

# **A NOTE ON THE UTILIZATION OF AGRICULTURAL SURPLUSES FOR ECONOMIC DEVELOPMENT IN PAKISTAN**



**UNITED NATIONS**



**FOOD AND AGRICULTURE ORGANIZATION  
OF THE UNITED NATIONS**

# **A NOTE ON THE UTILIZATION OF UNITED STATES AGRICULTURAL SURPLUSES IN THE REPUBLIC OF KOREA**

**- Procedures and Problems -**

*Study prepared by the*  
*ECAFE/FAO Agriculture Division*  
**ECONOMIC COMMISSION FOR ASIA AND THE FAR EAST**



**UNITED NATIONS**



**FOOD AND AGRICULTURE ORGANIZATION  
OF THE UNITED NATIONS**

**BANGKOK, 1965**

## FOREWORD

This study on the utilization of the United States agricultural surpluses in the Republic of Korea - procedures and problems - has been prepared under the authority of the work programme approved by the United Nations Economic Commission for Asia and the Far East at its thirteenth and subsequent sessions, and follows similar studies in Japan and Pakistan which were published in 1958 and 1961 respectively.

The study presents the factual information regarding utilization of agricultural surpluses in the Republic of Korea and examines the procedures and problems involved in their use.

The basic data and information required for the study have been collected with the greatly valued assistance of a consultant located in Seoul and supplemented by additional published information which became available to the secretariat subsequently.

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# EXPLANATORY NOTE

## 1. The following symbols have been employed

|                  |   |
|------------------|---|
| Three dots (...) | indicate that data are not available or are not separately reported;                                      |
| A dash (-)       | indicates that the amount is nil or negligible,   |
| A full stop (.)  | is used to indicate decimals;   |
| A comma (,)      | is used to distinguish thousands and millions;  |
| A slash (/)      | indicates a crop year or financial years, e.g., 1958/59,  |
| A hyphen (-)     | between dates, e.g. 1950-1958, signifies the full period involved, including the beginning and end years. |
| ₩                | denotes local currency - Won;<br>1 Won = 0.392 US cents approx.   |

2. Unless otherwise indicated, tons indicate metric tons; dollar (\$) indicates United States dollars.

3. Minor discrepancies in totals and percentages are due to rounding.

## I. INTRODUCTION AND SUMMARY

During the past decade (from 1954 through 1964), the Republic of Korea received approximately \$805 million in United States aid in the form of surplus farm products under the Agricultural Trade Development and Assistance Act (Public Law 480) and Section 402 of the Mutual Security Act (MSA). This is equivalent to about 28 per cent of the total United States aid (\$2,900 million) to the Republic of Korea during that period. Out of these \$805 million, about \$485 million (about 60 per cent) was for food products. Thus, food products account for about 17 per cent of the total United States aid provided during the decade under review.

Under the PL 480, nine agreements have so far been concluded between the Government of the United States of America and the Republic of Korea, one in every year except 1960, since the first agreement was signed in May 1955. Occasionally, an agreement has had to be revised subsequently due to an unexpected increase in the demand for farm surpluses. While a large part of United States farm surpluses has been imported into the Republic of Korea under Public Law 480 since 1955 even prior to that United States farm surpluses were being imported in the form of grants under Section 402 of MSA.

The main purpose of the import of farm surpluses has been to overcome food shortage. However, the sale proceeds have been used to support part of defence expenditure of the Government of the Republic of Korea, to cover the expenditure for exploration of markets for United States farm surpluses and to meet some of administrative expenses of United States Governmental agencies in the Republic of Korea.

Though the import of farm surpluses has had a considerable influence on the economy of the Republic of Korea, no imports have been made for the direct or primary purpose of economic development except for limited imports in 1961 under Title II of the PL 480 to support the National Construction Service Project and in 1964 to support the Land Reclamation Project.

Since most of the imported farm surpluses needed processing or were raw materials for manufacturing, they made a considerable contribution to development of industry. Examples are the flour milling and the textile industry. On the other hand, the import of farm surpluses has influenced considerably the prices of domestic farm products and, also, perhaps prices in general. The area of cotton cultivation and its domestic harvest have continued to decrease since farm surpluses began to be imported.

## II. DESCRIPTION OF FARM SURPLUS TRANSACTION

The total amount of aid the Republic of Korea has received from the United States during the period from 1954 through 1964 - AID assistance and farm surplus aid under PL 480 - reached \$2,878 million as of the end of June 1964. Annual average of the aid amounts to \$250 million. Until 1959, the annual aid was maintained at around \$280 million. However, it began to decline from 1960, and in 1964 amounted to \$164 million.

The aggregate amount of aid in the form of surplus farm products under PL 480 and under MSA Section 402 amounted to \$805 million as of the end of June 1964. The average annual rate is \$73 million. Thus, farm surplus aid accounts, on an average, to 28 per cent of the total aid received. This ratio has been gradually increasing since 1961 and, in 1963, it reached 48.4 per cent.

The total amount of aid provided in the form of food products reached \$485 million as of the end of June 1964. The average annual imports between 1954 - 1964 amounted to \$44 million. Between 1956-1958, the annual imports averaged \$70 million. However, imports decreased during the period from 1959 through 1962, the average annual rate being \$40 million. In 1963, imports increased to \$58 million and in 1964 to \$62 million.

Thus, the total aid provided in the form of food products amounted to 60.3 per cent of the total amount of farm surplus aid.

The ratio of total food to the total of economic aid received from the Government of the United States of America is fairly high (16.9 per cent). In particular, it reached 27.4 per cent in 1963 and 37.9 per cent in 1964. Table 1 summarizes the foreign aid received from the United States from 1954 to 1964.

/Table 1



Table 1

United States economic aid to the Republic of Korea, FY 1954 - FY 1964  
(as of 30 June 1964)

(Unit: \$1,000)

| Year  | Grand total<br>(A) | PL 480<br>(Total)     | Food part<br>in PL 480<br>aid | Farm surplus<br>under MSA<br>Sec. 402 | Food part<br>in MSA<br>402 aid | Total of farm<br>surplus aid<br>(B) | Aid in form<br>of food<br>(C) | B/A<br>(%) | C/B<br>(%) | C/A<br>(%) |
|-------|--------------------|-----------------------|-------------------------------|---------------------------------------|--------------------------------|-------------------------------------|-------------------------------|------------|------------|------------|
| 1954  | 265,637            | 910                   | 910                           | -                                     | -                              | 910                                 | 910                           | 0.3        | 100.0      | 0.3        |
| 1955  | 284,634            | 22,257                | 7,418                         | 28,306                                | 3,982                          | 50,563                              | 11,400                        | 17.8       | 22.5       | 4.0        |
| 1956  | 362,588            | 58,601                | 56,174                        | 52,393                                | 14,200                         | 110,994                             | 70,374                        | 30.6       | 63.4       | 19.4       |
| 1957  | 344,953            | 37,747                | 37,686                        | 49,977                                | 35,700                         | 87,724                              | 73,386                        | 25.4       | 83.7       | 21.3       |
| 1958  | 280,089            | 64,430                | 64,430                        | 40,500                                | 8,000                          | 104,930                             | 72,430                        | 37.5       | 69.0       | 25.9       |
| 1959  | 272,897            | 44,428                | 36,535                        | 36,000                                | 7,400                          | 80,428                              | 43,935                        | 29.5       | 54.6       | 16.1       |
| 1960  | 229,078            | 9,482                 | 9,482                         | 34,867                                | 2,467                          | 44,349                              | 11,949                        | 19.4       | 26.9       | 5.2        |
| 1961  | 259,445            | 68,370                | 34,742                        | 15,500                                | 6,000                          | 83,870                              | 40,742                        | 32.3       | 48.6       | 15.7       |
| 1962  | 201,756            | 75,448                | 39,458                        | 69                                    | -                              | 75,517                              | 39,458                        | 37.4       | 52.3       | 19.6       |
| 1963  | 213,358            | 103,288 <sup>a/</sup> | 58,456                        | -                                     | -                              | 103,288 <sup>a/</sup>               | 58,456 <sup>a/</sup>          | 48.4       | 56.6       | 27.4       |
| 1964  | 164,441            | 62,249 <sup>a/</sup>  | 62,249 <sup>a/</sup>          | -                                     | -                              | 62,249 <sup>a/</sup>                | 62,249 <sup>a/</sup>          | 37.9       | 100.0      | 37.9       |
| Total | 2,878,876          | 547,210               | 407,540                       | 257,612                               | 77,749                         | 804,822                             | 485,289                       | 28.0       | 60.3       | 16.9       |

Source: United States Operation Mission to Korea (USOM/K), Summary of the United States Economic Aid to Korea, U-684; Economic Planning Board and Bank of Korea.

Notes: Figures marked a/ represent amounts approved and others actual arrivals.

All aid under Title III, PL 480, is regarded in this table as aid provided in the form of food products.

/Farm surplus



Farm surplus products imported under Section 402 of MSA

From 1955, the United States Government started earmarking 25 per cent of the aid funds for the Republic of Korea's purchase of the United States surplus farm products, according to the provisions of Section 402 of MSA. Before that, some farm commodities were imported through sources such as GARIOA,<sup>1/</sup> ECA,<sup>2/</sup> CRIK,<sup>3/</sup> etc.

Although the farm surplus aid provided under the law is grant-type aid, like other MSA aid, local currency equivalent of the aid amount was to be deposited in the counterpart funds account in accordance with aid agreement reached between the two countries. Five per cent of the deposits were appropriated for administrative cost of the United States Government, and the rest was used for the Republic of Korea's economic development and defense costs. Table 2 shows some details of the products imported under Section 402 of MSA. It is to be noted that the total amount of surplus goods imported under Section 402 MSA reached \$257.6 million. \$159 million of raw cotton (1,655,000 bales) accounted for the largest portion of the total import. The second largest part was accounted for by wheat amounting to \$33 million (729,000 tons). Barley amounted to \$23 million (324,000 tons), tallow to \$11 million (50,700 tons), and crude sugar to \$5.5 million (63,000 tons).

Table 2

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- 1/ Abbreviation for Government and Relief in Occupied Areas. It was responsible for the aid given by the United States armed forces to the occupied areas during and after the world war II. The aid consisted mostly of food, clothes, medical supplies, fuel, construction materials, and some other emergency needs for transport and communication facilities. Among many recipient countries, the largest were western Germany and Japan.
- 2/ Abbreviation for the Economic Co-operation Administration established by the Economic Co-operation Act of 1948 as a government organization of the United States to assist rehabilitation of economies of war-torn European countries. Sixteen European countries which simultaneously organized OEEC (Organization of European Economic Co-operation) joined this programme. Korean aid from this source was handled through the ECA Mission in Korea.
- 3/ Abbreviation of Civil Relief in Korea, an agency which undertook civil relief activities during the Korean war under the supervision of the United Nations Command. Aid materials supplied under this programme consisted of material imported with the aid of the United States military authority (Supplies Korea, or SKO) and of donations from private or civilian organizations in member countries of the United Nations including the USA (supplies United Nations, or SUN).

Table 2

United States farm surplus products imported  
under Sec. 402 of MSA, 1955 to 1962

(in US\$ 1,000)

| Item          | 1955   | 1956   | 1957   | 1958   | 1959   | 1960   | 1961   | 1962 | Cumulative<br>total |
|---------------|--------|--------|--------|--------|--------|--------|--------|------|---------------------|
| Raw cotton    | 23,628 | 29,693 | 11,307 | 30,000 | 27,050 | 30,700 | 7,000  | -    | 159,378             |
| Wheat         | 3,982  | 14,200 | -      | 6,000  | 7,400  | 1,200  | -      | -    | 32,782              |
| Barley        | -      | -      | 15,000 | 2,000  | -      | -      | 6,000  | -    | 23,000              |
| Cleaned wheat | -      | -      | 120    | -      | -      | -      | -      | -    | 120                 |
| Rice          | -      | -      | 20,580 | -      | -      | -      | -      | -    | 20,580              |
| Corn          | -      | -      | -      | -      | -      | 267    | -      | -    | 267                 |
| Tallow        | 696    | 2,000  | 1,500  | 1,800  | 850    | 1,700  | 2,500  | -    | 11,046              |
| Raw hide      | -      | 1,000  | 1,000  | 600    | 350    | -      | -      | -    | 2,950               |
| Resin         | -      | -      | 220    | 100    | 200    | -      | -      | -    | 520                 |
| Linseed oil   | -      | -      | 250    | -      | 150    | -      | -      | -    | 400                 |
| Crude sugar   | -      | 5,500  | -      | -      | -      | -      | -      | -    | 5,500               |
| Soybeans      | -      | -      | -      | -      | -      | 1,000  | -      | -    | 1,000               |
| Edible oil    | -      | -      | -      | -      | -      | -      | -      | 69   | 69                  |
| Total         | 28,306 | 52,393 | 49,977 | 40,500 | 36,000 | 34,867 | 15,500 | 69   | 257,612             |

Source. Economic Planning Board and USOM/K.

/Transactions

Transactions under Public Law 480

Apart from the farm surplus aid under Section 402 of MSA, the Republic of Korea has since 1955 concluded agreements for purchase of surplus farm products of the United States with local currency. These agreements are under the Agricultural Trade Development and Assistance Act of 1954 (US Public Law 480).

The signing of the import agreement under this law usually takes place early in each year. The duration of each import agreement is limited to one year. However, actual importations have taken as much as three years, carryover measures are provided for such cases. Although the contents may vary from year to year, the conditions specified in each of the agreements are virtually similar to the original agreement concluded in 1955. The gist of the agreement under Title I of PL 480 is summarized below

- (a) The Government of the U.S.A. will, in accordance with the Agricultural Trade Development and Assistance Act of 1954, finance fund requirements for selling surplus farm products for local currency to importers approved by the Government of the Republic of Korea. The Government of the U.S.A. will issue procurement authorizations (P/A) for each item applied, within the limits of the agreed amount. Procurement of goods will be made by Korean importers from private exporters of the U.S.A., the prices (in dollar) and quality of them will be decided upon through negotiations between the buyers and sellers.
- (b) Local currency equivalent to the amount of dollars financed by the Government of the U.S.A. for dollar cost of surplus farm products, ocean transportation charges, and handling charges, will be deposited in the account of the U.S.A. at the Bank of Korea. The exchange rate of local currency against dollar currency will be in accordance with the prevailing official exchange rate.
- (c) Local currency proceeds obtained by the Government of the U.S.A. from the sale of surplus farm products will be partly used by it for U.S. expenses in the Republic of Korea (including expenditures on exploration activities for new markets for farm products of the U.S.A.) and expenses of the Government of the U.S.A.'s agencies stationed in Korea; and the rest by the Government of the Republic of Korea for purchase of Korean Armed Forces' military equipment, materials, facilities, and services, required for common defense purposes.
- (d) The Government of the Republic of Korea will be blocked from diverting surplus farm goods for resale, transfer to other countries, or for other purposes than domestic consumption, unless otherwise specially approved by the Government of the U.S.A.

