, had sunk a heavily armed North Korean espionage vessel with at least twenty men aboard, after a nine-hour pursuit in the waters about 100 kilometres southwest of Sohuksan Island Cholla Namdo. According to the announcement, the 75-ton infiltration vessel was armed with an 82mm recoilless rifle and a number of automatic weapons to be used by individual crewmen.
- (d) On 13 March 1970, a motor boat was discovered in the coastal area of Yongduk, Kyungsang Pukdo, believed to have been used by at least three North Korean armed infiltrators. Two of these North Korean agents were apprehended near Yongduk on 30 March and both were killed.
- (e) On 4 April 1970, it was announced that a Republic of Korea destroyer had sunk a 50-ton North Korean espionage boat with some fifteen persons aboard about 60 miles north-west of Kunsan port. The statement said that the espionage boat was attempting to land infiltrators and agents on the west coast.
- (f) On 3 May 1970, a North Korean boat was intercepted near Anmyon Island with three infiltrators on board. The three infiltrators were killed in an exchange of fire.

- (g) On 28 June 1970, a North Korean agent boat was sighted in the vicinity of Yonghung Island off the port city of Inchon. When challenged by a United Nations Command patrol boat, the North Koreans left the agent boat which was captured. In the morning of 29 June 1970, six North Korean agents were sighted on Yonghung Island and all of them were killed in an ensuing firefight.
- (h) On 28 July 1970, it was announced that the Republic of Korea forces had sunk a 60-ton North Korean boat off the eastern coast near Sokcho, Kangwon Do.

4. Other incidents

28. On 11 December 1969, a Korean Air Lines aircraft, a turbo-prop YS-11-200, Register No. HL 5208, with forty-seven passengers, two pilots and two stewardesses, was hijacked to North Korea en route to Seoul from the east coast city of Kangnung, apparently by one of the passengers. The incident was discussed at the meetings of the Secretaries of the Military Armistice Commission on 22 and 30 December 1969. On 14 February 1970, thirty-nine passengers were returned to the Republic of Korea. As of the date of submitting this report, the remaining passengers and crew members are reported still in North Korea. At the meeting of the Secretaries of the Military Armistice Commission at Panmunjom, on 20 March 1970, the United Nations Command side requested the return of the remaining passengers and crewmen and of the aircraft. It further proposed that the passengers and the crew members be brought to a neutral place before an impartial third party where they will be allowed to state their desire to remain in North Korea or to return to the Republic of Korea. The North Korean side ignored this proposal and stated that the Military Armistice Commission had no jurisdiction to deal with the matter.

29. On 5 June 1970, a lightly armed Republic of Korea Navy vessel, said to have been engaged in a mission of warning fishing boats of both sides to move north and south as necessary to prevent a confrontation, was attacked, captured and possibly sunk by North Korean naval forces near the Island of Yong Pyong. The fate of the crew members is unknown.

30. On 22 June 1970, it was announced that a number of North Korean agents had attempted to plant a bomb on the roof of a memorial gate of the National Cemetery. The bomb may have been intended to explode when Government leaders would attend the ceremony on the twentieth anniversary of the Korean War on 25 June. The body of a North Korean agent was found after the bomb had exploded by mistake.

5. Espionage activities

31. During the period under review, the Republic of Korea authorities uncovered what they claimed were a number of espionage organizations.

32. The National Police announced, on 8 October 1969, that it had uncovered during the period of 21-28 September a ten-man espionage ring, operating since 1968 in the general area of Iri and Kunsan city in Cholla Pukdo with the mission "to organize underground Communist party cells in the province and to agitate people to stage revolt against the Government".

33. On 14 October 1969, the Army Security Command announced that it had uncovered during the period from 30 September to 10 October three North Korean espionage rings consisting of three, four and two agents, operating separately in Kunsan, Cholla Fukdo, and in Pusan and Masan, Kyungsang Namdo, with the mission "to establish underground Communist cells around their respective areas, to recruit labourers into their underground cells and to collect military information".

34. On 19 November 1969, the Central Intelligence Agency announced that the Army Security Command of the Republic of Korea had uncovered during the period from 15 to 16 November a five-man espionage ring, operating since 1961 in the general area of Seoul.

35. On 23 June, the Seoul District Court sentenced to death North Korean agents Kim Chang Won and Oh Hyong Sik on charge of violation of the Anti-Communist and the National Security Laws. The agents had been captured by the police on 10 June 1969 and were indicted for carrying out espionage activities in the Seoul area since June 1966.

36. In connexion with the alleged espionage ring based in Europe and Japan referred to in the Commission's report of 6 September 1969,^{6/} the Seoul District Criminal Court pronounced on 3 November 1969 its verdicts on eighteen defendants. The District Court sentenced three of the defendants, including Kim Kyu Nam, a member of the National Assembly, to capital punishment and the remainder to lesser sentences. On 4 March 1970, the Seoul Appellate Court upheld three of the sentences, including two death sentences pronounced by the Seoul District Court. The Court further suspended the sentences for eight of the defendants and reduced the sentences for another six of them. On 3 July 1970, the Supreme Court upheld the decision of the Seoul Appellate Court.

^{6/} Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 29 (A/7629 and Corr. 1).

CHAPTER IV

POLITICAL DEVELOPMENTS AND EXTERNAL RELATIONS OF THE REPUBLIC OF KOREA

A. Political developments

1. General review

37. During the period covered by this report, the Commission continued, within its mandate, to observe political developments in the Republic of Korea. The question of the constitutional amendment featured as one of the main political issues in the country. Throughout its deliberations, the Commission considered and discussed the views expressed by the political parties and student organizations on this issue. There were also serious differences between the ruling and opposition parties in the National Assembly on the subject of the Constitutional Amendment as well as on other issues, which impeded for some time the normal functioning of the Legislature.

