

Korean calamity

MANUFACTURERS in Korea, one of the Asian "tigers" whose productivity has challenged the dominance of western economies, are reeling under two pieces of bad news.

The latest data reveals that the economy's performance has slumped to the lowest GNP growth rate in eight years. Economists now predict an upturn in unemployment.

And President Roh Tae-woo has announced a swinging attack on corporations that hoard land. In a radio broadcast, he declared: "History shows that social unrest and changes take place when land is monopolised by a small number of people."

Industrial leaders, who have not linked the two events, are challenging the government's plans to introduce new taxes on land. The Federation of Korean Industries condemned the land tax plans as violating the "principle of taxation".

FACT: the top 5% of South Koreans own 65% of the nation's 99,222 sq kilometres. Between 1975 and 1988, land prices skyrocketed 8.4 times, compared with 4.7 times for housing prices, 3.1 times for per capita income and 3.7 times for wholesale prices.

The government has become increasingly concerned about the way in which corporations have shifted from producing wealth to speculating in land — buying more than they need, and holding it vacant until they are ready to make a capital gain.

This has been a rational response to price trends. The income from privately-owned land amounted to 10,900 bn won in 1985, equivalent to 15% of



• Archer Torrey

GNP. The figure was equivalent to 35.7% of GNP in 1987, and soared even further last year. It is this income which the President plans to trap with his controversial taxes.

- Owners of idle land whose value has increased at a rate that exceeds the national average land price will have to pay 50% of the difference between the purchase price and the current market price in taxes every three years. On land that increases at a rate 1.5 times the national average, the tax liability will be equivalent to 50% of the difference, payable every year.

- The government also plans to impose restrictions on how much land corporations can own. When firms buy land which is not related to their business, they will be subject to a 15% property acquisition tax, which is 7.5 times higher than the normal 2% rate. If the land is held idle for five years, the firms will also be subjected to additional taxes.

Tax officials have also revealed that they plan to investigate land deals involving corporations. Nominees will not be able to borrow money from banks on behalf of land speculators — the government now insists that the identities of borrowers will have to be disclosed.

Any corporation whose debt is more than two times its capital will not receive tax exemptions on its interest payments when it runs either golf courses, ranches

or other large businesses needing land. This is designed to increase the ratio of equity capital and reduce the dependence on loans.

These tough measures are supported by most Koreans. In an editorial, *The Korea Times* declared that the overall effect will be to "rectify the distorted income distribution structure and ease the worsening conflict among the different income brackets. Speculation in real estate is to be rooted out largely because it is a means of amassing unearned fortunes at the expense of earnestly working people".

FACT: Corporations have made huge profits from land deals. Business firms possess about 4,496 sq kilometres, or 4.5% of the nation's land. Over 67% of this land, about 3,000 sq kilometres, is owned by 403 firms. Many of their tracts are held idle.

The Rev. Archer Torrey, of Jesus Abbey, in Kangwon-do, is lobbying the government for an annual levy on the rental value of all land. But he has publicly congratulated the government and attacked manufacturers "who have been diverting capital which was intended for production (some of it put up by people in order to create jobs) and 'investing' it in urban land speculation.

"Production is their reason for existence I have been trying to persuade them that it is to their own interest as well as the interest of the entire country for them to work on behalf of the heavy land value tax. They would thus restore profitability to their productive enterprises instead of being a party to the destruction of the economy."