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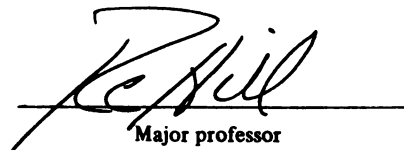
The South Korean Automobile Industry:
A Political Economic Analysis

presented by

Kwangmin Park

has been accepted towards fulfillment
of the requirements for

M.A. degree in Sociology



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**THE SOUTH KOREAN AUTOMOBILE INDUSTRY
: A POLITICAL ECONOMIC ANALYSIS**

By

Kwangmin Park

A THESIS

**Submitted to
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ABSTRACT

THE SOUTH KOREAN AUTOMOBILE INDUSTRY: A POLITICAL ECONOMIC ANALYSIS

By

Kwangmin Park

The main purpose of this study is to examine the capitalist development of the South Korean automobile industry within a Marxian framework in which three institutional actors of the state, capital and labor have been interwoven during the period of 1945 to the present.

Under the assumption that capital accumulation manifests itself in the expansion of monopoly capital on the one hand and in the relative exploitation of labor on the other, the rapid expansion of the Korean automobile industry is argued to stem from structural dynamics in which initial capital accumulation had a momentum for the later monopolization under the privilege of the state.

Based on the fundamental premise of the hostile

Kwangmin Park

relationship between capital and labor, it was claimed that the South Korean state has actively played the promotional role in capital accumulation for capital while limiting the portion of labor in its contribution to the accumulation.

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TABLE OF CONTENTS

I.	INTRODUCTION	1
	A. AN INTRODUCTORY REMARK	1
	B. THEORETICAL ISSUES	3
II.	THE RATIONALE AND PURPOSE OF THE STUDY	10
III.	THE SCOPE AND METHOD OF THE STUDY	13
	A. THE SCOPE OF THE STUDY	13
	B. THE METHOD OF THE STUDY	15
IV.	A POLITICAL ECONOMIC ANALYSIS OF THE KOREAN AUTOMOBILE INDUSTRY	18
	A. THE PRIMITIVE STAGE OF THE KOREAN AUTO INDUSTRY (1945-1961)	19
	1. THE MERCANTILE NATURE OF CAPITAL	22
	2. THE RELATIONS OF CAPITAL TO STATE	26
	3. THE UNSTABLE STRUCTURE OF THE LABOR FORCE ..	34
	B. THE FORMATION OF THE AUTO INDUSTRY (1962-1973) .	35
	1. FOREIGN LOANS AS A SOURCE OF CAPITAL ACCUMULATION	37
	2. THE EMERGENCE OF MONOPOLY CAPITAL	40
	3. THE NATURE OF KOREAN MONOPOLY CAPITAL	42
	4. THE RELATIONS OF AUTO CAPITAL TO CHAEBOLS ..	47
	5. THE IMPLEMENTATION OF STATE'S ECONOMIC PLAN.	48
	6. THE MAKING OF WORKING CLASS	51
	C. THE 'TAKE-OFF' OF THE AUTO INDUSTRY (1974-1984).	53
	1. EXPANSION OF THE MONOPOLY CAPITAL	54
	2. 'AUTO CAPITAL'	60
	3. LABOR'S WORKING CONDITIONS	65
	4. THE STATE'S ROLE IN PROMOTING THE AUTO CAPITAL	74
	5. THE STATE'S CONTROL OF LABOR	77
	6. THE LABOR MOVEMENTS	82
	D. THE EXPANSION OF THE AUTO INDUSTRY (1985-PRESENT)	85
	1. THE CURRENT DEVELOPMENT OF THE AUTO INDUSTRY	86
	2. THE CHANGING RELATIONS OF THE STATE TO CAPITAL	88
	3. LABOR STRUGGLES AND EFFECTS	90
	4. THE LINKAGE WITH THE WORLD ECONOMY	95

V.	CONCLUSION	102
VI.	IMPLICATIONS	105
	APPENDIX	107
	ENDNOTES	108
	BIBLIOGRAPHY	113
	LIST OF TABLES	v

LIST OF TABLES

1. Trends of the Leading Industries in S.Korea (1960s, 70s, 80s)	20
2. Foreign Aid from the U.S. (1945-1961)	27
3. Contents of Foreign Aid (1945-1961)	31
4. Number of Employees in the Labor Force (1953-1960) .	35
5. Amounts of Foreign Capital (Loans and Investment) (1962-1971)	38
6. Increasing Trend of Large Companies (1955-1983)	41
7. S.Korean Chaebols: Distribution of Ownership (1982).	43
8. Stock Ownership of Banks by Chaebol (%)	46
9. Increasing Trend of Wage Workers (1960-1980)	52
10. A Comparison of Major Chaebols' Subsidiaries (1974, 1986)	55
11. Conglomerates' Share in Manufacturing (%) (1973-1982)	57
12. The Consolidation of Firms by Major Chaebols (1960-1986)	59
13. Employment in the Manufacturing Sectors by Chaebols (1977-1982)	61
14. The Percent of Employment by Hours Worked Weekly (1969-1984)	66
15. A Comparison of Weekly Worked Hours by Country in Manufacturing (1982)	67
16. Average Monthly Wage Ratio By Country	68
17. Rate of Wage Increase Compared to Productivity Increase (1971-1980)	70
18. A Comparison of Hourly Compensation By Country (1977)	71
19. Wage and Labor Productivity by Country in the Auto Industry (1985)	73
20. Number of Labor Disputes By Union Existence (1975-1979)	79
21. Union Membership and Union Organization Rate (1955-1981)	84
22. Number of Labor Disputes and Reasons (1974-1981) ...	93
23. Ratio of Exports to the Production of Vehicles (1977-1987)	97

I. INTRODUCTION

A. An Introductory Remark

Over the last twenty-five years, the Republic of Korea (S.Korea) has become one of the fastest growing industrial countries. Like other Newly Industrializing Countries (NICs). [1] S.Korea has been credited with a remarkable statistical record, especially in terms of growth rates in income and GNP per capita and manufacturing employment, output and exports. In particular, the automobile industry (auto vehicle or auto industry) has demonstrated dramatic growth. For example, whereas its production capacity was merely 2,000 units in 1962, S.Korea produced around 1 million of cars in 1987.

Since the initial shipment of Ponys - one model of Hyundai's passenger car to the Canadian market in 1984, the amount of automobile exports has increased substantially. The amount of automobile exports reached about 675,000 -over half the total units produced in 1987. Thus, it is not surprising that the United States (the largest importing country of S.Korean automobiles produced in S.Korea) watched the S.Korean automobiles make aggressive inroads into the domestic market.

In general terms, the auto industry requires huge amounts of capital. Many of the largest global companies

such as General Motors, Ford, and Toyota etc, are auto makers. The world auto industry has been virtually dominated by those Big Companies. For example, out of the total output of vehicles in 1983, these three firms accounted for 45.7 percent of production while ten leading producers controlled 86.4 percent (Jenkins, 1987:2). The production of auto vehicles of S.Korean manufacturers is second only to Japan in East Asia. No other country in Eastern NICs has been able to launch the same large-scale mass production project with their own internal resources. However, we see 'successful' auto industries in some Latin American NICs. For example, Brazil had already-developed auto industry in the 1950s and produced around 1.2 million motor vehicles in 1980 while S.Korea had only attained a level of 123,000 thousand units.[2]

One of the critical factors affecting the growth of the Brazilian auto industry was the strong involvement of TNCs (Transnational corporations) since the late 1910s. Ford Motors of the U.S. set up Brazil's first assembly plant. Since the initial start-up of vehicle production, U.S. and European TNCs have expanded assembly operations in Brazil. Thus, the current picture of the Brazil auto industry involves its domination by auto TNCs.[3] In terms of the vehicle production, Volkswagen ranked first in 1976, followed by General Motors and Ford. (R.Kronish, 1984:77 table 3.1)

Like Brazil, Argentina and Mexico provide a parallel example of domination by foreign capital in the automobile industry. The leading auto industries in Brazil, Mexico, and Argentina are entirely owned and run by TNCs of the United States (GM, Ford, and Chrysler), Germany (Volkswagen), Italy (Fiat), France (Renault), Japan (Toyota, Nissan) and so on.

On the contrary, the S. Korean auto industry presents a very different picture. In S.Korea, there are no TNCs who entirely own and/or participate in the management of local auto firms. At best, GM has half of outstanding equity shares in Daewoo Motors. What this fact means is that the Korean domestic auto companies control their own resources independent of the TNCs.

B. Theoretical Issues

The recent literature on the growth of the newly-industrialized countries (NICs) or semi-industrialized countries has posed a number of questions.[4] Among those issues which Jenkins (1985) summarized in accounting for the relationship between internationalization of capital and the NICs, the following two questions seem to deserve our attention for later analysis.

(1) What are the major factors underlying the industrial growth in the semi-industrialized countries? Are they external or internal, i.e., capital accumulation on a world scale or state's policies towards more 'open' market strategies?

(2) To what extent has the growth of the semi-industrialized countries been associated with the activities of the transnational corporations (TNCs)? Has semi-industrialization been associated with a significant indigenous base of accumulation? (p.60).

At first glance, one can see that the analytic distinction between these two questions is not so clear. For the 'externality' of the first question is not very different from the TNCs' activities in the second. Likewise, the state's strategy is closely related to indigenous capital accumulation. Keeping in mind the interlocked relations mentioned above, let us move on.

To answer these questions, we need a comprehensive and detailed analysis. Undoubtedly, they are not easily answered at the level of a specific industrial sector, i.e., textile, electronics, or automobiles and so on. Nonetheless, it is difficult to deny that those studies make a partial contribution towards clarifying these questions, despite their limits to generalization. For

example, Jenkins' (1987) thoughtful study on the issue of semi-industrialization of Latin American countries such as Brazil, Mexico, and Argentina was accomplished through the detailed analysis of the automobile industry within the framework of internationalization of capital, interplayed between TNCs and 'host' countries. And Cho (1985a) provides an explanation for export-oriented industrialization, by examining textile and electronics industries in S.Korea within the framework of the world economy. Again, in the S. Korean context, Cho (1985b) suggests a changing pattern to the international division of labor, in her study of an electronics industry which has moved its production sites from a developing country to the Silicon Valley in the United States.

One of the common modes of inquiry in those studies appears that there are many stresses on externality of the world capitalist economy.[5] Let me again take an example from Jenkins (1987). The development of the auto industry among those countries specified above is explained by the global movement of capital (internationalization of capital). Moreover, he tries to show a similarity to his earlier study (1985) among seven major semi-industrialized countries involved in manufacturing automobiles. His argument of the development of those countries is the interaction between the government's policies and the major auto TNCs. What is of interest is that S. Korea, one of the

countries in his category of semi-industrialized countries, is treated as an exceptional case. Therefore, the export of automobiles untraced in S. Korea in recent years was seen as deriving from "autonomous expansion by local capital", not from TNCs, as in most other semi-industrialized countries.

As far as the S. Korean auto industry is concerned, it is possible to locate the source of capital movement in the auto industry as internal to the nation. Yet, it does not deny the significance of global capital in the world economy. For instance, the recent exports of S. Korean automobiles of Daewoo and Kia to the U.S. is closely connected with GM and Ford Motors, respectively. But the interplay between the local capital and the TNCs can not adequately explain the way in which domestic capital has been accumulated for the later development in what conditions. Rather than focussing on conditions external to S.Korea, more concentration is required on the internal structure of the country.

In Latin America, the United States after World War II had been deeply involved in the construction of the economy. In the process, TNCs developed interests in the auto businesses of those countries. Despite the internal differences Jenkins (1987) claims among those three countries - the nature of states and labor union, etc, it is the TNCs capital that contributed to the current state of their auto industries. Depending on the internal or

historical specificities, Jenkins found a different degree of the development among their industries. For example, Brazil has successfully induced TNC-investment because of its ability to reduce labor disputes. What is important here is the fact that the primary force of the development is the existence of large capital (in this case foreign direct investment).

Given that the capitalist development of the automobile industry is due to the process of capital accumulation in that industrial sector, it is quite reasonable to take into account the capitalist industrialization in developing countries in the broader frame of view (capital accumulation is not, of course, a purely economic matter, but it entails social relations of capital and labor). Even if defined as such, it is true that there are various interpretations to Third World industrialization. As mentioned previously, I will focus primarily on the internal questions.

It was Hamilton (1983) who helped to integrate the conceptual dilemma between "impossibility" and "inevitability" pose by the dependency schools and Warren's theory (1980) respectively. According to Hamilton, the former fails to explain the internal dynamism, by solely emphasizing the imperialist capital logic of self-expansion, thus denying any possibility of capital accumulation in peripheral countries. Meanwhile, Warren is criticized for preserving the linear moving force of capital and neglecting

the limits and constraints imposed on it, despite his profound insights into its internal factors. Hamilton utilizes a 'combined' analysis which locates both the appearance of industrialization of a certain form in the changing structure of class relation and sets it within the international capitalist economy.

Turning to the specific case of S. Korea, the rapid development of industrialization was often attributed to such structural factors as foreign capital, cheap labor costs, and the government's export-led strategy. Considerable literature focused either on the dependent nature of economic growth and the incorporation of its economic structure into the global division of labor (imperialism), or well-planned government's development strategies. They explain in one way or another how the nation has grown from an agricultural society and has rapidly industrialized within a short time of twenty-five years or so.

From a dependency perspective, the huge amounts of foreign capital (over 40 billion dollars in 1987) was crucial to the current economic growth. It also placed greater emphasis on the imperialist character of world economy and how rapid economic growth (industrialization) would be impossible but for the expense of the working class. In general, the overtones of its interpretation carried the unstable nature of development by largely

focusing on the vulnerability of S. Korea to external forces.

We also find many 'official' explanations of the subject matter before us. They usually gave the priority of causality for the S. Korean economic growth to the government's strong commitment. According to this view, it becomes clear that the state is regarded as a neutral agent, having no class interests. The state is aloof to the 'lower' level of economic sphere. In an extreme case, it would be claimed that when the state's political system was established, there are few concerns about the economic growth in the future.

In examining the rapid capital accumulation of the S. Korean auto industry in this study, I intend to focus on the internal (rather than external) dynamics leading toward the rapid capital accumulation on the basis of inter-relations of three institutional actors - capital, labor, and state. Thus the following is taken as an analytical framework: 1) the nature and processes of capital accumulation in general as well as in the auto industry; 2) the role played by the state in promoting or providing favorable conditions under which capitalist classes could turn them to their benefits; 3) the role of foreign capital in various forms in the course of industrialization; and 4) the workers costs embedded in reproducing the capitalist relations of production whereby capital was accumulated.

