South Korea's Hanjin Shipping bankruptcy has global impact

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South Korea's Hanjin Shipping is facing major restructuring after filing for bankruptcy protection last week. A Seoul court placed the world's seventh largest cargo transportation line under court receivership on September 1, leading to worldwide disruptions at ports and terminals. The country's shipping lines and shipbuilders have been struggling in the wake of the 2008 financial crisis and the drop in global trade.

On Tuesday, Hanjin announced it was able to secure 100 billion won (US$90.6 million) to begin unloading dozens of vessels around the world. Forty billion won will come from Hanjun chairman Cho Yang-ho's personal wealth while 60 billion won will come from loans, using stakes in terminals such as that at Long Beach, California as collateral.

According to the company, 73 out of 141 ships had been left stranded at sea, unable to dock or offload their cargo amid fears the company would be unable to pay dock and port workers. "Hanjin called us and said, 'We're going bankrupt and we can't pay any bills—so don't bother asking,'" stated J. Kip Louttit, executive director of the Marine Exchange of Southern California, last week.

The injection of funds, however, will do little to help the company in the long run. At the end of June, Hanjin faced debt worth 6 trillion won (US$5.46 billion), which included operating losses of 228.9 billion won (US$208.6 million) in the second quarter of this year. The state-run Korea Development Bank (KDB), one of the company's major creditors, rejected a company plan to raise 500 billion won (US$446 million), leading the company to seek court-led restructuring. Creditors in Singapore also seized one of the company's vessels, the Hanjin Rome, on August 30, which also prompted the bankruptcy decision as Hanjin sought to protect its fleet.

South Korea's export-driven economy already struggles with job losses at its shipbuilders, similarly undergoing restructuring, and high youth unemployment. "We decided quickly to begin court receivership for Hanjin Shipping, the country's leading shipper and the world's major container shipping line, given its presence in the local shipping industry and its impact on the economy as a whole," said the Seoul Central District Court last week.

The bankruptcy has had a "ripple effect" on the global economy. Overall, there was a reported $14 billion worth of cargo on the stranded ships. Hanjin, for example, handles 20 percent and 40 percent of cargo for LG Electronics and Samsung Electronics respectively. The US Department of Agriculture also stated that Hanjin's bankruptcy would cause shipping difficulties for the next two to three months.

Jonathon Gold, the vice president of supply chain and customs policy at the National Retail Federation, stated last week: "Retailers' main concern is that there is millions of dollars' worth of merchandise that needs to be on store shelves that could be impacted by this."

"It is understandable that port terminal operators, railroads, trucking companies and others don't want to do work for Hanjin if they are concerned they won't get paid," Gold continued. "However, we need all parties to work together to find solutions to move this cargo so it does not have a broader impact on the economy."

Ports around the world have refused to accept Hanjin ships, including at Shanghai, China, Valencia, Spain, and at Long Beach in Southern California. The Port of Oakland continued unloading Hanjin ships, but refused to load US exports without payment first. Hanjin, which was also granted temporary bankruptcy protection in a United States court, handles about 8 percent of trans-Pacific US cargo, which normally includes auto parts, furniture, and pulp and paper products.

Hanjin Shipping has been struggling for several years. The company is part of the Hanjin Group, a chaebol (family-owned conglomerate) that also owns Korean Air. The airline purchased a 15.4 percent share in the shipping company for 250 billion won in 2013, following two years of consecutive losses. Korean Air purchased another 17.8 percent share in Hanjin the following year for 400 billion won. Both purchases were emergency measures to help stabilize the company.

In general, shipping companies continued to purchase vessels on the expectation that China's economy would remain strong after 2008. However, the opposite occurred. "Well, China stumbled and global trade projections went nearly flat," said Jock O'Connell, a trade adviser at Beacon Economics in Los Angeles. "All these shipping lines are stuck with large vessels and overcapacity."

The impact on workers in South Korea and internationally was felt immediately. According to the union representing Hanjin workers, more than 1,000 crewmembers on the company's ships were left at sea. As many as 10,000 jobs in the industry could be lost during restructuring, according to the *Korea Times*. Longshoremen at ports were unable to work. "The gates have been shut. Nobody is coming to work," said Mark Jurisic, a business agent with the International Longshore and Warehouse Union, Local 13 at the Port of Long Beach. "Today we would have had 200 to 300 employees here."

However, the labor unions in South Korea have backed the restructuring plans. The head of Hanjin Shipping's labor union, Lee Yo-han, claimed "The union will actively respond to prevent difficulties in sailors lives" while also protecting jobs and improving working conditions.

However, instead of appealing to workers, especially those in the related shipbuilding industry who are also facing mass job losses, Hanjin's union led demonstrations in Busan, South Korea's second largest city, calling on the government and courts to intervene and protect the company. Hanjin handles 10 percent of the shipping through Busan.

The union is maneuvering workers into a dead end. Attempts to pressure political leaders or the courts are meant to prevent the independent movement of the South Korean working class. Hanjin Group, which controls Hanjin Shipping, is the eleventh largest chaebol in South Korea and the country's largest shipping company. Chaebols and their leading officials regularly receive government protection from poor business decisions and criminal behavior.

South Korea's shipbuilders, including industry leaders Hyundai Heavy, Samsung and Daewoo, are similarly undergoing restructuring, with workers facing the prospect of tens of thousands of job losses. The turmoil and complete lack of planning at all of these companies, coupled with their international impact, make clear the necessity for socialist control and reorganization of the economy.