PART 1

SAMSUNG

CHAPTER 1

SAMSUNG MOVES: A PORTRAIT OF STRUGGLES

DAE-OUP CHANG

INTRODUCTION

The corporation 'Samsung' has been engaged in continuous struggles with the market, labour, the state, and society as a whole within which it develops. This article is a portrait of the struggles: the struggles that were made by every step of the movement of Samsung and made Samsung move again. It captures the way in which an individual capital, a very progressive one in many senses of modern management and corporate strategy, absorbs all possible social resources, including human sweat, soul, and lives, and turns them into corporate energy on which a miraculous capital accumulation has been made possible. Each part of its history will describe Samsung's efforts to move out of old challenges, and new challenges created by its own moves.

While it is written as a short corporate history, it is a corporate history written in labour's language. In other words, it is a corporate history in relation to labour. This article particularly emphasises the other side of a multinational corporation's history, namely the way in which 'work' is recomposed by mobile capital in Asia, tracing the interaction between multinational companies and local labour. The history of Samsung therefore starts with Korean labour in 1938 and ends with Asian labour in 2006. The analysis will show how Samsung gradually grasps its own workers' soul both by helping the workers to realise their own small dreams with superior economic compensation and by threatening them not to take their soul back. In addition, drawing on the evolution of Samsung Electronics and its cohorts within the Samsung conglomerates, in Korea, Indonesia, Thailand, Malaysia, India and China, this article shows how Samsung organises its labour globally and locally along the hierarchical ladder of the production chain to maximise its profit and realise its own corporate dream.

I want to reiterate, to prevent misunderstanding, that this article does not aim merely to show miserable, dramatic, and sensational physical exploitation stories that most readers might expect from literature on Asian labour. Focusing on miserable stories is often a consequence of lazy and 'sitting-back' research ethics in the labour movement since it gives us not much to analyse. Therefore, the usual tactics used by incapable and short-sighted corporations are not at the centre of our stories. However, this article will show how Samsung divides workers who, at the core, take themselves as labour aristocracy and are ready to be the soul of Samsung, and who at the periphery are struggling for daily life. Indeed, it shows that even advanced capital does not hesitate to utilise brutal methods to tighten control over workers when they try to reclaim the soul. To this end, this case of Samsung will help us to understand how the world of living and labour for the Asian people has changed ever since their involvement in multinational operation and expansion of capital. By doing so, it will enlighten the impact of the increasing mobility of capital on the pathway of the national development that is increasingly subsumed to the logic of the reproduction of the social conditions of capital accumulation.

1. Rising From The Ashes

The Colonial Context of the Establishment of Samsung

It may seem a little odd to start the story of Samsung with the crisis of Japanese capitalist development in the early twentieth century. However, at least the earlier accumulation of capital for Samsung has relation to it. Indeed, it does not mean that Samsung earned money at the expense of the crisis of Japan. The relation is rather more complicated and contextual. However, it is worth knowing in what context the history of the modern corporation Samsung started.

While the Western European countries were heavily involved in World War I, Japan enjoyed a sudden boom in international trade. This boom during the 1910s led to a rapid expansion of Japanese capital. During the war, the production capacity in the West was reduced, offering non-competitive markets, especially in Asia, which had depended on Western products. Consequently, Japanese capital enjoyed massive export growth both in heavy industry and the textile industry[1]. However, the world war boom left another task for Japanese capital. In order to keep the growth, Japan must keep the expanded volume of industry, on the one hand, and introduce new methods of production to face the re-emerging competition with Western capital after the war, on the other. This task needed a huge capital investment. It was possible only through massive expansion of credit, in other words, increasingly borrowing money from the banks for further investment.

By 1919 Japan already faced inflationary symptoms, i.e., too much money in the market during World War I. While the credit expansion could keep the expansion of production and give individual capitalists the growing optimism for further accumulation of capital, it also made capital overly accumulated, i.e., too much productive force created. Once this problem appears in the form of overproduction

of commodities in a particular branch of production and falling prices of the commodities, capital needs more expansion of credit, competing for availability of credit with each other. Japan began to suffer from financial instability that was worsened by the liberal lending policy of the central bank and the state in the early 1920s. Finally, Japanese capitalist development faced financial crisis in 1923 and 1927 and things were worsening with the Great Depression of 1929. Furthermore, the dramatically increased production capacity during the boom was also accompanied by the emergence of class struggle with a wave of strikes and emerging trade unions in Japan in the 1920s.

The financial instability and further development of class struggle brought a crisis of the early social relations of economic development in Japan, which relied on sheer exploitation with extended working days and intensified labour that drove the boom during World War I. This exploitation based on brutal control of labour by the imperialist state and violence by individual capitals in the work place seemed no longer effective. Japan had to introduce the first Factory Law legislation in 1911. Japanese capital increasingly sought to overcome this obstacle by introducing new means of production, on the one hand, and cheap subsistence of the working class, on the other.

The attempts of Japanese capital to overcome the crises were reflected also in its colonial policies from the 1920s. Japanese colonial policy in Korea during the 1920s and afterwards was focused on cultivating commodity markets for Japanese capital, promoting industrial investment in Korea, particularly by Japanese *zaibatsu* (conglomerates), and promoting production of cheap rice, which could reduce housekeeping expenses of Japanese workers and therefore the cost of labour power. Facing the influx of commodities produced or traded by Japanese capital, petty commodity production in Korea collapsed rapidly through the 1910s and 1920s. In order to facilitate this process, the Japanese colonial government confiscated means of production for self-sufficiency to discourage it. As self-production for subsistence in the household was discouraged and often prohibited and money-based taxes were introduced, households now had to rely on exchanges in the market through money in order to sustain their lives and pay taxes. On the other hand, as the colonial government pushed the increase in rice export to Japan as a main colonial policy, farming products were also increasingly commodified. While small-scale farmers sold surplus products in order to buy other necessities, the massive amount of rice that landlords took from tenant farmers as rents was almost fully commodified. As a result, 70% of rice products were for sale in 1937, showing the significant commodification of the farming industry (Kim, Y H 1983, p. 87).

Indeed, the export of rice to Japan was possible only at the expense of tenant farmers who were the majority of the Korean population. The colonial state did not remove the social power of the landlord class. Rather the government took advantage of existing social control of the landlord class in controlling the Korean agrarian sectors, and thereby the majority of the Korean population (Kohli 1994, p. 1277). The state secured land ownership, albeit with the disappearance of the traditional basis

of land ownership, by force and, moreover, incorporated them into local governance and let them play a significant role in maintaining control over rural villages (Kohli 1994, p. 1277). During the 1920s, landlords kept increasing rents and expanding their land by taking over the land of half-tenant farmers, who could not manage to pay for their tenancies. Consequently, living conditions of the peasant class, who got their living from small tenant lands and suffered from the double burden of forced sale of their rice products to the colonial state and increasing rents, swiftly deteriorated. Many peasants, to avoid starvation, left their hometowns to become wage labourers in urban areas or coal fields and emigrate to Manchuria, Japan, and the northern part of the Korean peninsula.

While Japan suffered from increasing labour costs and financial instability, investment of Japanese capital, an early form of foreign direct investment, in Korea also began to accelerate. Between 1920 and 1929, industrial capital investment in Korea tripled. In particular, in the attempts to make Korea into a military supply base for the invasion of China, capital investment in heavy industry rose rapidly. After the popular uprising against the imperial regime in 1919, the Japanese colonial regime sought to make Korea 'gradually' into a part of Japan by encouraging a certain degree of capitalist development, which resembled the Japanese development strategy, on the one hand, and permitting and even selectively supporting the establishment of Korean firms. The governor-general implanted a Japanese style institutional economic foundation with state-owned banks, such as the Bank of Joseon and the Korean Industrial Bank, offering loans to firms in line with the state's economic development policy. 'With minimal business taxes' and most of all cheap labour and the governor-general's unlimited support for labour control, Japanese zaibatsu such as Mitsui, Nissan, and Sumitomo had 75% of total capital investment by 1940 (Cumings 1997, p. 168). Meanwhile, the embryonic form of the Korean capitalist class also emerged from the traditional landlord class, supported by credit from the state-owned bank, the Korean Industrial Bank.

A Lucky Guy, Dried Fishes, and the Korean War

Lee Byung Chull, the founder of Samsung, started his early business in this context. He was born in Kyeongsang province (on the Southeast coast of the Korean peninsula) in 1910, the second son of one of those landlords who could sustain their social domination under colonial rule. His family was rich enough to send him to Japan to study politics and economics in Waseda University, still a prominent university in Japan. His first business, starting from 1936, the Hyeopdong rice mill, was set up in Masan where rice produced in Kyeongsang province, at the expense of millions of starving peasants, was stored to be exported to Japan. It is said that most of the initial investment for Lee's business was offered by the Korean Industrial Bank branch in Masan. Of course, this does not mean he started his business with his bare hands like many other founders of big business in Korea who started as lower managers or even skilled workers in Japanese-owned companies. It was not the case for Samsung. The fact that Lee could secure the loan from the Korean Industrial Bank shows his already established status as a young entrepreneur or

more likely a son of a rich and well-known landlord. He started expanding his business by investing in the transportation industry, which was necessary to transport the rice. Later, he started land speculation by taking a mortgage from the same bank. For him, 'it was very rare to have this easy way of making money'. His 'land business' was 'so smooth' that he 'felt as if the vault of the Korean Industrial Bank' was his own. Thanks to the land business, he became, after only one year, a big landlord with a million pyong of land (one pyong equals 3.058 sq. metres).

In 1938, the name Samsung first appeared in his business. Lee established the Samsung Trading Company in Daegu in the North Kyeongsang province. What he noticed was that, as the Japanese army was marching to China, there was expectation of market trade in China (Lee 1997). So, Samsung moved following the business. Samsung Trading exported dried fish and fruit to Manchuria and Beijing. At the same time, Lee also invested in noodle manufacturing as well as Chosun Brewery, producing rice wines and cider that were particularly profitable. As the export business went well thanks to 'his prominent managerial ability' (Hoam Foundation 1997), Lee moved office to Seoul and established the Samsung Corporation, the first international trading company in Korea in the real sense. Samsung Corporation traded with Hong Kong, Macao, and Singapore, exporting dried seafood and importing sugar, cotton thread, sewing machines, medicines, steel plates, and fertiliser (Hoam Foundation 1997). Samsung was able to monopolise the market for these 'rare' products soon after and started making a fortune. However, the Korean War in 1950 forced Samsung to give up its operation in Seoul.

Although Samsung was forced to move operations as the North Korean army advanced south, its business never slowed down. Samsung Corporation, now based in Busan where millions of refuges settled, exported recycled steel to Japan and imported sugar, fertilisers, and other necessities that were in absolute short supply. As Korea suffered heavily in the war from shortages of basic consumer goods, prices therefore were set up almost unilaterally by the traders; trading consumer goods guaranteed Samsung would be a significant corporation as early as 1953.

Samsung's Opportunity in Post War Development

During the post-liberation period, the US military government and the subsequent Rhee Syng-man Korean government played the most significant role in starting capitalist development in the south. A new development started by the governments crushed the highly politicised movement of workers and peasants that had developed against colonial exploitation on the basis of feudalistic capital relations and tenant-landlord relations. The state founded further development by redistributing state property (left by the Japanese) to selected Korean entrepreneurs and overpowering the labour and peasant movements. However, it was during and in the aftermath of the Korean War that capitalist development in Korea took shape. The Korean War produced a particular power composition of classes, which consisted of the decomposed working class (with the labour movement completely destroyed), the critically declining landlord class (due to challenges from the peasants, capitalist, and working class as well as the redistribution of land), and an immediate alliance

between the state and a few capitalists. Again, it was the state that had the ability to reconstruct capitalist development with absolute authority to allocate means of production and raw materials. Economic development was politically negotiated and the state played an important role of regulating individual capitals and the working class. The early form of politicised development appeared in the form of an *immediate alliance* through which a few capitalists funded Rhee Syng-man's Liberal Party and in return enjoyed highly exclusive allocation of raw materials from the US aid that accounted for more than 20% of total GNP of Korea.

During this period, capital accumulation in Korea depended on the development of domestic firms that could 'purchase raw materials supplied as a part of the US aid program at an overvalued official exchange rate' and succeeded in realising the produced value in non-competitive domestic markets (Haggard 1990, p. 57). Reflecting raw materials provided by foreign aid, capital accumulated mostly in light industries such as sugar manufacturing, milling, and cotton. In order to secure exclusive allocation of raw materials and loans, it was necessary for the capitalists to attract Rhee Syng-man's government, which exclusively controlled aid and imported grain, by providing kickbacks to the Liberal Party (Haggard 1990, p. 57). Those domestic firms, which had mutually beneficial relations with the state, also had an opportunity to purchase the means of production and land owned by the state at discounted rates.

Many Korean *chaebols* laid the basis for accumulation in this period. Samsung and Hyundai, the largest individual capitals in Korea at present, managed to purchase the means of production and real estate from the state while LG and other *chaebols* were founded through acquiring a certain portion of foreign aid from the state. In addition, Samsung-managed to expand its control over financial capital by buying state-vested shares of commercial banks, such as Heungoep Bank (83% of total share), Choheung Bank (50%), Korea Commercial Bank (50%). The fact that these were three banks out of the four commercial banks listed on the Korean stock market when it first opened in 1957 showed the significance of Samsung in early stage of Korea's capitalist development.

Samsung's did not miss the opportunity for US aid-based industrialisation by investment in sugar manufacturing. It was again Rhee's government that guaranteed US$180,000 for the construction of a new factory. The initial capital for operations was offered by the Commerce and Industrial Bank (Lee 1979). With full support from Rhee's government, *Cheil Sugar Manufacturing* started operations producing 25 tons of sugar a day. It was the first Korean sugar manufacturing company. On the basis of its significant market domination of the sugar industry, Cheil Sugar Manufacturing expanded to flour milling in 1957, again taking advantage of the abundant wheat supply from US aid. It is not difficult to see that the mutually beneficial relationship between the founder of Samsung and President Rhee Syng-man played an important role again in Samsung's further expansion of the woollen textile industry in 1954. Cheil Industries Co. was founded in 1956. Rhee's government responded to Samsung by allocating US$1 million from US Foreign Operation Aid and later even securing a non-competitive market for Samsung by restricting imports

of woollen textiles (Lee 1997). By the end of the 1950s, Samsung had become the biggest *chaebol* in Korea with 16 subsidiaries.

Meanwhile, however, early capitalist development based on the foreign aid and its distribution by the state to a few domestic enterprises that financed Rhee Syng-man's Liberal party could not go far. Since capital investment was concentrated intensively on specific goods that could be produced with raw materials from the US, the domestic market could no longer absorb the commodities and, therefore, a massive slowdown in those industries was unavoidable. Also, the US began to decrease foreign aid to Korea, imposing increasing pressure on the Rhee Syng-man government that took advantage of anti-Japanese sentiment in sustaining its legitimacy and thereby did not satisfy US policy pursuing more stable hegemony in Asia by establishing normal relations between Japan and other Asian economies. Companies felt more and more difficulties to secure resources. With increasing difficulty in making profit out of productive investment, a large portion of money was invested in speculation, which precipitated inflation. Worse still, employers attempted to overcome this depression at the expense of workers by intensifying labour and extending working hours, increasing discontent among the workers.