2. National referendum on the Constitutional Amendment Bill

38. In its report of 6 September 1969, 7/ the Commission gave a general review of the process for introducing a Constitutional Amendment Bill which has been designed to amend certain articles of the 1962 Constitution.

39. On 14 September 1969, the Constitutional Amendment Bill and the National Referendum Bill were adopted in an annex building of the National Assembly, without the prior knowledge and participation of the New Democratic Party members, four splinter party members and one Democratic Republican Party member. It was stated by the ruling Democratic Republican Party that this course was followed because the opposition party with some adherents had staged a sit-in demonstration in the main chamber of the National Assembly in order to block the consideration and adoption of the Constitutional Amendment Bill.

40. On 17 October 1969, the national referendum was held. In accordance with its mandate, the Committee of the United Nations Commission for the Unification and Rehabilitation of Korea, on behalf of the Commission, formed nine observation teams each headed by a representative or alternate representative of the Committee. The teams visited various parts of the Republic on the eve of, during and immediately after the referendum and were extended fullest co-operation by government officials, political parties and the public for their observation of the conduct of the referendum.

41. There were 15,048,925 voters on the electoral list. The results of the voting on the Constitutional Amendment Bill showed that of the 11,604,038 votes cast,

7/ Ibid., paras. 34-47.

7,553,655 (65.09 per cent) were in the affirmative while there were 3,636,369 (31.34 per cent) votes in the negative. There were 414,014 (3.57 per cent) invalid votes.

42. On 21 October 1969, the President of the Republic of Korea promulgated the revised Constitution in accordance with Article 121, paragraph 2, of the Constitution of the Republic of Korea.

43. In the Commission's view, the physical and administrative arrangements for the conduct of the national referendum were adequate. From its observations, the Commission concluded that the national referendum was conducted in a free, orderly and peaceful manner.

44. The amended articles of the 1962 Constitution voted for during the national referendum read as follows:

Article 36 (2) The number of the members of the National Assembly shall be determined by law within the range of no more than 250 persons. (Previous provision: No less than 150 and no more than 200 persons.)

Article 39 The members of the National Assembly may concurrently hold public or private positions as determined by law. (Previous provision: No member of the National Assembly shall concurrently hold the position of President, Prime Minister, members of the State Council, members of the local council, or other public or private positions as determined by law.)

Article 61 (2) The motion for impeachment of the President shall be proposed by 50 or more members of the National Assembly. The vote of two thirds of the members of the National Assembly duly elected and seated shall be necessary to institute the impeachment. (Previous provision: 30 members for the proposal and a simple majority for the approval.)

Article 69 (3) The President may be elected for only three consecutive terms. (Previous provision: The President may be re-elected only for one more term.)

3. National Assembly

45. On 29 October 1969, the National Assembly resumed its plenary session in the absence of the members of the major opposition New Democratic Party, but recessed until 21 November when the National Assembly session was resumed and the budget for the financial year 1970 was passed, still in the absence of the New Democratic Party members. The members of the New Democratic Party were not present since the Democratic Republican Party was not prepared to accept a number of the preconditions presented by the New Democratic Party to their participation in the work of the National Assembly.

46. Bi-partisan talks between representatives of the Democratic Republican Party and the New Democratic Party on these points took place early in 1970 and the New

Democratic Party submitted additional amendments to the Election Management Committee Law and the Presidential and National Assembly Laws designed to narrow the difference of views of the two parties on this subject.

47. Although there were a number of bills, including the 1970 first supplementary budget bill, to be dealt with by the legislature, a new session of the National Assembly could not be called before 11 May 1970, owing to the deadlock in the bi-partisan talks on the amendments proposed by the New Democratic Party on the Presidential and National Assembly Election Laws.

48. On 2 May, Mr. Yoo Chin San, the President of the New Democratic Party, announced that his party had decided unilaterally to attend the National Assembly. On 11 May, the National Assembly convened its 73rd extraordinary session for one month at the initiation of the majority Democratic Republican Party to deliberate on the 1970 first supplementary budget and some other bills. The New Democratic Party attended and, on 12 May, the floor leaders of the two parties agreed on the agenda for the session. The agenda called for the interpellation of the Cabinet members and parliamentary inspection of the ministries by seven parliamentary standing committees prior to the deliberation of the 1970 supplementary budget bill. Nevertheless, with the two parties confronting each other on the first two items of the agenda, the session came to an end on 9 June without being able to deal with the 1970 supplementary budget or any other important bill.

49. On 11 June, the New Democratic Party and three independent assembly requested the convocation, on 19 June, of the 74th extraordinary session of the National Assembly for thirty days "to deal with the amendments to the Election Laws and to conduct an interpellation of the Cabinet members on national security in connexion with the recent capture of the Republic of Korea naval broadcasting vessel by North Korea as well as the recent report on the reduction of the United States forces in the Republic of Korea and the confiscation of the New Democratic Party organ".

