

STUDENT RESEARCH PAPER

THIS PAPER IS AN INDIVIDUAL EFFORT ON THE PART OF A STUDENT AT THE US ARMY WAR COLLEGE. IT IS FURNISHED WITHOUT COMMENT BY THE COLLEGE FOR SUCH BENEFIT TO THE USER AS MAY ACCRUE.

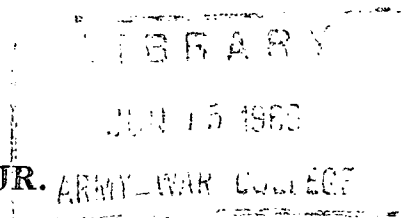
8 April 1966

UNITED STATES ARMED FORCES IN KOREA - HOW LONG?

By

WILLIAM MULHERON, JR.

Colonel, Ordnance Corps



REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS PROHIBITED EXCEPT WITH PERMISSION OF THE COMMANDANT, US ARMY WAR COLLEGE.

US ARMY WAR COLLEGE, CARLISLE BARRACKS, PENNSYLVANIA

Copy No. 1 of 8 Copies

AWC LOG #
66-4-157 U

2009 1201021

USAWC RESEARCH ELEMENT
(Research Paper)

UNITED STATES ARMED FORCES IN KOREA - HOW LONG?

by

Colonel William Mulheron Jr.
Ordnance Corps

US ARMY WAR COLLEGE
Carlisle Barracks, Pennsylvania
8 April 1966

TABLE OF CONTENTS

	Page
SUMMARY	iii
CHAPTER 1. INTRODUCTION	1
2. AMERICAN INTEREST IN KOREA	7
Containment of Communism	7
Conditions for Stability	10
Summary of American Interests	11
3. THE COMMUNIST THREAT TO SOUTH KOREA	12
History of the Threat	12
Historical Significance of the Threat	16
Nature of the Threat Today	17
4. MILITARY SECURITY	20
South Korean Forces	20
United States Forces	21
North Korean Military Power	22
Communist Chinese Military Power	23
Soviet Military Power	24
Discussion	25
Summary	28
5. ECONOMIC STRENGTH	30
History	30
The Five-Year Program	31
United States Assistance	34
Five Years of Progress	35
The Japanese-Korean Treaty	40
The Impact of Military Forces	41
Summary	43
6. POLITICAL STRENGTH	44
Political History	44
North Korea and Unification	45
A Succession of Governments	46
The Era of Park Chung Hee	48
Subversive Insurgency	53
Summary	56
7. CONCLUSIONS AND RECOMMENDATIONS	57
Conclusions	57
Recommendations	62
BIBLIOGRAPHY	64
ANNEX A. United States Collective Defense Arrangements	72
ANNEX B. Financial and Economic Statistics	75

SUMMARY

The central fact of the current world environment is the militant and aggressive design for world domination by the Soviet and Chinese Communists. The challenge is being met by the nations of the free world under the leadership of the United States. A policy of containment of communism within its present borders is being followed and, through a series of defense treaties, principally NATO, CENTO, SEATO, ANZUS, and bi-lateral treaties with The Philippines, Japan, and the Republic of Korea, the boundaries of containment have been defined.

During the past 20 years, American Armed Forces have been stationed in Europe, Japan, and Korea. As continued Communist aggressions occur and the United States reacts with a further commitment of troops, the questions arise of what further demands may be placed upon American forces; how many such occupations can we afford; and, once involved, how can we extricate ourselves without risking the loss of our allies to communism. This paper seeks to examine local and international conditions relevant to our continued armed presence in South Korea and to develop conclusions concerning the military, political, and economic requirements therefor.

The background of American interest in Korea and Korea's current strategic position as the northern anchor of the containment policy is reviewed. The importance of political, economic, and military stability in Korea to American interests and objectives is established.

The nature and extent of the military threat to South Korea's security from outside attack and the ability of United Nations Forces in Korea to resist aggression by North Korea, Russia, and Communist China, singly or in combination is discussed. The military requirement for United States forces is shown to be solely one of providing tactical nuclear supporting fires to the South Korean forces as might be required to contain a North Korean invasion reinforced by a major Communist power.

Economic progress made during the past five years under the government of President Park Chung Hee is discussed. Projections of industrial and economic growth promise achievement of economic and agricultural self-sufficiency and concomitant social stability during the coming decade. The budgetary and economic burdens of maintenance of a large armed force are discussed and the dangerous social and economic results of a large de-mobilization presented. The favorable impact on Korea's international trade balance of the American forces is discussed.

The political stability and maturity achieved during President Park's era is reviewed. The social, civic, and political reform and control measures instituted have achieved a firm base for stability and strong representative government in South Korea. The Communist social and political pressures being exerted through propaganda campaigns and insurgency are being unequivocally rejected by the great mass of Korean people. The United States forces have lent support to the government by their presence but the continued need for a large force is questioned.

It is concluded that an American armed force will be necessary to American objectives in Korea for the indefinite future. Because of the many world-wide commitments now facing the United States and the uncertain demands to come, it would be advisable to reduce, consistent with American interests, the size of the United States force in South Korea. It is further concluded that the American force in South Korea could be substantially reduced by limiting its mission to solely the providing of tactical nuclear supporting fires to the South Korean forces in the event they were required to contain an invasion from the north.

The recommendation is made that United States forces be reduced to the minimum required to provide tactical nuclear supporting fires to the South Korean forces, that the forces released from duty in Korea be made available to the general purpose forces, and that the dollar savings be applied either to a reduction in the United States gold-flow or to constructive nation-building in Korea.

Developments subsequent to 31 January 1966 have not been considered in the preparation of this paper.

CHAPTER 1

INTRODUCTION

The environment of the world community of nations today is one of violence, conflict, and dissension. The emerging nations of Africa, Asia, South America, and the Middle East, poor and undeveloped, are experiencing rising expectations and growing nationalism. A "population explosion" is unleashing forces of unpredictable proportions. It is a world of rapidly diminishing dimensions as the technologies of transportation and communication advance. The communist nations have embarked on programs of world domination. The United States stands, as the principal power in and as the leader of the Free World, resisting the aggressions of communism everywhere.

When, in the 1840's, Karl Marx wrote the opening lines of the Communist Manifesto, "A spectre is haunting Europe, the spectre of communism,"¹ his was but a philosophy and a dream. It remained for others, Vladimir Lenin, Josef Stalin, Mao Tse-tung, Ho Chi Minh, Fidel Castro, and Kim Il Sung, to name a few; to give substance to the revolution; to spread its evil through the world; and to make it the international threat to freedom and peace it has become.

With few exceptions, the spread of communism has been by violence and has been restricted to nations contiguous to the Soviet Union.

¹William Ebenstein, Two Ways of Life, p. 369.

But the aggressive and expansionary pressures from the borders of the Soviet Union, and now from China, are powerful and unrelenting. Modern advances in weapons, communications, and transportation technologies provide the means to better project national power beyond their immediate frontiers and no nation is safe today, geographically, from Communist aggressions. The "Third World," the emerging nations, already have felt Communist pressures from without their borders which increasingly interfere with internal affairs.

The intransigency and militancy and brutality of communism was brought home forcibly to the Free World by Winston Churchill as early as 1920 when he said to the House of Commons in London:

My hatred of Bolshevism and the Bolsheviks is not founded on their silly system of economics or their absurd doctrine of an impossible equality. It arises from the bloody and devastating terrorism which they practice in every land into which they have broken, and by which alone their criminal regime can be maintained.²

Through the intervening years until today the nature of the threat became increasingly clear as did the vigor with which it would be pursued. The relentless pressures to be applied were further demonstrated in Turkey, Greece, Korea, Berlin, Algeria, Indochina, Cuba, The Dominican Republic, Indonesia, South Vietnam, and other nations.

If further proof be useful in assessing the danger communism presents to the Free World, the public pronouncements of Communist

²F. B. Czarnomski, The Eloquence of Winston Churchill, p. 79.

leaders remove any lingering doubts of their intentions. A most recent example was a speech delivered by Lin Piao, Vice Chairman of the Central Committee of the Communist Party of China and Minister of Defense, in which destruction of America by violent conflict and war and the triumph of "People's Wars of National Liberation" throughout the world is foretold.³

Or as Nikita Krushchev, then Chairman of the Communist Party and Premier of the Soviet Union, said in 1956, "Whether you like it or not, history is on our side. We will bury you."⁴ Or again, as he said in Moscow in 1961, "We shall be happy only when the peoples of the world stand under the banner of communism."⁵

China adheres to the violent, revolutionary aggressions and spread of communism by all means as advanced by Marx; the Soviet has adopted the doctrine of "peaceful co-existence." The latter term was defined by an Assembly of World Communist Leaders in Moscow in 1960. In William Ebenstein's words:

. . . peaceful co-existence means all forms of war and conquest short of nuclear war (local limited wars, guerilla fighting in underdeveloped countries, and infiltration by subversion, propaganda, and espionage).⁶

This announced and demonstrated determination of Communists to conquer the world by all means available to it has led the United

³Lin Piao, "Long Live the Victory of the Peoples' War," Daily Report Supplement, Far East, No. 171 (4S)--1965, 3 Sep. 1965.

⁴Ebenstein, op. cit., p. 302.

⁵Ibid., p. 303.

⁶Ibid., p. 302.

States and the nations of the free world to a policy designed to contain communism within its current borders. This policy of "containment" is intended to prevent the spread of communism to the free and the emerging nations; to provide time for the emerging nations to develop free and stable political and economic systems; to provide time for the Communists, particularly China, to mature and develop sufficiently so that in their judgement the costs of conflict will far outweigh possible gains; and to create within the communist bloc the realization that, in the words of President Johnson: ". . . once the communists know, as we know, that a violent solution is impossible, then a peaceful solution is inevitable."⁷

American heritage is conditioned by the notion of unity. "In union there is strength" or "Divided we fall - united we stand" are commonplace expressions in our history. We write "E Pluribus Unum" on our coins. A heritage such as this is foreign to the free nations of Asia. Their history is replete with nationalism influenced by hatreds, distrust, and old animosities one for another. Their histories, languages, mores, the poor communications and geographic boundaries have fostered a distrust for international agreements and treaties. Their experiences with colonialism have not conditioned them to look to the west for assistance. China thus is confronted by a divided victim and the United States, in leading the fight against aggression, has sought to provide a certain unity through a series of alliances among and with the Asian free nations.

⁷Lyndon B. Johnson, "Toward Peace With Honor," Why Vietnam, p. 6.

Mr. Walt W. Rostow has been critical of this policy commenting that the Communists learned that American conventional weapons made the military phase of post-war exploitation of instability unrewarding and a shift towards diplomacy and ideological aggression more promising. But American leaders set about to construct a series of military arrangements around the periphery of communism to defeat military aggression. Thus, according to Rostow, the post-Korean War period was one in which:

The Communist world appeared to be concentrating on the extension of power and influence by persuasion, while the United States appeared to be trying to hold the balance of power in Eurasia by military means.⁸

Nevertheless the treaties exist and, perhaps because of them, communism has not enjoyed significant expansionary success since 1950. Treaties currently in force, their principal members and provisions, are listed in Appendix A.

United States forces have been in Europe, Japan, and Korea for over 20 years and there is no indication yet as to when they may be withdrawn without jeopardizing the sacrifices made and the freedom won by their presence. Further, the initiative remains in the hands of the Communists - it cannot be foretold where or when the next onslaught will be made.

But the probability of continued aggressions approaches certainty. The certain need of American assistance in repelling future aggressions and the equally certain need for the continued presence of American

⁸Walter W. Rostow, The United States in the World Arena, p. 325.

forces to maintain the stabilized conditions achieved by conflict raises difficult questions. Questions such as how many assistance operations will demand active forces; how many occupation forces can we afford; and, once involved, how can we extricate ourselves without risking loss of threatened allies?

The general purpose ground forces available to the United States through CY1965 were sixteen Army divisions and three Marine/Aircraft wings.⁹ Of these forces, five Army divisions (plus a division equivalent) and supporting forces have been stationed in Europe and two divisions with supporting forces in Korea. The remaining divisions have been assigned Pacific Theatre and Continental United States reserve and training missions.¹⁰ With the escalation of the war in Vietnam, these reserves have been committed in part. The question of the continued presence of the six division force in Europe and the two divisions in Korea therefore has renewed a particular interest at this time.

This paper will seek to examine the continued presence of United States forces in Korea. The local and international conditions relevant to their continued presence will be identified and reviewed. Conclusions will be drawn and recommendations developed concerning the military, economic, and political requirements for United States military forces in Korea.

⁹US Bureau of the Budget, The Budget of the United States Government for the Fiscal Year Ending June 30, 1966, p. 70.

¹⁰Library of Congress, United States Defence Policies in 1964, p. 34.

CHAPTER 2

AMERICAN INTEREST IN KOREA

CONTAINMENT OF COMMUNISM

American interest in Korea is best examined in the light of our interests in Asia and the part America plays in the free world struggle against communism. A nation's interests are often best expressed in the words of its leaders. In a press conference on 28 July 1965, President Johnson summarized American goals towards Asia and Communist aggression. His remarks were directed specifically towards Vietnam, but they have obvious broader application:

"Most non-communist nations of Asia cannot, by themselves and alone, resist the growing might and ambition of Asian communism. Our power, therefore, is a shield. If we are driven from the field in Vietnam, then no nation can ever again have the same confidence in American promise, or in American protection. In each land the forces of independence would be considerably weakened. And, an Asia so threatened by communist domination would imperil the security of the United States itself.¹

American policy is the "containment" of the communist nations within defined boundaries. In Europe, the line runs generally along Winston Churchill's famous "Iron Curtain," along the eastern borders of Norway, West Germany, Italy, Greece, and Turkey. In South Asia, across the northern borders of Iran, Pakistan, and India, and then

¹Lyndon B. Johnson, "Toward Peace With Honor," Why Vietnam, p. 5.

to the Pacific across the frontiers of Thailand, Cambodia, and South Vietnam. Taiwan, The Philippines, Japan, and South Korea complete the "Frontier of Freedom."

A series of treaties has been constructed, including a mutual defense treaty with Australia and New Zealand, to give formal substance and definition to the "containment" line. In the recent words of the American Under Secretary of State, Mr. George W. Ball:

The constant menace of aggressive communism is no longer debatable. It is a political, economic, and social fact. It is a threat we have faced and are continuing to face - on every continent, in many countries, by a variety of means. . . .

