

The POSCO Industries: W. T. Hogan *The POSCO Strategy*

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Abstract

한국경제가 급속히 외환위기로 내몰리던 지난 97 년포항제철이 삼미특수강을 인수하면서'자산매매계약'을 체결하고 기존 노동자들을 신규채용 형식으로 근로관계를 사실상 승계하면서 전체 2 천 342 명 가운데 노조 간부 등 587 명을 제외하여 사실상 해고하였다.

세계 174 개 나라 노,사,정이 가입한 국제노동기구(ILO) 이사회가 포항제철이 삼미특수강을 인수하면서 해고한 182 명의 노동자들의 고용을 승계해 복직시킬 것을 촉구하고 나섰다. 서울고등법원 또한 1999 년 1 월 22 일 중앙노동위원회의 결정을 지지하는 판결을 내렸다. 하지만 포철의 상고로 이 사건은 현재 대법원에 계류중이다. 이 사건은 외환위기를 맞아 구조조정 과정에서 기업을 인수할 때 정리해고 등의 방식으로 인력을 줄여야 한다는 재계와, 실업대란을 부추기는 정리해고를 중단하고 고용승계를 해야 한다는 노동계의 견해를 배경으로 법조계와 학계에서도 큰 관심을 갖고 법학자들이 앞다퉈 견해를 발표하는 등 커다란 논쟁으로 발전했다. 본소논문은 한국굴지의 종합제철소인 포항제철을 둘러싼 각종 문제점을 윌리엄 호건의 THE POSCO STRATEGY 를 중심으로 검토 분석함.

Keywords: POSCO, SSSWU, Anti-Union Employers

Introduction

*The POSCO Strategy*¹ is a comprehensive analysis of the development of South Korea's steel industry, from its inception in the late 1960's to its current position as the world's largest steel producer. W.T. Hogan, author of more than one hundred articles and nineteen books on the global steel industry charts the emergence of Korea's steel industry from the abandoned earlier strategy, Korea International

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Steel Associates, which was essentially a U.S. led consortium set up in 1967 to its proposed strategic alliance with Nippon Steel in August 2001². Hogan's analysis focuses on eight principal strategic areas in the company's history and is, by all accounts a laudatory survey, one that either minimizes or chooses to ignore the political decisions that were made prior to its establishment and adopts a generally benign attitude to its principal architect, President Park Chung Hee (1961-1979)³.

Of arguably greater significance are the questions left unanswered in Hogan's account. Why was Japan, so crucial to the success of the Pohang steel industry unwilling to participate in the original consortium, KISA(Korea International Steel Associates), especially when one considers the extent to which POSCO's work practices and its policy of employee involvement in the company have been modeled on Japanese practices? Moreover, the book omits any reference to the rancorous industrial disputes that have plagued relations between the company and the Sammi Specialty Steel Workers Union (SSSWU)⁴ since 1996 and the Seoul High Court decision (January 1999) that all workers dismissed by the company should be reinstated immediately and that their dismissal in the first place was an 'illegal act'.⁵ Consequently, one is compelled to ask whether the absence of any detailed criticism of the company's performance, except by enraged union workers and their spokespeople is either politically motivated or an example of strict internal (i.e. Korean) censorship⁶.

Japanese Economic Assistance to Korea

Japanese economic assistance in the rest of Asia began in the 1950's and various theories have been posited to account for its expansion in the post-war period. Assistance that would secure a supply of raw materials for Japan's burgeoning industrial base could also help to achieve political stability in the region and maintain peace. Japanese foreign aid started as reparations to those countries that had either been colonized before the war or invaded during it. There was little articulated remorse in post-war governments for the inhumane treatment of Japan's defeated enemies so the idea of assistance was conceived primarily in terms of export promotion. However, closer economic ties with South Korea in particular would help to stabilize both it and the peninsula as a bulwark against communist China and the North.

As Korea had been a Japanese colony for a long time, there was inevitably historical continuity in political institutions and international connections. The progress towards restoration of official

diplomatic ties between the two countries at the end of World War gained momentum as a result of the Korean War. Japanese coast guard mine sweepers were used in Korean waters under the direction of U.S. Pacific Army Command at the request of Major General An-Leh Berk of the United States Far Eastern Naval forces and the government of premier Yoshida Shigeru. Moreover, relations between the two countries were revived as a result of the San Francisco peace treaty and the strengthening of the Japanese economy from its special procurements status in the Korean war, engineered by MacArthur as a way of improving Japan's international position.

