

## S. Korea opens economy to speculative ruin

by Michael O. Billington

The new government of South Korean President Kim Young Sam, the first civilian President in 30 years, has opened up the carefully protected Korean financial system to certain disaster. New foreign exchange regulations were announced for implementation Oct. 1, which effectively deregulate the financial structure and invite the invasion of international speculators, the very speculators who are now being exposed in eastern and western Europe for the deliberate destruction of national economies.

Previous regulations demanded that foreign exchange transactions be tied to actual commodity exchanges, or could at least be shown to be required to hedge on transactions which were tied to such hard commodities. The Ministry of Finance has announced, according to the Sept. 23 *Far Eastern Economic Review*, that 90% of all forward foreign exchange transactions by banks "will be allowed without having to prove to the ministry that they need to hedge their currency risks." In other words, unrestricted currency speculation will be encouraged. The director of the ministry's division on foreign exchange policy, Kim Chang Lok, told *FEER*: "The deregulation measures will bring about hard competition among foreign exchange banks, especially for new business opportunities in fund transfers and foreign options and futures trading."

The explosion of such derivatives trading since the mid-1980s has brought the world financial system to a point of near-term collapse. The total of derivatives outstanding ballooned from about \$1 billion per year in 1986 to over \$12 trillion in 1992, with a turnover estimated at between \$80-100 trillion per year. Some \$1 trillion or more, at least half of which is derivatives, is traded every day on currency exchanges around the world. In contrast to this blizzard of speculative paper, for example, the International Monetary Fund's Trade Statistics indicate \$6.55 trillion worth of actual goods and services were exchanged in 1990. The depression collapse of the western economies has to a great extent been caused by the diversion of necessary investment capital into this bubble, the largest by far in human history.

The *FEER*, published in Hong Kong but owned by Wall Street's Dow Jones & Co., crows that "the new foreign exchange rules indicate Kim is getting serious about deregulating the economy and about internationalizing [Korea's currency] the won."

Kim Young Sam, who took office in February, has pleased the Anglo-American financial oligarchy in other ways as well, with a similar potential for disaster for the South Korean "economic miracle." An "anti-corruption" campaign, linked with the world "human rights" mafia, has been used to justify the dismantling of major industrial structures (as opposed to *banking* interests), and a brutal assault on the military institutions of this constantly threatened nation.

The most dramatic case is Kim's assault on the Hyundai conglomerate. Hyundai's founder Chung Ju Yung launched a presidential bid last year which many viewed as aimed primarily against Kim and his Democratic Liberal Party. Soon after the December 1992 election, Chung was indicted on embezzlement charges. According to the Sept. 20 issue of the *Asian Wall Street Journal* weekly, "Hyundai affiliates, company officials note, have been cut off from credit routinely doled out by the central bank, which is tightly controlled by the government. Hyundai applied for 500 billion won in 1991, and received about half. Last year, after Mr. Chung's political debut, the group applied for 652 billion won and got nothing. This year, Hyundai applied for 836 billion won, and again came away empty-handed." The *Journal* adds that capital investment has fallen by 15% in the first half of 1993, due in part to the global economic problems, but also "because industrialists fear the anti-corruption drive might be trained at them next."

### Kim dismantles military

Although the entire "new world order" apparatus of the U.N. has been utilized for targeting North Korea as an extreme threat to the peace of the Korean Peninsula, President Kim has nonetheless dismantled the general staff of the South Korean Armed Forces, with support from the United States. The retired commanders of all three services were jailed by civilian prosecutors in May on charges of taking bribes. Kim also personally ordered the detention of five Air Force brigadier generals, four commodores, one Marine Corps general, and several Navy captains on allegations of obtaining promotions by bribery. The detention of the Air Force generals, according to the *FEER*, "led to the grounding of several fighter wings. This, in turn, has reportedly frozen at least 10% of the Air Force's combat capacity."

The unrelenting attacks on the military led former Korean Military Academy Chancellor Min Pyong-ton to remind Koreans recently that "a country will collapse if its military collapses under the security circumstances we face. I sense a crisis when I notice that the military has lost its morale. . . . The history of the fall of South Vietnam, in which the South Vietnamese military had lost its morale, is instructive."

In the name of "corruption," Kim's policies follow the script of the U.S. policy demanding the dismantling of national military forces as effective institutions in defense of national sovereignty, first imposed in Ibero-America over the past decade.