It is our fervent hope that other nations will - over the years ahead - play a progressively larger role in the discharge of world responsibility. . . . And we can then work effectively together in common tasks throughout the length and breadth of the globe.²

The policy of containment is being pursued by the United States through persuasion, example, and leadership; by social, economic, political, and military aid; by regional and bi-lateral treaty; and, by force when all else fails. With Japan, Korea holds the north-eastern anchor of the alliance system. Korea's position on the continent of Asia is considered essential to the continued effectiveness of the system.

The United States has made it crystal clear that its interests are common with those of the free nations of Asia and thereby has

²George W. Ball, "The Hard Problems of a Turbulent World," Department of State Bulletin, Vol. LIII, 11 Oct. 1965, p. 590.

made South Korean security a part of American policy.³ In a purely pragmatic view, American interests derive from the American position that an Asia dominated by a power or powers inimicable to the United States would jeopardize our security.

Since the Korean War of 1950-1953, the pattern of Communist aggression has shifted from the conventional force-of-arms power seizure attempts to the more subtle aggressions of diplomacy and subversive limited war. Taking advantage of the economic, political, and social instabilities of the emerging nations and the unrest generated by rising expectations and needs, Communists seek to seize power from the established governments and substitute a minority Communist rule. The United States, faced with this new form of aggression, has reacted with an effort to build the internal strengths of the threatened nations. President Johnson thrust at this notion in a speech on 17 May 1965, in which he said:

The central contest of this century is the struggle against mankind's oldest oppressors - poverty, hunger, illness and ignorance. Korea is making progress in its struggle against these enemies and we stand resolutely with you in your progress toward self-sufficiency.

and again in the same speech:

The economy of your country [Korea] is growing in strength. Progress is being realized in the life of your people at home. In the world, Korea's role and influence is broadening. All this is coming as your democratic institutions grow in stability and meaning under the leadership of representative government. . . .⁴

³William P. Bundy, "Korea, A Free World Partner in the Far East," Department of State Bulletin, Vol. LIII, 11 Oct. 1965, p. 593.

⁴Lyndon B. Johnson, "Welcome to President Park, Washington, 17 Mar. 1965," Korean Report, Vol. V, Apr. - Jun. 1965, p. 4.

Since the division of Korea at the 38th parallel, pressures in South Korea have been strong for re-unification and find great emotional and practical acceptance among Koreans. Since 1947, the United States has supported United Nations resolutions aimed at unification and self-determination for all of Korea. North Korea has frustrated these actions and denies the competency of the United Nations and the partition continues.⁵

Finally, America has commercial interests in all of Asia and specifically in Korea as a market, largely potential, for manufactured goods. Although Korea's current imports from the United States (aid excluded) are small, only \$31.8 million in 1963 for example, the retention of South Korea within the free world market system has economic as well as political importance to the United States.

CONDITIONS FOR STABILITY

The basic conditions which must obtain in Korea to achieve a strong and free South Korea are:

1. Insure the security of the nation from external and internal threats. Without security, the other steps would become impossible because the nation would soon fall victim to Communist aggression. The fundamental reason for the continued presence of American armed forces arises from this first and essential condition.

⁵"Korea Issue Due in U.N. Assembly," New York Times, 12 Sep. 1965. p. 10.

2. Develop a viable and stable, non-communist government responsive to the aspirations of the people.

3. Develop a viable and growing agricultural and industrial economic system.

4. Work towards the unification of all Korea without jeopardizing the political, social, and economic freedoms now established in South Korea.

SUMMARY OF AMERICAN INTERESTS

American interests in South Korea may be summarized as the establishment and maintenance of a stable and growing Republic of Korea to achieve the following objectives:

1. Maintain a buffer on the Korean peninsula between Communist Asia and Japan and the remainder of the free world. A strong anchor on the northeast flank is essential to our policy of containment of communism.

2. Demonstrate to the world that emerging nations can build strong and viable economic, political, and social systems serving the needs and growing expectations of their people and that America is willing and able to assist.

3. Satisfy the humanitarian and idealistic ideals of the American public and prove the integrity of American promises and intentions.

4. Develop the Korean market as a part of the growing and potentially vast Asian market for American commercial products.

CHAPTER 3

COMMUNIST THREAT TO SOUTH KOREA

HISTORY OF THE THREAT

At the end of World War II in 1945, the defeat of Japan presented the problem of accepting and controlling the surrender of Japanese forces in Korea. An arbitrary partition of the nation was made at the 38th parallel - the Soviets to accept the surrender in the north and the Americans in the south. Although the Cairo Conference in 1943, of which the Russians were a part, had provided for a "free and independent" Korea,¹ the Russians seized upon the opportunity to create a political boundary at the 38th parallel. Thus a line which had been intended for a single short-term purpose was perpetuated to permanently divide the country.

In the north, Kim Il Sung, under the auspices of the Soviets, led a coup establishing a Communist regime in North Korea claiming sovereignty over the entire peninsula. In the south, three American divisions supported the Military Government established to permit the orderly transfer of power and administration from the Japanese to the Korean peoples. The split was thus drawn along Communist-free world lines and has been a central fact in Korean history since.²

¹Ruhl J. Bartlett, The Record of American Diplomacy, p. 661.

²US Dept of the Army. Office Chief of Military History. United States Army in the Korean War, South to the Naktong, North to the Yalu. (Jun. - Nov. 1950), p. 5.

Prolonged negotiations ensued between the western powers and the Soviet both bi-laterally and within the United Nations. When it became obvious that a "free and independent" Korea could not be unified except under Communist control, the Republic of Korea was founded in August of 1948. In September of the same year, the "Democratic People's Republic of Korea" was established in North Korea by the communists.³ The partition was complete and, although South Korea has remained as a staunch supporter of the free world and implacable foe of communism, the partition left a heritage of problems and weaknesses for the new nation.

In 1949, American forces were withdrawn from South Korea. In January of 1950, the policy of the United States with respect to the defense of the Far East was enunciated by Mr. Dean Acheson, then Secretary of State:

This defense perimeter runs along the Aleutians to Japan and then goes to the Ryukus. . . . So far as the military security of other areas in the Pacific is concerned, it must be clear that no person can guarantee these areas against military attack.⁴

The North Koreans, under Russian leadership, used the five year interval from 1945 to 1950 to establish, train, and equip, with Russian materiel and assistance, an armed force of some 89,000 men. Equipped with Russian tanks, artillery, and a few planes, it was more than a match for the 65,000 man South Korean army despite the American equipment and assistance which had been provided.⁵

³Hapdong News Agency, Korea Annual, 1964, pp. 60-69.

⁴Dean Acheson, "Crisis in Asia - An Examination of US Policy," Department of State Bulletin, Vol. 22, 23 Jan. 1950, p. 114.

⁵US Dept of the Army, op. cit., p. 17-18.

The implied exclusion of South Korea from the American area of interest in Asia, the withdrawal of American forces from South Korea, and a clear preponderance of North Korean arms over South Korean combined to encourage the North Koreans to attempt by force what they had failed to accomplish politically, the unification of Korea under communism.

The attack came on 25 June 1950. Two days later, President Truman authorized the use of American troops to clear South Korea of North Korean forces.⁶ Four American divisions were on occupation duty in Japan permitting the rapid reinforcement of the embattled South Korean army. On 1 July 1950, a battalion of the 24th Infantry Division was air-lifted to Korea. By 30 September 1950, the invasion had been contained and the communist forces were opposed by ground forces numbering 229,772 men, divided roughly evenly between American and South Korean forces and a few troops from other western countries. Air and naval support was provided by 36,677 American Air and 59,438 Naval personnel.⁷

On 27 June 1950, the United Nations Security Council, the Soviet representative being absent, noting the armed attack by North Korea, recommended that:

. . . the Members of the United Nations furnish such assistance to the Republic of Korea as may be necessary to repel the armed attack and to restore international peace and security to the area.⁸

⁶Ibid., p. 38.

⁷Ibid., p. 606.

⁸Bartlett, op cit., p. 769.

The forces engaged against the North Koreans were thus placed under a United Nations Command, a Command which still holds supreme command over the free world forces in Korea.

The United Nations forces reached the 38th parallel early in September 1950, and on 27 September 1950 the Joint Chiefs of Staff directed the destruction of all North Korean forces and the unification of all of Korea under Syngman Rhee if possible.⁹ On 7 October 1950, the General Assembly of the United Nations resolved that steps be taken to insure conditions of stability throughout Korea and that elections of self-determination to establish a unified government be held as soon as possible.¹⁰ Thus, the war which started with an invasion of South Korea became a war directed at the destruction of the North Korean military forces and the unification of the nation under the auspices of the United Nations.

On 14 October 1950, the character of the war changed once again when Chinese Communist forces crossed the Yalu River into Korea. By the end of the month, some 180,000 Red Chinese troops were in action against the United Nations forces. The war dragged on for more than three years ending in a Military Armistice on 27 July 1953 and in a final settlement at Geneva in June 1954.¹¹

The war cost some 157,530 American casualties and direct costs of over \$18 billion.¹² South Korea suffered some 300,000 battle

⁹US Dept of the Army, op. cit., p. 608.

¹⁰Ibid., p. 770.

¹¹Hapdong News Agency, op. cit., p. 160.

¹²William P. Bundy, "American Policy in South Vietnam and South-east Asia," Department of State Bulletin, Vol. LII, 8 Feb. 1965, p. 169.

casualties and an estimated one million civilian deaths.¹³ The war failed to settle the problem of Korean unification - an issue which remains as unfinished business of the United Nations. The development of both North and South Korea, delayed by the huge costs of the conflict, is hampered by the inequitable division of agricultural, industrial, social resources.¹⁴

HISTORICAL SIGNIFICANCE OF THE THREAT

Hans Morgenthau, in an effort to take a long view of the significance of the conflict, points out that China and Japan have fought for centuries over control of Korea. Each has traditionally been reluctant to permit control by the other over the land bridge between the two powers. At the end of World War II, neither was strong enough to control Korea and Russia and the United States stepped into the vacuum, each denying the whole country to the other. When China intervened in the Korean War, she replaced Russia and re-exerted her historic goals with respect to Korea:

As seen from the vantage point of Japan, whose protection is a vital interest to the United States, Korea in the hands of a potentially hostile power is like a drawn dagger. And so it is seen from the vantage point of Russia and more particularly China. Thus the division of Korea into an American and Russian zone at the end of the Second War was the expression of the interest of the two nations concerned and the power available to them, since at that time neither was in a position to risk major conflict¹⁵

¹³Hapdong News Agency, op. cit., p. 79.

¹⁴Kyong-cho Chung, New Korea, p. 14.

¹⁵Hans J. Morgenthau, Politics Among Nations, The Struggle for Power and Peace, p. 42.

Thus, as did Russia at the end of World War II, China intervened in 1950 to preclude American control of all of Korea.

The entrance of China raised the issue of control of all of Korea by either China or the United States. For either major power to achieve that end, in the face of the armies of the other, meant the complete defeat of one or the other. The United States was unwilling to undertake such a task and China was unable to do so and was unwilling to sustain continued battle losses of men and resources. Thus, the stalemate developed resulting in a negotiated settlement. Morgenthau draws an additional general conclusion:

In short, collective security, conceived as an instrument for the protection of the status quo by peaceful means, defeats its avowed purpose and becomes an instrument of all-out war if the aggressor is a great power.¹⁶

NATURE OF THE THREAT TODAY

Since the abortive attempt to achieve Communist domination over all of Korea by military aggression in 1950-1953, North Korea has exerted continual military, social, and political pressure on South Korea towards that same end.

With Chinese and Russian assistance, a formidable military force numbering some 350,000 men equipped with modern arms has been established in North Korea.¹⁷ This force is arraigned along the frontier

¹⁶Ibid., p. 421.

¹⁷The Institute for Strategic Studies, The Military Balance, 1964-1965, p. 10.

and is capable of limited attack at any time. Its presence requires the manning of the "De-militarized Zone" and the maintenance of a strong defense posture by South Korea.¹⁸

Political and social pressures for the unification of the country have been constantly directed by the north towards the south. Such appeals find great emotional acceptance among the South Korean people as well as having a basis in the inequitable division of the nation's industrial base, which was predominantly in the north.¹⁹

The South Koreans of today, having recently experienced both war and communist invasion and occupation, are determined to resist further aggression and to continue to seek unification under freedom. President Park, speaking at the National Press Club, Washington, stated his countrymen's attitude:

The Korean people cherish freedom even at the expense of blood, as evidenced by their history. . . . My country is a living victim of Communist aggression: it lost nearly one million lives.²⁰

In view of the repeated demonstrations and pronouncements of implacable communist purpose and aggression, there is no reason to believe that the threat against Korea will be lessened as long as Communist regimes, China and North Korea in particular, continue in their present form. A further consideration must be possible Communist reaction to the increasing pressures applied by the free world against

¹⁸Hapdong News Agency, op. cit., p. 174.

¹⁹US Information Agency. Research and Reference Service. The Pattern of North Korean Unification Propaganda, p. 6.

²⁰Park Chung Hee, "Speech at the National Press Club, Washington, 18 May 1965," Korean Report, Vol. V, Apr. - Jun. 1965, p. 12.

the Communist insurgency in South Vietnam. Such a reaction might possibly take the form of attempted insurgency or overt attack on South Korea in an attempt to force the division of American combat and attention.

CHAPTER 4

MILITARY SECURITY

SOUTH KOREAN FORCES

Since the cease fire agreement of July 1953, South Korea, with the assistance of the United States, has built one of the largest armed forces of the world. Only the Soviet Union, Communist China, the United States, and France maintain more men under arms than does South Korea.¹ Of the 600,000 men in the South Korean forces, 540,000 are in the army, 44,000 in the navy (including 27,000 marines), and 15,000 are in the air force.² Organized into 28 army and one marine division with supporting troops and equipped with American supplied or procured equipment and weapons, it is a formidable ground force. The air and naval forces are "relatively small but highly efficient."³

The majority of the senior officers saw action in the 1950-1953 fighting and many have been to military schools in the United States. A system of conscription and a Reserve Officer Corps, patterned after American practice, has created a trained reserve of officer and enlisted personnel which would permit the rapid expansion of trained manpower if required.

¹The Institute for Strategic Studies, The Military Balance, 1964-1965, p. 41.

²Ibid., p. 30.

³Guy S. Meloy, "The Eighth Army Story," Army Information Digest, Vol. 18, Jun. 1963, p. 4.

