

# Korean scandal targets Clinton peace accord

by Kathy Wolfe

The slush funds scandal in South Korea against former President Roh Tae-woo, being promoted by the Anglophile media, is a potential threat to President Bill Clinton's Korean nuclear peace accords. Coming at the same time as the assassination of Israeli Prime Minister Yitzhak Rabin, it is another blow to Clinton's plans for economic development of the Eurasian continent, and is under *EIR* investigation for similar British Intelligence authorship.

Roh was accused by a former head of the Korean Central Intelligence Agency (KCIA) with stealing funds. After a 14-hour grilling by prosecutors, the elderly and exhausted Roh confessed on national TV on Oct. 27 to raising 500 billion won (\$654 million) in political funds, and keeping 170 billion (\$222 million), upon leaving office in February 1993.

The scandal has also hit South Korea's President Kim Young-sam, who on Oct. 30 was forced to deny charges that he received funds from Roh, as well as from the heads of every major political party in South Korea.

Such a scandal, over a common practice, could be used any day, against any leader, in any nation in East Asia. Slush funds are immoral—but the entire elite of Korea should not be destroyed, only because London objects to Korea's potential contribution to Eurasian economic development.

While President, Roh, a four-star general, was the chief architect of South Korea's "Northern policy" of rapprochement with North Korea. On Oct. 4, 1988, at the U.N., Roh called for the reunification of Korea and for "reconnecting every roadway" to combine all "human, technological, and financial resources." Roh emphasized a policy of food for peace with the North, coinciding with Lyndon LaRouche's Food for Peace offer to the East bloc that same month, at Berlin's Kempinski Bristol Hotel.

Roh and his corporate backers are being particularly criticized for the huge public works projects Roh initiated, including the Seoul-Pusan high-speed train, a dozen nuclear power plants, a second international airport outside Seoul, and defense procurements, including U.S. F-16 fighters.

The original allegations were made by a former Roh bodyguard, Lee Hyun-woo, who was head of the KCIA and handled the funds. Former U.S. Ambassador to Seoul Donald Gregg, who was deeply involved under Vice President George Bush in the Iran-Contra guns-for-drugs affair, was sent to Seoul when Bush became President, while Bush was simply a puppet of British Prime Minister Margaret Thatcher.

Gregg has just the sort of networks inside the KCIA which might be used to destabilize Korea, in the interests of Bush and his friends in London. During the Nov. 4-5 weekend, there were violent street protests, in which demonstrators clashed with riot police in Seoul, demanding Roh's arrest and accusing President Kim Young-sam of a coverup. These sorts of dirty operations are also Ambassador Gregg's cup of tea.

## Korean banks, industry attacked

The scandal is also a threat to the Korean economy and banking system, at a time when the banking systems of Japan and China are also reporting major loan losses, and suffering a press attack from London, from which banks in London and New York appear to be curiously immune.

"It may be that someone wants Korea to get the 'Japan treatment,' " a Korean source told *EIR* on Oct. 29, referring to the slush funds scandal. "Korean bank officials and banks could be a major target of this prosecution," he said. "Isn't it interesting if Korean banks are hit by a crisis, at the same time of this big crisis at the Japanese banks?"

The Prosecutor General's office in Seoul said on Oct. 28 that it was conducting a probe into all 12 South Korea commercial banks, including Shinhan Bank, Donghwa Bank, and Dong-A Investment Finance. Shinhan was the first bank "exposed" as a depository of President Roh's slush fund.

Charges that banks have sheltered slush money belonging to Roh have triggered panic selling of bank shares. "Investors" are said to fear that a probe could shake public confidence, causing runs on banks. "Bank shares have fallen 5-6% since the scandal broke out," crowed an analyst at London's S.G. Warburg on Nov. 3. This could "create chaos for the whole economy," Casey Choe, a broker at Seoul Securities, told the press on Oct. 28.

If prosecutors determine that Roh has not revealed the full truth and launch an all-out hunt through bank accounts for the missing millions, "that's going to be hell for investment and banking stocks," said Choe.

Industrial leaders are facing prosecution, at a level such that it were comparable if the chairmen of GM, IBM, and U.S. Steel were indicted in the "Whitewater" probe.

The Seoul stock market fell sharply Oct. 28-Nov. 6, on news that the major Korean industrial conglomerates, called *chaebol*, led by Daewoo, Hyundai, Samsung, and LG, would also be investigated. The *chaebol* account for a huge chunk of stock market capitalization and exports. Those facing indictment include the heads of Hanbo Group and Daewoo Group, prosecutors told the press on Nov. 6.

After interrogation, Roh supposedly named his corporate collaborators. First was Chung Tae-soo, chairman of the giant Hanbo Construction Group, who on Nov. 4 admitted that he contributed to Roh. Heads of 10 other conglomerates were to be summoned the following week, Yonhap news service reported, including the chairmen of the Daewoo Group, the Dong Bang Group, and the Sunkyong Group.