50. The session opened on 19 June as scheduled, but was marked by a sharp difference of views between the Democratic Republican Party and the New Democratic Party concerning mainly the confiscation on 2 June by the National Police of copies of the New Democratic Party organ, which had published a poem considered subversive by the Government. The New Democratic Party demanded that the session deal primarily with the amendments of the Election Laws and interpellation of the Cabinet members in connexion with the confiscation, but the Democratic Republican Party members maintained that priority should be given to deliberations related to the national security problems. The session was recessed twice, each time for about ten days, until the minority and the majority reached a compromise on its agenda. The National Assembly adjourned on 18 July 1970 after approving the 1970 supplementary budget bill and a motion of the New Democratic Party for the establishment of two parliamentary committees, one to probe into the cases of eight assembly members who had been reportedly involved in holding posts in business firms, and the other to investigate the Korea Aluminium Company case. In addition, the National Assembly unanimously passed a resolution opposing the planned reduction of the United States forces in the Republic of Korea.

4. Composition of the National Assembly

51. In the 175-man National Assembly of the Republic of Korea, there are at present five vacancies due to the death of two assemblymen from the Democratic Republican Party, one in September 1969 and one in June 1970, and also to the loss of membership by three assemblymen from the New Democratic Party, two consequent to their support of the Constitutional Amendment in September 1969, and one in connexion with the controversy regarding members of the National Assembly concurrently holding posts in business firms. The composition of the National Assembly as of the date of signing this report is as follows:

Democratic Republic Party.....	112
New Democratic Party.....	41
Chong-U Hoe.	10
Party of the Masses.....	1
Independents	6
	<u>170</u>

5. Formation of a new party

52. On 1 March 1970, a group of dissidents from the New Democratic Party as well as a number of independent politicians proposed the formation of a new political party. Subsequently, on 18 June, 323 promoters of the projected party, provisionally called the "National Congress for Democracy and Unification", held a preparatory convention for the inauguration of the party and elected Mr. Yun Po Sun the former President of the Republic, as Chairman. The preparatory convention decided to hold an inauguration convention in September and to nominate a candidate for the 1971 presidential election by the end of 1970.

6. Cabinet reshuffle

53. Following the national referendum on the Constitutional Amendment Bills, President Park Chung Hoo reshuffled his cabinet on 21 October 1969 and appointed six new ministers to the Ministries of Finance, Commerce and Industry, Communications, Health and Social Services, Transportation and Cabinet Administration. In addition, he appointed a new Director of the Central Intelligence Agency as well as a new presidential Principal Secretary.

54. On 10 March 1970, the President again reshuffled the Cabinet and appointed a new Minister of Defence and a new Minister in charge of the National Unification Board. He also appointed two assemblymen as ministers without portfolio, one concerned with political and the other concerned with economic affairs.

B. External relations

1. Statements on foreign policies

55. In a major policy statement outlining the foreign policy of the Republic of Korea and addressed to the National Assembly on 25 November 1969, President Park Chung Hoo stated that his Government will adhere to the principles and

objectives of the United Nations on the unification of Korea and welcomed the continued presence in Korea of the United Nations Commission for the Unification and Rehabilitation of Korea and the United Nations forces.

56. When he received the members of the Commission on 11 May 1970, the President reaffirmed the peaceful policy of his Government not to resort to the use of arms in order to achieve unification (see paragraph 10 above). With regard to the suggested reduction of United States forces, he stated that he was opposed to any reduction which would result in weakening the deterrent effect of the presence of those forces or the defence of the Republic. He also reminded the members that the security of the Korean peninsula as well as the unification of his country is still very much the concern and responsibility of the United Nations.

57. In a statement made on 31 December 1969, the Foreign Minister of the Republic of Korea said that his Government will expand its diplomatic ties with non-aligned nations and, in particular, among the developing countries. The statement also added that the Government of the Republic of Korea will put greater emphasis on the expansion of regional co-operation in Asia through the Asian and Pacific Council and other international organizations.

58. In his reply on 8 June 1970 to a question on the foreign policy of the Government contained in a questionnaire addressed to him by the assemblymen of the New Democratic Party, President Park Chung Hoo described the foreign policy of his Government as follows:

"The Republic of Korea, in the latter half of the 1960s, has placed major emphasis on and has played an active role in the Asia and Pacific regional co-operation; strengthened diplomatic ties with many neutral countries as well as the United Nations; and has undertaken active diplomatic efforts to tighten the nation's security and defence to expedite economic growth through promotion of exports and to further strengthen the basis for the nation's unification efforts. We are to continue these efforts in the days ahead.

"I believe that the Republic of Korea position in the international community has incomparably improved since the 1950s, or early in the 1960s.

"When we compare our position between today and early in the 1960s, the number of countries with which we have established diplomatic relations has increased from 22 to 93; the number of international organizations in which the Republic of Korea has membership has increased from 26 to 40; the number of international pacts and agreements we have concluded with other countries has jumped from 127 to 365, and finally the number of countries and areas with which we have trade relations has increased from less than 30 to 105. These facts, I think, are the true evidence that will indicate how much improvement the Republic of Korea has accomplished in terms of bettering her position in the international society.

"In order to pursue our national interest in the changing world situation, the Government will develop and implement a flexible diplomacy towards foreign countries. I think it should be worthwhile to study the possibility of establishing the trade relations with some of the East European Communist countries in view of our capability and international trends.

"There is no change in the position of the Government that our support for the Republic of Viet-Nam, through dispatch of our troops there, was a proper and justifiable decision. The Republic of Korea belongs to 'free Asia'.

"The idea and true motive of the Republic of Korea's dispatch of its troops to aid another member of this 'free Asia' are being correctly recognized by not only the free nations but also by many of the neutral nations in the world as a result of our diplomatic efforts.

"I think, because of the Republic of Korea's dispatch of troops to Viet-Nam, the position of this country in the international community has been greatly improved, especially in Southeast Asia and the Far East.

