South Korea: Unions agree to impose IMF dictates

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Even before assuming office, long-time South Korean opposition figure and now president-elect Kim Dae Jung confronts growing political opposition as job losses and bankruptcies mount.

Since the presidential elections on December 18, the South Korean currency, the won, has lost nearly half its value against the US dollar and share values have fallen almost as much, compounding the impact of already critical levels of foreign debt.

Kim, who is due to be installed on February 25, has pledged to implement harsh austerity measures demanded by the IMF in return for a $55 billion rescue package. A transition team is working closely with the administration of outgoing president Kim Young Sam to push through extensive restructuring of the economy.

At the insistence of the Clinton administration, the IMF has insisted on major inroads into the monopoly control held by South Korea’s conglomerates (or chaebols) such as Hyundai and Samsung, as well as stringent controls over financing and bank credit.

Already eight of the top thirty chaebols are in bankruptcy. With interest rates at around 30 percent, many small firms are collapsing. Between December 29 and January 5, 500 companies were declared insolvent in Seoul alone.

One of the chief demands of the IMF and the corporations is for the rapid repeal of laws blocking the wholesale dismissal of full-time workers. Hundreds of thousands face retrenchment as companies seek to slash costs in order to shore up their precarious finances.

IMF managing director Michel Camdessus remarked in Seoul on January 14 that layoffs were “a key” to the South Korean administration winning a reprieve on debt repayments from international banks. Over half of the $157 billion foreign debt—$92 billion—comprises short-term loans.

Kim Dae Jung is relying heavily on the unions—in particular, the unofficial Korean Confederation of Trade Unions (KCTU)—to dissipate opposition in the working class. The official jobless rate is expected to double by March as up to a million workers lose their jobs.

Hostility to the job cuts has erupted in a series of demonstrations against plans to end the system of guaranteed life-long employment. Job losses will be compounded as the new government slashes 10 percent from public spending and shuts down major infrastructure projects such as the Seoul-Pusan high-speed railway. Social tensions are also being fueled by rising prices for basic items—in a matter of weeks bus fares have risen by 16 percent, gasoline by 5 percent and canned tuna by 27 percent.

The protests organized by the unions have been limited and isolated. Since early December both the KCTU and the state-run Federation of Korean Trade Unions (FKTU) have participated with corporate representatives in the government’s “Emergency Economic Measures Promotion Committee” to discuss the implementation of the IMF demands.

The KCTU has called for a tripartite social contract with big business and the Kim Dae Jung government. KCTU leaders initially opposed any legislative changes to permit the mass retrenchment of full-time workers. But on January 15, on the same day as Camdessus’s statement, both the KCTU and FKTU agreed to enter negotiations with the government and corporations.

The KCTU is frequently described in the press as “militant” and “left-wing.” But since the 1980s it has allied itself closely with bourgeois opposition figures such as Kim Young Sam and Kim Dae Jung against remnants of the old military-backed regime. Under Kim Young Sam’s administration, the KCTU stifled the growing opposition in the working class to its policies.

In December 1996 and January 1997, widespread strikes erupted against planned changes to labor legislation aimed at permitting mass sackings, gutting working conditions and severely restricting industrial action. The KCTU, backed by the International Confederation of Free Trade Unions and the AFL-CIO, limited the strikes and eventually shut down all industrial action, even as the Kim Young Sam government was tottering following the collapse of the Hanbo steel conglomerate.