II. THE RATIONALE AND PURPOSE OF THE STUDY

In terms of both questions and framework posed above, the rationale behind the selection of the automobile industry as a subject matter is closely associated with the critical recognition that, by contrast to the studies on Latin America countries, few scholarly works exist dealing with the auto industry of S. Korea within the framework of political economy - understood as a part of capitalist development. In other words, most studies done by S. Korean scholars usually placed a greater emphasis on the development of the S. Korean auto industry from an 'official' viewpoint.[6] Yet there are considerable amounts of literature on the auto industry with reference to the world market. They are either concerned with the current pattern of circulation of automobiles and the prospect of the industry, or treat the industry as a subject of exploring or at best testing within a theoretical model - i.e., relocation of production sites.[7].

Therefore, in these works it is extremely difficult to single out such a critical insight as I try to do - a significant and comprehensive analysis of the particular case of the Korean auto industry. In other words, it becomes inappropriate to construct 'intended' theoretical references from those works with a possible exception of general conceptualizations of how the world auto market has

developed or what it is going to become, etc. What is lacking in those studies is a specific analysis of the industry in such a way as to provide a systemic account of the structural dynamism underlying the changing pattern of development drawing upon the concrete relation of, say, production. Nonetheless it is still understandable because they are not interested in such matters that I prefer.

Contrary to those studies, however, Jenkins (1987) provides a very insightful analysis of the pattern and development of the auto industry in Brazil, Mexico and Argentina within the framework of "Marxian political economy". In the process, as mentioned earlier, he provides an account of the complex interplay between transnational corporations and the 'host' countries in historical and politico-economic context. By comparing the different history and political economy of the three countries, he came to the conclusion that diversities manifested in those countries were the outcomes of both the forces of capitalist development in the form of TNCs and the specificity of their historical nature and labor movements.

The way in which he explained the dynamic pattern of development of the auto industry is firmly grounded in the framework of Marxian political economy, whose perspective is altogether neglected within the 'mainstream' discourse. Its explanatory power is deeply rooted in its accounts of not only the phenomenal characteristics but also those inner

mechanisms underpinning the fact. Yet there is a problem in attempting to apply directly his analytic framework to our question because there exist clear differences in the historical process between S. Korea and those Latin America countries. Elsewhere, Jenkins (1984) acutely recognizes this issue by saying that it must be taken into account by "different models of capital accumulation and the part played by specific national conditions and the role of the state in the emerging pattern of differentiation" and a "focus on the need to explain how particular relations of class forces enabled certain states to create local poles of capital accumulation."

From the whole consideration thus far, our research question can be formulated as follows: if not due to TNCs-involvement in the evolution or growth of the S. Korean auto industry, how can large domestic capital be accumulated so rapidly? This question leads further to subsequent ones. What is the internal mechanism to speed up the development of the auto industry, especially in relation to the state and labor? Ultimately, I would expect some contribution towards a conceptual clarity of the 'untouched' subject of the development of the S. Korean auto industry through the empirical analysis of our question.

III. The Scope and Method of the Study

A. The Scope of the Study

Recognizing that S.Korea's 'independent' capitalist development process began in 1945 with the end of Japanese colonial imperialism, this study has the temporal scope of post-1945 for the analysis of the subject matter. For a heuristic and analytic purpose the whole time span from 1945 to present is divided into four distinct sets of time periods. This periodization rests on the primarily developmental stages of the auto industry. One of the factors in the process of development that I consider most influential is capital accumulation. The relatively capital-intensive nature of the auto industry requires a certain quantity of capital that is not necessarily demanded in light consumer industry. Like many world auto companies, the S. Korean auto industry was controlled by large monopoly capitals.

In this study I refer to the development of the industry as a process of capital accumulation by big corporations. Thus I have little interests in the technical or sophisticated linkages between the terminal (or assembly) and the parts industry. Of course the interdependent nature between those divisions in the process of producing cars is very important. However, I have no intention to see the

connection so that their divisions and linkages will be regarded as an attribute in the broad frame of development process of the S. Korean auto industry.[8]

Yet it should not be taken to assume that the capital accumulation in the S. Korean auto industry has taken place in a vacuum minus the structural relations of the government and working class. The analysis of the three institutional agents is the very heart of this study. According to the discussion above we have the following sets of period: (1) 'Primitive' (1945-1961), (2) Formation (1962-1973), (3) 'Take-off' (1974-1984), (4) Expansion (1985-Present). Although there are no clear-cut points to separate each period, it will nonetheless help to grasp the development pattern of the auto industry following the process of capital accumulation.

In the substantial analysis I use the terms such as 'Korean monopoly capital', 'capital in general', 'auto capital', 'labor struggle' which need some clarification before going further. The general reference of these terms are basically derived from Marx and his followers. By Korean monopoly capital I refer to a specific type of capital in the Korean context (Chaebols) - its discussion will be addressed later in the course of analysis. The term 'auto capital' means terminal auto companies collectively in reality. In the frame of the relation of Chaebols to auto capitals I modify the original concept of 'capital in

general' to simply refer to the Korean monopoly capital (Chaebols).[9] Lastly, once the capitalist relations of production have been set in motion in S. Korea, 'labor struggle' involves the connotation of both class struggle and class consciousness.

Beyond the abstract level of analysis, I also try to clarify the development of capital accumulation in the aspect of class relations between the Korean monopoly capital, state and labor. On the one hand, the accumulation process has to be grasped in the 'capital's logic of motion', its actual bearers are no other than the capitalist classes (industrial or mercantile capitalists) on the other.

B. The Method of the Study

The main characteristic of this study's method can be found in its utilization of documents. A large amount of research data has been drawn from secondary sources of scholarly works (including articles), newspapers, news journals (including professional ones) and so forth. In the consideration of theoretical issues, existing academic literature is the main part of referent sources, whereas I used newspapers and journals as well as the literature for the substantial analysis of the specific phenomenon

manifested in the auto industry of S. Korea. Yet, there is no clear methodological criterion to do so. Rather, it depends on the nature of topics and problems posed by each case.

A brief discussion of the procedures involved in the data collection would be helpful for understanding the organization of this study. I had in mind two criteria in the selection of data when I decided to write a thesis on the automobile industry in S. Korea. The first is associated with the theoretical considerations which are parts of literature that I have read and kept. Specifically, those have to do with the discussion of capitalism, capitalist development, the relationship between capital and labor, state, labor market, etc. etc. The second is on the facts. Concrete facts were needed to demonstrate the reality at issue and support the theoretical arguments. Those real facts reside either in the condensed form of tables or are scattered throughout the literature. Among other things, I found very pertinent to my interest such data sources as the Automotive News, Business Week, Far Eastern Economic Review, New York Times, Wallstreet Journal and so on, in addition to the works of individual scholars.

It would be time-consuming and tedious to pick out the most relevant material among the infinite body of raw materials relating to this study without specific guidelines. Fortunately, the criterion that I set up

contributed to mietjtwtex rtherwise extraneous efforts. Based on the theoretical considerations, such categories as "production", "capital", "labor/labor strike", "state's policy", "working conditions", etc. were prepared to divide the raw materials to be collected as the first step. Yet the process of categorization of data does not directly make it ready to be analyzed. It must pass through the process of interpretation for the final purpose.

However, interpretation of raw material is not a major effort as far as my topic is concerned. The fragmented facts especially presented in newspapers and journals require some attention to fit them into the proper place. The most difficult part lies in the collection of sufficient materials associated with the 'private' corporate data such as amount of profits, control practice of capitalists over workers, profit repatriation abroad, financial flows between Chaebols and their auto firms and so on. Within the limits this study had to rely on more aggregate interpretations in some cases.

IV. A POLITICAL ECONOMIC ANALYSIS OF THE S. KOREAN AUTOMOBILE INDUSTRY

It is helpful to take an overview of the discussion in each section. One can find a pivotal theme worked out in the subsequent sections. It is the process of capital accumulation on the part of both the Korean monopoly capital and auto capital. In the process, one can also recognize the emphases put on the relations of the state to capital and labor, of capital to labor. Through the historical frame of periodization, I intend to provide progressive/transformative characters of the relations.

In the Section A (1945-1961), I take into a general preliminary account of the formative picture of the Korean monopoly capital within the structural conditions imposed by external forces (Liberation, Korean War, Foreign Aid etc). One of the major characteristics of the auto industry in this period was literally primitive.

One can see the formation of auto capitals in the Section B (1962-1973). But they were still premature. Much focus is given onto the process of capital accumulation of the Korean monopoly capital. And the state came into fore as an active agent to lever the direction of the Korean monopoly capital. Despite their formative nature of the auto capitals, some of them had an intimate linkage with much bigger capitals (parent companies).

The main point in the next Section (1974-1984) is the growing capacity of the Korean monopoly capital as well as auto capitals with strong patronage of the state. On the other hand, it is claimed that workers cost in the capital accumulation is significant. And finally (1985- Present), some of the changing features of the whole preceding discussions are laid out with the consideration of world economy. These brief accounts become more comprehensive and explicit when moving into the each Section.

A. The Primitive Stage of the Auto Industry (1945-1961)

Viewed by industry which has been dominant in S. Korean economy since 1960s, the automobile industry is one of the lately developed industries representing the growing economic capacity of S. Korea along with computer or semiconductor industry in this decade. (see Table 1) The current development of the auto industry may have its origin in 1955 when two local auto companies began to rebuild military auto parts into civilian jeeps.[10] However, it was in 1962 that S. Korea had an automobile assembly plant which produced a tiny number of vehicles through the assembly of imported auto parts at the small plant.[11]

Table 1

Trends of Leading Industries in S. Korea

1960s	1970s	1980s
Textile, Cement, Fertilizer. Plywood	Steel, Petrochem. Construction, Shoes Textile, Electronics	Semi-conductor, Computer, Machinery Automobile

In addition, the composition of the current auto majors in S. Korea - Hyundai, Daewoo, Kia, and Ssangyong Motors - has no direct relations with the 'out-moded' assembly production system in this period. What this fact means is that there have been significant transformative events in the development history of the S. Korean auto industry. For example, the first auto firm of Shinjin Motor Co. was finally transferred to Daewoo Motors in 1983 when it acquired the management control from the joint-venture company of GM-Korea.[12] Based on these information, it is of necessity to ask how then the S.Korean auto companies are now credited to the recent dramatic growth. One may attribute the source of expansion to the development of technology cumulated from the experience in manufacturing auto parts or assembling them in earlier times. Of course

technology is very instrumental in the especially capital-intensive industry like automobiles. But it is second to the existence of capital. In this sense we can recognize the overwhelming emphasis put on the foreign capital in the capitalist development of Third World countries.

With the importance of material base for the development of the S. Korean auto industry in mind, I lay out some preliminary accounts of the process of primitive accumulation in the broad framework of S. Korean political economy. Yet it must be reiterated at this point that even if external influences were decisive in the making of Korean society from this period my major concern will be located in providing a peculiar kind of internal structure in which the material base of the capitalist industrialization of the auto industry was ultimately established.

As briefly mentioned at the outset, until 1962 the S.Korean auto industry remained as a status of assembler from imported parts and were composed of small scale part and component workshops. At this stage of development of the auto industry, no modern manufacturing system of vehicles was established. There were only firms which repaired and built vehicles for military use as well as rebuilding military Jeeps for civilian use. Put differently, there were any significant interests on the part of capitalists to have auto businesses for making profits. More important is the fact that the socio-economic structure was not

compatible to their eager concern with capital accumulation. How then later will we be able to see the capital accumulation in the sphere of the auto industry despite the assumed structural obstacles? This prime question can be further paraphrased as follows: What was the situational conditions of capitalist classes in general? What was the source of capital in primitive accumulation? Which part the government had played in 'civil society'? What was the industrial structure and how was the working class? Were there any influences of world economy on the S. Korean society? Those subsequent questions surely seems sufficient and important to deserve a separate analysis in detail on each case. Yet the whole questions should be taken into account although we have limited space.

1. Mercantile Nature of Capital

It is commonplace that in the development of capitalism of West capital has initially been generated in the mercantile, not in the industrial form. The decisive distinction between the two forms can be drawn in the marxian discourse from the manner in which profits are realized in either production or circulation sphere. This is based on the 'labor theory of value' which means that all surplus value distributed among society takes form of

interest, rent, and profit and the source of surplus value stems from the capitalist relations of production in which exploitation of capitalist from workers at the point of production is the necessary mechanism as far as the capitalist production goes on. [13] From this formula, the difference now becomes clear between mercantile and industrial capitalists. While the latter accumulates capital through the direct appropriation of surplus value, the former does so by utilizing the opportunity accrued from trade. Thus the profits that merchant capitalists obtain is no other than a realization of surplus value in the production. In the real world, however, it is extremely difficult to define a society as exclusively either mercantile or industrial because both are components of the process of capital accumulation, i.e., production, exchange, distribution of surplus value.

In the Korean context during the period (1945-1961), the dominant characteristics of capital is mercantile in the sense above. This does not deny any existence of industrial manufacturing factories. According to Cumings (1984), pre-colonial manufacturing industry in S. Korea was established by Japanese imperial Zaibatzus and the number of industrial workers marked 213,000, excluding miners. But the mere existence of industry and its workers does not necessarily create the dominant Korean capitalist class, because few of Korean industrial capitalists was allowed to enter the

business although significant infrastructure of railroads, telephone, roads, etc. might contribute to providing a favorable condition for later industrial capitalists.

In the independent development of a Korean economic structure after the emancipation, there were three opportunities for capital accumulation which made later capitalist industrialization possible: 1) the participation in the distribution of the appropriated properties during the period of 1945-1950, 2) the utilization of the economic aid of the United States during the period of 1950-60, and 3) the inducement of foreign capital through international loans after 1960.[14] In this section the first two is taken into account.

The primitive accumulation took place through the take-up of the various kind of property owned and run by Japanese such as land, buildings, mines, enterprises, bonds, securities, gold etc. According to a statistic, the total assessment of those vested property amounts to about 80 percent of the gross property in S. Korea.[15] It was possible to accumulate when the properties reverted to the state was disposed to a minority of Koreans. Of course, although the amount of capital proper accumulated during the colonial rule can not be neglected, the fact that the great portion of capital has to be redistributed to a small number of domestic bourgeoisie is of crucial importance. One important aspect as regards the process of disposal of

reverted properties is that those properties were allocated at a very cheap price to those who had in one way or another a connection to government officials or were landowner under the colonial rules.[16] Thus, the benefits was restricted to a very few number.

However, Korean War (1950-1953) destroyed the overtaken factories as well as facilities of key industry such as roads, rail, harbor, etc. Accordingly, the material base for reproduction of capital was heavily undermined. In such a situation in which capital could hardly find a way of self-expansion, i.e., shortage of primitive capital, foreign aid from the United States played an important role in rehabilitating the process of primitive accumulation until late 1950s.