"Finally, I would like to mention the fact that the Minister of Foreign Affairs, our diplomatic envoys and other personnel in this field are trying their very best to maximize our national interest despite various limitations.

"As you may well realize, in diplomatic negotiations, it is not always easy to attain fully your goals and desires because of the difference in the interests of the participating parties and the complicated international situation, and negotiations are in many cases concluded with a compromising solution acceptable to both parties. The Republic of Korea's diplomacy has seen a great deal of improvement in the past several years and I can assert that more efforts will be made in the future to maximize the national interest."

2. Diplomatic and consular relations

59. The Republic of Korea continued to expand its diplomatic relations and established: resident embassies in The Hague, Netherlands (15 October 1969); Kinshasa, Democratic Republic of the Congo (5 November 1969); Madrid, Spain (12 April 1970); Ouagadougou, Upper Volta (23 July 1970); consulates-general in Vancouver, Canada (16 September 1969); Agana, Guam (26 January 1970); Sydney, Australia (21 June 1970); and a mission in Phnom Penh, Cambodia (30 June 1970).

60. Resident embassies were established in Seoul: on 28 November 1969 by Chile, and on 24 January 1970 by Belgium.

3. Treaties and agreements

61. During the period under review, the Republic of Korea concluded agreements on the waiver of visa requirements with: Sweden, Norway and Denmark (September 1969), the United Kingdom (November 1969), the Republic of Iceland (March 1970) and the Benelux countries (April 1970).

62. The Republic of Korea also concluded during the same period cultural and trade agreements with the Federal Republic of Germany, Italy, Niger, Tunisia, the Dominican Republic and the Philippines, as well as an air transport agreement with the Philippines.

4. Participation in international meetings and conferences

63. The Republic of Korea took part in the discussions of the Korean question at the twenty-fourth session of the United Nations General Assembly. Its representatives also attended the sessions of the Economic Commission for Asia and the Far East, the United Nations Conference on Trade and Development and the General Agreement on Tariffs and Trade as well as a number of meetings of the United Nations specialized agencies of which the Republic is a member.

64. The Foreign Minister of the Republic of Korea participated in the foreign ministers' conference of the seven-nation Viet-Nam War Allies, which was held in New York in September 1969; the Asian and Pacific Nations foreign ministers' conference on Cambodia held in Djakarta on 17 May; the fifth ministerial conference of the Asia and Pacific Council, held in Wellington on 17 June; and the six-nation Viet-Nam War Allies ministerial conference, which met in Saigon on 5 July 1970.

65. In turn, the Government of the Republic of Korea was host to the third annual meeting of the Board of Governors of the Asian Development Bank in Seoul from 9 to 11 April 1970.

5. Exchange of visits between the leaders of the Republic of Korea and foreign dignitaries

66. During the period under review, the President of Niger and the Prime Minister of the Republic of Viet-Nam as well as a number of ministers, high officials and parliamentary delegations from various countries visited the Republic of Korea. Likewise a number of ministers and high officials from the Republic of Korea paid official visits abroad.

CHAPTER V

ECONOMIC DEVELOPMENTS IN THE REPUBLIC OF KOREA

A. Introduction

67. During the period under review the rate of economic growth of the Republic of Korea attained the highest level ever achieved.

68. Along with its determined pursuit of economic growth, the Republic is devoting greater attention to the development of its lagging agricultural sector and of basic industries. It is now well-placed with respect to domestic capacity for its energy requirements. There has also been significant improvement in its transport system.

69. The high rate of growth has not been achieved without strains in the economy. The vigorous economic expansion has been accompanied by continuing inflationary pressure, growing deficit in its external accounts and rapidly increasing foreign indebtedness. The Republic proposes to slow down its rate of growth with a lower rate of investment and less reliance on foreign resources.

70. The Republic has stepped up its efforts towards increasing self-reliance. Faced with the need to increase its defence expenditure, it has been forced to curtail the rate of increase in its outlay on economic development; at the same time the Republic finds it difficult to keep to its past success in raising revenues for government expenditure. The Republic will continue to need external assistance, particularly at concessional terms, if its pursuit of economic growth is not to be impeded by its defence requirements.

B. Rate of growth

71. According to the Bank of Korea, the gross national product of the Republic (at 1965 constant market prices) increased by 15.9 per cent, from ₩1,127,320 million in 1968 to ₩1,306,190 million in 1969. In 1968, the Republic had attained a rate of growth of 13.3 per cent.

72. The high rate of growth was sustained by the Republic devoting 30 per cent of its resources to capital formation as compared to 27 per cent in 1968. External resources which accounted for about 45 per cent of gross capital formations in 1968 contributed about 37 per cent in 1969, indicating the Republic's increasing self-reliance. The expansion in gross national saving during 1969 was characterized by the increased contribution of private saving to capital formation, while that of public saving actually decreased.

73. The Government continues to intensify its efforts to increase public savings in the government sector. Under the original budget for 1970, an increase of 16 per cent is envisaged in government expenditures over its level in 1969. Unlike in the previous budgets, the increase is mostly on account of defence and

civil expenditure; while expenditure on economic development is to increase by only 8.8 per cent, defence and civil expenditures are to be stepped up by 20.2 and 16.8 per cent respectively. Total tax and non-tax revenues are to be accelerated by about 27 per cent, with resort mainly to commodity taxation and government monopoly profits as additional sources of revenue. As in the recent past, the counterpart funds as well as the receipts for the dispatch of Republic of Korea forces to the Republic of Viet-Nam are to decrease absolutely and as a proportion of total government receipts. However, unlike in the previous budgets, the proportion of counterpart funds devoted to defence expenditure is to increase at the expense of economic development expenditure. The consolidated deficit in the 1969 budget is to be reduced considerably in 1970 by a significant reduction in the deficit on government enterprises account and avoidance of deficit on other special accounts, so that government could avoid borrowing from the central bank and reduce to the minimum borrowing from the public and from abroad. The rehabilitation of flood stricken areas was provided for in the first supplementary budget for 1970, approved on 18 July, and the increased expenditure is to be financed largely by the sale of imported food grains and by an increase in indirect taxation.