The First Republic of Korea Army, consisting of some 325,000 men and the marine division, occupies the northern portion of the country and mans the fortifications defending the frontier. It acts, together with the Eighth United States Army, consisting of two infantry divisions with combat and logistic support troops totalling some 50,000 men, as the first line of defense against possible land invasion from the north. The Second Republic of Korea Army of 200,000 men, occupies the southern portion of the country and is responsible for rear area defense and damage control and operates most of the supply, training, and recruiting missions.

The South Korean Navy operates some 75 combat and combat support ships, the largest being a destroyer. Its mission is largely one of coastal patrol and surveillance, mine-sweeping and laying, and support of amphibious operations. (This latter capability of the forces is small.) The Air Force is small consisting of eight F-86 fighter squadrons, twelve RF-86F reconnaissance planes, and about 100 transport and miscellaneous aircraft. Neither force is capable of sustained combat or of providing extensive support to the ground forces.⁴

UNITED STATES FORCES

The approximately 50,000 man Eighth United States Army is organized into two infantry divisions and supporting combat, air-defense, missile, and logistic command and control units. The combat forces are located predominantly north of Seoul astride the historic invasion

⁴The Institute for Strategic Studies, op. cit., p. 30.

routes from the north. The remainder of the forces are disposed predominantly in the Seoul and the port areas (the cities of Pusan and Inchon) and along the main supply routes from the ports to Seoul. The Army has a tactical nuclear weapon capability.

The Fifth United States Air Force, portions of which are located in Korea, Japan, and Okinawa, and the 315th Air Division (combat cargo) in Japan, can support combat operations in Korea as required.⁵ Planes of the Seventh United States Fleet have a similar support capability.

All the military forces in the Republic of Korea are under the auspices of the United Nations and are under a United Nations Command. By far the major portion of the forces have been contributed by South Korea and the United States as described above. Thailand and Turkey maintain token forces in South Korea and eight other countries are represented in the Command: Australia, Greece, Canada, Ethiopia, France, New Zealand, The Philippines, and the United Kingdom.⁶

NORTH KOREAN MILITARY POWER

Limited information is available concerning the North Korean military capabilities. But it is against the threat of invasion from the north that the 650,000 man United Nations force is maintained. In the words of a former United Nations Commander in South Korea, the American General Guy S. Meloy, Jr.:

⁵US Dept of Defense and US Agency for International Development, Proposed Mutual Defense and Development Programs FY 1965, p. 37.

⁶Meloy, op. cit., p. 4.

It /The United Nations Command/ faces not less than 350,000 highly disciplined, well-trained, well-equipped, North Korean troops with modern air-power, backed by powerful Chinese Communist forces just north of the Yalu River.⁷

This estimate is supported by the "Institute for Strategic Studies" estimates:

The North Korean Army is estimated at 325,000 men organized in 19 divisions. The air force has about 20,000 men and some 500 aircraft, mainly MIG 15's. The Navy has a strength of 7,000 and about 120 ships, mainly patrol boats.⁸

These latter figures have also been quoted in "United States Defense Policies in 1964," a publication of the Library of Congress.⁹

The North Korean threat is thus dangerous only as capable of limited objectives and harassing attacks on the ground. Except for the air force of some 500 MIG 15's, it is significantly inferior in power to the United Nations forces. The aircraft is being phased out of the Soviet system as obsolete,¹⁰ but nevertheless presents an air threat which is only partially countered by the air defense forces in South Korea.

COMMUNIST CHINESE MILITARY POWER

The Chinese forces, mentioned by General Meloy, are powerful but have limitations. An army of 2,250,000 men is organized into 115 divisions, an air force with 2,300 aircraft, and a navy of 136,000

⁷Ibid., p. 4.

⁸The Institute for Strategic Studies, op. cit., p. 10.

⁹Library of Congress. Legislative Reference Service, United States Defense Policies in 1964, p. 16.

¹⁰The Institute for Strategic Studies, op. cit., p. 4.

men operating over 1,000 vessels cannot be discounted as a fighting force.¹¹ Seriously limiting extended operations is a shortage of repair parts, for the Soviet furnished equipment particularly, fuel, strategic and tactical mobility, and communications equipment. Although China has exploded two nuclear devices, the second on 14 May 1965,¹² the military forces do not have a nuclear weapon capability.

Chinese capability of influencing a Korean military action remains essentially at the foot soldier level, and, unless supported logistically by the Soviet Union, can be expected to remain so for some time. If supported by the Soviet Union, the Chinese air power and ground combat equipment mobility would transform the force into an extremely powerful force.

SOVIET MILITARY POWER

The forces of the Soviet Union are also capable of reinforcing North Korean military operations. The Soviets have some 17 divisions, 12 at combat strength, stationed in their Pacific provinces.¹³ Their Naval, Strategic Rocket, and Air Forces are all capable of massively supporting a communist attack on South Korea. Such a commitment of Soviet power must be discounted as unrealistic in the presence of American forces except as a prelude to general nuclear war. Soviet

¹¹Ibid., p. 10.

¹²Library of Congress, op. cit., p. 15.

¹³The Institute for Strategic Studies, op. cit., p. 5.

logistic and technical support of communist aggression could be expected as was demonstrated in the Korean War in 1950-1953 and more recently in Vietnam.

DISCUSSION

The continued presence of the United Nations Command and a contingent of United States troops is necessary as a visible reminder that the independence and welfare of South Korea is a free world objective which will be supported militarily.

It has been suggested that the American contribution to the United Nations Command need only be a relatively small "trip-wire" force - the theory that "an attack on one soldier and one flag is an attack on the sovereignty of the United States." Senator Frank Church, in supporting the basic commitment to defend South Korea, has challenged the means by which the country has sought to do so.

Pointing out the clear superiority of the South Korean forces over the North Korean, and that the additional combat power of the two United States divisions would not suffice in the event of a Chinese-North Korean attack, he has argued for a small "trip-wire" force, perhaps a "Regimental Combat Team." (Senator Church has assumed that nuclear weapons would not be used.) The Senator points out that the United States has the ability to reinforce quickly with ground troops air-lifted from the United States or Pacific bases. This argument was made early in 1964 and has perhaps been overtaken by troop requirements in Vietnam - an operation now engaging over 200,000 troops. Further, Senator Church states, we have shown our support in

terms of United States dollars and battle losses - if our commitment is thus not "credible," it follows that we must patrol the 38th parallel indefinitely, until the communist threat disappears, an unconvincing proposition.¹⁴

The "trip-wire" theory does not have full acceptance. In an interview reported in the New York Times on 7 July 1965, General Dwight E. Beach, present United Nations Commander in Korea, stated that the theory was not credible because it had not been demonstrated.¹⁵ However, American forces were rushed to South Korea's aid in 1950, even in the absence of a "trip-wire" force, and fought there for over three years.

The military forces of North and South Korea and the anticipated role of each in any future conflict, North Korea as the aggressor and South Korea in a defensive role, appear to be imbalanced, one to the other. A defensive force, particularly when defending in rugged terrain and from prepared positions, need not be overwhelming superior in numbers as in the present case. A South Korean force no larger than the opposing North Korean force could contain any attack launched by the latter. The present superiority has made possible the commitment of a 20,000 man South Korean force in Vietnam, for example. But for the defense of South Korea, a reduction of as many as 200,000 men could be made without jeopardizing the security of the nation from North Korean invasion.

¹⁴Frank Church, "Mired Troops and Frozen Policy - The Korean Paralysis," Congressional Record, Vol. 110, 13 Apr. 1964, p. 750.

¹⁵Dwight E. Beach, "U.S. Officers Warn Against Cut in Korean Forces," New York Times, 7 Jul. 1965, p. 9.

The threat of subversive insurgency cannot be ignored. It is not, at this juncture, a military threat inasmuch as there are no widespread guerrilla or other overt military aggressions occurring in South Korea. The political implications and an indication of the extent of the threat is covered in Chapter 6, "Political Strength."

The following broad observations may be made:

First - A United Nations Command, including a United States combat force, is a requirement for the continued security of South Korea.

Second - South Korean forces, unassisted by United Nations (American) forces present, could contain an attack launched by North Korea unassisted. Local penetrations could be expected as the enemy achieved local superiority. Such penetrations could be quickly reduced by superior South Korean reinforcing capabilities.

Third - North Korean air power would support ground operations and harass South Korean forces. South Korean air defenses and the limited North Korean air force would make the attacks indecisive.

Fourth - Naval forces of both North and South Korea would be limited to coastal patrols and mine operations and would be indecisive.

Fifth - The entry of China and Russia in logistic and technical support roles could be expected, but would only serve to balance equivalent United States support to South Korea.

Sixth - The entry of Communist Chinese forces could not be contained by the combined combat power of the South Korean and United States forces unless tactical nuclear weapons were used. The

commitments of the United States in Europe and in Vietnam and the necessity of maintaining a training base and a strategic reserve in the United States would delay the effective reinforcement of the Eighth Army. Use of the tactical nuclear weapons or certain destruction of the South Korean forces and the Eighth United States Army and the loss of South Korea to communism might well become the hard choice of the United States.

Seventh - South Korean forces have been shown to be more than adequate to contain a purely North Korean attack. The American military force need only to have tactical nuclear weapon delivery capability in support of South Korean forces in the event of Chinese intervention. A small (by present Eighth Army standards) force, with local ground and air defense capability and a minimum logistic support force, would lend credibility to the American commitment in Korea and the necessary combat power to withstand any aggression.

Eighth - A sizeable reduction in Korean Armed Forces could be made without sacrificing the ability to contain a North Korean attack.

SUMMARY

The 50,000 man United States Eighth Army is not needed in Korea to assist the South Korean forces in containing a North Korean aggression. The clear numerical superiority (550,000 to 350,000) of the South Korean forces over the North Korean and the modern arms, doctrine, and training of the South Koreans precludes a successful North

Korean invasion. Weaknesses in air power of the South Korean forces can be countered by the United States Fifth Air Force and the Seventh Fleet.

Active intervention of Chinese forces could not be contained by the present combined South Korea-United States forces (The United Nations Command) without the use of tactical nuclear weapons. The present limited capability of the United States to reinforce, in view of the existing commitments in Europe, Vietnam and continental United States, might make the use of tactical nuclear weapons necessary to avoid catastrophic defeat.

China and Russia could both be expected to give materiel, technological support to North Korea. The active intervention of Russia is highly improbable and the possibility considered unrealistic as leading to certain general war.

The security of Southern Korea would not be jeopardized by large reductions in South Korean forces and reduction of the United Nations Command to a small force capable of providing nuclear weapons support to South Korean forces and its own local ground and air defense. The political-economic-social implications of force reductions can be expected to influence any recommendations or decision. Those aspects are examined in the following Chapters.

CHAPTER 5

ECONOMIC STRENGTH

HISTORY

Equally important to the security of the country, in the hierarchy of American goals for South Korea, is the development of a viable, growing, and balanced economy. Mr. William P. Bundy, the American Assistant Secretary of State for Foreign Affairs, has stated the case in this manner:

Security is fundamental. But economic and social progress remains an equally important need for the welfare of nations and of individuals who must always be our primary concern.¹

In 1953, at the time of the Cease Fire Armistice, the South Koreans were faced with a war-ravaged nation. Cities and villages were widely destroyed and bridges, dams, ports, and factories were in ruins. The partition of the country at the 38th parallel had left virtually all of the industrial plants, hydroelectric capacity, and mineral resources in the north.²

With the assistance of the United Nations Commission for the Unification and Rehabilitation of Korea (UNCURK) and United States aid, the rubble was cleared, cities re-built, transportation and

¹William P. Bundy, "Progress and Problems in East Asia: An American Viewpoint," Department of State Bulletin, Vol. LI, 19 Oct. 1964, p. 538.

²Lorna Morley, "Korea: Problem Protectorate," Editorial Research Reports, Vol. 1, 27 Jan. 1960, p. 67.

communications restored and improved, and the barren, war-scarred hills transformed into rice paddies and villages.

United States assistance focused initially upon this recovery and rehabilitation of the bare necessities to support life. By 1960, the recovery had reached a point where substantial portions of the assistance programs and South Korea's resources could be devoted to economic growth. Working from the barest minimum base, the entire economic system was rebuilt.³

The nation faces, even today, the classic problems of developing nations: rapidly increasing population and endemic unemployment and under-employment, maldistribution between the industrial and agricultural sectors of the economy, inadequate diversification of products, lack of entrepreneurial and managerial talent and experience, lack of community institutions to provide civic improvements, cooperative marketing, and credit arrangements, a shortage of capital, and an unfavorable balance of trade.⁴

THE FIVE-YEAR PROGRAM

In 1960, the government of Syngman Rhee was overthrown and almost exactly a year later General Park Chung Hee seized the country in a military coup. Since taking power, General (now president) Park has instituted and supported a series of economic policies

³ US Dept of Defense and US Agency for International Development, Proposed Mutual Defense and Development Programs FY 1965, p. 118.

⁴Richard T. Hanna, "Korea, America's Gallant Little Neighbor in the Pacific Community," Congressional Record, Vol. 111, 27 Jul. 1965, p. A4128.

designed to promote economic and industrial growth, foreign trade, and agricultural self-sufficiency. A Five-Year Program was launched which had as its primary goals:⁵

First - Development of electric power generating plants.

Second - Expansion of food production and raising the living standards of the farmers.

Third - Provision of capital for the expansion of essential industries.

Fourth - Utilization of idle human and natural resources.

Fifth - Control of imports and the expansion of exports.

Sixth - Improvement in the quality of manufactured goods.

Specific steps have been taken to implement these reforms. All but a few industries have been de-nationalized (exceptions are salt, tobacco, ginseng, for example) and the government has committed itself to a free economy. Certain guarantees and inducements have been offered to encourage foreign investments. The government is receptive to American aid and financial, technical, and administrative assistance. Social legislation, such as industrial worker disability and severance pay, social security, and labor union control and regulation has been enacted and enforced.⁶

Both foreign and domestic capital has been loaned on favorable terms to industrialists for the production of export and essential

⁵Hapdong News Agency, Korea Annual, 1964, p. 198.

