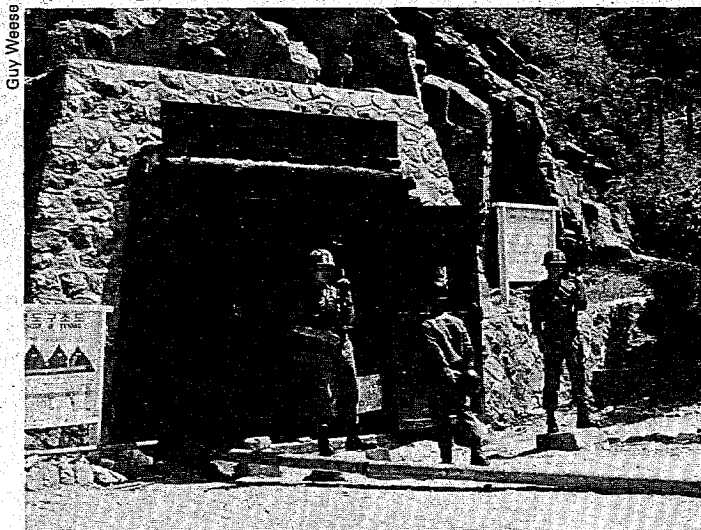


## Korea's Fifth Republic

tariffs, directives on price controls, limits on market shares, licences and even confiscation of assets.

### Government's heavy hand gets lighter

Korean enterprises are not administered directly as in socialist countries, but are under the discretionary control of the government. Some believe that such government intervention has protected the economy from domination by a big business oligarchy. As the economy becomes more complex, heavy government control and guidance are increasingly inefficient. Some government megaprojects



Outlet of N. Korean invasion tunnel into S. Korea

have resulted in megawaste and the misuse of precious capital funds. The present government is relinquishing some of its economic functions to the private sector. Direct credit guidance will be abolished, equity shares in national banks will be sold, and indirect supports will replace absolute protection of local industries. Public enterprise comprises ten percent of the GNP, and their bureaucracies are scheduled for reduction. Some may be sold to the private sector, as was Korea Air Lines in 1968.

Under the late President Park, there had been extensive investment in heavy industry. Chun is more a pragmatist, and is seen to pay more attention to advice from businessmen and academics than did Park. Today, Seoul sees competition as an essential part of industrial policy. Large conglomerates had become dependent on government bailouts and protection. Under the new FYP, no more preferential loans will be given — a signal to big companies that they must increase competitiveness in order to survive.

The fifth FYP aims for high economic growth, price stability, and improved welfare of citizens. Lower real growth is planned — 7.5%, down from an average 10% per year in the previous decade. Exports will be the prime force in growth, and are projected to increase by 11.4% annually. Much of previous economic development concentrated on expanding the industrial base. With this infrastructure now in place, the government seeks to move towards more high technology industries, and a higher quality of life for the Korean people.

Social development will be accelerated. The FYP calls for expanded educational opportunities, medical insurance, housing for the urban poor and per capita income. In

late 1981, Korea had a \$60 billion GNP and \$1600 per capita income. In 1986, the government wants these figures to be \$90 billion and \$2170.

To move Korea into the ranks of the developed countries, the government plans to increase research and development in science and technology. There are presently nine major research institutions, and a new "science town" is planned. It will have thirty research institutions by 1991. One obstacle is the current world recession which makes countries and corporations more protectionist, and less willing to share industrial secrets with potential competitors.

To facilitate growth and technology transfer, Korea is lowering restrictions on foreign investment. At present, about half of Korean industry is open to foreign investors, and more than fifty industries allow up to 100% foreign ownership. In 1981, foreign investment was \$146 million, with 85% from the US and Japan.

Similar to Japan, Korea's paucity of natural resources has made export development a major part of industrial policy. Exports doubled in the four years to 1982, with emphasis on heavy industrial and chemical products, and textiles. Manufactured goods were 25% of exports in 1962, in contrast to 90% in 1980. The Korean share of world exports increased from 0.04% in 1962 to 0.95% in 1980. Major exports are textiles (40% of the total), electronic products (13%), and footwear (7%). Two-thirds of Korea's imports consist of raw materials and fuel, so cheaper forms of energy are sought to generate electric power. The expansion of energy production is needed to run industries such as the Pohang Steel Company. It is the world's eleventh largest steel maker, and claimed the largest steel mill in 1981. Low labor costs are a major factor in Pohang's competitive prices, which face increasing foreign protectionism. This government corporation is building a second mill to be in operation in 1985.

Hyundai, Korea's major auto producer, is constructing a new factory at the southeast city of Ulsan. The company plans to penetrate the North American and other markets on a large scale. It is one of the twenty-six enterprises making up the Hyundai Group, whose chairman, Chung Ju-yung, controls the world's fourth largest construction firm. Samsung is another major private conglomerate, with sales amounting to eight percent of Korea's GNP in 1981.

Construction exports continue to be a vital source of foreign currency, earning \$13.7 billion in 37 countries last year. Korea sends out 160,000 laborers annually, mostly to the Mideast.

The Korean "economic miracle" was back on track this year, and the government is proceeding on foundations built in the last decade. It is refining relations between the public and private sectors, and planning for steady growth in an uncertain future.

### Politics and foreign relations

Whether the ambitious Five Year Plan can be carried out depends upon continued political stability, upon relations with North Korea, and upon the international environment. Since taking power in late 1979, Chun has consolidated and stabilized the government. He introduced a new constitution and held elections for the National Assembly. During 1982, the repercussions of a crazed policeman on a shooting spree led to a cabinet shakeup, and a scandal touched the government when a