

majority of seats in the electoral college, thereby ensuring Chun's election on February 25 to a full Presidential term. The Democratic Justice Party won an absolute majority in the March 25 elections for the National Assembly. The thirty-seven year old curfew has been lifted in most areas and a number of amnesties (the most recent in March 1982) have either commuted or shortened the sentences of a number of political prisoners.

The past few months have witnessed the first major test of confidence in the Chun Government. Following a series of potentially disruptive events - including allegations of bribery in the USA/Republic of Korea rice dealings, the March firebombing of an American Cultural Centre, the massacre of 56 people by a berserk policeman, and widely-publicized anti-government statements by Church groups - a financial scandal, in which a prominent and well-connected couple was accused of defrauding a number of companies of nearly a quarter billion dollars, had a major political and economic impact. Two large companies went bankrupt and, in a series of three shuffles in May-June, President Chun accepted the resignations of 15 Cabinet members, including that of the Prime Minister, to assume "responsibility", in the Confucian sense, for the scandal.

#### Domestic Economic Situation

In the past twenty years, the Republic of Korea has undergone a remarkable economic transformation - the so-called "Economic Miracle" - from an agricultural to an industrial, export-based economy. The per capita GNP has increased from \$87 in the early sixties to over \$1,500 in 1981. However, by the end of the seventies, the economy was beginning to face severe strains and 1980 featured Korea's most disappointing economic performance in almost two decades of advancement. The GNP for 1980 (at 1975 prices) actually dropped by 5.7%; unemployment rose and the inflation rate was in excess of 30%. While much of the economic malaise could be attributed to earlier inflationary policies and to increasing energy costs, domestic political problems played some part in undermining internal effort and external confidence in the Korean economy.

According priority attention to the country's economic ills, President Chun has taken a number of steps to curb inflation and stimulate exports. While placing generally greater reliance on market forces, immediate measures included the lowering of interest rates, the