⁶US Dept of Commerce, Overseas Business Reports, OBR 64-68, Jun. 1964, pp. 3-15.

domestic goods. Corporate taxes have been cut in half to encourage the flow of capital into industrial growth. Provision has been made for the duty-free importation of raw materials for the processing of finished goods for export. Government sponsored missions, The Korea Trade Promotion Corporation and Commercial Attaches in Legations abroad, have actively sought and developed markets.⁷ The importation of luxuries, such as coffee and cigarettes, has been banned to conserve foreign exchange.⁸

The results of these efforts over the past five years have been most successful and there is every reason to warrant continued optimism. The government has developed a new awareness of authority, leadership, and sense of responsibility. The farm community is becoming increasingly optimistic as fertilizer becomes more available and land productivity increases. Industry is growing more confident as exports rise and managerial staffs gather experience.⁹

But the progress, though clearly evident, is fragile and the nation is still faced with the basic and difficult economic and social problems noted above - unemployment, poverty, inflation, et al. Ever present political factors, the unification question and unrest with evidence of continuing corruption in government, for example, threaten to interfere with continued progress at any time.¹⁰

⁷"Exports Pushed by South Korea," New York Times, 14 Nov. 1965, p. F15.

⁸"South Korea: Sorry General," Newsweek, Vol. LVII, 5 Jun. 1961, p. 44.

⁹Emerson Chapin, "Dispair Lifting in South Korea as Progress Brings New Mood," New York Times, 20 Nov. 1965, p. 12.

¹⁰Ibid., p. 12.

UNITED STATES ASSISTANCE

Perhaps more important to the feeling of unrest, as it may exist, is that the economic structure is built almost entirely on American aid. Mr. Min Byong-ki, a member of the East Asia Institute, Columbia University, New York, recently wrote:

United States economic and military aid was considered indispensable for the maintenance of the government. . . . This in fact determines the destiny of Korea today.¹¹

American economic assistance through June 1964 totals more than \$3.8 billion and military assistance almost \$2.2 billion - a total of over \$6 billion.¹² United Nations aid during this period was largely in the fields of technical, scientific, and health and welfare assistance.¹³ Aid from other international organizations (exclusive of American contributions which have been included in the above United States totals) was \$22.5 million.

American Agency for International Development loans and grants have been steadily declining from a high of \$228 million in 1959 to \$105 million in 1964. Food for Peace (P.L. 480) programs have totaled about \$75 million in 1961-1963 and climbed to \$122 million

¹¹Min Byong-ki, "Basic Posture of Korean Foreign Policy," Korean Affairs, Vol. IV, Jan. 1965, p. 6.

¹²US Dept of State, Agency for International Development, US Loans and Grants and Assistance from International Organizations, Obligations and Loan Authorizations, 1 Jul. 1945 - 30 Jun. 1964. (Referred to hereafter as "US Dept of State, US Loans and Grants"), p. 63.

¹³US Dept of State, Agency for International Development, Division of Statistics and Reports, A.I.D. Economic Handbook, Far East. (Referred to hereafter as "US Dept of State, A.I.D. Handbook"), p. 25.

in 1964 because of crop losses that year - a dramatic demonstration of the dependence of Korea on the aid programs.¹⁴

In addition to the American aid programs, foreign private and public capital is being attracted to Korea in significant amounts. Total private loans and investments, as of August 1964, were \$242 million directed towards 46 growth projects, i.e. power plants, cement and fertilizer plants, fishing boats, textile mills, and mine modernization.¹⁵

Military aid has been decreasing from a high of \$331 million in 1958 to \$124 million in 1964 (including \$13.4 million in grants from surplus stocks).¹⁶ Although much of this aid is in the form of equipment and grant aid supplies, some is applied to local purchases and pay of personnel contributes to favorable gold flow. The presence of American forces contributes another (estimated) \$100 million each year favorable gold flow and is thus a significant factor in the Korean economy.¹⁷

FIVE YEARS OF PROGRESS

The results of the aid programs, the favorable environment and progressive control measures provided by the government, the rising confidence and initiative of entrepreneurs, and the success in

¹⁴US Dept of State, US Loans and Grants, p. 149.

¹⁵US Dept of State, A.I.D. Handbook, p. 57.

¹⁶US Dept of State, US Loans and Grants, p. 63.

¹⁷Hanna, op. cit., p. A4128.

developing foreign markets have been most satisfactory. In his State of the Union Message on 16 January 1965, President Park made the following points in summarizing the progress being made:

First - 90% of Korea's grain requirements are now being produced internally.

Second - Present production of urea fertilizer is 80,000 tons per year. Four new plants will be in operation in 1967 with a capacity of 370,000 tons annually. Korea will then be one of the world's leading producers.

Third - Since 1960, the production of coal has doubled, electricity production quadrupled, cement production quadrupled, and light industry production increased many times - sewing machines from 22,000 to 150,000 and bicycles from 38,000 to 155,000, for example.

Fourth - The Korean Oil Company refinery, owned and operated jointly with the Gulf Oil Co., is now producing 35,000 bbls. of refined products daily.¹⁸

Other production reports are equally impressive but the surest measures of the direction an economy is taking is a review of selected statistics and their trends. South Korean economic statistics are published by several sources, UNCURK, the Bank of Korea, the Agency for International Development (AID), and others. Data

¹⁸Park Chung Hee, "State of the Union Message, 16 January 1965," Korean Report, Vol. V, Jan. - Mar. 1965, pp. 4-7.

reported from year to year and between the several sources is often inconsistent. Therefore, the statistics used in this paper have been extracted from the AID Economic Data Book,¹⁹ selected portions of which are reproduced in Annex B, hereto. The data has been supplemented by recent reports extracted from the New York Times and the magazine, Korean Report, as indicated.

Population growth has been steady at 2.9% per annum for the past five years. Nevertheless, per capita agricultural, industrial, electricity production, and Gross National Product all show definite upward secular trends of from 2% to 10%. The high and growing proportion of resources devoted to investment rather than to consumption steadily contributes to the growth of an industrial base. However, unemployment continues at a high rate, 13.8%, and per capita income is less than \$100.²⁰

The growth of exports during the past five years is both one of the most significant and dramatic indicators of progress. As shown in Appendix B, exports have climbed from \$33 million in 1960 to \$119 million in 1964. The New York Times reports exports of \$100 million in the first eight months of 1965 and that the goals of \$170 million for 1965 and \$300 million for 1967 are probably realistic.²¹

The rapidly rising Index of Industrial Production - a rise largely in the Manufacturing Sector, reflects the growing industrial

¹⁹US Dept of State, A.I.D. Handbook.

²⁰Samuel Kim, "South Korea on Rebound From Poor-Cousin Status," New York Times, 24 Jan. 1965, p. C41.

²¹"Exports Pushed by South Korea," New York Times, 14 Nov. 1965, p. F15.

base. Exports provide another indication of industrial growth in that they were predominantly unprocessed minerals and agricultural produce in 1960 but in the first half of 1965 fully 61% of exports were manufactured goods. Manufactured goods exported leaped from \$3 million in 1961 to \$100 million in 1965.²²

The growth of exports was accompanied by a sharp growth in imports through 1963. Import levels then took a sharp drop in 1964 and an extreme drop for the first five months of 1965. The combined effects of rising exports and declining imports has resulted in a significant improvement in the balance of trade deficit. U.S. News and World Report has predicted that by 1970 South Korea's trade will be in balance at a level of about \$600 million per year.²³ Korea's almost negligible raw material resources will require continued importation of large amounts of fiber, wood, petroleum, chemicals, and metals to support local and export markets. A favorable balance of trade may be attained in future years but it appears to be improbable in so short a time.

Conversely, a similar projection for agricultural produce would appear to be on stronger grounds. Projections are that self-sufficiency will be reached by 1971 as arable land is increased by 25% through improved and increased terracing, reclamation of tide-lands, and increased use of improved fertilizers, insecticides, and seeds. The growing fishing fleet, basic production, and processing production

²²Ibid., p. F15.

²³"A Treaty in Asia That Will Help U.S.," U.S. News and World Report, Vol. LIX, 29 Nov. 1965, p. 108.

are contributing to a projected 50% increase in total food production. By 1971, imports and exports are expected to balance despite the steady population increase and a projected modest rise in living standards.²⁴

The central government has consistently run a deficit of \$120 million or more for the past few years and the same amount is forecast for 1965 (Korean fiscal and calendar years coincide). About \$100 million of the deficit is financed by American grants and the remainder by an increase in the national debt through foreign and domestic loans. About 60% of the deficit is charged to support of the military establishment (above direct American military aid) and the remainder to capital loans and grants to industrial and agricultural growth projects. (Reference Annex B.)

The continuing annual deficit, steadily deteriorating foreign exchange reserves, the growing foreign and domestic debt, and the steady rise in money supply, have all contributed to rising costs of living and creeping inflation. Since 1960, money supplies have increased by one-third, living costs have doubled, and industrial output has doubled. Thus, the cost of the industrial base growth, the dramatic rise in exports, and the improvement in the balance of trade have had adverse effect on domestic living costs and inflation.

²⁴"Korean Economy Marks Strides in 20 Years," Korean Report, Vol. V, Jul. - Sep. 1965, p. 7.

THE JAPANESE-KOREAN TREATY

On 22 June 1965, Japan and Korea entered into a bi-lateral treaty "normalizing" trade and diplomatic relations between the two countries. The economic provisions of the Treaty, which has been ratified by both governments, provides indemnities (due from war and occupation damages) to Korea to the amount of \$800 million in grants, loans, and credits. The first project undertaken under the Treaty was approved on 2 July 1965 - the export from Japan and construction in Ulsan, Korea, of a \$44 million urea fertilizer plant by the Kobe Steel Co.²⁵ Other projects are planned, many in the form of Japanese privately financed and constructed industrial plants to operate in Korea in "bond" (importing raw material and exporting processed goods without duty payments to Korea) utilizing the low cost Korean labor.

The potential benefits of the Treaty to Korea are huge. Economically, the presence of \$800 million in capital will serve to attract more investment, provide a significant increase in the industrial capacity, and provide needed foreign exchange credits through payrolls and continued investments. Socially, the employment of workers, administrators, technicians, and managers will relieve present unemployment conditions and provide invaluable training and experience at all levels of effort under the guidance of experienced Japanese.

²⁵"Japan to Build Plant in Korea," Korean Report, Vol. V, Jul. - Sep. 1965, p. 27.

Speaking of the Treaty shortly after it was entered into, Representative Hanna of California stated:

Through the Normalization Agreement, Korea and Japan have done more than recognize their historic and strategic importance to each other. They have formalized the economic development potential of their geographic proximity. . . . /the agreements/ are indeed a giant step forward in the full utilization of both Korea's and Japan's potential, in addition to acting as an example and stimulus to the entire Pacific community.²⁶

THE IMPACT OF MILITARY FORCES

Essential to the progress and development of Korea's economic strength has been the security from invasion from the north afforded by the United Nations Command. Further, the very presence of the Korean Armed Forces and the Eighth United States Army have had a direct impact on the economy of the country.

First - About 25-30% of the Korean National Budget is devoted to support of the defense establishment. Some \$60 million of American budgetary support is charged against defense costs - assets which could be used for more lasting benefits if directed into economic growth projects. The continued threat prevents a major reduction in the defense establishment, but the potential benefits of a reduction are significant.

Second - The 600,000 men in the Korean Armed Forces represent about 6% of Korea's labor force. The unemployment rate has been fairly steady at about 13.8% (1,300,000) persons.²⁷ The above suggested

²⁶Hanna, op. cit., p. 4128.

²⁷Kim, op. cit., p. C41.

reduction in the Armed Forces would permit a reduction in the Defense Budget and a corresponding benefit to economic growth. But such a reduction would increase the unemployment situation to an economically undesirable and socially dangerous degree at this time.

Third - American direct military aid has averaged \$160 million in appropriated funds and \$30 million in surplus equipment grants over the past five years. The equivalent figures for 1964 were \$124.4 million and \$13.4 million. A reduction in the size of the Korean forces would permit a commensurate reduction in the American aid programs. Alternatively, the military aid program savings could be channeled into economic growth or civic action programs to promote Korean development and stability. Another option would be the modernization of equipment and the enlargement of the Air Force, for example, to better cope with the North Korean air threat.

Fourth - The presence of the Eighth United States Army contributes an estimated \$100 million annually to the benefit of South Korea's trade balance. Conversely, the American balance of trade (gold-flow) is adversely effected in the same amount.²⁸ A reduction in American forces in Korea would permit the diversion of some portion, although small, to constructive nation-building projects and a reduction in the American gold-flow.

²⁸Frank Church, "Mired Troops and Frozen Policy - The Korean Paralysis," Congressional Record, Vol. 110, 13 Apr. 1964, p. 7500.

SUMMARY

An examination of the economic conditions and probable economic future produces a picture of a nation heavily investing in its own future. A nation willing to postpone luxuries and more rapidly rising living standards so that its limited resources may be used to develop a broad industrial production and foreign trade base. A nation, assisted by capital, technical and managerial skills and marketing experience from Japan and the United States, emerging as an industrial center in Asia, soon to be self-sufficient agriculturally, and with a rapidly expanding foreign trade.

The presence of the 550,000 Korean Armed Force and the some 50,000 man American force has provided the security without which the economic development would be impossible. The presence of the American forces and the American military aid to the Korean Forces have contributed to the economic well-being of the nation by providing foreign exchange, markets for Korean products, and employment for 550,000 men.

A reduction in American forces would be beneficial economically either to the United States by reducing the American gold-flow problem or, alternatively, to Korea by channeling an equivalent amount into nation-building and economic growth projects.

A reduction in the size of the Korean Forces would be similarly beneficial to either nation. However, a reduction in Korean Forces at this time would carry with it inadvisable social and economic effects because of the already high unemployment rate.

CHAPTER 6

POLITICAL STRENGTH

POLITICAL HISTORY

Written records begin with the era of the "Three Kingdoms" in 57 B.C. In the 7th century, the country was united under the "Silla Empire." The ethnic, social, and political unity thus so early established survived through the centuries despite wars, invasions, and occupations by the Chinese, the Russians, the Mongolians, and the Japanese.¹

Modern Korean history has its beginnings in the end of the Japanese occupation of 1910-1945 with the defeat of the Japanese in World War II. At the Cairo Conference in November 1943, the "Three Great Allies" (United States, United Kingdom, and Nationalist China) resolved that ". . . in due course Korea shall be free and independent."² Then came the expedient of the 38th parallel to facilitate the acceptance of the surrender of Japanese Forces in Korea. The Russians were to accept the defeat of forces above the parallel and the Americans the forces below. The Russians seized this opportunity to make the 38th parallel a political dividing line and installed a Communist puppet government, under Kim Il-sung, in North Korea. The political, social, and economic partition thus had its beginnings - A partition which has been the central fact of Korean history since World War II and has had major impact on the whole world.³

¹Kyong-cho Chung, New Korea, pp. 1-12.

