

Labor Disputes Imperil Foreign Investment in South Korea

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Thousands of riot police stormed university campuses and other places across South Korea Saturday to break up a strike by some 5,000 railway workers.

Unions reacted angrily, with the Korean Confederation of Trade Unions (KCTU) rallying outside parliament and its leader, Dan Byeong-Ho, launching a sit-in to protest the police action.

KCTU's rival, the Federation of Korean Trade Unions (FKTU), said it would take to the streets on Monday during a day-long strike.

It said some 120,000 union members, including staff at major banks, and 1,000 vehicles would be mobilized for the protests in Seoul and other cities.

FKTU is pressing for a cut in official working hours. It also wants to see scrapped the sale of the state-invested Chohung Bank to a private bank along with plans to set up special economic zones, which it says would lead to a deterioration in working conditions.

Unions under the wing of the militant KCTU, including the Korean Metal Workers Federation, plan to launch strikes from Wednesday.

The police actions, a first since President Roh Moo-Hyun, a former pro-union activist, took office in February, marked an apparent about-face in the government's labor policy.

Roh has faced criticism from businesses who say he is soft on labor activism.

The Korea Employers Federation (KEF) and other major groupings of businesses have urged the government to deal firmly with illegal strikes, accusing the government of taking the side of the unions in labor disputes.

"Unless labor unrest gets under control, businesses would have no other choice but to cut investment, reduce employment or to move anywhere else," KEF vice chairman Cho Nam-Hong said.

"I wonder why laws and principles should be ignored for the sake of dialogue and compromise (with labor unions in resolving labor disputes)," he said, adding that unions had become emboldened since Roh became president.

Labor Minister Kwon Ki-Hong, however, said KEF and pro-business media were exaggerating the labor problems, scaring away potential foreign investors.

Lee Joo-Hee, a researcher at the state-financed Korea Labor Institute, said only 108 cases of labor unrest have taken place so far this year, compared with 202 during the same period of last year.

The disputes also ended quickly, she said.

"There is no evidence that labor unrest has intensified this year," said Lee. "But there are a lot of complaints among businesses over contents of the deals, which are considered to be in favor of workers."

Hank Greenberg, chairman of American Investment Group (AIG), identified labor militancy as one of the major obstacles to foreign investment in South Korea.

"I think you have to have laws that prevent labor unions from being so militant that it destroys or disrupts a company from doing business," Greenberg, who leads the world's largest insurance company, said last week.

"To have a militant labor union regime without the proper laws can discourage investors. No question about that," he said.

Many companies in the United States have complained to the US-Korea Business Council that the labor issue is "very, very devastating to their business in Korea and they certainly would not invest any more until it gets resolved," he said.

"I can tell you from personal experience ... over the years we (AIG) had many (labor) problems that stopped our business from functioning for months at a time," he said.

He said labor problems in South Korea were worse than those in China, Taiwan and Japan.

According to the World Competitiveness Yearbook 2003 issued by the Switzerland-based Institute of Management Development, South Korea's competitiveness in terms of labor-management relations ranked 25th with 3.551 points.

Japan topped the list with 7.600, followed by Malaysia with 7.297 and Taiwan with 7.139. Every 1,000 South Koreans lost an average of 30.695 working days a year due to strikes, the highest in the Northeast Asia region.

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