

September 6, 1969

UNCURK Report Covering 20 April 1969 to 6 September 1969, UNCURK to the General Assembly

Citation:

"UNCURK Report Covering 20 April 1969 to 6 September 1969, UNCURK to the General Assembly", September 6, 1969, Wilson Center Digital Archive, "International incidents and disputes - Korea - correspondence (603.1)," Executive Office of the Secretary-General, S-0196-0002-05, United Nations Archives and Records Management Section (UN ARMS), New York, NY. Obtained for NKIDP by Charles Kraus.
<https://wilson-center.drivingcreative.com/document/117343>

Summary:

Principle Secretary of UN Commission for the Unification and Rehabilitation of Korea Zouheir Kuzbari and others in the Commission submit an UNCURK report covering 20 April 1969 to 6 September 1969 to the General Assembly. The report outlines the objectives of the United Nations in Korea, the question of unification, security problems in the region, and political and economic developments.

Original Language:

English

Contents:

Original Scan

6

C O N F I D E N T I A L

UNITED NATIONS COMMISSION FOR THE
UNIFICATION AND REHABILITATION OF KOREA

Report of the United Nations Commission for the Unification
and Rehabilitation of Korea submitted to the General Assem-
bly in accordance with paragraph 5 of General Assembly
resolution 2466 (XVIII) of 20 December 1968

C O N F I D E N T I A L

TABLE OF CONTENTS

INTRODUCTION

- 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
 - B. Terms of Reference and Activities of the Commission
- II. THE QUESTION OF UNIFICATION
- III. REVIEW OF SECURITY PROBLEMS IN THE AREA
 - A. General
 - B. Security problems in the Republic of Korea
 1. Incidents in the Demilitarized Zone and the interior of the Republic of Korea in violation of the Armistice Agreement
 2. Espionage cases and agent infiltrations
- IV. POLITICAL DEVELOPMENTS IN, AND EXTERNAL RELATIONS OF, THE REPUBLIC OF KOREA
 - A. Political Developments
 1. The question of constitutional amendment
 2. By-election
 3. Cabinet changes
 - B. External Relations
- V. ECONOMIC DEVELOPMENTS IN THE REPUBLIC OF KOREA
 - A. Introduction
 - B. Rate of Growth
 - C. Production Trends
 - D. Stabilisation Measures
 - E. Price Movement
 - F. Foreign Trade
 - G. External Resources
- VI. CONCLUDING OBSERVATIONS

INTRODUCTION

The present report of the United Nations Commission for the Unification and Rehabilitation of Korea covering the period from 20 April 1969 to 6 September 1969 is submitted to the General Assembly in accordance with paragraph 5 of General Assembly resolution 2466 (XXIII) of 20 December 1968. It should be read in conjunction with the previous report to the Secretary-General dated 19 April 1969. 1/

The Commission took note of the two requests dated 15 August 1969, one by twelve Member States and the other by fourteen Member States of the United Nations for the inclusion in the agenda of the twenty-fourth session of the General Assembly of two supplementary items entitled "Dissolution of the United Nations Commission for the Unification and Rehabilitation of Korea" and "Withdrawal of United States and all other Foreign Forces occupying South Korea under the Flag of the United Nations".

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 2466 (XXIII), was adopted on 20 December 1968.

1/ Report of the United Nations Commission for the Unification and Rehabilitation of Korea submitted to the Secretary-General in accordance with General Assembly resolution 2466 (XXIII), Document A/7533, 14 May 1969.

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- 2 -

B. Terms of Reference and Activities of the Commission

2. By resolution 375 (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 1950, 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 502nd meeting on 18 December 1950, the Commission decided to include the alternate representative of the Netherlands, who resides in Seoul, on the Committee.
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 resolution 2466 (XXIII) of 20 December 1950, the Commission is specifically requested: (1) to encourage the exercise of restraint and the easing of tension in the area; (2) to secure maximum support, assistance and co-operation in the realization of the peaceful reunification of Korea; (3) to pursue these and other efforts to achieve the objectives of the United Nations in Korea; (4) to continue to carry out the tasks previously assigned to it by the General Assembly; and (5) 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.

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

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- 3 -

6. During the period under review, the Commission held two sessions - one in Sapporo, Japan from 16-17 June 1969 and the other in Seoul from 5-6 September 1969, and its Committee held eleven meetings in Seoul. The Commission undertook one field trip and the Committee two field trips.

7. On 23 June 1969, President Park Chung Hee inaugurated the new Headquarters for the Commission in the presence of the members of the Commission resident in Seoul. The Commission wishes to place on record its appreciation to the Government of the Republic of Korea for providing the Commission with the new premises.

II. THE QUESTION OF UNIFICATION

8. During the period under review, the Commission observed no significant departure from the basic positions 3/ firmly and consistently maintained by the Republic of Korea and the Democratic People's Republic of Korea with respect to the question of unification.

9. The position of the Government of the Republic of Korea was reiterated in a statement issued on 31 May 1969 by Mr. Choi Kyu Hah, Foreign Minister of the Republic of Korea, as follows:

"Convinced that the reunification of Korea by peaceful means along the line of the United Nations principles would be possible through co-operation with the efforts of the United Nations, the Government of the Republic of Korea wishes to reiterate its acceptance of the competence and authority of the United Nations to deal with the Korean question and will continue to render full support and co-operation to the United Nations and its political and military arms stationed in Korea, until the objectives of the United Nations in Korea are fulfilled."

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3/ See Official Records of the General Assembly, twenty-fourth session, Document A/7553, paragraphs 8-13, 14 May 1969.

