

leading to speculation that Chung may have been coerced into the whole provocation by a third party.

Richard Perle himself gave an incendiary interview, which appeared in the morning of Dec. 19 in the hard-line *Chosun Ilbo*, saying that “the option of using military tactics should not be ruled out” with North Korea. Perle said, that those who thought “resolution through diplomatic means” meant something other than 100% resolution were wrong, and that “the danger to be brought upon us by North Korea’s nuclear development is so great that it will result in a quarantine of unprecedented comprehensiveness.” He specified that South Korea needs to adopt certain “counter-battery artillery techniques,” as war could be imminent, and threatened that more North Korean ships may soon be stopped at sea. But the voters weren’t buying.

New IMF Economic Threat

The new government faces the need to demand sovereignty for Korea’s economy, too. On top of the nuclear crisis, President-elect Roh now faces a blow-up of the economy. Just as Wall Street is touting the International Monetary Fund “economic miracle” in Korea, it is falling apart. The IMF’s “success” was based on the inflow of hot foreign money, which has tripled the value of the Korean stock market since 1998. But now, the hot money is leaving just as quickly, exposing the miracle as consumer fraud.

Roh, a labor lawyer, is said to have a leftist leaning for further IMF “reforms.” President Kim’s weak point has been his ideological bias against the *chaebol* industrial combines; he allowed the IMF to shut down whole chunks of South Korea’s industrial base. In November, the government sold the advanced \$5 billion Hanbo Steel complex for scrap, at a dime on the dollar. Roh is said to share that bias. If so, this is the time to get rid of it. As Ambassador Kim Sang-woo points out, you can’t eat cyber-space or fiber optic cable. Asia, and both Koreas in particular, require a “full-set” heavy industrial infrastructure and a full range of industrial output to grow and develop.

The LG Economic Research Institute said Dec. 19 that South Korea’s economy will face a crisis in the second quarter of 2003, as exports to the collapsing U.S. economy dry up. They forecast “the aggravation of insolvent household economies, due to an increase in the burden to repay interest and loans.” Based on the hot-money stock bubble, the Korean government and banks issued a large consumer debt. On advice from the IMF, Korean banks and companies began handing out credit cards almost on every corner, even house to house. Total household debt has been rising at a 34% annual rate, to almost \$400 billion. As stocks drop, the consumer bubble is popping. The Bank of Korea (central bank) issued a report Oct. 8, entitled “Household Debt Feared to Spur Mass Bankruptcies,” which states: “Households are increasingly exposed to credit risks by taking out more loans from financial institutions, causing worries over a possible massive number of household bankruptcies.”

Challenges Ahead for Korean Foreign Policy

by Dr. Kim Sang-woo

The article excerpted here first appeared in the Korea Times on Dec. 16. Dr. Kim is Professor of International Relations at Kyung Hee University; former Ambassador for International and Strategic Affairs, the Republic of Korea; and was spokesman for the Foreign Media Office for President-elect Roh Moo-hyun of the Millennium Democratic Party.

The challenges we face in the field of foreign policy can be described in the three categories of peace, prosperity and maturity. Obviously, the most pressing need is peace, as we keep being baffled by the recurring theme of North Korea’s nuclear development and the possibility of U.S. preemptive strikes. Unification is no doubt our ultimate goal; yet peaceful coexistence on the Korean peninsula must be secured first so the pace and cost of unification may stay within a manageable range.

Theoretically, there are three options available to resolve the issue of North Korea’s nuclear program. The first is the use of military power. In 1994, the crisis passed before its escalation into war. The U.S. government then made the estimation that in case of a U.S. preemptive strike and subsequent retaliation by North Korea, South Korean casualties, both military and civilian, would amount to 1.5 million and U.S. troops 50,000 at least. With the entirety of South Korea and a substantial part of Japan being in striking range of North Korean missiles, this is one option that should definitely be avoided.

The second option is economic sanctions. This again may well provoke North Korea to go down the path of military conflict by choosing to defy the sanctions and deviate from the so-called Agreed Framework. The end result will be same as the first. However, if well controlled, economic sanctions can indeed suffocate the North Korean regime, and eventually induce its collapse, without affairs being escalated to war. Yet in this case, chaos will mount with millions of refugees pouring down to the South and an astronomical amount of money will be needed just to begin to address the situation. The South will never be in a position to handle its impact alone. Not only will outside assistance become essential, but Koreans also may even have to relinquish our right to manage the fate of the northern half of the peninsula to other powers and international organizations.