In the U.S.-Japan Security Treaty, America acquired a military base on the Japanese mainland and the articles in this treaty embraced the future security of South Korea. The Korean War directly benefited the Japanese steel industry in both the expansion of production, special procurements and the general boost in all exports. Steel exports to Korea, amounting to only 60 tons before the outbreak of war, escalated to 4500 tons per month and upwards of 450,000 tons worldwide. After the war large quantities of steel were required in reconstruction and with U.S. military assistance, the steel industry became one of the pillars of economic co-operation between America, Japan and Korea.

The U.S. actively pursued normalization of diplomatic ties between Japan and Korea at the beginning of its East Asian policy, binding the Korean peninsula to Japan in a geopolitical strategy that would secure the defence of the Pacific region. Many Japanese who shared Hirobumi Ito's fear that the "Korean peninsula is a sword pointed at the heart of Japan" realized the importance of closer ties between the two countries⁷. In the event of a nuclear crisis in the region or civil war, it was imperative that Japan worked hard to resolve differences between the two countries. Since preparatory talks began on October 1951, there were seven conferences in fourteen years dealing with a number of key issues such as the legal status of Korean residents in Japan, property claims and fishing rights. In the meantime the leaders of all three countries had changed but U.S. determination to reach a final agreement did not waver as a result of these changes.

Japan's Policy of Economic Assistance to Korea

In the immediate post-war period the purpose of Japanese economic assistance was frequently

debated but the debate has increasingly centered upon the amount of economic assistance Japan should give. Questions are also asked about Japan's intentions; are they primarily economic or is there a political or military agenda governing the disbursement of funds? Scholarly opinion differs on this topic and it has been suggested that although the primary objective may be economic in that Japan can secure a steady supply of raw materials and increase its share of the commodity export market, a strong military presence in the region protects economic ties between countries, stabilizing the conditions in which economic forces operate. So far Japan has failed to explain its priorities in this respect and its ODA policy is still subject to markedly different interpretations. Research has shown that large enterprises, which stand to make immediate profits feature prominently in ODA policies while other findings suggest that companies deprived of assistance are victims of bureaucratic interference.

Suspicion of Japan's priorities is deeply rooted in the belief that because compensation was 'extorted' from her after World War , humane considerations are absent from its decision to render economic assistance. In failing to address issues such as the Korean comfort women and in its refusal or inability to reflect upon past misdeeds, Japan's economic assistance is viewed with understandable caution. Some critics regard it as little more than sugar coated export promotion.

Political considerations played an important part in the development of economic ties between the two countries. In this respect, financial institutions in Japan emphasized the military significance of Korea in maintaining stability in the region. Uemura Koji, deputy chairman of the Federation of Economic Organizations stressed the need for liberal politics as a pre-requisite for future stabilization of the Korean economy, a point reiterated by the chairman of the third trade mission to Korea on 1965. He pointed out the importance of informal channels of communication between the two sides in addition to the formal inter-governmental discussions that were taking place. In fact, informal talks constituted the principal economic forum during the 1960's.

Park Chung Hee & Japan-South Korea Relations

When Park Chung Hee seized power in a military coup on May 16 1961, it had a profound influence on relations between the two countries and on the future of capital investment in South Korea. Park

emphasized the importance of political reconstruction as the only solution to the country's economic problems and his regime was committed to the development of national, democratic capitalism, a policy that would make great economic demands on the Korean people.

This mammoth undertaking was the centerpiece of the first Five-Year Plan, a program of economic reform that included nationalization of the banking sector, rapid industrialization and the rebuilding of the private sector, changes that were designed to boost annual GDP. Normalization of relations with Japan brought much needed foreign capital into the country and assisted in developing the country's export potential. The United States government supported President Park's initiatives in order to strengthen security in the region and to bring about a reduction in US military assistance to South Korea.