- 4 -

10. The most recent statement of the position of the Government of the Democratic People's Republic of Korea was made by Premier Kim Il Sung on 1 July 1969 as follows:

... it is our consistent desire to materialize the unification of Korea by peaceful means. Our programme for the unification of the country is to establish a unified central government by holding general elections throughout the north and south on a democratic basis without any interference of outside forces after the U.S. imperialists have been withdrawn from south Korea. ...

The peaceful unification of the country cannot be achieved so long as U.S. imperialism and its stooge, the present puppet regime, are allowed to remain in south Korea. The peaceful unification of our country can be materialized only after the U.S. imperialist aggression army has been forced out of south Korea and the south Korean people have overthrown the present puppet regime and the progressive forces have come into power. If the U.S. imperialists get out from south Korea and the democratic and progressive forces with national conscience seize power even now, we are ready to hold negotiations with them on the question of unifying the country by peaceful means.

III. GENERAL REVIEW OF SECURITY PROBLEMS IN THE AREA

A. General

11. During the period since 15 April 1969, the security situation in the Korean peninsula has been the subject of considerable reporting, intensive diplomatic activities and bilateral and multi-lateral communiques.

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- 5 -

12. The MC-121 plane incident which the Commission referred to in its previous report to the Secretary-General, dated 19 April 1969, 4/ was the subject of a statement by the Senior Member, United Nations Command, at the 290th meeting of the Military Armistice Commission on 18 April 1969. It also formed part of the report of the United States on behalf of the Unified Command pursuant to the Security Council resolution of 7 July 1950.

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4/ See Official Records of the General Assembly, twenty-fourth session, Document A/7533, paragraph 15, 14 May 1969.

- 6 -

13. The Minister of Foreign Affairs of the Republic of Korea in his statement on 22 May 1969 at the Seven-Nation Ministers Conference in Bangkok, gave an account of the activities of north Korea against the Republic of Korea and the Ministers in their communique "reaffirmed their previous agreement that such acts by the north Korean Communists are a matter of grave concern and directly threaten the peace and security of the Korean peninsula and the area surrounding it."
14. According to the joint communique issued on 30 May 1969 at the conclusion of the state visit of President Nguyen Van Thieu of the Republic of Viet-Nam to the Republic of Korea, President Park "gave an account of the continuing and intensified acts of provocation and aggression against the Republic of Korea perpetrated by the north Korean Communists, as evidenced by the series of infiltrations by armed raiders into the Republic of Korea and the increased violation of the Armistice Agreement of 1953."
15. In the joint communique issued on 5 June 1969 at the conclusion of the second annual conference of Defence Ministers of the United States and of the Republic of Korea, the ministers "deplored the unprovoked shooting down of the U.S. EC-121 plane over international waters and the continuing north Korean communist campaign to infiltrate members of its armed forces across the DMZ and along the coast-line of the Republic of Korea", "agreed that both countries must remain alert and take such positive measures as may be required to defend the Republic of Korea and to deter north Korea in the future by clearly demonstrating that aggression against the Republic of Korea will not be rewarded."

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- 7 -

16. According to the joint communique issued at the conclusion of the Fourth Ministerial Meeting in Kawanu, Japan, from 9 to 11 June 1969, of the Asian and Pacific Council "the ministers expressed concern at the tension created by the provocative and aggressive acts including the increasing armed infiltrations into the Republic of Korea" and "warmly commended, in this connection, the successful efforts of the Government and the people of the Republic of Korea to strengthen the country's position in order to safeguard its national security and to sustain rapid development of its national economy."

17. The Democratic People's Republic of Korea issued several statements relative to the EC-121 plane incident of 15 April 1969 including the statement of its Defence Minister issued on 17 April 1969 commending "the officers and men of the 896th unit of the Korean People's Army who shot down a large reconnaissance plane of the U.S. aggressor forces which carried out reconnaissance after illegally intruding over the northern half of the republic."

18. The joint communique issued on 19 May 1969 by Mr. Choi Yong Kun, President of the Supreme People's Assembly of the Democratic People's Republic of Korea and Mr. N.V. Podgorny, President of the Presidium of the Supreme Soviet of the Union of Soviet Socialist Republics, following President Podgorny's official visit to the Democratic People's Republic of Korea from 14 to 19 May 1969 stated: "the Soviet side denounces the recent U.S. provocative acts against the territorial integrity and sovereignty of the Democratic People's Republic of Korea and supports the stand of the Government of the Democratic People's Republic of Korea on these problems."

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- 8 -

19. According to the joint statement issued by President Richard M. Nixon and President Park Chung Hee in San Francisco on 22 August 1969, President Park "gave an account of continuing acts of aggression committed by the north Korean communist régime against the Republic of Korea", and the two Presidents agreed that Republic of Korea forces and American forces stationed in Korea must remain strong and alert, reaffirmed the determination of the two Governments to meet armed attack against the Republic of Korea in accordance with the Mutual Defence Treaty between the Republic of Korea and the United States, agreed that support for the Homeland Reserve Defence Force of the Republic of Korea should be continued, and recognized the necessity for long-term efforts to lessen the causes of tension in the Korean peninsula.

20. In the communique issued on 28 August at the conclusion of the third annual Korea-Japan Ministerial Conference held in Tokyo from 26-28 August 1969, the ministers recognized that the security and prosperity of the two countries are closely related and reaffirmed their determination to co-operate to ease tension and to promote peace and prosperity in the Asian and Pacific region.

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- 9 -

D. Security Problems in the Republic of Korea

1. Incidents in the Demilitarized Zone and the interior of the Republic of Korea in violation of the Armistice Agreement

21. During the period under review, according to information confirmed by the United Nations Command, incidents of intrusion in the Demilitarized Zone south of the Military Demarcation Line and of infiltration into the interior of the Republic of Korea continued to take place in violation of the Armistice Agreement. These violations included the sending of armed north Korean agents south of the Military Demarcation Line to infiltrate the Republic of Korea, attacks on United Nations Command personnel, and the despatch of heavily armed infiltration boats into Republic of Korea waters to land subversive agents.

