

Korean crisis set for new blowup

by Kathy Wolfe

Despite the glowing reports of economic "recovery," South Korea is fast becoming an example of how the International Monetary Fund (IMF) wrecks nations by destroying their physical means of existence, while failing to stop the financial crisis, set to blow sky high again in Seoul by summer. North Korea, meanwhile, has run out of food entirely, but now the South is no position to help.

A social explosion hit South Korea on April 9, when Hyundai Motors, South Korea's largest automaker, announced the firing of 6,000 workers, 20% of its workforce. Hyundai has slashed its production by 60% this year because auto sales are down by 60%. "There's been a real improvement in Seoul's formerly terrible traffic" congestion, one official said wryly. "It's down by half, because no one can afford to buy gasoline, which we import."

The South Korean Labor Ministry announced on March 26 that 500,000 workers were laid off during January and February, bringing the number of officially unemployed to 1.24 million, or 6% of the labor force. The IMF has called for 1 million workers to be fired in 1998; economists project unemployment will rise to 2 million, or 10%, this year.

Smaller companies have been closing their doors and firing workers at a national rate of 10,000 a day, but the Hyundai layoffs are the first time a large company has acted under the new Korean labor law mandated by the IMF, which permits large conglomerate "bulk" layoffs.

On April 15, some 14,000 workers at Kia Motors went out on a week-long strike, protesting government plans to sell off the company, which is under bankruptcy protection. A sell-off would mean cutting the workforce in half.

South Korea is also set to make world financial headlines again in the April-June quarter, when another \$20 billion in short-term corporate debt to foreign banks comes due, and will be impossible to pay. "There is a huge risk of corporate default on foreign and domestic debt," with risk of a "systemic collapse of the undercapitalized banking sector" in South Korea, said Swiss Bank Corp./Warburg Dillon Read, the European oligarchical investment bank, in a private report issued on March 30. More than \$58 billion additional repayment of South Korean foreign debt is due during 1998.

This year's money

Citibank chairman William Rhodes was in Seoul on April 2 to finally sign papers for the \$24 billion in Korean debt

which was rolled over last year, a Korean official told *EIR*. But, he said, "we are worried about *this year's money*. The situation here in Seoul is very bad. Our exports are poor, and by the end of April we will be out of cash for imports of raw materials—and all our industries operate on imported raw materials."

Seoul was able to borrow another \$4 billion from the London and New York banks on April 6, by agreeing to their demands for 12% interest rates, 4% over what most governments pay. "The rates are extremely high," said Lee Phil-sang at Korea University, who pointed out that now, all Korean companies will be forced to pay competing rates to get cash to operate.

On April 8, South Korea was forced to beg the United States and other nations for its "second line of defense": \$24 billion in emergency country-to-country bilateral loans—above and beyond IMF loans—worked out last year. The U.S. Congress, however, is hostile to the request.

South Korea's President Kim Dae-jung went begging to the IMF on March 30, requesting permission to lower Korea's IMF-mandated 18% interest rates, "to prevent a major meltdown in the corporate sector," as one Seoul newspaper put it. He was publicly rebuffed.

North Korean famine

In North Korea, last October's harvest has run out, "forcing people to rely on foreign donations and to scavenge for roots and edible plants," Catherine Bertini, executive director of the UN World Food Program, said on April 13 after a tour of North Korea.

"Food aid must continue until they have a considerably better harvest and agricultural production," Bertini said. "It could be years before North Korea can reform its agriculture and feed its 24 million people."

The World Food Program appealed on April 1 for a new emergency allocation of 725,000 tons of food donations to feed 7.4 million people, one-third of the population.

After North Korea urgently requested help from the South, direct talks between Seoul and Pyongyang began for the first time in five years, in Beijing on April 11. North Korea requested emergency aid of 500,000 tons of fertilizer for crops now being planted, and there was great hope of success, because South Korea's new Kim Dae-jung government favors reunification.

But the talks broke down on April 14, when the South Korean Unification Ministry linked a series of political requests to the fertilizer delivery, saying that "the South Korean public will not support unilateral concessions." While that particular Seoul ministry has a history of egging on confrontation with the North, the underlying problem is that South Koreans are in a blind fury at being forced into Third World living standards at the hands of the IMF. While the IMF gutting of South Korea continues, there's no prospect of real reconstruction of the peninsula.