South Korean president boasts to US investors of crackdown on Daewoo workers

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For months now, Daewoo Motors workers in South Korea have been involved in a bitter struggle against layoffs and possible plant closures. The administration of President Kim Dae-jung has repeatedly mobilised thousands of heavily armed police against protests and demonstrations in order to push ahead with his plans to sell-off the financially-crippled Daewoo, the country's third ranking carmaker.

Last month 4,000 riot police, backed up by forklifts and excavators, smashed down barricades to end a three-day occupation of Daewoo Motor's largest main car plant in Pupyong. The 700 protestors, including women and children opposing the lay off of 1,750 workers, were viciously beaten by the baton-wielding police. Scores of union officials and workers were arrested during the raid on February 19.

Since then there have been continuing clashes. On February 24, autoworkers and their supporters fought riot police in two cities. In Pupyong about 2,000 protestors hurled rocks and firebombs at 7,000 riot police who blockaded the road to the railway station where a mass rally was planned. On March 7, thousands of workers protested outside the gates of the Pupyong plant when it was restarted after being idled since mid-February.

Comments by President Kim during his recent visit to the US made clear that more is at stake than just Daewoo—the dispute has become a test case for the government's entire restructuring program. He told a business luncheon organised by the Mid-America Committee and the Chicago Council on Foreign Affairs: “The government's handling of the Daewoo case proves that South Korea is holding to principle and the law in dealing with labour issues. The government will not tolerate any illegal activities by radical unions and there will be no violence any longer.”

Significantly, the Chicago luncheon was chaired by General Motors chairman Jack Smith. The US car giant is the main contender to take over Daewoo Motors, which was placed into court receivership last November with debts of $10 billion. GM is insisting, however, that the company drastically restructure its operations, close unprofitable units and cut the workforce. According to the unions, the US corporation is only interested in parts of Daewoo's operations in South Korea and intends to close the Pupyong plant.

Daewoo management has already been instructed to formulate a “self-help plan” and to implement measures to cut costs by a further $800 million, including another round of sackings on top of the 7,000 already carried out. A government-commissioned report released this week recommended that the 30-year old Pupyong plant be phased out over the next three to five years. “The figures are too discouraging to justify its survival. The plant is plagued by tumbling productivity and antiquated facilities,” the report written by US consulting firm Arthur Andersen stated.

The Daewoo sale has dragged on for months after Ford backed off its initial $7 billion offer, claiming that the company's assets were overstated. According to Korea Development Bank, around $2.4 million a day in public funds is being pumped into Daewoo in order to keep it operating. The government is unlikely to recoup more than half of the money and is desperate to push the sale through.

Hopes for a deal with GM were dealt a blow in early March when GM's Chief Executive Officer Rick Wagner announced that the company would “abstain from fresh takeovers for the time being” and would focus on “solidifying its existing global operations”.

Before returning to South Korea last Sunday, Kim held a closed-door meeting with Smith but no announcement was made. However, a senior government official signalled even tougher action against workers, saying: “One of the American investors' biggest concerns was over labour unions in Korea and the flexibility of the labor market.”

In its March 2 issue, *AsiaWeek* underlined the significance of the Daewoo dispute: “This one is about more than just a car company. It marks a crucial test of President Kim Dae-jung's resolve to push through the corporate restructuring Korea urgently needs. His administration has shown a distinct lack of will when it comes to making tough economic decisions, and with the public growing increasingly impatient over the pace of reform, Kim is now under pressure to deliver results.”

Speaking on behalf of international investors, the magazine berated the administration for its often “inconsistent and haphazard” economic reforms, commenting: “At the core of the problem is politics. According to an FSC [Financial Supervisory Commission] official, the administration has been bombarded from the outset with requests from politicians to spare certain unviable companies. The president himself has not been immune to letting political considerations colour his restructuring decisions, allowing some companies to go under while protecting others.”

The government has already carried out extensive restructuring in the public sector since 1998. The total public sector workforce has been slashed by 18.7 percent or 131,082 jobs. Six state-owned enterprises—National Text Book, Korean Technology Banking, Daehan Oil Pipeline, POSCO, Korea General Chemical and Hanjung—have been privatised and another five are slated for sale.

Substantial portions of the private sector including banks and financial institutions heavily laden with bad debts are also slated for major overhauls. At the end of December, Kim Dae-jung sent in 8,000 riot police to break up a strike and occupation by employees of the Kookmin and Housing & Commercial banks protesting against a merger of the two and substantial job losses.

The latest attacks on Daewoo workers indicate that the “reform” process is about to be accelerated and that the government will use the full force of the state apparatus against any opposition. President Kim Dae-jung came to power in early 1998 with the backing of the trade unions and based on his reputation as a “democrat” and an opponent of military rule. But over the last three years he has not hesitated to use the tried and tested methods of the country's previous military dictatorships to deal with the protests of workers and others.

As well as the riot police, Kim has relied on the trade union leaders. South Korea's two main union bodies—the Korean Confederation of Trade Unions (KCTU) and Federation of Korean Trade Unions (FKTU)—paved the way for the mass layoffs when union leaders agreed in early 1998 to amend the labour laws to effectively destroy the country's system of lifelong employment.

For the KCTU, which had been formed in the strike struggles during the 1980s in major plants like Daewoo, it marked a turning point. Under Kim Dae-jung, the organisation, which had previously operated semi-legally, was officially recognised for the first time.

None of the union leaders have any fundamental opposition to the government's restructuring program and have at various stages participated in a tri-partite committee with the representatives of government and big business to oversee the process. Like Kim Dae-jung, they accept the logic of the market and the prerogatives of management, and thus consequent job shedding.

In the case of Daewoo, the Daewoo Motor Union, a KCTU affiliate, struck a deal last November to allow projected job cuts to take place and agreed to sit on a joint committee with management to supervise the company's “self rescue plan” insisted upon by the government.

The KCTU, which has a membership of 650,000, has left the Daewoo workers largely isolated in the face of huge mobilisations of riot police. National strikes threatened at the end of last year to oppose the government's restructuring plans and support Daewoo workers were called off. As a result, numbers on the picket line outside the Pupyong plant have dwindled—setting the stage for the union leadership to shut the dispute down altogether.

If that should take place, what Kim Dae-jung's statements in the US demonstrate is that it will not only be Daewoo workers and their families who will suffer. With growing signs of recession in the US and Japan, it will open the door for a rash of further privatisations, mergers and downsizing in both the public and private sectors throughout South Korea.