



TOP-DOWN DEMOCRATIZATION, THE ASIAN FINANCIAL CRISIS, AND THE SPLIT IN LABOR

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POLITICAL PARTY BEHAVIOR AFTER 1987

- Four main political figures after 1987
 - Kim Dae Jung (Sinmindang, 1976 Myöngdong Cathedral Declaration, 1980 almost executed)—DJ
 - Born 1924 Sinan, Chönnam, Mokp'ö Commercial Middle School, made shipping fortune (d. 2009)
 - Kim Jong Pil (nephew-in-law of Park Chung Hee and founder of Democratic Republican Party)—JP
 - Born 1926 Puyö, Ch'unghnam, Korea Military Academy 8th Class in 1949 (d. 2018)
 - Kim Young Sam (Sinmindang, opposition to Park led to suspension of SMD and assassination of Park)—YS
 - Born 1927 Köje Island, Kyöngnam High School Pusan, Seoul National University (d. 2015)
 - Roh Tae Woo (former military officer and hand-picked successor of Chun Doo Hwan)
 - Born 1932 near Taegu, Kyöngbuk High, Korean Military Academy 11th class of 1954 (same class as Chun Doo Hwan of Hanahoe) (d. 2021)

REGIONAL ORIGIN OF PARTY FIGURES



DEVELOPMENT OF REGIONALISM IN SOUTH KOREAN ELECTORAL POLITICS

- (based on Eric Mobrand, *Top Down Democracy in South Korea*)
- 1971—Park Chung Hee mobilized Seoul anti-Chŏlla sentiment by depicting Chŏlla as a rebellious, troublesome region (>Hyug Baeg Im)
 - There had been a huge migration of Chŏlla Province residents to Seoul because industrialization was concentrated in Seoul and the southeast, skipping the center and southwest
 - Middle class Seoulites associated Chŏlla people with the underclass
- Kwangju uprising (1980) was later used by Chun Doo Hwan to reinforce this narrative
 - Kim Dae Jung was arrested and almost executed although he had nothing to do with the uprising

CONSEQUENCES OF REGIONALISM

- Charismatic leaders form parties based on personalistic ties
- Party bosses negotiate with each other to determine nominations and thus elections to form majorities in the National Assembly
 - Parties differed little on the issues (except on North Korea), but only on regionalism—whose clients get to advance in government office
 - 1990 party realignment effectively silenced interests of class, religion, occupation, gender or generation—labor in particular had no political representation
- It was not necessary to build strong party institutions in the regions since they voted for their favorite sons anyway (cf “sectionalism” Mobrand p75)
 - National parties dominated local political space without having to address competition

PARTY NOMINATION PRACTICES

- Nominations supposedly began from the bottom up, but since they were actually made from the top down party leaders controlled who ran for each seat
 - Usually a few leaders would meet in a hotel room and secretly determine who can run for each seat
- Leaders periodically promised reform, but they usually reneged when the going got tough
 - Secrecy in nominations was thought necessary to preserve “fairness” and party harmony (cf p82)—*misil kongch’ön* (backroom nominations)
 - Leaders argued this process insulated them from corrupt pressure, but it also gave immense power to party leaders for top down nominations (*hahyangsik kongch’ön*)

ELITE CLIENTELISM

- Those who wanted to be nominated had to show loyalty
- Donations to party offers the most common way of seeking nominations (up to \$4 million)—criticized as the smell of money (ton naemsae)
- Parachute nominations (nakhasan kongch'ŏn) left local leaders out of the process
 - Thus if an incumbent decided to support his constituents against the wishes of the leadership, they might be replaced by a parachute nomination
- Legal party membership required paying fees so that usually only a few thousand persons were paid-up members (1993)
- **Result→political parties in South Korea perform poorly the political task of aggregating voter sentiment, thus aggravating the isolation of the labor movement from the political process**

KIM YOUNG SAM ADMINISTRATION'S LABOR POLICY

- Kim Young Sam elected 1992 (President 1993-8)
 - Had merged his Reunification Democratic Party into the conservative Democratic Justice Party in 1990 to form the New Korea Party (Sin Hankuktang)
 - To promote democratization Democratic Party elites made a coalition with neoliberal bureaucrats (who wanted to reform the corporatist, clientelist developmental state through the discipline of the market) against statist bureaucrats, military authoritarians and the chaebŏl
 - Initially the YS administration put through democratizing reforms—removed the military from politics, freed political prisoners, and tried both Chun Doo Hwan and Rho Tae Woo for treason for the 12.12.79 coup and May 1980 Kwangju massacre
 - In mid 1994 the YS administration turned from students and labor and pursued globalization (segye-hwa) and neoliberal reforms
- New Korea Party passed a new labor law December 26, 1996 in the middle of night without opposition legislators
 - Postponed legalization of KCTU (Korean Confederation of Trade Unions) until 2000
 - Legalized layoffs in cases of merger and acquisitions and firms in danger of bankruptcy
 - Strengthened Agency for National Security to investigate anyone under suspicion of praising North Korea