Foreign aid funds in various forms such as GARIOA (Government and Relief in Occupied Areas), SEC (Supplies Economic Cooperation), PL 480 (Agricultural Trade Development & Assistance Act), ICA (International Cooperation Administration), CRIK (Civil Relief in Korea), UNKRA (United Nations Korean Reconstruction Agency) were flowed from the U.S. within a certain period of time. Table 2 shows the trend of the U.S. aid funds according to specific purposes. From the Table, it is possible to point out at least two distinct features. First, the total amount of foreign aids in dollar terms marked around 3.1 billion dollars except military aids during the year of 1945-1961.

Compared to GNP during this period, the figure is never insignificant. This external source of capital definitely served as one of sources for primitive accumulation during this period together with allocation of the vested properties. Secondly, majority of those aids were granted free in the donation form. Although the figure has dwindled since 1964 when the S. Korean government implemented economic development plan, there seems no disagreement that the total amount of grant-in-aids contributed to making the primitive accumulation in S. Korea. Then what kind of effects did these enormous quantity of aids make on the determination of capitalist class in S. Korea? For explanation of this question we have to take into account the relationship of capitalist to the government.

2. The Relations of Capital to State

As a category distinct from capital and labor, the S. Korean state has been brought into fore after Liberation in 1945. Despite the fact that political legitimacy out of Japanese colonial rule was obtained, it is difficult to deny any possibility of the state's political dependency on external influences during this period since, as seen above, the material conditions to stand on its own was to a great degree provided outside. Besides the political reason

Table 2

Foreign Aid from the U.S. (1945-1961)*

(unit:million dollar)

Year	Total	GARIOA	SEC	PL480	ICA	CRIC	UNKRA
1945	5	5	-	-	-	-	-
1946	49	49	-	-	-	-	-
1947	175	175	-	-	-	-	-
1948	180	180	-	-	-	-	-
1949	117	-	117	-	-	-	-
1950	59	-	49	-	-	10	-
1951	107	-	32	-	-	75	-
1952	161	-	4	-	-	155	2
1953	194	-	-	-	5	159	30
1954	154	-	-	-	83	50	21
1955	237	-	-	-	206	9	22
1956	327	-	-	33	271	-	23
1957	383	-	-	46	323	-	14
1958	321	-	-	48	266	-	7
1959	222	-	-	12	208	-	2
1960	245	-	-	20	225	-	-
1961	199	-	-	45	154	-	-
Total	3,135	409	202	204	1,741	458	121

Note: * includes economic aids excluding military aids.

Source: Bank of Korea, Yearbook of Economic Statistics (Seoul: BOK). cited from Chung, I.Y. "The Unfolding of Aid Economy" in Theory of the Korean Capitalism (Seoul: Kachi, 1984), p.139.

underlying the huge economic supports of the U.S., especially since the Korean War, the first regime of Rhee had no stable popular foundations among S. Korean people. Unlike other nationalist leaders (Kim Gu and Cho Man-Sik) who had struggled against Japanese imperialism during the hardship of colonial rule in the country, Rhee spent much time in America for the nation's liberation. This fact indicates a clue to explain that Rhee even under patronage of U.S. after returning to S. Korea did not have political connection with domestic nationalists. The weak political foundation led him to go in hand with land lords who were then dominant ruling class until the emergence of industrial capitalist class.

In addition, severe ideological battles between Right and Left had played a decisive role in determining the state's political attitude towards the ultra-anticommunist and authoritarian direction. This anti-communists attitude of Rhee regija oie ca obainby reflected in its crush on the labor movement led by Leftist organization of Chen Pyong (National Council of Korean Workers), which was established in 1945 and included 500,000 union members under the 16 nation-wide industrial unions.[17] In the process, the government promoted and supported a labor organization organized by a Right political group.[18]

The fact that government leading bureaucrats were recruited from the dominant ruling class (largely land

lords) characterizes the relationship between the state and ruling class as symbiotic at least in the political sense.[19] What is more important is their political intervention in the economic sphere. As a matter of fact, the mercantile capitalist classes had proliferated in such a general political-economic and specific political connection to the government in the process of allocation of material sources for their 'primitive' accumulation. Now it is necessary to see how the process took place.

As argued earlier, the nature of capitalists during this period was characterized as not industrialists but merchants who made profits through trade. The primary structural conditions were provided by a series of events that occurred in this period. Those are the experiences of the political liberation which was kept away from many industrial factories located in the Northern part of the peninsula, the Korean War (1950-1953) which destroyed the remaining factories in the South, rampant ideological battles which caused relatively little energy from the government to foster economic growth, economic instability of high inflation caused by the Korean War, dominantly agricultural economic structure, etc. In brief those factors limited the capitalists energy for doing their businesses in manufacturing industrial products. Rather, for example, they sought to concentrate on trading business by exploiting inflation at maximum degree.

Under the unfavorable conditions for industrial capitalists, foreign aids played a critical role in determining the mercantile nature of capitalism at that period. As shown earlier, the total amount of foreign aids was about 3.1 billion dollars excluding military support until 1961. What draws our attention is the fact that large portion of the funds consisted of consumer goods. Out of total amounts of aids 81 percent hold consumer goods such as foods, clothing, medicine, fertilizers, raw cotton, etc.

In other words, there was little capital equipments or facilities for production in manufacturing.

The imported raw materials provided an important basis upon which some consumer industries was flourishing. The early Korean commercial capitals which were largely accumulated in the 'unproductive' way became to invest in the profit-guaranteed 'three white industries' - spinning and textile, flour milling and sugar refining. Under the conditions of monopolist dominance of the consumer industry, as discussed later, Korea's typical monopoly capital (Chaebols) was able to emerge.

In addition, PL 480 (an aid fund of surplus agricultural products shipped in 1956-1961) was amounting 2 billion dollars and made tremendous impacts on the rural sector. The huge amounts of imported surplus products caused directly the domestic agricultural price to decline.

Table 3

Contents of Foreign Aid (1945-1961)

(unit: million dollar)

Aids	Period	Equipment	Consumer Goods	Total
GARIOA	1945-48	30 (7%)	379 (93%)	409
ECA.SEC	1949-53	6.2 (3%)	196 (97%)	202
CRIK	1950-56	- (0%)	26 (100%)	26
UNKRA	1951-61	86 (70%)	36 (30%)	122
FOA.ICA	1953-61	485 (28%)	1,260 (72%)	1,745
PL480	1956-61	- (0%)	203 (100%)	203
Total		608 (19%)	2,531 (81%)	3,199

Source: Bank of Korea. cited from Chang, S.H "The Process of Dependent Economic Structure on the U.S. after Liberation" in K.H.Song and H.C.Park (eds). The Reflection on 40 Years after Liberation (Seoul: Tolbegae, 1985), p.106.

If the rice price were 100 in 1956, for instance, it dramatically plummeted at 93.4 in 1958 and 82.5 in 1959. The situation was not much different in the case of barley. (Chung, 1984:154) This fact inevitably stimulated the process of decline of agriculture and impoverishment in the rural sector. The devastating situation in agriculture could serve as a potential conditions for the creation of low-wage working class in the course of industrialization of the next period (1962-1973).

As for the relation of state and capital in this period, as implied, the whole series of events was not possible without the state's direct intervention from the receipt and allocation of foreign aid funds, to the agricultural price policy. For the making of monopoly capital, the provision of privileged favors to a few 'domestic compradores' was crucial and in a sense inevitable. Let us explain briefly the logic underlying that situation.

The best access to those revenue sources on the part of capitalists was the use of political connections. They recognized and played on the urgent need for political funds on the part of politicians and the prevalent corruption of high-ranking bureaucrats. With limited capital funds available domestically, the state opted for reliance on foreign sources for financing in the private as well as the public sector. I make illustrations to provide

such a close symbiotic relationship between the state and capital.

The first case that occurred in 1952 was related with the state's 'unfair' assignment of foreign exchange of over 3 million dollars to few private companies which was originally bound to be invested for certain needs for the country. Those companies could make enormous 'extra' profits by taking advantage of monopolizing prices whose products (i.e., grains and fertilizers) were imported through the illegally allocated money. In return for this favor they offered a large contricution to the regime's campaign for a constitutional amendment that permitted the regime's next presidency. Another instance of political manipulation involved disguised government subsidies in the form of financial loans. In 1957, the regime exerted pressure on the Korean Reconstruction Bank to grant a large loan to twelve big companies for the professed purpose of helping reconstruct the nation's industry which was suspected not to do. Likewise they gave a contribution at a certain percentage of the loans as political donations.(K.Kim, 1976)

In short, those windfalls accruing from the close relationship between the state and domestic capital were one of the most chief sources of revenue accumulation in S. Korea. Jones and Sakong (1980) commented in this terms:

"... a major characteristic of Korean entrepreneurship in the 1950s was that it was far easier to make money from government-derived favors than from productive competitive activity and entrepreneurs naturally followed their pocket books." (p.57)

3. The Unstable Structure of the Labor Force

After Liberation, the S. Korean government enacted a far-reaching land reform program in 1949. Even if the land reform permitted farmers to have their own land, the serious chronic problem of land fragmentation was far from solved. In 1962 miniature farms (under 0.5 hectares) composed 44 percent of the total and small farms (0.5-2.0 hectares) 51 percent. (Hamilton, 1983:155) What made things worse, was the arrival of surplus huge shipment of grain (mostly wheat, barley and rice) from the U.S. under the PL 480 plan. This material force and later low grain price policy by the state not only hindered the growth of Korean agriculture, but enforced large number of rural labor force to get out of land.[20] Here it seems helpful to note that the total number of employees between 1953 to 1960 had steadily increased, while wages workers whom firms employed more than 5 remained almost unchanged in number. (see Table 4) Given the potential labor force leaving out of rural

area, the stagnant figure of wage workers proper would imply that the urban industrial sector did not contribute to absorption of the labor force who then fell into urban "lumpen-proletariats". Or from the point of capital, we can say that the industrial capitalist production was not dominant in this period. However the rapid process of proletarianization of rural population took place in the second period of planned industrialization (1962-1973).

Table 4

Number of Employees in the Labor Force (1953-1960)

Year	Population ^{1/} (thousand)	Employment		Unemployment (thousand)
		Total	Workers ^{2/}	
1953	13,552	7,291	240	596
1956	12,431	7,827	220	358
1957	13,919	8,076	245	277
1958	14,230	8,784	236	334
1959	14,658	8,768	204	347
1960	15,049	8,521	235	434

Note: 1/ population of above 14 years old.

2/ workers employed in firms who have more than 5 workers

Source: Bank of Korea, Yearbook of Economic Statistics (Seoul: BOK), various issues.

B. The Formation of the Auto Industry (1962-1973)

As seen in the following discussion, one of the momentous forces for leveraging the S. Korean economy was foreign capital. But unlike other developing countries the form of foreign capital taken in S. Korea was not TNCs's direct investment but loans from the major international banks, i.e., World Bank or AID etc. During this period, however, most of the S. Korean auto companies contracted various joint venture with the auto TNCs. Yet it should be noted that the primary purpose of joint ventures was not to acquire capital but technology. For example, Hyundai Motors had a technical cooperation with the British subsidiary of the Ford Motor of the United States in 1967 and Kia Motors contracted a technical joint venture with Honda Motor of Japan in 1971. Only Shinjin (now Daewoo) Motors had both capital and technical contract with Toyota Motor of Japan in 1966. (Korea Exchange Bank, 1978:8)

There can be two plausible interpretations. One is that the major auto TNCs had little interests in capital joint venture for their profit-making because the S. Korean domestic auto market was extremely limited in absolute size and relatively to that of Latin America countries where major auto TNCs already invested enormous capitals. The other reason may be found in the state's regulation to prevent direct capital investment.

1. Foreign Loans as a Source of Capital Accumulation

In the previous section, we have seen a structural mechanism through which Korean capitalists were able to accumulate capital initially in 'non-productive' ways. The overall discussion will be helpful to understand subsequent processes of capital accumulation and simultaneously rapid decomposition of rural labor population for either subsidizing industrialization or remaining urban reserve army or petty bourgeois. The most conspicuous historical event which is regarded as a dividing point between the first and second took place in the political arena in 1961. Military regime made its appearance and left tremendous consequences on S. Korean society from economy to ideology.

It was since the early sixties when the state had become at the front of the screen of economic affairs. Also it was the first history of S. Korea to open the era of military-authoritarian regime when General Park took power in 1961. Foreign aids tended to decline in quantity since late 1950s and the government recognized the necessity of economic growth as an urgent alternative for political legitimacy. Dominant TNCs in the world economy had invested increasing in peripheral countries for locating cheap production sites. Perhaps this period can be best described by the new international division of labor in certain industrial sectors (textile and electronics). In the Korean

context, however, foreign capital (direct investment) was not significant in absolute and relative terms. During 1962-1971, the amount of total foreign direct investment in S. Korea was \$117 million dollars. This figure becomes tiny when we see the amounts of foreign loans (public or commercial) in Table 5. From this table, it can be claimed that the economic 'boom' in the same periods had little to do with foreign direct investment. Then we have to look into foreign loans in some detail.

Table 5

Amounts of Foreign Capital (1962-1971)

(unit: million dollar)

Period	Total	Loans		Direct Investment	
	Amount	Amount	% of Total	Amount	% of Total
1962-66	312	291	93%	21	7%
1967-71	2,999	2,903	97%	96	3%
Total	3,311	3,194	96%	117	4%

Source: Bank of Korea, GNP in Korea (Seoul: BOK, 1982)

There can be pointed out two things regarding foreign loans as a source of capital in that period but in a situation of giving great efforts onto the industrialization on the part of the government. As seen in Table 5, foreign direct investment was not so much important as loans in terms of amounts of money and more its influence on the formation of S. Korean capitalism towards dependence on external forces. One of points to note is that the state could stand above the capitalist class since it controlled the flows of loans from transaction to disposal through the state-owned bank like Korean Industry Bank etc. This capital capacity which was endowed to the state was enough to direct the course of industrialization.

In relation to capital, this state's monopoly of the loans could stand on the dominant vantage point over capitalist classes which were eagerly seeking to expand their business. But except some of public sector, the capitalist economy was the responsibility of capitalists. So, it is not difficult to reckon on the relationship between the state and capitalist classes in respect to "cooperative transactions" under the condition of economic development. What needs our attention is the way in which those foreign capitals have been allocated to whom and where.

2. The Emergence of Monopoly Capital

We have seen the source of capital accumulation in the previous period as mercantile profits with close linkage to state bureaucracy. At any rate, the so-called 'primitive accumulation' was achieved during the period. Beginning industrialization proper since early 1960s, the source of capital accumulation was cheap labor power together with the foreign loans. In that sense genuine capitalist relations of production started to operate.