22. The casualties resulting from incidents of intrusion within the Demilitarized Zone south of the Military Demarcation Line and infiltration into the interior of the Republic of Korea during the period of 31 March 1969 to 31 August 1969 were thirty-two north Koreans, eighteen United Nations Command personnel and five Republic of Korea civilians killed, thirty-one United Nations personnel wounded and thirteen north Koreans apprehended.

23. The following is a summary of some of these incidents based on information available to the Commission:

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- 10 -

(a) On 6 June 1969, two north Korean spies, transported into the Republic of Korea by an armed agent boat, landed in Kyongsang Namdo on the southeast coast of the Republic of Korea with a mission to infiltrate schools and political parties of the Republic in an attempt to agitate and organize underground communist cells. They were captured.

(b) On 8 June 1969, three north Korean agents left their agent boat in a rubber boat and attempted to land near Pulp'yong on the east coast. According to information provided by the Government of the Republic of Korea, its Counter-infiltration forces sank the landing boat, killed one infiltrator and captured another. As the rubber boat bearing the three infiltrators approached the shore, a shell fired from the north Korean escort vessel hit a house and killed five members of a Korean family.

(c) On 12 June 1969, a 160-foot high-speed north Korean boat with an estimated fifteen north Korean infiltrators on board and equipped with 82mm recoilless gun, 40mm guns and 14.5 anti-aircraft guns as well as Maxim heavy machine guns was intercepted off the southwest coast of the Republic near Taehulsan island. In a joint action by units of the Republic of Korea Navy and Air Force, the craft was captured and sunk, but not before a number of intruders had already landed on the island. In the course of the engagement at sea and the search operation on the island, at least fourteen north Korean agents were killed.

(d) On 14 June 1969, a number of north Korean agents landed at Puan on the west coast of Cholla Puldo, three of whom were subsequently killed after a brief engagement with a unit of the Combat Police.

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- 11 -

(e) On 12 July 1969, two north Korean armed intruders were discovered in Paju, Kyunggi province, attempting to infiltrate the Republic of Korea. One of the intruders was mortally wounded and the other killed when he resisted arrest and fired at United Nations Command personnel.

(f) On 19 July 1969, a search for a north Korean agent spotted in a village in the southern portion of the Republic of Korea resulted in the discovery of three north Korean agents, one of whom was wounded and subsequently captured.

(g) On 27 July 1969, United Nations Command personnel despatched to look for a north Korean intruder, who was sighted on 24 July south of the Demilitarized Zone, killed three north Korean agents. United Nations Command personnel suffered two killed and six wounded.

24. Within the Demilitarized Zone itself incidents of intrusion south of the Military Demarcation Line and each involving several north Korean armed intruders occurred on at least twenty occasions between 31 March 1969 and 31 August 1969. During that same period, personnel manning north Korean guard posts fired at United Nations Command personnel and guard posts south of the Military Demarcation Line on more than ten occasions using equipment including heavy machine guns, automatic weapons, and recoilless rifles.

25. According to the United Nations Command, north Korea has also been observed actively increasing its fortifications on the northern side of the Military Demarcation Line since early April 1969, making improvements to existing bunkers and gun emplacements or constructing new ones.

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- 12 -

26. On 17 August, an unarmed US Army H23 helicopter with three US military personnel aboard was fired on and forced to land near Kunchon in north Korea. At the 292nd meeting of the Military Armistice Commission on 21 August 1969 the United Nations Command side described the intrusion into north Korea as "accidental, inadvertent and purely unintentional". Negotiations concerning the incident are still being pursued.

2. Espionage cases and agent infiltrations

27. During the period under review, the Courts which continued to deal with espionage cases under the National Security Law, the Anti-Communist Law and the Criminal Code, handed down fifty-two individual judgments consisting of nine death sentences, four life imprisonments and thirty-nine prison terms ranging from one to fifteen years.

28. Two death sentences were carried out during the period under review. One involved Lee Su Keun, former Vice-President of the North Korean Central News Agency who had defected to the Republic of Korea through the Joint Security Area at Panmunjon on 22 March 1967. He escaped from the Republic on 27 January 1969, was apprehended in Saigon on 31 January, brought back to the Republic on 1 February, sentenced to death on 10 May, and executed on 3 July 1969.

29. The other execution involved Kim Chong Tae who was arrested on 24 August 1968 for his role as a leader of an underground organization known as "United Revolutionary Party", and was sentenced to death on 25 January 1969. His execution on 10 July 1969 occasioned in north Korea much publicized public mournings, the posthumous bestowal of the

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- 13 -

title of "Hero of the Democratic People's Republic of Korea", and the renaming of the Pyongyang Electric Locomotive Factory and the Haijoo Normal College after him.

30. On the occasion of the twenty-fourth anniversary of national independence day, two of the death sentences referred to in paragraph 27 above were commuted to life imprisonment as part of a general amnesty involving the release of 798 prisoners and the reduction by one-third of the balance of the prison terms involving 1,762 prisoners.

31. On 14 May 1969, it was announced that a large-scale north Korean espionage ring based in Europe and Japan was uncovered, followed by an announcement on 11 June 1969 that nineteen persons involved, including Kim Kyu Nam, member of the National Assembly, were indicted and that fourteen others were under investigation.

