

3.2 The Political System

The Constitution of the Fifth Republic was approved by national referendum on October 22, 1980. It came into effect on October 27, 1980. The executive consists of the President, the State Council (composed of the President, the Prime Minister and no more than 30 and no less than 15 members appointed by the President) and the Board of Audit and Inspection. The President is elected by the Presidential Electoral College for one term of seven years. The National Assembly is composed of more than 200 members, two-thirds of whom are elected for four years by universal, equal, direct and secret ballot, the remaining third proportional to the parties. The courts are composed of the Supreme Court, which is the highest court of the State, and other courts at specified levels. The Supreme Court consists of no more than 13 Justices, including the Chief Justice. The Chief Justice is appointed by the President, with the consent of the National Assembly, for a term of five years.

3.3 Economic Planning

Before the first overall economic development plan was launched in 1962, Korea remained largely a traditional closed agricultural economy with about two-thirds of the working population still engaged in agriculture. Moreover, what little industrial base there was had been destroyed in the Korean War.

The industrial policy immediately following the war may be loosely characterized as a policy of import substitution of non-durable consumer and intermediate goods behind a protective wall of high tariffs and stringent quotas. However, the development strategy based on import substitution soon reached its natural limits, especially because of the small size of the domestic market and large capital requirements.

After many years of stagnation, in 1961 a new government committed to economic development came into power. Because of its poor natural resource endowment, and small domestic market, the government shifted economic policy to a program of growth maximization through export oriented industrialization. This economic growth strategy was the keystone of the first Five Year Plan, the first formal economic development plan ever adopted by the Korean government.

The development strategy of the 70's, as reflected in the third and fourth Five Year Plans, included modernization of rural areas, but more importantly, the development of heavy and chemical industries. These were seen as essential to balance the industrial development.

However, by the latter half of 1979, the Korean economy began to show signs of strain. For instance, commodity exports in real terms declined in 1979 for the first time since Korea began her