

LET US OPEN A NEW ERA: OVERCOMING NATIONAL CRISIS AND TAKING A NEW LEAP FORWARD

The following is the official text of the Inaugural Address given by Kim Dae-jung, the 15th-term President of the Republic of Korea on February 25, 1998.

Today, I am being inaugurated as the 15th-term President of the Republic of Korea. While sharing with you the joy of the first transition of power from the ruling to an opposition party in 50 years since the establishment of the Government, I commend and thank all of you who have given birth to a genuine "Government of the People," by overcoming all kinds of trials and obstacles.

I would also like to express my deep gratitude to former President Kim Young-sam, former German President von Weizsacker, former Philippines President Corason Aquino, Chairman of the International Olympic Committee Juan Antonio Samaranch and other Korean and foreign guests who are here to congratulate me on my inauguration.

It can be said that the historic significance of today's inaugural ceremony is great, indeed; today is a proud day when a democratic transition of power is taking place on this soil for the first time. Moreover, it is a historic day when an Administration is, at last, being born that will develop democracy and the economy at the same time.

This is truly the "Government of the People" realized by the power of the people. While dedicating all the glory and blessing to you, I firmly pledge to serve you, body and soul.

We will usher in a new millennium in three years. The dawn of the 21st century does not merely signal a change to a new century, but a start of a new revolution. Having passed through five great revolutions from the human revolution that began with the birth of human

beings on earth, through the agricultural revolution, urban revolution, ideological revolution and industrial revolution, humankind is entering a new revolutionary age.

The world is now advancing from industrial societies where tangible natural resources were the factors of economic development into knowledge and information societies where intangible knowledge and information will be the driving power for economic development.

The information revolution is transforming the age of many national economies into an age of one world economy—turning the world into a global village. The information age means that everyone will have access to information whenever and wherever and will be able to easily and cheaply make use of it. This will be possible only in a democratic society.

Approaching this great transitional period in the history of civilization, we must do our utmost and actively meet new challenges. Unfortunately, however, at this very important juncture, we have run into a foreign exchange crisis which is the most serious national crisis since the Korean War. We are faced with a crisis that could bankrupt our country, if we are not careful. With an enormous debt, we are anxious simply to settle the maturing foreign debts that are surging over us every day.

It, indeed, is a stupefying development. The reason we are barely escaping from catastrophe is because of cooperation from you, who are united with patriotism, and the assistance of our friends, including the United States, Japan, Canada, Australia, and the EU nations, as well as the International Monetary Fund, the World

Bank and the Asia Development Bank.

Consumer prices and unemployment will rise this year. Incomes will drop and an increasing number of companies will go bankrupt. All of us are being asked to shed sweat and tears.

We must calmly look back to find out how we have arrived at this state of affairs. This unfortunate development would not have taken place if the political, economic and financial leaders of this country were not tainted by a collusive link between politics and business and by government-directed banking practices and if the large business groups did not have a large number of uncompetitive subsidiaries.

I cannot help but feel limitless pain and anger when I think of you, the innocent citizens, who are bearing the brunt of the suffering over the consequences of the wrongdoing committed by those in leadership positions.

In facing today's difficulties, however, you have displayed amazing patriotism and great potential. Despite the shock dealt to us in this IMF era, we have carried out the great accomplishment of peacefully transferring power from the ruling to an opposition party.

To overcome the national crisis, you have undertaken a campaign to collect gold and have managed to collect US\$2 billion worth already. I am boundlessly proud of your patriotism, which is more precious than the gold itself. Thank you very much.

Meanwhile, our workers are participating in pain sharing by voluntarily freezing wages and the like, despite mounting difficulties in their daily lives. Businesses have registered a large current account surplus for the past consecutive months by making all-out efforts for exports. This demonstration of the patriotism and potential of the Korean people is earning us respect around the world.

Labor, management and the Government laid a foundation for overcoming the national

crisis by reaching a grand compromise through dialogue. What a proud thing it is! Along with all the people, I want to loudly applaud the representatives of the Labor-Management-Government Committee.

I have an earnest request for the opposition, which is the majority party in the National Assembly; we will never be able to overcome today's difficulties without cooperation from you. I will consult with you on all issues; you, in return, must help me if only for one year—this year—when the nation is standing on the brink of disaster. I believe all the people want this.

Right now, this country is facing a setback and a crisis in all areas including politics, the economy, society, diplomacy, national security and South-North relations. To overcome these, we must carry out comprehensive reform.

Political reform must precede everything else. Participatory democracy must be put into practice; the people must be treated as masters and must act like masters. Only then can national administration become transparent and irregularities and corruption disappear. I will pay any price to realize politics by the people and politics in which the people are the masters.

The Government of the People will not carry out political retaliation of any kind. It will not accept discrimination and preferential treatment of any kind. I firmly pledge here and now that there will not be a Government for one region, or discrimination against provinces any longer.

The Administration will make itself an effective government by suffering its share of the pain. A large portion of the power and functions that were concentrated in the central Government will be transferred to private and local autonomous organizations.