/As of

As of 15 June 1964, the total amount of surplus farm products agreed to be imported into the Republic of Korea under PL 480 Title I reached approximately \$460 million. Out of this, the lion's share goes to wheat, amounting to about \$171 million or 37 per cent. Raw cotton, which ranks second largest, amounts to about \$143 million or 31 per cent of the total and barley to \$44 million or about 10 per cent. It is also to be noted that the ocean transportation cost amounts to about \$49 million or 11 per cent of the total value of the agreed amount. Table 3 shows the annual values of the commodities agreed and approved to be imported during the period of 1955 to 1964.

/Table 3

Table 3

Values of United States surplus agricultural commodities approved to import into the Republic of Korea under Title I of Public Law 480, 1955 to 1964

(As of 30 June 1964)

(in US\$1,000)

| Item \ Agreement year     | 1955               | 1956               | 1957               | 1958               | 1959               | 1961               | 1962               | 1963               | 1964               | Cumulative total |          |               |
|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|----------|---------------|
|                           |                    |                    |                    |                    |                    |                    |                    |                    |                    | Agreement        | Approval | Appropriation |
| Raw cotton                | 9,991<br>(10,000)  | 306<br>(430)       | -                  | -                  | 7,893<br>(7,500)   | 31,091<br>(30,000) | 33,967<br>(33,100) | 33,936<br>(33,750) | 13,000<br>(28,000) | 142,780          | 130,184  | 117,131       |
| Wheat                     | -                  | 7,503<br>(6,400)   | 2,510<br>(2,100)   | 30,425<br>(24,500) | 23,383<br>(20,300) | 14,457<br>(14,500) | 22,815<br>(21,730) | 53,558<br>(46,650) | 20,701<br>(34,650) | 170,680          | 176,352  | 165,428       |
| Barley                    | -                  | 12,783<br>(11,500) | 4,266<br>(3,800)   | 14,805<br>(12,300) | -                  | 2,074<br>(2,000)   | 7,923<br>(7,580)   | 2,956<br>(2,430)   | 1,505<br>(4,100)   | 43,710           | 46,312   | 44,448        |
| Cleaned wheat             | -                  | -                  | -                  | 106<br>( - )       | -                  | -                  | -                  | -                  | -                  | -                | 106      | 106           |
| Rice                      | -                  | 15,004<br>(13,500) | 11,836<br>(11,000) | -                  | -                  | -                  | -                  | -                  | -                  | 24,500           | 26,840   | 26,840        |
| Corn                      | -                  | -                  | -                  | 1,247<br>(1,500)   | 545<br>(500)       | 776<br>(500)       | 1,119<br>(1,010)   | 1,126<br>(960)     | -                  | 4,470            | 4,813    | 4,744         |
| Sorghum                   | -                  | -                  | -                  | 2,230<br>(2,100)   | -                  | -                  | 470<br>(420)       | 505<br>(420)       | -                  | 2,940            | 3,205    | 3,170         |
| Leaf tobacco              | 4,848<br>(5,000)   | 2,126<br>(2,000)   | -                  | -                  | -                  | -                  | -                  | -                  | -                  | 7,000            | 6,974    | 6,974         |
| Canned pork               | -                  | 8,249<br>(8,000)   | -                  | -                  | -                  | -                  | -                  | -                  | -                  | 8,000            | 8,249    | 8,249         |
| Dry milk & cheese         | -                  | 378<br>(400)       | -                  | -                  | -                  | -                  | -                  | -                  | -                  | 400              | 378      | 378           |
| Edible oil                | -                  | 504<br>(500)       | -                  | -                  | 794<br>(750)       | -                  | -                  | -                  | -                  | 1,250            | 1,298    | 1,298         |
| Tallow                    | -                  | -                  | -                  | -                  | -                  | -                  | 2,023<br>(1,830)   | 3,220<br>(1,970)   | 1,658<br>(1,500)   | 5,300            | 6,901    | 4,604         |
| Ocean transportation cost | -                  | -<br>(5,400)       | -<br>(2,000)       | -<br>(9,600)       | -<br>(4,820)       | -<br>(4,100)       | -<br>(5,870)       | -<br>(9,410)       | -<br>(7,600)       | 48,800           |          |               |
| Total                     | 14,839<br>(15,000) | 46,853<br>(48,130) | 18,612<br>(18,900) | 48,813<br>(50,000) | 32,615<br>(33,870) | 49,398<br>(51,100) | 68,317<br>(71,540) | 90,642<br>(95,600) | 13,284<br>(75,700) | 459,840          | 411,612  | 383,373       |

Source USOM/K

Notes (a) Figures in parentheses represent value of the amounts set in the agreements.

(b) Approved amounts and appropriations correspond with each other for 1962 and the preceding years.



The first agreement under Title I of PL 480 was signed on 31 May 1955. Under this agreement, the United States Government approved purchase by the Republic of Korea of \$15 million worth (including ocean transportation charges) of raw cotton and leaf tobacco. Out of the total proceeds from the sale, \$9 million or 60 per cent of the total was used for expenses of the United States Government and agencies stationed in the Republic of Korea. Local currency equivalent to \$6 million or 40 per cent of the total was used for purchase of military equipment and goods and services for the Armed Forces of the Republic of Korea. The procurement formulas and priority, according to the agreement, were to be decided by the United States Government.

The second agreement under Title I of PL 480 was signed on 13 March 1956. The United States Government, under this agreement, approved procurement by the Republic of Korea of a total of \$43.8 million (including ocean transportation cost) worth of wheat, barley, raw cotton, canned pork, leaf tobacco, dry milk, cheese, and edible oil, with local currency.

Due to the food shortage created by the bad crop of rice in 1956, the agreement was later revised twice, to increase import volume of grains to curb price increases of grains. In the first amendment signed on 7 January 1957, \$10.8 million originally set aside for purchase of raw cotton and edible oil was reduced to \$1.93 million while newly allocating \$11.5 million for import of rice.

On 19 April, the second revision to the agreement was signed to increase the total amount of the procurement funds to \$48.13 million. Under this revised agreement, the procurement funds for dairy products and edible oil were cut down, while increasing the rice import funds to \$13.5 million.

/The

The United States portion of local currency proceeds from the sale of surplus farm products under this agreement for 1956, meanwhile, was reduced to 10 per cent of the total. Agreement was reached to use the rest - 90 per cent - of the proceeds for defense costs of the Republic of Korea.

For FY 1957, an interim agreement was reached for purchase of a total of \$82.5 million worth of rice, barley, wheat, raw cotton, and canned pork, in November 1956, as a result of series of meetings held between the representatives of the two governments. However, due to the shortage of United States surplus farm products, the procurement approval for only \$18.9 million worth of surplus farm goods under Title I of PL 480 was given. The whole aid was for import of grains, mostly rice, and the rest barley and wheat. The third agreement, concluded on January 30, 1957, called for appropriating 85 per cent of the proceeds for bolstering Korea's defense cost and the remaining 15 per cent for United States Government's administrative costs in Korea.

Under the fourth agreement concluded on 5 February 1958, the United States Government authorized the purchase with local currency of surplus farm products amounting to \$50 million. Procurement items were wheat, barley, sorghum, and corn. Agreement was reached to set aside 82 per cent of the proceeds from the sale of the surplus farm products for defense outlays of the Republic of Korea and the rest (18 per cent) for the United States Government's expenses in that country.

Out of the \$9 million set aside for the use of the United States Government, \$2 million or 4 per cent of the total proceeds was earmarked for private loan funds in the Republic of Korea for development of markets in that country for farm surpluses available in the United States. This was in

/accordance



accordance with the Cooley provisions.<sup>1/</sup>

The 5th agreement was signed on 30 June 1959. The United States Government approved import by the Republic of Korea of wheat, raw cotton, and corn, worth \$33 million under this agreement. Funds allocated for wheat purchase amounted to about \$24 million or 70 per cent of the total. Almost all the quantity of the import programme, however, was carried over to 1960, due to the record good crop of rice in that country in 1959.

The import of such a large quantity of grains caused a sharp decline of grain prices in the Republic of Korea and of farm income. Thus, no agreement for FY 1960 was concluded. On 14 September 1960, however, the 1959 import programme was revised for additional purchase of \$870,000 worth of edible oil for secondary food to be supplied to the Armed Forces. The total amount of the 1959 import agreement was increased to \$33,870,000, as a result. The agreement called for using 85 per cent of the total local currency proceeds from the imported farm products for procurement of military equipment, facilities, and services, for the Armed Forces of the Republic of Korea, and 15 per cent by the United States Government for its administrative cost in the Republic of Korea. For that year, however, agreement was reached not to set up the Cooley funds.

/The 6th

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<sup>1/</sup> The Cooley provisions or Section 104(c) of the Agricultural Trade Development and Assistance Act of 1954 as amended in 1957. This Section provides that up to 25 per cent of local currencies generated under Title I agreement may be loaned, through the Export-Import Bank of Washington, to (1) United States firms, their branches, subsidiaries, or affiliates for business development and trade expansion in the foreign country; or (2) either United States firms or private business firms of that country for the establishment of facilities for aiding the utilization, distribution, or otherwise increasing the consumption of, and expansion of markets for, such agricultural products abroad. Loans are repayable in the local currency of the aid-receiving country. Loans for financing the production of commodities which would compete with sale of surplus commodities available in the United States are prohibited by law. Interest rates are similar to those charged for comparable loans in the recipient country.

Pursuant to this Act, an initial agreement was reached between the Government of the Republic of Korea and the United States Government on 5 February 1958.

The 6th agreement was concluded on 28 December 1960. Under this agreement, the United States Government approved import by the Republic of Korea of \$51 million worth of wheat, barley, raw cotton and corn, with local currency. Owing to the shortage of funds allocated for supply of raw cotton, the Government of the Republic of Korea requested the United States Government to increase the procurement funds. A revised agreement to that effect was concluded on 11 May 1961, thus increasing the originally allocated \$14.6 million for raw cotton to \$15.4 million.

The total amount of procurement funds approved in 1961 was \$51.1 million. This sharp increase was attributable to the supersession of the MSA of 1954 by the Foreign Aid Act of 1961, and discontinuation of farm surplus aid provided in the form of grant under Article 402 of the MSA. The agreement reached in that year provided for the use of 87.8 per cent of the local currency proceeds from the imported farm goods by the Government of the Republic of Korea for defense expenditure and 10 per cent for the United States Government. The rest (2.2 per cent of \$1,120,000) was appropriated for the Cooley funds.

The 7th agreement was concluded on 2 March 1962. Under this agreement, the United States Government approved the purchases of \$40.8 million worth of raw cotton and wheat by the Government of the Republic of Korea with local currency. A revised agreement was signed on 12 June of the year for additional imports of \$30,740,000 worth of raw cotton and barley. Thus the total amount of the approved imports under the 1962 agreement was increased to \$71,540,000. The use of local currency proceeds from the imported farm surpluses was the same as in the case of the 1961 agreement.

The 8th agreement under Title I of PL 480 was concluded on 7 November 1962. It provided for imports of \$54,320,000 worth of wheat, corn, sorghum, raw cotton, and tallow. Owing to the acute food shortage resulting from the bad crop of rice in 1962, the FY 1963 agreement was later revised thrice.

The first revision was signed on 17 June 1963, for additional purchases of wheat and raw cotton amounting to \$19,680,000; the second revision took place on 5 July, for additional imports of \$8.5 million worth of wheat and

/barley;

barley; on 16 August, the third revision to the agreement was signed approving the additional import of \$13.1 million worth of wheat. The total amount of the 1963 agreement was thus increased to the all-time high of \$95.6 million.

The proceeds from the sale of surplus farm products were to be used as in the case of the 1961 and the 1962 agreements.

The 9th agreement was signed on 18 March 1964. Under this agreement, the United States Government agreed to imports by the Government of the Republic of Korea of \$61.9 million worth of wheat, barley, raw cotton, and tallow, with local currency. A revised agreement was signed on 15 June of the year, for additional imports of \$13.8 million worth of wheat by the Government of the Republic of Korea. Thus, the total amount of the 9th agreement was increased to \$75.7 million. The conditions specified in the agreement may be summarized as follows.

- (a) The ratio of proceeds from the sale of surplus farm products to be used by the United States Government for its administrative cost in the Republic of Korea was increased from the previous rate of 10 per cent to 15 per cent, the Government of the Republic of Korea used 85 per cent of the total for its defense cost.
- (b) The Cooley funds, which accounted for 2.2 per cent of the sales proceeds in the past, were abolished. Instead, local currency obtained by collecting the provisional foreign exchange special profit tax -- ₩ 50 per dollar -- was to be deposited in the United States Government's account.

However, as mentioned earlier, actual importations have taken upto three years, and thus the amount of surplus farm products actually imported in a certain year does not correspond to the amounts set down in the agreement for a specific year. Table 4 shows the kinds, quantities and values of products imported during the past years under Title I of PL 480.

Table 4

Value and quantity of United States surplus farm products actually imported under Title I of Public Law 480, 1956 - 1964

(Value in US\$1,000)

| Commodity    | 1956            | 1957            | 1958            | 1959              | 1960                | 1961                | 1962                 | 1963                | 1964                | Total            |
|--------------|-----------------|-----------------|-----------------|-------------------|---------------------|---------------------|----------------------|---------------------|---------------------|------------------|
| Wheat        | 7,504<br>(...)  | 1,520<br>(...)  | 29,941<br>(...) | 3,623<br>(71,310) | 18,576<br>(365,670) | 20,162<br>(347,621) | 26,167<br>(415,348)  | 55,670<br>(864,450) | 24,726<br>(365,236) | 187,889<br>(...) |
| Raw cotton   | 8,184<br>(...)  | 1,807<br>(...)  | 448<br>(...)    | 6,986<br>(63,390) | 763<br>(6,936)      | 21,492<br>(151,594) | 31,291<br>(24,686)   | 31,766<br>(235,350) | 30,441<br>(279,495) | 133,278<br>(...) |
| Barley       | 12,419<br>(...) | 4,608<br>(...)  | 14,104<br>(...) | 140<br>(3,500)    | -                   | 2,141<br>(53,525)   | 6,071<br>(1,116,975) | 5,170<br>(106,379)  | 3,266<br>(23,118)   | 47,919<br>(...)  |
| Corn         | -               | -               | 672<br>(...)    | 575<br>(11,500)   | 574<br>(11,480)     | 247<br>(4,940)      | 1,702<br>(33,703)    | 1,193<br>(24,854)   | 1<br>(...)          | 4,964<br>(...)   |
| Sorghum      | -               | -               | 2,226<br>(...)  | 6<br>(162)        | -                   | 90<br>(2,143)       | 470<br>(11,191)      | 538<br>(12,810)     | 1<br>(...)          | 3,331<br>(...)   |
| Rice         | -               | 26,840<br>(...) | -               | -                 | -                   | -                   | -                    | -                   | -                   | 26,840<br>(...)  |
| Soybeans     | -               | -               | -               | -                 | -                   | -                   | -                    | -                   | -                   | -                |
| Tallow       | -               | -               | -               | -                 | -                   | -                   | 1,607<br>(8,781)     | 2,487<br>(16,362)   | 2,450<br>(14,000)   | 6,544<br>(...)   |
| Edible oil   | -               | 378<br>(...)    | 505<br>(...)    | 106<br>(...)      | -                   | 794<br>(2,400)      | -                    | -                   | -                   | 1,783<br>(...)   |
| Canned pork  | 4,848<br>(...)  | 8,243<br>(...)  | -               | -                 | -                   | -                   | -                    | -                   | -                   | 13,091<br>(...)  |
| Leaf tobacco | -               | 2,126           | -               | -                 | -                   | -                   | -                    | -                   | -                   | 2,126            |
| Total        | 52,955          | 45,522          | 47,896          | 11,436            | 19,913              | 44,926              | 67,308               | 96,824              | 60,985              | 427,765          |

Source: USOM/K and Economic Planning Board; for the year 1964, Bank of Korea, Review of Korean Economy in 1964, p.115

Notes: a/ Data on quantities imported by item are not available for years prior to 1959.

b/ Figures in parentheses represent quantities in metric tons except in the case of raw cotton which are in bales.