In Korea, the nature and process of monopoly capital has been different from those in Western countries. Although Marx and his followers did not give much efforts on the analysis of monopoly capital in any greater detail, as Baran and Sweezy (1966) argue, we can get some ideas of how monopoly capital has grown. For Marx, it was treated as concentration and centralization of capital within a branch in competitive capitalism. What needs to note is the argument that those process of capital had taken place in the course of competition among many capitals. For the time being I take this 'law of motion' of capital as a frame of reference for our analysis. Later on we will see further distinct characteristics of Korean monopoly capital with the reference offered by Baran and Sweezy.

Conditioned by various historioibby given structures that I accounted for previously, S. Korean capitalist class

had relied on the state for an easy access to material sources. The reliance of capitalists on the state has become intensive when they recognized the necessity of more capital to increase their business. As one of indices to show the formation of monopoly capital, the trend of number of factories employing more than 500 hundred workers dramatically increased, 18 in 1955, 26 in 1959, 72 in 1963, 189 in 1968. (see Table 6)

Table 6

Increasing Trend of Large Companies (1955-1983)

Year	Number of Large Companies*	% of Total S. Korean Employment
1955	18	11.7
1959	26	11.9
1963	72	22.2
1968	189	31.3
1973	402	43.7
1978	643	43.9
1983	574	37.3

Note: * large companies employing more than 500 workers

Source: Kim, H.K (1985) p.189

One of the distinguishing characteristics of the Korean monopoly capital is ownership by family.[21] Considering the relative short history of Korean enterprises, it is understandable that many corporations are still owned by the founder's family members. According to the Korea Productivity Center, corporate ownership is very narrow, with more than 80 percent of the stock held by 10 or fewer capitalists in half of the 390 surveyed companies. (Far Eastern Economic Review Feb.11, 1988). As Table 7 shows, the ratio of family ownership of Chaebols - a conglomerate or a financial clique in Korea - is much higher than those of non-Chaebols. Chaebols own more than 30 percent of the listed corporations' stock.

3. The Nature of Korean Monopoly Capital

In the Korean context, the nature of capital, including definitely auto's has quite distinct feature in form. The typical character of capital in S. Korea is to be found in Chaebol. Most of the major Korean Chaebols were formed during the course of the rapid economic growth, although they were different in terms of formation timing and type. The formation of Korean Chaebols has a definite relation with state as implied earlier discussion. In brief, they were shaped through various supports of the government.

Table 7

**Korean Chaebols: Distribution of Ownership: Percent
of Stock Ownership (1982)**

Company	Family & Affiliated		Total
	Relatives	Enterprises	
Chaebol Top 10	13.44%	18.99%	32.43%
30	19.29%	14.93%	34.22%
40	18.65%	10.99%	29.64%
Average	17.71%	14.96%	32.67%
Non-Chaebol	20.96%	2.99%	23.95%

Source: Lee, H. and Chung, K. (eds.) The Structure and Strategy of Korean Corporations (Seoul: Bupmunsa, 1986). p. 182.

The concept of Chaebol originally appeared in Japan. In the strict sense, however, Chaebol is different from Japan's Zaibatsu. Whereas Zaibatsu no longer depends exclusively on family ownership, Chaebol - except in rare cases - do not share power with professional management talents in its ownership. Thus the Chaebol may be defined as a business group consisting of large companies which are owned and managed by family members or relatives in many diversified business area.[22]

The origin of Chaebol was rooted in the proliferation of consumer industry of so-called three 'white industry' as shown earlier. How were Korean Chaebols able to accumulate their capital? Obviously, they utilized various devices for access to the sources of capital accumulation (political connection is a outright instance as seen earlier). The other specific channels were either monopoly profits or utilization of different exchange rates for the aids products. Here let us consider the 'benign' relations of state to capital in 1960s.

It was during the process of industrialization focused on exports that the relationship between the state and Chaebols became more conspicuous. Undeniably, the incredible growth of S. Korea was initiated and steered by the government. Since many Korean Chaebols owed their success much to government supports, a close relationship between government and Chaebols has been inevitable. For

example, we have seen that a close relationship with the government was essential for Chaebols to receive the large benefits that have been critical to their successful capital accumulation.

The close state-capital relationship in S. Korea is often referred to as "Korea Inc." However, there are distinct differences between "Korea Inc." and "Japan Inc." For example, the latter denotes a government-business partnership in which the policy reflects a consensus between equals. In Korea, the government sets the policies and capitalists follow more or less. In this way, S. Korea is an unusual mixture of free enterprises and state direction. The government's strongest weapon has been its control of credit over private enterprises. The S. Korean government announced banking liberalization plans in 1983, yet the government still does not permit domination of banks by an industrial Chaebol. However, the ownership of major domestic banks by leading Chaebols is no significant at all as Table 8 indicates - the rest of bank stocks are owned by the state.

From our discussion, we can carefully indicate that the tie-up of Chaebol with the Korean government seems too much intense to go beyond the degree to which P. Evans once termed the "triple-alliance" among TNCs, domestic capitalists, and the authoritarian regimes in the Latin American countries. In the Korean context, it was perhaps

Table 8

Stock Ownership of Banks by Chaebol (%)

Chaebol	ChoHeung	Korea First	Hanil	Bank of Seoul	Comm'l Bank
Hyundai*	2.14	9.35	7.27	11.93	-
Daewoo*	1.23	23.82	2.22	5.29	4.48
Samsung	8.34	5.69	9.27	-	15.97
Lucky-Gold	1.71	5.30	5.87	-	-
Hanjin	-	-	8.45	-	-
Taekwang	3.77	-	-	4.56	-
Ssangyong*	5.57	-	-	-	-
Daelim	-	-	9.29	-	-
Shindongah	7.98	7.24	-	9.90	-
Dong Ah*	-	-	10.03	-	-
Hanil-Kukje	4.05	2.18	3.69	-	1.91
Total	34.79	53.58	56.09	31.68	22.36

Note: * means those Chaebols that have auto subsidiaries.

Source: World Bank, Korea: Managing the Industrial Transition, 1987, p. 92.

inferred from the fact that TNCs were not in any considerable extent involved in the process of primitive accumulation at the premature stage of the industrialization until late 1950s and thus the S. Korean state has more exerted its power through the control of financial credits.

4. The Relation of Auto Capital to Chaebols

Most of the current major auto companies was established during this period such as Shinjin (now Daewoo), Hyundai, and Asia.[23] In order to understand the developing process of the 'auto capital', it will be helpful to look at the peculiar characteristics of monopoly capital in S. Korea.

As Table 8 shows, we can recognize that most of Chaebols who have auto corporations hold a considerable share of bank stocks such as Hyundai, Daewoo, Ssangyong and Dong-Ah Group. This fact would imply that there is indirect relationship between financial capacity of those Chaebols and their auto companies. If we take a look at the financial network between the parent company and its subsidiaries, it will be clear that this is so. As defined as family-controlled set of companies, the owners of each company under Chaebols are in most cases family relatives of the founder. For example, the president of Hyundai Motors,

Chung SeYong is brother of Hyundai Groups's founder, Chung, Ju-Yong. The tight family-ties in Korean Chaebol in managing the whole business is in fact one of most distinct characteristics.

5. Implementation of State's Economic Plan

(1) In General

The most conspicuous structural factor to define this period is implementation of industrial strategy directed by the Five-Year Economic Plan. In terms of industry, so-called light industries like textile and electronics were dominating the industrial structure and also provided material bases for later industrialization emphasizing heavy industry such as steel, shipbuilding, petrochemicals, and automobiles. In political sphere the first military regime began to operate since 1961.

One of manifestations of the regime's politics is represented by authoritarian repressive apparatus. Compared to early regime, the present one can be said to enjoy a stronger autonomy (power) vis-a-vis the dominant capitalist class as well as working class. Besides explicit control of military the regime manipulated the two classes of capital and labor through the state's functionaries (i.e., Korean

Central Intelligence Agency) based on Park's personal experience during the service of the Korean Army.

What is at issue is the relation of the state to the domestic capitals and the implication of the relationship to the socio-economic structure of the country. The typical showcase to indicate the state's centrality was formulated as an economic plan organized by the high brains of the regime. It was later found out that although the state was energetically devoted to economic development at that period, the underlying rationale was to acquire legitimacy among people, especially farmers and fishers in the country side. Thus it was no accident that the priority of the plan was given to the "rural development". Yet the initial project did not work so well because the rural development stood in conflict with the industrialization process through which the state intended to upgrade the economic status of the country.

(2) The Auto Industry

Based on the understanding of the peculiar character of Korean Chaebols, it seems now adequate to show how the state functioned in directing the auto industry in this period. The development of the auto industry encountered a turning point when the state undertook a series of measures to promote the industry as a part of the First Five-Year

Economic Development Plan (1962-1966).

The government enacted the automobile industry protection law which provided tariff exemptions for parts and components imports, tax exemptions for assemblers, and import prohibitions on complete cars. It also set up a Five-Year Automobile Development Plan. As a part of this new government policy, the first modern assembly plant was established by the Seonara Automobile Co. in technical cooperation with the Nissan Automobile Company of Japan. Production was started with semi-knocked-down parts in a small plant with a capacity of 6,000 passenger cars a year. (Korea Exchange Bank, 1978) The Seonara Automobile Co., however, was forced to shut down due to the foreign exchange crisis of 1963 which made it impossible to continue to import parts and components from Japan. The production of parts was subcontracted out on the basis of competitive bidding. Thereafter the number of automobile assemblers proliferated rapidly. Among these new firms were Shinjin, Hyundai, Asia, and Kia which started originally as bicycle manufacturer and expanded into two-wheel and three-wheel commercial vehicles.

6. The Making of Working Class

Capital as a social relation inevitably contains the capitalist relation of production. As the process of capital accumulation proceeds, the capitalist production relation has expanded - "increase of the proletariat" (Marx:1967, 576) decomposition of agricultural sector and expansion of urban industrial sector. In the Korean context, along with the process of monopolization of capital (or rapid industrialization) the structure of labor force has changed. The expansion of the wage workers in the capitalist production sector is the major outcome of the process. The total wage workers increased from 1,528,775 (21.8 percent) in 1960 to 5,456,964 (43.0 percent) in 1980 out of the total employees. (see Table 9)

The fact that wage workers have increased in number since 1960s reflects the expansion of the capitalist production relations on the one hand and simultaneously the decomposition of the rural sector much the same as in the British case - Enclosure. The rapid process of industrialization brought into being the huge influx of rural population into the urban areas. The surplus population which was not absorbed in the urban industry remained as a reserve army in the form of "lumpen proletariat" or small self-businessmen. It was their existence to push the wages of industrial workers in the "formal sector" down. Apparently, this structural

Table 9

Increasing Trend of Wage Workers (1960-1980)

(unit: 1,000)

Year	1960	1965	1970	1975	1980
Total Employees	7,028	8,206	9,745	11,830	12,048
Wage-Workers	1,529	2,523	3,904	5,125	5,457
(Percent)	(21.8)	(30.7)	(40.0)	(43.3)	(45.3)

Source: Bae, M.K (1985) "Industrial Development and Structural Changes in Labor Market:The Case of Korea", Institute of Developing Economics, p.67.

change of the labor force took place owing to the objective realization of the 'capital logic' with definite connection to the state's design. For it was the state's purpose to create the surplus population through the low grain price policy of agricultural products, which, by encouraging rural-urban migration and providing cheap food for city workers, has actually contributed to the transformation from agricultural into industrial capital by making industrial investment more profitable.

C. The 'Take-off' of the Auto Industry (1974-1984)

After the oil crisis and the state's policy called the 'Long Term Development Plan' for the motor vehicle industry in early 1974, the S. Korean auto industry entered a stage of 'mass production'. The main purpose of the plan was to increase the ratio of localization of the auto parts and components production. Not surprisingly, during this period Hyundai Motors produced a Korean model of the passenger car named Pony. Under the state's plan which encouraged major auto companies to make a huge investment in equipment and facilities in production, the production capacity of vehicles rapidly has escalated since 1974, 73,000 units in 1974, 166,200 in 1975, and 220,000 in 1976. (Korea Exchange Bank, 1978) In surface, it is true that there is a definite

correlation between input of capital facilities (dead capital) and output of products (automobiles) in positive terms. It is also true in the 'hidden abode' that there exists a creation of surplus value from workers (living capital) for the capital accumulation.

In this section we take a look at the way in which the Korean monopoly capitals (Chaebols) have expanded under the state's support on the one hand and by exploiting cheap labor power on the other. Also we will see how the state had managed the 'labor problems' and how workers struggled against the objective conditions imposed in the course of industrialization.

1. Expansion of the Monopoly Capital

It was seen in the preceding discussion that the Korean monopoly capital, Chaebols made a genuine appearance after 1960s. There were only three companies - Samsung, Lucky, and Ssangyong which had more than two subsidiaries in 1950s. (Kim, H.K. 1988:173) It was after the economic development plan was implemented through two pivots of foreign loans (rather than foreign direct investment) and export-oriented strategy that the process of monopolization accelerated under the government's privileged favors. The Korean Chaebols extended their business to heavy-chemical

industries initiated by the Third Five-Year Economic Development Plans (1972-1976) and they came to dominate the national economy. In this context, Table 10 shows that the largest four Chaebols increased their number of subsidiaries by more than twice between 1974 and 1986. From these examination, one can recognize that the process of monopoly of giant companies has conspicuously proceeded since mid-70s.

Table 10

A Comparison of Major Chaebols' Subsidiaries
(1974 and 1986)

Chaebol Groups	1974	1986
Samsung	14	24
Daewoo	10	25
Lucky-GoldStar	12	26
Hyundai	6	25
Total	42	100

Source: The Company Yearbook, Daily Economic Papers (Seoul: 1986) cited from Kim, H.K (1988) Monopoly Capital and Wage Labor in Korea Seoul: Kachi. p.174.

Based on the capital accumulated by largely special favor and credit of the state, Chaebols could accelerate to intensify monopolization of capital through either new investment or consolidation of companies during the 1970s. Explaining it a different way, in the course of a crash industrialization strategy, achieved at the cost of an enormous input of foreign capital (with more than \$46 billion in 1985), virtually the whole economy has fallen under the domination of about 50 Chaebols.

Production and marketing everything from bread to aircraft engines (Samsung), from razor-blades to TV sets and from toothpaste to microchips (Lucky-Goldstar), from automobiles to ships and from housing units to furniture (Hyundai), and from heavy machinery to automobiles from apparel to ships (Daewoo), they have literally left no stone unturned in their expansion and control of domestic markets. For instance, the number of manufactured items monopolized by one group rose from 8 in 1982 to 10 in 1983; from 13 to 18 for items by two groups; from 37 to 43 for items controlled by three makers. (Far Eastern Economic Review July 19, 1984) Table 11 will help to provide a clear picture of the tendency of monopolization of capital in terms of the manufacturing capacity.

