

INTERNATIONAL MONETARY FUND

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The International Monetary Fund has approved a stand-by arrangement for the Government of Korea, authorizing purchases up to the equivalent of SDR 575.8 million over the period to March 31, 1985, in support of the Government's economic and financial program. Purchases under this arrangement, which is equivalent to 225 per cent of Korea's quota of SDR 255.9 million, will be financed almost entirely from resources borrowed by the Fund. Currently, Korea's outstanding financial obligations to the Fund resulting from past operations and transactions total the equivalent of SDR 1,138.2 million.

After 15 years of sustained economic advance, the Korean economy ran into difficulties in 1980, prompting the authorities to undertake a wide-ranging adjustment program to correct the imbalances. This adjustment effort, which has been supported by two stand-by arrangements from the Fund, succeeded in slowing the rate of inflation significantly, more than halving the external current account deficit, slowing the growth of foreign debt, and restoring economic growth.

The Government's economic and financial program for 1983-84, which the present stand-by arrangement supports, is designed to consolidate the earlier gains by containing the rate of inflation, further reducing the current account deficit, and sustaining economic growth. The authorities intend to continue their efforts to reduce the public sector deficit, and substantial savings are expected from appropriate pricing policies and better management of the public sector enterprises. Credit expansion will be restrained to avoid a rekindling of inflation and to support the balance of payments objectives, and interest rate policy will be formulated to ensure the continued mobilization of savings. Exchange rate policy will be flexible in order to preserve the improvement in external competitiveness resulting from the recent effective depreciation of the won. The growth in external debt is projected to slow further, but it is projected to be sufficient to maintain international reserves at an adequate level.