TWO UNION CONFEDERATIONS

- Federation of Korean Trade Unions (Han'guk noch'ong 한국노동조합총연맹) FKTU
 - Organized in 1960 as the sole legal trade union center under the administrative guidance of the government
 - After democratization advocated “constructive engagement with employers at the enterprise and industry level”
- Korean Confederation of Trade Unions (minju noch'ong 민주노총 → 전국민주노동조합총연맹) KCTU
 - Organized in 1990 as an independent, democratically elected umbrella organization for democratic trade unions (took its current name in 1995—(started out as National Council of Trade Unions 전노협)—but was not legalized until November 1999
 - Emerged during the Great Workers Struggle as unions in Masan-Ch'angwŏn, Ulsan and so forth withdrew from the FKTU to join the new organization
 - Advocated “direct action” (i.e. strike first, negotiate later)
 - By 1997 had 907 affiliated unions with 400,000 members

GENERAL STRIKE OF 1996

- Both Hankuk noch'ong and Minju noch'ong joined in a general strike against the new law
- Began December 26, 1996 and lasted until March 10, 1997
 - January 13th planned walkout at Hyundai Motors, Hyundai Heavy Industries, Kia, 10 Seoul Hospitals, and Seoul Subway demanding repeal of the new labor law (some 100,000 participants)
 - Strike was declared illegal and management used replacement workers and threats
 - January 16th workers marching toward Myōngdong Cathedral gassed, and government threatened to use the National Security Law to prosecute leaders (on the pretext they were supporting North Korean style socialism)
 - Eventually 600,000 workers participated
 - Support also by salaried workers and civil society organizations (this is important evidence on worker solidarity before the Asian financial crisis)
- January 24th Hanbo Steel declared bankruptcy (this was leading to the Asian Financial Crisis but people didn't know it yet)
- Revised Labor Bill passed on March 10th
 - Flexible layoffs delayed for two years, but otherwise lifetime employment for blue collar workers retained
 - “no work no pay” continued, schoolteachers and public servants still not allowed to unionize, and employers stopped paying union organizers

1997 CURRENCY CRISIS

- As part of Kim Young Sam's globalization project South Korea wanted to join developed country organizations such as the OECD
 - Organization of Economic Cooperation and Development, and international organization of developed countries that develops and coordinates economic policy
 - To qualify for membership South Korea had to open its closed financial markets
 - While many banks had been privatized by this time, they had not been free to independently seek foreign exchange, and foreign entities could control a maximum of 49% of a company operating in Korea
- When South Korea liberalized financial markets, they did not create an effective regulatory structures
 - Chaeböl borrowed directly in hard currency from abroad, "merchant banks" were set up to borrow hard currency abroad to invest not only in Korea, but in Southeast Asia as well
- When the Asian financial crisis began in Thailand and Indonesia, many Korean companies owed yen or dollars but had only Thai Bhat or Indonesian Rupiah to pay the debts back
 - Bankruptcy of Hanbo Steel involved hundreds of millions of foreign borrowings to build a new plant that was never completed
 - Large amount of hard currency had been invested in Southeast Asia where the Asian Financial Crisis began (first Thailand, then Indonesia) so Korean banks were getting repaid in more and more worthless bhat and rupiah while their creditors had to be repaid in dollars or Japanese yen
 - Value of Wön fell, Bank of Korea ran out of dollars and had to be bailed out by IMF in autumn 1997
 - Between 1997 and 1998 standard of living fell 40%, unemployment shot up, homeless people congregated in the cities

NEOLIBERAL REFORMS

1998-2000

- IMF Bailout of \$58.4 billion (largest ever at that time)
 - In exchange Korea had to agree to reforms—YS was in office, but Kim Dae Jung (DJ) took over in 1998
 - DJ accepted IMF demands, and created a worker/management/government committee to negotiate restructuring
- “Neoliberal” means using market incentives to get people and institutions to act in (government-decided) desirable ways
- Economy liberalized
 - To pay off debts, many companies, including banks were sold to foreigners (before 1997 FDI was limited to 49% control)
 - Trade was liberalized (could now import Japanese cars)
 - Restructuring (layoffs) was allowed
- The economy eventually recovered, but people lost job security and protection from foreign competition

