Tiger bears its claws

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On 25 February South Korea?s new President, Kim Dae-jung, was sworn into office. In turn he promised Kim Jong-pil the job of Prime Minister, the same man who 17 years earlier headed the secret service agency that tried to kill him while in exile. This unlikely combination, writes Keith Harvey, is the best bet the Korean ruling class have of dealing with a major social and political crisis they will face during 1998.

This year Korea will suffer its first recession in 30 years. The new regime will face a unionised working class in the strategic heavy industries. In late 1996 the militancy of the organised worker beat off an open assault by the government on their already limited rights and benefits.

Now a president who opposed the country?s old military dictatorship fuels the hopes of millions of Koreans that the present crisis will be managed ?fairly?. But the Prime Minister, the reactionary architect of General Park?s 1960 coup and a man steeped in blood, reassures the ruling class that this regime will unleash brutal repression against the working class if resolving the economic crisis demands it.

There is no mistaking the depth of Korean capitalism?s problems. For the last 30 years cheap state loans and abundant capital from foreign banks have been channelled to the industrial conglomerates (chaebols). By the time of last year?s crash, the government-backed Korean banks had lent $750 billion while a further $150 billion had been borrowed abroad.

As Korean labour became more expensive on the back of this seemingly endless boom, the big chaebols started to expand abroad. The biggest four (Samsung, Hyundai, Daewoo and LG Group) set up plants in Europe.

But like all capitalist firms, the big conglomerates invested regardless of demand. A second-tier layer of South East Asian countries (Indonesia, Thailand, Malaysia, Philippines) followed Korea, investing in prestige projects or overheating property markets, egged on by US, Japanese and European banks eager to lend huge sums. As a result, between 1990 and 1994, 40% of all new industrial investment was concentrated in the region, which accounted for 60% of the growth in world output during the first half of the decade.

Pressure

This situation could not last, despite the boasts of corrupt politicians, so-called economic ?experts? and the fund managers of western banks. In 1994 China devalued its currency and launched an export drive flooding cheap goods into an already saturated market. In 1996, the domestic appliance, car and consumer electronics industries could not sell their products at prices that realised the anticipated profits. Korea?s big semi-conductor industry was badly hit.

Meanwhile, pressure built up in the financial markets. Thailand had the most inflated property market and a banking system that was harshly exposed, given the industrial retrenchment underway. Last July, foreign fund managers doubted that Thai firms, banks and the government could repay foreign loans (in dollars) at the existing exchange rate with the Thai baht. They tried to get their money out quickly, precipitating a full-scale wave of panic selling which soon hit most regional currencies since Thailand?s problems were only an extreme reflection of those plaguing the whole region.

At first, the Korean government used its foreign reserves to stave off the currency crisis, but it was a losing battle. The Korean won was devalued by 10% when the crisis hit in August. By the end of 1997 its exchange rate had plummeted by 50% against the US dollar.

The scale of this collapse pounded small firms and huge chaebols alike. The massive dollar debts they and the banks had carried to finance the earlier investment could not be repaid under these new exchange rates. Only six of the country?s 16 banks reported a profit for 1997 . Seven of Korea?s 30 chaebols, which together account for 80% of the country?s output, collapsed ? with $28 billion in debts ? and sought bankruptcy protection from the government.

But, with the government?s debts totalling 69% of GDP by the end of 1997, who was going to save the government? On 21 November the inevitable happened: the country was declared virtually bankrupt. The announcement came barely two years after it had joined as the 25th member of the OECD ? the exclusive club of the world?s richest industrial nations!

The International Monetary Fund (IMF) negotiated a record $58 billion package of aid ? providing Korea?s stock markets were opened up to US, European and Japanese firms. The government agreed to relax the restrictions on foreign ownership of banking and industrial assets, as the major powers behind the IMF prepared to buy up cheap assets.

The shock awaiting most Koreans is difficult to exaggerate. This is a country that has been used to annual growth rates of 6% and more for decades; during 1992-96 GDP expanded at over 7% a year. Now in 1998 a conservative guess would suggest a 1.2% decline in GDP. An estimated 3,000 businesses went bust in January alone.

To restore profitability and attract foreign buyers Kim Dae-jung said that ?downsizing is inevitable?. The Economist Intelligence Unit noted that ?history has cast him in the role of South Korea?s Margaret Thatcher?, insisting that there is no alternative to ?slaughtering such sacred cows as full employment.?

Before his election in December, Kim Dae-jung opposed the IMF package, calling for it to be renegotiated. The day after he won he became a staunch supporter of it!

The current level of unemployment at around 2.5% (660,000) is set to double or even triple by the end of the year if there is no resistance to the proposed cutbacks. This goes against the law agreed in March last year which bans mass layoffs until March 1999. To get around this Kim Dae-jung established a Tripartite Emergency Economic Committee with representatives from the employers, trade unions and the government.