²Ruhl J. Bartlett, The Record of American Diplomacy, p. 661.

³Chung, op. cit., p. 12.

The Japanese occupation had been exceptionally harsh and Korean people almost completely excluded from all except the most menial occupations. Management and government functions and the staffing of the commercial, transportation, and government bureaucracies was almost exclusively Japanese.⁴ Most private productive property was expropriated - 80% of the farmlands, for example. Other oppressive measures were taken to deprive the Koreans not only of their political freedom but to actually assimilate the people to the Japanese. For example, the teaching of the Korean language and its use in publications was not permitted. Thus, in 1945, few Koreans were prepared to undertake the task of establishing and operating the governmental institutions their new freedom required of them.⁵

NORTH KOREA AND UNIFICATION

In North Korea, the Communist puppet government of Kim Il-sung inherited the remnants of the Japanese administration in Pyongyang. In South Korea, under a provisional American Military Government, the task of nation-building started from "scratch." A contemporary student of Korean affairs, Mr. Kyong-Cho Chung, has observed:

. . . Japan by calculated restrictions had prevented the technical and higher education of all Koreans who had not found asylum in other countries. . . . The difficulty of molding a strong, independent nation is greatly increased in a war torn and divided country. Certainly it is a task for the most experienced to build a system out of

⁴ Lorna Morley, "Korea: Problem Protectorate," Editorial Research Reports, Vol. 1, 27 Jan. 1960, p. 67.

⁵ W. D. Reeve, The Republic of Korea, p. 7.

chaos while giving "on-the-job" training to nearly thirty million independent-minded, harassed and war-impooverished people.⁶

After almost three years of unsuccessful attempts, unilaterally and through the United Nations, the United States and South Korea failed to persuade the Communists to honor the provisions of the Cairo Declaration. In response to a proposal by the United States, the United Nations General Assembly adopted a resolution in November 1947, calling for elections to be held in North and South Korea as the first step in the establishment of a unified nation.

A SUCCESSION OF GOVERNMENTS

Elections were held in South Korea under United Nations supervision and the Republic of Korea, with its capital in Seoul, was established in August, 1948. North Korea refused to permit entry of the United Nations representatives and, without supervised elections and in defiance of the United Nations, established the Democratic People's Republic of Korea, with its capital in Pyongyang, in September 1948.⁷ Thus the partition of Korea was formalized and, with separate governments in the north and the south, one Communist and the other free, hope of unification became, and remains, dim.

With three years of American Military Government administration and organization, which had been conducted with Koreans progressively

⁶Chung, op. cit., p. 12.

⁷US Dept of State, United States Policy in the Korean Crises, pp. x-xi.

taking a more active role in policy and decision making, behind them, the new government of Syngman Rhee, the first President, was able to start governing South Korea.

Under Syngman Rhee, the country became in most respects a dictatorship. Established election procedures were circumvented; political appointments went to "cronies" and nepotism and opportunism were rampant; public funds were mis-handled; bribery was common; political imprisonments and assassination became commonplace. These abuses, all evidences of immaturity in government and lack of responsible leadership, led to extreme disillusionment among the people and finally to the fall of the Rhee government. Contributing to the fall of the government was its failure to give hope to the people that the future held some promise of economic recovery and a rising standard of living.

Syngman Rhee provided the strong, determined leadership essential to the successful prosecution of the Korean War, but failed during the difficult decade of re-building and establishing a base for the future during the 1950's. His departure left a vacuum in leadership as he and his followers resigned, fled, or were deported, imprisoned, or executed.⁸

With the departure of Rhee in May 1960, a Parliamentary Amendment Bill, converting the government from a President-centered to a

⁸Hapdong News Agency, Korea Annual, 1964, pp. 62-90.

Parliament-centered institution. Dr. John Chang was elected Premier but a year later Newsweek magazine reported that:

Chang's efforts at reform have so far failed to clear up the mess left by Rhee's graft-ridden regime. Indeed, the 22 million Koreans are now worse off economically than at any time since the war. . . .⁹

Chang had had three cabinets in eight months and had failed to give the essential hope to the people that their government was concerned for their welfare. Poverty and suffering and unemployment became more wide-spread. Factories were idle and corruption in government continued. Finally, he failed to give hope of eventual unification and lost "face" when the United Nations invited North Korea to attend a debate in the General Assembly.¹⁰

THE ERA OF PARK CHUNG HEE

In May 1961, governmental power was seized by a military coup headed by Army General Park Chung Hee. Chang resigned along with many high officials and many others were jailed by the new regime and charged with crimes from embezzlement to treason. The "Korean Military Revolutionary Government" announced seven major policies:¹¹

First - Adamant anti-communism.

Second - Firm support of the United Nations.

⁹"South Korea: The More Things Change," Newsweek, Vol. LVII, 3 Apr. 1961, p. 42.

¹⁰"South Korea: Life or Death Matter," Newsweek, Vol. LVII, 29 May 1961, pp. 40-45.

¹¹Hapdong News Agency, op. cit., pp. 120-121.

Third - Indissoluble alliance with the United States.

Fourth - Eradication of corruption in government.

Fifth - Establishment of a self-supporting economy.

Sixth - Re-unification of Korea under United Nations proposals.

Seventh - Early transfer of power to a civilian constitutional government.

Public acceptance of the policies and of the effective implementing steps taken during the following months, enhanced public acceptance of the new government. Examples of progressive steps taken as the new government took control were: all private debts bearing interest rates above 20% were dissolved; slum clearance projects were started; and imported luxuries such as tobacco and coffee were banned.¹²

Park Chung Hee has remained consistently loyal to his seven policies including when, on 17 December 1963, having resigned his commission and been duly elected, he was installed as the first President of the Third Republic.¹³ The new Constitution, approved by referendum in December 1962, provides for a strong President and a unicameral legislature. President Park has been a strong President.

The economic growth and stability achieved as described in Chapter 4 was accomplished almost entirely during the five years of

¹²"South Korea: Sorry General," Newsweek, Vol. LVII, 5 Jun. 1961, p. 44.

¹³S. H. Steinberg, ed., The Stateman's Yearbook, 1965-1966, p. 1196.

Park's leadership, both military and elected. Progress in government has also been noted. A career civil service has been established ridding the central government bureaucracy of essentially all corruption and nepotism. Free elections have been held regularly and political persecution and arrest no longer hamper the functioning of opposition political parties. The civil and criminal laws have been revised and codified. Government policy planning committees have been established to guide the new government in all fields of commerce, agricultural, education, finance, judicial, and political sectors.¹⁴

The Park government has shown stability and strength in instituting the economic program which promises strong growth and future benefits but immediate austerity to large segments of the populations. Another example of the viability of the regime was its success in completing the Normalization Treaty with Japan in spite of the strong and vocal objections from large segments of the people, particularly students.¹⁵ Memories of harsh Japanese occupation years generated fears of future domination - emotions ran high but the government courageously completed the Agreement.¹⁶

Another test of the present government in the elections of 1963 wherein President Park was elected with 47% of the popular vote and his party captured 110 of the 175 Parliament Seats.¹⁷

¹⁴Hapdong News Agency, op. cit., pp. 79-174.

¹⁵Morley, op. cit., pp. 73-77.

¹⁶Reeve, op. cit., pp. 172-176.

¹⁷Hapdong News Agency, op. cit., pp. 145-147.

The government also undertook to support the American effort in South Vietnam - about 22,000 Korean troops are in combat now. The participation of Korea in a foreign war was initially unpopular but finds general acceptance today - it remains to be seen what popular reaction will be as the casualty lists mount.

On the other hand, the government has not been without error or troubles. Officials are still found guilty of corrupt practices - a situation not confined solely to Korea - but not in the widespread conspiracies of earlier years. Power is still based on the police, the military forces, and the Central Intelligence Agency and, while there is general agreement on policies and objectives, administration is often criticized as less than responsive to public wishes. The government has been plagued with criticism, some if not most irresponsible, from dissident groups and political parties. The very freedom of speech provided by the government is used in biased and self-serving criticism of it. Force has been used in dealing with public demonstrations by dissident groups and students and riots have often resulted.¹⁸

The continuing partition of the nation also subjects the government to heavy pressures. A highly cohesive ethnic group, the division of the nation, and in some cases families, has generated strong emotions and social pressures for unification. Unification pressures are also resulting from general dissatisfaction in comparisons.

¹⁸George H. Johnson, "Korea Calm Following Turmoil," Washington Post, 9 Sep. 1965, p. E1.

between North Korean and South Korean economic progress, pressures which will certainly decline as the present trends in South Korea develop further. The North Korean labor shortage looks particularly attractive to the South Korean unemployed - and especially so at a time when only one in forty university graduates can find suitable employment.¹⁹

North Korea's attempt to unify the country under communism by force of arms failed in 1953. But attempts to achieve "peaceful unification" persist. A massive propaganda campaign is being pursued emphasizing the ethnic, economic, and political advantages of unification. The campaign vilifies South Korean national leaders, attacks the American presence and policies, and attempts to exploit the inevitable frictions between Koreans and Americans as they live together. Principal objectives of the campaign are the dividing of Korean and American people, disarmament and demilitarization of the frontier, and the driving of the Americans from Korea. The campaign fosters unrest and presents a continual problem to the government but does not represent a serious threat; the memories of communist occupation terror are fresh in the minds of the Koreans.^{20,21,22}

General dissatisfaction with the partition is found in all walks of life. For example, disquiet among military officers was

¹⁹Ibid., p. E1.

²⁰Kanf In-dok, "Communist Unification Plan," Korea Journal, Vol. 5, Oct. 1965, pp. 4-7.

²¹US Information Agency. Research and Reference Service, The Pattern of North Korean Unification Propaganda, USIA Pub. R-177163(AF), p. 90. FOR OFFICIAL USE ONLY

²²US Congress, Senate, Committee on Government Operations, Korean War Atrocities, p. 6.

recently reported because of dissatisfaction with pay, promotion, and politically aimed personnel changes and:

Perhaps less significant, but more disquieting, were a group of captains and majors in a Seoul pub last week, listening illegally openly to a North Korean broadcast and nodding agreement to its anti-Park and anti-American attacks.²³

The issue of unification is thus an extremely frustrating one to all South Koreans and presents a most difficult problem to the government. Unification must be supported but, due to the intransigence of the North Koreans, cannot be accomplished without sacrificing the freedoms over which the 1950-1953 War was fought. The inability of the United Nations, the United States (their principal ally), and the South Korean government to solve the question favorably degrades the people's confidence in their own government and their allies.

SUBVERSIVE INSURGENCY

Further plaguing this, or any other South Korean government, is the insurgent, political-military subversion campaign directed by North Korea. If present incidents reported of kidnapping, assassination, and terror directed against village leaders and administrators is incipient insurgency, it poses a most serious threat to the government of South Korea.²⁴

²³Johnson, op. cit., p. E1.

²⁴Arthur J. Dommen, "South Korea Acts to Balk Guerrilla Warfare," Washington Post, 7 Oct. 1965, p. F2.

The initial Communist goal is the creation of political milieu in South Korea in which Communists can "interact with other forces on behalf of nationalists-reformist measures." The second step is the development of a "People's Army in South Korea" and the unfolding of guerrilla warfare when the social-political climate is favorable.²⁵

There is virtually no support of communism among the South Koreans. The above mentioned memories of Communist atrocities and extremely harsh administration during the periods of Communist occupation are fresh in many minds.²⁶ Only the generation too young to recall or those too unperceptive to accept the experience of their elders fail to recognize the nature and danger of the Communist threat. Nevertheless, the insurgent campaign is taking shape.

Immediately after the formation of the Republic of Korea in August 1948, a campaign of civil disorder directed from Pyongyang and aimed at the overthrow of the new republic was begun. Armed incidents along the 38th parallel became frequent and guerrilla activity in the interior of South Korea became a serious and continuing problem.^{27,28}

²⁵"North Korea," The China Quarterly, No. 14, Apr. - Jun. 1963, p. 50.

²⁶Hapdong News Agency, op. cit., p. 73.

²⁷John E. Beebe, Jr., "Beating the Guerrilla," Military Review, Vol. XXXV, Dec. 1955, pp. 3-18.

²⁸US Dept of the Army. Office Chief of Military History, United States Army in the Korean War, South to the Naktong, North to the Yalu. (Jun. - Nov. 1950), p. 5.

During the Korean War, North Korean regular army units, Chinese, and locally recruited forces conducted an active and extensive guerrilla war behind the United Nations lines. At its peak, several United Nations divisions were engaged in containing the guerrilla forces and it was not until late 1954 that the last remnants were liquidated by the South Korean Army and police.^{29,30}

Since 1953, North Korean line-crossers have carried out sporadic guerrilla and terrorist activities in South Korea. Many of the over 2,000 "incidents" discussed by the Military Armistice Commission at Panmunjom have involved line-crossers concerned with Communist subversion activities.³¹ During the summer of 1965, terrorist activities increased, perhaps in response to Korean participation in the Vietnamese War, perhaps probing South Korean reactions, perhaps as a prelude to expanded operations to come.

Aware that the invasion in 1950 was preceded by a great increase in line-crossing and border incidents and then a lull, present conditions are being carefully watched.³² A 3,000 man special police force has been organized to deal with the threat in its present dimension and to react quickly to an escalation upwards.³³

²⁹Ibid., pp. 421-428.

³⁰US Dept of the Army, op. cit., pp. 3-18.

³¹Guy S. Meloy, "The Eighth Army Story," Army Information Digest, Vol. 18, Jun. 1963, p. 9.

³²US Dept of the Army, op. cit., p. 6.

³³Dommen, op. cit., p. F2.

SUMMARY

A pattern emerges of growing political maturity and stability. After the years of corruption and poverty and hopelessness under Syngman Rhee and Dr. Chang and experiencing four changes of government in four years, the nation has enjoyed five years of progress. The Park governments have instituted reforms and led the nation to acceptance of international relationships with Japan and to recognition of international responsibilities in South Vietnam. Pressures for unification and possible insurgency directed from North Korea continue to be serious disruptive forces. The present government has popular support and the courage to lead.

The present situation has been summarized by Mr. William P.

Bundy:

While political events in Korea have at times been troubled, the Korean people have shown true dedication to democratic ideals and willing acceptance of the responsibilities of freedom. Since the return to civil rule, Korean political activities have shown a steady movement toward democracy and civic responsibility.³⁴

³⁴William P. Bundy, "Korea, A Free World Partner in the Far East," Department of State Bulletin, Vol. LIII, 11 Oct. 1965, p. 594.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Historically, Korea has been a cross-roads of Asia. China, Russia, or Japan have fought over, invaded, occupied or otherwise controlled the peninsula. Its strategic importance today is not different than it has been for centuries - an invasion route between Japan and the mainland of Asia. It does have the added significance of being the northern anchor of the United States containment policy of the Communist bloc.

