

Don't Gamble With Sunshine: South Korea Must Dump The IMF, Too

South Korean President Kim Dae-jung began “a desperate gamble for the Sunshine Policy” of rapprochement with North Korea, Seoul diplomatic sources said, moving for minority rule on Sept. 7 after his coalition government fell. Former Korean Central Intelligence Agency (KCIA) chief Kim Jong-pil, acting as a submarine for the Bush Administration, which seeks to demonize the North, triggered chaos on Sept. 3 by pulling his small United Liberal party out of the government. His 20 National Assembly members swung from alliance with the President’s 114 members, to join with the 132-member opposition Grand National Party, in a no-confidence vote against the Sunshine Policy, forcing Unification Minister Lim Dong-Won, and the entire cabinet, to resign.

President Kim then summarily dumped his coalition with the ex-KCIA chief, on Sept. 7, and re-appointed all but 5 of his 22 cabinet members. Both Foreign Minister Han Seung-Soo and Finance Minister Jin Nyum, important to the Sunshine Policy and the Asia Monetary Fund negotiations, seem set to stay. Minister Lim, a key architect of the Sunshine Policy, was made personal adviser to the President, and Korea’s Ambassador to China, Hong Soon-young, was named new Unification Minister. Hong has been working closely with Beijing to push forward the peace process.

The President is well rid of Kim Jong-pil (“JP”), against whom *EIR* warned in 1997, who was controlled by the elder George Bush’s intelligence networks in past decades, and would be deployed for no good. Despite the fact that the ex-KCIA chief had tried to assassinate Kim Dae-jung several times during the 1980s, however, the President believed he had to ally with him to take power, and pursue his dream of national unification.

President Kim will now try to push the Sunshine Policy from the minority, defying not only the far-right heirs of the KCIA and most of the National Assembly, but President George W. Bush and U.S. Defense Secretary Donald Rumsfeld, sources said. The pro-Bush daily *Chosun Ilbo* hysterically warned Kim on Sept. 4 not to “take his case to the people over the head of the National Assembly,” but that appears to be precisely what Kim intends to do. This can be done under Seoul’s Presidential system, which is not a British-style parliamentary government. But, as a minority government, new legislation will be almost impossible for him to get passed.

It's The Economy, Sir

Yet the only enemy President Kim Dae-jung can't seem to defy, is the one which is really destroying Korea: the International Monetary Fund (IMF), the actual force bringing down not only his government, but also the nation.

The cover story is that foolish actions by South Koreans visiting Pyongyang in August, and by their North Korean hosts, supposedly provoked a public furor in Seoul, and led to the National Assembly no-confidence vote. Several of the South Koreans are charged with attending rallies in Pyongyang which were forbidden by the South’s National Security laws, and were arrested on their return to Seoul. Certainly, both sides in the Pyongyang travel saga knew that the trip was highly sensitive, and it should have been handled better by all concerned.

The real problem, however, is that “everyone knows that President Kim’s popularity is actually dropping, due to what one of Bill Clinton’s advisers once said: ‘It’s the economy, stupid,’ ” a Korean diplomat formerly based in Washington pointed out. “Of course, in this case, I would say: ‘It’s the economy, Sir.’ The IMF, the collapse of the U.S. economy, and the economic paralysis in Japan, our major partners, are dragging us down, and there won’t be any good news out of here until” the IMF policy is changed, he said.

IMF-style austerity thinking, and the insane insistence upon trying to preserve the IMF-centered global financial system no matter the cost to the real economy, is the common cause of the current crash in the United States, Japan, Korea, and the world. Despite the fact that South Korea has paid off its IMF loans and is quietly bucking numerous IMF policies, the IMF still maintains offices at the Ministry of Finance, and makes constant public demands in Seoul press conferences for more mass layoffs, industrial shutdowns, and other draconian austerity programs. The South Korean population, many of whom went jobless and homeless in the 1997-99 crisis, are being manipulated by the Wall Street-run Seoul media into blaming President Kim’s “giveaways to the North” for what is really the new IMF shockwave hitting them.

In the second week in September, for example, the IMF, along with the U.S. government, hotly demanded the shutdown of Hynix Semiconductor Inc., the world’s third-largest computer-chip maker, which accounts for 10% of all of South Korea’s electronics exports, formerly part of the Hyundai

conglomerate. Due entirely to the speculative dot.com bubble and now its crash in the United States, which has caused computer and computer parts sales to plummet worldwide, the average price for Hynix chips (DRAMs) dropped to under \$1—from \$8 in March 2000. As a result, Hynix had a first-half 2001 loss of more than \$1.5 billion, and needs to reschedule some \$5.5 billion of debt.