According to the agreements on the use of sale proceeds during the period from 1955 through 1964, the amount of grant to the Government of the Republic of Korea under the provisions of Section 104 (c) (common defense) reached about \$391 million or 85 per cent of the total of agreed amounts, the amount used by the United States Government under (a), (b), (f) and (h) of Section 104,<sup>1/</sup> reached \$62 million or 13.4 per cent of the total. And the amount of Cooley funds under Section 104 (e) established for the four-year period covering the 4th through the 8th agreements, reached \$6.8 million or 1.6 per cent of the total (see table 5).

Table 5

Allocation of sales proceeds of surplus  
farm products received under Title I of PL 480

(Amount in \$1,000)

| Year of the<br>agreements<br>signed | Total<br>agreed<br>amount | Common Defense<br>[Section 104(c)] |             | Cooley Fund<br>[Section 104(c)] |            | US's use<br>[Section 104(a)<br>(b), (f), (h)] |             |
|-------------------------------------|---------------------------|------------------------------------|-------------|---------------------------------|------------|---|-------------|
|                                     |                           | Amount                             | Ratio %     | Amount                          | Ratio %    | Amount  | Ratio %     |
| 1st Agreement (1955)                | 15,000                    | 6,000                              | 40.0        | -                               | -          | 9,000   | 60.0        |
| 2nd Agreement (1956)                | 48,130                    | 43,290                             | 90.0        | -                               | -          | 4,840   | 10.0        |
| 3rd Agreement (1957)                | 18,900                    | 16,200                             | 85.7        | -                               | -          | 2,700   | 14.3        |
| 4th Agreement (1958)                | 50,000                    | 41,000                             | 82.0        | 2,000                           | 4.0        | 7,000   | 14.0        |
| 5th Agreement (1959)                | 33,870                    | 28,720                             | 84.8        | -                               | -          | 5,150   | 15.2        |
| 6th Agreement (1961)                | 51,100                    | 44,868                             | 87.8        | 1,122                           | 2.2        | 5,110   | 10.0        |
| 7th Agreement (1962)                | 71,540                    | 62,812                             | 87.8        | 1,574                           | 2.2        | 7,154   | 10.0        |
| 8th Agreement (1963)                | 95,600                    | 83,937                             | 87.8        | 2,103                           | 2.2        | 9,560   | 10.0        |
| 9th Agreement (1964)                | 73,700                    | 64,345                             | 85.0        | -                               | -          | 11,355  | 15.0        |
| <u>Total</u>                        | <u>459,840</u>            | <u>391,172</u>                     | <u>85.0</u> | <u>6,799</u>                    | <u>1.6</u> | <u>61,869</u>                                 | <u>13.4</u> |

Source. USOM/K

/However,

<sup>1/</sup> These subsections relate to agricultural market development (a), supplemental stockpile (b), payment of United States obligations (f), international educational exchange (h); loans to private enterprise or grants for economic development (e).

Source. The White House, Food for Peace, 1964 Annual Report on Public Law 480.

However, in case the local currency funds to be obtained by the United States Government from the sale of imported farm products do not reach the agreed amount for the United States use, the amount of defense cost to be provided to the Government of the Republic of Korea under Section 104(c) will be reduced to fill the gap. On the other hand, in case the amount exceeds the original amount agreed upon, the amount in excess will be used according to the proportion of the various purposes indicated by the pertinent agreement.

As shown in table 6, of the total of \$362.5 million agreed upon, \$316.2 million worth of surplus farm products have been imported and sold, thus generating about ₩ 28.6 billion, which has been deposited in the United States Government's account with the Bank of Korea. Out of this amount, about ₩ 26.3 billion has been allocated by the United States Government within the framework of the Republic of Korea-United States Agreement.

Table 6

Status of sales and allocation under the Republic of  
Korea-United States surplus farm products agreements under Title I  
of PL 480 (cumulative total as of 30 June 1963)

(Amount in 1,000)

| Years of the<br>agreements signed | Agreed<br>amount \$  | Sales (A)      |                   | Allocation (B) |                   | Balance (A - B) |                  |
|-----------------------------------|----------------------|----------------|-------------------|----------------|-------------------|-----------------|------------------|
|                                   |                      | \$             | ₩                 | \$             | ₩                 | \$              | ₩                |
| 1st Agreement<br>(1955)           | 15,000               | 14,841         | 768,919           | 14,841         | 768,919           | -               | -                |
| 2nd Agreement<br>(1956)           | 48,130               | 46,854         | 2,342,705         | 46,854         | 2,342,705         | -               | -                |
| 3rd Agreement<br>(1957)           | 18,900               | 18,690         | 934,480           | 18,631         | 931,530           | 59              | 2,950            |
| 4th Agreement<br>(1958)           | 50,000               | 48,729         | 2,479,158         | 48,350         | 2,454,492         | 379             | 24,666           |
| 5th Agreement<br>(1959)           | 33,870               | 32,615         | 1,970,244         | 32,459         | 1,949,643         | 157             | 20,601           |
| 6th Agreement<br>(1961)           | 51,100               | 49,357         | 6,416,361         | 48,877         | 6,353,983         | 480             | 62,379           |
| 7th Agreement<br>(1962)           | 71,540               | 68,319         | 8,881,511         | 64,199         | 8,345,818         | 4,121           | 535,693          |
| 8th Agreement<br>(1963)           | 74,000 <sup>a/</sup> | 36,794         | 4,783,214         | 23,992         | 3,118,951         | 12,802          | 1,664,263        |
| <u>Total</u>                      | <u>362,540</u>       | <u>316,199</u> | <u>28,576,591</u> | <u>298,202</u> | <u>26,266,040</u> | <u>17,997</u>   | <u>2,310,551</u> |

Source: US Embassy and USOM/K

Note: a/ If the 2nd and 3rd additional agreements (concluded on 5 July and 16 August) are counted, the total will be \$95.6 million.

/Table 7

Table 7 shows allocation of the sales proceeds for the various purposes. Out of the total of W26,266 million allocated, W22,656 million or 86.3 per cent has been allocated for common defense purposes under Section 104(c); W505 million or 1.9 per cent for the Cooley funds under sub-section (e) of the same Section; the remaining W3,105 million or about 12 per cent for use by the United States Government for other purposes.

Table 7



Table 7

Allocation of local currency used under Title I (Section 104) of PL 480

(M1,000)

| Years of the<br>agreements<br>signed | Use for com-<br>mon defense<br>by Republic<br>of Korea<br>(sub.sec.c) | Cooley<br>loan<br>funds to<br>private<br>enter-<br>prises<br>(sub.<br>sec.c) | Used by the United States                                 |  |   |   |   |  | Sub-total        | Total             |
|--------------------------------------|---|--|---|--|---|---|---|--|------------------|-------------------|
|                                      |   |  | Develop-<br>ment of<br>farm<br>markets<br>(sub.<br>sec.a) | Repayment<br>of US<br>debts<br>(sub.<br>sec.f) | Inter-<br>national<br>educat-<br>ional<br>exchange<br>(sub.<br>sec.h) | Book<br>trans-<br>lation &<br>printing<br>(sub.<br>sec.i) | US<br>school<br>centre<br>(sub.<br>sec.j) | Educat-<br>ional<br>programme<br>(sub.<br>sec.k) |                  |                   |
| 1st Agreement (1955)                 | 300,000   | -  | 11,697  | 379,542  | 58,500  | -   | -   | 19,180   | 468,919          | 768,919           |
| 2nd Agreement (1956)                 | 2,100,827   | -  | -   | 241,878  | -   | -   | -   | -  | 241,878          | 2,342,705         |
| 3rd Agreement (1957)                 | 799,480   | -  | -   | 100,000  | -   | 5,000   | 27,050                                    | -  | 132,050          | 931,530           |
| 4th Agreement (1958)                 | 1,996,605   | 101,753  | -   | 356,135  | -   | -   | -   | -  | 356,135          | 2,454,492         |
| 5th Agreement (1959)                 | 1,639,636   | -  | -   | 310,006  | -   | -   | -   | -  | 310,006          | 1,949,643         |
| 6th Agreement (1961)                 | 5,543,823   | 145,860  | 93,499  | 563,428  | 7,373   | -   | -   | -  | 664,300          | 6,353,983         |
| 7th Agreement (1962)                 | 7,480,288   | 187,433  | 2,331   | 649,767  | 26,000  | -   | -   | -  | 678,098          | 8,345,818         |
| 8th Agreement (1963)                 | 2,795,489   | 70,046   | -   | 182,090  | 71,325  | -   | -   | -  | 253,415          | 3,118,951         |
| <u>Total</u>                         | <u>22,656,148</u>   | <u>505,092</u>   | <u>107,527</u>  | <u>2,782,846</u>                               | <u>163,198</u>  | <u>5,000</u>  | <u>27,050</u>                             | <u>19,180</u>                                    | <u>3,104,801</u> | <u>26,266,040</u> |
| (Ratio)                              | (86.3%)   | (1.9%)   | (0.4%)  | (10.6%)  | (0.6%)  | (0.02%)   | (0.1%)                                    | (0.08%)  | (11.8%)          | (100.0%)          |

Source The United States Embassy and USOM/A.

The details of the use by the United States Government are as follows ₩2,783 million (10.6%) for payment of United States debts under Section 104(f), ₩163 million (0.6%) for the international educational exchange programme under Section 104(h), ₩108 million (0.4%) for development of United States farm products markets under Section 104(a); ₩27 million (0.1%) for the American sponsored schools under Section 104(j), ₩19 million (0.08%) for scientific and educational activities under Section 104(k), and ₩5 million (0.02%) for the book translation and printing programme under Section 104(i).

The Cooley funds, meanwhile, are managed in accordance with the provisions of Section 104(e) of United States Public Law 480 and the memorandum exchanged between the Republic of Korea and the United States at the time of signing the agreement for importation of surplus farm products in 1958, "Regulations Governing Handling Procedures of Cooley Loan Funds" resolved at the Monetary Board on 18 June 1959, and the "Agency Business Contract Concerning Cooley Loan Funds" concluded between the Korean Reconstruction Bank and the Export-Import Bank in Washington on 25 September 1959.

Loans from the Cooley Fund were released to Korean enterprises agreed upon between the Bank of Korea and the AID and to United States enterprises located in the Republic of Korea, regarding the BOK as an agency of the Government of the Republic of Korea and the Korean Reconstruction Bank as the Agency in the Republic of Korea of the AID (until 1961 Export-Import Bank in Washington). The purpose of the loans was confined only to facility loans, but later it was also extended to cover working capital loans. However, no United States farm products can be procured with the working capital loans.

As of the end of June 1963, according to the records of the loans from the Cooley Loan Funds, the outstanding balance amounted to ₩119.2 million or 23.6 per cent of the allocated amount of ₩385.9 million (see table 8).

/Table 8

Table 8

Disposable amount and used amount of Cooley Funds under  
Article 104, Sub-Section (e) of PL 480

(Unit. ₩1,000)

|                            | 30 June 1961   | 30 June 1962   | 30 June 1963   |
|----------------------------|----------------|----------------|----------------|
| Total available amount (A) | <u>203,509</u> | <u>271,914</u> | <u>505,092</u> |
| (4th Agreement             | (100,724       | (101,753       | (101,753       |
| (                          | (              | (              | (              |
| (6th Agreement             | (102,845       | (145,860       | (145,860       |
| (                          |                | (              | (              |
| (7th Agreement             |                | ( 24,301       | (187,433       |
| (                          |                |                | (              |
| (8th Agreement             |                |                | ( 70,046       |
| Amount used (loaned) (B)   | 67,300         | 99,200         | 119,200        |
| Balance disposable         | 136,269        | 172,714        | 385,892        |
| Ratio of amount used (B/A) | (33.1%)        | (36.5%)        | (23.6%)        |

Source: USOM/K and Business Department of Korean Reconstruction Bank.

Timing of arrival of surplus goods in the Republic of Korea under Title I of PL 480 is not indicated in annual agreements signed. The Korean Government does not usually work out monthly import programmes for surplus goods. In 1963, however, it once established monthly import programmes concerning grains and raw cotton.

Rarely has the total amount of surplus goods approved for purchase with local currency under one year's agreement been imported in the same year. It takes some three years to complete imports of the whole quantity of the goods provided for in the agreement relating to a particular year. Accordingly, the balance of the agreed amount is carried over to the next year, in almost every case. The import period of surplus goods authorized for purchase under the annual agreement varies, as is shown in table 9.

/Table 9

Table 9  
Annual import records<sup>a/</sup> of surplus farm products  
under Title I of PL 480

(Unit \$1,000)

| Arrival<br>year <sup>b/</sup><br>Agreement<br>year b/ | 1955 | 1956   | 1957   | 1958   | 1959   | 1960   | 1961   | 1962   | 1963   | 1964   | Total   |
|---|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| 1955  | -    | 13,032 | 1,807  | -      | -      | -      | -      | -      | -      | -      | 14,839  |
| 1956  | -    | 19,923 | 25,966 | 516    | -      | -      | -      | -      | -      | -      | 46,405  |
| 1957  | -    | -      | 17,749 | 1,457  | -      | -      | -      | -      | -      | -      | 19,206  |
| 1958  | -    | -      | -      | 45,923 | 950    | 2,309  | -      | -      | -      | -      | 49,182  |
| 1959  | -    | -      | -      | -      | 10,486 | 17,604 | 7,174  | -      | -      | -      | 35,264  |
| 1960  | -    | -      | -      | -      | -      | -      | -      | -      | -      | -      | -       |
| 1961  | -    | -      | -      | -      | -      | -      | 37,752 | 12,135 | 996    | -      | 50,883  |
| 1962  | -    | -      | -      | -      | -      | -      | -      | 55,173 | 13,793 | 1,152  | 70,118  |
| 1963  | -    | -      | -      | -      | -      | -      | -      | -      | 81,998 | 16,308 | 98,306  |
| 1964  | -    | -      | -      | -      | -      | -      | -      | -      | -      | 43,525 | 43,525  |
| Total   |      | 32,955 | 45,522 | 47,896 | 11,436 | 19,913 | 44,926 | 67,308 | 96,787 | 60,985 | 427,728 |

Source: The Bank of Korea

a/ Records of arrivals

b/ Calendar year

/It may

It may be noted from the table that the import of goods under the 1958 agreement has taken some four years, while in the case of the 1957 and the 1963 agreements, it took only six months and one year respectively.

