

## MOTIE MINISTER SPEAKS OUT

The following are excerpts from an interview with the Minister of Trade, Industry, and Energy (MOTIE), Lim Chang-yeul, which appeared in the April 30, 1997 edition of *The Korea Herald*.

*Question: How do you analyze the nation's trade situation and what is your approach to solve its problems?*

Answer: Korea's trade gap topped \$20 billion for the first time last year. The administration's top priority in economic policy would be to restrain the ballooning deficit by curbing aggregate demand. This, will be even at the expense of economic growth and unemployment, and we know that might prove to be an unpopular policy in this year of Presidential election. Of course, the government can attribute the ongoing difficulties to sagging semiconductor shipments, surging energy prices and plunging yen. A superficial approach like this, however, would hardly solve fundamental problems. One cannot say, "All the nation's trade worries will be solved overnight once these problems are solved."

The real reasons should be found in this country's energy-intensive industrial structure, an export pattern unduly dependent on a handful of items as well as its extreme vulnerability to foreign exchange rate gyrations. Once analyses are clear, so are their solutions. For instance, the ministry will enforce energy conservation on both businesses and the general public. Instead of launching another save-energy drive as it has done, we will gradually raise energy prices until they become closer to OECD countries' level. It

even considers banning the manufacture and imports of energy-guzzling equipment and appliances, as is the case in the United States. Korea consumes three times as much energy as Japan does to produce the same amount of industrial products.

In order to reduce export reliance on a few mainstay items—semiconductors, automobiles and ships—the ministry will switch to shipments of diverse goods in small volumes, by helping to convert the "swarms of corporate ants" named small- and medium-sized businesses and venture start-ups into as many exporters. The government will let the foreign exchange rates move according to market forces, while limiting its intervention to preventing serious distortion in currency values.

*Q: More than half of Korea's trade deficit stemmed from two-way transactions with the United States last year. What needs to be done to rectify chronic trade gap with industrial countries?*

A: To be sure, overall competitiveness of Korean export goods have sharply weakened in recent years, which in turn is due to problems in the country's industrial structure. At the same time, however, it should be noted that some industrial countries have set up high tariff and nontariff barriers against

Korean exports even though they enjoy handsome trade surpluses with this country. The ministry will strongly call for, among other things, America's dropping of punitive duties on Korean exports even though they enjoy handsome trade surpluses with this country. The ministry will strongly call for, among other things, America's dropping of punitive duties on Korean memory chips and color TVs, Japan's lowering of high tariffs on textile products and leather shoes, and Australia's refraining from frequent antidumping litigations and domestic preference system.

*Q: Some trade partners, particularly the United States and the European Union, are taking issues with the ongoing frugality campaign initiated by civic organizations here. What is the government position on this matter?*

A: As I said earlier, narrowing the current-account deficit is the nation's foremost economic goal for its sustainable growth. The frugality campaign should also be understood under this context. When we say "Let's refrain from overconsumption," it applies on not only foreign but Korean products as well. In a word, it is a drive to limit spending within our means. For this, the government froze additional hiring and wages of employees, businesses shed extra fat in a major restructuring, and consumer groups volunteered to launch anti-overconsumption campaigns. It is NEVER — make it with capital letters — intended to discriminate against imports. After all, are there Korean-made products of 100-percent local contents now? The foreigners for their part need to be patient enough to

wait for Korea to recover from the present slump by tightening their belts. If they don't, this country's efforts to remain a good global trader may falter, which would not be in our partners' interests, either.

*Q: Nonetheless, U.S. and European officials are saying that the Seoul government is behind the campaign and threatening to take the issue to the World Trade organization. What do you say?*

A: You should know, first of all, that the WTO is an organization dealing with government's policies but not with private movements. There is no ground whatsoever for foreigners to bring this case to the global police watchdog. Again, this move is not targeting at imports. And I know better examples of government-led buy-local campaigns, such as the "Buy-British Drive" of the mid-1970s, "Buy-American Campaign" of the early-1980s and the ongoing "Advantage Australia Program." The British drive involved virtually all sectors of society, even including cabinet ministers, and when the United States conducted their own campaign to the tune of Bruce Springsteen's hit song "Born in the USA," that country's trade deficit accounted for only 3 percent of its GDP, compared with Korea's 4.8 percent last year.

Should the Americans and Europeans go and file charges against our campaign with the WTO, we are ready to cope squarely with them armed with sufficient counterlogic and track records. **VIP**

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### Venture Businesses-cont'd

(K.C.Shin)

turing venture businesses. Many small firms have failed over the past couple of years and perhaps more will. Small businesses are one of the bases of a competitive economy. They also provide more fertile ground for creativity and entrepreneurship.

The education system also needs to be changed. The youth of this nation are concentrating on memorizing things over and over again. In this kind of educational environment, there is no chance for innovation, creativity and entrepreneurship, which are the key ingredients for venture businesses. This fact may be more fundamental than anything else.

In the end, a well-functioning venture capital market is also an absolute necessity. Cash is king for successful entrepreneurs. During the start-up stage, the founders usually use their time for capital. The sources of venture capital have to be diversified, and the range of venture capital must be extended. Toward this end, the Government needs to remove entry barriers and to allow individual investment. **VIP**

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### Hwang Jang-yop's Defection- cont'd

(W.Kim)

provide South Korean policy makers with reliable information on the inside workings of the Northern system, and it is shocking enough to fundamentally change our perception of the North, then Seoul's policy toward the North may make a turnabout, probably in the direction of a tougher policy. Considering that we already have diverse sources of information on North Korea, however, it is unlikely that one individual's revelations alone could result in a drastic change of our policy direction.

### Implications for the North-South Korean Relations

Hwang's defection has some important implications for the future of North-South Korean relations. First, the defection strongly suggests that the Kim Jong-il regime is in a crisis, and that the North-South Korean relations are at a critical juncture. The problem is that the administration in Seoul is not well placed to handle this critical situation. Currently, there is virtual policy immobilism as a result of the implication of close associates of the President in the major Hanbo scandal. Moreover, with the presidential election coming up this winter, new policy initiatives are hard to expect. It is for this reason that many foreign experts are now demanding a more active role by the U.S. in this critical region.

Second, Hwang's defection could have some negative effects on the two Koreas' policy toward each other. It could adversely affect Pyongyang's policy toward Seoul if Seoul fails to handle this matter in an appropriate way. On the other hand, it could result in a tougher policy by Seoul toward Pyongyang if Hwang can reveal both reliable and shocking information on the inner workings of the Northern system.

The effects of Hwang's defection must not be overemphasized, however. North-South Korean relations are not so much a reflection of the two sides' policy intentions toward each other as they are a reflection of the larger international political framework. Hwang's defection may affect the two actors' policy intentions, but not the larger international structure. It is clear that the international environment (nowadays largely dictated by the U.S.) calls for better inter-Korean relations, and the presence of this external factor greatly qualifies whatever negative effects Hwang's defection could have on inter-Korean relations. **VIP**