It was known that the net sales of the 50 largest Chaebol groups in 1983, according to a newspaper survey in S. Korea, hit Won 53 trillion (\$66.25 billion), up 3.7

Table 11

Conglomerates' Share in Manufacturing (%)
(1973-1982)

Chaebols	1973	1975	1978	1980	1982
Top 5	8.8	12.6	15.7	16.9	22.6
10	13.9	18.9	21.1	23.8	30.2
20	21.8	28.9	29.3	31.4	36.6
30	n.a.	n.a.	34.1	36.0	40.7

Source: Lee, Y.K. (1985) "Conglomeration and Business Concentration: The Korean Case" Seoul: Korea Development Institute. p.32. cited from World Bank, Korea: Managing the Industrial Transition, 1987. and Koo, H. (1984) "The Political Economy of Income Distribution in South Korea: The Impact of the State's Industrialization Policies" World Economy 12(10), p.1032

percent from 1980. (Far Eastern Economic Review July 19, 1984) To appreciate the magnitude of this figure, it should be remarked that S.Korea's GNP in 1983 totalled only Won 58 trillion. Furthermore, among the 20 largest companies listed in 1983, 15 were owned by the 10 largest Chaebols. In 1984, the five largest Chaebols - Hyundai, Samsung, Lucky-Goldstar, Sunkyoung, and Daewoo - had total sales of close to \$50 billion, or more than half of the country's GNP. (The Korea Times, Feb.18, 1986) Although the story of growth is a part and parcel of S.Korea's "economic miracle", the way in which they have concentrated so much is largely through cheap preferential loans, government protection and low wages.

In terms of concentration of capital, Chaebols have continuously consolidated other companies throughout their history. The way they increase their capacity was either investment in other sectors or take-over of the existing firms. As Table 12 shows, the largest Chaebols of Samsung, Hyundai, Daewoo, and Lucky-GoldStar together expanded their number of firms from 17 before 1960 to 152 until 1986. Among other Groups, Daewoo runs first in terms of the number of firms owned; it grew by 7 firms to 43 firms during the same time span. Ssangyong Group undertook Dong-A Motors in 1986 and Daewoo Group actually took over the right of management of Saehan Motors in 1982 and owned half of the equity. And Kia Motors also subsidiarized Asia Motors in

Table 12

The Consolidation of Firms by Major Chaebols
(1960-1986)

Chaebols		Before 1961-70 1960	1971-1980	1981-1986	Total	
Samsung	(1)	7	6	9	1	23
	(2)		5	6	5	16
Daewoo	(1)	2	4	12	7	25
	(2)			12	6	18
Lucky-Gold Star	(1)	5	7	9	5	26
	(2)		4	3	3	10
Hyundai	(1)	3	2	18	2	25
	(2)			3	5	8
Ssangyong	(1)	2	4	6	1	13
	(2)		1	3	3	7
Total	(1)	19	23	54	16	112
	(2)	-	10	29	22	61

Note: (1) denotes Foundation and (2) Undertaking or Merger.
Source: Daily Economic Papers, The Company Yearbook
(Seoul, 1986) in Kim, H.K (1988). p.173.

1976. Thus, even within the auto industry where domestic market has been dominated by few monopoly capitals, the centralization of capital by much bigger capitals operated.

Together with the capital concentration, there has proceeded the concentration of labor force by the giant capitals. That is, the process of monopolization of capital occurred at the same time when the labor force was concentrated on the Chaebols. Table 13 demonstrates that 30 largest Chaebols in manufacturing sectors employed 20.5 percent in 1977 and 24.5 percent of the total labor force in 1979 and since then the ratio decreased to the portion of 18.6 percent in 1982. Yet it can be said that the proportion of labor force is still high.

2. Auto Capital

At this point it is necessary to mention concisely the relationship between 'capital in general' (Chaebol Groups) and 'auto capital' (auto companies). Most of the major auto capitals in S. Korea belongs to Chaebols such as Hyundai, Daewoo, Dong-Ah, Ssangyong, etc. And Kia Motors together with Asia Motors belong to the parent company of Kia which has 10 affiliated companies. What this fact means is that those auto companies have been able to develop as their parent Groups have done, with other circumstances being

equal. Hyundai Motors is the best example in this regard. The origin of Hyundai Group dated back in 1950s when the founder, Chung Ju-Young started his business in brick construction. As seen before, Hyundai Group developed like other Chaebols fueled by the state's economic development plan since early 1960s. In the process of expansion of the Chaebol, Hyundai Motors was established in 1967 and began operations the following year through a technical tie-up with Ford Motor Co. (Korea Exchange Bank, 1978)

Table 13

Employment in Manufacturing Sectors by Chaebols
(1977-1982)

Chaebols		1977	1978	1979	1980	1981	1982
Top	5	9.1	9.5	10.5	9.1	8.9	8.4
	10	12.5	13.9	13.5	12.8	12.8	12.2
	20	17.4	18.2	20.0	17.9	17.0	16.0
	30	20.5	22.2	24.5	22.4	20.8	18.6

Source: Lee, K.O (1985) The Consolidation of Firms and Concentration of Economy Seoul: Korea Development Institute.
p.97.

Given the close family-tie ownership and management in Chaebols as seen earlier, we can assume at the most rudimentary level that Chaebols' capital capacity has much to do with their auto business. In fact, Hyundai Motors allowed foreign capital as late as in 1982 when Mitsubishi held 10 percent of equity share. Except Daewoo Motors, the major auto capitals in S. Korea had little capital shares with auto TNCs. Kia Motors made a recent capital joint venture with Ford Motors (10 percent of equity share) in the United States.

In that context, all of the S. Korean auto firms are now under the control of Chaebols. Those Chaebols are Hyundai, Daewoo, Ssangyong, and Kia although the last of Kia Industrial Co. does not have as many affiliated companies as the others. The most typical case can be found in the shift of ownership from Shinjin Motor Co. through Saehan Motors to the current Daewoo Motors. Daewoo Group acquired its right of management of Saehan Motors in 1983. Also, Ssangyong Group likewise undertook Dong-A Motors in 1986. (Korea Automobile & Transport Worker's Union, 1987) From the fact of those Chaebols' acquisition, it can be claimed that the process of monopolization did not differentiate the auto industry.

The process also indicates the 'necessity' of large capital in the auto industry which requires relatively capital-intensive and high technology insofar as the S.

Korean auto companies are forced to compete in the world market. But the above analysis is not fully adequate to explain the specific pattern of development in the auto industry. It was the state's intervention that we have seen the specific moments of development pattern in the auto industry. For example, when the economic recession of oil shock in 1972 and its aftermath debilitated the reproduction of the S. Korean auto capital, the government took a major step in its development strategy for the automobile industry, realized in the Long Term Automobile Promotion Plan in early 1974. The pivotal point of the policy was to switch from joint ventures to the manufacture of a genuinely Korean model and to the full localization of automobile part and components production (Korea Exchange Bank, 1978)

Encouraged by the new strategy, large investments have been made by assembly companies to expand their capacity as well as raise the domestic contents of parts and components. The annual assembly capacity reached 156,000 units by the end of 1977 in the case of passenger cars. Three different cars were developed and assembled out of mostly domestic parts and components- Pony (Hyundai), Brisa (Kia), and Camina by GM-Korea (now Daewoo). Production developed more rapidly after the introduction of the long-term car promotion plan of 1974, which encouraged private companies to achieve greater economies of scale in production. [24] By 1979, the 200,000 unit mark had been reached for the

first time. This was not followed up with further growth because of the sharp economic recession caused by severe political turmoil in 1980, when production fell off by 39.8 per cent and the operation rate fell to 34.3 per cent, from 71.6 per cent in 1979.

After the losses of the early 1980s, recovery came rapidly as the demand for passenger cars matched the strength of demand in the domestic economy, stimulated by the falls in the price of oil and gasoline tax. This was aided by the practicality and attractiveness of new models such as Hyundai's Pony 2 and Kia's Bongo microbus in the domestic market. At this point it is of importance to note that the S. Korean government has contributed to utilization of "surplus" (in Baran's sense, 1966) of commercial taxi produced by the domestic car makers - Shinjin and Hyundai Motors for instance besides direct purchase of various vehicles for governmental usage. The production figure for 1985 was around 387,000, 583,000 for 1986, and over 1 million units for 1987. Passenger cars are the most numerous type of vehicle produced by S. Korea, accounting for 70.0 per cent of all assembled models during 1985.

3. Labor's Working Conditions

Under the pressure of the reserve army at least, the working class in the industrial sector had to endure low wages, dangerous working surroundings, and so on. In terms of absolute surplus value, the S. Korean workers definitely contributed to its creation. As Table 14 shows, the number of workers (including managers) who worked more hours has increased year by year. Also we can see the average working time spent by manufacturing workers beyond 48 hours standard. Simply put, they worked for their companies between 2 to 8 extra hours if the standard 48 hours per week rule were kept.

The indirect evidence of the creation of surplus value can be more apparent when taking a look at Table 15. But the longer working time on the part of the S. Korean workers does not mean the direct indication through which we can infer the relative extent of exploitation of capitals to labor without considering wage levels.

Table 14

The Percent of Employment by Hours Worked Weekly
(1969-1984)

(unit: hour)

Year	1-35 Hours	36-44	45-53	54-	Average Hours Worked per Week in Manufacturing
1969	17.5	20.6	22.2	39.7	56.3
1970	19.3	23.0	20.4	40.3	52.5
1975	12.6	17.2	19.6	50.6	50.5
1980	10.3	17.9	21.3	50.5	53.1
1981	9.8	18.0	23.1	49.1	53.7
1982	8.4	15.9	19.9	55.8	53.7
1983	9.1	17.1	19.6	54.2	54.4
1984	8.7	16.1	20.5	54.7	54.3

Source: Economic Planning Board, Yearbook of Economic
Active Population, (Seoul: EPB, 1985).

Table 15

A Comparison of Weekly Worked Hours by Country
in Manufacturing (1982)

Country	1960	1965	1970	1975	1980	1981	1982
Korea	n.a.	57.0	52.3	50.0	53.1	53.7	53.7
Japan	47.8	44.3	43.3	38.8	41.2	40.9	40.8
Taiwan	n.a.	n.a.	n.a.	n.a.	50.9	48.4	48.1
U. S.	39.7	41.2	39.8	39.5	39.7	39.8	39.9

Source: International Labor Organization. 1982. Yearbook of Labor Statistics.

This can be further proved by considering the wage levels. The relative low wages Korean workers earn are shown below in Table 16. With the wage of U.S workers at 1.00, the average monthly wages of Korean manufacturing workers ranked just one tenth and one fifth of Japanese workers. From those figures, it can be safely argued that the condition of social reproduction of the Korean workers was far below the similar industrializing countries, let alone Japan and U.S. According to official FKTU (Korean Federation of Trade Unions) statistics, the minimum living expenses for an average family of five in May 1983 stood at

Won 547,893 (US \$685) a month, with 32 percent of that sum going for food, 21.3 percent for housing and 11.5 percent for education. By contrast, monthly salaries for all industries during that time averaged Won 284,392 or about half the cost of living. (Far Eastern Economic Review July 19, 1984) The great difference between wages and living costs can be said to force them to make their lives extremely difficult and to demand wage increase. [25]

Since the determination of wage level has to do with productivity of labor, it is necessary to see how they are

Table 16

Average Monthly Wages and Ratio By Country

(unit: US dollar)

Year	Korea (% of US)	Japan (% of US)	U.S.
1981	1.17 (0.11)	6.18 (0.57)	10.79 (1.00)
1982	1.25 (0.11)	5.70 (0.49)	11.52 (1.00)
1983	1.30 (0.11)	6.13 (0.51)	12.04 (1.00)
1984	1.36 (0.11)	6.35 (0.50)	12.59 (1.00)
1985	1.38 (0.11)	6.64 (0.51)	13.09 (1.00)

Source: Multinational Monitor Feb. 1987

related for the clear understanding of the objective situation in which Korean workers had been involved in the process of capital accumulation. That is, the extent of the relative exploitation of surplus value will become obvious. (Far Eastern Economic Review Feb.11, 1988)

During the whole 1970s, the average increase rate of labor productivity far exceeds that of real wage. As seen in Table 17, however, in some period (1976 to 1978) the reverse situation occurred. It was the main reason underlying the economic prosperity, mainly due to the construction boom in Middle East countries. Accordingly, the naive interpretation of the figure might obscure the exploitative relationship between the two factors.

The same situation can be found in the case of the auto industry, i.e., exploitation of surplus value. It is noted that the level of wage in the auto industry is in most cases higher than other manufacturing industries because of the high skill requirements in the most production processes. In a study on the relationship between wage levels and labor control policy in the Brazilian automobile industry, John Humphrey (1980) provided an evidence of higher wage levels. In the S. Korean auto industry, we can see the similar condition. According to the Korean Ministry of Finance, the average hourly wage in 1984 for the overall manufacturing sector was \$1.46, a rate that does not include benefits while the automotive sector was slightly higher at \$1.64 per

Table 17

Rate of Wage Increase Compared to Productivity Increase
(1971-1980)

Year	Real wage increase rate	Labor productivity increase rate
1971	1.7	8.9
1972	5.2	7.7
1973	8.0	8.3
1974	6.1	10.1
1975	3.3	11.0
1976	17.5*	6.8
1977	19.9*	10.2
1978	18.0*	11.5
1979	8.4	15.5
1980	-4.1	10.4
Average	8.4	10.4

Note: * The major reason of rapid increase of real wage in those years lies in the economic prosperity caused by construction 'boom' in Middle-East oil countries which made a huge revenue by raising oil price since 1973. Thus it has little to do with domestic working conditions.

Source: Dong-A Daily News (3 Dec. 1981) cited from H.Koo (1984) p.1033.

hour.[26] Yet the advantage of higher wages in the auto industry should not be taken to imply that workers in auto companies earn sufficient wages to socially reproduce themselves. For the amount of wages was seen earlier to fall far below the standard living costs in urban areas. Moreover, the relative lower level of wages that S. Korean auto workers can be made explicit in comparison to that of Brazil and Mexico, let alone Japan and the United States.

Table 18

A Comparison of Hourly Compensation By Country
(1977)

United States	\$ 11.59
West Germany	9.46
Japan	4.61
Mexico	2.73
Brazil	1.97
South Korea	1.08

Note: Hourly compensation includes hourly wages, as well as employer contributions to statutory, contractual, and voluntary insurance and to other benefit programs for employees.

Source: Citibank, Monthly Economic Letter (Dec.1978):

15. cited from R. Kronish (1984) p.84.