Such a delay in the import of surplus goods was usually ascribed firstly to delay in depositing the requisite local currency, secondly to the withholding of the import of surplus goods to avoid any adverse effect on the Korean economy, and lastly to the delay caused in the shipment due to the United States' own domestic situation.

Meanwhile, the Republic of Korea has received United States farm surpluses amounting to some \$32 million equivalent under Title II of the Public Law 480 during the past years. These were made available under the authority of Sections 201 and 202 of the legislation. Section 201 provides that emergency commodity assistance to meet famine or other urgent or extraordinary relief requirements may be given to friendly countries or to friendly people without regard to the friendliness of their governments. Section 202 authorizes grants of commodities to promote economic and community development through assistance programmes undertaken with friendly governments or through voluntary relief agencies. The Agency for International Development is responsible for administering this programme.<sup>1/</sup> Thus the commodities imported under this programme were grants in aid and distributed free to victims and or as payment in kind to workers on community self-help projects and other development projects and administered in many cases by the voluntary agencies<sup>2/</sup> in co-operation with the Government of the Republic of Korea.

/The scale

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<sup>1/</sup> Source. The White House, Food for Peace, Nineteenth Semi-annual Report on Public Law 480; United States Congress, Public Law 480 - 83D Congress, Chapter 469 - 2D Session, S.2475.

<sup>2/</sup> Church World Service (CWS), Co-operation for American Relief Everywhere (CARE), World Relief Commission (WRC), Seventh-Day Adventist, Catholic Relief Services (CRS), etc.

The scale of the import under this programme was determined by the United States under the programme of total foreign aid. Table 10 indicates that foodgrains formed a major element in the total shipments under this programme. Out of a total amount of \$32 million, only \$2.6 million or 8 per cent was accounted for by raw cotton. Among the various grains, wheat valued at \$15.3 million took the largest proportion followed by wheat flour amounting to \$5.9 million and corn to \$5.7 million. Complete data on quantities of the products imported under this programme are not available.

Table 10

United States farm surplus products imported by kind  
and value a/ under Title II of Public Law 480

(Unit. \$1,000)

| Item         | 1957           | 1960                 | 1961                   | 1963             | 1964 <sup>b/</sup>    | Total                               |
|--------------|----------------|----------------------|------------------------|------------------|-----------------------|-------------------------------------|
| Raw cotton   | 60.6<br>(60.6) | -                    | 2,537.4<br>(2,537.4)   | -                | -                     | 2,598.0<br>(2,598.0)                |
| Wheat        | -              | 1,282.3<br>(1,282.3) | 6,932.3<br>(6,932.3)   | -                | 7,050.0<br>(.....)    | 15,264.6<br>(8,214.6) <sup>c/</sup> |
| Rolled wheat | -              | -                    | -                      | -                | 222.6<br>(.....)      | 222.6<br>(.....)                    |
| Wheat flour  | -              | -                    | -                      | -                | 5,922.0<br>(.....)    | 5,922.0<br>(.....)                  |
| Barley       | -              | -                    | 2,127.6<br>(2,127.6)   | -                | -                     | 2,127.6<br>(2,127.6)                |
| Corn         | -              | 1,596.1<br>(1,596.1) | -                      | 889.7<br>(770.2) | 3,200.0<br>(.....)    | 5,685.8<br>(2,366.3) <sup>c/</sup>  |
| Bulgar       | -              | -                    | -                      | -                | 162.0<br>(.....)      | 162.0<br>(.....)                    |
| Total        | 60.6<br>(60.6) | 2,878.4<br>(2,878.4) | 11,597.3<br>(11,597.3) | 889.7<br>(770.2) | 16,556.6<br>(5,978.5) | 31,982.6<br>(2,128.5) <sup>c/</sup> |

Source: Economic Planning Board

Notes: Figures in parentheses represent actual appropriation.

a/ By import value

b/ As of 31 March 1964

c/ Excluding 1964 appropriation

/According to



According to the United States Government source,<sup>1/</sup> however, the total amount of the United States farm surpluses transfer authorizations issued for the Republic of Korea during the period 1 July 1954 - 31 December 1964 under Title II of Public Law 480 was \$48,277,000.<sup>2/</sup> Out of this, \$14,702,000 was allocated for disaster, \$1,898,000 for voluntary agencies and \$31,677,000 for economic development. Allocation of the amount authorized in respect of different commodities was \$30,384,000 for bread grains, \$2,866,000 for raw cotton, \$7,655,000 for coarse grains, and the remainder \$7,372,000 for ocean transportation cost.

In addition to the imports under Titles I and II of the Public Law 480, a considerable amount of United States farm surpluses were also imported under Title III of the same Law. The major part of the shipment to the Republic of Korea under this programme was for donations through voluntary relief agencies while some part of the import was made under barter contract for raw silk, ordnance procurement, tungsten, carbide powder and cement.

This is based on the authority of Sections 302 and 303 of the Act. Section 302 authorizes "donations" of surplus food for domestic distribution to eligible recipients and outlets, and for distribution to needy persons overseas through non-profit American voluntary relief agencies and inter-governmental organization; Section 303 provides for the barter of CCC commodities for strategic and other materials, goods, and equipment.

/Table 11

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<sup>1/</sup> The White House, Food for Peace, 1964 Annual Report on Public Law 480.

<sup>2/</sup> The differences between the figures may be due to the time lag between the issue of authorizations and actual imports.



Table 11 shows the shipments of donations made to the Republic of Korea under Title III of the Law during past 11 years. It will be noticed that during the years under review donations of farm surpluses amounted approximately to \$146 million equivalent in CCC cost or \$102 million at world market value. In addition to this, about \$7.8 million equivalent of the products had been imported under barter contract as of 31 December 1964.<sup>1/</sup>

Table 11

United States farm surplus donations shipment  
under Title III of PL 480

(Unit: \$1,000)

| Year a/      | CCC Cost       | R.O.K. Import value b/ |
|--------------|----------------|------------------------|
| 1954         | 1,300          | 910                    |
| 1955         | 10,597         | 7,417                  |
| 1956         | 16,790         | 11,753                 |
| 1957         | 27,249         | 19,074                 |
| 1958         | 23,310         | 15,617                 |
| 1959         | 16,875         | 11,812                 |
| 1960         | 9,434          | 6,604                  |
| 1961         | 10,536         | 7,375                  |
| 1962         | 10,187         | 7,131                  |
| 1963         | 10,137         | 7,096                  |
| 1964         | 10,223         | 7,156                  |
| <u>Total</u> | <u>145,760</u> | <u>101,945</u>         |

Source: USOM/K

a/ By calendar year

b/ The ROK import value were converted to world market value in the ratio of 70 per cent of ccc in average.

/III.

1/ Source: The White House, Food for Peace, 1964 Annual Report on Public Law 480.

### III. CONSIDERATIONS LEADING TO IMPORT OF SURPLUS AGRICULTURAL PRODUCTS ON SPECIAL TERMS

The import of surplus farm products immediately after the end of second world war was mainly prompted by the urgent need to overcome food shortage. But it is important to note that the import since 1955 of United States surplus farm products under Public Law 480 was undertaken not only for the improvement of the food situation but also for supporting of national defence effort of the Republic of Korea. For, the proceeds of United States surplus farm products imported under Public Law 480 from 1955 onwards were deposited in the Counterpart Fund Account and spent as financial resources for national defence.

Thus, the main considerations, particularly after 1955, leading to import of United States surplus agricultural commodities were centered on two problems, i.e. food shortage and national defence expenditure.

#### Emergency relief

The main portion of foreign farm products imported up to 1953 was under such aid as GARIOA, ECA and SEC from the United States. Part of CRIK aid, which started to arrive from 1950, consisted of farm products. In addition, from 1954 some farm products were imported as emergency relief in the form of grants under Title II and Title III of Public Law 480.

In other words, the emergency relief import of farm products to the Republic of Korea mainly consisted of grains, and its volume was relatively greater immediately after the end of hostilities in 1945 and during the Korean war. GARIOA aid, which continued from 1945 to 1949 under the Government and Relief in Occupied Area (GARIOA) programme of the United States, amounted to a total of about \$502 million, and mainly consisted of such relief goods as food, clothes and medical supplies.

CRIK aid from the United Nations after the outbreak of the Korean War, and ECA aid which replaced GARIOA aid, aimed at improving the food situation (which was serious after the outbreak of the war) and also at post-war rehabilitation. CRIK aid was granted by the United Nations under the Civil Relief in Korea (CRIK) programme. This aid was discontinued as of the end of

/June

June 1954 because its main purpose, that is, relief of war victims and prevention of epidemics, became unnecessary in 1954, and aid thereafter was included in the FOA aid programme for the Republic of Korea. Some aid received in 1955 under this account represented delayed arrivals.

#### Food shortage

Since the balance of food supply and demand cannot be maintained with domestic food production, the estimated food shortage has to be covered every year with imported foreign farm products.

Consequently, from 1954 to 1964, the Republic of Korea has required total imports of over 5 million tons of foodgrains to fill the gap between supply and demand. The estimated annual gap between domestic supply and demand reached about 1.48 million tons in 1963 as against 888,000 tons in 1957. In 1960, the gap was at its minimum of 46,000 tons (see table 12).

Table 12

Estimated grain shortage in view of supply  
and demand, 1954-1964

(Unit in 1,000 tons)

| Year | Demand | Domestic supply | Shortage in quantity | Shortage in percentage to demand |
|------|--------|-----------------|----------------------|----------------------------------|
| 1954 | 4,348  | 4,160           | 188                  | 4                                |
| 1955 | 4,106  | 4,028           | 78                   | 2                                |
| 1956 | 4,272  | 3,739           | 533                  | 13                               |
| 1957 | 4,398  | 3,510           | 888                  | 20                               |
| 1958 | 4,460  | 3,853           | 607                  | 14                               |
| 1959 | 4,565  | 4,494           | 71                   | 21                               |
| 1960 | 4,829  | 4,783           | 46                   | 1                                |
| 1961 | 4,754  | 4,301           | 453                  | 10                               |
| 1962 | 5,091  | 4,793           | 298                  | 6                                |
| 1963 | 5,145  | 3,668           | 1,477                | 29                               |
| 1964 | 5,721  | 5,173           | 548                  | 10                               |

Source: Ministry of Agriculture and Forestry, Republic of Korea.

/ Thus

Thus, the total imports since 1954 under various programmes (e.g. CRIK, PL 480, MSA 402 and KFX<sup>1/</sup> etc.) amounted to 8,439,000 tons in some 10 kinds of grains, such as wheat, barley, rice, corn, sorghum, soybeans, wheat flour, etc. Of this, the quantity imported under Public Law 480 (Titles I, II and III) reached 4,203,000 tons, thereby constituting 50 per cent of the total imports (see Table 13).

It is obvious from the table below that the imports of United States surplus farm products considerably helped to cover the estimated domestic food shortage.

Table 13

Proportion of surplus farm products imported  
under Public Law 480 in grain import  
(1954 to 1964)

(Unit in 1,000 tons)

| Year      | Production<br>(A) | Total grain<br>imports (B) | PL 480 (C)        | B/A (%) | C/B (%) |
|-----------|-------------------|----------------------------|-------------------|---------|---------|
| 1952      | 2,557             | 637                        | ...               | 25      | -       |
| 1953      | 3,770             | 1,008                      | ...               | 27      | -       |
| 1954      | 3,924             | 202                        | ...               | 5       | -       |
| 1955      | 3,991             | 85                         | ...               | 2       | -       |
| 1956      | 3,503             | 502                        | 242               | 14      | 48      |
| 1957      | 3,906             | 966                        | 370               | 25      | 38      |
| 1958      | 4,224             | 968                        | 781               | 23      | 81      |
| 1959      | 4,288             | 267                        | 117               | 6       | 44      |
| 1960      | 4,248             | 468                        | 416               | 11      | 89      |
| 1961      | 4,925             | 603                        | 469               | 12      | 78      |
| 1962      | 4,524             | 499                        | 160               | 11      | 32      |
| 1963      | 4,439             | 1,318                      | 1,094             | 30      | 83      |
| 1964      | 6,232             | 916                        | 554 <sup>a/</sup> | 15      | 61      |
| 1954-1964 | 54,531            | 8,439                      | 4,203             | 16      | 50      |

Source. Ministry of Agriculture and Forestry, Republic of Korea.

<sup>a/</sup> USOM/K

1/ Abbreviation of Korean Foreign Exchange under Government Control.

It will be noted that the imports of food grains were highest in 1963. Food shortage in 1963 was attributable to poor harvest of barley (one-third that of an average year) caused by unprecedentedly extensive spread of red mold in 1963. And this followed a lean rice harvest in 1962.

So the imports of foreign grains of 1963 reached 1,318,000 tons, about three times the average annual imports. The grains imported under Public Law 480 amounted to about 1,094,000 tons, and the remaining quantity was supplemented largely by commercial imports and some donations from Japan and Republic of China.<sup>1/</sup> The imports of foreign grains in 1963 reached as much as 30 per cent of the domestic grain production (comprising rice, barley, wheat, miscellaneous grains, beans and potatoes), and those imported under Public Law 480 were 24.6 per cent.

#### Need for additional expenditures for defence

One important objective underlying the import of United States surplus farm products is to deposit the proceeds in the Counterpart Fund Account, and to use these for national defence expenditure under the agreement between the Republic of Korea and the United States.

Of course, a part of the proceeds of surplus farm products is spent by the United States governmental agencies in the Republic of Korea for administrative expenses and also for expenses for exploration of markets for sale of United States surplus farm products. There are some yearly differences in the apportionment rates as shown in previous chapter, but usually 85 per cent of the proceeds are spent for national defence and 15 per cent by United States governmental agencies in the Republic of Korea.

Table 14 shows the size of defence expenditure in the Budget. It will be observed that expenditure for defence occupies about one third of the total budget almost every year. The bulk of this expense has been financed with the proceeds of the commodities imported under Title I of Public Law 480.

/ Table 14

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<sup>1/</sup> Source: National Agricultural Co-operatives Federation, Agricultural Yearbook 1964, P.I-99.