C. Production trends

74. Foodgrains output in 1969 registered considerable increase over its level of 1968 during which the Republic of Korea was affected by drought and the output of the Republic's major cereal, rice, of 4,591 thousand tons was not only higher than that in 1968, of 3,195 thousand tons, but was a record crop so far. With the larger output, the Republic, according to official 1970 grain demand-supply programme, would be dependent on imports to the extent of 16 per cent of its requirement as compared to 20 per cent in 1969.

75. Along with favourable weather, improved farm practices through increased supply of agricultural inputs like fertilizers, limestone and improved seeds, extension in the area under irrigation and increase in area under double cropping accounted for the bumper harvest in 1969. The Government continues to accelerate its expenditure on agricultural development, particularly on all-weather farming, budgeted expenditure on which was increased in 1969 by 58 per cent over its level in 1968 and is to rise by about 52 per cent in 1970. The main emphasis is on small-scale irrigation facilities; at the same time, the large-scale irrigation project in the Pyongtaek-Kumgang area, whose capital requirement of \$90 million is financed by the International Bank for Reconstruction and Development to the extent of one-half, has been started. There has been an increase in the number and variety of farm machinery used in the Republic. However, effective mechanization of farm operations has to await greater progress in land consolidation: of the Government's target to consolidate 45 per cent of the total land under paddy cultivation, only a quarter of the target has been achieved by 1969 and the Government proposes to simplify the complex legal procedures involved through appropriate legislation. Also, it is increasingly realized that agricultural credit should be extended to the farmers for a longer period and at interest rates lower than those prevailing at present.

76. The Government continues to pursue actively its objective of augmenting the income in the rural sector. The increase in the official purchase price of rice in 1969 has been followed in 1970 by an increase in the price of barley, the major

summer crop. The Government has emphasized the development of live-stock industry by establishing two units of live-stock co-operatives in each State comprising 60 farm households, 3 villages and 70 hectares of pasture for 140 cattle. There has been a rapid development of about 20 agro-business projects, fostered by the Agriculture and Fishery Development Corporation. The Government's new plan for increasing the cultivated land by about 10 per cent over a period of ten years through the development of slopeland would add to the subsidiary income of farmers through cultivation of subsidiary commercial crops.

77. Fishery output increased in 1969 to 692 thousand metric tons, as compared to 688 thousand metric tons in 1968 and 612 thousand metric tons in 1967. Development of the fishery industry to its full capacity requires improved transportation and marketing as well as cold storage facilities. The continued development of this industry is also dependent on the resolution of some problems at an international level.

78. Manufacturing continues to be the major growth-inducing sector in the Republic. Though the growth in the manufacturing output in 1969 and in the first quarter of 1970 decreased from its exceptionally high level in 1968, it maintained its average growth rate of nearly twice that of the national product.

79. Consumer goods output as well as that of intermediate and capital goods continued to increase; however, the rate of growth in intermediate and capital goods has recently outstripped that in consumer goods. Nearly three fourths of the Republic's exports are of manufactured goods, of which 60 per cent is consumer goods; the recent fall in external demand for the main export items like textiles and fish products has contributed to the comparatively slower rate of growth of consumer goods output. Consumer goods production still accounts for about 60 per cent of the total industrial output owing not only to export demand but also to growing internal demand arising from higher income. Import substitution has been more important in stimulating the growth of intermediate and capital goods, marking the higher stage of the industrial development of the Republic. In this regard, important additions to the well-established fertilizer and cement industries are the manufacture of plastics, synthetic fibres and petro-chemicals. Designing work has been started on an integrated iron and steel mill with an initial capacity of 1,032,000 tons of crude steel; the foreign exchange component of the project is to be covered by \$30.8 million in grants and \$42.9 million in loans from Japan under the Republic of Korea-Japan property claim funds and \$50 million in loan from the Export-Import Bank of Japan.

80. With its rapid rate of expansion the Republic's industrial structure has developed some weaknesses. The Government has shown increased awareness of the need for removing them. Manufacture for export continues to be subsidized in terms of concession in interest rate and bank credit and preferential treatment of raw material and component imports. The preferential treatment of imports of raw material and component parts also gives a bias towards their processing at later stages for sale in the more profitable domestic market, thus impeding import substitution at higher stages. The Government proposes to maintain low prices for domestically produced inputs like petro-chemicals and chemical products and to increase the domestically manufactured components in industries like automobiles. The Republic's industries enjoy the advantage of low-cost supply of labour; however, the cost of capital is high. The interest rate burden is particularly important in the Republic in the light of the sub-optimal scale

of production in many industries. While there is a marked concentration of production on larger enterprises, small and medium-sized enterprises continue to account for 40 per cent of industrial output. Large-scale units (employing 200 and more persons) account for 60 per cent of the total output in consumer goods industries and 71 per cent in intermediate goods industries while in capital goods industries they account for only 53 per cent. The prevalence of small scale of production in the capital goods industry indicates the extent of inefficiency and active steps are being taken towards their rationalization. To provide long-term financing for industries, the Government has created new financial institutions and enlarged the scope of the Korea Development Bank and authorized the establishment of the Korea Investment Development Corporation to encourage organized capital market.