That is why we believe the remaining option of engaging with the North with the aim of inducing the regime to make changes in the right direction is the only sensible way. To do this job properly, it is of extreme importance to furnish

Pyongyang with the straightforward message: we simply want you to change, not perish; therefore steps toward reform and openness will be duly rewarded with further assistance, but irresponsible actions will be met with penalties. This is a very delicate task requiring strategic astuteness. In sending out such signals to Pyongyang successfully, it is crucial that all the relevant powers cooperate, especially Seoul and Washington.

Despite President Bush's repeated claim that the United States will not attack North Korea and intends to resolve the situation in a peaceful manner, I am afraid I must point out that Washington increasingly appears to be pushing for a regime change in North Korea by attempting to accelerate the collapse of the Kim Jong-il regime. This may serve the U.S. interest as a quick and efficient solution to remove the source of clear and present danger but as stated earlier, it will certainly not serve the national interest of South Korea.

Not only will the untimely collapse of Kim's regime in the North bring havoc to the South Korean economy, but it may also create a serious impingement upon the sovereignty of the nation. With these exigencies in mind the U.S. administration must come to coordinate with Korea's new President-elect as soon as possible. Otherwise, North Korea will keep pursuing political brinksmanship with its nuclear program without knowing the way out and neither Seoul's engagement policy nor Washington's hard-line sanctions will fully achieve their objective. As for the opposition party in Seoul and its supporters, who tend to reverberate the hard-line U.S. rhetoric, I beseech them to come to their senses and think hard about what the national interest of Korea is.

The second category of the foreign policy objective for Korea, in my view, is about prosperity through reinforced emphasis on regional cooperation within East Asia. I believe the future of East Asia belongs together. We must go beyond the conventional notion of regional economic cooperation centered on a free trade area and common currency. With the advent of new technologies, we now have the means to connect each country within the region to high-powered networks. Namely, common infrastructure of the Internet and transportation can indeed substantiate the true meaning of regional unity.

With Korea's leading edge in broadband technology, we can help the whole region of East Asia get connected to cyberspace, ranging from Kamchatka to Mumbai, from Irkutsk down to Bandung and from Pyongyang to Lhasa. This must coincide with the building of transportation infrastructure in physical space. The ongoing construction of the Trans-Korean Railways and their connection to the Trans-Siberian Railways will hopefully have a trigger-effect for further connections to the Chinese mainland and Trans-Asian Railways encompassing ASEAN countries. This combined network in cyber and physical space will not only bring about immense business opportunities and the thriving of physical industries even in remote corners but also tremendously enhance the level of technology for the region. . . .

Hindu Hard-Liners Win Big in India's Gujarat

by Ramtanu Maitra

The lopsided victory of the ruling Bharatiya Janata Party (BJP) in the Dec. 12 state assembly elections in Gujarat, has given mixed signals to the near-future political scene in India. The elections, held under the shadow of widespread anti-Muslim riots, which left at least 1,000 dead last spring, polarized the state population. What was considered as a seesaw battle between the ruling state party BJP and its main opposition, the Congress Party, turned out to be a virtual walkover for the ruling party. The BJP won 127 of the 182 seats. Congress, under the national leadership of Mrs. Sonia Gandhi and the state-level leadership of Shankarlal Vaghela, could manage to win only 50 seats—three less than it had won in 1998. Although the overall winner in the fray was the hard-liner Hindu chauvinist BJP leader Narendra Modi—who is now the state's Chief Minister—it is evident that the Hindus in Gujarat have voted with their feet in favor of BJP's communal electoral forum.

While the national BJP leaders, particularly Prime Minister Atal Behari Vajpayee, were less than enthusiastic for Modi's communal platform, it is likely that the BJP as a national party is now handcuffed, and has little choice but to use this victory as a morale booster for the upcoming elections in other states; and later, in 2004, the national elections. Already, the BJP leaders are falling over each other to congratulate Modi for helping to rejuvenate the party after it had suffered a series of state-level defeats during the past two years.

What Caused the Surprise?

The results have shaken up India's non-communal politicians and analysts—all of whom like to be identified as promoters of secularism. Some analysts are shouting from the rooftops that the worst has happened and the Hindu fundamentalists will now steamroll to power in the coming elections. But the ground realities are by no means so well defined.

To begin with, the Hindu-Muslim tension in Gujarat is a historical fact. From the 12th Century onwards, Muslim raiders from Central Asia came and looted the rich Hindu temples of Gujarat. In addition, as a coastal state on the Arabian Sea, Gujarat has been deeply affected by Arab smugglers—all of whom were Muslims and deeply clannish. There are coastal towns which remain partially under control of this Arab Mafia who have enriched themselves by smuggling in gold, narcotics, and electronics from across the sea. In other words, a large number of Gujarati Hindus, often wrongly, associate the Muslims with pillaging and violence.

Moreover, the state borders Pakistan and had long been