Table 14

Size of defence expenditure and counterpart funds<sup>a/</sup>  
in the budget, FY 1957 - FY 1964

(in million Won)

| Fiscal year    | Defence expenditure<br>(A) | Total budget expenditure<br>(B) | Counter-part funds<br>(C) | A/B<br>% | A/C<br>% | C/B<br>% |
|----------------|----------------------------|---------------------------------|---------------------------|----------|----------|----------|
| 1957 Final a/c | 11,246                     | 35,003                          | 22,451                    | 32.1     | 50.1     | 64.1     |
| 1958 "         | 12,732                     | 41,097                          | 24,580                    | 31.0     | 51.8     | 59.8     |
| 1959 "         | 13,919                     | 40,022                          | 18,910                    | 34.8     | 73.6     | 47.2     |
| 1960 "         | 14,707                     | 41,995                          | 16,753                    | 35.0     | 87.7     | 39.9     |
| 1961 "         | 16,599                     | 57,153                          | 24,059                    | 29.0     | 69.0     | 42.1     |
| 1962 "         | 20,474                     | 73,499                          | 28,725                    | 27.9     | 71.3     | 39.1     |
| 1963 Budget    | 24,432                     | 74,889                          | 25,971                    | 28.5     | 78.1     | 34.7     |
| 1964 "         | 22,766                     | 69,863                          | 22,474                    | 32.6     | 101.3    | 32.2     |

Source: Economic Planning Board, Government of the Republic of Korea, Summary of Budget for Fiscal Year 1964, pp. 198-199.

<sup>a/</sup> Counterpart funds include not only proceeds from the sale of United States farm surpluses imported but also sales proceeds of non-project aid goods (fertilizer, POL, and other raw materials) carry-over from previous fiscal year, loan repayment, etc. Counterpart funds from sale of United States farm surpluses usually constitutes about 40 per cent of the total counterpart funds.

According to one point of view, import of United States farm surpluses may be unavoidable so long as defence support is necessary.

#### Need for economic development

Apart from emergency relief, food shortage and national defence expenditure, the need for economic development was also considered in relation to the purchase of surplus agricultural commodities. However, this had been considered as a secondary or indirect purpose of the import of the products in the earlier years.

/ Recently

Recently, the need for ensuring supplies of raw materials, such as raw cotton and wheat for the spinning, weaving and flour milling industries has been considered, because these industries have been so expanded that without import of the foreign raw materials existing facilities can hardly operate at full capacity.

Furthermore, the need of farm surpluses for economic development is receiving more attention in supporting such projects as land reclamation or improvement, flood control and other national construction services project. These projects have been undertaken recently under Title II of the Public Law 480 but adequate information is not yet available for their appraisal.

#### Others

In addition, the Government has sets aside part of its surplus United States farm products as government reserve grains and uses a small quantity as feed. But no significant amounts of grain have been imported formally for the purpose of maintaining the reserve stock or developing poultry and livestock industries under an independent programme.

#### /IV. FACTORS



#### IV. FACTORS TAKEN INTO ACCOUNT IN SELECTION OF PRODUCTS TO BE IMPORTED ON SPECIAL TERMS

First of all, the domestic demand and supply were estimated and on the basis of the estimated shortage, the kinds and quantities of items to be imported were determined.

However, due to lack of reliable statistics of production, consumption and stocks, these estimates were rough, and differences of view often existed between the local and United States authorities over the accuracy of the estimated shortage.

Also, even in case the authorities of the two nations reached agreement on the amount of shortage, the actual quantity of import was sometimes less than the agreed amount, depending on the general foreign aid policy of the United States.

In determining the kinds and quantity of surplus goods to be imported under special terms, little consideration could be given to such commercial factors as the expected development of normal commercial trade, prices, quality or shipment, because the supply-demand situation of the selected commodities showed an important gap and the available amount of foreign exchange was so short.

Sometimes, however, the kinds and quantities of surplus goods to be imported were determined without considering their essentiality or even the supply-demand situation. For example, the import of tobacco was agreed to in 1955, and canned pork was imported under the agreement for 1956. However, this was corrected in subsequent years and non-essential commodities were excluded. Moreover, surplus goods were not imported unless their domestic supply was obviously short.

#### Forecast of demand and supply of the commodities

The Ministry of Agriculture and Forestry usually formulates the general grain supply-demand programme for the following rice year (1 November to 30 October next year) toward the end of each rice year (generally, in October). Under the grain supply-demand programme, domestic consumption, domestic supply, storage, export requirement, and import requirement of grains are estimated for the forthcoming rice year.

/Domestic

Domestic consumption is estimated mainly on the basis of the average per capita grain consumption, population and the rate of increase in population.

Domestic supply is estimated on the basis of the harvest of grains for the year concerned, plus the quantity of grains carried over from the previous year.

Stock is estimated on the basis of the quantity of grains under Government custody, and the quantity in hand of non-governmental holders is not included in the estimated storage.

Limited exports of rice and some beans, etc., are permitted. The requirement for this purpose is estimated under the Government's export programme. Thus, the grain shortage of each year is estimated on the basis of the sum of domestic consumption and export requirement, minus domestic supply and the carryover. The shortage thus computed is regarded as the import requirement for the year concerned.

Besides the above mentioned overall grain supply-demand programme, the Government formulates a programme for the domestic procurement and disposal of government-controlled grains. Under this programme, the Government's requirement (mostly for military and prison use) as well as requirements for adjustment of supply and demand are estimated, and the Government's domestic purchase, import requirement and carryover are estimated. The import requirement under this programme is identical to the import requirement under the comprehensive food supply-demand programme.

As shown in table 15, the Government domestic procurement constitutes about 10 per cent of the total production.

Table 15

Government domestic procurement of rice and other grains  
in comparison with total production, 1954 - 1964

| Year | Rice                        |   | Other grains                |   |
|------|-----------------------------|---|-----------------------------|---|
|      | Procurement<br>(1,000 tons) | Procurement<br>as percentage<br>of production | Procurement<br>(1,000 tons) | Procurement<br>as percentage<br>of production |
| 1954 | 347                         | 16.1  | 135                         | 7.7   |
| 1955 | 389                         | 17.4  | 89                          | 5.1   |
| 1956 | 286                         | 15.5  | 55                          | 3.3   |
| 1957 | 175                         | 7.7   | 48                          | 2.9   |
| 1958 | 167                         | 7.0   | 70                          | 3.8   |
| 1959 | 198                         | 8.3   | 57                          | 3.0   |
| 1960 | 141                         | 6.1   | 44                          | 2.3   |
| 1961 | 309                         | 11.4  | 62                          | 2.8   |
| 1962 | 378                         | 12.1  | 20                          | 8.9   |
| 1963 | 224                         | 8.1   | ...                         | ...   |
| 1964 | 239                         | 8.2   | ...                         | ...   |

Source: Ministry of Agriculture and Forestry.

All grains imported under special terms are disposed of under the management of the Government, and the Government's role in adjustment of food supply and demand is very extensive. Also, most of domestically grown wheat is consumed by farmers, and very little is supplied to the market. Therefore, nearly all the wheat supplied to large flour mills is of foreign origin and is controlled by the Government.

The annual supply-demand programme of raw cotton and tallow is prepared by the Ministry of Commerce and Industry. Information required for its preparation is supplied by the Spinners and Weavers Association for the former and the Soap Manufacturers Association for the latter.

Raw cotton is also produced in the Republic of Korea. But most of the cotton supplied to the domestic textile plants is of foreign origin. Therefore, the annual demand for raw cotton is estimated on the basis of the anticipated capacity and operating rate of all the textile plants throughout the nation for each year.

/Trend of

Trend of normal trade developments, price and quality

The trends of normal trade developments are not considered in determining the kind and quality of farm surpluses to be imported into the Republic of Korea. Since the inception of surplus farm product imports, the trade programme has been determined on the basis of the kind and quantity of farm supluses to be imported under the agreement.

The item-by-item import programme under normal trade is prepared by the Ministry of Commerce and Industry on the basis of the import requirement broken down by item, minus the anticipated aid receipt.

/V. ADMINISTRATIVE

## V. ADMINISTRATIVE PROCEDURES, ARRANGEMENTS OR INSTITUTIONS

### Handling and disposal of the products imported

Many of the farm surpluses are actually imported by processing or manufacturing concerns. Thus, raw cotton is imported by the Spinners and Weavers Association and the Cotton Manufacturers Association, and the Pharmaceutical Association, wheat by the Flour Millers Association, and tallow by the Soap Manufacturers Association.

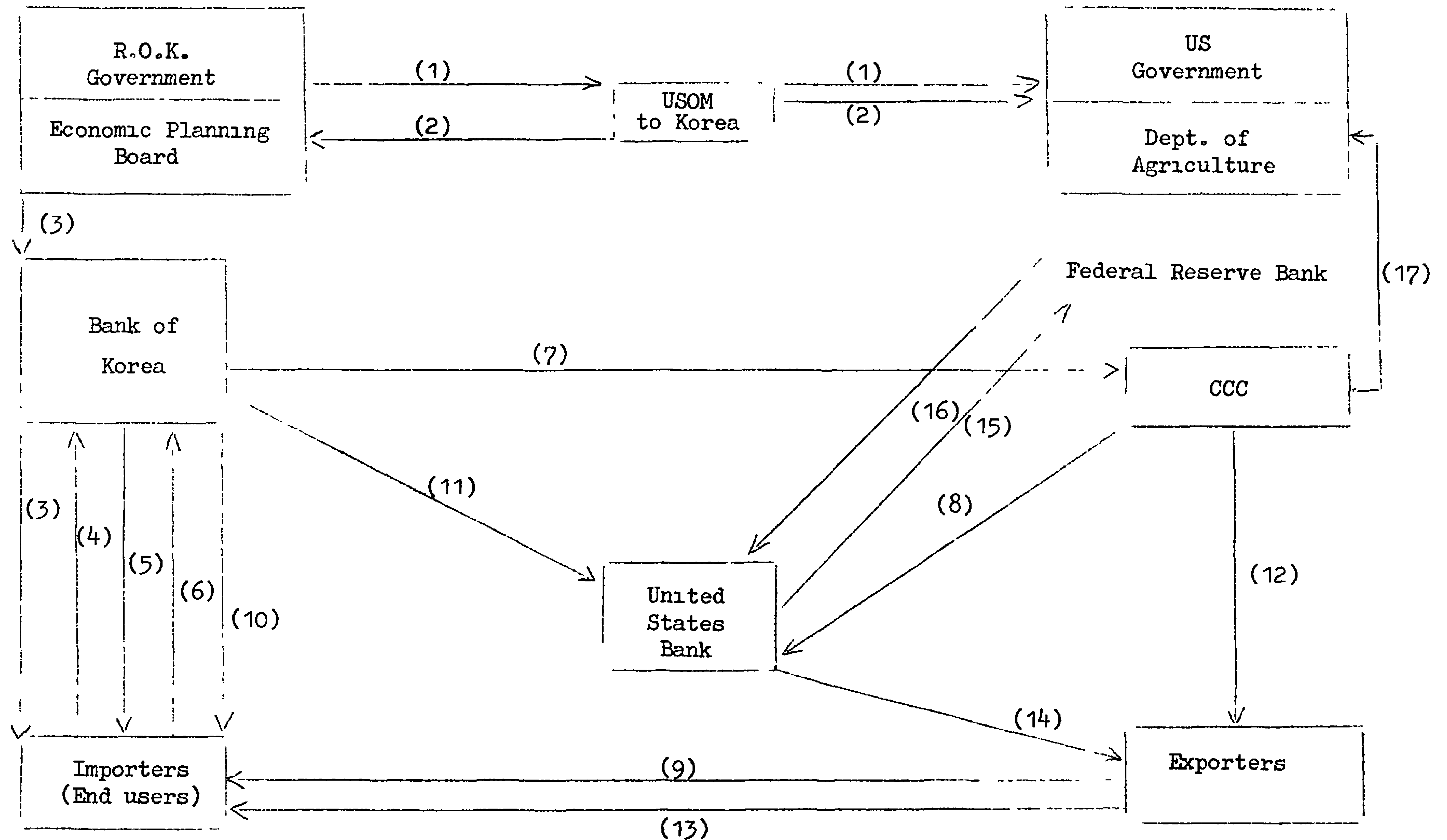
These associations apportion the imported farm surpluses among their members in accordance with government instructions. The use for purposes other than those designated and resale of imported farm surpluses are prohibited. The procedures through which these associations purchase farm surpluses are shown in chart I.

Imports of grains other than wheat are partly handled by the Government (the Office of Supply or OSROK) and partly by non-governmental companies. The grains imported through non-governmental channels are purchased by the Ministry of Agriculture and Forestry.

The grains thus procured by the Government are used under the government-controlled Grain Supply-Demand Programme, partly for government use (such as military use) and partly for adjustment of food supply and demand through distribution (ration) to consumers or sale on the grain market.

Feed grains are imported by non-governmental companies. The feed grains thus imported are purchased by the National Agricultural Co-operatives Federation and distributed to livestock raisers' associations or farmers under the Government's Feed Supply Programme.

Chart I. Procedures for importing surplus agricultural commodities  
under Title I of Public Law 480





Note:

- (1) Application by the Government of the Republic of Korea for authorization to purchase.
- (2) Issuance by the United States Government of the authorization to purchase.
- (3) Announcement by the Bank of Korea of terms and conditions for purchase.
- (4) Offer of delivery by importers (users).
- (5) Issuance by the Bank of Korea of sub-authorization to purchase.
- (6) Deposit of local currency in the United States Account in the Bank of Korea.
- (7) Application by the Bank of Korea for letter of commitment to finance.
- (8) Issuance by CCC of the letter of commitment to finance.
- (9) Conclusion between importers and exporters of a purchase and sale contract.
- (10) Request by importers for opening of letter of credit.
- (11) Opening by the Bank of Korea of letter of credit.
- (12) Acquisition by exporters of supplies.
- (13) Shipment and transportation by exporters.
- (14) Payment by United States Banks to Exporters.
- (15) Claim by United States Banks for reimbursement.
- (16) Reimbursement by Federal Reserve Bank.
- (17) Report of reimbursement submitted by CCC to United States Department of Agriculture.

/Volume and

Volume and timing of disposal of imports and local production

Wheat imported by the Flour Millers Associations is distributed to each plant in accordance with government instructions, and used in accordance with the monthly wheat flour production programme formulated by the Government. Wheat flour produced by each plant is sold freely on the market. But in 1963, the Government set the monthly sales quota and designated purchasers to each plant. Nearly all the quantity of wheat used by the flour mills is imported wheat.

Grains other than wheat are purchased and kept under the custody of the Government as explained earlier, and are released, together with domestic grains purchased by the Government, under the government-controlled grain supply-demand programme.

The imported raw cotton is allocated to the Cotton Manufacturers Association, the Spinners and Weavers Association and the Pharmaceutical Association in accordance with certain criteria, and is used for industrial purposes.

Domestic raw cotton is inferior in quality, and the quantity offered on the market is extremely small. But, in order to foster domestic production, the Government sets a certain rate of domestic cotton to be compulsorily used by each spinning or weaving plant. The purchase price and quantity of domestic raw cotton to be purchased are determined by the Government.