As seen in the Table 18, the workers in S. Korea get less gain the time input to the production process. (It was estimated that the direct labor costs of a S. Korean small car at \$300, compared with \$800 for a similar Japanese model and \$1,800 for an American model. Of course, it does not necessarily mean that the Korean workers are more exploited and thus auto companies in S. Korea more obtain profits than the counterparts since social reproduction costs varies according to the level of the general economic development. However, we consider labor productivity and labor expense comparatively in Table 19, the picture becomes more clear to view the extent of relative surplus value the S. Korea workers create.

From the following data, it can be explained that the lower ratio of wages in S. Korea contributes more considerably to determine the extent to which the Korean workers were relatively exploited in relation to the similar level of labor productivity, compared to definitely the U.S. and other countries. In addition, the common practice of overtime work, to which wages are not fairly counted to meet, is a possible multiplying factor. The labor strike occurred at a plant of the Daewoo Motors in 1984 was caused by among others things excessive overtime work. (Daewoo Labor Union, 1985. p.3)

From this analysis, I argue that the reality of exploitation of surplus value has not changed since the

Table 19

Wage and Labor Productivity by Country in the
Auto Industry (1982)

Wage/Ratio	U.S	Korea	Brazil	Mexico
Hourly Wage(\$)	19.37	1.95	3.66	3.55
Ratio of Labor Productivity to US	1.00	0.90	0.80	0.85
Ratio of Wages to US	1.00	0.11	0.24	0.22

Source: The Economist Intelligence Unit, Foreign
Outsourcing by US Auto Manufacturers, 1985; cited
from H. Kim (1988) p.333.

inauguration of capitalist production system since the early 1960s. In fact, this point is one of my themes as a basic integral element along with the state's "collective capitalist" practices and monopoly capital's incessant pursuit of profit-maximization for the explanation of the development of the S. Korean auto industry.

4. The State' Role in Promoting the Auto Capital

In the previous part, we have seen both the way in which the S. Korean government has encouraged Chaebols to accumulate their capital and objective working conditions. Here I will provide the specific role which the state has played in promoting in the auto industry and also in controlling labor organizations through its legal apparatus (labor laws).

When the second oil shock came and sales crashed beginning from 1979, the weakness of the auto industry devoted heavily to the domestic market was exposed (it needs be recalled that until 1984 the auto exports did not exceed 20 percent of total production, see Table 20). Apparently, the rate of export in 1980 increased compared to the previous years - from at best 15 percent to 20 percent. But it is easily found that the actual amounts of export rather declined by around 7,000 units. What directs our attention is the dramatic reduction in the production side. Production declined from 200,000 to 120,000 units during only one year - 40 percent.

In such a devastating situation, to help the car makers regain their strength, the S. Korean government of Chun, who took the power backed up by military in 1980, tried to rationalize the auto industry which was overcapitalized in the 1970s. The industry was destined to be reorganized by

the government in 1980 which ordered a merger between Hyundai Motors and Saehan Motors (now Daewoo Motors). (Automotive News July 7, 1986) In March 1981, however, the government had to change the initial order because GM Motors demanded a 50 percent share of the proposed company, and insisted to disinvest if the reorganization went through. (Multinational Monitor June 1981) The main reason behind the breakdown of the merger plan driven by the state was thus attributed to the fact that GM owned 50 percent of Daewoo Motors whose equity amounts to US \$26.8 million. In any event, Hyundai and Daewoo were banned from the production of light vans and trucks in the 1- to 5-tones payload class. (Korea Exchange Bank, 1984:5) In addition, the government decided to prohibit a joint venture between Samsung Group (one of the largest Chaebols) to make cars in S. Korea. (Automotive News June 3, 1985) Therefore, the Hyundai Motors and Daewoo Motors were guaranteed to take advantage of a large enough market base for their economic operation.

At the same time, Kia could enjoy the government-sanctioned monopoly on sales of light vans and minibuses in S. Korea from 1981 until the start of 1987 when the company actually began to participate in the market of passenger cars. The exclusion of Samsung and permission of Kia to make automobiles was a government move which would slam a door for Chrysler but could open one for Ford Motor

Co. (Automotive News March 2, 1987) At least here the government's strategy can be explained by the concept of "relative autonomy" because it could achieve the initial purpose of preventing excessive competitions among large auto companies in the passenger cars market by excluding Samsung from the scene although it failed to merge Hyundai and Daewoo. At the start of 1987, as the prescription period expired, the S. Korean government liberalized the passenger car market so that Kia began to produce small cars for domestic and export purposes. Thus, the competition in the domestic market has been intensive and is expected to be more.

The state's subsidy in auto companies is never neglected in accounting for the survival (in case of hardship) or development of the auto industry. To take a example, it is well known that the price of Hyundai's passenger cars exported to North America (Pony or Excel) was far below compared to their counterpart of Japan's small cars. Besides the difference of labor costs between S. Korea and Japan, the S. Korean state subsidized Hyundai Motors by pricing highly the same cars sold in the domestic market. According to Asiaweek, Pony's export prices ranged from \$2,400 to \$3,000, while its local price was set at around \$5,000-\$5,400. (March 20, 1981)

5. The State's Control of Labor

Mid the dynamic and antagonistic relationship between capital and labor, the S. Korean state has played the active role in the reproduction of capitalism by taking side on capital. On the premise of rapid economic development, the state promoted Chaebols to monopolize the economy on the one hand and simultaneously oppressed working class through its authoritarian apparatus. Until recently we can say that the state has been a "collective capitalist" in the above-mentioned sense. The story of state's labor control is not of course unique in S. Korea. There has numerous studies on the issue in the developing countries.

A typical example in the Korean context is to be found in a set of studies performed by AMPO. The overall tone of the case studies is to explain the nature of "super-exploitation" of female work force employed in the Masan Free Trade Zone, located in the southern part of the peninsula (the purpose to decide the location was to make it efficient to ship products made in Masan to Japan) and government's strategies to provide the favorable climate for the Japanese investment by preventing new labor unions.[27]

Labor Laws were the most direct and powerful measures through which the state had ever commanded to manage the labor affairs. Throughout the history of economic growth in S. Korea since 1960s, there has existed various labor laws

which were invented, revised, or repealed according to changing circumstances. In relation to especially industrial workers and their union organization, two pathbreaking state's decisions on the labor affairs would deserve a detailed discussion since those labor regulations among other things made a profound influence on the hostile relationship between capital and labor.

Those steps took place in 1973 and 1980. In the revision of labor laws in 1973 one of the most striking features was that the unit of labor union changed from industrial labor unions (i.e., Metal Trade Labor Union or Transportation Labor Union, etc) to company ones (i.e., Shinjin Motor Labor Union). However, it is not the necessary case for workers to organize their unions on the level of company at their disposal. The prohibition of workers' right to organize larger labor unions was undoubtedly intended to restrict their collective action in a massive scale. In addition, the 1973 revisions of labor union laws and labor dispute settlement laws further permitted the intervention into the labor unions by the state's authorities. (J.Lim, 1985) As a result, it was difficult on the part of workers sufficiently to demand their rights on the basis of the labor laws. In fact, during 1975 to 1979 the large number of the labor disputes that took the various forms such as strike, sit-down, or hunger strike, etc. had happened in the absence of labor

unions. (see Table 20)

Despite the continuous labor struggles, the outcome was the more oppressive countermeasure against workers. In the process, one of the labor disputes that ultimately culminated in the downfall of the Park regime in 1979 took place in a work place.[28]

Table 20

Number of Labor Disputes By Union Existence
(1975-1979)

Year	Total	Union Existence	
		Yes	No
1975	133	66	67
1976	110	56	54
1977	96	65	31
1978	102	42	60
1979	105	52	53

Source: Shim-Han Young-Hee (1987) "Social Control and Industrialization in Korea"
Korean Social Science Journal vol(13), p.119.

The new installed regime of Chun, who took the power by the military coup in 1980, was no better than the previous in its concern with labor affairs. Rather the labor laws became more sophisticated and repressive by revising them in the early period of the regime. Among other things the Labor Management Council law was newly enacted, purportedly to pave the way for a smoother resolution of labor-capital disputes, but in the end recognizing the government's right to intervene in wage disputes. The result of this change was an emaciation of the FKTU to lead union activities, to promote actively the democratic operation of its organization, to hold the initiative for independent bargaining and, if necessary, to strike for the benefits of its members. (Far Eastern Economic Review July 19, 1984)

In the political unrest that followed the 1979 assassination of president Park, with the imposition of martial law in May 1980, the FKTU's top leadership was purged on assorted charges of corruption and ineptitude. This included senior officers of the FKTU and most of the presidents of the then 16 national federations. Those who cooperate with the state, however, may benefit generously. For instance, the president of the FKTU at the time of the military coup, was promoted eventually to the position of Minister of Labor.

The revisions of the Labor Union Law by the Chun regime which have reduced the role of the FKTU and the national

federations indicates a certain ambivalence over the utility of these organizations as vehicles for controlling or coopting the industrial labor movement. The Labor Dispute Adjustment Law essentially makes the worker's ultimate weapon - the strike - illegal and prescribes lengthy procedures for government conciliation and mediation of disputes. These procedures make it very time-consuming and costly for workers to strike. Its most recent revision prohibits interference by "third parties" ie getre ippitns.[29] Such a prohibition reflects the government's effort to stamp out the influence of activist Christian groups, especially the Urban Industrial Mission - an active religious group which has been deeply involved in supportive activities in exalting urban industrial workers's rights in their fair relations with management. Eventually, the Labor Management Council Law promoted the cooperation of labor interests into mechanisms controlled by the state.

When looking at both years of 1973 and 1980 closely, we can find an interesting commonality. The state's control of labor was resurrected more vehemently in a moment of political turmoil under which economic crisis was serious. Let me explain it one by one. The authoritarian regime of Park intended to keep the state's power through the Martial Law called Yu-shin (national-wide reform including the suspension of Congress) in 1972. Behind the 'fatal dose' there was a drastic economic recession in late 1960s.

Likewise the Labor Law in 1980 was enacted after the political turmoil of "the Spring of Seoul" when the military-backed government of Chun seized power. From the point of view of both capital and labor, the 'unintended consequences' of those political events made a decisive impact on the power relations between them. In addition, to promote the investment of foreign capital the state issued a special law whose purpose was to restrict the activity of labor unions in the foreign-owned enterprises.

6. The Labor Movements

Thus far we have seen the 'objective conditions' of working class in general as well as auto workers. What is then the expression of the workers under such conditions explained in terms of the state's oppression and capital's attack against them? The only way available to them is to struggle against those obstacles by exercising their power through organizing effective labor unions. In this sense, it is of special importance to see how the labor unions had developed under what conditions and what they achieved through their struggle.

One of major features as regards labor movements in S. Korea has to do with the traditional cozy relationship between labor organization and governments. As briefly discussed in the first part, the FKTU originated from No

Chong which was established to counterattack the Leftist labor unions - Chen Pyong in the 1950s. The close relations between government and the labor union organization should not fairly represent the workers' interests.

Before the revision of the labor laws in 1980, the FKTU often served to mobilize and manipulate industrial workers within a framework of sanctioned, coopted and inefficient activities. The organization of worker interests within such an institution had the dual advantages for the regime of regulating union activities while projecting an image of support for a modern, albeit paternal, system of labor organization. In addition, abuse of office by union officials has been a real problem at all levels, especially within the FKTU. (J. Lim, 1985)

The relatively lower rate of organization of labor unions in a legal form involves a direct, though aggregate expression of limited workers interests. Until 1980 it stayed well around 20 percent. Even worse in 1980 was the case.

The FKTU is now made up of more than 3,500 enterprise unions, with a total of almost 1.2 million workers. Union are limited to representing workers at only one company, though. Each of the enterprise unions must belong to one of the federation's 16 industrial unions. Reform-mined workers are trying to break from their enterprise-based unions and form what they say would be more representative industrial

unions, though still under the FKTU umbrella. If they succeed in forming new industrial unions, they will have a voice in the FKTU leadership and could push it towards taking a more militant tone. In 1987, more than 1,400 new unions were formed, most of them during the heady strike-filled days of August and September, but those inside the labor movement say that many of them are now adrift. Most

Table 21

Union Membership and Union Organization Rate

(1955-1981)

(Unit: 1,000)

Year	No. of Workers Employed	Union Members	Percent of Union Organization
1955	-	189	-
1960	-	334	-
1963	1,120	224	20.0
1965	1,360	302	22.2
1970	2,386	473	19.8
1975	3,295	750	22.8
1979	4,642	1,088	23.4
1980	4,747	948	20.0
1981	4,965	818	16.5

Source: Shim-Han Young-Hee (1987) p.106.

of the new union leaders are inexperienced in the skills required to actually run a union, such as collective bargaining.

D. The Expansion of the Auto Industry (1985-Present)

From the previous discussion, we have seen that the S. Korean major auto companies have strengthened their capacity to open new era within the ownership and managerial network of Chaebols which have kept close linkage with governments.

In the particular relationship between Chaebols and the state in S. Korea, it can be carefully indicated that Chaebols can undertake with the concentration of capital large investment projects in such industries as semiconductors, aircraft, shipbuilding and automobiles. In many Third World countries, these projects can be undertaken only by state enterprises. But in the increasingly competitive and rapidly changing world economy, many state enterprises, due to their bureaucratic and inflexible organizational structure, are likely to have a difficulty time adjusting to those external changes. Secondly, Chaebol groups have made the Korean economy less dependent on the TNCs.

This is certainly related to the strong state's intervention policy as seen thus far. In the similar

context, Mandel (1985) observed that the Korean financial capitals (Chaebols) are competing with Mitsubishi, Mitsui, and Dai Ichi, not controlled.

1. The Current Development of the Auto Industry

The most distinctive picture in the recent S. Korean auto industry can be best described as an enormous expansion of production and exports of vehicles. The units of vehicle production increased from 265,000 in 1984 to 975,000 in 1987. The export of vehicles also increased from 52,000 units in 1984 to 675,000 units in 1987. The rapid growth of production and sales is however responsible for three companies - Hyundai Motors, Daewoo Motors, and Kia Motor which have accounted for 98.0 percent of the total vehicle production in 1985. In terms of the vehicles production, Hyundai Motors almost has dominated the industry by occupying 64 percent in 1985 while Kia Motors held 22 percent and Daewoo Motors just 12 percent. The Hyundai Motors' domination becomes more intensive in the production of passenger cars. The company accounted for 85 percent of total production in the same year.

Naturally, domestic market share of vehicles is divided by those companies. In 1985, Hyundai Motors accounted for 45 percent, Kia Motor for 32 percent and Daewoo Motors for

17 percent. Here it seems necessary to comment on the monopoly of vehicle industry by three major companies. As well explained so far, those three auto firms are subsidiaries of their Chaebol Group - Hyundai, Daewoo and Kia. Although Kia has no more affiliated companies than Hyundai and Daewoo, there is no doubt that the affiliated companies are now under the influence of Kia. On the other hand, considering the number of auto companies in S. Korea, the extreme monopoly of one company can be a suitable reflection of capital centralization. It is not so much highly concentrated in the Latin American countries. In Brazil and Mexico, Volkswagen company, the largest TNC in terms of production, accounted for just 39 and 31 percent in 1983, and Ford for 35 percent in Argentina in the same year. (Jenkins, 1987:5) Such an extreme congested phenomenon in the S. Korean auto industry can be explained by in part the capital centralization which has proceeded in the course of the rapid conglomerate consolidation process since mid-1970s as seen earlier.

