

the government's rural support program and labour intensive development policies, meant that by the mid 1980s the majority of Koreans had benefited significantly from the country's growth. The same factors have also prevented the migration into Korea's cities and has thus minimized a rural-urban income imbalance. Notwithstanding the reduction of the population growth rate to a manageable 1.6 per cent annually, Korea's work force is one of the youngest and fastest growing in the world. Unemployment has been reduced from more than 8 per cent in the early 1960s to 4.1 per cent in 1975 and 3.2 per cent in 1978. However, it rose to about 4 per cent in 1979 and 5.2 per cent in 1980. The demands on Korea's job creation capacity are extensive. It has been estimated that GNP must grow by 7 per cent per annum just to prevent unemployment from rising. Reducing unemployment and extensive under-employment remains an important Korean challenge.

2. GNP Performance

The political stability and strong leadership that characterized the 19-year regime (1962-1979) of President Park Chung Hee has fostered unprecedented economic growth. The last five years of the Park administration were no exception. Despite generally unimpressive growth in the world at large, Korea's GNP from 1975 to 1979 (Table 3) grew at an annual average rate in excess of 10 per cent. As a result, GNP per capita hit new heights of U.S.\$1,597 in 1979 compared to U.S.\$87 in 1962.

While this new found prosperity has been welcomed by all Koreans, it has not been achieved without a certain price. Indeed, it is now recognized that the Korean economy in the latter half of the 1970s was distinctly overheated. The domestic inflationary pressures created in the 1976 and 1978 period, together with the doubling of oil prices in 1979 and political uncertainties following President Park Chung Hee's assassination have created economic difficulties. In turning the economy around after a 5.7 per cent decline in 1980, the present administration of President Chun Doo Hwan is very much aware that new economic policies will be required. Indeed, the 1982-86 Five-Year Plan projects an annual GNP growth rate of 7.6 per cent. This will be achieved through reduction of government budget deficits, elimination of non-essential expenditures, improvement in managerial efficiency of public enterprises, increases in tax revenues, and changes in policies to move towards an open market economy.

3. Price, Wage and Productivity Performance

Through hard work, high growth has become a hallmark of Korean economic performance. Unfortunately the same growth rate is paralleled by double digit inflation and hefty wage increases