At the end of World War II, the defeat of Japan left a "power vacuum" in Korea. The vacuum was filled by Russia in the north and the United States in the south of the peninsula. Neither power was content to permit domination of the entire country by the other. The present partition of Korea has its roots in that reluctance. The entrance of China into the Korean War was evidence of her historical interest in dominating Korea and her insistence that the peninsula not be controlled by the United States. The Korean War was fought to a stale-mate and settled at a conference table because neither side would pay the price to drive the other from the field and neither would retire. The partition of Korea persisted as the best solution to the balance of power on that unfortunate but strategically important land.

The Communist powers persist in their ambitions to unify Korea under communism and to drive the United States from its strategic foothold on the continent of Asia. The United States has resisted the Communist pressures so as to both maintain that foothold and the integrity of the system of treaties designed to contain Communist aggressions.

Through all the years since the partition of the nation in 1945, Communist pressures have been unrelenting. North Korean governments, with the backing if not under the direction of China and Russia, have consistently refused to honor the United Nations, the United States, and the South Korean efforts to unite the country under a policy of self-determination and free elections. To the contrary, the Communists have tried by overt invasion, political pressure, propaganda, and subversive insurgency to bring South Korea under their rule.

It must be expected that these pressures will continue unabated. Indeed, in response to other world conditions, the Vietnam conflict, for example, the Korean question may become more active as the Communists attempt to divide western power or divert it from another part of the "Frontier of Freedom."

The propaganda campaign, aimed principally at the emotional appeal of ethnic unity and end of family separations, has great acceptance in both the north and south. Efforts of the North Koreans to mount an insurgency in South Korea have not only failed but give little hope of any future success. Memories of Communist

brutalities are too fresh in the minds of South Koreans; and the government and the people are dedicated to democratic processes. Further, economic progress is unmistakable - living standards are slowly rising, and there is hope and optimism everywhere. Neither propaganda nor insurgency are routes promising success to Communist ambitions.

The overt military threat of invasion by North Korean forces has no greater probability of success. The strength of South Korean forces unassisted by the United Nations is much more than a match for an attacking North Korean force. Further, the presence of the United States forces adds depth to the defense posture and unmistakable credibility to the American commitment.

In the event of active participation of Chinese ground forces in an invasion of South Korea, the South Korean forces and the American forces now in Korea could not contain the attack without the use of nuclear weapons. The United States is not, due to commitments in Europe, Vietnam, and the United States, in a position to rapidly reinforce the United Nations Command in Korea. The United States would thus be driven to the hard choice of using tactical nuclear weapons or accepting the loss of South Korea, and perhaps the Eighth United States Army, to the Communists.

The presence of a two-division force with supporting combat and logistic units totalling 50,000 men cannot be defended on military grounds. South Korean forces alone can contain the conventional arms attack the North Koreans can deliver. The role of

the American forces can be conceived as only to deliver nuclear supporting fires to the South Korean forces in the event of a Chinese attack. American forces for this role need be a force considerably less than the present 50,000 man Army. The design of a specific force structure is beyond the scope of this paper but it need be no more than the nuclear delivery combat units, logistic support, and local ground and air defense units.

South Korea has demonstrated a degree of political maturity and stability thought impossible just a few years ago. An elected government is in power. That government has instituted legislative and social reforms and has led the country to an impressive posture of growth and optimism. The nation is dedicated to the ideals of representative government. It has demonstrated an acceptance of international responsibilities and firm resistance to communist aggressions. The presence of the United States forces has been and will continue to be essential to the continued ability of the government to maintain its strength and to develop. The function of the United States forces in this regard is largely psychological - a firm commitment to defend South Korea from outside aggression and to promote a free and open society within South Korea. One must question the necessity of a 50,000 man Army for this purpose. It appears reasonable that a force of considerably less manpower would serve the same good purpose.

The progress made economically and industrially by South Korea during the past five years has been shown to be truly impressive and

remarkable. A firm base has been established for further growth and the nation has shown the resolve to put aside immediate luxuries and quick improvements for the greater benefits the austerity of today promises to bring in the years to come. Economic progress has been impeded by the necessity for a large military establishment. Conversely, the presence of the 50,000 man United States Eighth Army contributes an estimated \$100 million per year in dollar credits to South Korea. This amount also represents an adverse gold flow to the United States. A reduction of the United States forces would permit either a reduction of that gold flow or its diversion to economic growth projects of lasting value to South Korea.

The cost to the United States of maintaining the present force in South Korea is estimated at the above mentioned \$100 million per year in foreign exchange. More significant is that 50,000 troops are tied down and unavailable as general purpose ground forces or as a strategic reserve. The fragmentation of troops, in Europe, Korea, the Dominican Republic, Vietnam, or in the future in some yet unidentified country, presents a loss of flexibility and increasing costs to the United States. The forces in Korea must be kept at the minimum strength essential to United States interests there.

The presence of the United States forces in Korea since 1953 have served the intended purpose of security to the nation, lending stability to the government, fulfilling American humanitarian

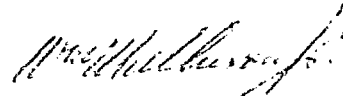
and idealistic goals, and securing the northeastern anchor of our containment complex. Since the American forces were established at their present two division level, the development described herein has taken place in the Korean political, economic, and military environment. The continued requirement for the forces must be assessed on the situation pertaining now and in the immediate future.

The continuation of force levels without change has the attraction of retaining a course of action which has brought success to American policy. A change would bring risk that our objectives or resolve had changed. If the American commitment in South Korea were not written in conflict and battle of the Korean War, demonstrated by our continued presence there since 1945, and reiterated often in words and acts of friendship and support, then a change in force structure might be misread by our enemies. But under the circumstances of our clearly demonstrated resolve to maintain our power position in the Korean peninsula, a force reduction, otherwise in our interests, would not be misread by the communist bloc as a lessening of our commitment.

RECOMMENDATIONS

The United States should re-structure the Eighth United States Army to provide only tactical nuclear fire support to the South Korean Armed Forces, essential local ground and air security, and minimum logistic support for itself. The resulting dollar savings

should be applied to either reduction of the nations gold flow losses or to more productive nation-building projects within Korea. The resulting savings in United States military manpower should be applied to the general purpose forces.



WILLIAM MULHERON JR.
Colonel, Ord Corps

BIBLIOGRAPHY

1. Acheson, Dean. "Crises in Asia - An Examination of US Policy." Department of State Bulletin, Vol. 22, 23 Jan. 1950, pp. 111-118.
2. Arnold, Harry J. P. Aid for Developing Countries. Chester Springs: Dufour Editions, 1962. (HC60 A72)
3. Ball, George W. "The Hard Problems of a Turbulent World." Department of State Bulletin, Vol. LIII, 11 Oct. 1965, pp. 590-591.
4. Barnett, Robert W. "The New Role of Japan in World Affairs: An American View." Department of State Bulletin, Vol. LI, 26 Oct. 1964, pp. 586-591.
5. Bartlett, Ruhl J. The Record of American Diplomacy. New York: Alfred A. Knopf, 1964. (E183.7 B35 1964)
6. Beach, Dwight E. "U.S. Officers Warn Against Cut in Korean Forces." New York Times, 7 Jul. 1965, p. 9.
7. Beebe, John E., Jr. "Beating the Guerrilla." Military Review, Vol. XXXV, Dec. 1955, pp. 3-18.

(A comprehensive account of Communist guerrilla activities in South Korea during the period 1948-1954. The effort and techniques required to eliminate the guerrilla forces is described in some detail and conclusions of general interest are developed. Considered a valuable contribution to guerrilla warfare and counterinsurgency literature.)
8. Bundy, William P. "American Policy in South Viet-Nam and Southeast Asia." Department of State Bulletin, Vol. LII, 8 Feb. 1965, pp. 168-175.

(An excellent statement of United States policy in Southeast Asia and the relationships of that area and United States policy with global objectives.)
9. Bundy, William P. "Korea, A Free World Partner in the Far East." Department of State Bulletin, Vol. LIII, 11 Oct. 1965, pp. 593-596.
10. Bundy, William P. "Progress and Problems in East Asia: An American Viewpoint." Department of State Bulletin, Vol. LI, 19 Oct. 1964, pp. 534-541.

11. Bundy, William P. "Progress and Problems in the Far East." Department of State Bulletin, Vol. LIII, 1 Nov. 1965, pp. 709-716.
12. Bundy, William P. "Republic of Korea as Free World Partner in the Far East." Korean Report, Vol. V, Jul. - Sep. 1965, pp. 8-9.
13. Burke, Arleigh. "An Evaluation of Strategy." Marine Corps Gazette, Dec. 1964, pp. 20-27.
14. Central Treaty Organization. Public Relations Division. The Story of the Central Treaty Organization (CENTO). Ankara: 1959. (DS63 C38 A3)
15. Chapin, Emerson. "Dispair Lifting in South Korea As Progress Brings New Mood." New York Times, 20 Nov. 1965, p. 12.
16. Chung, Kyong-cho. New Korea. New York: MacMillan, 1962. (DS917 C45)

(A penetrating analysis of the Republic of Korea's position in international affairs and of domestic political, social, economic, and military affairs. Mr. Chung has studied in Korea, Japan, and the United States and has succeeded in providing an essentially objective view of his country.)
17. Church, Frank. "Mired Troops and Frozen Policy - The Korean Paralysis." Congressional Record, Vol. 110, 13 Apr. 1964, pp. 7500-7501.

(A thoughtful challenge to present United States military policy towards Korea. An assessment of international power and strategy and an evaluation of the force structure to provide the required degree of security to South Korea, to protect American interests, and to minimize costs is made.)
18. Chyun Sang-jin. "New Dimensions in Economic Diplomacy." Korean Affairs, Vol. IV, Jan. 1965, pp. 10-13.
19. Czarnomski, F. B., ed. The Eloquence of Winston Churchill. New York: The New Library of World Literature, 1957. (DA566.9 C5A28)
20. Dodd, Thomas J. "Welcome Speech to President Park, 14 May 1965, Washington." Korean Report, Vol. V, Apr. - Jun. 1965, pp. 9-10.
21. Dommen, Arthur J. "South Korea Acts to Balk Guerrilla Warfare." Washington Post, 7 Oct. 1965, p. F2.

22. Ebenstein, William. Two Ways of Life. New York: Holt, Rinehart and Winston, Inc., 1964. (JC423 E18)

(An excellent basic reference to communism and democratic ideals and philosophies. The historical development of communism is summarized and the relative success of socialism and free economies in providing for the social welfare is evaluated. The present political and economic strengths of communism in international affairs is described. An excellent reference.)

23. Eisenhower, Dwight D. "President Asks Authorization for U.S. Economic Program and Resolution of Communist Aggression in Middle East." Department of State Bulletin, Vol. XXXVI, 21 Jan. 1957, pp. 83-85.

24. "Exports Pushed by South Korea." New York Times, 14 Nov. 1965, p. F15.

25. Hanna, Richard T. "Korea: America's Gallant Little Neighbor in the Pacific Community." Congressional Record, Vol. 111, 27 Jul. 1965, pp. 4127-4129.

(A good summary of economic progress in South Korea since the Korean War and description of the present problems and progress being made towards the resolution thereof.)

26. Hapdong News Agency. Korea Annual, 1964. Seoul: 1965. (DS902 K58)

(A condensed basic reference of Korean geography, history, and social and economic conditions since the beginning of Korean history. Political and military and the current political and economic environment is described with extensive statistical information.)

27. Hilsman, Roger. "United States Policy Towards Communist China." Department of State Bulletin, Vol. L, 6 Jan. 1964, pp. 11-27.

28. The Institute for Strategic Studies. The Military Balance, 1964-65. London: 1965. (UA15 15)

29. "Japan to Build Plant in Korea." Korean Report, Vol. V, Jul. - Sep. 1965, p. 27.

30. Johnson, George H. "Korea Calm Following Turmoil." Washington Post, 9 Sep. 1965, p. E1.

31. Johnson, Lyndon B. "Greeting to Mr. Eisaky Sato, Prime Minister of Japan, Washington, 12 February 1965." Department of State Bulletin, Vol. LII, 1 Feb. 1965, p. 132.

32. Johnson, Lyndon B. "Greeting to President Park, Washington, 17 May 1965." Korean Report, Vol. V, Apr. - Jun. 1965, p. 4.
33. Johnson, Lyndon B. "Message to the Congress: Foreign Aid, 14 January 1965." Department of State Bulletin, Vol. LII, 8 Feb. 1965, p. 127.
34. Johnson, Lyndon B. "Toward Peace With Honor." Why Vietnam. Washington: US GPO, 1965, pp. 5-7.

(Press Conference by President Johnson, The White House, 28 July 1965.)
35. Kanf In-dok. "Communist Unification Plan." Korea Journal. Vol. 5, Oct. 1965.
36. Kennan, George F. "Japanese Security." Foreign Affairs, Vol. 43, Oct. 1964, pp. 14-28.
37. Kim, Samuel. "South Korea on Rebound From Poor-Cousin Status." New York Times, 24 Jan. 1966, p. C41.
38. "Korea's Budget and Economic Progress." International Financial News Survey, Vol. XVII, 19 Nov. 1965, p. 426.
39. "Korean Economy Marks Strides in 20 Years." Korean Report, Vol. V, Jul. - Sep. 1965, pp. 5-7.
40. "Korea Issue Due in U.N. Assembly." New York Times, 12 Sep. 1965, p. 10.
41. Lee Yong-hi. "Challenges to Korea's Diplomacy." Korean Affairs, Vol. IV, Jan. 1965, pp. 7-9.
42. Library of Congress. Legislative Reference Service. United States Defence Policies in 1963. Washington: US GPO, 1964. (UA23 A431)

(Prepared at the request of the Honorable Melvin Price, Member of Congress, and published as House Document No. 235, 88th Congress, 2nd Session.)
43. Library of Congress. Legislative Reference Service. United States Defence Policies in 1964. Washington: US GPO, 1965. (UA23 A431)

(Prepared at the request of the Honorable Melvin Price, Member of Congress, and published as House Document No. 285, 89th Congress, 1st Session.)

