

careful management of imports, limited wage increases and the rationalization and consolidation of key industries. The new Five-Year Plan focusses on promotion of industrial efficiency, price stabilization and the expansion of social services.

There have been some encouraging, if uneven, signs of recovery over the past year. The GNP has risen, inflation has been restrained, and industrial production, agricultural output and private consumption are all up. However, domestic investment is languishing, export performance has been sluggish in recent months and import performance has been weak. In what observers believe is an attempt to boost business confidence, the Government recently announced a new economic package which included the lowering of interest rates and the raising of current year money supply ceiling. Other steps have been taken to encourage the regularization of the money market.

#### Foreign Policy

The Korean Peninsula has been divided between two radically opposed and differing forms of government and societies since World War II. Although the peninsula has been relatively stable in recent years, underlying tensions continue to exist. Security from political or military incursions by North Korea on the nation's sovereignty and territorial integrity forms the cornerstone of the Republic of Korea's foreign policy. The Republic of Korea has vigorously sought support for this position in the United Nations and elsewhere. President Chun has made a number of proposals to North Korea since early 1981 concerning means to reunify the peninsula, the latest being in January 1982. This latest initiative called for a Consultative Committee composed of members of both sides to draft a constitution for a unified Korean republic and included a seven-point accord for the interim period to regulate relations between the two Koreas, based on mutual recognition. Like earlier proposals, it has been rejected by North Korea. The Republic of Korea advocates United Nations membership for both Koreas.

Relations with the USA are of fundamental importance, with the USA serving as Korea's security guarantor and major trading partner. Japan is next in importance. Korea's relations with Europe are significant in the economic sense. Korea's heavy dependence on imported energy demands high priority be given to relations