

# North Korean famine worsens, as appeals for relief grow

by Kathy Wolfe

Australian Member of Parliament Pauline Hanson on Aug. 14 issued a second, dramatic appeal for urgent food shipments to alleviate North Korea's horrific famine, while Clinton administration UN Ambassador Bill Richardson and Sen. Joseph Biden (D-Del.) voiced concern about the crisis.

In her press release, titled "North Korean Men, Women and Children Are Starving to Death—Send Australian Food Now," Hanson said, "this is a full-blown crisis. Unicef director Carol Bellamy reported on Aug. 9, after leaving North Korea, that 800,000 children, or 38% of children under the age of five, are suffering malnutrition, and of these, 80,000 are severely malnourished and in danger of dying from starvation."

## 'Not since Ethiopia'

Hanson continued, "People are dying—humanitarian needs can't wait. Hubertus Rüffer of the German aid organization Deutsche Welthungerhilfe reported on Aug. 6 that in his recent tour of North Korea he saw 'pictures, that were not to be seen since Ethiopia.'

"Dramatically compounding the problem is the disastrous confirmation by the World Food Program that most of the current crop has been lost due to drought, including 70% of the maize crop.

"There are 24 million North Koreans who are at immediate risk due to this crisis. This is purely a humanitarian crisis, and should be responded to accordingly, immediately, and adequately."

U.S. Ambassador Richardson's assessment of the North Korean famine is similar. "We think the situation is getting worse," he told reporters in Tokyo on Aug. 15. "We're ready to entertain other requests . . . based on humanitarian needs." He would not confirm reports by the House Select Committee on Intelligence on Aug. 12 that food is being diverted to the North's military. "We can't verify" those reports, Richardson said. He insisted that food aid sent by the United States via the UN thus far is intended for children and "we believe it is getting to them."

## Assistance, versus the IMF

In a speech on the Senate floor on July 31, Joseph Biden spoke passionately about the need for American aid to North Korea. "The United States has a long tradition of responding generously to people in need," Biden said. But to date, "our response has been cautious and inadequate," and so "the

world, following our restrained lead, has been slow to meet the genuine emergency needs of the North Korean people."

Biden blasted the idea that North Korea's people must be held to ransom to force their government to implement International Monetary Fund (IMF)-style "reforms," such as the "shock therapy" which has destroyed Russia and other nations. "It is not ethically permissible to use starvation as a weapon to force the North Korean dictatorship to undertake essential economic reforms," he said.

Indeed, the IMF announced on Aug. 18 that it will send a "fact-finding mission" to North Korea in August, to "brief North Korean officials on IMF requirements" for membership, in what is seen as direct pressure on Pyongyang to open the country for looting.

A bipartisan delegation of seven members of the U.S. House Permanent Select Committee on Intelligence, led by Porter Goss (R-Fla.), meanwhile, issued a statement on Aug. 12, after four days in North Korea, indicating that the group had demanded IMF-style shock therapy "reforms" as a conditionality for food. "The North Koreans stated their refusal to abandon their centralized political and economic systems," they complained.

Senator Biden warned that such demands to "starve them out," would result in "panic, massive population migrations, and instability," a dangerous threat to the 37,000 U.S. troops on the tense Demilitarized Zone between North and South Korea. Massive relief, he concluded, would be the "smart thing to do . . . the noble thing to do," and "an expression of all that is best about America, that cannot help but resonate in the hearts of the North Korean people."

## Program for peace

There was a sign of hope, however, in this "Dark Ages" scenario for the Korean peninsula, with the ground-breaking on Aug. 19 in Kumho, North Korea, for two 1,000-megawatt nuclear power reactors, which a consortium organized by President Clinton has begun to build—part of a peace plan that would ultimately reunite North and South Korea. The two nuclear power reactors are being built by the Korean Energy Development Organization (KEDO), founded by the United States, South Korea, and Japan in 1994. A symbolic gunpowder blast was set off to start the construction, in a ceremony conducted by U.S. Ambassador Paul Cleveland, and attended by 200 international KEDO officials represent-

ing nine nations, including Australia and European nations, which have joined the consortium this year.

President Bill Clinton praised the event as “a major new milestone” which “will contribute significantly to the peace and stability of the Korean peninsula.”