(Complete and comprehensive background and current information of United States defense policies and the communist military threat. An excellent bibliography is included. An essential reference to any serious consideration of United States defense policy.)

44. Meloy, Guy S. "The Eighth Army Story." Army Information Digest, Vol. 18, Jun. 1963, pp. 2-22.
45. Min Byong-ki. "Basic Posture of Korean Foreign Policy." Korean Affairs, Vol. IV, Jan. 1965, pp. 4-6.
46. Morgenthau, Hans J. Politics Among Nations, The Struggle for Power and Peace. New York: Alfred A. Knopf, 1960. (JX 1391 M59)
47. Morley, Lorna. "Korea: Problem Protectorate." Editorial Research Reports, Vol. 1, 27 Jan. 1960. (H35 E3)
48. "North Korea - A Change of Course." Time, Vol. 86, 8 Oct. 1965, p. 45.
49. "North Korea." The China Quarterly, No. 14, Apr. - Jun. 1963, pp. 3-140.
 Lee, Chong-sik. "Politics in North Korea: Pre-Korean War Stage."
 Paige, Glenn D. and Lee Dong Jun. "The Post-War Politics of Communist Korea."
 Scalapino, Robert A. "The Foreign Policy of North Korea."
 Kuark, Yoon T. "North Korea's Industrial Development During the Post-War Period."
 Lee, Chong-sik. "Land Reform, Collectivism and the Peasants of North Korea."
 Kuark, Yoon T. "North Korea's Agricultural Development During the Post-War Period."
 Kim, Ilpyong J. "The Judicial and Administrative Structure in North Korea."
 Chung, Kiwon. "The North Korean Peoples' Army and the Party."
 Yang, Key P. and Chee, Chang-boh. "The North Korean Educational System: 1945 to Present."
50. Park, Chung Hee. "President Park Addresses the National Press Club, Washington, 18 May 1965." Korean Affairs, Vol. V, Apr. - Jun. 1965, p. 6.
51. Park, Chung Hee. "Speech on 23 June 1965 Concerning the Normalization Treaty with Japan." Korean Report, Vol. V, Apr. - Jun. 1965, pp. 4-5.

52. Park, Chung Hee. "State of the Union Message, 16 January 1965." Korean Report, Vol. V, Jan. - Mar. 1965, pp. 4-7.
53. Pell, Claiborne. "Speech Welcoming President Park of Korea to Washington, 13 May 1965." Korean Report, Vol. V, Apr. - Jun. 1965, pp. 10-11.
54. Piao, Lin. "Long Live the Victory of the Peoples' War." Daily Report Supplement, Far East, No. 171(4S)--1965, 3 Sep. 1965.

(Translation by US Central Intelligence Agency. Foreign Broadcast Information Service.)

(The second ranking Chinese Communist leader publically announced in this speech the aims of China towards the entire world. The defeat of the free world and the militant aggression of communism is expressed and the essential strategic and tactical concepts propounded.)
55. Reeve, W. D. The Republic of Korea. London: Oxford University Press, 1963. (DS917 R4)

(An objective summary of Korean history and culture highlighting factors particularly relevant to modern Korean history. A valuable account of the political and economic history and development in the decade following the Korean War.)
56. Rhee, Seung-huhn. "Conditions Effecting the Korean Foreign Policy." Korean Affairs, Vol. IV, Jan. 1965, pp. 14-16.
57. Rostow, Walter W. The United States in the World Arena. New York: Harper and Brothers, 1960. (E741 R6)
58. "South Korea: Life or Death Matter." Newsweek, Vol. LVII, 29 May 1961, pp. 40-45.
59. "South Korea: The More Things Change." Newsweek, Vol. LVII, 3 Apr. 1961, p. 42.
60. "South Korea: Sorry General." Newsweek, Vol. LVII, 5 Jun. 1961, pp. 44-46.
61. Steinberg, S. H., ed. The Statesman's Yearbook, 1965-1966. New York: St. Martin's Press, 1965. (JA51 S75)
62. "A Treaty in Asia That Will Help U.S." U.S. News and World Report, Vol. LIX, 29 Nov. 1965, p. 108.

63. United Nations. "Report of the United Nations Commission for the Unification and Rehabilitation of Korea." General Assembly Official Records: Nineteenth Session. New York: 1964. (UN Supplement No. (A/5812)) (DS918 U47)
64. US Bureau of the Budget. The Budget of the United States Government for the Fiscal Year Ending June 30, 1966. Washington: US GPO, 1965. (HJ2051 A3)
65. "United States Collective Defense Arrangements." Department of State Bulletin, Vol. XLIV, 15 May 1961, pp. 722-723.
66. US Congress. Senate. Committee on Foreign Relations. The United States and the Korean Problem: Documents 1943-1953. 83rd Congress, 1st Session, Senate Document 74. Washington: US GPO, 1953. (DS916 U5)

(Authoritative background history containing basic documents relating to the Korean partition, economic and political developments in South Korea, the conduct of the Korean War, and U.S.-Soviet and North-South Korean relationships during the decade, 1943-1953.)
67. US Congress. Senate. Committee on Government Operations. Korean War Atrocities. 83rd Congress, 2d Session, Senate Report 848. Washington: US GPO, 1954. (DS920.8 U53)
68. US Dept of the Army. Office Chief of Military History. United States Army in the Korean War, South to the Naktong, North to the Yalu. (June - November 1950). Washington: US GPO, 1960. (DS919 U5)
69. US Dept of Commerce. Bureau of International Commerce. Overseas Business Reports, OBR 64-68, Jun. 1964. Washington: 1964.
70. US Dept of Defense and US Agency for International Development. Proposed Mutual Defense and Development Programs FY 1965. Washington: US GPO, 1964. (HC60 U7)
71. US Dept of State. Agency for International Development, Division of Statistics and Reports. A.I.D. Economic Handbook, Far East. Washington: 1957 - (Looseleaf). (AID EDB F3)
72. US Dept of State. Agency for International Development. US Loans and Grants and Assistance from International Organizations, Obligations and Loan Authorizations, July 1, 1945 - June 30, 1964. Washington: 1945/64. (HC60 U691)

(An excellent and comprehensive summary of American military and economic assistance costs by year and by major program and country from 1945 through 1964.)

73. US Dept of State. Bureau of Public Affairs. Background Notes - Korea. Department of State Publication 7782, Washington: 1964. (D16.25 U5K8)
74. US Dept of State. Bureau of Public Affairs. A Historical Summary of United States-Korean Relations With a Chronology of Important Developments, 1834-1962. Department of State Publication 7446, Far Eastern Series 115. Washington: US GPO, 1962. (JX1428 K8U5)

(An authoritative although much abbreviated summary useful in historical research and in establishing the chronology of events prior to November 1962.)
75. US Dept of State. The Record of Korean Unification 1943-1960. Washington: Oct. 1960, pp. 6-11. (DS917 U55)
76. US Dept of State. United States Policy in the Korean Crises. pp. x-xi. Washington: 1950. (DS918 U5)
77. US Information Agency. Research and Reference Service. The Pattern of North Korean Unification Propaganda. USIA Pub. R-177163(AF). Washington: 1963. FOR OFFICIAL USE ONLY (USIA R-177-63-AF)
78. "U.S. Signs Agreement of Cooperation with Turkey, Iran, and Pakistan." Department of State Bulletin, Vol. XL, 25 Mar. 1959, pp. 416-418.
79. Yi Mun-kun and Pyon Hong-kyo. "Christianity in Korea." Korean Report, Vol. IV, Jul. - Sep. 1964, pp. 7-9.

ANNEX A

UNITED STATES COLLECTIVE DEFENSE ARRANGEMENTS¹

NORTH ATLANTIC TREATY (15 NATIONS)

A treaty signed April 4, 1949, by which "the parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all; and . . . each of them . . . will assist the . . . attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary including the use of armed force. . . ."

- | | |
|------------------|--------------------------------|
| 1 UNITED STATES | 9 LUXEMBOURG |
| 2 CANADA | 10 PORTUGAL |
| 3 ICELAND | 11 FRANCE |
| 4 NORWAY | 12 ITALY |
| 5 UNITED KINGDOM | 13 GREECE |
| 6 NETHERLANDS | 14 TURKEY |
| 7 DENMARK | 15 FEDERAL REPUBLIC OF GERMANY |
| 8 BELGIUM | |

SOUTHEAST ASIA TREATY (8 NATIONS)

A treaty signed September 8, 1954, whereby each Party "recognizes that aggression by means of armed attack in the treaty area against any of the Parties . . . would endanger its own peace and safety" and each will "in that event act to meet the common danger in accordance with its constitutional processes."

- 1 UNITED STATES
- 2 UNITED KINGDOM
- 3 FRANCE
- 4 NEW ZEALAND
- 5 AUSTRALIA
- 6 PHILIPPINES
- 7 THAILAND
- 8 PAKISTAN

¹Except as otherwise noted, all information in this Appendix has been extracted from: "United States Collective Defense Arrangements," Department of State Bulletin, Vol. XLIV, 15 May 1961, pp. 722-723.

ANZUS (Australia-New Zealand-United States) TREATY (3 NATIONS)

A treaty signed September 1, 1951, whereby each of the parties "recognizes that an armed attack in the Pacific Area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes."

- 1 UNITED STATES
- 2 NEW ZEALAND
- 3 AUSTRALIA

REPUBLIC OF CHINA (Formosa) TREATY (BILATERAL)

A treaty signed December 2, 1954, whereby each of the parties "recognizes that an armed attack in the West Pacific Area directed towards the territories of either of the Parties would be dangerous to its own peace and safety," and that each "would act to meet the common danger in accordance with its constitutional processes." The territory of the Republic of China is defined as "Taiwan (Formosa) and the Pescadores."

- 1 UNITED STATES
- 2 REPUBLIC OF CHINA (FORMOSA)

PHILIPPINE TREATY (BILATERAL)

A treaty signed August 30, 1951, by which the parties recognize "that an armed attack in the Pacific Area on either of the Parties would be dangerous to its own peace and safety" and that each party agrees that it will act "to meet the common dangers in accordance with its constitutional processes."

- 1 UNITED STATES
- 2 PHILIPPINES

JAPANESE TREATY (BILATERAL)

A treaty signed January 19, 1960, whereby each party "recognizes that an armed attack against either Party in the territories under the administration of Japan would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional provisions and processes." The treaty replaced the security treaty signed September 8, 1961.

- 1 UNITED STATES .
- 2 JAPAN

REPUBLIC OF KOREA (South Korea) TREATY (BILATERAL)

A treaty signed October 1, 1953, whereby each party "recognizes that an armed attack in the Pacific area on either of the Parties . . . would be dangerous to its own peace and safety" and that each "would act to meet the common danger in accordance with its constitutional processes."

- 1 UNITED STATES
- 2 REPUBLIC OF KOREA

RIO TREATY (21 NATIONS)

A treaty signed September 2, 1947, which provides that an armed attack against any American State "shall be considered as an attack against all the American States and . . . each one . . . undertakes to assist in meeting the attack. . . ."

- | | |
|----------------------|--------------|
| 1 UNITED STATES | 12 COLOMBIA |
| 2 MEXICO | 13 VENEZUELA |
| 3 HAITI | 14 ECUADOR |
| 4 DOMINICAN REPUBLIC | 15 PERU |
| 5 HONDURAS | 16 BRAZIL |
| 6 CUBA | 17 BOLIVIA |
| 7 GUATEMALA | 18 PARAGUAY |
| 8 EL SALVADOR | 19 CHILE |
| 9 NICARAGUA | 20 ARGENTINA |
| 10 COSTA RICA | 21 URUGUAY |
| 11 PANAMA | |

CENTRAL TREATY ORGANIZATION

A treaty signed 24 February 1955, whereby the parties agreed to a policy of mutual defense. Iraq was originally a member and the agreement was termed the "Baghdad Pact." Iraq withdrew its support of the agreement in the early summer of 1958 and, on 28 July 1958, the parties reaffirmed the agreement stating "the need which called the Pact into being is greater than ever." The United States is not a member but has consistently stated its interest in the integrity of the parties and their defense and has bilateral mutual defense treaties with Pakistan, Iran, and Turkey.

- 1 UNITED KINGDOM
- 2 TURKEY
- 3 PAKISTAN
- 4 IRAN

ANNEX B

FINANCIAL AND ECONOMIC STATISTICS

SELECTED ANNUAL STATISTICS,

ECONOMIC TRENDS,

AND

CENTRAL GOVERNMENT

FINANCES¹

¹Extracted from: US Dept of State. Agency for International Development, Division of Statistics and Reports, A.I.D. Economic Handbook, Far East.