End of Alliance Between the Rhee Government and Business

Growing poverty and inequality also raised questions about the immediate alliance between business and government. Students started hitting the streets in the late 1950s. The Liberal Party suppressed the protests with crude force and benign political rhetoric, merely inspiring people further to demand more democracy. By the end of the 1950s, the regime could not be legitimated either by economic achievements or by formal democratic reforms, which were postponed by the government using the excuse of confrontation with 'communist' North Korea. The state, which led the reconstruction of capitalist social relations, now became the target of people's struggle. Eventually, the student movement, which struggled for formal democratic reforms against the corrupt government, finished the regime in April 1960.

Although workers in 1950s suffered from low wages, extremely long working days, and capitalist violence, the working class movement could not re-emerge during the 1950s. It could be understood in terms of the total destruction of the labour movement through the war. In the 1950s, the trade union leadership of the government-founded Korean Labour Federation for Independence Promotion (KLFIP) played an important role as an institutional basis to confine working class struggle to the individual or at best workplace level. The leaders of KLFIP in turn enjoyed political power as well as economic privileges. Therefore, although there were an increasing number of conflicts at shop floor level throughout the 1950s, there were few significant struggles organised by trade unions. However, this does not mean that workers did not attempt to overcome the suppressive labour control by the state and capitalists, on the one hand, and by the pro-capitalist trade unions, on the other. The struggles in the 1950s were focused mainly on wages, especially wage arrears and mass dismissal. Despite the pro-capitalist leadership of the labour movement, some struggles succeeded in forcing the trade unions to confront the

capitalists and the state and showed the possibility of the revitalisation of the working class movement. The workers' struggle in Joseon Textile Company in Busan during the war is one of the cases. The struggle succeeded in provoking the issues of working conditions and workers' rights, developing workers' struggle in a firm, which demanded the resolution of the wage arrears problem, the freedom of union activity and stopping dismissals, into nationwide social and political issues amid the Korean War. As workers' struggles continued for a few months, this struggle forced the pro-capitalist federation of trade unions to confront the state and capitalists, making the National Assembly investigate the struggle and later enact laws regarding labour relations, such as the Labour Union Law, Labour Standard Law, Labour Committee Law, and Labour Dispute Regulation Law.

In the late 1950s, the KLFIP's legitimacy as a representative of the working class was again seriously undermined by the struggle in the Daehan Textile Company in Daegu, which clearly revealed the pro-capitalist character of the federation. The struggle indicated a new form of trade union movement, called the 'democratic trade union movement' (*Minjunojo Undong*), in defying the leadership of the pro-capitalist trade union leaders and the federation in the process of struggles. During the struggle, rank and file workers distrusted and changed the president and executive of the union, who followed the policy of the KLFIP, playing an important role to set a basis for the anti-KLFIP trade union movement. However, although the early form of a democratic trade union movement had emerged, it was clear that the working class movement as a whole remained undeveloped. Workers attempted to solve labour disputes through making a plea to the state for generous state intervention and turning the issues of exploitation into issues of morality and humanity. Also, it was far from the reality of the working class movement to be able to organise themselves at national or industrial level in order to change the brutal nature of early capitalist development.

It was not until demise of political power of Rhee's government that the working class movement re-emerged from the workplaces in the early form of a democratic trade union movement. Those struggles against the pro-capitalist KLFIP culminated in the attempt to organise an alternative union federation, i.e. the National Confederation of Trade Unions (NCTU) in 1959.The establishment of the NCTU, which included 311 trade unions and 140,000 members (CKTU 1997, p. 6), resulted from the struggle that showed the existing labour federation was nothing but a state apparatus, which guaranteed the subordination of the working class to capital by sheer force. Samsung, contrary to its own expectation, was not free from the inspiration of workers for better lives. The first strike visited Samsung in 1960.

Samsung Faced Women Workers in Cheil Industries

Although Samsung was a very important part of the immediate alliance between business and the state that put millions of workers into miserable working and living conditions, there is no evidence that workers in Samsung were worse off than workers in other companies at that time. Rather, it seems that Samsung treated workers a bit better than other companies or at least as good as other companies did. As it appears

in Samsung's company promotion very often, Samsung's Cheil Industries Co had a newly built women workers' accommodation, surrounded by a modern style garden and equipped with laundry room, reading room, and bathrooms. It was indeed rare for workers on production lines to have these facilities in the 1950s so that people called it 'Cheil University' (Hoam Foundation 1997). According to Lee Byung Chull, 'woollens are products of high price. Workers who produce woollens must be highly-qualified and must have a strong pride in their job. (Hoam Foundation 1997). To be so, 'the company must provide them with the utmost labor conditions' (Hoam Foundation 1997). According to the Hoam (Lee's other title) Foundation, wages in Cheil Industries were also much higher than others companies so that it was very competitive to get the job (Hoam Foundation 1997). As the condition of Samsung workers at present are, Samsung workers' condition in the 1950s would have been relatively better than others particularly in small- and medium-sized firms (SME)[2]. However, workers in large-scale firms worked as long as their counterparts in SMEs. It would be too much to expect that Samsung's workers worked less and paid so much more that they no longer suffered from the general living and working conditions of workers in the1950s. Samsung workers were most of all factory workers in the 1950s. The general working conditions in the 1950s was horrendous. Women workers, mostly daughters of farmers or new migrants in urban areas with middle school or lower educational backgrounds, worked more than 10 hours without much break. It was not rare to work until the morning of the next day if simply required. It was natural for the young workers, in an extremely repetitive work process, not to have any other prospective than working like machines till they found someone to marry. At the end of a long day, workers followed the same steps toward a same tomorrow.

It must have been the nature of this work, together with the increasing aspirations of the working class and the nationwide re-emerging labour movement, that inspired the young workers in Cheil Industries to protest against the company that even offered them a 'university-like accommodation'. When a trade union was established in Cheil Industries, Samsung could not allow the well-treated workers to have their own trade union. Instead, they tried to make it sure that a union was pro-company and would possibly disappear soon. As the political aspirations of the workers grew in and out of the factory, Samsung finally took extreme measures, suspending 152 vocal workers and stopping operations. It was at that moment that Samsung's 400 'family' workers went on hunger strike against their self-styled 'benevolent' father. On 14 June 1960, they demanded 1) stop illegal labour practices, 2) withdraw the illegal suspension of 152 workers, and 3) stop the illegal lockout of the factory. As Samsung did not move, workers occupied the factory building and started a sit-in strike from 4 July. On that day, the Cheil Industries management required the police to intervene. To no one's surprise, police quickly stormed the factory. On 10 August, a resolution was announced: 1) old and new unions to be united into a single union, 2) three days after the unions were dissolved, the company reopen the factory, 3) within 40 days of the factory reopening, workers organised a single unified union

(FKTU 1979). The final resolution was based on political negotiations between the new NCTU, the government, and Samsung. Without much support from NCTU later on, the trade union of Cheil Industries was disbanded in December 1960 as Samsung management intended.

It is not difficult to guess that Samsung must have felt betrayed by the workers whom Samsung believed regarded as 'masters' or at least as 'family'. Workers' struggle in Cheil Industries ended without a success and Samsung remained union free. However, Samsung's first experience with the labour movement was intense enough to impress Samsung's management. This earlier experience seems to have contributed to creating the simplistic basis of Samsung's complicated labour management: no-union policy. The strike action in Cheil Industries was a political strike, focusing on freedom of association, rather than wage or working conditions. This strike seems to have alerted Samsung that workers' devotion to company, which had been built up on the basis of offering more economic compensation and welfare, could be undermined by political aspiration that again could undermine its business. Pursuing this policy consistently, Samsung removed permanently the room for 'political' negotiation with represented workers and thereby removed the possible integration of union into its management process. Instead, Samsung developed a complicated labour management system on the basis of no-union policy, welfare, division, polarisation, and competition. However, Samsung's no-union policy in the earlier period of capitalist development in Korea was not peculiar among the *chaebols*. *Chaebols*, on the basis of the relative economic superiority taken from the monopolistic markets, were most of all relying on higher economic compensation for the workers for silent workplaces and, as *chaebols*' domination over the Korean economy was increasing, the gap of economic compensation between workers in *chaebols* and ordinary workplaces was also getting bigger and bigger. However, it was the 1980s when this economic compensation-based industrial peace could no longer stabilise the growing political aspiration among the workers in Korea.

2. Riding On Developmentalism

Samsung Facing the Military

When Samsung decided not to risk political compensation to the workers and succeeded in stabilising the political strike in Cheil Industries, it instead faced an external political blow. This time, Samsung could not pacify the political pressure either with its force or with help from the police. This time the enemy was the army. After Park Chung-hee's military coup in 1961, the politicised economic development took a new form, that is, a domination of the state over individual capitals, distinguished from the immediate alliance between the corporations and government. One of the most effective methods of the state to strengthen its power in political negotiation with capital was through nationalised banks and financial institutions. First of all, the military government put the domestic commercial banks under the state's control by confiscating the privately held shares of domestic banks from individual shareholders in the aftermath of the military coup (Haggard 1990, p. 65).

While the state was now a primary shareholder, holding about one third of the total shares of all commercial banks, it also dominated the management of the commercial banks by preventing major private shareholders from exercising their voting rights in managerial boards, appointing presidents of the commercial banks and establishing new state-owned banks. In addition, the military government subordinated the Bank of Korea to the Ministry of Finance, monopolising the authority to regulate foreign exchange and domestic financial flows. In addition, the Economic Planning Board (EPB) was set up and given the responsibility for planning and budgeting. The authority to approve foreign loans was also monopolised by the EPB after the amendment of the Foreign Capital Inducement Law in 1961. By putting financial flows under its strict control and thereby forcing individual capitals to invest in those preferred sectors, which had been argued as delivering a better national interest for all, the state appeared to be at the centre of the economic development. Individual capitals, particularly the early *chaebols*, were excluded from the area of politics by force. The political state now went into a significant transition by the military government in that the members of the state (military officers) did not belong to the dominant class and individual capitals could not be directly involved in political matters.

Samsung, as one of the leading *chaebols* by the early 1960s, could not avoid the discipline of the state. Park Chung-hee, the self-claimed successor of the April student revolution, in an attempt to legitimate this military coup by satisfying the sentiment of people who found it necessary to punish the corporations involved in the immediate alliance of Rhee's government, confiscated all the properties of *chaebols* and arrested leaders of *chaebols*. This was a part of 'a great reform movement to materialise… national ideals as demonstrated by the April 19 and May 16 Revolutions' said Park Chung-hee (Park 1970, p. 286). Lee Byung Chull, a leading figure in the alliance fled to Japan to avoid arrest. However, he decided to negotiate with Park and finally turned himself in to the military. Investigation by the military revealed Samsung illegally offered an astronomical amount of money to Rhee's Liberal Party while the government was blind to Samsung's again astronomical tax evasion. However, in further negotiations, the military decided to make use of the leading *chaebols* to realise 'economic modernisation', rather than punishing them. Lee Byung Chull recollected the dialogue with Park:

> Lee: 'The reason why our society is chaotic is basically due to the poverty of the nation. To overcome the poverty, we need to revitalise the economy. To do so, we need to take advantage of business people by offering them an opportunity to contribute to rebuilding the national economy. You arrested 13 most representing businessmen, including myself, with the accusation of the illegal accumulation of wealth. Are we the only ones who did this then? Not others? It was the rules such as tax laws and politics that made it impossible for us not to illegally evade taxes…it is so unfair if successful businessmen who made great efforts become illegal and corrupted criminals while unsuccessful

businessmen go unpunished. From now on, we need to build up factories etc. to rebuild our national economy. We need to use capable businessmen'

Park: 'What you said just now cleared my mind. I asked academics to provide plans to rebuild the economy. They are discussing all day, but no result yet…What shold be done with these arrested businessmen then?'

Lee: 'It's better to release them and make use of them'

Park: 'Would people accept it?'

Lee: 'What is politics about?' (Suh 1991, pp. 216-7).

Although the content of this negotiation was based on a personal recollection of Lee, the following move of the military government showed that this was not much exaggerated.

The released capitalists organised the Korean Association of Businessmen, headed by Lee Byung Chull of Samsung, and further negotiated with the military government regarding the methods to pay fines that the military government charged in corruption cases. Fines against them were reduced significantly. Later negotiation concluded with a plan for these accused capitalists to build factories in Ulsan, a new industrial area, and surrender their shares to the state. In the end, the capitalists managed to own the factories with small payments to the government (Suh 1991, p. 218). The final result of negotiation between the military government and the top leaders of *chaebols* reflected the nature of economic development that Park's government would pursue. In spite of its image of a defender of general interest on the basis of its 'institutionalised' leadership over individual capitals, the state was not independent of classes at all. Although individual capitals had to accept the leadership of the state, the state protected the interest of those individual capitals as far as they respected the leadership of the state. But on the contrary, the state mobilised all means to suppress the workers.

Workers in Politicised Development

The state suppressed the collective power of the working class, which suffered from violent discipline and patriarchal hierarchy on the shop floor, by various methods legitimated by the anti-communist agenda and then enabled individual capitals to exploit the working class in the labour process without resistance. Park's regime banned the labour movement in the aftermath of the military coup and later established the FKTU (Federation of Korean Trade Unions), which was, in fact, not a trade union but a government organisation. The new trade union federation provided the way in which the state effectively controlled workers from national to workplace levels through government approval of leaderships, subsidy, and surveillance (Haggard 1990, p. 64). Also, the state tried to secure the control of the state over labour at workplace level through establishing 'joint labour-management conferences' in individual firms in the 1970s. However, most of all, the working class's struggles were still dealt with directly by the national security agency and police.

In addition, the state's agricultural policies also contributed to establishing the

basis of early capital accumulation in Korea by guaranteeing the smooth supply of labour from rural areas. Park's government kept lowering the grain price through imports and strong regulation in order to prevent wage increases. Less investment in rural areas and agricultural sectors also contributed to supplying cheap labour. As a result, a massive rural population, particularly of the young generation, whose families earned livings from small land holdings, migrated to urban areas looking for jobs, causing a massive increase in the number both of wage workers and manufacturing workers in the 1960s[3]. Workers who came from the areas where the average income of a household was merely one third of that of urban households in 1960 endured low wages and extremely long working hours[4]. The unlimited supply and abundant reserve of labour became the primary basis of the unilateral labour relations based on paternalistic discipline and hierarchy, together with continual surveillance by police forces and intelligence agencies.

