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Reforming for a new millennium

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OCTOBER 3 marks the National Foundation Day of the Republic of Korea. The history of which dates back more than four thousand years to BC 2333. In that prehistoric year, the legendary founding father of the nation, Tangun, began to rule the Korean people as a first nation-state on the Korean Peninsula. Since then, Korea has marched forward through the long years of turbulent history. Numerous kingdoms and dynasties emerged and perished, and all kinds of historical turns and twists visited the Korean people.

Being located in a geopolitically buffeted area among powerful neighbours, Korea has a history full of hardships. It is truly miraculous that Korea has resisted assimilation attempted by its aggressive neighbours and has courageously protected its national identity for such long years of history. The 20th Century has been particularly harsh to the Korean people.

The beginning of the 20th Century brought to the Korean people 36 years of Japanese colonial rule. It was followed by the division of the country into two hostile states. Then the peninsula had to experience the terrible war devastation from the fratricidal Korean war initiated by the North Korean communist regime.

But against these formidable odds, the Korean people have risen above the ashes of war. Like a great fighter who never gives up no matter how overwhelming the odds are, and have managed to become the 11th largest economic power in the world. Indeed, these are truly remarkable achievements. But once again, in 1997, history showed its grim face and the Korean people had to take another blow, which came in the form of a serious financial crisis.

The Korean economic crisis in 1997 erupted with a foreign exchange crunch caused mainly by panic outflow of massive foreign capital. At that time, the country's external debt, which was held mostly by the private sector, reached more than US\$ 150 billion (US\$1 = RM3.80). More than 50 per cent of them were short-term borrowings, the maturity of which was due within one year.

Starting from November 1997, more than US\$2 billion rushed out of the Korean capital market on a daily basis and the country's foreign exchange reserves shrank rapidly to only US\$ 3.9 billion. Under these circumstances, the country suddenly found itself on the verge of bankruptcy and its economy hanging over the cliff. This kind of urgency, severity and intensity may be what differentiates the Korean situation from that of Malaysia in 1997 where external debts were not a major problem.

To face the debacle, unlike Malaysia, we did not have an option other than resorting to the International Monetary Fund (IMF) bailout mechanism, even though we knew that we were in for a painful process of dealing with harsh IMF conditionalities.

To be sure, the IMF prescriptions in the initial stage of the programme were hard to swallow and posed a great challenge to our entire population. Some even worried about possibly curtailing our economic sovereignty. Most Koreans, however, tried to bite the bullet and were determined to take the IMF-requested reforms as a blessing in disguise.

The US\$58 billion IMF package immediately curbed the tailspin movement of the foreign exchange market. Once the foreign exchange market

stabilised, our Government moved swiftly toward fundamental reform, rectifying the structural weaknesses and strengthening the fundamentals which would make our economy strong and healthy.

President Kim Dae-jung, elected in December 1997 in the midst of the financial crisis, wasted no time in exercising leadership to embark on wide-ranging and far-reaching reform programmes aimed at restructuring the country's economic system in a fundamental way. The sweeping restructuring in the financial, corporate, labour and public sectors is still underway. These reforms have brought back foreign investors' confidence in Korea. Last year, the total foreign direct investment (FDI) to Korea was about US\$9 billion. This year, as of the end of August, we were able to attract around US\$8 billion, and we expect the total to reach US\$15 billion for 1999.

Also, the overall economic indicators are showing the Korean economy has successfully ridden out the economic storm. Last year, the country's economic growth contracted 5.8 per cent. But during the first half of this year, the economy grew by 7.3 per cent with inflation kept under 1 per cent.

Available foreign reserves which amounted to only US\$3.9 billion in December 1997, currently total US\$65 billion. The Korean Government has already started to repay its IMF debts ahead of schedule, and now owes only US\$7.5 billion in long-term loans. We are looking forward to graduation from the IMF not in the distant future by paying back all of the IMF loans.