On the other hand, we will make increased

efforts to protect the life and property of the people. We will also make active efforts to protect the environment and improve social welfare.

"A powerful but small government" is the goal of the Government of the People.

The biggest task facing the Government of the People is to overcome the economic crisis and make our economy take off once again. The Government of the People will push democracy and economic development in parallel. Democracy and the market economy are like two sides of a coin or two wheels of a cart. If they were separated, we could never succeed. Every nation that has simultaneously accepted both democracy and a market economy has been successful.

Nations, on the other hand, that have rejected democracy and accepted only a market economy have ended up suffering disastrous setbacks as illustrated by Nazism in Germany and militarism in Japan. These two countries, too, accepted both democracy and a market economy after the Second World War and have come to enjoy the freedom and prosperity they have today.

When democracy and a market economy develop together in harmony, there cannot be collusion between politics and business, government-directed financing and irregularities and corruption. I firmly believe that we can overcome today's crisis by practicing democracy and a market economy in parallel.

In order to revitalize the economy, we must stabilize prices. Without price stability, no economic policy can succeed. We will take both large corporations and small businesses equally seriously. Moreover, we will help both of them develop by guaranteeing the independence of large corporations and extending concentrated support to small and medium-size businesses.

Furthermore, we will follow the principle of competition. We will forge a nation where businessmen who earn a lot of foreign currency by

manufacturing the best quality but cheapest products in the world are respected.

Acting on our determination to build a leading nation in technology, we will resolutely push a policy to make our nation strong in leading-edge technologies. Venture companies are the flower of the new century. By actively fostering them, we must produce high value-added products and make our economy develop in leaps and bounds. Venture companies will create a lot of jobs and greatly contribute to resolving unemployment problems.

The five great reforms that the big business groups have pledged to the Government of the People to undertake—namely, transparency of business management, an end to the practice of guaranteeing loans among group subsidiaries, the building of a healthy financial structure, adherence to core business lines and support for small businesses, and making majority share holders and managers take responsibility—will be carried out by all means.

This is the only way for businesses to survive and for our economy to make another leap forward. The Government will thoroughly guarantee the independence of business companies. However, it will sternly demand that they make efforts for self reform.

The Government of the People will also do its utmost to induce foreign investment while at the same time trying to help boost exports. Inducement of foreign capital is the most effective way to pay back our foreign debts, strengthen the competitiveness of businesses and raise the transparency of the economy.

We must take agriculture very seriously and realize self-sufficiency in rice at any cost. We will strongly push a policy to lessen the liabilities of farming and fishing households, provide them with disaster compensation, guarantee the prices of farm and fishery products, improve education in farming villages as a matter of priority, raise incomes and enhance

the welfare of farmers and fishermen.

If we push appropriate economic reforms with the patriotic and determined people of this country, I have no doubt whatsoever that we will be able to overcome today's difficulties and start on a new path of vitality from the second half of next year.

Please trust me and support me. I will satisfy your expectations without fail.

We need a spiritual revolution for a healthy society. By a spiritual revolution, I mean respect for each person and adherence to justice as the highest value. We must realize by all means a society where people who live honestly succeed and those who do not fail. We must share not only pain but rewards and joys. We must shed sweat together and reap fruit together. I will take the lead and devote my all to realizing such a spiritual revolution and righteous society.

We must give opportunities to work to the elderly and disabled if they are capable. If they are not, we must take care of them warmly. I will be "the president of the people," who will wipe the tears of the alienated and encourage those in despair.

We, as a people, have a high level of education and brilliant cultural tradition. We are a superior people who have enormous potential in the age of information of the 21st century.

The new Administration will make efforts so that the young generations will be able to become main players in the knowledge and information society. We will teach computers in primary schools and let high school graduates choose computer science on the university entrance examinations. We will lay a firm foundation for a leading nation in the information age by training the most skilled computer users in the world.

Education reform is a core task that will solve a mountain of problems in our society today.

We will epochally reform the university entrance examination system and forge a society where ability counts. We will free young people from extracurricular studies and relieve parents from the heavy monetary burden of private tutoring. We will realize education for whole men and women, emphasizing knowledge, moral character and physical fitness equally. I take this opportunity to firmly pledge that I will carry out such educational reforms at all costs.

We must pour our energy into globalizing Korean culture. We must embrace and develop the high values that are contained in traditional culture. The culture industry is one of the basic industries of the 21st century. Tourism, the convention industry, the visual industry, and special cultural commodities are a treasure trove for which a limitless market is awaiting.

The middle class is the foundation of the nation. I will do my best so that middle-class people—salaried men and women, small businessmen and self-employed persons—can lead a stable and happy life.

The Government of the People will make active efforts to protect women's rights and develop their abilities. The wall of sexual discrimination in homes, workplaces and throughout society must be removed.

Young people are the nation's hope as well as strength. The Government will not spare any effort to establish support measures for the promotion of their education, culture and welfare.