32. During the period 26 June to 18 August, 1969, agencies of the Government announced the apprehension of north Korean espionage agents on several occasions and at widely scattered locations: the arrest by the metropolitan police of two north Korean agents in Seoul on 12 and 14 June, followed by the arrest of two more agents on 1 August; the arrest by the national police of one agent in Pusan on 8 August; the arrest by the Army Security Command of two agents on 17 August, in Munsan, Kyunggi province, followed by the arrest of three resident espionage agents on 18 August in Sochon, Chungcheong Nampo province.

33. The mission of these agents was reported to be either the infiltration of factories and universities to mobilize workers and students to stage demonstrations against the constitutional amendment or to collect information on military installations and to locate military headquarters and major government offices.

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- 14 -

IV. POLITICAL DEVELOPMENTS IN, AND EXTERNAL RELATIONS OF,
THE REPUBLIC OF KOREA

A. Political Development

1. The question of constitutional amendment

34. Article 69 of the 1962 Constitution limits the President to two consecutive four-year terms of office.

35. The procedure for initiating constitutional amendment provided in the Constitution is either (1) the introduction of a motion to amend the Constitution by one-third or more of the members of the National Assembly duly elected and seated or (2) the concurrence of 500,000 or more voters qualified to vote for the election of members of the National Assembly. In both cases, the concurrence of two-thirds of the members of the National Assembly is required for a decision to submit the proposed amendment to a national referendum.

36. Once the process of constitutional amendment reaches the stage of national referendum, its adoption requires the affirmative votes of more than one-half of the votes cast by more than one-half of all voters eligible to vote for the election of members of the National Assembly. Once such affirmative votes are secured the President is empowered to promulgate the amendment immediately.

37. With the 1971 presidential election in view, a faction of the Democratic Republican Party, beginning in the summer of 1968 and with an increasing sense of urgency since, has sought to promote a constitutional amendment to remove the constitutional limitation

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- 15 -

referred to above and thus enable President Park Chung Hee to run for a third term in 1971 stating that this would be in the interest of political stability, national security and continued economic growth. Initially and for a considerable period thereafter there were marked indications that the leading members of the Democratic Republican Party were not unanimous in their views as to the desirability of constitutional amendment. However, with the adoption of disciplinary measures, party unity was gradually re-established sufficiently to secure the signatures of all but one of the DRP Assemblymen to the constitutional amendment bill.

38. The New Democratic Party, which is the major opposition party, consistently maintained its position that the constitutional amendment could have unfortunate consequences for the development of a representative and democratic form of government and would result in the establishment of a dictatorship. In a resolution adopted at the conclusion of its national convention on 21 May 1969, it declared its determination to oppose constitutional amendment designed to permit a third consecutive Presidential term under any pretext and for any reason, and to block even the introduction of such an amendment in the National Assembly.

39. A recently organized Pan National Struggle Committee against constitutional amendment, the Struggle Committee for the Defense of Democracy by Youth and a significant number of the student body of universities, colleges and high schools in the country have also manifested strong opposition to the constitutional amendment.

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- 16 -

40. During the latter part of June and the early part of July, student rallies and demonstrations opposing the constitutional amendment took place in Seoul and in several provincial cities but were suppressed by direct police action. Subsequently university authorities reportedly on instruction by the Ministry of Education expelled, suspended or reprimanded a number of the leaders of student rallies and demonstrations. On the return of the students to class in the latter part of August, rallies and demonstrations against the constitutional amendment resumed. These were again suppressed by the police and some major universities have been temporarily closed.

41. In view of the division of public opinion on the issue of constitutional amendment, the repeated challenge of the New Democratic Party to the President to make his position clear on the issue and the charges of dictatorship, corruption and bankruptcy, which the opposition party has levelled against his administration, President Park Chung Hee on 25 July 1969, in a special television and radio broadcast, urged the Democratic Republican Party to introduce a constitutional amendment bill as soon as possible; asked the Korean people to express their confidence in the President and his administration by adopting the constitutional amendment bill in a national referendum; and declared that the President and his administration would immediately resign if the constitutional amendment failed of adoption at the national referendum.

42. In accordance with the instruction of the President, a general meeting of the Democratic Republican Party members of the National Assembly on 30 July 1969 adopted a series of amendment proposals "to supplement deficiencies of the Constitution and to meet urgent needs,

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- 17 -

such as stabilization of the political situation, firm establishment of national defense and economic development". The amendment proposals as revised by another general meeting of the Democratic Republican Party Assemblymen on 7 August 1969, signed by 122 Assemblymen consisting of 108 Democratic Republican Party members, 11 Political Friendship group members and 3 New Democratic Party members and submitted to the National Assembly secretariat on the same day, would permit the President to stand for election for three consecutive terms; allow members of the National Assembly to hold concurrently the office of Prime Minister or member of the State Council as may be determined by law (the purport of which will not become effective until Article 30 of the National Assembly Law is appropriately amended), establish the number of members of the National Assembly within the range of a minimum of 150 and a maximum of 250 members as determined by law; and increase the vote required to institute impeachment proceedings against the President from a simple majority to more than two-thirds majority of members of the National Assembly.

43. The Democratic Republican Party Assemblymen on 30 July 1969, in addition, recommended the re-organization of the Government and of the Party; the elimination of corruption and irregularities; the restriction of the functions of the intelligence agencies to anti-communist surveillance; and the fair conduct of the national referendum. These recommendations were accepted by the President prior to the submission of the amendment bill to the National Assembly for implementation at an opportune moment after the adoption of the constitutional amendment.

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- 18 -

44. The opening of the extraordinary session of the National Assembly on 8 August 1969 to which would have taken up consideration of the proposed amendment bill was to have been formally presented was blocked when 35 New Democratic Party Assemblymen staged a sit-in demonstration in the National Assembly which continued into the early hours of the morning of the next day. In consequence thereof, the Speaker of the National Assembly transmitted the proposed amendment bill on 9 August 1969 to the Government without it being formally introduced in the National Assembly.