81. Energy supply has been expanding to sustain the Republic's high rate of growth. With the accelerated programme for construction of power plants adopted in 1967-1968, the Republic has a generating capacity of about 1,630 megawatts which is expected to increase to 2,530 megawatts by the end of 1970. According to expert forecasts of power demand, it is estimated that the Republic has adequate capacity to meet demand for power in the near future with shortfalls only in transmission and distribution equipment. Installed petroleum refining capacity is to be increased from 175,000 BPSD (barrels per stream day) in 1969 to 215,000 BPSD in 1970, making the Republic almost self-sufficient for its requirements of gasoline, diesel and other oils.

82. The major developments in the Republic's transport sector have been the completion in July 1970 of the Seoul-Pusan expressway with a total length of 430 kilometres, and the shift, though slow, from railway to vehicular transport and coastal shipping for freight transport. The strains on the railway system will be increasingly relieved by such shift to the extent that feeder roads are constructed and minor roads repaired and improvement of minor ports is accelerated. The railways still account for nearly three fourths of freight transported. The track length of railways and the number of diesel locomotives have been increased and expansion and modernization of rolling stock have progressed with external financial assistance. With the expansion in the Republic's number of ships, marine transport, particularly of freight, increased from its small base by about 50 per cent in domestic and by about 30 per cent in international routes during 1969.

D. Stabilization measures

83. The high rate of growth in 1969 was accompanied by a large expansion in credit and money supply, particularly in the latter half of the year. The Government's objective to "cool" the economy through a lowered rate of growth and restrictive credit creation in 1970 notwithstanding, inflationary pressures continue to persist.

84. Money supply expanded in 1969 by 46 per cent, at nearly three times the rate of growth of national product in real terms; the target increase in money supply for 1970 is 43 per cent. The reserve base (notes and coins issued by the Bank of Korea and the commercial banks' deposits with the Bank of Korea) which the Government had set as the guide to expansion of credit rose from ₩156,100 million at the end of 1968 to ₩215,800 million by the end of 1969; in comparison the increase aimed

at by the Government was only ₩199,100 million. It has now been decided to control credit through the fixing of a ceiling on the expansion of domestic credit of the banking system. Credit expanded by about 60 per cent in 1969 which saw a rate of growth of national product in real terms by 15.9 per cent. In 1970 it is proposed to expand domestic credit by as much as 40 per cent while the target for growth in national product is only 10 per cent. In practice, the expansion in credit in total would be greater as the proposed ceiling does not take into account the likely inflow of foreign cash loans.

85. The large expansion of credit in 1969 had been mainly due, in the government fiscal sector, to the deficit on special accounts like that of grain management; in the private sector, to bank credit for concessional loans and subsidies to industries mainly catering for exports; and in the external sector, to a large inflow of foreign cash loans.

86. In spite of the Government's objective to reduce the money supply in 1970, the expansionary pressures witnessed in 1969, particularly during the latter half, continued to operate in the earlier part of 1970. During the first quarter of 1970 there has been some evidence of relative restraint of credit. The original budget for 1970 has been drawn up with a view to keeping expansionary forces to the minimum; however, the proposed reduction in the consolidated deficit in the government account is difficult to achieve in practice as necessary expenditures like that on grain purchases await their inclusion in supplementary budgets. Private sector credit, held under relative restraint in the first quarter of 1970, can be expected to reach a high level over the year as a whole, as there is no indication of a change in the Government's policy of subsidizing export industries; also there continue to be bankruptcies among large industrial firms with heavy debt burden, internal and foreign, and often reorganization of such firms has to provide for additional credit, including even foreign cash loans.

87. In recent years a persistent factor in inflationary credit expansion in the external sector has been the accelerating introduction of foreign cash loans, even for financing the domestic counterpart expenditure on projects. The actual inflow of foreign cash loans into the Republic in 1969 has been nearly three times what the Government had set as a target for itself, and there is expected to be considerable spill-over into 1970. Likewise, there may be no reduction, during 1970, in foreign credits over one year or in the short-term trade credits of a year or less, from their levels in 1969.

88. The Government's policy, as officially stated, continues to be to allow the foreign exchange rate to find its value through free operation of the system of floating exchange rate. The won-dollar rate has fallen from ₩281 per United States dollar on 31 December 1968, to ₩287 on 1 September 1969 and to ₩312 on 1 August 1970, but not at a rate reflecting the increase in trade deficit. Efforts at present are concentrated on stimulating exports through subsidies and concessions and on curtailing imports through restrictive measures.

E. Price movements

89. During 1969, the rate of increase in prices was lower than in previous years; however, in the first five months of 1970, prices rose at a rate greater than in the corresponding period of 1969.

90. The wholesale price index in 1969 registered an increase of 6 per cent as compared to 8 per cent in 1968. In the first five months of 1970, it has increased by 6 per cent in contrast to a 4.7 per cent increase during the corresponding period in 1969. Primarily responsible for the increase was the higher government purchase price for rice, along with increased prices of imported commodities and construction materials, and the course of prices in the coming months would depend on the Government's success in controlling monetary liquidity. The higher prices for food-stuffs along with the persistent shortfalls in the supply of social services like housing, education and medical facilities have contributed to the rising cost of living. The all-urban consumer price index, which continued to rise by 10.7 per cent in 1968 and by 12.3 per cent in 1969, increased by 4.6 per cent in the first quarter of 1970; in the corresponding period for 1969 it had risen by 3.9 per cent.