Storage, processing, methods of sales and pricing of the products imported

Raw cotton and tallow are directly imported by users as explained already, and are stored and processed by them for industrial purposes. Users have to deposit with the Bank of Korea local currency in an amount equivalent to the import value of the commodities to be imported.

The products manufactured from imported raw cotton and tallow are freely sold on the market, and their prices are not controlled by the Government. Wheat imported by end-users is stored and processed by non-governmental enterprises. Wheat flour produced from imported wheat is freely sold on the market but its sales quotas and sale prices can, since 1963, be fixed by the Government.

Imported grains purchased by the Government are stored and processed by the Ministry of Agriculture and Forestry, and part of them are sold to non-governmental purchasers. The sales prices vary depending on the prevailing market prices, but they are usually lower than the market prices of similar domestic grains.

/Processing

Processing and storage of feed grains purchased from importers by National Agricultural Co-operatives Federation (NACF) are either directly performed by the NACF itself or by private enterprises on its behalf. The sales prices are set at a sum of the import cost plus fees.

Generating the local currency proceeds of transactions

Importers of farm surpluses deposit with the Bank of Korea local currency in an amount equivalent to the import value at the official Won-dollar exchange rate. The local currency thus deposited is kept in the United States Government's account with the Bank of Korea.

Until the end of 1963, import applicants deposited the amount in instalments at the time of issuance of L/C and arrival of B/L rather than in lump sum at the time of issuance of Sub-Authorization (S/A). This was intended to encourage an early import of farm surpluses.

Also, importers of farm surpluses may get loans or payment guarantees from commercial banks. This greatly reduces the financial burden of importers.

Reporting and evaluating the progress of surplus operation

There is only one report available on surplus operations, namely the one prepared by USOM and the Economic Planning Board of the Government of the Republic of Korea, but its contents are very brief, covering only the items of farm surplus agreed on, and the quantities and statistics concerning their arrivals. Detailed statistics are not readily available.

Imported grains are allotted by the Ministry of Agriculture and Forestry, and industrial raw materials by the Ministry of Commerce and Industry to end-users on the basis of tenders and the ministries have statistics concerning the quantities handled by them.

## VI. ECONOMIC EFFECTS OF THE SURPLUS DISPOSAL TRANSACTIONS

### Effect on prices

It is difficult to appraise exactly the impact of the import of surplus farm products on domestic farm prices and prices in general because there may be various factors which simultaneously affect these prices. However, it is generally accepted that imports of surplus foodgrains helped maintain the balance between supply of and demand for foodgrains, and thus helped stabilize the prices of farm products. Furthermore, it is generally believed that the more or less stabilized price of foodgrains influenced to some extent commodity prices in general, because foodgrains are a major item in the cost of living in the Republic of Korea.

The influence of the imports of foreign farm products on domestic grain prices was most marked in 1953 and 1963, when more than one million tons of foodgrains were imported in each of these years (see table 13).

Table 16 shows the trends in grain price in the Republic of Korea during 1947 to 1959. It appears that grain price rose sharply from 1950 but that the rate of increase tended to decline from 1953. Although other factors have also been operating, the import of surplus farm products has no doubt been a major factor contributing to these changes.

/Table 16

Table 16

Trend in money supply and grain prices, 1948-1959

(1947 = 100)

| Year           | Money supply    |                        | Seoul wholesale price of grain |                        |
|----------------|-----------------|------------------------|--------------------------------|------------------------|
|                | Index <u>a/</u> | Annual change in index | Index <u>a/</u>                | Annual change in index |
| 1947           | 100             |                        | 100                            |                        |
| 1948           | 141             | + 41                   | 146                            | + 46                   |
| 1949           | 245             | + 74                   | 201                            | + 37                   |
| 1950           | 573             | + 134                  | 410                            | + 104                  |
| 1951 <u>b/</u> | 1,479           | + 157                  | 2,064                          | + 404                  |
| 1952 <u>b/</u> | 2,897           | + 96                   | 7,305                          | + 254                  |
| 1953 <u>b/</u> | 6,131           | + 112                  | 7,567                          | + 4                    |
| 1954           | 11,745          | + 92                   | 6,077                          | - 20                   |
| 1955           | 18,913          | + 61                   | 14,587                         | + 140                  |
| 1956           | 24,454          | + 29                   | 22,861                         | + 57                   |
| 1957           | 29,360          | + 20                   | 26,553                         | + 16                   |
| 1958           | 38,936          | + 33                   | 21,781                         | - 18                   |
| 1959           | 42,404          | + 9                    | 19,119                         | - 12                   |

Source: Bank of Korea, Economic Statistics Yearbook 1962.

a/ This index number discontinued from August 1961.

b/ 1951 - 1953; Pusan price.

In spite of the wartime inflation, the average rice prices of 1954 decreased by 8 per cent as compared with those of 1953, and the barley prices of 1954 dropped by 45 per cent as compared with those of 1953. The prices of rice and barley in 1954 were lower respectively than the corresponding prices of 1952.

Contrary to the normal seasonal rise in prices in April and May, during 1954, the lowest prices of rice and barley were recorded in these months (see table 17).

/On the

On the other hand, the normal ratio between prices of rice and barley in the market is around 100 to 70, but the ratio between rice and barley prices in 1954 was 100 to less than 50, which indicated the influence of large releases of imported food grains on domestic prices.

Table 17

Monthly trend in rice and barley prices (per suk)<sup>a/</sup>  
(Unit . Hwan)<sup>b/</sup>

| Year | Month     | Rice  | Barley |
|------|-----------|-------|--------|
| 1953 | August    | 1,080 | 458    |
|      | September | 1,029 | 388    |
|      | October   | 766   | 432    |
|      | November  | 749   | 442    |
|      | December  | 723   | 452    |
| 1954 | January   | 685   | 397    |
|      | February  | 679   | 380    |
|      | March     | 660   | 380    |
|      | April     | 623   | 347    |
|      | May       | 716   | 317    |
|      | June      | 807   | 272    |
|      | July      | 900   | 370    |
|      | August    | 940   | 462    |
|      | September | 1,007 | 433    |
|      | October   | 1,040 | 446    |

Source: Bank of Korea, Statistical Report, Vol. 158.

a/ 1 suk = rice (polished) 144 kg.  
barley 105 kg.

b/ 1 Hwan is equivalent to 1/10 of the current currency unit Won.

Let us now examine the position in recent years. Table 18 indicates that the grain prices of 1963 were markedly higher than those in previous years. This was largely due to the poor grain harvest and also perhaps to relatively lower imports in 1962 or early part of 1963. While the general price index increased by 49.3 per cent, the index for grain price rose by as much as 108.4 per cent. However, the grain prices began to drop from a peak in July mainly because of the influence of the emergency imports of surplus grains.

/Table 18.



Table 18

Trend in wholesale prices, 1960 - 1964

| Year and month | All commodities index | Grains index |
|----------------|-----------------------|--------------|
| 1960           | 100.0                 | 100.0        |
| 1961           | 113.1                 | 123.9        |
| 1962           | 123.8                 | 131.4        |
| 1963           | 149.3                 | 208.4        |
| January        | 128.6                 | 141.9        |
| March          | 131.4                 | 151.2        |
| April          | 133.8                 | 165.7        |
| June           | 146.5                 | 220.4        |
| July           | 162.0                 | 299.5        |
| September      | 166.1                 | 272.3        |
| October        | 161.2                 | 220.0        |
| December       | 164.7                 | 201.1        |
| 1964           | 201.1                 | 263.1        |

Source: Economic Planning Board, Korea Statistical Yearbook 1965.

It is clear that the influence of imports of surplus farm products on commodity prices cannot be negligible; in fact it is pronounced when surplus grains are imported in a large quantity within a short time.

Effect on domestic farm production

The influence of surplus farm products on domestic production may be studied from two points of view:

The impact of imports on the area cultivated through changes in domestic prices; and their influence through domestic prices on trends in yields per unit of area.

In chart II and table 19 are shown the indices of wholesale prices, yield per unit area and planted area of the major foodgrains. Although the year to year fluctuations in area are influenced appreciably by weather conditions, it is significant that the areas sown to rice, wheat and barley as well as all grains (vide chart II) have shown a tendency to increase from 1955 onwards. Consequently, on the basis of the data available, it is not possible to infer that the area planted to grains has been adversely affected.

/Let us now

Let us now turn to yields per unit area. In this case, weather conditions plus inputs of fertilizer and insecticides are important factors influencing output per unit area. While the actual inputs of fertilizer are not precisely known, the available supply of chemical fertilizer has increased appreciably from 1954 onwards. And the consumption of insecticides and pesticides has also increased in the past 8 or 9 years.<sup>1/</sup>

