

Kim Dae Jung and unions enforce IMF program

## Korean unemployment doubles in six weeks

**Peter Symonds**  
**3 April 1998**

Unemployment levels are soaring in South Korea, as the newly installed Kim Dae Jung government, backed by the trade unions, implements the International Monetary Fund's economic restructuring program.

The official jobless rate has climbed far more rapidly than predicted. At the end of January, it stood at 660,000, or 3.2 percent, the highest level in 11 years. By mid-March, the figure had more than doubled to 1.65 million, or 8 percent, and it is expected to reach two million by the end of the year.

Even by these official figures, one million jobs have been destroyed in just six weeks--an average of 160,000 every week. The actual toll is far more serious. The government's statistics exclude the underemployed and those able to secure only casual work.

Unemployment and other welfare benefits are almost nonexistent in South Korea. Many unemployed workers are in dire poverty, and the level of homelessness is rising. According to one report, at least 5,000 people are now sleeping on roadsides or in subway stations.

The government has yet to implement plans to extend welfare benefits for the unemployed. Moreover, the proposed benefits fall far short of what is required to provide a decent standard of living. Much of the burden is to be imposed on the working class itself. Last week Kim Dae Jung's party announced proposals to slash the wages of public sector workers by 10 to 20 percent to provide for a limited unemployment compensation fund.

Among the hardest hit have been 'illegal' immigrant workers, who were given until March 31 to leave the country. The government was forced to extend the deadline after airports were choked by long queues of workers unable to get flights. Many more are stranded, after being sacked without pay by businesses going bankrupt.

For years, the government turned a blind eye to an estimated 300,000 workers from Pakistan, India, the Philippines, Vietnam and other Asian countries, who

overstayed their visas and provided a pool of low-wage labor, performing dirty and dangerous work. Now they are being summarily thrown out with little prospect of employment at home. Since December 46,000 have left South Korea.

This massive job shedding is part of the economy's plunge into severe recession. Finance Minister Lee Kyung-sung this week said economic output, which expanded by 5.5 percent last year and 7.1 percent in 1996, would contract by between 0.2 percent and 0.8 percent this year, the first fall since 1980. Business analysts have rejected Lee's forecast as optimistic, predicting a drop of 2 percent or more.

### The IMF's 'restructuring'

The economic crisis is being compounded by the IMF's demands for wholesale economic restructuring in return for its US\$57 billion bailout. Through the IMF program, the major international banks and conglomerates are seizing upon the country's corporate financial meltdown to drive their South Korean rivals to the wall and break open lucrative markets.

The bailout was specifically designed to protect the interests of US, European and Japanese banks that had lent billions of dollars to Korean firms, while leaving Korea's industrial conglomerates no choice but to slash their operations drastically and sell off whole sections of their empires at fire sale prices to repay the debts.

One of the IMF's key stipulations was that domestic interest rates remain high to encourage foreign investment. With borrowing rates at around 20 percent, 3,232 debt-laden Korean companies were driven into bankruptcy during January alone.

Much worse is still to come as larger companies are affected. One Western financial house, SBC Warburg Dillon Read, estimates that Korean corporations owe

between 600 and 800 trillion won (US\$410-545 billion), much of it falling due this year. 'Sooner or later banks will cut the lifeline and that will bring some serious bankruptcies,' said Ken Lee, head of research at another finance house, ING Barings. 'May and June will see many companies go under.'

Events at Samsung provide one example of the pressure being applied to even the largest of Korea's *chaebol* conglomerates. Over the past two decades the Samsung Group has grown into an industrial-commercial complex, producing clothing, memory chips, PCs, phones, ships, construction machinery, chemicals, aerospace equipment and motor vehicles, as well as owning retail, trading and insurance companies.

Now, owing \$23.4 billion to domestic and overseas banks--a staggering 267 percent of its equity--it is being forced to sell off divisions, shelve projects and slash jobs. In deals valued at \$600 million, Swedish-based Volvo has snapped up Samsung's construction equipment business and US-based Clark Material Handling has absorbed its forklift division. Samsung has sold \$300 million in real estate and other assets, and is reducing global investments by 30 percent.

These plans have not satisfied its bankers and rivals. A report in the US-published *BusinessWeek* cites analysts declaring that the company needs a bold plan to axe 20 percent of its work force of 230,000, and sell off its auto, petrochemical, aerospace and other divisions.

#### Unions aid the government

In order to meet such demands, another central condition of the IMF package was the scrapping of South Korea's 'life-long employment system,' which provided a certain limited job protection and other benefits for those employed by big companies.

In February, the trade union confederations--the conservative Federation of Korean Trade Unions (FKTU) and the unofficial Korean Confederation of Trade Unions (KCTU)--abandoned all opposition to this measure. They signed an agreement with the incoming government and big business for changes to the labor laws, now enacted, to permit mass retrenchments.

Having paved the way for large-scale layoffs, the trade unions announced the establishment of unions for the unemployed. This was a sop to angry members and an attempt to retain a grip over the growing army of jobless, not a step to mobilize the working class against the

government and its IMF program. Thus, in announcing their National Alliance for the Unemployed, FKTU leaders reassured the government that the new body would not organize demonstrations but provide limited services such as job training and medical checkups. Nevertheless, the government quickly announced that even these organizations would have 'negative effects' on society, and would therefore be banned.

Meanwhile, as a quid pro quo for the KCTU's approval of the labor legislation amendments, the government is likely to give the go-ahead next month for the KCTU to register as an officially recognized union body. In this way, the KCTU leaders are seeking to integrate themselves into the official political framework, at the direct expense of millions of workers.

At the same time, the KCTU leadership has responded positively to a call by the FKTU for a merger of their organizations. Under previous military regimes, the FKTU operated in close collaboration with the hated Korean Central Intelligence Agency (KCIA) and other sections of the state apparatus to suppress strikes and protests by workers.

This developing partnership marks a further turning point in the KCTU's evolution. In the 1980s, militant workers turned to the KCTU as an alternative to the FKTU's repressive 'yellow unions.' They engaged in mass sit-down strikes and violent confrontations with troops to win improvements in wages and conditions. However, now that there is no scope for winning concessions without challenging the IMF, Kim Dae Jung's government and the very fabric of the profit system, the KCTU leaders are assisting the government to impose the utter social devastation created by global capitalism.



To contact the WSWS and the Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**