45. On the same day, President Park Chung Hee signed the document, countersigned by the Cabinet, formally notifying the people of the Republic of Korea, in accordance with Article 119, paragraph 2 of the Constitution, of the constitutional amendment bill. Under Article 120, paragraph 1 of the Constitution, the National Assembly must decide on the proposed amendment within sixty days of its public announcement.

46. On 14 August 1969, the Democratic Republican Party introduced in the National Assembly a new National Referendum Law bill to replace the one under which the 1962 national referendum to adopt the present Constitution was conducted.

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- 19 -

47. On 30 August 1969, the National Convention of the Democratic Republican Party expressed its firm belief that President Park's continued strong leadership was essential to ensure national security and economic development and pledged the united action of the Party to win popular support for the President at the forthcoming national referendum on the proposed constitutional amendment.

2. By-election

48. On 25 July 1969, the Supreme Court nullified the 1967 National Assembly election returns with respect to ten voting districts in Polkyo Up, Posung constituency, Cholla Nando, on the ground of certain irregularities committed by the winning candidate. On 14 August, a by-election, observed by the Commission, was held in the ten voting districts concerned in which the Democratic Republican Party and New Democratic Party presented the same candidates as in the 1967 elections and the New Democratic Party candidate was elected.

49. In the National Assembly of one hundred seventy five (175) seats (one seat being vacant), the representation of the political parties as of the date of signing this report is as follows:

Democratic Republican Party	108
New Democratic Party	47
Political Friendship Group	11
Independents	6
Party of the Masses	2

3. Cabinet changes

50. On 2 June 1969, President Park Chung Hee accepted the resignation of Mr. Park Choong Hoon, Deputy Prime Minister and Minister of the Economic Planning Board, and appointed Mr. Kim Hak Yul, formerly Senior Economic Affairs Secretary to the President, as his successor.

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- 20 -

B. External Relations

51. The Republic of Korea was represented by the Foreign Minister at the Seven-Nation Ministers Conference in Bangkok on 22 May 1969 and at the Fourth Ministerial Meeting of the Asian and Pacific Council in Kavana, Japan, from 9 to 11 June 1969; by the Defence Minister at the second annual meeting of the Defence Ministers of the Republic of Korea and of the United States held in Seoul from 3 to 4 June 1969; and by the Deputy Prime Minister and Minister of Economic Planning Board, the Minister of Foreign Affairs, the Minister of Commerce and Industry, the Minister of Agriculture and Forestry and the Minister of Transportation at the Japan-Korea third annual ministerial conference in Tokyo from 26 to 28 August 1969.

52. Visitors to the Republic of Korea during the period under review included Their Majesties the King and Queen of Malaysia; the President and the First Lady of the Republic of Viet-Nam; the Prime Minister of Lesotho; the Speakers of the Australian House of Representatives and of the Turkish National Assembly, and the Vice Speaker of the Indonesian Parliament; parliamentary delegations from Australia and Turkey; the Foreign Ministers of Iran, Argentina and Tunisia; the Secretaries of State, of Commerce, of the Air Force, of the Navy, and of the Army and the Deputy Secretary of Defence, of the United States; the Permanent Representatives to the United Nations of Ivory Coast, the Philippines, Thailand, Dahomey, and Costa Rica and the Assistant Secretary-General in charge of General Services of the United Nations Secretariat.

53. The Deputy Prime Minister and Minister of the Economic Planning Board visited the Federal Republic of Germany and the United States.

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- 21 -

V. ECONOMIC DEVELOPMENTS IN THE REPUBLIC OF KOREA

A. INTRODUCTION

54. The Republic continues to be dedicated to the goal of rapid economic development despite the claims on its resources for defence and internal security.

55. An impressive rate of growth of 13.2 per cent was achieved in 1968 and current production trends point to its successful continuation in 1969. Manufacturing sector, with its rate of growth of more than twice that of national product, continues to lead the way, stimulated by the rapid growth in exports. However, the retarded growth in agricultural output due to drought in 1967-1968 has spurred the Republic to substantially increase its development efforts in the agricultural sector; significant efforts are being made to remove the bottlenecks in the transport sector and by 1969 the Republic hopes to see the last of the shortages in electric power even though the demand for it is expected to grow at a high rate.

56. The Republic has sustained its rapid growth, along with removal of sectoral imbalances, by continuously accelerating its rate of investment. Determined efforts are being made to increase the savings in the government sector; however there has been no corresponding increase in the aggregate domestic savings.

57. Like other developing countries, the Republic continues to need resources from abroad. It has been successfully decreasing its reliance in foreign grants and attracting foreign investment at a rapidly increasing rate. The Republic is currently engaged in a careful assessment of the nature and conditions under which foreign capital

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- 22 -

is being induced as the repayment burden, in the near future, will be growing at a rate greater than in the past.

D. RATE OF GROWTH

58. According to final official estimates, the gross national product of the Republic (at 1965 constant market prices) grew by 13.3 per cent in 1968, from ¥995 billion in 1967 to ¥1,127 billion in 1968. The Republic devoted thirty per cent of its national product to capital formation in 1968, as compared to slightly less than a quarter in 1967. Gross domestic savings increased at a slower rate, from 13.1 per cent in 1967 to 14.8 per cent in 1968. The Republic's dependence on external sources for its capital formation increased in 1968; nearly 52 per cent of its gross investment in 1968 was financed by foreign resources as compared to 46 per cent in 1967.