“This historic undertaking will require much hard work,” Clinton said, in a statement read by Cleveland. “But with a cooperative spirit, we can together help overcome decades of tension and hostility on the peninsula.” The KEDO effort is “at the top of the United States’ foreign policy agenda,” he said.

The KEDO program could revitalize all of Korea’s economy, and bring thousands of South Korean engineers and workers into contact with their countrymen in the North. It is valued at \$4.5 to \$5 billion, and is mostly financed by South Korea and Japan.

Adding additional hope for maintaining peace and stability on the peninsula, was the announcement on Aug. 19 that China views North Korea’s Tumen River development zone as a major target for cooperative international industrialization projects, part of Beijing’s Eurasian Land-Bridge policy. The mouth of the Tumen River, where North Korea and Russia meet the Sea of Japan, and which is also close to China, could grow to a “metropolis along the lines of Hongkong,” Ye Shunzan, an official of the Chinese Academy of Sciences, told a meeting of the Northeast Asia Economic Forum in Ulan Bator, Mongolia.

In addition to China, North Korea, and Russia, Japan, Mongolia, and South Korea are also cooperating to build up the river mouth area, in a planned \$30 billion rail, port, and industrial project.

## South Korean currency hit by new instability

South Korea’s currency, the won, collapsed to an all-time low of 901 to the dollar on Aug. 18, joining the Southeast Asian nations in currency free-fall. Traders said the won was hit with a “snowball” effect, after the mid-August crash of the Thai, Malaysian, Indonesian, and Filipino currencies. Dozens of Korean companies, fearing the won would be next, dumped the won in a desperate scramble to buy U.S. dollars. Major Korean banks, such as Korea First Bank, the nation’s largest, are also feared to be on the edge of bankruptcy.

South Korea’s postwar “economic miracle” has been destroyed over the last decade, by International Monetary Fund financial deregulation.

“Fears that the Korean won could fall under speculators’ attack have prompted domestic firms to sell won and buy dollars,” Steve Marvin, head of research at Ssangyong Investment Securities, said on Aug. 19. The won fell 8.2% against the dollar last year and has fallen a further 5.9% so far this year.

The won crash is an indicator of the bankruptcy of the Korean banking system, said one trader. “The won’s steep fall against the dollar has raised concerns about the nation’s whole financial market,” said Lee Young-won, at Daewoo Securities in Seoul. “Financial institutions and corporations are competitively securing dollars on expectations of further financial troubles at local companies and banks.”

The central bank was forced to intervene twice on Aug. 18, to buy up billions of won in an attempt at price support. “The Bank of Korea sent out a strong warning to speculators,” said one trader, who was desperate to try to prevent further depreciation of the won.

## The banking crisis

The South Korean banking system is also facing the possibility of a run. The Seoul Finance Ministry on Aug. 18 was forced to issue a statement vowing to bail out the country’s illiquid banks, amid fears that South Korea’s top four banks are about to blow; they hold about \$20 billion in bad debt from industrial companies which have gone bust this year.

The Finance Ministry said that it is setting up a “bad loan bank,” similar to those created by the United States in the savings and loan debacle, and Japan in its banking crisis last year, to bail out the banks, if possible. A ministry statement said the state-run Korea Asset Management Corp. (KAMC) would extend aid by “buying some assets held by ailing financial institutions to help ease their credit restraints.”

The ministry statement said that the KAMC would now massively increase its borrowings on the public markets, from about \$1 billion to a much higher, undetermined amount, to raise the funds to bail out the banks. KAMC collects overdue loans, sells off real estate on behalf of financial institutions, and arranges auctions of bank property. The statement said the government needed to supply “minimum supports” to stop the banks from crashing.

Korea First Bank could be the first to beg for a bailout. Earlier this year, Korea First asked for over \$2 billion in special loans from the central bank. The Finance Ministry statement said the government and the central bank had agreed in principle, that Korea First would be the first financial institution to receive money from the KAMC. Korea First Bank was hit by a chain of corporate defaults including the collapse of Hanbo Steel and Sammi Steel. It is now facing another big blow because of the collapse of the Kia Group, which was put under Chapter 11 bankruptcy in July. — *Kathy Wolfe*