At the workplace, firms lacked a specific department of labour control or management, leaving labour control on the shop floor to the traditionally structured workplace hierarchy based on seniority as well as discrimination between manual and non-manual workers in accordance with their educational background, and on pro-capitalist trade unions. On the contrary, the Bureau of Labour Affairs, which was formally and legally supposed to be a prime state apparatus with regard to labour regulation, had a relatively small role in regulating labour, limiting itself as a supplement to regulation by police and national security agencies[5]. The state's control over labour worked well till the late 1960s.

Politicised Economic Development and Korea's Export Drive

During the 1960s, Korean economic development based on fast growth in exports was momentous. At the beginning, Park's government emphasised construction of a self-reliant economy, rather than export-driven economic development. As almost the sole supplier of financial resources to Korea, the US's response to the initial development plan designed by Park's government was highly sceptical. The US was pursuing a Japan-centred developmental strategy in East Asia, which aimed at releasing the US from the heavy financial burden of foreign aid without, however, harming either further capitalist development or US influence in Korea and East Asia. As the US decreased its foreign aid to Korea, Park's government desperately sought an alternative source of capital investment. It was in this context that Korea switched from the pursuit of self-reliant economic development to an export-oriented development strategy and normalised its economic relations with Japan, which also benefited greatly from this relation by obtaining a secure regional market, particularly for Japanese means of production. In turn, Japan guaranteed over $800 million financial support in the form of public, commercial loans and grants (Hart-Landsberg 1993, p. 145).

Some crucial reforms designed to promote export-oriented development were subsequently introduced after negotiation with the US authorities. These reforms included the dramatic devaluation of the currency in 1964, which improved Korea's export competitiveness, the interest rate reform in 1965, which promoted domestic

saving and attracted foreign capital for investment, and tax reform for increasing government expenditure. These reforms, together with the allocation of foreign loans for capital investment mediated by the government, enabled the state to establish the so-called Korean way of politicised economic development. Through screening and allocating foreign borrowing, the EPB now functioned as the institutional basis of the 'selective promotion of industrial investment by the state' in which the state arranged foreign loans to specific individual capitals that could satisfy the government-planned developmental strategy. Domestic funds mobilised by deposit monetary banks were also allocated to specific sectors or firms though so-called policy-based lending, the interest rate of which was significantly lower than usual and therefore functioned as a major measure to attract individual capitals to preferential sectors, mainly exporting. Capital investment was concentrated most of all on infrastructure and manufacturing sectors. The state-led industrialisation gave rise to a structural switch of national industry from Import Substituting Industrialisation (ISI) to Export Oriented Industrialisation (EOI) (Cummings 1987, p. 69), showing both a remarkable 8.45% average annual GDP growth rate and 35.5% export growth rate for the 1961-1970 period. Garments and textiles were major export products, accounting for about 40% of total exports by the end of 1960s.

Samsung's Diversification of Business for Extra Profit

In the 1960s, Samsung's business strategy showed no significant difference from the 1950. In fact, although it is difficult to see whether it was actually designed or taken for short-term interest, the strategy was quite successful. Diversification without much interrelation between the new and old businesses was the major movement of Samsung. In fact, this practice was prevalent among the big *chaebols*. Expansion into new products and industries was offering Samsung semi-monopolistic markets in particular industries. For Samsung, the establishment of Cheil Sugar Manufacturing and the following success of Cheil Industries are cases in point. In response to Samsung's initiative, the state offered various supports including preferred treatment in allocating loans and raw material, and institutional protection of the domestic market against external competitors. Samsung again secured its business strategy by buying shares of commercial banks that would again secure Samsung's financial flow for a new business exploration. In the 1960s, Samsung was again moving to new sectors by acquiring profitable firms and exploring new businesses by diversification. Samsung continued to expand in the financial sector by buying up *Ankuk Fire and Marine Insurance* in 1958 (Samsung Fire and Marine Insurance from 1993) and *Dong Bang Life Insurance* in 1963 (Samsung Life Insurance from 1989). Again, Samsung expanded its business into completely new areas, such as the media industry, by acquiring *Joong-Ang Daily Newspaper* in 1965, and the theme park industry by investing in *Joong-Ang Development* (Samsung Ever-land) in 1966. In terms of manufacturing industry, Samsung's investment was not very active until the mid 1960s, except for acquiring *Saehan Paper Manufacturing* in 1965. This new investment was made possible on the basis of 1) smooth accumulation of capital in the business for which Samsung enjoyed dominance in protected local markets and 2) preferred loan allocation from now state-owned banks.

The successful implementation of this early diversification strategy was indeed the basis of Samsung's labour relations and no-union policy. Samsung, along with other *chaebols*, enjoyed the fact that 'the early starters were in a position to finance more generous and stable labour-capital accord because they were the beneficiaries of the monopolistic windfall profits that accrued to the cycle's innovators' (Silver 2003, p. 79). Although there was no democratic accord between workers and Samsung, it seems to have allowed Samsung (and other *chaebols* too) to flexibly compensate its workers so that the mystification of partnership could be built without being seriously undermined by the absence of political power of the workers; perhaps it was because of the financial ability that Samsung and other *chaebols* appearing to exploit workers less than ordinary capital in Korea in the 1960s and 1970s. The semi-monopolistic condition that Samsung and other *chaebols* enjoyed by diversification, together with continual support from the military government, made it possible. However, the lives of other workers were somewhat different from those of workers in *chaebols*, who would realise that they were also exploited, far later than ordinary workers.

Ordinary Workers in the 1970s and Class Struggle

Although the early reforms contributed to remarkable capital accumulation by the end of 1960s, they soon came up against the barrier of their defects. It is important to notice that this early development, the reproduction of which relied on the politicised regulation of labour and individual capitals, also provoked the increasing *politicisation of class struggle*, the further development of which eventually led to a crisis of the state in the late 1970s. In the late 1960s, Korea witnessed urban poor uprisings attacking police stations and government offices. On the other hand, workers' struggles for independent unions re-emerged as industrialisation deepened and the military government had to tighten suppressive control over labour. Most of the struggles were ignited by impromptu resistance against intolerable working conditions, delayed payment, and extremely long working hours, which were usually more than 12 hours a day during the 1960s. While the Labour Standard Law was completely ignored at most of the workplace, trade unions, if existing, were largely understood as a sub-department of managerial authority. It was common that union activities were largely unknown by their own members. In many cases, those who attempted to organise trade unions or confront the existing hierarchical authority of the unions had to risk confinement, beating, and even assassination (KNCC 1984, pp. 86-91).

Although these 'promptly organised' resistances often ended up bitterly with capitalist violence, lockout, and subsequent mass dismissal, workers' struggle developed continuously. In particular, struggles of the textile and garment workers, called 'export warriors' in the 1960s, were at the centre of this development. A daily newspaper described the horrendous working and living condition of the young workers:

> Young girls are working in a small room as long as 16 hours a day, with extremely low wages and even industrial disease, getting the labour

> standard law to be shamed… there are four hundred garment manufacturers in Peace Market. The workplaces, which are smaller than eight square metres, are so packed with 15 workers, sewing machines and other machinery that people can hardly move. Indeed, the room is vertically divided in the middle, so the ceiling is just 1.5 meters high, making the workers not able to stretch their waists… According to Peace Market workers - *ChunTa-il and his colleagues* - they are working 13 to 16 hours a day in this environment… with two days off only on the first and third Sunday (*Gyunghyang Daily News*, 27 October 1970, italics by author).

It was this reality, which a young tailor Chun Ta-il still known as the founding father of the Korean labour movement, confronted with self immolation that shocked Korea. Chun worked at the Pyunghwa market, one of the epic centres of Korea's export boom, where small-size textile firms were heavily concentrated. Chun and his colleagues called for state intervention in the working conditions, submitting a 'petition for the improvement of the working conditions of clothing workers in Pyunghwa Market' to the Minister of the Bureau of Labour Affairs. This rare event provoked discussions and was covered by major newspapers. However, those attempts ended merely with the deception of the state, which instead strengthened surveillance by the police. After several attempts to organise demonstrations against the employers and the state failed, Chun Ta-il set himself on fire in a demonstration organised with his fellow workers on 13 November 1970 (Koo 1993, p. 139). Following Chun's death, the Chong-gye Clothing Trade Union became the first 'recognised' democratic trade union through a vehement struggle by his family and fellow workers in Pyunghwa Market. His protest revealed and publicised the intolerable working conditions, which were the backbone of Korea's export boom. Chun's death inspired the intellectual and student movement as well as the trade union movement, followed by a re-emerging democratic trade union (*Minjunojo*). Also, the student movement began to support the labour movement through organising demonstrations in universities. Student-worker solidarity later contributed to radicalising workers' struggle in the 1980s.

Crisis and Heavy Industrialisation

While state-led development faced increasing protests, the changes of the conditions of capital accumulation at global level also appeared to threaten smooth capital accumulation in Korea. The export-drive based on the expansion of foreign borrowing left an extremely high level of foreign debt in Korea, increasing more than tenfold, from $200 million in 1964 to $2.922 billion in 1971 (Hart-Landsberg 1993, pp. 174-5). On the other hand, to support increasing export demand, Korean companies needed to buy the means of production from abroad. Indeed, these machines were expensive. The result was the growing deficit of trade that reached $1.045 billion in 1971. Soon, Korea was suffocated by foreign debt. Worse still, protectionism re-emerged in the advanced economies as the global economy went into a slowdown period. In particular, after the trade balance of the US went into deficit in 1971, light-industry-based export appeared to reach an impasse especially due to increasing protectionism

in the US market that 'forced South Korea to sign a bilateral trade-restraint agreement on textile' (Hart-Landsberg 1993, p. 175), which marked 38% of total exports. With gloomy prospects on the global market, Korea's export growth also slowed, after the peak of 42% growth in 1967, 37% in 1969, 34% in 1970, and 28% in 1971. Park's government attempted to encourage exports and discourage imports, by a 12.9% devaluation of the currency in June 1971. However, devaluation appeared rather to result in increasing repayment pressure on Korean firms that raised almost half their external funds from foreign borrowing. Banks started holding money back, so as to slow inflation, resulting in more repayment pressure. Corporations rushed into the informal curb market for short-term loans and now suffered from the re-payment of high interest corporate debt to the informal credit market. Firms started collapsing.

So as to overcome these problems, the state directly intervened in the economy by liquidating less efficient individual capitals from May 1969. On the other hand, a gigantic bailout project was implemented by the state in 1972, by 'placing an immediate moratorium on all loans in the informal credit markets and reduced the bank loan rate from 23% to 15.5% annually' (Cho 1998, p. 15). However, it was in the push for heavy industrialisation that the particularly developed role of the state in revitalising capitalist development by controlling labour and financial flows showed its culmination. The state, beginning with President Park's public announcement of the Heavy and Chemical Industry Plan in 1973, attempted to push heavy industrialisation through direct funding, allocating foreign loans, lowering interest rates, and offering incentives and tax cuts. Foreign and domestic loans were highly selectively allocated to heavy and chemical industries throughout the mid and late 1970s. Also the state established a massive National Investment Fund that 'mobilised public employee pensions and a fixed portion of all bank deposit' and 'channelled them into designated projects and sectors at highly preferential rates' (Haggard 1990, p. 132). About 67% of investment from this fund was allocated to heavy industries in the same period. In addition, 14 important industries enjoyed more than 50% of domestic tax cuts as well as more than 70% tariff cuts. It was at this time that Korean *chaebols*, benefiting from these favourable conditions, rushed into heavy industries, such as shipbuilding, automobiles, machinery, refinery, steel, and petrochemicals etc, and found a new basis of capital accumulation.

Samsung's Ride on Heavy Industrialisation

Samsung's move to heavy industry was no surprise, given its track record that found its goldmines of extra profits in the industrial sectors promoted and protected by the state. However, investment in heavy industry was something new for Samsung that had relied on the service, financial, and light goods manufacturing industries. Starting with Samsung Petrochemical and Samsung Heavy Industries established in 1974, Samsung increased its subsidiaries from 16 in 1972 to 33 in 1978, now covering almost all heavy industrial sectors including shipbuilding (re-establishing Samsung Shipbuilding in 1977) and aerospace (Samsung Precision in 1977, renamed Samsung Aerospace in 1987 and again as Samsung Techwin). Samsung's three-year plan, announced in 1973, targeted the heavy, chemical, and petrochemical industries.

In fact, Samsung's investment in heavy industries was in line with the diversification strategy that had made Samsung a prominent *chaebol* since the 1950s. However, it was not always successful. Samsung's diversification also brought many failures as Samsung often either moved into an already heated market without benefits for 'innovators' or failed to attract much support from the state. The latter was the case in the fertiliser industry and the former in the process of heavy industrialisation in which Samsung's performance was not outstanding in comparison with rival *chaebols* such as Hyundai (and later in the automobile industry in the late 1990s). One good example was Samsung's initial failure in shipbuilding in 1974. It was not until the success in the electronics industry that Samsung found the way to go. For the first time in its corporate history, Samsung achieved a success in a competitive market. However, it was also heavily supported by the state at the beginning. The electronics industry later became the basis of Samsung becoming a 'distinguished' and extraordinary *chaebol*.

Samsung Electronics, established in 1968, was a latecomer in electronics. Korea's electronics industry began in the 1950s with simple radio manufacturing. In the 1960s, Korean corporations, such as Goldstar (now LG), commenced OEM production for foreign-branded (RCA, Sharp, and Philips etc.) black and white TVs, with technological support from foreign, mostly Japanese, alliances. By the end of the 1960s, Korea's electronics industry managed to export a million TV sets. In response to the potential, Park's government was preparing a promotional plan for electronics in the mid-1960s. It was at that time Samsung, jointly venturing with Japanese Sanyo, entered the electronics industry. Samsung's entry into electronics precipitated a strong objection from the first runners in the electronics industry, which was, with an exception of LG, dominated by medium-sized firms. However, it was Samsung and the government would not stop Samsung entering.

Instead, Park's government introduced the Electronics Industry Promotion Law and launched an eight-year campaign in 1969, to promote electronics as a major export industry (Huh 2004, p. 268). Samsung was a major partner indeed. Samsung's entry was stormy enough to threaten small competitors, encompassing all related industries (electro-electric components to final product) and thereby forming a vertically integrated industrial structure. Samsung Electronics Manufacturing Incorporated (renamed Samsung Electronics in 1984) and Samsung-Sanyo Electronics were established in 1969. In 1971, Park's government declared Electronics and Shipbuilding as the strategic industries for export. This was followed by the establishment of Samsung-NEC (later Samsung SDI) in 1970, and both Samsung Sanyo Parts (later Samsung Electronics Parts and Samsung Electro-Mechanics) and Samsung Corning in 1973. With the sizable investment that overwhelmed medium-sized electronics makers, Samsung soon enjoyed a large share of the domestic market, while its OEM products with Japanese brand names started being exported to the US market. In the late 1970s, shortly after Samsung began an export campaign for the US market, its cheap colour TV quickly made inroads into America's low-end TV market. Meanwhile, Samsung was gradually localising major parts in colour TVs. Samsung

achieved US$100 million in exports by 1978. By that time, Samsung's electronics subsidiaries could take initiatives against counterparts in joint ventures, securing Samsung's ownership and managerial rights over the firms. Samsung also advanced to the semi-conductor industry, considered too high-tech for Korea at that time, by securing a 50% share in Hanguk Semi-conductor. Later in the 1980s, this semi-conductor industry became the foundation of Samsung's high-tech drive that gave Samsung a basis for a new start.