But, in cooperation with the IMF, which says that all such firms should be simply shut down, the Bush Administration, claiming pressure from frantic U.S. computer companies, has threatened publicly to sue Korea at the World Trade Organization if there is any Korean government aid to their Korean competitor. This is particularly ridiculous, given the fact that Korea's major banks went bust and had to be nationalized during the 1997-99 crisis, and it happens to be just these banks which hold the Hynix debt. Thus, should the legitimate creditors so much as give the giant company an inch, the IMF and the United States will scream, because the creditor banks at the moment are owned by the government.

The president of Korea's state-owned Hanvit Bank, Lee Duk-hoon, said on Sept. 4 that the bank would do its best to save Hynix "because handling Hynix is not a matter of a single company, but an issue affecting the national economy." Regarding American criticism, Lee said: "Hanvit Bank will provide financial aid to Hynix, since it is a life-and-death matter for the bank," and so, "that's none of their business."

Seoul government financial sources have told *EIR* that they have no intention of letting Hynix close down its plants. "Even if Hynix goes into receivership, *Korea Times* and other media are too alarmist," said one official in the midst of the negotiations. "This will be a protective bankruptcy of the kind LaRouche is always discussing, where we protect the productive plant of Hynix from being shut down. Whatever is productive will be saved." Yet court battle over the fate of Hynix and dozens of other companies which the IMF demands be shut down, continues daily, and the outcome is far from clear.

Multiply this story times ten, because not just Hynix' \$5 billion in debt, but nearly \$50 billion in debt of large Korean corporations comes due this year.

Unless the courage is summoned to give the IMF the boot, along with the KCIA's Kim Jong-Pil, President Kim is just playing with a second ticking time bomb. A minority government can't survive a new round of IMF mass layoffs.

Seoul Summit II

While the IMF says, President Kim is forced to literally gamble on whether North Korean Chairman Kim Jong-il will visit Seoul soon for a second "Inter-Korean Summit." Were Chairman Kim to return the Southern President's historic visit to Pyongyang last year, which he ought to do, there would be a wave of euphoria in the South which might just see the government through.

The reality is, however, that unless a second summit hap-

pens soon, Kim Dae-jung's popularity will plummet so fast that he may not be able to run the country. And taking bets on what the North's Chairman Kim may or may not be able to do, given all the pressures on him against Sunshine Policy, from the Bush Administration and the North's military, is no way to run the South's economy.

"A miracle from Pyongyang could turn things around," as one Seoul diplomat put it, but he gave this "about a 10% chance." China and Russia have been urging strongly that Chairman Kim Jong-il finally travel to Seoul, and this, coupled with the danger that the North only has a narrow window of opportunity to work with Kim Dae-jung, whose term is up next year, might bring Pyongyang to a decision. "If Chairman Kim does quickly come to Seoul, with all these urgent requests from Kim Dae-jung for him to do so, then yes, this could reverse all the negative sentiment in the South which has been building up about the Sunshine Policy and President Kim," he said. "Otherwise it will be very difficult for the President to get key economic and social legislation passed. The opposition has called for an end to the Sunshine Policy, and public support is dropping, because many South Koreans say, 'We just give, give, give to the North, but they stopped family visits and have been giving nothing in return.' South Koreans are angry that the North has cut off contact with us, taking out on us, their anger against the U.S. Bush Administration."

Hours before the vote of no confidence against Unification Minister Lim, North Korea sent an offer to end their six-month freeze on contacts with the South; the freeze had been Pyongyang's somewhat irrational response to the numerous insults heaped upon North Korea not by Kim Dae-jung, but by the Bush Administration. Some in Pyongyang were clearly eager to save Lim, a favored negotiating partner of Northern Chairman Kim Jong-il and his own Sunshine co-thinkers in Pyongyang. In its message, the North said, "We propose that dialogue between North and South Korea reopen as soon as possible to open a wider road to reconciliation, unity, and national unification." It was signed by Im Dog Ok, a vice chairman of North Korea's Committee for Peaceful Unification.

Then, on Sept. 3-5, Chinese President Jiang Zemin visited Pyongyang with much fanfare, strongly encouraging Chairman Kim to make the trip to Seoul, just as Russian President Vladimir Putin had done when the Kim Jong-il visited Moscow in August. "We have heard very good things about Chinese President Jiang's trip to Pyongyang," a Seoul diplomat told *EIR*. "All the reports we get from there, and from Beijing, and from Moscow, are that China and Russia are intervening very strongly to urge Chairman Kim Jong-il to go to Seoul as soon as possible and also to open the North's economy on the Chinese model."

Incoming Unification Minister Hong is now due to host a meeting with his North Korean counterparts on Sept. 15-16, as a result of the Pyongyang initiative.