F. Wages and employment

91. According to official statistics, there has been an increase in real wages during the 1960s, but the gain in productivity outstripped the rise in real wages. The labour productivity index rose from 72.4 in 1961 (1965 = 100) to 177.3 in 1969; at the same time the real wages index increased from 113.5 in 1961 to only 137.8 in 1969.

92. There has been, according to the latest survey of the economically active population, a steady decline in the degree of unemployment in the Republic; the proportion of unemployed to economically active population decreased from 6.2 in 1967 to 5.1 in 1968 and 4.8 in 1969. The decline in unemployment was more marked in the non-farm sector as compared to the farm sector which had also a higher degree of "disguised" unemployment.

G. Foreign trade

93. The Republic's rapid rate of growth has been characterized by the expansion in its commodity exports, at an annual average rate of about 40 per cent during 1964-1968, and at 42 per cent in 1968. Less buoyant than in 1968, commodity exports grew still at an impressive rate of 36.7 per cent in 1969, from 455.4 million in 1968 to \$622.5 million in 1969.

94. The Republic achieved the remarkable increase in its commodity exports at the same time expanding and diversifying its exports of manufactured goods whose share in the total increased from 74.3 per cent in 1968 to 77 per cent in 1969. Of its total exports the Republic sold 50.7 per cent in 1968 and 50.1 per cent in 1969 to the United States and 21.3 per cent in 1968 and 21.4 per cent in 1969 to Japan. The United States accounts for nearly all of the Republic of Korea's exports of human hair and wigs, plywood and footwear, nearly three fourths of electrical machinery exports and about slightly less than two thirds of the Republic's main manufactured goods, namely clothing.

95. The Republic of Korea's trade with Japan faces an imbalance which has increased significantly and which is likely to persist. With increasing grants and loans from Japan, the Republic imports from it not only capital goods and transport equipment but also industrial raw materials like synthetic fibres.

While the Republic of Korea's over-all trade deficit increased in 1969 by about one fifth, its deficit in trade with Japan continued to account for half of the total in 1968 and in 1969. The Republic stands to benefit by Japan's recent decision to impose import duty on some limited items, on the basis of value added instead of on the value of the goods, for which raw materials and intermediates are imported from Japan. The Republic also hopes to find an outlet in Japan for increased exports of primary goods, mostly food items.

96. Merchandise imports continued to increase, from \$1,462.9 million in 1968 to \$1,823.6 million in 1969, widening the trade deficit, even though its rate of increase of 24.7 per cent in 1969 was lower than the 47 per cent increase in 1968.

97. The slow-down in the rate of growth of imports during 1969 has been characterized by a decline in the rate of growth of capital goods imports, attributable more to a deceleration in industrial investment and restriction on suppliers' credit than to any significant improvement in capital goods production. Consumer goods imports were kept under restriction, but there was a substantial increase in foodgrain imports during 1969 owing to the drought in 1968. With its limited natural resources, the Republic continued to increase its imports of raw materials for its rapidly growing industries: wood and lumber for plywood production, synthetic fibres and wool for textile industry, crude oil for petroleum refining. Fertilizer and cement imports further declined owing to growing domestic production. The Republic imports a little more than 40 per cent of its total from Japan and about 30 per cent from the United States of America.

98. The increase in the merchandise trade deficit, from \$835.7 million in 1968 to \$992 million in 1969 (according to the latest balance-of-payments statement) was to some extent bridged by sales of goods and services in the Republic of Viet-Nam, sales to United Nations forces in the Republic of Korea and by earnings on invisible accounts from the Republic of Viet-Nam; the balance on account of other services continues to have small but growing deficits. Total deficit on current account, which increased by 60 per cent to \$666 million in 1968, widened at a slower rate in 1969 to \$794.4 million. The Republic continued its policy of relying increasingly on private foreign capital and foreign loans as compared to foreign grants for covering the trade deficit.

H. External resources

99. The Republic continued to reduce its reliance on foreign official grants and to attract foreign loans. During 1969, the Republic utilized \$103.9 million in foreign grants and \$217.4 million in foreign loans; in 1968 the foreign grants to the Republic amounted to \$120.6 million and foreign loans, \$71.6 million.

100. Project assistance and grants from the United States under Public Law 480, which ran to \$85.5 million in 1968, decreased to \$71.3 million in 1969. United States Government loans to the Republic increased from \$43.3 million in 1968 to \$121.9 million in 1969, even though the share of loans from the United States Agency for International Development fell from \$42.4 million in 1968 to \$27.5 million in 1969. Contributing to the rise in government loans was the increase in assistance under Public Law 480 in the form of loans. There was during 1969 a significant increase in claims funds from Japan, comprising \$32.1 million in grants and \$73.6 million in loans, as compared to \$30.0 million in grants and \$15.7 million in loans during 1968.

101. The Republic continues to attract foreign capital, but the rate of inflow has slowed down indicating the Government's awareness of the need for greater selectivity in foreign capital inducement and for reduction in the external debt burden.

102. As of May 1970, foreign capital induced into the Republic stood at \$2,600 million; compared to \$577.4 million in 1968 and \$902.6 million in 1969. The amount induced in the first five months of 1970 was \$173.2 million. Of the total foreign capital, loans - government and commercial - continue to account for nearly 94 per cent while the share of direct investment is only about 6 per cent. Of the loans induced, commercial loans, mostly guaranteed by commercial banks, accounted for about 84 per cent of the total in 1968 and about 70 per cent in 1969, indicating the hardening terms at which loans had been borrowed. However, in 1970 the share of public loans has increased and more than half of such loans came from international institutions like the Asian Development Bank, the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation, indicating the Government's success in attracting concessional loans. While infrastructural projects like transportation and electricity and producer goods manufacture continue to utilize most of the foreign capital induced, projects for rural development have slightly increased their share.