Given the economic development of the mid-70s, it seems true that heavy industrialisation, which had been conceived as far too speculative, was successful at least in offering a further basis of accumulation for Korean capital. Through the 1970s, despite a slight slowdown during the mid 1970s caused by the first oil shock, economic growth was impressive. After the first oil shock, economic growth soon recovered, showing a remarkable average 12.33% growth from 1976 to 1978. In spite of massive foreign loans for new investment, which were accompanied by inflation, capital investment concentrated on heavy industries appeared profitable. Electronics, steel, shipbuilding, and other assembling-manufacturing industries enjoyed price competitiveness in the global market, leading to export growth of heavy industrial products. Heavy industrialisation also could substitute the production of small-scale industrial machinery that had almost wholly relied on imports. Indeed, relatively successful labour control in heavy industrial sectors throughout the 1970s was enough to take advantage of cheap labour. In large-scale firms in heavy industrial sectors, there were only four labour conflicts between 1974 and 1979. The boom made the workers keep moving. In addition, the Vietnam War and the construction boom in the Middle East contributed to the growth, providing foreign currency to compensate for increasing oil prices.

Growing Discontent and the Crisis of Developmentalism

While the big *chaebols* including Samsung appeared to benefit most by heavy industrialisation in the 1970s[6], this development was accompanied by more repressive policies against labour. While people were still suffering low wages and harsh daily lives, big businesses were growing massively with full support from the state. For example, between 1972 and 1978, the number of Samsung's subsidiaries increased from 16 to 33. It is no wonder that this politicised economic development provoked a further politicisation of class struggle. The tensions between the growing working class and the state's labour controls were developing in labour intensive industries becoming now less and less competitive in the export market and therefore less and less generous to its export warriors. The symptoms of the pre-crisis of politicised development appeared in increasing discontent. In a presidential election in April 1971, President Park only narrowly defeated the opposition candidate, Kim Dae Jung, in spite of massive manipulation. Park's government could control this growing discontent only by supra-constitutional legislation such as, enactment of the Law Concerning Special Measures for Safeguarding National Security following the garrison decree of October 1971, the *Yushin* (revitalisation) Constitution in 1972, and subsequent National Emergency Measures in 1974 and 1975.

Growing discontent indicated a serious flaw in the early political arrangement of development. These emergency measures were effective enough to enforce a short-term mobilisation of capital and labour and, therefore, resulted in a massive transformation of the industrial structure in the 1970s. Nonetheless, these measures appeared to critically undermine the very basis of the social arrangement of capitalist development. By removing the political rights of its citizens and ignoring formal democratic procedures, these measures revealed the class character of the state far beyond the extent that it could possibly be presented as an autonomous regulator. The result was clear. The democratisation movement (*jeyaundong* or *minjungundong*) began to gather massive support from all around the country, while workers began no longer to tolerate suppression at the workplace.

The second oil shock was the final blow. The export drive based on massive foreign loan and massive export was vulnerable to the skyrocketing oil price. It quickly worsened the trade deficit, particularly in heavy industrial sectors, while the export drive slowed down with the emergence of the depression and growing protectionism in Europe and the US imposing quotas on Korean electronics consumer goods (e.g., colour TV quota in the US from 1978). The state faced uncontrollable nationwide anti-government struggles after the YH workers' struggle in 1979 during which the riot police attacked workers occupying the headquarters of the first opposition party, the New Korean Democratic Party, with 1,000 riot police, beating workers and MPs of the opposition party and eventually killing a 21-year old woman worker in the attack. The violence against the YH workers in Seoul incited riots as far away as Masan and Busan (Ogle 1990, p. 92). President Park was finally killed by his closest and most loyal fellow, Kim Jae-kyu.

With the dramatic collapse of the Park regime, which exercised brutal force to sustain the no longer effective formula for development Korea faced its first general crisis. After the assassination of Park, mass demonstrations demanding political democratisation were held nationwide, while over 700 strikes against violent labour control were organised by workers in a few months by the spring of 1980, providing an expectation of political democratisation as well as of the demise of the repressive labour relations. The state, which again fell under military control by General Chun Doo-hwan after another military coup in May, and the political aspirations of the people against the existing forms of capitalist domination eventually came into collision in Kwang-Ju, a southern city of Cholla province, in the form of the first armed struggle after liberation in 1945, organised by workers, students, housewives, and others. This upraising ended with the massacre of thousands of people in May 1980. However, even though the new military regime grasped political power, the previous way of organising capitalist production, under which the state enjoyed unfettered regulative power against the mass of the working population, could no longer be reproduced in the way it had been, but was now increasingly subject to continual struggle, on the one hand, and to the crisis-ridden development of global capitalism, on the other.

3. Becoming Export Warriors & Surviving The Warrior Workers

Liberalisation and Demising Developmentalism

During the crisis, the state played an important role in saving businesses by introducing debt-relief policies for business. However, its control over financial flow that had been a major method of sustaining its leadership against individual capitals and thereby conducting economic development seemed to be gradually waning. In the crises of the 1970s, doubt about the efficiency and capacity of the financial markets based on state-regulated commercial banks spread widely among individual capitals. Accordingly, capitalists continued to argue the necessity of financial liberalisation in order to enhance the efficiency of financial markets (Suh 1991, pp. 132-41), or more frankly in order to expand their influence into the financial sectors.

The state finally introduced partial liberalisation of the financial market by loosening direct control over commercial banks and entry restriction on financial industries, although overall credit control by the state remained strong. Consequently, commercial banks were privatised by the end of 1983 with a ceiling of 8% of total shares for individual shareholders. The amendment of the Bank Act in 1982 also allowed large private shareholders to exercise voting rights in managerial boards. In addition, the interest rate of loans by commercial banks was partially deregulated. Most of all, it was the development of the capital market and non-bank financial institutions (NBFI) that allowed corporations gradually to be free from the state's financial control. NBFIs, which had first appeared in 1974 as a method of attracting funds from the informal curb market, were again significantly liberalised in the early 1980s, providing individual firms, particularly big *chaebols* which practically owned those institutions, with more than 20% of total external funds in 1985, while their dependency on commercial banks quickly decreased. Direct fundraising through issuing corporate paper, bonds and stocks also increased fast, from a mere 15.1% to 30.3% of total external funds between 1970 and 1985 (Lee 1998, p. 16). On the other hand, foreign loans guaranteed by the government also decreased quickly enough to make them almost meaningless to individual capitals. With this 'privatisation' of financial flows, the state seemed no longer to be able to impose an absolute guideline on individual capitals through the regulation of financial flows and sustain the methods Park's regime had used for capitalist development. Furthermore, restrictions on the operation of foreign banks were also relaxed and the closed commodity market, which had been attacked by the US since the late 1960s, was gradually undermined by import liberalisation, the development of which became more and more salient after repeated trade friction between US and Korea and the Uruguay Round in 1985.

Gathering Storm

Throughout the 1980s, the labour movement undermined the power of the state as the protector of individual capitals from workers' collective actions. Whereas the number of unions and overall union density decreased during the early 1980s due to suppressive labour policies, thousands of college students, who were inspired by the workers' struggle in the 1970s and studied radical ideas in student movement groups, disguised themselves as ordinary workers and entered factories, beginning

to radicalise unorganised workers, while making a specific tradition of the workers' movement called '*no-hak yondae*' (workers-students alliance) (See Koo 1993, pp. 148-151). Also, the democratisation movement began to develop more seriously, forming a nationwide alliance. Facing this increasing tension, the state attempted to resolve it by introducing political relaxation, including relaxed control over workers' collective actions from the mid-1980s. However, this relaxation could not stop the growing aspirations of the workers, allowing instead workers to organise 200 independent trade unions (Koo 1993, p. 150) and to develop regional solidarity between the unions. Two strikes in the mid-1980s in Daewoo Motors and Kuro Industrial Park, represent a new development of the workers' struggle.

The former struggle in the automobile subsidiary of Daewoo, which was now the third biggest *chaebol*, showed the newly emerging pattern of trade unionism in big *chaebols*, which were the most heavily invested during the 1970s and 1980s, however, relatively less organised, indicating the extremely militant struggle by male workers in heavy industries which came to lead the workers' struggle after 1987. These male workers in heavy industries, a growing exporting sector, had to go through the same intense work experiences as the woman workers in garment and textile industries in the 1960s and 1970s. In spite of relatively better economic compensation in comparison to workers in traditional SMEs in light industries, they could not get what they believed they deserved in the *chaebols*' debt-ridden expansion. These *chaebol* workers indeed owed the basis of the labour movement to workers in light industries, mostly women, who started from a minority movement and confronted the sheer violence of the state and capital in the 1960s and 1970s. The so-called disguised workers' attempts to radicalise trade unions also played an important role in organising strikes with elaborate preparation. Meanwhile, the strikes in the Kuro Industrial Park, the traditional export hub in the 1970s, supported by student and dissident organisations (Koo 1993, p. 151), showed the possibility of an alternative current by developing regional solidarity between grass roots independent unions. The continual development of working class struggles and gradual liberalisation of financial and commodity markets showed that the early foundation of Korea's capitalist development had now reached an impasse of its reproduction.

The Great Workers' Struggle and Emerging Crisis

In January 1987, struggles against the military government accelerated after a student, Park Jong-chul, was tortured to death by security police. In June 1987, over five million citizens occupied streets, attacked city and town halls and disarmed riot police in all major cities and towns. Finally, on 29 June, the leader of the ruling party, the Democratic Justice Party, Roh Tae-woo, announced that the government had decided to allow a direct presidential election in 1987, liberalisation of political activities and media, independence of universities, and amnesties for those arrested and imprisoned during the democratisation struggles. Although a formal democratic reform could stabilise the nationwide democratisation movement by the end of June 1987, the crisis deepened by the subsequent workers' struggles in the summer of 1987, during which the whole basis of unilateral labour relations at the workplace was

dismantled. The Great Workers' Struggle in 1987 began in the southern city of Ulsan, the most intensive heavy industry town in Korea. From the mid-1980s, workers' attempts to establish democratic trade unions had already begun with organising small reading groups and fraternal circles in heavy industrial firms, such as Hyundai's heavy industry firms in Ulsan and Daewoo Ship-building on Geoje Island (CKTU 1997). While the democratisation movement reached its peak in the second half of June 1987, resulting in weakening the overall effectiveness of the state's role in regulating labour relations, workers in Hyundai's heavy industry firms began to accelerate their attempt to organise democratic trade unions.

Facing those attempts that were initiated in the Hyundai Engine Industry, Hyundai management shut down factories, established paper unions in Hyundai Heavy Industry and Hyundai Motors Car, employed save-the-company squads and utilised other attacks on union leaders. However, the more the Hyundai management deployed extreme methods to stabilise the situation, the more explosive the struggles became. The city of Ulsan was overwhelmed by Hyundai workers mobilising mass demonstrations and occupying the factories and city hall during one month from mid-July. Through the intense struggle against the management, workers in all Hyundai's firms succeeded in establishing democratic unions with dramatic support from rank and file workers, in less than two months, after more than 30 years of non-union history at Hyundai.

Workers' struggles quickly spread into other industrial areas all over Korea. A total of 3,311 labour disputes occurred during the three-month period from July to September 1987 and over 1.2 million workers were reported taking part in the struggles. While the primary demand of workers in the struggles of the summer of 1987 was for pay rises, there were a number of other issues of workplace labour relations raised by the workers during the summer, including inhumane treatment and discrimination between manual and non-manual workers (CKTU 1997, p. 162). Those issues reflected the nature of workplace labour control that prevailed in heavy industry sectors, including reduction of working hours, liberalisation of dress codes and hairstyles, elimination of compulsory morning exercise and termination of arbitrary job evaluation by foremen (Koo 2001, p. 160). In many cases, workers did not negotiate before calling for collective actions. It was very usual that a labour dispute took the form of strike-first-talk-later during the summer of 1987, when only 5.9% of all labour disputes were 'legal' (CKTU 1997, p. 164). Many unions were established, therefore, not before but in the middle of the development of labour disputes, often accompanying rank and file distrust of union leaders. Neither individual capital's control nor state power seemed to be able to stop workers' aspiration for democratic trade unions in the summer of 1987.

Samsung in the Summer

While big *chaebols* and SMEs were having trouble, Samsung was not free from the nationwide waves of strikes. In the Second Factory of Samsung Heavy Industries, Co. in Changwon, a city of South Kyeongsang Province, Samsung workers started responding to the nationwide labour disputes. The workers who had initiated organising in Samsung Heavy Industries at the beginning of August 1987 faced an

immediate reaction from Samsung. Those involved in unionising were transferred to other departments or Samsung subsidiaries in other provinces. In protest, workers organised a sit-in strike in the playground of the Changwon factory. The demands were 'not to block democratic unionising, increase wages 20%, and remove the promotion policy based on merit evaluation' (Kim and Lee 2002, p. 21). To stop the unionising, Samsung utilised peculiar methods, which have become Samsung's usual response to unionising attempt ever since.

Samsung organised a save-the-company squad who beat up and kidnapped organisers and workers on the one hand, and more effectively, registered a paper union by taking advantage of the legal ban on multiple trade unions, on the other. Union registration submitted by workers in Samsung Heavy Industries was rejected by the city authority of Changwon. The excuse was that 'your company already has a union registered a day ago' (Kim and Lee 2002, p. 22). Workers protested by occupying the factory and working tools such as fork-lift trucks now turned into weapon against the save-the-company squad. Most workers' demands were achieved as negotiations went on. However, final negotiations could not render the establishment of a workers' union, instead Samsung promised to democratise the employee-employer council. A year later, workers in Changwon factory tried again to form a union. This time, management filed a criminal case against the organisers who then faced imprisonment. The first attempt to organise finished in vain. Meanwhile, workers in Samsung's heartland, an electronic subsidiary Samsung SDI, also tried to organise a union in the summer of 1987. However, the result was the same. Repeated attempts in Suwon factory were repressed while a 10-day strike in Busan factory rendered no union.