Kennedy regarded a militarily strengthened South Korea as a bulwark against any communist advance in the region, a goal that would be realized by economic development centered on Japan and its relations with Korea. For his part Park Chung Hee was quite prepared to let bygones be bygones, overlook Japan's colonial past in the Korean peninsula and concentrate on improving economic relations. In doing so he hoped that both countries would become key players in the free world and to this end he proposed that a portion of Japan's war reparations should be reallocated to help modernize Korea's crumbling infrastructure. He strongly believed that it would be a grave mistake to allow anti-Japanese sentiment, which was quite rampant at that time, to sabotage the negotiations that were underway. The Japanese government was also committed to the normalization of relations between the two countries. After meeting Kennedy in 1961, Prime Minister Ikeda made commitment to the talks with Korea part of his election manifesto of 1962, a pledge that was reiterated by foreign minister Shino. Japanese financiers supported the undertaking, arguing that the security of Asia depended on the stabilization of relations between the two countries and urged diplomats to speed up talks with their Korean counterparts. If South Korea were given the assistance necessary for technological development, the results would redound to the benefit of Japan.

The Establishment of POSCO

The plan to promote a steel industry was agreed upon at a Korean Economic Conference in December,

1964 in line with the development of both the petrochemical and engineering industries. President Park, who had visited the United States set up an Economic Planning Board to hammer out an agreement on the construction of an integrated iron and steel production plant, capable of producing 600,000 tons by 1967, with a foreign currency loan of \$117,800,000 and a domestic investment of 10,000,000,000 won. KISA, the original consortium was formed in 1966 and finally agreed on in 1967, charged with the task of designing, engineering, supplying and constructing an iron and steel making facility for the Republic of Korea (KISA: Project Development Plan, March 1967)⁸. Such integrated steel plants were a rarity in the developing world and unsurprisingly, KISA comprised members drawn from the most industrialized countries; three from the U.S., two from Germany, and one each from Britain, Italy and France.

As early as 1966 a World Bank Report concluded in a feasibility study that the plant would be able to produce only 500,000 tons per annum, a shortfall of 100,000 tons on the initial projection. This was at odds with the objectives of Park Chung Hee's second Five Year Plan and served to expose the irreconcilable differences that underscored the Korean government's and KISA's views on the size and scale of the steel plant. Basically, the Korean government envisaged a far more ambitious steel plant than KISA was prepared to bankroll, the latter prey to conflicting national and business interests and weakened by the wavering support granted it by various international lending agencies. By 1968, both the World Bank and the U.S. Import-Export Bank were of the opinion that Korea should give priority to the development of its engineering industry and refused to authorize further loans. In this they were supported by the West German and British governments but the reaction in Korea to this setback was one of renewed determination to construct the integrated steelworks the president wanted and not one imposed on him by KISA.

Park was forced to reconsider both the funding and management of the steelworks. In General Tae-Joon Park, namesake and political crony, the president found the ideal head of the company he planned to build. Originally chosen as the representative of Korea's interests in KISA, General Park had already won his spurs by transforming the loss making Korea Tungsten Mining Company into the number one foreign exchange earner. The task that lay ahead was to secure capital investment for the proposed steelworks and to head its construction. Relying heavily on the contacts he had made in military academies before the war and technical advisors from Japan in the post war period, General Park had established close ties with the Japanese industrialists and politicians who oversaw the payment

of war reparations to the former colony. Japan, which had been unwilling to join KISA for reasons undisclosed by Hogan and unavailable as public records, was prepared to do business with General Park, placing its technical know-how at Korea's disposal. The Japanese steel industry, centered on three major steel producers, Fuji Steel, Yahata Steel and Nippon Kokan, resolved at a construction co-operation conference to put the case for financial and technical co-operation to the government. With the backing of both the Foreign Affairs Ministry and the Prime Minister, Sato Eisaku, the 'South Korea-Japan Basic Agreement for the Integrated Steel Manufacture Construction' was signed in December 1969. Despite parliamentary fears concerning President Park's authoritarian style, backdoor American influence and the unchecked power of large corporations in general, assent was eventually given. Discussions between the two countries were conducted at both formal and informal levels, through regular ministerial meetings on the one hand and economic consultations on the other. The Japanese government secured the backing of the financial world while President Park ordered the bureaucracy and financial institutions in Korea to expedite implementation of the agreement as quickly as possible.

The sharp differences between the strategies proposed by KISA and General Park centered primarily on steel capacities. In its insistence on Korea first developing a machinery industry, the World Bank maintained that such an alternative would be more beneficial to Korea in terms of utilizing technology and labor but the underlying concern was to reduce the financial risk to potential investors. In addition to this, the Agency for International Development (AID)⁹ was afraid that the KISA project would add more than enough steel producing capacity to disrupt the structure of world steel prices. It recommended the construction of a smaller, electric furnace based steel plant or new rolling facilities utilizing imported steel slabs.

