

POLICE have begun to crack-down on crooked land deals in Korea.

In one case, eight men were prosecuted for making illegal profits out of the purchase of land from the Korea Land Development Corp.

Their companies had previously sold the land to the KLDC. Then, when the

land came up for public sale, they bought it back — at lower prices than they had received for the original sales.

A police investigation revealed bribery, proxy bidding and collusion with officials.

But the cheekiest racket was run by 34-year-old Kwon Tae-kyun and his associates.

Rumours were spread among women land speculators that they could make a 20 per cent profit within 45 days if they bought land from Kwon.

The women handed over large sums in the belief that prices would skyrocket because of development prospects. In fact, the land was worthless.

Kwon also had another profitable side-line going for him, according to police in Yoido, Seoul. He netted 280m won by selling 55,000 pyong of forest land in southern Cheju Island.

There was only one snag: he did not own the land. Police are still searching for his accomplices.



Recovery under threat

REAL ESTATE speculation is threatening to destroy the boom that is now predicted for Korea.

President Chun Doo-hwan has now asked social leaders to take the lead in a campaign to prevent the recurrence of speculation.

In a speech on September 14 the President (pictured above) said: "Speculative investment, if it occurs again, will paralyze the economic order, and bring ruin on our nation in the long run."

The government has set up an anti-speculation task force in response to an increase in real estate prices of up to 20 to 30 per cent in some areas, since last spring.

Economic indicators are promising boom conditions for Korea. The construction industry promises to lead the economy out of the slump, with nearly 30 million square kilometres licenced for building construction during the first seven months of 1983.

But the President has warned his country that land speculation was detrimental to development.

His government's action has been criticised as inadequate however. One economic commentator, Han Kon-ju, declared in the *Korea Times* on September 13: "Speculative investment in real estate, including apartment houses, will not be blocked completely as long as earnings from real estate deals are judged lucrative."

Mr. Han called for tougher action, including higher taxes on the profits from land deals.

Land speculation is now rampant

Report by Peter Poole

PARISIAN scholar Claude Balaize flew into Seoul on July 25, 1982 to study the way in which the Koreans used their natural resources.

A month later he informed the Press: "Few countries have utilized their land to the maximum extent like Korea, apart from Japan and the Netherlands."

He praised the people for thoroughly cultivating mountainous land and overcoming rough natural conditions.

The French doctor's glowing analysis of land use is at odds with the picture that emerged over the following 12 months.

● Data collected by the Korean Appraisal Board revealed that land prices increased by 16.7 per cent in 50 cities, compared with an increase of 1.1 per cent increase in wholesale prices, during the 12 months up to last April.

● Land speculation has been rampant in Korea over the past year, reaching intolerable levels after a 63-fold

increase in prices over the past 15 years.

The speculation has now forced the government to take action, but the proposed measures have merely succeeded in freezing up the land market.

THE ECONOMIC costs of land speculation are now being identified in the Korean newspapers.

One journalist, Hong Tae-hee, explained how industry had suffered as a result:

"Cash-laden businessmen have often converted large sums of their corporate money into grabbing extensive land, often with money borrowed from banks under the guise of corporate financing programmes.

"The money spent on land purchases by corporations in this way, however, has bred better profits than using the money for operations on expanding their factories."

Highest Prices per Sq m In Commercial Areas

	(Unit: 1,000 won)		
	April 1, '82	April 1, '83	Increase Rate
Myong-dong, Seoul	6,655	7,600	14.1
Changson-dong, Pusan	4,537	6,000	32.2
Tongmun-dong, Taegu	3,000	3,900	30
Inhyon-dong, Incheon	1,200	1,600	38.3
Chungjangro, Kwangju	2,700	3,600	33.3
Unhyang-dong, Taejon	2,100	3,000	42.8

Land Price Increase Rates In Six Biggest Cities: %

	Commercial	Residential	Industrial	Average
Seoul	30.3	21.9	15.9	25.7
Pusan	19.3	14	12.9	16.2
Taegu	15.1	4.1	4.1	8.5
Incheon	6.6	7.6	9.6	7.6
Kwangju	18.8	14.5	15.2	16.1
Taejon	10.2	8.7	12.5	9.3
Average	22.7	14.8	11.6	18.1

Thus, speculation has led to a distortion in the pattern of land use and capital investment – hardly a model to be envied by other countries.

AMONG the measures adopted by the government are a heavier tax on capital gains, and the posting of special taxation zones where property has been the target of fierce speculation.