Returning to our issue of the monopoly situation in the S. Korean auto industry, a significant change has been observed since 1987 when the government regulation of preventing Kia Motor from producing passenger cars expired. (The purpose of the regulation was to keep safe auto industry which was at that time overflowed.) After re-entry of Kia Motor to the domestic market of passenger cars, the

leading auto companies have suffered from a significant loss of market share. This further urged them to locate marketing places outside in that competition of marketing as well as production is getting more intensive. For example, recent sales location of Daewoo Motors in Eastern countries (i.e., Czech, Hungary) can reflect its efforts of escaping hard competition in the domestic market. (Automotive News Sept.14, 1988) This marketing strategy might give rise to an inevitable tension with GM. Moreover, since Daewoo Motors plans to make the company public, the strain will become more intensive. (recall GM holds 50 % equity shares)

2. The Changing Relations of the State to Capital

Thus far we have seen the S. Korean state changing in its form depending on the structural conditions (largely material base) and the peculiarity of regimes' leader (civilian or military). Especially in relation to capitalist class, I have argued that the state was in a position to be a 'cooperator'. In this section I will discuss this issue in some detail because there were in fact state's activity against capitalist interests.

It can be controversial whether the S. Korean state has consistently taken side on capital. Of course, there were

significant moments when the state took measures in order to reconcile the balance between monopoly capital and small capital or labor. The 'Anti-Monopoly Act' and revision of the Commercial Code which outlawed any more take-overs through mutual holdings of equity share among Chaebols Group companies can be taken as a conflict between the state and capital. In fact, as we have seen in Table 12, in 1980s the number of cases of consolidation/take-over conglomerate by major Chaebols has reduced. (83 cases in 1970s to 38 since 1981) Yet it needs much caution to conclude that the state and capital have been at odds in that the former would concentrate on the reproduction of society in a desirable way. As Block (1977) argues, there is likely to happen that the state's activity runs against some capitalist class for the purpose of "capital in general", i.e., the whole social reproduction. The reason is that the state has different interests from those of the capitalist class who lacks class consciousness as a whole unlike state's managers. (Block, 1977:9) At any rate, the form of state will change depending on the material conditions on which it is based for its own reproduction (through, i.e., tax). For example, we saw recently a political transformation towards democracy although its content is not fully qualified. This outcome was made possible mainly due to workers' struggles, not to a few of reform-minded political leaders.

From a different viewpoint, the changing relationship

between the state and Chaebols can be conceptualized "from dominance to symbiosis" as Kim (1987) suggests. According to Kim, the relationship between the two agents has moved from clear dominance by the state in 1961 with the rise of the Park regime to a more symbiotic one in the Chun regime in 1985. Furthermore, it was expected that the changing role of the Chaebol vis-a-vis the state could lead the latter into a position where it has to be more flexible to the needs of foreign capitalists as well as local capitalists. In the similar view that Naohby observed that the Chaebols are winning a degree of independence from the government when the Korean economy remains highly centralized. (Far Eastern Economic Review Feb.11, 1988)

3. Labor Struggles and Effects

Recently in the S. Korean auto industry, there was a significant event to effect the relatively stable structure of the industry. It was severe labor struggles prevailing in the whole nation. What is of importance is that those occurred in large companies such as Hyundai, Daewoo, Kia. One of the most intensive struggles took place in Daewoo Motors in Bypung, suburbs of Seoul. From 1985 to early 1988, workers demanded their rights of proper wages, democratic labor union, improved working conditions, etc. We can notice the root of those labor disputes in relation

to the previous discussion. I provided the material conditions which would contribute to the eruption of class conflicts in the form of labor struggle. Of course the material conditions are major factors leading to the struggle. The class consciousness of workers has changed from "in itself" to "for itself" through the various channels of consciousness raising efforts initiated by primarily Christian, Students, and 'pseudo-workers.' [30] Those practices of raising workers awareness of their objective conditions have been without interrupt followed since 1970s.

Here we have a problem to be solved. Why then in the past did not such a massive labor movement take place? Given that the current material conditions would be even no better than those in the 1970s, how can we explain the current event? There appear two alternatives to answer those questions. One of them is attributed to external forces of either material or ideological coercion. The repressive state apparatus is the main entity. Through regulatory legal power the state has in fact limited the workers activity as seen earlier. If we accept this assumption, the question followed immediately should be this: is there any difference between two time spans? If so, how can we prove it? As fully recognized, one of the main features in the S. Korean auto industry as well as the whole economy is their dramatic growth basically at the

expense of the industrial workers. The social inequality as the result of the growth became clear in every sector. Workers' struggle is one of expressions to improve the conditions of their devastated lives.

In the S. Korean auto industry, likewise others, wage demand is the first and foremost catch-phrase for their struggle. There are numerous cases of workers' demand for 'fair wages' in the auto sector. For example, the main motive behind the severe strikes occurred at Hyundai auto plant in Ulsan was due to their low wages. Hyundai auto workers of 20,000 in Ulsan, the largest industrial complex in S. Korea, earn about \$3 an hour without fringe benefits in 1987. (Automotive Industries Oct.1987) Working condition was no less an important reason. Labor unrest spread nation-widely in 1987 as thousands of workers joined in new protests seeking improved working conditions.

While the workers were under severe difficulty of subsistence, the fact that the companies makes a tremendous profit was enough to stimulate them to seriously contemplate their 'relative deprivation' (against company). The profits of company is not the direct motive of the labor struggle but a serves as a stimulant. It was reported that car companies are enjoying record profits and sales in 1987. Hyundai Motors posted a 15 percent gain in earnings in the first half of 1987, reaching 20.6 billion Won (\$25.5 million).[31]

Table 22

Number of Labor Disputes and Reasons

(1974-1981)

Year	Cases (%)	Wage-related Issues	Shutdown, dismissal	Working conditions	Others
1974	102(100)	67.5	-	10.7	21.8
1975	133	48.1	12.8	10.5	28.6
1976	110	61.8	10.0	14.5	13.7
1977	96	68.8	8.3	9.4	13.5
1978	102	72.5	3.9	8.8	14.6
1979	105	63.8	10.5	-	25.7
1980	206	61.2	10.7	7.8	20.4
1981	186	57.5	10.8	19.4	12.3

Source: Shim-Han Young-Hee (1987) p.118.

The demand for the democratic union is no less important motive of the underlying workers' resistance. As shown before, the labor was run in an authoritarian manner in which the majority of the workers did not have a voice in the decision making. The strike that occurred in 1988 can be seen as an indicator of what the workers wanted. Korean workers have been demanding higher wages and improved workers' right, including a voice in management, the rejection of existing pro-management trade unions and the election of new unions officials to represent their interests in labor negotiations. Disputes at Hyundai Motor and other Hyundai Group companies surfaced late April in 1987, when employees of the Hyundai assembly plant in Ulsan and other Hyundai plants in the Ulsan industrial complex rallied to demand the resignation of incumbent labor union leaders. Workers are seeking the election of new union leaders by the direct vote of the company's employees.

The effect of such a serious workers strike was enormous. First of all, it directly caused the lower production of cars. The actual number of vehicles produced in 1986, around 583,000 fell far behind the production capacity of 1 million. It is not surprising that the 'unexpected' labor strikes frequently caused government estimates of vehicle production or exports to greatly digress from the original target.

The labor struggle also contributed to the critical

political transformation in 1987 just like the previous struggle in 1979 which led to the downfall of the Park regime. The labor disputes followed the street demonstrations in early 1987 that forced the government to promise widespread political reforms, press freedom and direct presidential elections. The picture of a disciplined and compliant Korean workforce is changing dramatically as workers begin to assert their right in the new and freer political climate. Thus we can say that the labor dispute is one of the prices to be paid in the democratization process in S. Korea as Far Eastern Economic Review titled it as "The price of democracy" (Jan. 28, 1988)

4. The Linkage with World Economy

It is very obvious that the world political economy has made a great impact on the S. Korean economic development. It ranged from the political independence in 1945 to the current import protectionism and pressure on liberalization of the S. Korean domestic market.

As far as the development of the S. Korean auto industry is concerned, as argued thus far, the foreign direct investment had little to do with it other than the local capitalists which succeeded in capital accumulation partly due to foreign loans. Now let us take a look at the

external force and the way and implication in which internal forces (the state, capitalists, and working class) responded to it.

The most conspicuous 'dependency' lies in the market sphere - the objective phenomenon of S.Korean auto industry's dependence on the external market does not necessarily involve the implication posed by a "dependent development" perspective because other developed countries like Japan and Sweden would fall into this category of dependent development. As provided in the early discussion, the S. Korean auto companies shipped around 300,000 units of vehicles in 1986, and expected to ship 583,000 in 1987. From the view of capital, it is of necessity for the auto companies looking for the foreign market to satisfy the realization of surplus value which has not been valorized by the domestic demand. Unlike Latin America countries- Brazil, Mexico, and Argentina, S.Korea's vehicle exports have contributed to this realization in the auto industry. According to Jenkins (1987), the proportion of export sales to total production in the three countries from 1966 to 1970 did not exceed 6 percent. (Jenkins, 1987:106) On the contrary, the export of cars from Korea started in 1975, by 1977 exports had already reached 11% of the total production this rose to, 17% in 1978, 30% in 1985, and 51% of 300,000 out of 583,000 units in 1986. (see, Table 23)

Table 23

Ratio of Exports to the Production of Vehicles
(1977-1987)

Year	Production (A)	Export (B)	Ratio (B/A)
1977	85,210	9,136	10.7 %
1978	158,958	26,296	16.5
1979	204,447	31,976	15.6
1980	123,135	25,074	20.4
1981	134,234	26,283	19.6
1982	162,590	19,859	12.2
1983	221,019	24,449	11.1
1984	265,361	52,248	19.7
1985	378,162	123,110	32.6
1986	583,000	300,000	51.5
1987	975,000	675,000	69.2

Source: Appendix 1 and KAICA

When the country's overall economic dependence on the U.S. amounts to 40 percent in value terms in 1986, the magnitude of automobiles' dependence on foreign market can hardly escape the vulnerability to the external conditions, i.e., import protectionism. For example, Canadian Government announced that a new 6 % duty on autos imported from developing countries would take effect on Jan.1,1987.[32] As far as the auto industry is concerned, we can recognize two factors behind such a critical dependence on foreign market; production capacity goes highly beyond the domestic demand and a certain amount of vehicles produced in S. Korea was initially designed to export to the U.S. by the contract of joint venture. (Daewoo Motors and Kia are the cases)

Despite its unstable base for sales, the exports of vehicles accrued an enormous profits. In 1986, S. Korea earned an automotive trade surplus of around \$1 billion with the United States and expected \$2.5 billion the following year. (Automotive News March 2, 1987) However, it is too hasty to anticipate the successive profitability in the future. For the United States is anxious to reduce the chronic trade deficit with every efforts, which reached overall \$170 billion in recent years. S. Korea is still a minor part of the grand figure, but becomes important since its surplus is growing fast. In 1986, the nation's overall trade surplus with the United States marked \$7 billion, but

it incurred a \$6 billion deficit with Japan.[33]

Recently, it happened that the auto majors in the U.S. induced 'foreign capitals' to find a way of investment in the United States. In fact, lots of Japanese auto multinationals already opened their production processes in many sites of the U.S. (R. Hill, 1988) This trend of 'reverse-NIDL' can be properly understood by taking account of international politics as well as the economy. For example, the enormous trade deficit of the U.S. to Japan could encourage the U.S. government to 'force' Japan to produce vehicles in the US, with an anticipation of reducing hostility of unemployed American auto workers.

The construction of auto plants in Canada by Hyundai Motors was seen in the same context as Japan's. There is a political factor underlying the decision of Hyundai;

To boost its position in the Canadian market, Hyundai has announced C\$2.5 million (US\$1.89 million) in an Ontario plant producing electrical automotive parts. The move appears to be largely political for the South Koreans who are eager to show their interest in Canada and to prevent any backlash against the sudden success of their competitors who have resisted investing in Canada. (Far Eastern Economic Review Feb.21 1985)

Of course, the nature of politics between Hyundai and Japanese auto majors is different in terms of dependence and dominance on the foreign markets. In case of Hyundai, the politics seems to more depend on the conditions of the

Canadian Government. Despite the investment, the Government declared that a new 6 percent duty on autos imported from developing countries would take effect on Jan.1, 1987. (Automotive News June 3, 1985) Moreover, Canada's revenue department ruled that Hyundai cars have been dumped on the Canadian market and imposed stiff provisional import duties on the S.Korean autos; Hyundai has provided further (cost and price data to the revenue department, which may result in a reduced dumping charge. (Wallstreet Journal Nov.25,1987) The Canadian Import Tribunal said evidence submitted to the Federal Revenue Department indicates that the Canadian auto makers are being hurt by so-called dumping of Korean-made Hyundai cars on the Canadian market; this case is the first dumping action brought by auto makers in Canada against a foreign auto producer. (Wallstreet Journal Aug.17, 1987)

In the similar vein, import protectionism should be explained in terms of politics as well as economy. As to the S. Korean auto industry, the adjustment of exchange rate will make a great effect on exports of vehicles as well as other export items. The exchange rate of \$ US to Won declined drastically from 1 to 1,000 in 1984 to 1 to 700 in early 1988. What is important here is that the rate is expected to decline for a considerable time. Thus, it is said that Koreans who rely on the overseas market will be forced to stop their business if the exchange rate goes below 700. (Dong-A Daily News Aug.23, 1988)

To prevent export growth from prompting a protectionist backlash in the U.S., the Korean government has confirmed it would liberalize imports of cars with engine larger than 2 liters. (Automotive News Feb.9, 1987) As shown earlier, the country already opened its capital markets such as bank, insurance, and stock etc. However, the auto ielustry has been strictly protected from foreign cars. But at this point it is safe to say that the foreign cars will not hold any significant market share in the present situation in which the imported cars would be subjected to a 100 percent tariff if these luxury cars were to sell in S.Korea.[34]

V. CONCLUSION

What can be drawn out from the analysis of the particular capitalist development of the S. Korean auto industry? It was made explicit that what makes it so distinct from others, say Latin American countries lies in the internal organization of three acting agents of the state, capital, and labor. By examination of the relational context in which the S. Korean auto industry has been deeply associated, three points were put forward: (1) the monopolistic character of the auto capital that is intimately related with the development of its Chaebols; (2) besides the primitive accumulation of the Chaebols, once the capitalist relation of production was set in motion, the relative and absolute exploitation of labor were explicit integral constituents of the accumulation of capital; (3) the whole process of capital accumulation was mediated and escalated through the state's intended activities in both sides of capital and labor.