Japan however was asked to re-direct a portion of its war reparations to Korea to help build a steel plant at Pohang. Approximately \$300,000,000 had been set aside to foster agrarian development over a ten- year period from 1966. General Park wanted a portion of these funds, together with low interest loans from Japan's OECF (The Overseas Economic Cooperation Fund of Japan) to meet the foreign capital requirement of \$125,000,000, a sum equivalent to the lost U.S. and European funding. The chairmen of the three main Japanese steel producers needed little persuasion to accept Park's assertion

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that “industrialization with steel at its base was the key to building a vigorous Korean economy”¹⁰. They knew from firsthand experience the importance of steel in Japan’s post-war economy. Although, as stated above, Japan refused to participate in KISA, the POSCO project, as it came to be called, made Japan its sole overseas supporter.

From its inception POSCO was markedly different from many of its international counterparts in that it was incorporated as a private rather than a public company. Its corporate independence was aided directly by government financial support under special legislation that provided for majority government ownership. According to Innae and Dress in ‘Igniting Steel’¹¹, General Park’s decision to ensure full management autonomy would prove essential to the company’s success. In operating at a profit, it was believed that POSCO would help achieve the twin goals of spurring on Korea’s full- scale industrialization and of enabling the country to become self-sufficient in steel. Consequently, the separation of ownership and control of the company avoided the situation found in other steel companies whereby key construction and operating decisions were made by governments rather than company chiefs. POSCO and the Korean government, aware of recurring downturns in the global steel market, wanted to avoid the severe losses that governments tended to absorb in times of economic crisis.

As a private company, POSCO was determined to maintain a price structure that would cover the total costs of production; these costs would be kept as low as possible and losses would hence be of a short-term nature only. The profitability of the company depended on its corporate culture remaining free from owner interference and to this end, the company had to insist upon its sole right to make personnel, recruitment, purchasing and financial management decisions. Compliance with this request was immediately forthcoming.

The Four POSCO Construction Stages

Work began on the construction of the site at Pohang in April 1970, a massive undertaking that depended on Japanese support in both technological assistance and the training of construction crews. Workers were required to take an active role in every phase of the plant’s construction, training that would continue after construction had been completed and be extended to the daily operating activities

of the company. The project had been organized into four stages.

1. The First Stage: Completed 38 months ahead of schedule, in July 1973, the First Stage had a steelmaking capacity of 1.03 million annual tons and the capital expenditure required to achieve this goal did not exceed the forecast. Moreover, the company rejected the idea of purchasing low-cost used equipment in the belief that any short-term benefits would adversely affect competitiveness in the long term. New equipment employing the latest technologies was purchased well within the capital costs earmarked for the First Stage.
2. The Second Stage: This stage commenced almost immediately after completion of the first stage. Steelmaking capacity was increased to 2.6 million annual tons in addition to the scaling up of all the first stage facilities. The capital investment required for the second stage was \$553 million and work was completed by May 1976. Although the boom in world steel had gone bust before completion, the company set about work on the third stage. As Hogan argues¹², “another important tenet of its building strategy (is) to persevere in expanding capacity and growing the business during periods of downturn for the steel industry at large”. As a result, POSCO has been able to exercise considerable leverage in negotiating costs with equipment suppliers anxious for work.¹³
3. The Third and Fourth Stages: These were completed in 1978 and 1981 respectively, whereupon capacity was increased to 8.5 million annual tons. A second phase of stage four, effectively increasing capacity again to 9.1 million annual tons was completed in 1983 and has increased incrementally to its 2001 level of 12.7 million annual tons. The additional capacity has been achieved by the construction of new electric steelmaking furnaces for stainless steel production and improved productivity. By securing access to raw materials and continual employee training, POSCO has become a highly competitive player in the international steel market. Its two integrated steelworks are in the global top ten, the second plant at Kwangyang being the world’s largest.