Sell-out

In early February, the bureaucracy of the dissident Korean Confederation of Trade Unions (KCTU), which organises 550,000 workers, agreed to legislative proposals to scrap employment protection measures in return for a meagre $3 billion IMF-financed social welfare fund, reforms in the management of the chaebols, and the right of teachers to join a trade union.

A week later, 200 KCTU delegates rejected this sell-out at a conference and removed the leadership responsible for it, threatening the new government with a general strike if the deal was not renegotiated. This shows that the militancy of the 1996 strikes survives in the vanguard of the working class.

The government?s aim of making one million workers unemployed by the end of the year will provoke stiff opposition from the rank and file in heavy industry. They are only too aware that, with few jobs being created and no social security system in place for the unemployed, losing your job spells disaster.

But unemployment is not the workers? only concern. Living standards had been rising fast in the 1990s, even though monthly wages still averaged only $1,568. Real household expenditure rose 30% between 1992 and 1996. Now the dollar value of these wages has been halved. Moreover, to Korean workers who are used to getting consistent real wage rises (8.4% a year between 1970-90 and 7.8% during 1992-96), 1998 threatens real wage cuts to follow those of the last half of 1997.

Inflation jumped to 6% in December 1997 while wage increases were pegged to 5.5%. Workers in 20% of firms have had their wages frozen; those in the Ssangyong Group (the sixth biggest chaebol) had their wages slashed by 15%.

Although Kim Dae-jung was elected with only 40% of the popular vote, many workers voted for him. The ?workers? candidate? in last December?s election - the leader of the KCTU, Kwon Young-gil - only polled 1.2%, finishing fourth out of seven candidates. But the 300,000 who voted for him included many of the 12% of Korean workers who are organised in trade unions.

As the illusions placed in the bourgeois dissident Kim Dae-jung are stripped bare, these class-conscious Korean workers must become a force fighting for a political, not just a trade union, answer to the country?s crisis. A mass revolutionary workers? party based on - but not limited to - the KCTU could focus working class anger during the coming year and direct it at the real enemies: the Korean capitalist class and the IMF.

An independent workers? answer to the current crisis starts from recognising that the working class is not responsible for it and must not pay the costs of overcoming it. There is a real danger ahead that workers? grievances will be channelled into a nationalist response that accepts the joint responsibility of all Koreans (worker and boss alike) for the current mess. Such an outlook has been fostered for decades by successive governments and nurtured by enterprise relations, with life-long job guarantees and measures to mask class divisions.

Danger

Bourgeois propaganda has encouraged workers to adopt a nationalist outlook and be suspicious of foreigners. The coming wave of acquisitions by US, Japanese and European firms will inflame these sentiments further. A clear internationalist programme uniting the whole working class against Korean and imperialist bosses alike is urgently needed. No foreign migrant workers must be expelled from the country; no jobs will be created for Korean workers by such measures.

The KCTU must launch a massive unionisation drive to draw in the millions of unorganised workers. The unions must oppose any dilution of the law barring redundancies, fight all sackings and occupy factories declaring redundancies or threatening closures. In the past, the shipyard and steel workers have heroically used this tactic. It will be needed again.

Reform of the corrupt family chaebol system, a demand of the trade union bureaucracy, is totally insufficient. A transparent and more ?honest? system of industry will not put an end to waste, mass unemployment and speculation. Indeed, the likely outcome of the reformist leadership?s programme will be an open, globally integrated Korean capitalism, more vulnerable to rapid global movements of capital.

Workers? inspection

Instead, the KCTU must lead the fight for a general workers? inspection of the chaebols? accounts. The IMF have demanded transparency and access to the secret dealings of Korean finance. But it is the workers who need to know where the wealth they created was stashed, how much of the profits they generated was used for corrupt purposes.

The workers must see what is on the order books and so be able to share out available work and control the number of hours worked. There must be a wealth tax on all chaebols to pay for a social security fund under the control of the union rank and file.

The workers? movement must revive the unfinished struggle for democratic rights.

In February the incoming regime offered concessions, allowing the formation of opposition political parties and trade unions other than the KCTU. This reform must now be granted unconditionally by Kim Dae-jung?s government, along with an end to bans on the right to organise politically, hold demonstrations and criticise the regime.

Kim Dae-jung has already released ex-presidents from jail as a gesture of national reconciliation; the working class must demand the immediate release of all its prisoners and the students and socialists who have fought for class justice or spoken out in defence of North Korea.

The fight to build and recruit to a mass revolutionary independent workers? party must be the organisational expression of these political tasks. It must rally the forces for a fightback on the streets and inside the factories. And through that fightback it can go on to destroy the real source of today?s economic chaos ? capitalism itself.
