S. Korea reels from U.S. economic war

by Lydia Cherry

South Korea is one country that the U.S. has forced into line by Super-301, Sen. Lloyd Bentsen (D-Tex.), an author of the Trade Act of 1988 provison, claimed April 24 as he campaigned for naming Japan as a primary offender. In March, the United States had lodged complaints to Seoul over government attempts to increase exports by giving financial and tax support: "If low-priced, government-subsidized R.O.K. [Republic of Korea] goods come pouring into the United States, they will not be tolerated," Seoul was told by the U.S., according Seoul daily *Choson Ilbo* March 24. South Korea has agreed to eliminate all trade barriers to imported beef by 1997, the *Journal of Commerce* reported.

The U.S. effort to shut down America as a major export market has found the South Korean economy vulnerable to this economic warfare. As a result, coinciding with Seoul's attempts to seek rapprochement with North Korea prior to the U.S. withdrawal of its troops from the peninsula, the Noh Tae Woo government has embarked upon an ambitious economic diplomacy effort—particularly with respect to the East bloc.

An economic solution, however, has not come easily. With very few natural resources, Korea is dependent upon import of raw materials; thus the economy is heavily dependent on exports—and in particular export to the United States. As a government economic analysis published by *Tong-aIlbo* in late December began: "Our economic strength has become greatly weakened due to the failure of the export industries to cope with the deteriorating overseas export climate."

Last year's GNP growth rate of 6.7% was the lowest in the past eight years and is likely to be even lower in 1990. Leaders in Seoul emphasize that 7% is the minimum growth rate needed to merely create enough jobs for new entrants into the labor force.

The South Korean stock market, like the Japanese, has fallen, and the drop in the value of the Japanese yen will further limit overseas sales for many of Korea's industrial sectors. In Seoul the last week in April, groups of South Korean investors stormed brokerage houses, yelling such slogans as, "Wake up, economic planning and finance ministers! The stock market is dying!"

Despite stock market volatility, Korea's economy is phsyically sound. This was reflected in the economic policy outline spelled out April 4 by Deputy Prime Minister Yi Sung-yun, who holds the top economic post in the cabinet, and who was finance minister in the government of former President Chun Do-Hwan. In it he notes that "the growth policies of the 1950s and '60s meant quantitative development to escape from absolute poverty. However, the growth policies to be pursued by this economic team will mean qualitative development based on development of high technology." He noted there will be no instant recovery; that current goals are 6.5% GNP growth, a current account surplus of $2 billion, and an inflation rate of 5-7%. He announced a massive injection of funds into businesses to promote investment and exports. Yi noted that the funds to be channeled to industry would not, in the long run, cause inflation "because they would be tightly linked with production." He added that the government will strictly regulate the money "to prevent it from flying into non-manufacturing fields, including service industry, and plans to apply stringent monetary policy to absorb the increase in the money supply in financial sectors." Yi Sung-yun said that the government will crack down on real estate speculation.

Soviet 'solution' is problematic

The Seoul news service Yonhap reported that steel exports to the communist bloc are expected to rise substantially this year. The South Korean auto industry, which faces difficulty exporting to the U.S., is perking up due to increased domestic demand. The textile industry is picking up slightly because some contracts were signed with Beijing in February, after complete suspension of trade after the June Tiananmen massacre. A great increase in trade with China and the East bloc, however, has not materialized, and many South Korean business concerns that tried to jump into economic relations with the Soviet Union have been hung out to dry.

Soviet foreign exchange shortages will seriously hurt business concerns endeavoring to expand exports to the Soviet Union, the *Korea Times* noted in April. It reported that the Soviet Union is delaying payment for its mechandise imports or is not paying at all because of the shortages. The Korea Trade Promotion Corp. said the U.S.S.R. has defaulted on the payment of $100 to $500 million by due dates since October last year.

An editorial in the daily *Hanguk Ilbo* April 4 referenced a report that the Soviet Union has requested that the R.O.K. government "help the Soviet Union with daily necessities worth billions of dollars with a payment guarantee by the Soviet government." The editorial recommended that "we should accept the burden of carrying out the business on credit with the guarantee for payment by the Soviet government," but that "the way for our economy to survive does not rest in the politically oriented 'short-lived demand' " of such a prospect. "The Soviet Union should not give excessive hope to our people as if it were Aladdin's lamp," the editorial read. The South Korean goal, it suggested, must be to break through the competition in the new arena of Eastern Europe.