The second plant was agreed on in 1981 in response to the surge in the automotive and shipbuilding industries. Its first stage involved purchasing and implementing steel technology from a much more diverse group of international suppliers than had been the case with the Pohang site (which relied heavily on Japanese suppliers)¹⁴. The extent of Korea’s rapid industrialization in the interim is

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illustrated by the fact that local facilities accounted for 49.4% of the total resources used in construction of the plant instead of the estimated 12.5%. The plant, continuously modernized, was designed to cast 100% of its raw steel output and the introduction of computerized information systems has enabled the company to integrate all its production processes as well as every aspect of its managerial and financial operations.

Labor Relations and Disputes

“Widespread employee involvement in POSCO’s marketing effort is a natural outgrowth of a longstanding commitment to employee education and the realization that innovative ideas, including those on how to better serve the customer, are to be found throughout the company. With total customer satisfaction established as an objective critical to the company’s long-term viability, employee suggestions on enhancing customer service are actively sought, considered and regularly acted upon”¹⁵

Hogan’s analysis of POSCO reads at times like a public relations manual compiled by exceptionally eager marketing assistants. He clearly admires his subject and may well have decided that any discussion of the acrimonious union/management disputes that have beset the company in recent years would spoil the rosy picture he paints in his book. Essays in corporate hagiography are as vulnerable to sharp contradiction as are tributes to politicians and company chairmen. In choosing to avoid the whole question of industrial relations except in a way guaranteed to impress the chairman and board of directors of POSCO, Hogan exposes himself to the accusation that he is merely doing the company’s bidding.

Consider this extract from USS-POSCO’s mission statement, under the heading “Values”:

“We will always respect the individual. We will provide all employees with a safe working environment and future opportunity to contribute to the success of the business through individual and team participation. We respect the opinions and ideas of employees and will treat all people with whom we interact with dignity and fairness”.

Profit making organizations that appear to expend almost as much time and effort on advertising honesty and fair play as a United Nations humanitarian mission are understandably viewed with suspicion. Companies that have succeeded in sustaining profit levels despite shrinking global demand and have expanded their operations when retrenchment might have appeared a more likely course of action tend to face down criticism from any quarter.

Industrial action in Korea was unthinkable before workers became unionized in 1987. In the steel industry workers in 40% of the steel companies in Korea were organized prior to 1987 and by 1991 48.2% of all steelworkers were organized into unions. According to Joon-Shik Park¹⁶, young workers in their 20s and 30s, educated at least to high school level were actively challenging the authoritarian and one-sided managerial prerogative that had survived for so long, demanding in addition to greater democratization in the workplace more participation and more humane treatment. Militancy within the steelworkers movement led to increases in wages and fringe benefits but compared to labour-management conflicts in the shipbuilding and automotive industries, industrial relations within the steel industry were co-operative.¹⁷ Accounts for this by claiming that in addition to better wages and working conditions, the failure of the union movement in POSCO determined the fate of unionized labour throughout the steel industry.

A union free company was one of General Park's key objectives when POSCO was established. Instead and in overt imitation of the Japanese management system, paternalistic management, combining authoritarianism and charismatic leadership styles were expected of its senior personnel. The basic ideology of the company was to introduce "a kind of social bondage" in which the employee was expected to demonstrate absolute commitment to the company in return for a guarantee of lifetime employment.¹⁸ This ominously sounding 'patriarchal company welfarism' was based on maintaining a union free environment while assimilating and stabilizing a skilled workforce. During the 1970s, the company initiated quasi-formal consultations with employees in order to transmit managerial decisions in the guise of a relaxed and friendly meeting with employees. It took more than ten years before an official and formal consultation committee was founded in 1981. Despite its legal status, the committee's functions were confined to minor issues rather than the free collective bargaining that would have given it teeth. Older workers were empowered to represent worker interests but were

chosen by the management, not by the workers themselves.

During the short period of co-operative union activity agreement was reached on a number of issues including a uniform wage increase system and an improvement of personnel management institutions. However, younger workers on the shop floor wanted stronger and more autonomous unions and they began openly to disagree with the selection of union leaders. Various groups of differing degrees of militancy began to form on the shop floor and a loose coalition of radical groups eventually took control of the union in 1990. It proved impossible nevertheless to establish roots on the shop floor because large numbers of workers remained opposed to the dissident leadership. The management response to the new union was a mixture of surprise and intolerance. The growing confrontation between the two parties stimulated tension in labor relations throughout the country. The POSCO union, riven by factional interests proved to be too weak to survive the confrontation; more conservative workers withdrew their support for the union followed by a mass exodus of members, a falling off of support that reduced the membership from 20,000 to less than one hundred. After three years of activity and six months of adversarial negotiating, the union was a spent force.