Insofar as empirical data are allowed to show, foreign capitals in the form of direct investment had little to do with the developing process of the monopolized auto capitals. Rather, in terms of technology and external market, the extent of 'dependency' on which they had relied to work out expansion and realization of capital has tended to increase as long as capital is globalized.

The extremely concentrated monopoly situation in the S. Korean auto industry is likely to enhance capital's relative autonomy vis-a-vis the state. In view of the government, that is, the growing importance of the industry (in the aspects of foreign exchange, close linkage to other related industries such as machinery, chemicals, tire and so on) and its Chaebols' increasing responsibility in economy would help to precipitate the state's liberalization policies. This new pattern of relationship between the Chaebols and state was described as the succinct concept of "from dominance to symbiosis". But I argued, citing Block (1977), that the nature of the capitalist state is 'pro-capitalist' at least in the respect of the reproduction of the capitalist social reproduction.

In confrontation of labor struggle, the S. Korean auto capitals is moving towards a more capital-intensive manufacturing system for the compensation of the rising 'wage cost'. Unlike easy-movable production locales in the textile and electronic industries, the auto capitals introduced automated equipment for efficiently dealing with the problem of labor and productivity. Automated manufacturing by robots can be the highest stage of a capitalist production organization although a complete replacement of workers by robots leads to a crisis of capitalism.[35] At any rate, it was estimated in 1985 that the level of automation in the production process of welding

spot in S. Korea was only 35 percent while it reached 70 to 96 percent in the U.S and other advanced capitalist countries. (Automotive News March 18, 1985) In order to compete well, for example, Hyundai Motor Co. recently established an affiliated company of Hyundai Robot Industrial Co. which is capitalized at \$27 million dollars and plans to produce several kinds of robots (i.e., spot-welding robot).(Automotive News Sept.19, 1988)

Finally, the theoretical conclusion to draw is not quite solid as I asserted in the course of overview of the existing literature related to the capitalist development in the auto industry. Still a theoretical statement can be possible as far as S. Korean capitalist development goes. The development process seems more likely to be the typical case when capital accumulation expresses itself in the mixture of capital to labor.

VI. IMPLICATIONS

There are recently significant changes in the S. Korean auto industry in many aspects. In the political sphere, the new government of Rho has announced a political reform toward democracy. As implied in this study, one of the major driving forces underlying the dramatic political transformation is owing to the labor's struggles associated with increasing class consciousness. In economy, the large Chaebols have to concede the workers' demand in that the democratic labor unions are allowed to establish and they achieved an wage increase as well.

In the auto industry, due to the workers's strength the auto companies can no longer rely upon the advantage of cheap labor. This fact directly caused them to seriously think about the production process by automation. In some of the plants of Hyundai Motors the automation was implemented. But the new plan which builds a large robots with the technological tie-up with Suzuki will change the current production system.

In the domestic market, the re-entry of Kia's passenger cars has a great effect on the market share which has been divided by Hyundai and Daewoo Motors. Hyundai lost its market share from 70 percent to 55 percent in 1987. Daewoo fell behind Kia. What needs attention here is the problem of excessive competition among passenger carmakers over the

domination of the small domestic market as compared to their production capacity. This traditional phenomenon of overproduction in capitalism would impact the industry toward 'falling rate of profits' or 'countertendency' by continuous technological innovations, 'scientific management' etc. In exports, they have to encounter severe competitions with rival companies with price, marketing, and sales in North America. Especially, the great hardship Daewoo Motors experienced in recent years led it to seek new marketing places of the Western and Eastern Europe countries (Czech, Hungary). This marketing strategy can invoke or represent a potential tension with GM. Moreover, since Daewoo Motors plans to make the company public, the strain will become more intensive. (recall GM has 50 percent equity shares) Increasing protectionism and import liberalization of foreign cars operate as a potential threat to the progressive growth of the industry in the future.

Appendix

Trend of Vehicle Production (1962-1987)

Year	Passenger Cars	Trucks	Buses	Total
1962	1,710	67	-	1,777
1963	1,063	191	-	1,254
1964	216	33	-	249
1965	106	35	-	141
1966	3,117	313	-	3,430
1967	4,983	1,385	236	6,604
1968	11,630	5,085	942	17,657
1969	19,494	9,618	1,882	30,994
1970	14,487	10,529	3,803	28,819
1971	12,428	7,511	3,063	23,002
1972	9,525	6,542	2,581	18,648
1973	12,428	10,069	3,494	26,314
1974	9,069	17,276	3,945	30,290
1975	18,498	14,973	3,808	37,279
1976	26,701	19,376	3,468	49,545
1977	43,981	35,776	5,453	85,210
1978	86,823	64,856	7,279	158,958
1979	113,564	78,576	12,307	204,447
1980	57,225	53,857	12,053	123,135
1981	68,760	52,116	13,358	134,234
1982	94,460	47,199	20,594	162,590
1983	121,987	73,438	25,594	221,019
1984	158,503	80,304	26,554	265,361
1985	264,458	84,614	29,090	378,162
1986	456,994	90,758	35,248	583,000
1987	-	-	-	975,000

Source: Korean Automotive Association, microfiche (1987)
and Automotive News

ENDNOTES

[1] "Countries commonly given 'newly industrialized ' status [the NICs] include Argentina, Brazil, Greece, Hong Kong, Republic of Korea, Mexico, Portugal, Singapore, Spain, Taiwan, and Yugoslavia". Yet lists vary, depending on the criteria applied.

[2] For a general overview of the development of the auto industry in Latin America countries of Brazil, Mexico, and Argentina, see R.Jenkins (1987) Transnational corporations and the Latin American automobile industry and Kronish and Mericle (eds) (1984) The Political Economy of the Latin American Motor Vehicle Industry.

[3] For example, foreign ownership in the Brazilian terminal auto industry in terms of share of production was at 100 percent. The rate of foreign ownership in Argentina and Mexico was a little bit lower. Jenkins (1987) p.62 table 4.1

[4] The two concepts are interchangeable. Some Marxist scholars prefer to use semi-industrialized (dependent) countries to NICs. For example, see Mandel (1984) "Semicolonial Countries and Semi- Industrialized Dependent Countries"

[5] It is extremely difficult to discern the emphatic differences between internality and externality for a proper explanation of the capitalist development within a country. Reflecting the debates around the issues, Fernando Cardoso asserted a conceptual necessity called "double determination" - a task requiring the "formulation of concepts linked to the effort to explain how internal and external processes of domination relate to one another" (Cardoso, 1973:143).

[6] It is true that the subject of auto industry is handled as a government project by government-sponsored institutions like Korean Development Institute. Two articles are available for this purpose.

[7] This represents implicitly the fact that the auto industry has been viewed as a 'suitable' topic by those who were interested in the changing pattern of development per se without consideration of the politico-economic factors. Ben Dankbaar (1984). "Maturity and Relocation in the Car Industry" Development and Change. 15:223-250. Sanjaya Lall (1980). "The International Automotive Industry and the Developing World" World Development 8:789-812. George Maxcy (1981). The multinational automotive industry New York: St. Martin's Press.

[8] For a useful analysis of the relations between terminals and suppliers of the auto industry in the Latin American context, see Jenkins (1987) pp.119-139.

[9] This part of definition although revised is entirely stimulated by Marx's in Capital and his 'orthodox' follower Roman Rosdolsky (1980) in The Making of Marx's Capital

[10] Yet the production of parts and components grew rapidly, largely due to the increasing replacement demand for military vehicles, as well as for civilian motor vehicles rebuilt from military equipment.

[11] Total units of vehicles marked just 1,777 and did not exceed 10,000 until 1968. (microfiche) Korea Auto Industries Coop. Association "Korea - Production 1962-1985" p.101.

[12] Throughout the history of the Korean auto industry, the most frequent shifts of ownership can be found in the formation of Daewoo Motors. The present Daewoo Motors originated from Shinjin Industry in 1955 which later shifted to Shinjin Automobile Industry. The latter was jointed with General Motors in 1972 and changed its company to GM-Korea which was renamed to Saehan Motors in 1976. Lastly in 1983 Daewoo held its management from GM and came into existence as Daewoo Motors since.

[13] For a helpful explanation of this kind of capital circuit, see Fine and Harris (1979) Rereading Capital New York: Columbia University Press.

[14] Those three opportunities of 'primitive accumulation' are widely accepted by most of Korean scholars, i.e., see Cho, Suk-Choon (1982). "The Korean Labor Union Organization and the Administration of Labor Affairs," Korean Journal of Public Administration. 20 (2).

[15] The whole properties were reverted to the U.S. Military Government Office (1945-1948) which began to dispose of them in 1947. Among other things, 5,000 small enterprises were disposed until 1948 when Korean government was settled. Youn-hwan Kim. et al. (1983) The Recognition of the Labor Problems in Korea. Seoul: Dongneyk. p.38.

[16] The rest of reverted properties were transferred to the Korean government and numbered 29,1835 items. The 'windfall' of involvement in the process of their disposal stimulated the serious speculation on the part of politician-brokers. This is closely related with the transformation of 'traditional' mercantile capitals to industrial capitals. Hyun-chae Park. et al. (1987) The Recognition on Korean

Society (I) Seoul: Hanoul. p.28.

[17] The Chen Pyong was established and led largely by socialists who had involved in labor movements during Japanese rule. The inheritance of revolutionary labor movements directed the Chen Pyong towards the unity of economic and political struggle, democratic centralized administration. Kim, H.K. (1985) "The Development of Working Class, its Internal Composition and Class Consciousness" pp. 54-5. in Park, H.C & Kim, H.K The Capitalism in Korea and Labor Problem Seoul: Tolbagae.

[18] The nature of No Chong was not so much labor union as anti-communist political fraction to smash the Left-labor union for the purpose of expanding the power of workers oriented to Right. Kim, H.K. p. 56.

[19] The vacuum of administrative bureaucrats after Liberation necessitated the U.S. military Office to turn to the ex-bureaucrats in Japanese rule who were from the landed class. The symbiotic relation means this 'inevitable' affinity.

[20] The farmer's grain was purchased at below-market prices by government and sold, along with imported grains (PL 480), in industrial cities at below-market prices. The major effect of this policy was to keep labor costs down.

[21] The similar family-type ownership in Chile is studied by M. Zeitlin and R. Ratcliff (1988) According to them, large corporations in Chile are ordinarily controlled by a specific family or set of closely interrelated kindred and their interrelated interests, reinforced through an intricate family ownership interests, reinforced through an intricate family ownership interests, reinforced through an intricate family ownership interests, reinforced through an intricate family ownership interests. What he calls "kinecon group" is "a complex social unit in which common economic interests and close kinship relationships are indissoluble" (p.7)

[22] In this sense, apparently the distinction between Chaebols and 'kinecon groups' is hardly drawn in terms of ownership of family. But this does not necessarily lead to a inference that their social and historical formation is identical.

[23] Hyundai Motors was established in 1967, Shinjin Motors and Asia in 1965.

[24] The plan helped to rehabilitate the industry. Production increased again: 26,000 in 1973, 30,000 in 1974, 37,000 in 1975, and so on until the second oil shock in 1979.

[25] According to a Labour Standard Bureau, only 11 percent of the entire Korean industrial workforce earns enough to support a family of four during the economic growth rate of 9.6 in 1970s. (Sunoo, Harold:1978) Recently, the Korean government announced that the minimum wage law would be enacted on Jan.1, 1988 (Business Week Dec.14, 1987). Yet the amount of \$150 monthly minimum wage is not be sufficient for the actual living costs.

[26]

Countries	Korea	Japan	U. S.
Hourly Wages	\$2.38	\$8.05	\$13.42

Notes: Average wages excluding benefits for transportation workers. 1985 for U.S. and Japan; 1984 for Korea.

Source: Automotive News, July 7, 1986.

[27] Masan Free Trade Zone, established in 1970, is the prototype for the capital-inducing zones. Although the relative amount of foreign capital (around 90 percent of Japanese) was not significant, the S.Korean government provided a extremely favorable investment conditions for the Japanese capital, i.e., cheap land-use costs, tax holiday, prohibition of unions etc. For the more information about working conditions, see Don Long (1979) "Repression and Development in the Periphery: South Korea" Bulletin of Concerned Asia Scholars 9(2):26-41.

[28] This labor movement was led by female workers in a wig manufacturing place located in Seoul during August in 1978. After the forceful settlement of this event, the opposite leader of New Democratic Party (Kim, Young Sam) was discharged because of his reproach against Park's treatment of this labor affair. This historical dismissal of Kim evoked resentful criticism among people in Pusan whom Kim had been long representative of. The so-called Pusan-Masan turmoil in 1979 again pushed Park to armed settlement. After all, Park's political instability caused by 'authoritarian militarism' resulted in assassination by one of his intimates.

[29] On surface, the Trade Union Law was strengthened to enable more workers to organize unions. For instance, a union now can be organized with the consent of 20 percent of total workers per workshop. In exchange for this concession, however, the law forbids a "third party" from intervening in collective bargaining or a strike. Thus it was claimed that this measure was instituted to block church dissents, priests and students from engaging in activities in support of unionists. Specifically, it has approved

successful in restraining the growing power of the Urban Industrial Mission.

[30] As a strategy of student movement, their active involvement in 'worker's life' in workshops is to enhance the cooperative relationship between workers and student, otherwise separate one. Because the government pronounced these student's activities illegal, they have to conceal their identification as a student.

[31] In the same period, Kia Motors reported sales of 461.4 billion won (\$18.2 million). Automotive News (August 24, 1987)

[32] Automotive News (June 3, 1985). Besides the North America, the European Commission has stripped S.Korea of all trade privileged granted under the Generalized System of Preferences. Far Eastern Economic Review (Dec. 31, 1987).

[33] Automotive News (March 2, 1987). This is an aspect of international division of labor. The auto multinationals of GM and Ford wanted to maintain profits rate by investing part of their capitals to Korea in which vehicles would be made at a lower price due to cheap labor costs. In so doing, simultaneously they could escape the labor problem which has been fierce because of the well-organized auto unions, i.e., The United Auto Workers.

[34] The big three auto makers in the United States as well as in Europe has launched their sales in Korean market. An \$85,000 Lincoln will become reality soon in S.Korea; Ford will begin exporting 1988 Continentals; GM also is in the process of entering S. Korea. (Wallstreet Journal March 22, 1988)

[35] Without countertendencies, the total displacement of workers (living capital) by robots would fail to generate surplus value, which in turn lead to difficulties in capital accumulation in a system of the capitalist relations of production.

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