The second attempt of workers in Samsung Heavy Industries was in the shipyard on Geojae Island where workers in Daewoo Shipbuilding led waves of strikes. In 1988, 1,500 workers in Samsung's shipyard went on strike demanding wages increase and a union. Having managed to have 700 workers endorsed in a day, workers proudly marched to the provincial government office to register a union. Again, workers found that a union had been registered, this time, 10 minutes before they arrived. In spite of mediation by the provincial government, Samsung did not allow workers a union. It looked to the workers inevitable to again occupy the shipyard. For days, clashes between save-the-company squad and the workers were repeated, leaving a number of workers seriously injured. Finally, an agreement was reached with a sizable wage increase that was even higher than neighbouring Daewoo Shipbuilding with a newly established union. However, as in Changwon, Samsung did not recognise a workers union, pledging instead an active employee-employers council. Samsung's no-union policy was formidable. It survived third, fourth, and fifth attempts of now united workers from different workplaces of Samsung Heavy Industries, such as Changwon, Geojae and Jeju Island. In Seoul, workers occupied FKTU's headquarters, demanding a democratic union. However, Samsung's response was the same: more pay, but no union. Samsung could do better in giving generous compensation to individualised workers while not allowing 'collective' labour relations to be established. After the labour disputes in Samsung Heavy Industries, Samsung offered 16 to 19% wage

increases (Song 2006, p. 19). The organisers of Samsung Heavy Industries had to run a union outside the factory, outlawed and unregistered. This union continued to exist until it was repressed by a national security law a few years later.

This period marked the second phase of unionising in Samsung after the struggle in the Cheil Industries. Co in 1960. The wave of strikes and subsequent unionisation of workers in big businesses showed that the relative superiority that *chaebols* had enjoyed in heavy industrialisation no longer satisfied their workers. As *chaebols*' heavy industries became the major booster of exports and national economic development, they were, equipped with more negotiating power, also requiring political compensation such as their rights to be democratically represented, as well as more economic compensation. In face of the increasing aspiration of the workers in heavy industries, *chaebols* were no longer free from the emerging labour movement. Now it seems that *chaebols* reached an impasse: simply being a *chaebol* with extra profits from the diversified and semi-monopolised businesses and sharing small part of the extra profits with their workers could not guarantee no union. The state could no longer guarantee union free either. Samsung was not an exception, although in comparison to other *chaebols* such as Hyundai and Daewoo that finally had to negotiate with the workers, Samsung managed to stop unionising in the summer of 1987. Now, Samsung needed to do *more* in order to stabilise labour relations in Samsung without negotiating with workers in unions like other *chaebols*.

The Great Workers' Struggle changed the basis of capitalist development in Korea significantly. The number of trade unions and union members increased respectively from 2,658 to 7,883 and 1,036,000 to 1,932,000 between 1986 and 1989 (Koo 2000, p. 231). The annual average number of industrial disputes for a decade since 1987 was five times as many as for the decade before 1987, from 174 between 1977 and 1986 to 846 between 1987 and 1996 (Koo 2000, p. 231). More importantly, workplace labour relations showed 'a significant shift in the balance of power on the shop floor' (Koo 2000, p. 232). Collective bargaining now became a necessary procedure that capitalists had to go through in order to implement managerial decisions. In so doing, trade unions began to penetrate the managerial decision-making process through increasing 'union involvement in various type of personnel management policies', including 'discharge, discipline, and transfer' (Jeong 1997, p. 60). As many unions succeeded in achieving record-breaking wage increases as well as favourable working conditions, the *social cost of exploitation* also sharply increased. As it was the case in the summer of 1987, Samsung could not avoid the increasing cost of exploitation either. One difference was that Samsung increased workers' wages and welfare without union negotiations, while other *chaebols* did that through continual political negotiation with the represented workers. Samsung's no-union policy had become a peculiar one in the development of militant unionism in Korea. Samsung needed to do even more since in Samsung workers could not enjoy political rights. As workers' wages increased in the battles and negotiations between now militant unions and the authoritarian management of corporations in Korea, Samsung workers were enjoying higher payment without collective actions.

Bluntly speaking, Samsung workers could enjoy a free ride on emerging democratic trade unionism, the activist for which had to go through lay-offs, arrest, and imprisonment. However, it was not the workers' own intention of course. It was the result of sheer union busting during the summer of 1987.

More economic compensation and corporate welfare, which was now becoming Samsung's trade mark, could be the basis of workers' loyalty to the company. Through these, workers tended to see themselves as company partners rather than mere employees. This helps a particular capital to present the capitalist ideal as real. In the capitalist ideal, exchange relations between workers and capitalists appear to be equivalent and free contract relations between capital and commodity labour as two different sources of revenue or two different individuals who own the functionally differentiated sources of income, namely commodity labour power and money-commodity. However, in reality, the exchange relations are highly unequal since decisions around working conditions, hours and intensity are often, if not always, unilaterally decided by the management. Most of all, after repeated exchanges between them, workers are still workers and capitalists are still capitalists. Therefore, employment relations need to be reproduced rather ultimately by the attempt of capital to repeatedly present the ideal as if it were the reality. Indeed, the existence of trade unions is a symbol of the unreal nature of this ideal, the recognition of the fact that workers and capitalists are not in equal positions. However, Samsung shows an extraordinarily strong belief in this ideal.

> 'What Samsung does not recognise is not the trade union itself, but the need to have a trade union. In other words, Samsung has a principle of management that does not need trade unions. Since establishment in 1938, Samsung has been developing a unique management practice on the basis of a principled management philosophy that was rare in Korea…In particular, we have been emphasising the principle of 'coexistence and co-prosperity', taking it as a principle of the relation of company to employees as well as consumers. I think that the employer-employee relation needs to be an arena of dialogue and harmony, not conflict and confrontation. Hence, after the student revolution in 1960, we have been researching model cases of corporate development without trade unions in Japan and the US and running institutions that suits us, such as fraternal club, employer-employee council, complaint handling system, and public conference for company reports.' (Lee Gun Hee, the President of Samsung, quoted from Kang 2005, pp. 293-4, author's translation)

In this sense, Samsung's no-union policy is somewhat different from simple union busting that breaks unions to avoid giving more to workers. Samsung's labour policy does not simply target reducing 'what' workers earn from their jobs. Rather, Samsung's union policy focuses on 'how' workers earn their share from their jobs. In other words, Samsung could provide workers with a million dollars voluntarily whereas it would not offer one dollar if it were due to 'collective' demands by workers.

Samsung seems to have understood the significant consequence of earning $1 collectively since the early days.

However, Samsung seems not to realise that trade unions can also be a tool of strengthening the corporate ideal by providing an apparently democratic political process of decision-making that effectively complements economic compensation. Toyota in Japan is a good example. It is known that Samsung learnt lessons from the labour movement in Japan in the 1950s. Unfortunately, Samsung did not learn at all from the Japanese labour movement from the 1960s onwards when Japanese trade unions started being neatly integrated into management. Therefore, Samsung's mystifying employment relations relies only on economic compensation rather than political compensation and in that sense Samsung's mystification of labour relations is *inferior* to that of Toyota that relies on both economic and political mystification. Instead, Samsung often needs violent methods to keep the company union free, not only against peripheral workforces but also core workers in its heartland, and this harsh labour practice is likely to threaten Samsung's myth based on economic compensation to the workers. Samsung's no-union policy has become the basis of what distinguishes Samsung's workforce from others. Not to allow collective labour relations building up, Samsung developed a complicated internal labour policy that resulted in a particular nature of its workforce who feel 'collective superiority' to workers in other firms and compete with each other individually within the Samsung. No-union policy, intended or not, proved effective, not because of no-union itself, but because of the dynamics that following labour management brought to the workers to compensate for the absence of political negotiation. It was indeed impossible for the workers to be well paid if Samsung's business was not doing well. While 'warrior' workers of the militant unions were being formed nationwidely, Samsung was emerging as the best export warrior ever.

Surviving Warrior Workers, Becoming Export Warriors

In spite of the swift decline of unilateral labour relations at the workplaces after 1987 and increasing labour cost, Korea faced a rather unexpected export boom largely due to Korea's so-called 'three lows' opportunity (low oil price, low value for the South Korean won particularly against the Japanese yen, and low international interest rate). This created a massive profit in exports bringing a record-breaking current account surplus, $4.709 billion in 1986, $10.058 billion in 1987, $14.505 billion in 1988, and $5.360 billion in 1989. This export boom enabled individual capitals to afford the increasing investment in fixed capital, which grew 341% between 1984 and 1987 (Lim 1998, p. 47), on the one hand, and to cover the massive increase in wages, on the other.

This boom was led most of all by the electronics industry, the major cash maker for Samsung. In 1989, Korea's electronics industry exported about US$18 billion worth. While the share of heavy industries against total exports increased to more than half, electronics increased its share to 26.5% of total exports by 1990. In 1990, the electronics industry alone employed about 15% of the total manufacturing workforce in Korea (Kim and Park 1999, p. 27). Samsung's export drive, often with its own brand name, included a wide range of home appliances such as wide flat TVs,

microwaves, refrigerators, and washing machines as well as electronic parts like large colour picture tubes (CPT). While Korea's electronics industry was increasing market share in the home appliance market in the US and Europe, *chaebols*, such as Samsung, LG, and Hyundai also expanded into semi-conductor industries. Semi-conductors soon became major exports, shipping US$4 billion in 1989. Amongst many, Samsung's entry into semi-conductors was the most vigorous. Following the announcement of its expansion into the semi-conductor business in February 1983, Samsung established Samsung Semi-conductor and Telecommunication. To everyone's surprise, Samsung announced that it succeeded in developing 64K DRAM (Dynamic Random Access Memory) after only 10 months in the business. Having started mass production in 1984, Samsung's semi-conductor business developed fast, putting 256K DRAM on the market in only a couple of years. Concomitantly, the world semi-conductor market suffered from overproduction and sharply dropping unit prices. DRAM producers, including Intel and major Japanese firms, had to reduce production or withdraw from the industry. However, Samsung confronted the shrinking market by aggressively increasing capacity. As the DRAM market stabilised from 1987, Samsung's expanded production capacity needed to operate 24 hours a day to meet demand. Now Samsung's semi-conductor-drive began. Samsung electronics (acquiring Samsung Semi-conductor and Telecommunication in 1988) produced 5.6% of memory chips in the global market in 1988 with ever increasing production of DRAMs and market share reached more than 10% of the world market by 1993 (Kim 1996). Semi-conductors became the first major export product for Korea by 1992, taking over automobile, textile, and steel industries.

Even if Korean capitals could afford the increasing social cost of labour thanks to the boom, the expansion of Korean capital in this boom was marked mostly by a massive increase in the volume of production through investing a large part of the surplus in the quantitative expansion of production facilities, which occupied almost 70% of total investment in plant and equipment, rather than by introducing new means of production for improving productivity and decreasing employment (Lee and Ryu 1993, p. 64). At the end of 1989 the limit of this expansion appeared. To sustain the enlarged scale of the production of commodities and cover the increasing cost of exploitation, individual capitals continually needed capital to invest in their reproduction. This continual reproduction also presupposes the continual growth of sales in competitive markets. However, what Korean capitals faced from late 1989 was increasing competitive pressure in global markets as well as growing pressure from increased wages and welfare costs, both of which functioned as barriers to the export growth necessary to sustain enlarged production.

This increasing competitive pressure in the market was accelerated by the newly industrialised nations (NICs) and subsequently China, and growing protectionism in developed countries, particularly in the US, which, after suffering from a massive trade deficit with Korea during the boom, pointed to Korea as 'unfair traders' (Burkett and Hart-Landsberg 2000, p. 157). The challenges from NICs pressured Korea's export sectors including the electronics industry. After the Plaza Accord in which Japan agreed to upward evaluation of the yen against US dollar, Korea's electronics

industry enjoyed price competitiveness. However, as high yen pushed Japanese electronics makers to invest in low cost countries, noticeably those in Southeast Asia, Japanese firms soon recovered price competitiveness. In addition, increasing protectionism by Europe and the US also threatened to undermine Korea's electronics exports by subjecting colour picture tubes, TVs, VCRs, and microwave ovens to anti-dumping duties, quota restrictions and voluntary export restraints (Lee 1993). Worse still, 'the upward revaluation of the South Korean won by almost 16% in 1988' again harassed Korean capitals (Hart-Landsberg 1993, pp. 237-8).

During the slowdown from 1989, individual capitals attempted to overcome the barrier of exports aggressively by investing in new means of production, developing new products and research and development (R&D). However, those attempts appeared far from successful. While the import of capital goods for new investment continued, export growth continually slowed, showing merely 2.8% growth in 1989 and 4.2% in 1990. Although the growing domestic market, in accordance with the increasing income of the working class, contributed to sustaining economic growth, it also caused an increase in the import of consumer goods, which more than doubled between 1988 and 1991. As a consequence, the current account returned to deficit from 1990 and reached a $8.317 billion deficit in 1991, which was the worst in decades. After a short retreat between 1992 and 1993, during which overall economic growth was the lowest after the second oil shock, Korean capitals again aggressively attempted to overcome the already far developed crisis from 1993. During and in the aftermath of the boom in the mid-1980s, corporations managed to increase capital investment to sustain the enlarged mass of production in the traditional industries and launch new industries such as semi-conductors, on the basis of the massive surplus in the boom. However, further aggressive investment by Korean capitals after 1993, the total of which grew 56.2% in 1994 and 43.5% in 1995, was possible *only through massive credit expansion* based primarily on foreign private loans, which grew 78.6% in the same period, through various financial institutions over which big businesses had strong influence. Samsung was doing quite well during this period, largely thanks to its aggressive investment in semi-conductors. However, Samsung could not be an exception from credit-based expansion drive during the late 1980s when Samsung's debt-equity rate reached more than 400%. Although it decreased throughout the early 1990s, it was still more than 300% at the end of 1992.

4. Globalising Samsung & Marketising Labour

Toward a New Samsung and Introduction of a New Soul-attracting HRM

In the seeming prelude of the bigger crisis, Samsung still enjoyed the growth of its semi-conductor business. However, Samsung started full scale restructuring of the company, emphasising the 'forthcoming' crisis. As the new chairman Lee Gunhee declared 'a New Management' which focused on 'qualitative' rather than 'quantitative' expansion, with a rather blunt slogan of 'changing everything except wife and children'. Samsung went into the next phase of development through which it became a distinguished TNC, not to mention a distinguished Korean *chaebol*. Firstly, Samsung Electronics started diversifying products and maximising the interface between

products. Samsung Electronics was now organised into different 'business divisions'. In the early 1990s, Samsung added wireless telecommunications and LCD-TFT business divisions onto the traditional home appliance and semi-conductor production divisions. In 1994, it succeeded in developing 'Anycall' and soon took over Motorola in Korea's market. Samsung's mobile phone also challenged major international brand names in the mobile phone market of the US and EU from 1997, for which Samsung later became the third largest player. Samsung's subsequent success in the CDMA mobile made the telecommunication business another cash maker for Samsung. In addition to business restructuring, Samsung also started reforming labour management from a typical *chaebols*' personnel management based on permanent employment and service year wage system to a system based more on internal competition between divisions, individuals, and merit, in other words, more market-oriented human resources management (HRM).