The collapse of the union was accompanied by the breakdown of the communication system within the company. An alternative to the union needed to be found, a process that was set in motion by a proposal from senior workers that "employee associations" should be set up. Some senior workers attempted to organize a group to replace the union with the informal support of the company. It began to elect new representatives by indirect voting, establishing a two-tier system in which first level shop floor representatives were directly elected but official representatives were selected by the elected members only. This new organization effectively replaced the union and took over its functions. Since its inception in 1992, this new organization has consulted the company about employee concerns but it has not had the power to bargain with the company. In 1993 the organization began consultations with the company about wage problems and the new profit sharing program but support for a union has remained strong among young and senior workers alike. Park Joon-Shik, writing in 1998 warns of the likelihood of further confrontation:

"There also remain many sources of confrontation. In the present situation the gap between the shop floor and the association seems to be as great as that between the shop floor and the militant union body.

Many obstacles and uncertainties still await (sic)¹⁹. If the employees' association is unable to survive on its own it will be very difficult to maintain its own autonomy.....POSCO's labor relations seem to be moving toward the institutionalization of a non-union and cooperative paradigm and management is controlling the major stream of changes".²⁰

The Sammi Specialty Steel Workers Union Case

It is worth comparing Park's concluding remarks quoted above with the following press release issued by the Korean Metal Workers Federation (KMWF)²¹ in December 1999:

"In the late 1980's there was an internal drive by POSCO workers to form a union. By 1988, POSCO effectively destroyed the union through various union-busting tactics including dismissal. Taking advantage of the Korean law (banning)²² plurality at the enterprise level, POSCO then instituted a phantom union in order to prevent independent workers organizing, resulting in the registration of a new autonomous union at POSCO. It has agreed to company agenda items such as wage cuts that would seem to directly conflict with workers' interest. Such avid and pro-active union-busting tactics are the POSCO legacy".

The dispute arose following POSCO's successful bid for the purchase and acquisition of Sammi Specialty Steel in 1996 and the property sale contract that was signed in February 1997. All the factories, equipment and offices of Sammi Steel passed to POSCO but under the terms of the Purchase and Acquisition Law, all acquired properties must be used for entirely different business purposes. Such containment of monopolistic expansion is not without its benefits for the purchaser. Under the law, the purchaser is under no obligation to retain either staff or trade union representatives but POSCO had the acquired factories perform exactly the same functions as had their erstwhile owners. Therefore, this P & A was more accurately speaking a 'business transfer' and as such POSCO should have honored existing agreements regarding the succession of employment, unions and collective bargaining. Collective agreements that had been in place for more than ten years were ignored when POSCO selectively re-hired only part of the Sammi workforce.

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The policy of selective re-admission to the company gave POSCO the muscle to get rid of workers that had been active in the union movement and were subsequently branded troublemakers by the outgoing Sammi management. As a result, 2,000 workers out of an acquired workforce of 2,342 were not re-instated by the new owners. According to the KMWF, the reason was clear:

“POSCO didn’t want any independent and democratic union, thereby sticking to its existing NON-UNION policy. So this is the first case in which the employers utilized the P&A method for union busting in business transfer. Therefore the case was a potential threat for Korean workers at large.²³ In a word, the government-invested POSCO trampled (on) one of the basic labor rights guaranteed in the constitution and ILO conventions: the right to organize.” (KMWF Press Release)²⁴

The campaigns mounted in protest against POSCO’s decision drew international attention and condemnation of the company. More than two hundred Sammi workers carried out public protests for more than three years, forty four workers went on hunger strike, demonstrators camped outside Seoul Railway station and numerous rallies were held in front of the company’s plants in Pohang and Changwon. In an ‘Appeal for International Solidarity Action’, addressed to “comrade workers all over the world”, the campaign for the re-instatement of Sammi workers announced the battle cry, “...now it’s time to further spur (sic) the struggle toward the final victory.” The syndicalist rhetoric worked.²⁵ In a letter dated March 16 2000, to Sang Boo Yoo, Chairman of Pohang Steel, the General Secretary of the International Confederation of Free Trade Unions (ICFTU) deplored both the dismissal and failure to re-instate the Sammi workers, despite a court ruling that the company had breached existing employment contracts.²⁶