103. Estimates of repayment burden, as given by the Government, are understated as they exclude repayment of loans with a maturity of less than three years. If one to three year loans are included (and foreign loans with a maturity of less than one year excluded) the repayment burden in 1970, according to non-official expert estimates, would absorb nearly one third of the earnings expected from commodity exports for which a target of \$1,000 million has been set for 1970. The debt burden is likely to continue to increase in the near future in view of the acceleration in the contraction of foreign loans during 1969 and the amount of undisbursed loans in the pipeline which can be expected to be drawn upon in the next year or two.

CHAPTER VI

CONCLUDING OBSERVATIONS

104. The Commission believes that while there has been, during the period under review, no substantial change in the position of the Republic of Korea and the Democratic People's Republic of Korea on the question of unification, the views of both parties have been further clarified and defined. Both sides adhere to fixed positions and there seems little possibility in the foreseeable future that these positions will be varied.

105. The Commission nevertheless remains and will continue to remain receptive to any proposals which would permit it to fulfil a more effective function in this respect. In this connexion it notes that, while the Government of the Republic of Korea has repeatedly affirmed its adherence to the objectives of the United Nations, the Democratic People's Republic of Korea continues to deny the competence of the United Nations to deal with the question of Korea and continues to challenge the role of the Commission in carrying out its mandate.

106. The Commission, from the information available to it, concludes that there has been, in the period under review, a diminishing number of armed incursions from the Democratic People's Republic of Korea. The Democratic People's Republic of Korea has employed certain categories of more sophisticated equipment to effect agent penetration into the Republic, particularly into the rear areas. Although statements made by both parties assert their intention not to resort to armed conflict, the continued denial of the Democratic People's Republic of Korea of the role of the United Nations to preserve peace in the area leads the Commission to conclude that there is no diminution in the existing tension, and consequently that the possibilities of a resumption of hostilities cannot be excluded.

107. The Commission, finally, would express the fervent hope that all parties concerned will exercise restraint and will contribute to the creation of a climate in which the tension in the area will be relieved and in which some progress will be made towards the achievement of the objectives of the United Nations in this peninsula.

*
* * *

The present report is submitted to the Secretary-General in accordance with paragraph 5 of General Assembly resolution 2466 (XXIII) of 20 December 1968 and with paragraph 5 of General Assembly resolution 2516 (XXIV) of 25 November 1969.

The Commission places on record its appreciation for the logistical support provided by the United Nations Command and the co-operation and assistance of the Government of the Republic of Korea.

The Commission wishes to express its appreciation for the services rendered by the Secretariat.

DONE at the Commission Headquarters, Seoul, Republic of Korea, this thirteenth day of August, one thousand nine hundred and seventy.

(Signed)	Allan H. LOOMES	<u>Australia</u>
	Augusto MARAMBIO	<u>Chile</u>
	Iwan VERKADE	<u>Netherlands</u>
		<u>Pakistan</u> ^{8/}
	Benjamin T. TIRONA	<u>Philippines</u>
	Chote KLONVICH	<u>Thailand</u>
	Bilend N. KESTELLI	<u>Turkey</u>

Zouheir KUZBARI
Principal Secretary

^{8/} Pakistan was not represented on the Commission at the time of the signing of the report.

Blank page

Page blanche

ANNEX

Level of incidents in the Demilitarized Zone and in the Republic of Korea

	1965	1966	1967	1968	1969	1970 ^{*/}
Significant incidents south of the Military Demarcation Line in the Demilitarized Zone	42	37	445	486	87	20
Significant incidents, Interior of the Republic of Korea	17	13	121	143	24	15
Exchanges of fire, Demilitarized Zone	23	19	122	236	55	12
Exchanges of fire, Interior of the Republic of Korea	6	11	96	120	22	14
North Koreans killed in the Republic of Korea	4	18	228	321	55	29
North Koreans captured in the Republic of Korea	51	21	57	13	6	1
United Nations Command military killed in the Republic of Korea	21	35	131	162	15	2
United Nations Command military wounded in the Republic of Korea	6	29	294	294	44	7
Republic of Korea National Police and other civilians killed in the Republic of Korea	19	4	22	35	19	1
Republic of Korea National Police and other civilians wounded in the Republic of Korea	13	5	53	16	17	13

Source: United Nations Command.

*/ Up to 25 July.

HOW TO OBTAIN UNITED NATIONS PUBLICATIONS

United Nations publications may be obtained from bookstores and distributors throughout the world. Consult your bookstore or write to: United Nations, Sales Section, New York or Geneva.

COMMENT SE PROCURER LES PUBLICATIONS DES NATIONS UNIES

Les publications des Nations Unies sont en vente dans les librairies et les agences dépositaires du monde entier. Informez-vous auprès de votre librairie ou adressez-vous à: Nations Unies, Section des ventes, New York ou Genève.

COMO CONSEGUIR PUBLICACIONES DE LAS NACIONES UNIDAS

Las publicaciones de las Naciones Unidas están en venta en librerías y casas distribuidoras en todas partes del mundo. Consulte a su librero o diríjase a: Naciones Unidas, Sección de Ventas, Nueva York o Ginebra.