In addition, areas where land prices are escalating rapidly will be designated as "transaction-regulated districts."

Deals have to be reported to the government before contracts are exchanged. Owners will have to disclose the price, the kind of right to be transacted, and the use to which land will be put.

The government will then advise the parties involved of what it considers to be a reasonable price and utilization plan.

Where buyers refuse to accept the advice, provincial governments will have the right to step in and buy the land at what they deem to be reasonable prices.

Shell-shocked landowners have suddenly found no takers for their over-priced land.

As Mr. Hong put it: "Together with the vanished motive for greedy land speculation, the land owners have lost the opportunity to change their property assets into liquid assets."

People who had over-borrowed in order to buy land are now faced with a financial crisis – which could bankrupt some companies.

● **Ian Barron** writes: Although intense speculation has been brought to a halt, a frozen land market cannot help a dynamic economy such as Korea's.

The government is being pushed into the direct purchase and development of land, rather than allowing private sector developers to undertake the job at a competitive profit.

Korea is facing a period of financial stringency, and it is unlikely that the government will be able to afford to buy all the land that is needed – even at prices well below the speculative peaks – for public sector development.

The government should now consider a radical reform of land tenure and taxation, in which a free market and an annual *ad valorem* tax on land could combine to produce the best results all round.

REFERENCES

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2. Hong Tae-hee, 'Land Transactions Frozen to Standstill', *The Korea Times*, July 13, 1983.

Bureaucratic bungling: report indicts hospitals

By Ian Barron

BITAIN'S health service has been indicted for under-using its property, writes Ian Barron.

The evidence of a government enquiry amounts to a severe attack on the bureaucratic method of controlling the use of land.

The national health service (NHS) owns over 50,000 acres. Last year, 3,325 acres were identified as vacant or under-used.

Now the committee of enquiry recommends that hospital authorities should be forced to justify their possessions.*

A notional rent – based on current market values – should be imputed to all property. If an authority could not justify its holdings on the basis of its performance, it should be penalised if it did not sell some of its unused assets.

This proposal was welcomed by Mr. Norman Fowler, the Minister for Social Services.

Notional rents, he said, would "bring home to users the value of accommodation they occupy and . . . promote greater efficiency and effectiveness in the use of property."

THE REPORT documents the weaknesses in the bureaucratic ownership and administration of property.

● Hospital authorities displayed a "somewhat casual attitude" to property. The committee offers its explanation:

"We believe that this attitude derives largely from the fact that property in the national health service is a 'free good'. We are convinced that, unless corrected, it will frustrate attempts to achieve greater effectiveness in estate management."

Many authorities did not even know the size or value of their holdings.

● A Whitehall interpretation of the planning laws has prevented health authorities from obtaining planning permission to change the use of their land.

A new legal opinion from the Department of the Environment has now reversed their earlier interpretation.

● Bungling between health authorities, planning authorities and District Valuers has meant that a great deal of land was wasted.

The committee illustrates this with the case of a 3-acre site which was allowed to stand idle. The hospital

IN THESE times of financial stringency, many of Britain's hospitals are threatened with closure because they cannot meet their costs.

One of these is Tadworth Court Hospital in Surrey, which has had to receive emergency grants of £300,000 from the government to keep its doors open for the treatment of sick children.

Yet £2.1m could be raised from the sale of land and buildings which are not needed. Properly invested in an endowment fund, this capital would yield an annual income of £250,000.

Some of the Tadworth properties have been unused for two years.

But hospital authorities which administer valuable properties are generally reluctant to lose control.

This is the response to the campaign to protect two Richmond (Surrey) hospitals, which are threatened with partial closure.

Councillor John Waller has proposed that part of the 76-acre site belonging to West Middlesex Hospital should be sold to provide funds that would remove the threat against the two hospitals.

But a spokesman for the area health authority declared: "If you sell any assets, that is a once-and-for-all answer to a recurrent cash problem."

"Once that land is gone, you have lost it forever and it has only provided a temporary cash yield. There must be a more permanent solution."

failed to reap the benefit to the tune of £2.7m, and the local authority lost £500,000 which it would have gained if the land had been developed.

THE MISUSE of scarce resources would be undermined by the committee's proposal to make hospital authorities more accountable. The report declares:

"We are convinced that the adoption of a positive NHS property valuation system is essential as being the only realistic way of bringing home to both planners and users the cost of accommodation occupied. It

● Cont. on P.119