By this time however, POSCO had already had so much opprobrium heaped upon it that it probably felt it could weather the storm of international protests that followed. The Regional Labor Office had handed down the decision in 1997 that the company’s dismissal of 182 Sammi union activists was unfair and that they must be re-instated immediately. When POSCO appealed to the Central Labor Commission, the earlier ruling was upheld. The KCTU brought the Sammi case before the president, Kim Dae Jung in 1998 and he promised to enforce the CLC ruling immediately. In May 1998, the National Audit Board (NAB) ruled that the Sammi/POSCO agreement was a clear case of business

transfer rather than P&A. And in a separate action, the SSSWU brought the matter before a Tripartite Commission which issued a statement to the effect that POSCO's actions were illegal and that all dismissed workers should be re-hired.²⁷

Another letter from Walden Asset Management in the USA to the chairman of POSCO expressed concern on behalf of its 7,000 shareholders in the company. It drew attention to the discrepancy between the company's stated aims in its website ("Today we can survive only if we transform ourselves to accept global standards.") and its adherence to those standards in practice.²⁸

Undeterred by the barrage of criticism of its actions, POSCO took its case to the Supreme Court and did little to counter the allegations of illegality and malpractice that had been made against it. For a company with over twenty overseas joint steel ventures in twelve countries, both developed and developing, the handling of both the dispute and its effect on public relations shows either staggering ineptitude or colossal arrogance. When its twenty-eight years of continuous profit from 1973-2001 is taken into account, it is tempting to suggest that the latter offers a more likely explanation.

Furthermore, the Korean government proved reluctant, dilatory or both in forcing the company to comply with the CLC and NAB rulings, a reminder perhaps of the autonomy granted to the company in all personnel matters under the Park Chung Hee regime.

Conclusion

"Ever since POSCO was founded and from the first day in April of 1970, when a shovel of earth was first turned near a small fishing village called Pohang, the company has prospered through visionary leadership and the dedication, hard work and sacrifice of its 19,928 employees. The same unique spirit that has built the company is reason to have confidence that POSCO will succeed in shaping a bright future for itself and the nation it serves."²⁹

The enormous economic success of POSCO cannot be gainsaid. As Ahn Byung Wha, former chairmen remarked in a 1999 broadcast:

“Everybody engaged with POSCO is very proud. They know they personally contributed much to the growth of the Korean economy. At that time Japan was the most competitive steel making country around the world. We were able to secure a ‘latecomer’s advantage’. We were three quarters of a century late. And Korea has a long history of discipline, hard work.”³⁰

However, one of the greatest risks inherent in expressions of corporate pride is a failure to square up to criticism and admit errors of judgement. The special status enjoyed by POSCO since its inception, its autonomy in all key decision making strategies has enabled it to function like a ‘state within a state’, unhindered by regulatory safeguards. In such a situation, seeds of corruption have time and space to germinate. Apart from the dismissal of Sammi workers (and only a small percentage of the dismissed workers were ever re-instated as a result of the Supreme Court hearing), the chairman and vice president of POSCO have been indicted on charges of forcing subsidiaries and contractors to buy shares of a sports lottery firm at inflated prices. The scandal has also implicated Kim Hong-Gul, third son of the Korean president, who faces trial on charges of influence peddling and tax evasion. The value of POSCO’s stock has fallen by nearly 5% since the indictments were issued in June 2002.

The relationship between POSCO and the Korean government remains shrouded in mystery, which leaves both parties exposed to accusations of complicity in the industrial disputes that have dogged the company. Hogan however is no apologist for POSCO and its actions. He has intentionally or otherwise sidestepped the whole question of industrial relations and in doing so has done a grave disservice to the thousands of employees whose lives have been disrupted by the bitter disputes of recent years. When one pauses to reflect on the lengths the company was prepared to go to defend its stance on non-unionized labor, including open defiance of the courts, the mission statements of both the company and its subsidiaries and their espousal of liberal values appear all the more audacious and ultimately rather cynical.