After the labour crisis in 1987, Korean capitals competitively attempted to recover their managerial authority on the shop floor by introducing new labour regulations. Firstly, individual capitals began to either establish or strengthen human resource handling departments. In 1989, more than 69% of firms had a department specialised in labour regulation, in contrast to a mere 53% in 1987, while its influence on managerial decisions was also substantially enhanced (Kim, H G 1997, p. 163). Furthermore, employers began to introduce a 'new personnel management strategy', which aimed at isolating newly established trade unions by promoting cooperative employment relations. The new personnel management emphasised 'human relations' and 'corporate culture', which are designed to promote a common identity based on the company as a community, among the workers. Regular consultation meetings between personnel managers and workers became common while small-group discussions for workplace welfare as well as productivity enhancement were also encouraged. In addition, various educational programmes, with particular emphasis on the nationalist agenda, anti-communism, national economic hardships, and the relative superiority of the firm to other companies, were competitively introduced in firms. Likewise, it was at this time that the *chaebols*, in an attempt to replace the seniority-based wage and promotion system with a merit-based wage and promotion system, experimented with an ability-based wage and promotion scheme in which, although pay rises and promotion were firstly based on seniority, the result of the evaluation of individual job ability determined a significant portion of the pay rise as well as eligibility for promotion.

Samsung was at the front line in introducing market-oriented labour management that could promote more 'commitment' of the worker to the company, promoting more individualised labour relations rather than collective labour relations (Lee 2006, p. 74 New Management and Human Resource Development and Management). Samsung introduced 'Productive Incentive' (PI) in 1992. Before, the pay system was based on fixed monthly salary corresponding to service years. With the introduction of PI, the portion of merit-based payment dramatically increased, causing competition between subsidiaries, business

divisions, teams, and individual workers. PI was based on a complicated evaluation system in which personal merit was calculated on the basis of the achievements of 1) particular subsidiaries, 2) business divisions, and 3) individual teams in the division. Each of the categories were marked A to C. Therefore, there were 27 different grades for workers at Samsung (*Korea Economy Daily* 2002, p. 115). With an increasing portion of PI in individual workers' wages, working for Samsung does not automatically mean better wages than workers in competing companies. However, if one gets a high mark, PI makes her or him a real high-paid worker, indeed, at the expense of other Samsung workers.

In addition, promotion has also been changed by the introduction of points-promotion. Now promotion was based not only on service years but also on accumulated evaluation scores. As a consequence, there was increasing competition between different Samsung subsidiaries, again different divisions (for example between semi-conductor division and home appliance division's in Samsung Electronics), and teams within the same business division. Workers' commitment to their work was also encouraged by the best corporate welfare system. Samsung introduced 'Samsung Health Insurance' in the mid 1990s, by which Samsung workers and their spouses could benefit from free medical services. In addition, Samsung started supporting full education costs from nursery to university for the children of Samsung workers with more than seven years service (Choi 2006, p. 29). Also introduced was 'self-development allowance', which was spent by most workers to increase their own value as Samsung employees[7]. Facilities for recreation and refreshment for manual workers on production lines have significantly improved with well equipped resting places and gymnasia in factory complexes.

While differentiated economic compensation and corporate welfare allured Samsung workers, it was Samsung's systematic education system that finally made each worker a 'new' person, known as 'Samsung-man', with seemingly bottomless commitment and pride. Samsung's education system is reputed as best among the *chaebols*, providing a month of initiatory training when new recruits in the same place learn 'Samsung Values', as well as seasonal off-job trainings to encourage team sprit among co-workers. Manual workers have 10 days' training including learning Samsung's corporate ideal. During this so-called 'Samsung Shared Value Programme' (called SVP), Samsung workers are accustomed to a peculiar perspective to view the world: Samsung versus the outer world. Intensive education plays an important role in making Samsung's employees identify with the brand 'Samsung' that they are so much into the view that they are reckoned to make no complaint about Samsung even to family and friends. Hardworking, loyal, and obedient, aggressive in business, enjoying high payment corresponding to effort made, and most of all the ultra capable image of 'Samsung-man' was firmly created by the mid-1990s. Indeed, the no-union policy is an integral part of the education, emphasising the welfare, better working conditions, and company's prosperity are largely thanks to no union in Samsung.

Globalising Asia and Globalising Samsung

With the increasing social cost of labour and competitive pressure from newly emerging economies like the countries in Southeast Asia and China, Korean corporations attempted to go beyond the national boundaries in order to move their capital to somewhere with cheaper social cost of exploitation. Therefore, Korean capitals' overseas foreign direct investment (OFDI) began to increase massively, mainly toward other parts of Asia, in the mid-1990s, far superseding inward foreign direct investment. As a result, Korea's OFDI toward Asian countries almost doubled between 1994 and 1996, reaching $6.2 billion in stock in 1996 (Kim, E M 2000, p. 113). In 1996 alone, there have been 1,080 investments with US$1.8 billion in Asia. On the other hand, money capital also was speculatively invested in Southeast Asia through the newly liberalised merchant banks and financial companies.

Table 1. Korea's FDI Outward stock and flow (US$ millions)

Year	1980	1985	1990	1992	1994	1996	1998	2000	2002	2004
Outflows	26	591	1052	1162	2461	4670	4740	4999	2617	4792
Outward Stock	127	461	2301	4425	7471	13828	20293	26833	31102	39319

Source: UNCTAD

Samsung's globalisation of production started as early as 1982 when Samsung set up its production subsidiary in Portugal. Samsung subsequently established its production facilities in developed countries, such as the US (1984) and UK (1987), in an attempt to avoid import restrictions such as quotas and anti-dumping duties, for the large markets. However, Samsung's early investment targeting the large markets was not very successful. For example, the US colour TV factory could not overcome relatively high costs and limited local suppliers for parts for cheap low-end TVs. Later, Samsung had to relocate this factory to Mexico. More serious foreign direct investment (FDI) in the developing countries in Asia occurred after Samsung witnessed Japanese firms' recovery on the basis of successful relocation in Southeast Asian countries. As Japanese firms produced in Asian developing countries in the attempts to overcome high Japanese currency that contributed to the fast development of Korea's electronics export since 1985, those newly developing countries expanded their production capacities and electronics soon became a major foreign currency earner, in particular in Malaysia. Having been pressured by the fast development of newly industrialising countries, Korean electronics makers followed the steps of Japanese firms. FDI of electronics firms started increasing slowly from 1988. Between 1991 and 1995, there were 373 investment cases with average US$3,993,000 capital investment per case (Seo et al. 2004, p. 76). Most investment headed to Asia. In 1993, Korean electronics makers had 56 subsidiaries in Asia, out of total 83 subsidiaries over the world (Lee 1993, p. 11). Later 1990s, the major investment destination became China, attracting US$804.68 million, almost twice the US$481.147 million investment in ASEAN countries between 1996 and 2000[8].

The reason why Korea's electronics investment was concentrated in Southeast Asian countries and China was because they offered extremely favourable conditions for Korean electronics makers. In the early and mid-1980s these latecomers in export-

driven economic development shifted from ISI to EOI. By the 1980s, development plans backed by official loans and government guaranteed bank loans became increasingly unrealisable as the international financial flows were 'privatised'. Most Southeast Asian countries faced the lack of financial resources and increasing pressure on their balance of payments. Indeed, their authoritarian regimes desperately needed to pursue rapid capitalist development to enhance their legitimacy. In desperate attempts to boost development, countries started opening widely their markets and industries to foreign investors. Expansion of transnational corporations (TNC) into Asian developing countries increased pressure on tariff barriers and other trade regulations, furthering the opening of the investment market.

The Malaysian economy faced serious challenges from the mid-1980s due to the steep deterioration of the prices of major export commodities, including oil, tin, rubber, cocoa, and palm oil (Jomo and Gomez 1997, p. 77). The immediate response of the state was large-scale privatisation, which was concretised later in the Master Plan for Privatisation in 1991. On the other hand, the Malaysian government initiated its FDI-ridden development by introducing the Investment Promotion Act of 1986 that promoted foreign investment by offering foreign capital tax holidays and renewable pioneer status for export-oriented investment. In addition, Malaysia set up export processing zones (EPZ) in 1990 that enjoyed full or partial exemption from regulations, tax, and duty, backed particularly by the Industrial Relations Act protecting employers' interests with *a five-year freeze on collective bargaining*. In Thailand, because of the declining price of agricultural goods, high value currency, and balance of payments problems, FDI promotion schemes of the Board of Investment began in the mid 1980s by implementing currency devaluation and offering tax exemptions and tariff cuts to export industries. Thailand targeted export sectors, such as electronics and garments, which could boost national economy primarily by earning foreign currency. The Thai government subsequently introduced policies favouring FDI in export sectors, allowing land ownership of foreign companies and offering full tax-exemption and rebates. In addition, the liberalisation of interest rates and foreign exchange transactions in the early 1990s attracted foreign investment. For Indonesia, deteriorating oil prices led Indonesia to shift to EOI. The mid-1980s witnessed massive devaluation of the Indonesian rupia, reaching a peak of 45% at the end of 1986. Large-scale deregulation in trade and investment as well as export promotion policies followed, liberalising foreign investment in export sectors and offering unrestricted duty-free access to imports to major exporters.

China's FDI-ridden development was initiated by labour-intensive industries and small-scale capital intensive industries such as electronics parts making firms, whose investments still dominate China's FDI inflow. The relocation of export-oriented labour-intensive industries presupposes 1) cheap labour available to productive capital operating in the country, 2) little social cost of labour in the form of taxation and labour protection 3) deregulation of investment so that foreign productive capital can operate freely in developing countries, not to mention many incentives, 4) deregulation of trade so that importing raw materials and exporting products do not

cost much, and 5) easy access to international markets. These are nothing new. They were all in the package of FDI-based export-oriented development policies of the second generation of Asian developing countries. The rush of manufacturing capital from Asia's first generation of developing countries, including Korea, apart from geographical and ethnic reasons, is related to the *specific advantage* that China's capitalist development can offer ATNCs. Most of all, the vast consuming power of the humongous Chinese population provided the largest domestic market ever for these foreign firms operating in China. This is particularly important for increasing investment in China's domestic markets such as electronics and automobiles. In this case, size matters seriously. Even though the working class earns so little, its total consuming power is well beyond that of many countries. Even if workers cannot afford major TNCs' products, professionals and the 'middle class' whose proportion of the population is small but whose number is well beyond that of sizable countries in Europe offered a great market in absolute terms.

In addition, the successful social control over the process of the formation of 'export warriors' through *'communist' social engineering* also needs to be focused. Although most countries that shifted to EOI went through more or less same process, China did it most effectively, *thousands of times larger and with great timing*. The fast growing movement of capital in the late 1980s and early 1990s did not mean that individual capitals moved from one place to another and settled in the latter. Rather, it meant that they were ready to move 'anywhere, any time', obtaining extreme mobility. As the fear of relocation became an everyday threat to workers by employers, 'investor confidence' became the rule above constitutions and domestic laws. This market norm firmly established itself in the late 1980s and early 1990s. Now, capital was literally free to move. In fact, to impose logic, it *had* to move continually. And it was in this context that China was accelerating a particular process of transformation and thereby offering a huge *alternative* place of investment to global capital. The new development of global capital movement coincided with China's transformation, which was the largest and fastest transition of its kind.

This process of transformation began with the desperate attempt of the Chinese Communist Party to resolve the problems of stagnation of the forces of production that China's 'socialism' faced after the ravages of the Cultural Revolution; the socialist dream was ridiculed by reality. The worst moment came with increasing urban unemployment and, with it social unrest. To overcome this problem, the party-state initiated partially marketised control of production in retaining a 'socialist' economy. In spite of the rhetoric of 'retaining socialism in China', once the process started, the initial strategy of partial marketising developed into a more systematic strategy that transformed China once for all into a capitalist economy. Changes in relations between the state and enterprises were initiated by separating management from ownership of SOEs through the 'contractual management system'. SOEs whose production was directed by the state now could have its own planning and autonomy in personnel management and profit allocation, changing *SOE-state relations into capital-state relations*. They were also allowed to access commercial banks loans. Instead of

direct control, the state tried to control SOEs through state-controlled commercial banks. While SOEs were becoming 'capital', private enterprises were encouraged after the 1987 Thirteenth Party Congress. The state pushed privatising SOEs further. By the end of 1995, SOEs and urban collective enterprises together employed less than half the total workforce in manufacturing, more than a 20% decrease from 1980. A more full scale privatisation followed after the policy of 'grasping the big one and letting the small one go'. Now all small- and some medium-size enterprises were subject to privatisation in one or another form, by selling off shares to domestic and sometimes foreign investors (Hart-lansberg and Burkett 2004, pp. 46-7).

Meanwhile, traditional *labour-enterprise relations* were changing into labour-capital relations. The capitalist-like 'labour contract system' for newly employed workers in SOEs was introduced in Shanghai in 1980 and applied to all new workers in SOEs from 1986. By 1990, 17 million workers had contracts. In the first Labour Law of China, enacted in 1995, contracted employment finally appeared as the primary form of employment. Employers were then more or less capitalists who could set working conditions and, importantly, terminate employment relations at will. Consequently, 'overstaffed' SOEs started downsizing. Most downsizing proceeded through a particular process of laying off so-called surplus workers in SOEs, officially named *xiagang* from 1997[9] (Zhang 2003). By the end of 2002, 27 million workers were sacked through the *xiagang* project (Zhang 2002). Indeed, laying off workers through *xiagang* changed employment relations since firms now employed non-permanent workers. After the restructuring, SOEs' employed only 14.8% of total workforce in the manufacturing sector by 2001. That was only about one third of its contribution to employment in 1980. Worse still, employment in urban collective enterprises, which had employed about 23% of manufacturing workers in 1980, accounted for about 5% of manufacturing employment in 2001 (Chinese Bureau of National Statistics 2002).

On the other hand, there was a huge flow of young , particularly women, internal migrant workers into industrialising provinces and cities when China's household registration system (*hukou*), which had controlled geographical mobility of the labouring population in order to allocate labour forces according to central planning, relaxed after 1984. These internal migrant workers were from rural areas where working people were hit by worse living conditions than their urban counterparts. Whereas the loosening of the *hukou* system allows the migrants to work in big industrial towns, it does not give them the right to be permanent residents or to claim social benefits from the town. Thus, they were vulnerable to extreme forms of exploitation. Worse still, millions of workers are ready to migrate to cities largely because of the ever diverging living standards between urban and rural areas. Altogether, these migrant workers, estimated at 94 million in 2004 (China Labour Bulletin 2004), offer favourable conditions for new investment. In relating massive FDI inflow with unregulated labour, a large-scale inflow of migrant workers plays a particularly important role. Throughout the 1990s, labour in China was almost fully commodified to provide extremely cheap and disposable capitalist labour to private enterprises.