IMF BAILOUT A NATIONAL CRISIS



THE DEBT OVERHANG

- Endebted banks and other businesses were closed or sold to foreigners to get foreign exchange
- Chaeböl had an average of 800% debt to asset ratio (over 60% is considered very high in the US, and over 100% usually leads to bankruptcy)
 - This reflects the fact the Korean companies had always used government-backed bank financing rather than selling stock or issuing bonds as is done in most developed economies
 - Chaeböl required to reduce debt to asset ratio to 200%--something they did by selling subsidiaries
 - Huge layoffs (25% of technicians laid off), in white collar professions women hit harder than men (laid off and rehired as “temporary workers”)
- Chaeböl bankruptcies
 - KIA Motors—eventually partially merged with Hyundai, but PanNational movement to save it
 - Daewoo Motors—eventually sold to Ford, and then GM
 - Hyundai Heavy Industries (shipbuilding) survived with harmonious labor relations

UNION FACTIONALISM

- Split between **HCI workers** focused on bread and butter issues, and **student and minjung radicals** who focused on class struggle to bring about a radical workers democracy
- Split expressed in rivalry between **white collar** National Council of Occupational Trade Unions and the **HHI workers** in the Hyundai and Daewoo unions
- While some former union workers elected to political positions, incorporation of union demands into politics has not taken place

CHAEBŎL REPUBLIC?

- Kim Yong-sam and Kim Dae Jung's policies were supposed to curb the power of chaebŏls, but chaebŏls proved able to adapt
 - Used bankruptcies and restructuring to limit labor costs in Korea
 - Internationalized to increase global competitiveness by moving offshore into competitive markets (like China)
 - This has reduced the amount of investment in Korea and reduced the number and quality of new jobs available, especially for the working class
- Government has often pursued policies designed to increase the competitiveness of Korean corporations rather than social welfare
 - Here, however, there is a difference between Rho Mu-hyun and Mun Chae-in as opposed to Myungbak Lee and Park Geunhye
- Hyung-A Kim, however, argues that Korea has developed a “dual economy” in which workers in highly capitalized large-scale industry are treated much better than workers in less capitalized SMEs (who subcontract to the chaebŏl and expand and contract with the economy)

LABOR ARISTOCRATS VERSUS NONREGULAR WORKERS

- Hyung-A Kim argues that Korea now has a two-tier working class since the Asian financial crisis
 - Upper tier—regular workers of large chaebŏl
 - Unionized regular workers (chigyŏng)—job security, superior wages and welfare, “employment inheritance” (koyong sesŭp) for children of workers with 25 years service
 - Lower tier—regular workers in small and medium industry (SME) and contingent nonregular workers (pijŏnggyujik)
 - Contract workers (hacch’ŏng) used as a buffer to expand and contract labor supply, and workers in SME’s get lower wages and benefits, and SME’s subcontract to the large chaebŏl
- Hyung-A Kim argues that unionized workers in large scale industries have become “labor aristocrats” by pursuing their own class interest at the expense of other workers
 - They have a distinctively better lifestyle than other workers

HCI WORKER SUBJECTIVITY?

- Majority of these workers consider themselves middle class
- Many owned sizeable houses or apartments and cars
- Many send their children to university—i.e. children's education level middle class
- Most didn't experience huge life disruption during Asian Financial Crisis
- On the question of "labor aristocracy" they are ambivalent
 - Recognize this would break labor solidarity, and dislike the title
 - Respond with criticism of the iron rice bowl of union executives
- Surveys
 - 1978—most workers positive about unions
 - 1987--most workers very highly positive about unions
 - 2005--most unions still considered militant
- Note Figure 5.1 page 139—growing union members, falling union density (from 20% in 1989 during Great Labor Struggle, to 10% now)

HCI WORKERS TODAY

- HCI workers criticized for being both core of the labor movement, and for looking out for themselves only
- Hyung-A Kim argues HCI workers are isolated because of their “narrow and selfish economic unionism”
 - However Kim puts the onus on the government to reduce income inequality and induce higher domestic investment amidst neoliberal globalization
 - Kim sees parallels with the US (p145)
- Kim sees major shift from state-led accumulation to chaebol-led accumulation that has led to chaebol political power
- **Three Narratives**
 - HCI workers as the beneficiaries of technical training and industrialization
 - Transformation of docile industrial warriors into militant Goliath warriors seeking to improve the lot of all the workers in the context of democratization
 - But gradually the workers sought their own benefit while the minjung intellectual who sought proletarian revolution left the labor movement
 - Ultimately the HCI workers split from the students and intellectuals, sought bread and butter unionism, and developed into a privileged tier of the Korean working class