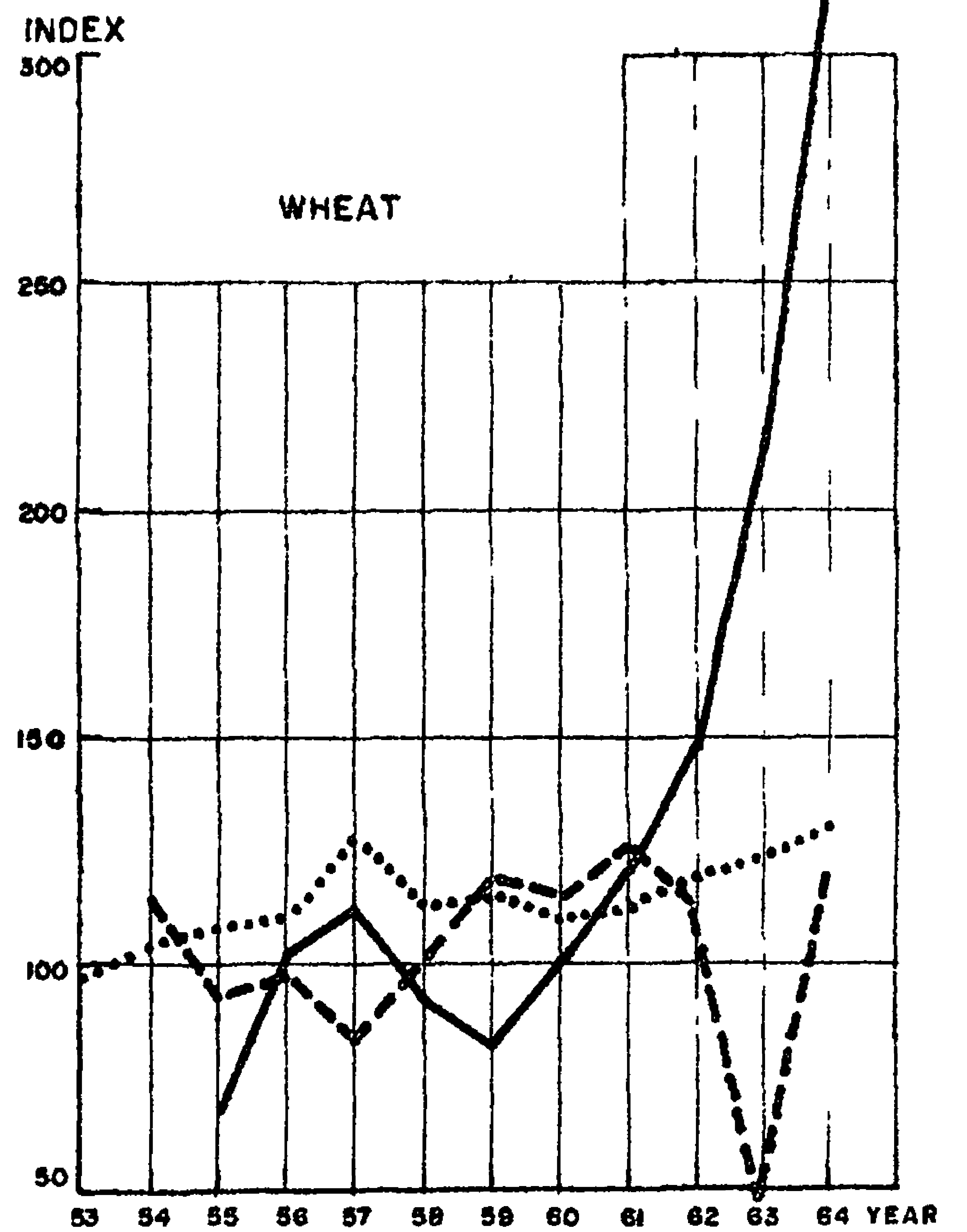
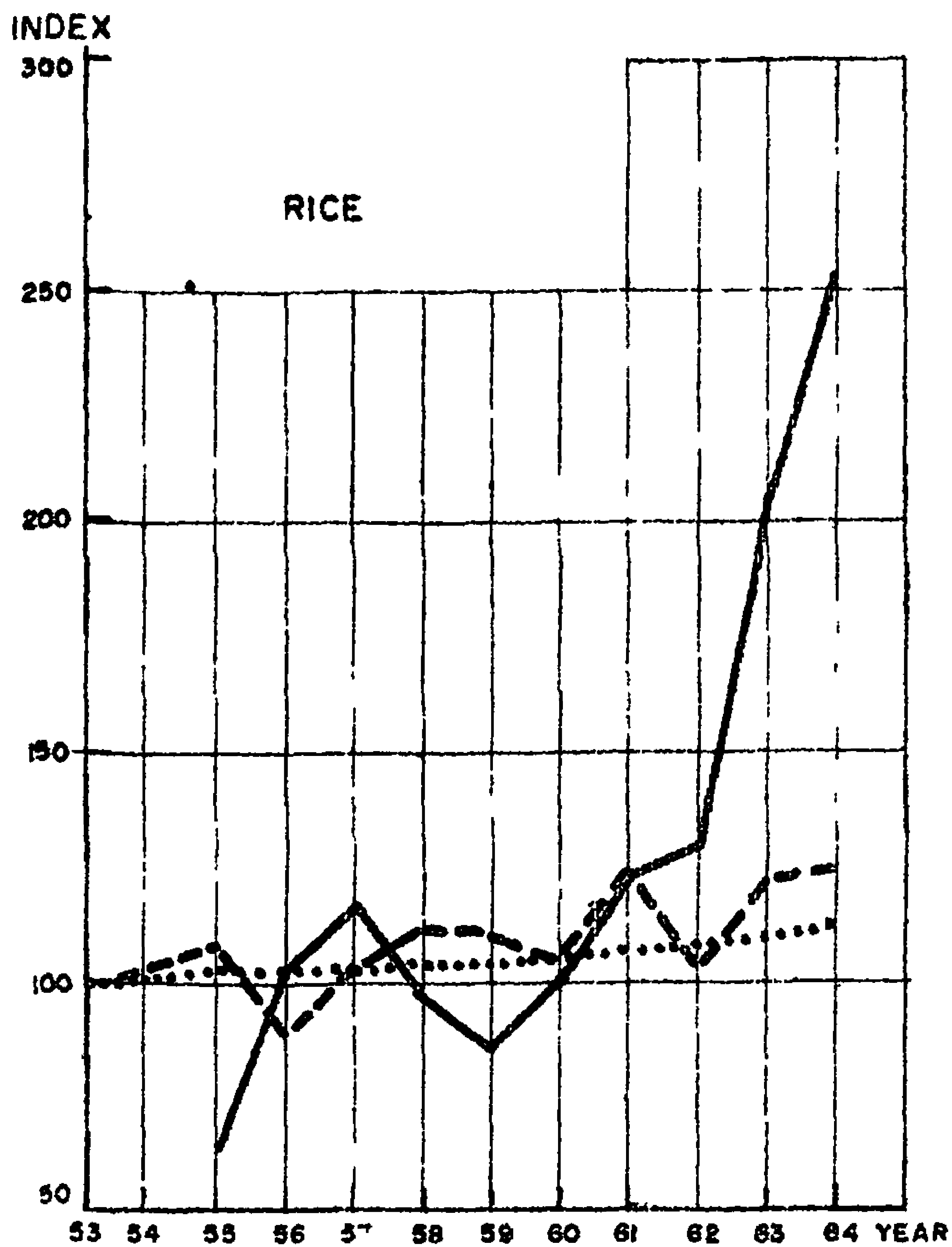
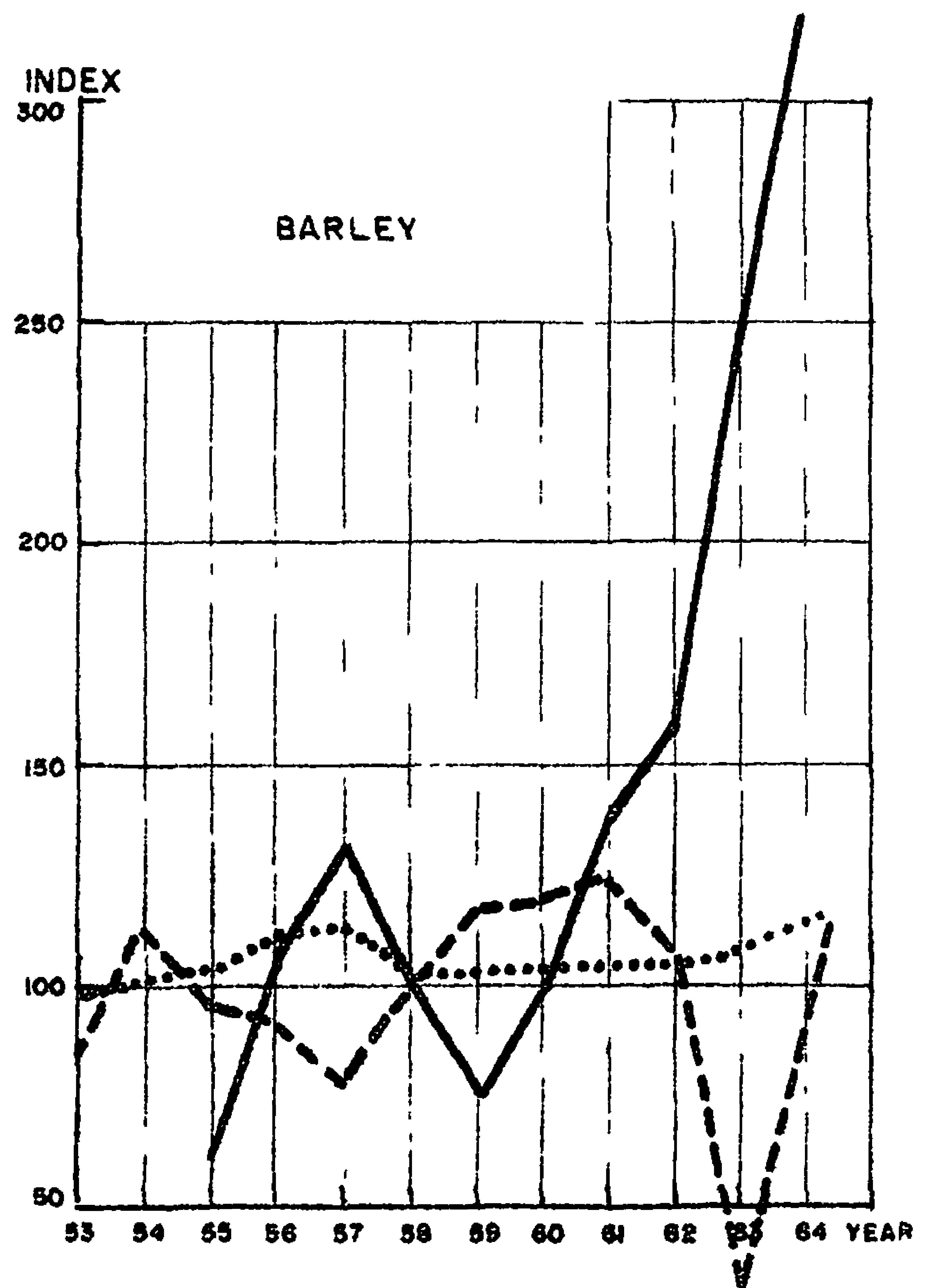
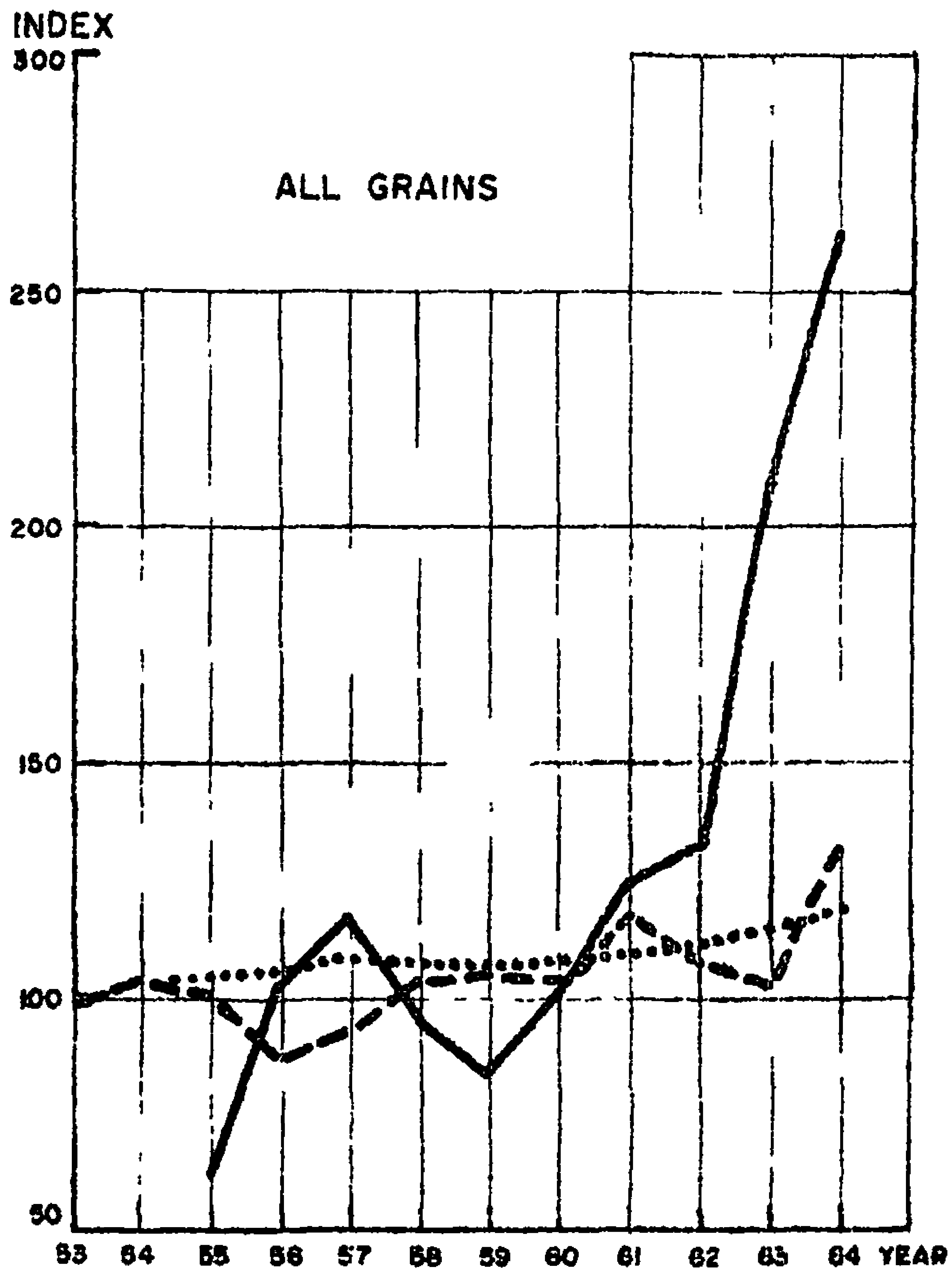
It will be noticed from chart II that in the case of rice, yields per unit area have tended to increase from 1956 onwards. In the case of wheat and barley, yields per unit area have generally tended to increase from 1957 onwards except in 1963 when they declined sharply owing to spread of red mould.

/Chart II.

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<sup>1/</sup> Source: Ministry of Agriculture and Forestry, Government of the Republic of Korea, Agricultural and Forestry Statistical Yearbook.

# CHART II INDICES OF WHOLESALE PRICE, YIELD AND SOWN AREA



### LEGEND

- WHOLESALE PRICE
- - - - YIELD
- ... AREA

Table 19

Index numbers of foodgrain imports, wholesale price, yield per tonbo and sown area

| Year | Total<br>Grain import<br><u>b/</u> | All grains                           |                    |                           | Rice                                 |                    |                           | Barley                               |                    |                           | Wheat                                |                    |                           |
|------|------------------------------------|--------------------------------------|--------------------|---------------------------|--------------------------------------|--------------------|---------------------------|--------------------------------------|--------------------|---------------------------|--------------------------------------|--------------------|---------------------------|
|      |                                    | Whole-<br>sale<br>price<br><u>a/</u> | Yield<br><u>c/</u> | Sown<br>area<br><u>c/</u> | Whole-<br>sale<br>price<br><u>a/</u> | Yield<br><u>c/</u> | Sown<br>area<br><u>c/</u> | Whole-<br>sale<br>price<br><u>a/</u> | Yield<br><u>c/</u> | Sown<br>area<br><u>c/</u> | Whole-<br>sale<br>price<br><u>a/</u> | Yield<br><u>c/</u> | Sown<br>area<br><u>c/</u> |
| 1953 | 499                                | ...                                  | 99                 | 99                        | ...                                  | 97                 | 100                       | ...                                  | 86                 | 99                        | ...                                  | 86                 | 96                        |
| 1954 | 100                                | ...                                  | 101                | 101                       | ...                                  | 103                | 100                       | ...                                  | 114                | 101                       | ...                                  | 114                | 104                       |
| 1955 | 42                                 | 63                                   | 100                | 104                       | 64                                   | 107                | 102                       | 62                                   | 95                 | 105                       | 67                                   | 92                 | 108                       |
| 1956 | 248                                | 101                                  | 86                 | 106                       | 103                                  | 88                 | 103                       | 107                                  | 91                 | 111                       | 101                                  | 98                 | 110                       |
| 1957 | 478                                | 116                                  | 94                 | 108                       | 116                                  | 104                | 103                       | 131                                  | 77                 | 114                       | 111                                  | 84                 | 128                       |
| 1958 | 479                                | 95                                   | 104                | 106                       | 96                                   | 110                | 104                       | 102                                  | 100                | 103                       | 91                                   | 98                 | 113                       |
| 1959 | 132                                | 84                                   | 105                | 106                       | 85                                   | 109                | 104                       | 78                                   | 117                | 103                       | 82                                   | 118                | 115                       |
| 1960 | 232                                | 100                                  | 103                | 107                       | 100                                  | 104                | 105                       | 100                                  | 119                | 104                       | 100                                  | 115                | 110                       |
| 1961 | 298                                | 124                                  | 118                | 109                       | 123                                  | 123                | 106                       | 139                                  | 124                | 105                       | 120                                  | 125                | 111                       |
| 1962 | 247                                | 131                                  | 106                | 111                       | 129                                  | 103                | 107                       | 157                                  | 106                | 105                       | 147                                  | 111                | 119                       |
| 1963 | 652                                | 208                                  | 101                | 115                       | 205                                  | 121                | 108                       | 250                                  | 31                 | 108                       | 214                                  | 49                 | 122                       |
| 1964 | ...                                | 263                                  | 135                | 120                       | 254                                  | 124                | 112                       | 326                                  | 114                | 115                       | 318                                  | 118                | 130                       |

Source: Economic Planning Board, Government of the Republic of Korea, and Bank of Korea.

a/ 1960 = 100.

b/ 1954 = 100.

c/ 1953-54 = 100.

However, changes in the area sown to cotton and its production have been appreciable. The table below summarizes the data.

Table 20

Trend in cotton production 1954-1964

| Year | Area of cultivation<br>( in 1,000 chungbo) <sup>a/</sup> | Production<br>(in 1,000 tons) |
|------|--|-------------------------------|
| 1945 | 174  | 410                           |
| 1950 | 138  | 384                           |
| 1955 | 113  | 366                           |
| 1958 | 56   | 23                            |
| 1959 | 61   | 26                            |
| 1960 | 51   | 19                            |
| 1961 | 49   | 28                            |
| 1962 | 32   | 18                            |
| 1963 | 25   | 12                            |
| 1964 | 23   | 13                            |

Source: Ministry of Agriculture and Forestry, Government of the Republic of Korea.

<sup>a/</sup> Chungbo denotes area, 1 Chungbo (or 10 Tanbo) = 2.45 acres or 0.99174 hectare.

It will be noted that, while about 410,000 tons of raw cotton was harvested from a total area of 174,000 chungbo in 1945, both production and acreage decreased to 13,000 tons and 23,000 chungbo in 1964. Recognizing this adverse effect on domestic cotton production and to reduce heavy reliance on foreign raw materials, the Government has taken various countermeasures.<sup>1/</sup> However, these measures have not been effective owing to low returns from cotton cultivation on the one hand and large imports to satisfy the demand from local manufacturing industry for superior quality of foreign cotton.

/Influence

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<sup>1/</sup> The Government's efforts to maintain or increase cotton production were mainly devoted to research work in seed improvement, plant protection, extension work and compulsory allocation of certain amount of domestic cotton to local manufacturers.

### Influence on industry

The majority of imported surplus farm products, e.g. wheat, raw cotton, tallow, etc., require processing and manufacturing for immediate use of consumers. Therefore, such industries as flour milling, spinning and weaving, etc., have shown remarkable development since surplus farm products began to be imported into the Republic of Korea.