Table 1-1 POSCO's Profit History: 1968-2000

	foreign exchange rate		
	Korean won	Korean won/U.S. dollars	U.S. Dollars
1968			
1969			
1970			
1971			
1972	-550,770,793	395.67	-1,391,995
1973	4,639,391,575	399.31	11,618,521
1974	35,464,514,584	413.19	85,831,009
1975	9,128,071,300	484.19	18,852,251
1976	15,299,221,367	484.84	31,555,196
1977	13,721,953,307	485.00	28,292,687
1978	21,894,602,392	484.97	45,146,303
1979	26,219,941,557	484.95	54,067,309
1980	10,808,893,943	659.90	16,379,594
1981	44,292,705,397	700.50	63,230,129
1982	15,302,469,985	748.80	20,435,991
1983	52,074,344,806	795.50	65,461,150
1984	60,191,714,279	827.40	72,748,023
1985	61,729,047,684	890.20	69,342,898
1986	62,010,432,641	861.40	71,987,965
1987	70,331,397,770	792.30	88,768,645
1988	134,356,635,806	684.10	196,399,117
1989	144,511,352,563	679.60	212,641,778
1990	79,025,204,482	716.40	110,308,772
1991	145,680,235,649	760.80	191,482,960
1992	185,061,312,793	788.40	234,730,229
1993	294,617,035,811	808.10	364,579,923
1994	383,221,067,473	788.70	485,889,524
1995	839,707,294,232	774.70	1,083,912,804
1996	623,961,686,620	844.20	739,115,952
1997	728,983,024,792	1415.20	515,109,543
1998	1,122,867,118,025	1207.80	929,679,680
1999	1,558,031,776,383	1145.40	1,360,251,245
2000	1,637,991,067,182	1252.50	1,306,978,896

Source: Pohang Iron and Steel Company, Ltd.; data indicate nonconsolidated net profits; exchange rates are those occurring at year-end.

Table 1-2 POSCO's Overseas Joint Ventures in Steel

<i>Country</i>	<i>Name of joint Venture</i>	<i>Date Formed</i>	<i>% Share of POSCO Group</i>
China	Dalian POSCO-CFM Coated Steel Co., Ltd.	Nov. 1995	POSCO 40% POSTEEL 15%
	Zangjiangang Pohang Steel Co., Ltd.	Nov. 1996	POSCO 90%
	Zangjiangang Pohang Stainless Steel Feb. 1997 Co., Ltd.		POSCO 80%
	Sunde Pohang Coated Steel Co., Ltd.	Apr. 1997	POSCO 90%
	POS-Tianjin Coil Center Co., Ltd.	Oct. 1994	POSCO 10% POSTEEL 60%
	Guangzhou jindo Container Mfg. Co., Ltd.	Jan. 1993	POSCO 10%
	Zhangjiang Xiaoshi Coil Co., Ltd.	Oct. 1996	POSTEEL 17.5%
	Suzhou Dongshin Color Sheet Co., Ltd.	Sep. 1995	POSTEEL 30%
	Shunde Xingpu Steel Center Co., Ltd.	Jul. 1997	POSCO 10.5% POSTEEL 10.5%
	Vietnam	POSVINA Co., Ltd.	Apr. 1992
VINAPIPE		May 1992	POSCO 10.6%
VSC-POSCO Steel Corp.		Jan. 1994	POSCO 35% POSTEEL 5%
Thailand	POS-Thai Steel Service Center Co., Ltd.	Jan. 1997	POSCO 11.7% POSTEEL 52.2%
	The Siam United Steel Co., Ltd.	Jul. 1995	POSCO 3%
Japan	POSMETAL		POSTEEL 50%
India	POS-Hyundai		POSTEEL 19.5% POSCO 10%
Myanmar	Myanmar-POSCO Steel Co., Ltd.	Nov. 1997	POSCO 70%
Brazil	KOBRASCO	Mar. 1996	POSCO 50%
Venezuela	POSVEN	Apr. 1997	POSCO 40%
			POSTEEL 10%
			POSEC 10%
U.S.A.	USS-POSCO Industries	Apr. 1986	POSCO 50%
Canada	Fording Coal Ltd.	1993	POSTEEL 20%
Australia	Miller Pohang Co., Ltd.	1982	POSCO 20%
South Africa	POSCHROME (Pty) Ltd.	Jul. 1996	POSCO 25%

Source: Pohang Iron and Steel Company, Ltd.; includes joint ventures engaged in steel manufacturing and in the production of raw materials for ironmaking and steelmaking.

Endnote

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