SELECTED ANNUAL STATISTICS

†	ITEM	UNIT	1960	1961	1962	1963	1964	1965
1	POPULATION (Annual Growth: 2.9%) (Midyear)	Millions	24.7	25.4	26.1	26.9	27.6	28.4
PRODUCTION								
2	AGRICULTURE							
	Total production index	1952-54=100	125	142	133	127	152 ^P	
	Per capita production index	"	102	114	103	95	112 ^P	
	Rice, rough ^a	1,000 MT	3,130	3,710	3,130	3,760	3,960 ^P	
	Barley	"	1,050	1,130	1,080	310	1,180 ^P	
3	INDUSTRY							
	Industrial production index	1960=100	100	106	124	140	151	163(5 mo)
	Manufacturing index	"	100	104	122	138	147	160 "
	Mining index	"	100	113	135	154	169	171 "
3	MARINE PRODUCTION.....	1,000 MT	340	410	450	440	520	
4	ELECTRICITY							
	Total production	Million KWH	1,760	1,840	2,050	2,280	2,780 ^E	1,240(5 mo)
	Per capita production	KWH	71	72	79	85	100 ^E	
1	GROSS NATIONAL PRODUCT*							
	TOTAL GNP in current prices						Est.	
	National Currency	Bill. Won	218.78	259.92	302.37	399.14	535.55	
	U.S. Dollars	Mill. US\$	1,683	2,000	2,326	3,070	n.a.	
	GNP IN CONSTANT 1962 PRICES							
	TOTAL GNP	"	2,144	2,247	2,326	2,484	2,655	
	Net Foreign Bal.: Inflow(+);out(-)	"	+262	+199	+290	+424	+190	
	TOTAL AVAILABLE RESOURCES	"	2,406	2,446	2,616	2,908	2,845	
	Consumption	"	2,157	2,156	2,301	2,427	2,470	
	Private (incl. gov't. enterprises) ..	"	1,773	1,777	1,919	2,038	2,106	
	Gen. gov't. (all levels incl. defense)	"	384	379	382	389	364	
	Gross investment	"	249	290	315	481	375	
	Private	"	203	231	241	411	n.a.	
	Government	"	46	59	74	70	n.a.	
	CHANGE IN TOTAL GNP(1962 prices)	Percent	+2%	+5%	+3%	+7%	+7%	
	GNP PER CAPITA(1962 prices)	\$	87	88	89	92	96	
DOMESTIC FINANCIAL DATA								
3	PRICE INDEXES							
	Cost-of-living (Seoul)	1960=100	100	108	115	140	180	195(3 mo)
	Wholesale (national)	"	100	113	124	149	201	215 "
3	MONEY SUPPLY	Bill. Won	21.9	31.2	36.7	37.3	43.1	47.5(May)
	MONEY SUPPLY INDEX(end of year)	1960=100	100	142	168	170	197	217 "
5	CENTRAL GOVERNMENT FINANCES ^b							
	Domestic revenues	Bill. Won	28.9	28.4	39.6	44.9	49.9 ^c	
	Total expenditures	"	39.8	53.7	73.8	77.5	80.3 ^c	
	Of which: Defense	"	(14.7)	(16.6)	(20.5)	(20.5)	(23.9)	
	Surplus (+) or Deficit (-) before foreign aid	"	-11.0	-25.3	-34.2	-32.6	-30.4	
	Revenue from non-U.S. grants	"	0.5	small	-	-	-	
	Receipts from non-U.S. loans	"	-	-	small	2.5	4.0	
	Revenue from U.S. grants	"	11.6 ^d	20.2 ^e	28.5 ^e	24.9 ^d	25.5 ^d	
	Receipts from U.S. loans	"	-	small	0.3	3.2	1.3	
	Remaining surplus or deficit	"	+1.1	-5.1	-5.4	-2.0	+0.4	

† Numbers indicate basic sources listed on next page. n.a. - Not available. P - Preliminary E - Estimate.

* - Conversion rate 130 Won per US \$.

^a - Bulk of crops harvested in calendar year stated.^b - Shown in local currency because of problems of exchange rate conversion.^c - Budget estimates.^d - Excludes receipts from customs duties on US aid imports.^e - Includes receipts from customs duties on US aid imports.

SELECTED ANNUAL STATISTICS (Cont'd)

†	ITEM	UNIT	1960	1961	1962	1963	1964	1965
	FOREIGN TRADE							
	COMMODITY TRADE (customs data)							
3	Exports, f.o.b.	Million US\$	33	41	55	87	119	55(5 mo)
3	Imports, c.i.f. ^a	"	-344	-316	-422	-560	-404	-134 "
	Trade balance	"	-311	-275	-367	-473	-285	-79 "
	MAJOR TRADING PARTNERS							
3	Exports to: United States	"	4	7	12	25	36	6(2 mo)
	Japan	"	20	19	23	25	38	5 "
	Hong Kong	"	3	7	5	9	12	2 "
1	Imports from: ^b United States	"	177	186	247	270	230	25 "
	(c.i.f.) Japan	"	115	145	159	185	125	24 "
	Hong Kong	"	7	4	6	4	4	2 "
	West Germany	"	41	25	17	27	24	3 "
6	MAIN EXPORTS ^c							
	Veneer and Plywood	"	small	1	2	6	11	3 (4 mo)
	Cotton Fabrics	"	2	1	2	4	11	4 "
	Silk	"	1	3	5	5	6	2 "
	Fish	"	3	5	9	10	14	4 "
	Rice	"	3	1	9	1	2	small
3	MAIN IMPORTS							
	Food and beverages	"	32	40	49	121	68	11 (3 mo)
	(Wheat)	"	(19)	(24)	(26)	(66)	(37)	9 "
	(Barley)	"	(small)	(5)	(7)	(14)	(14)	- "
	Cotton	"	29	29	34	38	37	10 "
	Fertilizer, manufactured	"	55	40	62	48	56	small "
	Petroleum, oil and lubricants	"	19	19	23	28	24	6 "
	PAYMENTS & RESERVES							
7	BALANCE OF PAYMENTS (selected items)							
	Balance on goods and services	"	-262	-199	-290	-424	-190 ^E	
	Private direct investment	"	-	-	1	5	1 ^E	
	Official grants (net)	"	254	207	200	236	127 ^E	
	Central Gov't loan receipts	"	-	1	2	21	8 ^E	
8	GOLD AND FOREIGN EXCHANGE ^d							
	Gold	"	157	207	169	132	132	116 (May)
	Official foreign exchange	"	2	2	2	2	3	3 "
	Official foreign exchange	"	155	205	167	130	129	113 "
8	IMF GOLD TRANCHE POSITION							
		"	-	-	-	-	5	5 (May)
3	EXCHANGE RATES (end of year)							
	Official	Won per \$	65	130	130	130	255	270 (May)

† BASIC SOURCES

1. Based on national data as adjusted by US AID and A/SRD.
2. U.S. Foreign Agricultural Service (ERS) special calculations for AID/W and FAS crop circulars.
3. Bank of Korea "Monthly Statistical Review".
4. UN "World Energy Supplies".
5. Based on US AID replies to AID Form 10-74 as adjusted by A/SRD.
6. Bank of Korea "Monthly Foreign Exchange Statistics".
7. Tables on pages 11 and 12; data obtained from IMF, US AID and BOK Annual Reports.
8. IMF "International Financial Statistics" (IFS).

n.a. - Not available. P - Preliminary. E - Estimate.

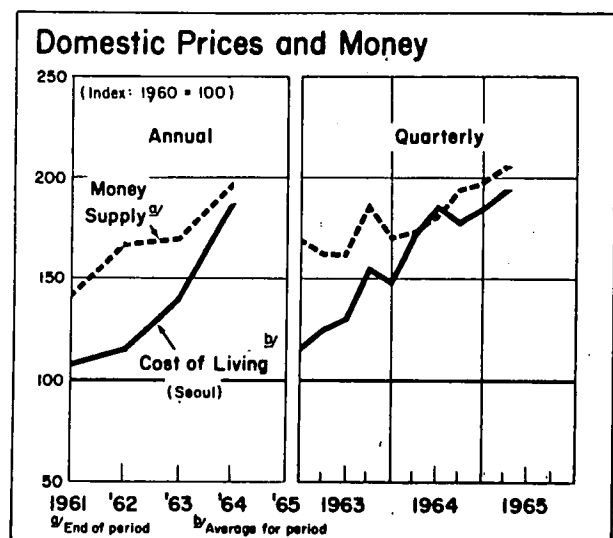
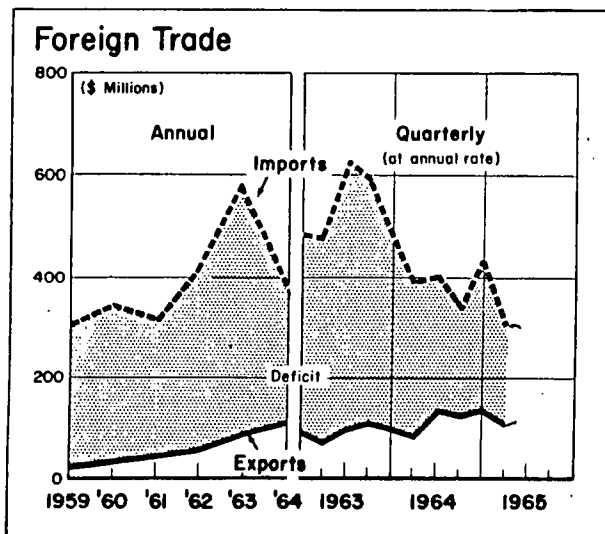
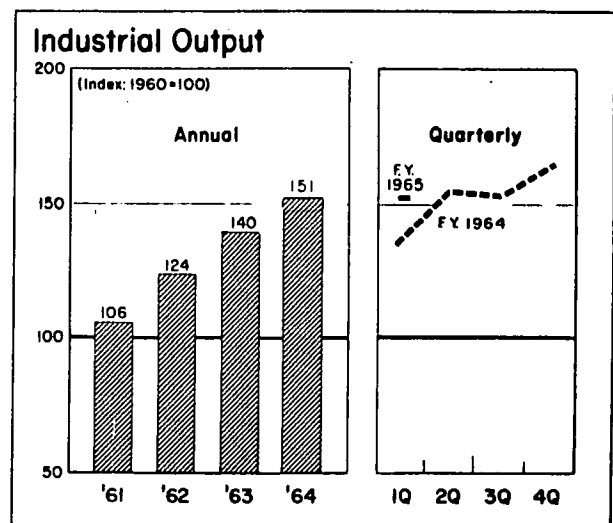
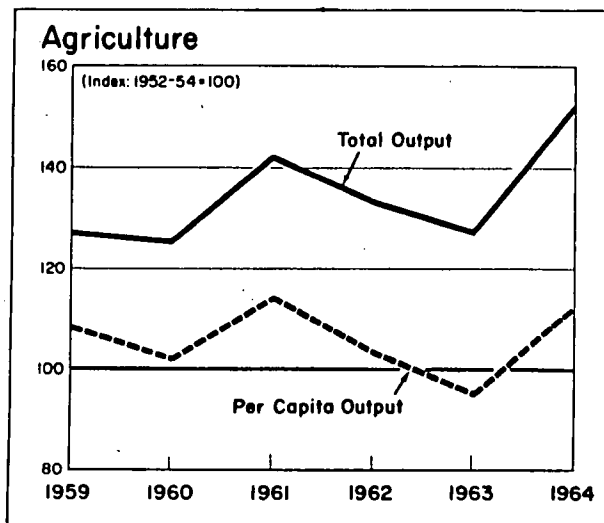
a - A substantial amount of civilian-type goods is omitted from available data, particularly in 1960-61.

b - Data of country of source adjusted to value imports c.i.f. Korea.

c - Exchange settlement data.

d - End of period.

SELECTED ECONOMIC TRENDS



CENTRAL GOVERNMENT FINANCES

SOUTH KOREA

CONSOLIDATED SUMMARY

(Billions of Won)

ITEM	FISCAL YEAR ENDING DECEMBER 31				
	1960	1961	1962	1963	1964 (Rev. Bud)
A. REVENUE - TOTAL (incl. all foreign grants)	<u>40.94</u>	<u>48.61</u>	<u>68.12</u>	<u>69.83</u>	<u>75.40</u>
1. Revenue from Domestic Sources - Total	28.85	28.41	39.59	44.92	49.87
a. Taxes on Income and Profits	5.59 ^E	7.77	6.93	8.97	11.38
b. Sales, Turnover and Excise Taxes	8.45 ^E	8.77	12.89	13.57	14.44
c. Customs	5.15	3.67	4.45	6.38	8.59
d. Monopoly Profits	2.30	2.65	4.23	4.83	4.71
e. Other Taxes	2.72 ^E	1.35	1.68	2.16	2.04
f. Government Enterprises .....	.40	.67	.99	.96	1.37
g. Other Revenue	4.24	3.53	8.42	8.05	7.34
2. Revenue from Foreign Grants - Total	12.09	20.20	28.53	24.91	25.53
a. U.S. Grants	11.57 ^b	20.16 ^a	28.53 ^a	24.91 ^b	25.53 ^b
b. UNKRA .....	.52	.04	-	-	-
B. EXPENDITURES - TOTAL (incl. all foreign grants)	<u>39.83</u>	<u>53.73</u>	<u>73.84</u>	<u>77.52</u>	<u>80.25</u>
1. National Defense - Total	14.71	16.60	20.47	20.48	23.88
a. From own sources	(9.36)	n.a.	(5.47)	(5.48)	(8.88)
b. U. S.-financed	(5.35)	n.a.	(15.00)	(15.00)	(15.00)
2. Grants and Shared Taxes	7.86	8.39	9.86	10.95	11.86
3. Subsidies .....	.23	2.01	2.15	.85	1.20
4. Interest Payments .....	.55	.48	.64	.75	1.07
5. Other Current	9.71	11.68	16.45	18.36	19.98
6. Capital Outlay, Civil Government -Total ^c ...	6.77	14.57	24.27	26.13	22.26
a. By Form of Expenditure:					
(1) Direct Capital Outlay	(2.71)	(2.89)	(5.74)	(5.80)	(4.80)
(2) Grants For Capital Outlay	(2.72)	(5.21)	(8.12)	(8.51)	(6.75)
(3) Loans for Capital Outlay	(1.34)	(6.45)	(10.04)	(5.76)	(5.13)
(4) Direct Gov't Enterprises	-	(.02)	(.37)	(6.06)	(5.58)
b. By Type of Financing:					
(1) From Own Sources	(2.57)	(9.42)	(10.17)	(10.16)	(6.14)
(2) From U.S. Grants and Loans	(4.20)	(5.15)	(14.10)	(13.07)	(11.83)
(3) From Non-U.S. Grants and Loans	(-)	(-)	(-)	(2.90)	(4.29)
C. DEFICIT (-) OR SURPLUS (+)					
1. Before all Foreign Grants	-10.98	-25.32	-34.25	-32.60	-30.38
2. After all Foreign Grants	+1.11	-5.12	-5.72	-7.69	-4.85
D. FINANCING THE DEFICIT OR DISPOSAL OF SURPLUS					
(-) AFTER FOREIGN GRANTS - TOTAL	<u>-1.11</u>	<u>5.12</u>	<u>5.72</u>	<u>7.69</u>	<u>4.85</u>
1. Domestic Borrowing (Net)	1.04	2.91	5.88	2.09	-.41
2. Foreign Borrowing (Net)	-	.02	.30	5.67	5.26
3. Net Change in Cash Balances	-2.15	2.19	-.46	-.07	(d)
E. GROSS DEBT OUTSTANDING (end of FY) - TOTAL			n.a.	n.a.	
1. Domestic (Billions of Won)			28.16	31.53	
2. Foreign (U.S.)(Millions of U.S. \$)			24.5	67.8	

E - Estimate.

- a - In FY 1961 and FY 1962, receipts from customs duties on U.S. aid imports were deposited into the counterpart fund; prior to FY 1961 such receipts were included with customs receipts. In FY 1963 and 1964 the bulk of the customs receipts on U.S. aid imports was reclassified as domestic revenues.
- b - U.S. grants exclude receipts from customs duties on U.S.-aid imports; these receipts are included in customs, Item 1 c.
- c - Reflects after 1960 substantial expansion in development grants and loans to agriculture and industry.
- d - Changes in reserves included in item D.1.