59. With the slow rate of growth in domestic savings, the Government has intensified its efforts to increase savings in the government fiscal sector. The first supplementary budget for 1969, envisages an increase in expenditure by nearly 15 per cent over the 1969 original budget. Civil and defence expenditures are to increase only marginally and nearly four-fifths of the increase in expenditure is to be for economic development. Total tax and non-tax revenues are to be stepped up by 15 per cent, mainly through improvement in tax machinery. The surplus of tax and non-tax revenues over the civil and defence expenditures, to be utilised in financing economic development projects, is to increase, under the first supplementary budget in 1969, by more than 50 per cent. The share of counterpart funds and receipts

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- 23 -

for the despatch of ROK forces to the Republic of Viet-Nam in the total government receipts is to decrease. However, due to the large deficit in government enterprises account and other special accounts of the government, the consolidated deficit under the first supplementary budget, 1969, widened considerably, to be met by increased government borrowing from abroad. On 23 August, the second supplementary budget for 1969 was approved providing for increased government expenditure, mainly to repair the damages caused by monsoon floods, to be covered by increased tax revenue.

C. PRODUCTION TRENDS

60. Summer grains output in 1969 has increased by nearly 10 per cent over its level in 1968 and official estimates anticipate a much larger increase in the output of rice, exceeding its record level in 1965. However, due to the prolonged drought in 1967-1968, the Republic is dependent on imported foodgrains to the extent of one-fifth of its requirements in 1969.

61. There has been growing concern, in official quarters, at the comparatively slower rate of growth, since 1965, in the income of the farmers as compared to that of city labourers and at the slower rise in the prices of agricultural commodities as compared to industrial goods' prices. The prolonged drought in 1967-1968, with the consequent depression of agricultural production, has necessitated an expanded and accelerated programme of rural development. The Government has decided to increase investment, public and private, in the agricultural sector during 1969 by nearly 60 per cent over that in 1968.

62. According to official statistics, only three-fourths of the paddy fields are fully irrigated and even they suffer from water

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- 24 -

shortages during drought. Since 1967-'68 the Government has been implementing an intensified programme of groundwater development, mainly through drilling of shallow wells in drought-affected areas. Greater attention is being paid to the need for integrated development of major river basins and the Han and the Nakdong river basins are being surveyed by USAID and UNDP. Agreement has been entered into with the IBRD for a \$45 million loan for an all-weather farming project at Pyongtaek and Kungang; the project, to be constructed over five years, is designed to enable regular double cropping in two extensive areas in the western part through provision of irrigation facilities and, through reclamation of tidelands, to increase the productive area. Along with increased irrigation facilities the Government plans to increase the supply of other inputs to the farmers, like fertiliser, lime, improved seeds and pesticides whose consumption has been falling considerably short of the targets. Towards providing incentives for the utilisation of these inputs, there has been recently an increase in the prices of agricultural products.

63. Agricultural production in the Republic is being carried on predominantly on a small-scale subsistence basis. It is generally held that an holding, to be economic, has to be between 1.2 to 1.4 hectares in area. According to the Farm Household Economy Survey, 1968, 67 per cent of the total 2.5 million households have holdings of less than one hectare and 35 per cent, less than half a hectare, even such small holdings are fragmented into five or six scattered lots. Consolidation of fragmented holdings has not proceeded at the

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- 25 -

planned rate. The Government proposes to shift the emphasis, from time-consuming capital-intensive methods of augmenting the cultivable area through tideland reclamation, to increasing productivity in the near future through land consolidation. For such consolidation to lead to adoption of modern production techniques, it is realised, the farmers have to be provided with considerably more long-term credit than at present.

64. Manufacturing continues to be the most dynamic sector in the economy and the index of industrial production rose, during the first half of 1969, from 237.6 to 269.8 (1965 = 100).

65. Along with the expansion in output, the Republic's industrial structure is becoming more diversified and modernised. The Republic has been actively pursuing a policy of replacing, through domestic production, imports not only of consumer goods but also producer goods. Among the recent noteworthy developments in this respect are the progress made in the construction of Ulsan petrochemical complex, the modernisation of the large government-owned fertiliser factories, and the substantial financial aid extended for rationalisation of the lagging non-electrical machinery industry; however the construction of the projected iron and steel plant has been delayed as negotiations for the necessary foreign finance are not yet complete. Also consumer goods production which, in spite of its lower rate of growth, accounts for the larger part of the Republic's industrial output has increased in range and sophistication to cater to domestic demand, as in the case of food processing industries and, as in the case of textile industry,

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- 26 -

to take advantage of export demand. The Government has also embarked on financial reorganisation of firms which have been found to carry too great a debt burden, foreign and domestic, as compared to their assets.

66. In line with the trend towards modernisation there has been an increase in the average size of industrial firms and the amount of capital employed per worker, as indicated by the 1967 Mining and Manufacturing Census. The resultant increase in productivity per worker, by as much as 50 per cent in large-scale establishments during 1962-'66, has not been offset completely by the rise in real wages; the level of wages in the Republic is generally considered to be lower than in other developing countries in this part of the world.

67. The large-scale enterprises (employing more than 200 persons) increased their share in the total gross value added in manufacturing from about one-third in 1960 to more than one-half in 1966. Even though the share of small-scale establishments (with 5 to 49 employees) decreased from about one-half to a little more than a quarter, the number of small-scale establishments has increased from 17,061 in 1963 to 21,010 in 1966. Recently the Government, concerned at the inefficiency in small-scale production, has stepped up its assistance to small-scale industries under a programme to convert them into export industries through specialisation and sub-contracting with large firms, construction of industrial estates and promotion of industrial cooperatives.