The 21st century will be a millennium characterized by both competition and cooperation. Diplomacy in the age of globalization will require a change in ways of thinking. Diplomacy in the 21st century will center around the economy and culture. We will keep expanding trade, investment, tourism and cultural exchanges in order to make our way in the age of boundless competition which will take place against a backdrop of cooperation.

Our national security has to be independent as well as collective. Based on the unity of the people and a strong armed force with high morale, we must strengthen our independent security posture. At the same time, we will never neglect collective security, further firming up, among other things, the ROK-U.S. security arrangement. For the establishment of peace on the Korean Peninsula, we will make utmost efforts to bring the Four-Party Meeting to success.

Inter-Korean relations must be developed on the basis of reconciliation and cooperation as well as the settlement of peace. The Cold-War style of South-North relations for over a half century, during which members of separated families could not confirm whether their own parents and brothers and sisters are alive or dead, let alone carry on dialogue and exchanges, must be liquidated as soon as possible. I cannot but feel boundless shame before our ancestors who maintained one unified country for more than 1,300 years.

The path toward the resolution of South-North problems has already open. It is the implementation of the Basic South-North Agreement adopted on December 13, 1991. The Government authorities in the South and North have already reached complete agreement on three items, namely, reconciliation, exchanges and cooperation, and non-aggression between the South and North. If we carry out these agreements, we can successfully resolve inter-Korean problems and march on a broad path toward unification.

Here, I will define three principles on North Korea:

First, we will never tolerate armed provocation of any kind.

Second, We do not have any intention to harm or absorb North Korea.

Third, we will actively push reconciliation and cooperation between the South and North

beginning with those areas which can be most easily agreed upon.

If interaction and cooperation between the South and North are realized, we are prepared to support North Korea even if it pushes for interaction and cooperation with our friends, including the United States and Japan as well as international organizations.

Despite the current economic difficulties, the new Administration will carry out the promises the Republic of Korea made in connection with the construction of light-water nuclear reactors in North Korea. We will not be stingy in extending food aid to North Korea from the Government and private organizations through reasonable ways.

I earnestly appeal to North Korean authorities. Numerous members of separated families have become old and are passing away. We must let relatives separated from their families in the South and North meet and communicate with each other as soon as possible. On this point, North Korea has shown some positive signs of late, and I am paying keen attention to developments. I also hope that the two sides will expand cultural and academic exchanges and economic exchanges on the basis of separating the economy from politics.

I hope that interaction between the South and North will expand in many fields based on the South-North Basic Agreement. First of all, I propose an exchange of special envoys to promote the implementation of the South-North Basic Agreement. I am ready to agree to a summit meeting, if North Korea wants.

The new Administration will strengthen close ties with ethnic Koreans overseas and will make active efforts to protect their rights. I will actively support them so that they could lead stable lives and be proud of being ethnic Koreans while fulfilling their duties and exercising their rights as citizens of their adoptive countries.

We are now standing at a crossroad from where we can march forward or retreat. Let us take powerful strides forward, overcoming the trials that are obstructing our path. Let us open a new age during which we will overcome the national crisis and make a new leap forward.

We are standing in the shadow of our 5,000-year history; the spirit of our forefathers are urging us on.

Just as our forefathers saved the country with indomitable will whenever they met national ordeals, let us write a great chapter in our history by overcoming today's difficulties and undertaking another leap forward. Let us turn today's crisis into a blessing.

We can do it. The historic record of our success from the ruins of the Korean War proves it. I will take the lead. Let us resolutely march forward, hand in hand. Let us overcome the national crisis. Let us make another leap forward.

Thus, let us take the Republic of Korea to new heights of glory once more Thank you. **VIP**

A New Wave of Currency Crisis

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this question will depend upon the future current account surplus, or trade surplus. In 1998, aided by the sharp fall in import demand and investment and the relatively huge depreciation of the domestic currency relatively to its trading partners, the current account surplus is expected to be more than \$20 billion, which will significantly reduce the total foreign debt. As the won-dollar exchange rate become more stable and domestic demand expands, the current account surplus will contract to \$16.3 billion in 1999, and \$4.6 billion in 2000. After 2001 it will reach a near-balanced level.

However, successful recovery is a long and winding road. Because of the fragile economic conditions, the Korean economy is prone to being rattled by moderate outside shocks. To avoid this, the restructuring of Korea's economic structure including the financial system and corporate management needs to proceed without delay. **VIP**

<Table 1> Forecasts for Korea's Current Account Balance and Total Foreign Debts

(billion U.S. dollar)

	1998	1999	2000	2001	2002
Current Account	20.7	16.3	4.6	-0.3	-3.4
Trade Account	24.0	17.8	4.2	-2.5	-7.3
Exports	147.0	158.3	163.1	172.6	184.3
Imports	123.0	140.5	159.0	175.1	191.4
Total Debt	133.7	117.4	112.8	113.1	116.5

- The values for the current account balances are estimates based on HRI's forecasting model.

- To estimate the amount of total debt, it is assumed that the change in the total debt equals the change in the current account balance.