President Kim Dae-jung recently described our economic recovery as only a half-success. With this remark, President Kim expressed firm determination not to slow down the pace of reforms and restructuring aimed at enhancing our productivity and sharpening our competitiveness. He cautioned the Korean people that we cannot risk again to pit ourselves in the trap of hubris and complacency.

Speaking about the bilateral economic relations between Korea and Malaysia, it is encouraging to note that the trade volume between our two countries is increasing as our two countries are recovering from the crisis.

Bilateral trade reached an all-time high in 1997, totaling US\$7.6 billion. This figure slipped to US\$5.8 billion in 1998 due to the economic downturn in both countries. This year, however, the trade volume is increasing again with a total volume of US\$3.2 billion during the first half. Korea's export to Malaysia grew by 14 per cent, whereas Malaysia's exports to Korea increased by 23 per cent.

For Korea, Malaysia is now its 8th largest trading partner, while Korea is Malaysia's 5th largest partner in the world. Considering that more than 180 nations make up the international community, these statistics alone testify to how close and interdependent our two economies are. I believe these strong ties between us will further deepen and expand as our economic recovery accelerates. I am confident that Korea and Malaysia will enter the new millennium as mutually indispensable partners for cooperation.

Also, I am very pleased to note that the number of visitors between the two countries has been rapidly increasing recently. In 1997, more than 53,000 Koreans visited Malaysia, but the economic slowdown of last year caused this number to decrease to 27,000. This year, we are happy to see that the number of Korean visitors in Malaysia is increasing again. I hope that with the economic recovery of both countries, mutual visits will further increase in the near future.

Turning to the political and diplomatic fronts, our two countries are enjoying an excellent relationship. Last November, President Kim Dae-jung

and Prime Minister Datuk Seri Dr Mahathir Mohamad had very productive bilateral talks during the Asia-Pacific Economic Cooperation Forum's Economic Leaders' Meeting held here in Kuala Lumpur. And in June this year, Foreign Minister Datuk Seri Syed Hamid Albar paid an official visit to Seoul with many successful results. In a larger setting, Malaysia and Korea are working closely in regional forums such as the Association of South-East Asian Nations (Asean), Apec and the Asia Europe Meeting. Recently, a new, noteworthy effort has been underway to develop an Asean plus 3 (China, Japan and Korea) forum, where Malaysia and Korea are expected to play crucial roles. This process is now being given an impetus by the launch of the East Asia Vision Group (EAVG) late this month, an eminent persons forum proposed by President Kim Dae-jung. I am convinced that the EAVG would provide the structural framework for cooperation among East Asian countries and greatly contribute to guiding the direction which East Asian nations should pursue in the 21st Century. Within this framework, our two countries' potential for cooperation is greater than ever.

Thus, the relationship between Korea and Malaysia is strengthening in all areas. Our economic partnership has provided a solid foundation for these special ties we enjoy today and will continue to grow for a very long time.

President Kim Dae-jung, in his speech delivered at the recent Apec Economic Leaders' Meeting in Auckland, said that the Apec economies should seek greater social harmony by alleviating the growing economic and social disparity, both within and across nations. These remarks reflect that President Kim holds the same view of "thy-neighbours prosper" policy which has long been a hallmark of Dr Mahathir.

Thus, Korea and Malaysia share the same human values, cherish the same belief that prosperity is achieved only when nations help one another. This will become evident in the new millennium as both nations enter into uncharted waters where unprecedented changes and unforeseen challenges await us.

To successfully deal with these challenges ahead of us, we should try to combine our strengths and closely support each other during the difficult times. It is our firm commitment to continue to further expand and strengthen the friendly relations and cooperative ties between our two countries. My Government firmly believes that continued efforts to foster our relationship will not only contribute to both nations' development and prosperity, but also a leading showcase in smart partnership.

On this occasion commemorating the National Foundation Day of the Republic of Korea, it is a great honour and privilege for me to extend my best wishes for the well-being and prosperity of the Government and people of Malaysia. As an acorn would grow into a mighty oak, so would Korean-Malaysian relations.