68. The Government has ensured, during 1966, against any shortage in supply of electric power, the demand for which is estimated to grow at a high rate of 35 per cent. With the recent construction of

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- 27 -

No. 5 generator of the Seoul Thermal Plant, the largest in the Republic, total installed capacity has been expanded by more than one-third of the capacity in 1968 to 1,629 MW in 1969 as against the expected peak demand of 1,654 MW. The long-standing inadequacies in transmission and distribution lines are to be removed, though not fully. With limited coal reserves the Republic has planned to substitute oil for coal. With the completion of the expansion of the Ulsan refinery, the recent construction of a second refinery at Yosu and its plan for construction of a third refinery soon, the Republic will be having petroleum refining capacity of nearly 240,000 barrels per day to meet the fast growing demand.

69. Continued progress is being made in removing the bottlenecks in the transport sector. In the development of railways, the mainstay of the Republic's transport services, emphasis has been placed more on efficient use of the existing network through additions to and modernisation of rolling stock than on increases to the length of track. Priority has been given to the fast completion, by 1970, of the 483 km Seoul-Pusan highway; the three automobile assembly plants, planned to be completed by 1971, are expected to help relieve the shortage of trucks in road transportation. With its foreign trade fast expanding, the Republic's major port at Pusan has been expanded and port facilities are under construction in Pohang and Ulsan to handle the traffic for nearby industrial complexes. To encourage coastal traffic, five minor ports are also under construction. The Republic has been steadily adding to its stock of ocean and coastal fleet, particularly of ocean-going cargo vessels and oil tankers.

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- 28 -

D. STABILISATION MEASURES

70. Money supply expanded, according to official figures, from ₩149.8 billion at the end of 1968 to ₩164.7 billion by the middle of 1969, adhering to the target of increase of 10 per cent. Private sector credit expansion accounted for the larger part of the increase; the expansion, in fiscal sector, was kept down by continued improvement in tax collection and, in the external sector, by ceilings on inducement of foreign cash loans. For the second half of 1969, the Republic has switched over from sector-wise targets for credit expansion to ceilings on the net expansion of domestic and foreign assets of its central bank as a basis for credit expansion; the expansion envisaged, during 1969, in the monetary base of the central bank, namely notes and coins issued and deposits of banking institutions with the central bank, is such that money supply by the end of the year is expected to expand only by a little less than twice the rate of growth of national product anticipated at about 12 per cent.

71. Effective 1 June, the Monetary Board partially lowered the interest rates on loans and discounts of the Bank of Korea to banking institutions in order to provide adequate margin between the rates charged by the Bank of Korea and by the banking institutions. On the same date, the maximum interest rates on loans and deposits of banking institutions were lowered in order to alleviate the interest burden on domestic enterprises, at the same time reversing the present system under which interest rates on deposits were higher than those on loans and discounts.

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- 29 -

72. The Government's foreign exchange rate policy, as officially stated, continues to be to let the won find its external value as established by free market forces. There has been no significant change in the administrative arrangements for the working of the floating exchange rate system. There has been a continuing fall in the external value of the won, from ₩281 on 31 December 1968 to ₩267 in the beginning of September 1969 per US dollar, but not at as great a rate as in the increase in foreign deficit.

E. PRICE MOVEMENTS

73. During the first half of 1969, prices continued to rise at a rate greater than the 7 per cent increase in wholesale prices and 10 per cent increase in the cost of living envisaged by the Government for the whole year; however the rate of increase in prices was lower than that in the corresponding period of the previous year.

74. Wholesale Price Index registered an increase of 4 per cent from its level at the end of 1968 as compared to the rise of nearly 6 per cent during the first half of 1968. Prices of consumer goods rose more than those of producer goods, mainly due to the continuing short-fall in the supply of rice after the drought of 1967-'68; the Government sought to curb the price rise by timely import and distribution of foodgrains and price control in major cities. Cost of living index, as indicated by Seoul Consumer Price Index, rose by about 6 per cent in the first half of 1969 as compared to the 7 per cent rise in the first half of 1968. Along with the increase in foodgrain prices, the continuing inadequacies in and high cost of social services like housing, education and medical facilities contributed to the rising cost of living.

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- 30 -

F. FOREIGN TRADE

75. The Republic is faced with the prospect of a foreign trade deficit larger than that in 1968. Merchandise exports, although depressed in the first quarter of 1969 due to seasonal factors, continue to register an impressive increase, but there is a faster rate of growth in the import requirements of this rapidly growing economy.

76. Merchandise exports amounted to \$114.4 million in the first quarter and, according to preliminary figures, to \$284.9 million in the first half of 1969; the Republic has set an export target of \$700 million by the end of 1969, an annual increase of more than 40 per cent. Manufactured goods exports continue to increase their share in the total, from about three-fourths in 1968 to nearly four-fifths by the middle of 1969. Traditional major exports like clothing, textiles, plywood, fish and fish preparations and metals continue to grow, but the greatest rate of expansion is in the export of miscellaneous manufactured goods indicating the Republic's vigorous export drive.

77. Impressive as the export performance is, the imported raw material component in the case of all export commodities in the aggregate amounts, according to official estimates, to 40 per cent and, in the case of manufactured exports, to 58 per cent. Also export subsidies, in the form of tax and credit concessions continue to be substantial, according to unofficial export estimates, they amounted to nearly 23 per cent of export value in 1967 and the indications are that they have increased since then, without any attempt to make them discriminating.

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- 31 -

78. Merchandise imports amounted, in the first quarter of 1969, to \$337.8 million and increased rapidly to \$749.5 million in the first half of 1969, as compared to \$1,322 million imports during 1968.

The increase in imports is due not only to the growing import demand for machinery and industrial raw materials like mineral fuels and chemicals but also to the need for imported foodgrains. With mounting trade deficit, there has been a reversal of import liberalisation policy; however the growth in imports is controlled indirectly through non-quantitative methods like deposit margins for imports.