During the process, workers' protests against the unequal nature of capitalist development occurred but were kept in remarkably low profile by sheer state suppression[10]. The nature of the initial development of capitalist social relations shows us that there was a socio-political necessity for the party-state to attract foreign capital aggressively. Otherwise, it might have suffered massive class conflicts resulting from the highly unequal and violent formation of capitalist social relations, the development of which appeared already in the democratic movement in spring and early summer of 1989. The whole process of introducing foreign capital was also led by the party-state that attempted desperately to dilute the political pressure, initiating the development of EPZs and devising many benefits for foreign investment. After two decades of attempting to attract foreign investment, China virtually changed the whole territory into more than 2,000 EPZs in different forms where foreign capital enjoys tax breaks, tariff cuts, and other privileges[11]. While internal migrant workers flowed into newly emerging industrial hubs in China, it was most of all capitals from Asian countries that employed migrant workers in those EPZs.

In the early 1990s, many late Asian developing countries, such as Thailand, Malaysia, Indonesia, and subsequently China relied on FDI as a main financial resource for development, offering extremely favourable conditions for investors. This was an opportunity for Korean electronics makers including Samsung. Beginning with its Thailand subsidiary producing colour TVs for both export and domestic markets, Samsung moved aggressively into Asia's developing countries, integrating Indonesia, Malaysia, Singapore, China, Vietnam, and India into its global network in the first half of the 1990s.

Table 2. Samsung's early investment in Asia

	1989	1990	1991	1992	1993	1994	1995
Thailand	Colour TV (51% JV)				VCR Tuner, Home appliance parts (100%)		Washing Machine production and sales
Indonesia		Fridge (50% JV)	VCR, Audio (80% JV)				Colour TV production and sales
Malaysia			Microwave Oven (100%)		CRT Glass (JV)		Monitor (100%)
Singapore			International Procurement				Regional HQ
China				Audio products, Keyboard, VCR Parts	VCR, VCR Parts (50% JV) (80% JV)	Tuner, VCR Head and Motor Exchanger	Colour TV (50% JV) Electronics (50% JV)
Vietnam							Colour TV (100%)
India							Colour TV (51% JV)

Source: Seo et al. 2004, p. 165

By doing so, Samsung was able to produce cheaper products and increase its price competitiveness in the world market. This was also helping Samsung to be effective in supplying its products to Japanese companies that had already been relocated in the region. In the mid-1990s, Samsung succeeded in building a vertically integrated industrial structure of its own in Malaysia and China by combining the capacities of its electronics subsidiaries, such as Samsung Electronics, Samsung SDI, Samsung Corning, and Samsung Electro-Mechanics. This vertical integration was finished by building an industrial complex in major invested countries, such as Salembang in Malaysia, Tianjin in China, Tijuana in Mexico, Bellingham in UK, and Manaus in Brazil. As Samsung's subsidiaries moves into these locations, Samsung's small and medium size suppliers, producing transistors, speakers, tuners, colour picture tubes, etc. also followed, completing the vertical integration. This combined and concentrated investment of Samsung's electronics subsidiaries and its suppliers enabled Samsung to exercise stronger negotiation power with the local and central government of the host countries, getting more compromises and incentives from them. In Asia, all the subsidiaries in Asia were now 'networked' through the logistics centre set up in Singapore in 1995 so that, for example, parts produced in Thailand factory could be shipped to China's TV assembling factory in time. Samsung also opened regional headquarters in Singapore, US, China, and Europe in 1995 to enhance the networks within the regions.

In addition to the expansion of its production facilities, Samsung also devoutly explored new technology by investing in high-tech businesses in developed countries. It bought up 20% share of Array Microsystems of the US in 1993 to obtain digital process chip technology. In 1994, Samsung take control over Integrated Telecom Technology in the US, LUX (audio technology) in Japan, and Control Automation of the US (CAD/CAM technology) by acquiring 100%, 51% and 51percent of shares respectively. In following year, Samsung acquired Harris Microwave Semi-conductor in the US (Seo et al. p161). Samsung made a leap forward in terms of its global network building as well as high-tech-driven development. However, contrary to this seemingly glorious picture of the expansion of a Korean multinational, Korean economy itself was doing not at all great. In the midst of growing cost at home and increasing competitive pressure abroad, credit was expanding massively, making it possible for capitals to keep investing speculatively in a vain attempt to overcome the increasing cost and competitive pressure. It was in 1996 that these problems of debt-based expansion began to explode.

Labour Movement

While the new management strategies were focusing on individualising labour relations, more harsh and direct attacks on newly established trade unions continued. In order to stop the expansion of unionism, 'no work, no pay' became a principle of labour-management in large-scale firms. Employers often boycotted collective bargaining and hiring substitute workers during the labour disputes. However, corporations could no longer completely ignore the existence of unions. Rather, they encouraged more cooperative workers to take over the union leadership by offering them financial and organisational support. Therefore, those cooperative

workers could enjoy privileges and mobilise anti-union organisation while democratic union leaders were suffering from surveillance and discipline. The state began to confront the labour movement more aggressively after the stormy period of 1987-1988. On the one hand, Roh's government (1988 – 1993) hunted down union activists, using national security as an excuse. More importantly, the government vetoed against the proposed bill of 1989 by opposition party-dominated parliament for a new labour law, which was likely to reflect the developments after the summer of 1987. Thanks to that, notorious elements of Korean labour law, including the prohibition of third party intervention, prohibition of political activity of unions and ban on the unionisation of public servants, remained intact. The reactionary move was strengthened by the establishment of the Democratic Liberal Party through a three-party merger, which finished the opposition parties-dominated parliament.

However, turning back to pre-1987 labour relations by utilising authoritarian measures was simply not possible. The resumed authoritarian control over collective labour rather provoked more militancy from democratic unions that were now establishing and developing regional and national-scale solidarity. By the end of 1989, a total of 11 regional trade union councils were organised (CKTU 1997, pp. 347-86), including a quarter of a million workers. At the same time, workers in the health service, media, banks, schools, utilities, construction, publication and universities established 13 occupational leagues, comprising 173,000 members (Yu 2001, p. 174). In January 1990, 14 regional councils and two manufacturing occupational leagues (publication and construction) finally established the Council of Korean Trade Unions. While the CKTU represented the development of democratic trade unions in SMEs, workers in *chaebols* established umbrella unions, e.g., the General Federation of Hyundai Company Trade Unions and the Council of Large Companies Trade Unions. Also, non-manufacturing occupational leagues organised the National Conference of Occupational Trade Unions (NCOTU). In this period, in spite of the decreasing number of labour disputes, the struggles of militant unions developed strategically in a way in which the individual capitals found themselves in increasing difficulty to reorganise labour in accordance with newly introduced personnel management strategies. In spite of the state's forceful control, the CKTU finally succeeded in establishing a confederation of democratic trade unions, the KCTU (Korean Confederation of Trade Unions), merging with the NCOTU and integrating the unions in *chaebols*. Democratic unions have finally been unified under a single leadership of the KCTU, for the first time in the history of the Korean labour movement.

In the meantime, real wages increased, showing annual 6.4% increases between 1994 and 1996. Indeed, the flexibility of labour also seems not to have increased enough to overcome the pre-crisis symptoms at the expense of the working class. Although lay-offs and other flexible measures had already implicitly been used by capital to reformulate the employment structure, it was still not easy for individual capitals to impose officially a great degree of flexibility on organised labour. Legal reform to bring the individual capital a substantial reduction of labour costs and full recovery of its managerial power through institutionalising flexibility kept being

suspended by the power of organised labour in the mid 1990s. The desperate attempt of the state to flexibilise labour and disempower trade unions by passing a new labour bill to strengthen control over unions and enhance flexibility of labour in December 1996 precipitated the first ever nationwide general strike since 1948. On 26 December 1996, 143,695 workers from the KCTU and 70,000 workers of the GHFTU and affiliated unions joined the strike. Thousands of unionists, citizens, and students held rallies in Seoul. Meanwhile, workers from public transportation, hospitals, carmakers, shipyards, and textile factories subsequently joined the strike. Even the usually conservative FKTU organised a walkout by 156,000 workers at 486 work sites.

From 3 January 1997, 230,000 workers joined the second stage of the nationwide strike. In the third stage from 15 to 19 January, a total 350,000 workers joined the protest. This strike continued until 10 March. As a result, the labour law was returned to the National Assembly and amended in March. Lawmakers removed the anti-trade union elements within the collective labour law, allowing multiple trade unions at national and industrial level but with a five-year moratorium at company level, and allowing political activity by unions. However, the general strike could not stop more flexibility of labour through legalising flexible working hour arrangements, redundancy dismissals (although this was not to be enacted until two years after passing the act) and allowing capital to substitute workers during labour disputes. It seemed that the threat to the reproduction of capital relations had been finally treated properly, satisfying capital as well as labour, at least partially. However, having failed to renew its basis of accumulation either at the expense of competitors in international markets or at the expense of the workers, Korean capital was already in a serious trouble.

Economic Crisis

In order to meet massive demands for external funds in debt-based investment, financial liberalisation was even accelerated in the mid-1990s by Kim Young-sam's civilian government, in the pursuit of *segehwa* (globalisation) policies. The government allowed a further relaxation of control on foreign borrowing, through liberalising private merchant banks and finance companies, and practically abandoned control over exchange rate and investment coordination. Moreover, Kim's government pursued deregulation of interest rates between 1993 and 1997. These liberalisation policies finally allowed a steep increase in foreign loans, which more than doubled between 1993 and 1996, showing particular dependence on short-term loans which reached 58.3% of total external borrowing in 1996 (Cho 1999, p. 15).

However, in spite of the aggressive investment on the basis of massive credit expansion, it was not likely that Korean capitals could recover from the recession. Although economic growth recovered slightly with the help of credit expansion, showing 8.6% of GDP growth in 1994 and 8.9% in 1995, the deficit on current account reached $8.5 billion in 1995 and $23 billion in 1996, following devaluation of the yen which followed the agreement between the US and Japan in 1995 (Lee, B. C. 1999, p. 123). Now, the rate of net income to sales in manufacturing fell to a record-breaking low 0.53% in 1996 largely due to the increasing pressure of repayment (Korean National Statistics Office 2002). It was at this time that the dependence of capital

investment on foreign loans reached a critical point, growing from $31.7 billion in 1990 to $104.7 billion in 1996 with a high dependence on short-term loans.

Worse still, cheap memory price went down steeply in 1995, to occupy 17.7% of total exports in 1995. Well before the emergence of the Asian crisis, Korean capitals began to collapse. Large *chaebols,* such as Hanbo Steel Sami, Jinro, Daenong, and Hansin had collapsed by June 1997. Soon after, Kia, the eighth largest *chaebol*, was bankrupt. The breakdown of big businesses caused a chain reaction in the financial system forcing banks to ask corporations to repay credit in order to compensate their loses in the collapsed branches and firms. At last, a general crisis emerged. The stock price, which had reached its highest level, 1,027.4 in the Korean Composite Stock Price Index in late 1994, fell to 350.68 in late 1997. On top of this, financial turmoil in Asia made the general crisis more dramatic. While Korean banks attempted to recover their losses to collapsed firms by withdrawing further loans, foreign financial institutions began refusing to roll over short-terms loans in Asia. With the massive increase in demand for the dollar in the foreign currency market, a foreign currency crisis followed, precipitating a massive liquidation of capital. Now the Central Bank attempted to meet the increasing demands of foreign currency by financial institutions, foreign currency reserves reached near exhaustion by the end of November. Under this external pressure, domestic financial institutions also began to increase pressure on individual capitals, accelerating the subsequent collapses of firms. The Korean government, having lost its control over the foreign currency market, on 21 November 1997, finally asked the IMF to help out by injecting funds to relieve the immediate pressure on the foreign currency and financial markets.

5. The Making Of The Global Samsung

Aftermath of the Crisis

Beginning with an immediate $5.5 billion financial aid from the IMF, a total of $58.3 billion financial aid ($21 billion from the IMF, $10 billion from the International Bank for Reconstruction and Development, $4 billion from the Asian Development Bank, and $23.3 billion from the US and other countries) was announced to stabilise financial turmoil. As a condition of the financial aid, the Korean government pledged first of all to tighten monetary policy in order to restore and sustain stability in the financial markets. Accordingly, the interest rate was to be kept much higher during the stabilisation period and money growth limited by less than 5% inflation. Also a tight fiscal policy was pledged. The interest rate was more than doubled reaching a peak of around 30% in January 1998. Commercial banks were also forced to keep a high level of deposit rate with the Bank for International Settlement (BIS) and therefore became reluctant to provide corporations with new funds. By the end of 1998, the immediate economic problems that required the IMF's bail-out appeared to a large extent to have been resolved with recovered foreign currency reserves, from merely $3.9 billion at the end of 1997 to $48.5 billion at the end of 1998, and the stabilised exchange rate stabilised at around 1,204 won/US$ at the end of 1988 (Republic of Korea 1999). However, this 'recovery' was very costly.

Given the fact that Korean firms relied on external debts for capital investment and virtually short–term circulation of capital, further collapses of firms, particularly SMEs, whose ability to survive under financial pressure was weaker than large-scale firms, was not at all a surprise but rather regarded as a necessary remedy to affirm the rule by markets. A total 22,828 firms, mostly SMEs, went bankrupt during 1998. Firms that survived financial pressure still had to hold their investment and downsize. Unemployment soared to 13% in a year. As a consequence, overall GDP growth recorded minus 5.8% in 1998. It was not until the massive liquidation of the financially troubled capitals and financial institutions that the tight monetary policies were relaxed by lowering the interest rate to the level prior to the crisis.

The newly elected Kim Dae-jung government, which came into power in the middle of the crisis, pushed forward further the restructuring, including that of *chaebols*. In the pursuit of financial sector reforms, the government shut down five banks with a total of 10,260 employees while five other banks merged with other financially 'healthier' banks during 1998. 16 out of 30 merchant banking companies were closed by the end of 1998 (Republic of Korea 1999). With regard to corporate sector reforms, a mandatory issuance of consolidated financial statements was introduced in 1998. Also, cross-debt guarantees between subsidiaries within *chaebols* were banned. FDI regulations were to be relaxed by scrapping restrictions on FDIs, the purchase of real estate, and mergers and acquisitions by foreign investors. Further attempts to secure the 'rule of the market' and replace 'the heavy hand of government intervention' with the 'invisible hand of the market' can be found with the establishment and empowerment of governmental offices, such as Fair Trade Commission and Financial Supervisory Commission, inspecting the financial soundness and transparency of individual capitals and financial institutions, thereby ensuring that the market disciplines troubled businesses.

The most devastating impact of the crisis was obviously on the working class. Employers were increasingly deploying voluntary retirement, lay-offs, and outsourcing as the crisis unfolded. About a million lost their jobs during the first half of 1998, so that the unemployment rate skyrocketed from 2.8% in 1997 to about 8% at the end of the first half of 1998. Accordingly, real wages also decreased more than 9% during 1998. Numerical employment adjustment, in other words, cutting heads off, became a routine business rather than an emergency measure, maintaining a certain degree of unemployment as a whole.

