

**October 8, 1971**

**Letter, UNCURK Principal Secretary Ozbudun to UN  
Chef de Cabinet Narasimhan**

**Citation:**

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**Summary:**

In the first three quarters of FY 1971, the ROK economy has experienced increased inflation, an export deficit , and a decrease in industrial and textile production.

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UNITED NATIONS COMMISSION FOR THE UNIFICATION AND RECONSTRUCTION OF KOREA  
(UNCUK)

CONFIDENTIAL

20 October 1971

RECENT ECONOMIC DEVELOPMENTS  
IN THE REPUBLIC OF KOREA

Dear Mr. Narasimhan,

20 October 1971

I believe that the following report, prepared by the  
Research Officer, Mr. Pierre Indicourt, makes interesting reading  
and attests that all is not as rosy in the ROK concerning economic  
development.

Dear Ahmet,

rate of growth in the Republic's gross national product  
for the January-June period was 10.4 per cent, in the second quarter  
of 1971, 12.4 per cent, particularly in the manufacturing  
sector, and 11.4 per cent in the third quarter of 1971. The  
country's foreign reserves, however, leaving a trade deficit of  
\$1,100 million in the second quarter of 1971 and of \$1,100 million  
in the third quarter of 1971, are \$1,100 million and \$1,100 million,  
respectively, leaving very little in their holdings. The Government  
is expected to raise the Republic's foreign exchange index  
from 100 (1970 = 100) which represents a 4 per cent increase  
over the 1970 level to 104 per cent in the whole of 1971.

With kindest regards,

Yours sincerely,

C.V. Narasimhan  
Chef de Cabinet

Mr. Ahmet H. Ozbudun  
Principal Secretary  
UNCURK  
Seoul  
Korea

country trend was accelerated by the combined  
was devaluation in June, the US economic  
particularly the 10 per cent import surcharge,  
in August. According to the ROK's official  
developments which have compelled the Government to relax  
the stabilization measures. During the week of September, a very  
large, candid and controversial discussion on the external and  
internal problems affecting the ROK economy opened before the  
Government, the National Assembly and business organizations. The  
Government's position was that the inflation was generated from the  
external developments. The main objectives, the ROK, and business

Mr. C. V. Narasimhan  
Chef de Cabinet  
United Nations  
New York

UNITED NATIONS



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UNITED NATIONS COMMISSION FOR THE UNIFICATION AND REHABILITATION OF KOREA  
(UNCURK)CONFIDENTIAL

8 October 1971

RECENT ECONOMIC DEVELOPMENTS  
IN THE REPUBLIC OF KOREA

Dear Mr. Narasimhan,

I believe that the following report prepared by the Economic Affairs Officer, Mr. Pierre Hudicourt, makes interesting reading and attests that all is not as rosy in the ROK concerning economic development.

The rate of growth in the Republic's gross national product, during the January-June period of 1971, stood in real terms at 13.9 per cent, 4.3 percentage points higher than the rate of 9.6 per cent projected for the whole year. This acceleration was attributed largely to the increase (24 per cent) in the manufacturing sector, in the gross exports (20.4 per cent), particularly in the commodity exports (26.8 per cent). At the end of August, the Republic's commodity imports amounted to \$1,641.1 million against \$650.7 million for exports, thereby leaving a trade deficit of \$990.4 million. The money supply and the domestic credit increased heavily during the third quarter of 1971 and, at the end of September, stood at ₩340.4 billion and ₩1,116.8 billion, respectively, coming very close to their ceilings first agreed for the current year. At the end of September, the Republic's wholesale price index stood at 112 (1970 = 100) which represents an increase of 8.8 per cent, as compared to the 6 per cent increase projected for the whole 1971.

The inflationary trend was accelerated by the combined adverse effects of the won devaluation in June, the US economic protective measures, particularly the 10 per cent import surcharge, and the yen flotation in August. According to the ROK's official statements, the benefits of the won devaluation have been nullified by these developments which have compelled the Government to relax the stabilization measures. During the month of September, a very large, candid and controversial discussion on the external and internal problems affecting the ROK economy opened between the Government, the National Assembly and business organizations. The Government's position was that the inflation was generated from the external developments. The main opposition, the NDP, and business

Mr. C. V. Narasimhan  
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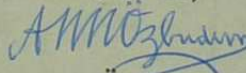
- 2 -

organizations stated that the ROK's chronic inflation was due to the failure of the Government to control it, and the reckless pursuit of economic growth. They denounced the insolvency of the majority of the state-controlled enterprises and the foreign loan-financed private firms and demanded the adoption of a new economic policy to curb finally the inflation. The Government announced on 15 September a ten-point stabilization measure which prohibited undue price increases and manipulations.

At the end of the third quarter of 1971, the ROK's economic outlook is not particularly bright. The industrial production is receding, the exports are slowing down, and the foreign trade imbalance is growing. The future of the non-cotton textile industry is clouded by the voluntary ROK quota or the quota imposed by the US. The rising prices have not reached a stabilization level. The wholesale price index increase is likely to go over the 10 per cent for 1971 as it would probably be the case for the GNP growth rate. If and when solutions are found in the light of the current discussions and controversies, it is hoped that they would be incorporated in the third five-year economic development plan which would probably be revised according to the circumstances. The general economic situation of the ROK is not likely to improve during the last quarter of 1971.

With warm personal regards,

Sincerely yours,



Ahmet H. Özbudun  
Principal Secretary