### Flour industry

The Republic of Korea's flour milling industry made significant strides after the end of the Korean war, particularly during the period of 1954 through 1958, during which the domestic food shortage was very acute and imports of food and rehabilitation of food industries were urgently required. Under the circumstances, the Government and the foreign economic agencies favoured the installation of modern flour mill industries by providing government loans and ICA aid coupled with the abundant raw materials imported under Public Law 480. Thus, the industry grew up rapidly and the total capacity reached up to around 43,000 barrels<sup>1/</sup> by 1959.

Table 21

Trend in capacity of flour mill facilities, 1954-1964

| Year | Production capacity<br>(in 1,000 barrels) | Index |
|------|---|-------|
| 1954 | 2.9                                       | 100   |
| 1955 | 4.9                                       | 165   |
| 1956 | 11.9                                      | 404   |
| 1957 | 24.7                                      | 835   |
| 1958 | 34.1                                      | 1,153 |
| 1959 | 42.7                                      | 1,446 |
| 1960 | 42.7                                      | 1,446 |
| 1961 | 42.7                                      | 1,446 |
| 1962 | -   | -     |
| 1963 | 44.3                                      | 1,500 |
| 1964 | 45.3                                      | 1,562 |

Source: Ministry of Agriculture and Forestry, Government of the Republic of Korea; Korea Flour Millers' Association.

<sup>1/</sup> Barrel is a unit of the capacity of flour mills: 1 barrel denotes the capacity to produce 4 bags (weight of 1 bag = 22 kgs) or around 88 kgs of flour per day (24 hours).



This fast growth of the flour industry was apparently stimulated by the wheat imported under the Public Law 480 which was sold to the flour millers at cheap prices and allocated on the basis of manufacturing capacities, so that larger mills were allocated more wheat which enabled them to make more profit.

However, the flour market suffered from a recession from around 1957 which almost turned into depression in 1959. At present, less than 30 per cent of the milling capacity is being used, which indicates partly a shortage of wheat and partly excessive investment in flour milling industries.

In 1954, the total quantity of wheat flour supplied in the country reached about 157,000 tons, of which 19 per cent constituted imported wheat flour, 54 per cent wheat flour processed by farmers with their own facilities from domestic wheat, and 27 per cent wheat flour processed from imported wheat for governmental or non-governmental use. In 1958, however, the proportion of wheat flour produced by flour millers with imported wheat for governmental and non-governmental uses increased to 387,000 tons or two-thirds of the total supply of wheat flour. Ever since, the proportion of wheat flour processed by farmers with their own facilities has tended to decrease, while the wheat flour processed from imported wheat has steadily increased.

#### Cotton spinning and weaving

Cotton spinning and weaving, the largest industry after to the food industry, contributes more than 10 per cent of the total national product and 47 per cent of added value contributed by the textile industry. Most of the raw cotton for this industry has been imported from the United States under Public Law 480.

By 1964, the production of cotton yarn increased by over 6.5 times as compared with 1952, and that of cotton cloth by more than 4.5 times. This tremendous development has made it possible to limit imports of cotton yarn and cotton materials from foreign countries since 1956. In 1957, the Republic of Korea started to export manufactured cotton materials. The exports represent about 10 per cent of the total production.

/The facilities

The facilities of cotton spinning and weaving industry have increased to more than 600,000 spindles and 10,000 looms in 1964 from 138,000 spindles and some 35,000 looms in 1952. This expansion of facilities was accelerated largely by imports of raw cotton, for which an annual average of around \$27 million (1954-1961) was allocated.

Table 22

Main facilities and production of cotton manufactures, 1952-1964

| Year | Cotton spinning                             |   | Cotton weaving                        |  |
|------|---|---|---------------------------------------|--|
|      | Installed<br>spindles<br>(in 1000 spindles) | Cotton yarn<br>production<br>(in 1000 mt) | Installed<br>looms<br>(in 1000 looms) | Cotton cloth<br>production<br>(in 1000 meters) |
| 1952 | 138   | 10  | 4                                     | 39,493   |
| 1953 | 177   | 13  | 4                                     | 55,244   |
| 1954 | 351   | 21  | 5                                     | 66,787   |
| 1955 | 371   | 27  | 7                                     | 80,320   |
| 1956 | 439   | 31  | 8                                     | 94,666   |
| 1957 | 441   | 41  | 10                                    | 129,922  |
| 1958 | 469   | 44  | 10                                    | 136,256  |
| 1959 | 477   | 48  | 10                                    | 145,700  |
| 1960 | 470   | 49  | 10                                    | 137,967  |
| 1961 | 493   | 44  | 10                                    | 121,620  |
| 1962 | 544   | 53  | 10                                    | 135,981  |
| 1963 | 591   | 63  | 10                                    | 158,218  |
| 1964 | 607   | 65  | 10                                    | 178,405  |

Source: Economic Planning Board, Korea Statistical Yearbook 1965;  
Spinners and Weavers Association of Korea.

/In the

In the Republic of Korea, there are at present 16 spinning and 16 weaving plants<sup>1/</sup> affiliated to the Korea Spinners and Weavers Association, whereas there were only 8 spinning and 10 weaving plants in 1945.

The cotton textile industry depends heavily on the import of foreign cotton. The foreign raw cotton has been imported from the United States except for 70,000 lbs of Indian cotton imported in 1947, 112,000 lbs of Indian cotton and 303,000 of Egyptian cotton in 1948.

The quantity of United States raw cotton imported in 1951 was 15 million lbs; and in 1954 it stood at 68 million lbs, and in 1961 at 117 million lbs. On the other hand, the quantity of domestic cotton used by the cotton spinning and weaving industry decreased every year as shown in table 23.

Table 23

Raw cotton allocated to the manufacturers, 1954-1960

(in 1,000 lbs)

| Year | U.S. cotton | Domestic cotton | Total   |
|------|-------------|-----------------|---------|
| 1954 | 68,031      | 978             | 69,009  |
| 1955 | 68,990      | 1,999           | 70,989  |
| 1956 | 80,975      | 339             | 81,314  |
| 1957 | 90,425      | 50              | 90,475  |
| 1958 | 102,849     | 98              | 102,946 |
| 1959 | 119,092     | 269             | 119,361 |
| 1960 | 116,038     | 146             | 116,184 |

Source: The Korea Spinners' & Weavers' Association, Textile Annual Report, 1961, p. 177.

United States raw cotton as a surplus farm product has been imported with AID funds, or under MSA 402 and Public Law 480. The scale of the import is determined by the amount of dollars allocated for purchase of raw cotton for each fiscal year and, within the limits of the allocated funds, the imported

/cotton

<sup>1/</sup> Excluding those not affiliated with the Association.

cotton is sold to the domestic cotton spinners or weavers through biddings in accordance with the end-user purchase system. The procurement method has been changed several times.

In addition to the above manufacturing or processing industries, imports of farm surplus have contributed to the establishment of other private industries by providing loans from the counterpart fund.

#### Influence on food consumption

The imports of surplus farm products which influenced food consumption were wheat, barley, and rice. The influence of rice was negligible because of very small imports, but the influence of wheat imports was most marked.

This fact is obvious from the increasing long term trend of consumption of wheat flour. As has already been mentioned, the consumption of wheat flour produced domestically from imported wheat is large in quantity, although some wheat flour is also imported directly from foreign countries.

Annual wheat flour consumption per person was estimated at around 9.8 kilogrammes in 1939. After independence, the wheat flour consumption per person decreased to about 3 kilogrammes (in 1950 and 1951) due to the exclusive eating of rice after the lifting of the ban on consumption of rice which had been imposed under the Japanese rule. However, wheat flour consumption again increased gradually (see table 24). The consumption rate of flour is higher among lower-income brackets than among higher-income brackets. In recent years, the increase in the production of wheat flour and the encouragement of use of flour by Government as part of a campaign for diet improvement seems to be resulting in increased consumption.

Table 24

Trend in consumption of wheat flour per person, 1955-1961

(Unit Kilogramme)

| Year | Consumption |
|------|-------------|
| 1955 | 5.3         |
| 1956 | 11.1        |
| 1957 | 16.6        |
| 1958 | 17.7        |
| 1959 | 13.7        |
| 1960 | 14.2        |
| 1961 | 13.1        |

Source: Korea Flour Millers' Association.

/Influence

## Influence on national economy in general

### Employment

The import of surplus farm products provided increased opportunities for employment through the development of flour milling, spinning and weaving industries, and through the undertaking of National Construction Service projects, land reclamation projects and some other community self-help projects.

In 1961, about 32,000 tons of barley and 81,000 tons of wheat were imported through non-governmental procurement under Title II of Public Law 480 for use of National Construction Service projects, and the labourers employed in these projects were paid part of their wages in kind. In May 1964, a plan was set up under an agreement between the Economic Planning Board and USOM to import 75,000 tons of wheat under Title I of Public Law 480 and to be used as wages-in-kind for a total of 20 million man-days of labour to reclaim 568,000 acres of land.

Employment in the spinning and weaving industry reached a total of some 26,000 persons in 1960; and, in the flour milling industry, some 1,400 persons.<sup>1/</sup>

In addition to the facts cited above, employment in various projects incidental to processing and manufacturing of imported farm products and some other self-help projects must also have increased.

### Trade

Until the procurement of surplus farm products under special terms began in 1954, there had been no normal commercial imports of wheat, barley, raw cotton, and tallow. At that time, Korea's textile, flourmilling, and soap industries were just in the rehabilitation phase after the war. Domestic raw materials were the main source to support the industries at that stage. Moreover, it was very difficult to import such raw materials on a commercial basis, because foreign exchange was extremely short.

In 1955, when the procurement of surplus farm products began, these industries began to develop rapidly. Their facilities were expanded. Both exports and imports increased, but import demand for raw materials increased faster. As a result, foreign exchange earnings had to be allocated for import of important commodities other than farm products which could be imported through the Public Law 480 programme.

/The Government

<sup>1/</sup> Source: Survey on Status of Mining and Manufacturing Industries in 1960, jointly conducted by the Ministry of Commerce and Industry and the Reconstruction Bank.



The Government at that time imposed a rigid control on foreign exchange spending. It enforced the item-by-item import quotas, in connexion with the United States economic aid programme. Aid items were thus entirely excluded from the commercial import programmes; or foreign exchange allotments for such items of import were not made.

It is a salient feature of the import structure of the Republic of Korea that the requirements of farm products concerned are met entirely with the imports from the United States under special terms. Table 25 shows the magnitude of United States aid imports in comparison with commercial imports.

Table 25

Summary of exports and imports, 1954-1964

(in US\$1,000)

| Year | Exports |            |               | Imports |            |              |                          |
|------|---------|------------|---------------|---------|------------|--------------|--------------------------|
|      | Total   | Commercial | Without draft | Total   | Commercial | Official aid | Relief and without draft |
| 1954 | 24,246  | 24,246     | ...           | 243,327 | 93,926     | 149,401      | ...                      |
| 1955 | 17,966  | 17,966     | ...           | 341,416 | 108,628    | 232,787      | ...                      |
| 1956 | 24,595  | 24,595     | ...           | 386,063 | 66,166     | 319,897      | ...                      |
| 1957 | 22,202  | 22,202     | ...           | 442,174 | 46,935     | 374,026      | 21,213                   |
| 1958 | 16,451  | 16,451     | ...           | 378,165 | 48,675     | 310,975      | 18,515                   |
| 1959 | 19,812  | 19,162     | 650           | 303,807 | 80,966     | 210,743      | 12,098                   |
| 1960 | 32,827  | 31,832     | 995           | 343,527 | 97,168     | 231,947      | 14,412                   |
| 1961 | 40,878  | 38,646     | 2,232         | 316,142 | 103,138    | 196,818      | 16,186                   |
| 1962 | 54,813  | 53,804     | 1,009         | 415,234 | 177,207    | 213,773      | 24,253                   |
| 1963 | 86,802  | 81,537     | 5,265         | 560,273 | 232,707    | 232,636      | 94,930                   |
| 1964 | 119,056 | 116,388    | 2,668         | 404,351 | 184,503    | 142,634      | 77,214                   |

Source: Bank of Korea.

/Government



Government budget, balance of payments, etc.

As noted earlier, of the total amount of surplus farm products, about 85 per cent or \$400 million has been appropriated for national defense expenditure. This has helped to cover part of the Government's needs for internal expenditures as well as to prevent deterioration of the balance of payments position. National defense expenditure occupies about one-third of the Government's total budget every year; 30 per cent of the national defense expenditure is covered from domestic financial resources and the remaining 70 per cent from aid funds. Also, about 40 per cent of the aid funds usually constitute surplus farm products under Title I of Public Law 480. In other words, Title I of Public Law 480 has the effect of replacing and reducing government expenditures that would otherwise require domestic financial resources.

Moreover, the counterpart funds which were obtained from consumers by selling them imported farm products contributed to the Government's anti-inflationary policy.

Furthermore, the import of surplus farm products apparently permitted a further increase in imports of needed goods by functioning as an addition to available supplies of foreign exchange. In the absence of the Public Law 480 programme, the Republic of Korea would have spent a considerable amount of its limited foreign exchange on procuring commercial food-grains in the past years. In this context, it may be safe to conclude that the farm surplus disposal in the Republic of Korea has contributed to easing the foreign exchange shortage in no small measure.

/VII. SOME

## VII. SOME SUGGESTIONS

In the preceding sections, transactions in farm surplus products and some problems associated with the process of those transactions have been reviewed. This concluding section is intended to emphasize some specific points which, in the light of past experience, merit consideration in implementing the effective utilization of farm surpluses in the Republic of Korea.

It has been stated in the previous sections that the imports of United States farm surpluses were made mainly to ease the food shortage, to support defence expenditure by the Government of the Republic of Korea, to explore markets for the United States and to cover partly the administrative expenses of United States governmental agencies in the Republic of Korea.

In order to ensure that the right type and appropriate quantities of commodities are imported, careful studies on forecasting the demand and supply of domestic products should be made, especially with a view to examining the possible effects of imports on domestic production in the long run. Such studies could also help to avoid import of commodities such as leaf tobacco which are normally exported from the Republic of Korea.

As we have already noted in table 9, delays in the arrival of products listed in the agreement have been a common phenomenon. This has been the main factor preventing a flexible and adequate supply of the products in time. Therefore, it would be useful to work out a phased programme for actual imports at the time of conclusion of the agreements. It may be worth while to have a monthly schedule of imports in order to facilitate timely importation of the products agreed to, or to explore ways to establish a buffer stock in the Republic of Korea to meet promptly the needs for products at a given time.

Two other points should be noted. One is that more attention should be paid to use of counterpart funds for promoting agricultural development. Secondly, while in the past imports of surpluses have been made primarily to support the defense effort, it is desirable now to pay some attention to imports of surpluses primarily for economic development.

Incidentally, the Government of the Republic of Korea recently began to utilize the imported farm surpluses for supporting national construction service projects, farm land improvement and expansion projects, etc. Such projects will help in increasing domestic agricultural production and employment.