79. Current deficit on trade account widened from \$223.4 million in the first quarter of 1969 to \$464.6 million by the middle of 1969; in 1968 it amounted to \$835.7 million. The trade deficit was reduced by \$51.2 million in the first quarter and by \$97.0 million in the first half of 1969, due to the increase in sales of goods and services to the UN forces and remittances from the Republic of Viet-Nam offsetting the increased payments by Republic of Korea for freight and insurance and other services. For bridging the yawning trade deficit, the Republic of Korea continued to rely more on private foreign capital and foreign loans, official and commercial, and less on foreign grants.

G. EXTERNAL RESOURCES

80. Reducing its dependence on foreign grants the Republic, according to provisional balance of payments figures, utilised only \$48.4 million in official grants and \$69.6 million in official loans during the first half of 1969, as compared to \$120.6 million in official grants and \$71.6 million in official loans in 1968.

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- 32 -

81. From the United States, project and programme assistance and PL480 grants which totalled \$85.5 million in 1968, amounted to only \$35.8 million in the first half of 1969. US government loans, in contrast to \$43.3 million in 1968, ran to \$50.6 million in the first half, the larger part of the loans was utilised for financing the import of foodgrains. Claims funds from Japan, comprising \$30 million in grants and \$15.7 million in loans during 1968, amounted to \$12.1 million in grants and \$8.9 million in loans during the first half of 1969.

82. The Republic continues to attract foreign capital in growing volume. As of the end of June 1969, foreign capital contracted for induction into the Republic so far amounted to \$1,987 million. There has been an acceleration in the amount contracted for, with \$459 million in the first half of 1969 alone as compared to \$585 million in 1968.

83. Half of the total foreign capital is to be utilised in infrastructure projects like electricity and transportation, about forty per cent in manufacturing, mostly in producer goods industries, and the rest in the primary sector.

84. There has been a diversification of the source of foreign capital. more than two-thirds of foreign capital in 1968 came from the United States, Japan and the Federal Republic of Germany and they accounted for less than half of the total during the first half of 1969. Among the new investors in the Republic are Austria with \$30 million and Norway with \$5.3 million.

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- 33 -

85. Direct foreign investment accounts for only a small share of 5 per cent in the total foreign capital; nearly 60 per cent of the total is in the form of foreign commercial loans and the rest, in foreign government loans. Since 1965 there has been a steady and sizable increase in the foreign commercial loans guaranteed by commercial banks in the ROK. During the first half of 1969, as in 1968, such loans amounted to more than two-thirds of the total commercial loans contracted for, with consequent hardening of the terms of the foreign loans.

86. According to the official external debt service and repayments schedule, the repayment of principal along with interest accrued amounted to about 6 per cent of the export earnings from goods and services in 1968; it is estimated that such repayments would amount to more than 10 per cent in 1969, 14 per cent in 1970 and 15 per cent in 1971, of the projected export earnings. These figures underestimate the external debt servicing burden. The official schedule covers the period only up to 31 March 1969; since then there have been further additions to external debt. Also the schedule does not cover short-term external borrowing with a repayment period of less than three years.

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- 34 -

VI. CONCLUDING OBSERVATIONS

87. The Commission continues to regard with concern the prevailing tension in the area which in the main is related to the activities of the Democratic People's Republic of Korea directed against the security of the Republic of Korea. While less in number, these activities have taken more diverse forms, both in nature and in wider geographical incidence. The use of more sophisticated equipment, particularly in the vessels used for infiltration, has also been noted.

88. The Commission believes that the Republic of Korea is willing to bring about conditions conducive to the unification of Korea by democratic methods and in accordance with the General Assembly resolutions. It observes, however, no similar willingness on the part of the Democratic People's Republic of Korea to admit the competence and authority of the United Nations although it professes to desire the attainment of peaceful unification through democratic procedures. Unless the Government of the Democratic People's Republic of Korea is prepared to accept the competence and authority of the United Nations to concern itself with the unification of this unfortunately divided country, the Commission remains unable to make any progress whatever in achieving the principal objective of the United Nations in Korea.

89. Nevertheless, the Commission considers that the United Nations presence in the Republic of Korea remains an important factor in maintaining peace in the area. The Commission itself is ready to use its influence and facilities to bring about conditions which could lead to a peaceful settlement of this long outstanding problem, and to effect the unification of the Korean people.

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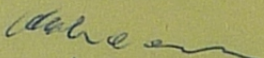
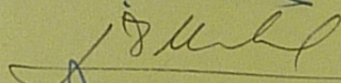
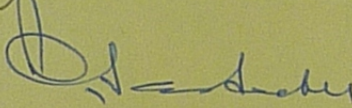
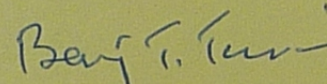
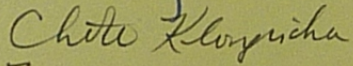
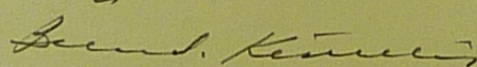
- 35 -

The present report of the Commission in accordance with paragraph 5 of General Assembly resolution 2456 (XXIII) of 20 December 1968 is transmitted to the Secretary-General for submission to the General Assembly at its twenty-fourth session.

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, Korea, this sixth day of September, one thousand nine hundred and sixty-nine.

	Allan H. Loomes	<u>Australia</u>
	Augusto Marambio	<u>Chile</u>
	Johan Q. Bas Backer	<u>Netherlands</u>
		<u>Pakistan</u> ^{5/}
	Benjamin T. Tirona	<u>Philippines</u>
	Chote Klongvicha	<u>Thailand</u>
	Bulend N. Kostelli	<u>Turkey</u>
Zouheir Kuzbari <u>Principal Secretary</u> <i>Farhan 186</i>		

5/ Pakistan was not represented on the Commission at the time of the signing of the report.