After the massive lay-offs wiped out permanent jobs, most of the newly recruited were temporary, daily-contracted and other 'informal' forms of employment. This resulted firstly from a widespread employment strategy that sacked full-time permanent workers and re-employed them as temporary or part-time workers performing almost the same job they did before dismissal. During a one-year period from June 1998, 80% of those who escaped unemployment were re-employed as temporary and daily workers (Lee and Hwang 2000, p. 289). In the banking and financial sectors, about 15% of the total workforce was made up of those re-employed in this way after being sacked during mass lay-offs in 1998 (KILSP et al. 2000, p. 118).

4,640 out of 6,612 new jobs in 1998 were informal and 4,671 out of 5,501 in 1999 (Kwon 2001, p. 91), mostly on temporary contracts. In the public sector, about two thirds of the laid off full-time permanent job holders had been re-employed as informal workers, including part-timers, temporarily contracted, dispatched, and subcontracted workers, which increased 46.1% during the four years after the crisis (KFTPSU 2002, p. 9).

In the manufacturing sector, dispatched and in-house subcontract workers, whose employment contracts were mostly temporary, increased as temporary work agencies were allowed by the labour law reform in 1998. Among the in-house subcontract workers, many were employed by user companies before the crisis. They became workers in subcontracting firms as their work was separated from their parent company and become separate companies during the crisis. However, in many cases, the user of the workers in separated companies was still the same parent company that once employed them directly. Firms utilise indirect forms of employment by having numbers of small subcontract firms and work agencies, the survival of which is entirely subjected to yearly or monthly contracts with the parent companies. In many cases, large-scale enterprises establish subcontract firms and work agencies under their direct control (Ahn et al. 2001, pp. 182-6). By making the employment relations more indirect and untraceable, management can avoid and ignore legal obligation as direct and large-scale employers and therefore adjust the number of workers at will. Also, by putting together irregular and regular workers on the production line, management precipitate more competition between formal and informal employees and thereby make it easier to control formal employees, showing them that they are replaceable. This insecure basis of the informal forms of employment results directly in less pay, worse working conditions and no union protection. While the average wage of informal jobs reached a mere 52.6% of that of the regular workers in 2001, workers in informal forms of employment worked longer than regular workers, averaging 46.5 hours per week, in comparison to 45.9 hours of regular workers (Kim, Y S 2001). Due to the temporary and mobile nature of these forms of employment, union density of informal workers was less than 1% in 2002 (KCTU 2002, p.6).

The serious crisis of the reproduction of capital relations that Korean capitalist development faced in the late 1990s seems to have been overcome. More or less, market-based reforms succeeded in overcoming the crisis and creating a new social basis for capital accumulation however with increasing polarisation of society. After 6.7% minus growth in 1998, the economic growth rate again began to rise, showing 10.9% in 1999 and 8.8% in 2000. Foreign exchange reserves, a shortage of which triggered the acceleration of the crisis, now reached a record-breaking level $97.76 billion and all IMF loans were already repaid. Although accompanying a massive liquidation of capital at first, stabilisation measures seem to have achieved a lower debt/equity ratio in the private sector, recovering so called ‘creditors’ confidence’. Most of all, during a four-year period, capital has succeeded in taking the best advantage of the reformulation process, re-establishing capital-labour relations in favour of capital through the systematic decomposition of the working class by marketising labour control.

Samsung in Turmoil

In this context Samsung, which was still one of the corporations doing better, went into heavy structural adjustment. Internally, the collapse of the memory market in the mid 1990s was worsening its finance. Externally, the frozen financial market as well as shrinking international market for consumer goods after the Asian crisis made it more difficult. Worse still, overly aggressive new investment in the auto industry was becoming increasingly problematic. Samsung ambitiously entered this industry by mobilising initial capital from its own subsidiaries, including Samsung Electronics, Samsung SDI, Samsung Electro-mechanics and Samsung Everland, in 1995. In spite of vehement opposition from existing car makers, Kim Young-sam's government allowed Samsung's entry, to create huge employment in its own party's stronghold, Busan in south Kyeongsang province. Samsung Automobile started producing passenger cars in its Busan factory with the production capacity of a half-million a year from May 1997. However, things were different from the late 1960s when Samsung Electronics entered into the highly competitive electronics market with government backing. Rather, it was indeed the worst time to enter the market since Korea's economy was going into its biggest ever crisis. After only a few months operation, there was increasing doubt about the profitability of Samsung Automobile particularly by commercial banks, including Hanil Bank, which was the major creditor of Samsung Automobile and now going though hard times for its own survival. Soon after the emergence of the economic crisis, Samsung Automobile was subject to the national structural adjustment programme. Without capital injection from Samsung's richer subsidiaries that now faced their own problems and tigher regulations, Samsung Automobile seemed unsustainable. Even before its full operation, Samsung's Busan factory stopped production. The millions of investment poured into the risky automobile exploration became debt for Samsung. Facing the crisis, Samsung accelerated a full scale structural adjustment from 1998. There were no celebrations in the sixtieth anniversary year. Rather Samsung was in the biggest crisis in its history.

Samsung decided to focus on electronics, finance, trade, and service industries. Accordingly, it began to sort out subsidiaries in other areas by merging and selling out. However, the adjustment was not limited to targeted industries. Even in the focused areas of business, Samsung pushed a harsh workout by 'slimlining' its businesses. Samsung did it by concentrating and keeping the strategic and most profitable parts, and cutting less strategic and unprofitable parts. In doing so, Samsung did not have to take responsibility for the firms producing parts or dealing with particular aspects of business, while still exercising control over relations to the separated and now 'independent' companies. After two years of restructuring, led by the special 'Centre for Structural Adjustment' that became a permanent think-tank for chairman Lee Gunheen, Samsung reduced the number of subsidiaries from 61 in 1998 to 45 in 2000 (Song 2006, p. 5). A lot of business parts become independent units by 'separating-out'. A total 231 businesses were separated from Samsung this way and became 'independent' companies that are still firmly under Samsung's

control, without Samsung's responsibility for them (Song 2006, p. 6). Samsung Electronics, the most profitable subsidiary, was also subjected to further restructuring. Its 34 businesses and 52 low value added products such as home appliance were either transferred to foreign subsidiaries or separated from Samsung. Deficit-making foreign subsidiaries faced even harsher adjustment. In 1997, Samsung's expanded network of production appeared not to do well, making US$670 million losses in a price-cut competition (*The Korea Economic Daily* 2002, p.191). These subsidiaries also relied heavily on external debt with only 12% of its own capital against total assets (*The Korea Economic Daily* 2002, p. 191). Samsung responded by liquidating its 12 non-profitable subsidiaries while injecting about US$1.3 billion into healthier and more competitive subsidiaries during two years from 1998.

Broken Pride of Samsung-man

For the worker, HRM schemes continued to be introduced. The pay system was again revised to be more merit-based, encouraging competition between workers, subsidiaries, and business divisions. An annual salary system was introduced for office workers with university graduation in Samsung Electronics in 1998. Now office workers' salary was 60% fixed and 40% performance-based. For workers in non-managerial posts and manual workers on production lines, Samsung encouraged competition by controlling up to 500% (of monthly salary) bonus. On top of this, profit sharing (PS) was introduced in 2000 for both manual and managerial posts. Through this, workers in the business divisions that make profits beyond the annual target are entitled to share 20% of the extra profit, up to half of annual salary (*The Korea Economic Daily* 2002, p. 114). Combining PS with the PI introduced in the mid-1990s, a worker can be paid five times more (or less) than other workers in the same grade. For workers on production lines there was also a 'special incentive' of up to US$300,000 for those who made extraordinary contributions to the company.

However, not all Samsung workers could 'enjoy' the earn-as-you-work system or benefits from PS and PI. Between 1996 and 1999, Samsung conglomerates' 167,000 workforce decreased to 113,000; about one third of workers were either laid off on retirement pay or became workers in Samsung's 'cooperative companies' that had

Table 3. Wage structure for office and managerial jobs

<table>
<tr><td rowspan="2">Annual Salary</td><td rowspan="2">Monthly Salary</td><td>Basic Wage – 60%</td></tr>
<tr><td>Performance-based – 40%</td></tr>
<tr><td colspan="2">Bonus 200%</td></tr>
<tr><td colspan="3">PS + PI</td></tr>
</table>

Source: Samsung Electronics Korea web site

Table 4. Wage structure for production and non managerial jobs

<table>
<tr><td rowspan="3">Monthly Salary</td><td>Basic Wage</td></tr>
<tr><td>Self-development allowance</td></tr>
<tr><td>Other Allowances</td></tr>
<tr><td rowspan="2">Additional payment</td><td>500% bonus</td></tr>
<tr><td>PI + PS</td></tr>
</table>

Source: Samsung Electronics Korea web site

been separated from Samsung during structural adjustment. Workers dispatched by labour agencies for a particular process of production were rem-oved first. Then regular Samsung workers took the jobs. Finally the particular process of work was separated from Sam-sung by creating a new independent company often headed by former Samsung managers. Many of them were still working on same production lines, however, with less payment and without welfare and most of all the pride of being the Samsung-man. They now had to work for Samsung, but *not* as Samsung employees. Samsung Electronics has also done the largest scale of 'human resource restructuring', reducing its number of workers in Korea from 59,000 in 1996 to less than 40,000 in early 1999 (Kim and Park 1999, p. 57) while its foreign subsidiaries also joined the downsizing drive by firing more than 10,000 workers across the world, about 40% of their workforce between 1996 and 1998.

Table 5. Samsung Electronics workforce change

1996 (end of year)			**1997** (end of year)			**1998** (end of year)			**1999** (first half)		
Manual	Office	Total	Manual	Office	Total	Manual	Office	Total	Manual	Office	Total
25,436	33,650	59,086	22,097	35,720	57,817	13,546	28,608	42,154	21,126	18,353	39,479

Source Kim and Park 1999

The Making of the Global Samsung

Behind the tears of its former 'masters', slimline Samsung, which had been pursuing structural adjustment since the introduction of new management in 1993 and finalised it through the economic crisis, afterwards showed an explosive performance. During the 10 years after 1993, Samsung's sales increased 3.4 times and more surprisingly its profit increased 28 times. Contrary to the self-evaluation forseeing a minus growth in the middle of the economic crisis, thanks to sheer cost-cutting primarily by the massive 'human resource adjustment' and overwork by desperate workers who tried to avoid lay-off, Samsung electronics made a profit in 1997 and again 1998, with US$87.26 million and US$259.31 million net profit respectively. Indeed, it was a distinguished performance in the middle of economic crisis while thousands of enterprises, including many owned by big *chaebols*, collapsed hopelessly. However, this was just a beginning of Samsung's record-breaking drive. In 2000, Samsung Electronics achieved a record-breaking net profit of US$4.76 billion. Athough there was a big drop of DRAM's unit price in 2001, by which most of the major chip makers, including Japanese giant Hitachi, Matsuchita, Toshiba, and NEC, ended up with huge deficits, Samsung made US$2.186 billion net profit, catching the eyes of business journalists. One of the reasons why Samsung could survive the DRAM price crisis in 2001 was internal diversification. In 2001, Samsung's DRAM sales were only 15% of total sales whereas telecommunication and digital divisions made almost 60% and home appliances made 10% of sales. It was the result of Samsung's systematic diversification, now with two more business divisions including digital media and technology divisions, which enabled Samsung to be invulnerable to the cyclical ups and downs of the markets. In 2004 Samsung achieved US$10.3 billion net profit. Thanks to this extraordinary performance, debt to equity rate decreased from 296% in 1997 to a mere 43% in 2001 and minus 21.3% in

2002 (Samsung Electroncis 2005). Not only Samsung Electronics showed an extraordinary performance, other subsidiaries also made development leaps so that Samsung conglomerates in 2003 dominated the whole Korean domestic market with 23 subsidiaries, including Samsung SDI and Samsung Corning, as market leaders in their businesses (Song 2006, p. 11). In 2004, Samsung's subsidiaries produced 17.4 pecent of Korea's GDP (*Sisa-Journal*, 20 September 2005, p.113).

Samsung's export drive was also remarkable. Samsung's exports occupied US$31.2 billion of Korea's total exports of US$172.2 billion in 2000, or 18.1% of exports. In 2004, it shipped US$52.7 billion, accounting for 20.7% of US$253.8 billion exports. Samsung Electronics alone exported US$41.6 billion in 2004 accountinf for 16.3% of total Korean exports. Samsung's DRAM, one of its major export products, topped world markets in 1992 and never lost its position while SRAM and LCD began to dominate the world markets since 1995 and 1998 respectively. Now Samsung electronics has nine items dominating world markets, including DRAM (31% of the world market), SRAM (28%), TFT-LCD (22.1%), colour monitor (21%), CDMA mobile phone (20.6%), colour TV(9.9%), Flash Memory (27%), LVDS Display Interface (19%), Multi Chip Package (29%) (*Sisa-Journal*, 20 September 2005, p.114). This extraordinary performance was backed by aggressive 'human resource development'. Samsung Electronics appears to have invested US$4.6 billion in R&D in 2004, with 17 R&D centres across the world. At the same time, Samsung has been absorbing the talented technologists from all over the world. In 2004, Samsung Electronics had 12,000 MA and PhD holders that are about 20% of its workforce.

Abroad, Samsung's aggressive globalisation continued. Samsung had 24 production and sales subsidiaries, 40 sales subsidiaries, 15 branches, and 13 R&D centres in 48 countries, employing about 50,000 workers in 2005. It has regional headquarters in North America, Latin America, Europe, Southwest Asia, China, Commonwealth of Independent States, the Middle East, and Africa. Apart from DRAM, which is produced only in its US and China subsidiaries as well as Korea, almost all the products are produced in globally and regionally networked factories. Between the factories, vertical and horizontal networks bring different parts to different production processes, not only within Samsung Electronics, but also between other electronics subsidiaries of Samsung. Samsung is in *constant motion*. In Europe, Samsung is moving toward the East, reducing production capacity in Western Europe where the cost of production is higher than the East. Countries with transitional economies have been major targets for Samsung in the last decade. In Asia, massive increase in investment in China is noticeable with altogether 12 production subsidiaries established after 1992. Samsung made a concentrated investment in Tianjin and subsequently Suzhou where Samsung Electronics, other Samsung's electronics subsidiaries, and thousands of suppliers produce all the products of Samsung and accomplished vertical and horizontal integration. Samsung has recently completed transfering its laptop computer division to China. In Asia, the trend is that Samsung is increasingly moving its low value added products, mostly white goods, TVs, and monitors to production lines in Southeast Asia and China while

high-tech or high value added products and core technology are kept in Korea and partially China only.

Samsung Electronics now plans to massively expand production capacity in India, targeting to increase its scale of US$950 million to US$5.5 billion in five years. As Samsung moves, produces, and employs, its social recognition is also increasing in Asia's delevoping countries. The government of Thailand awarded Samsung the 'Best Quality Award' in 1998. In Philippines, Samsung won the 'Outstanding Exporter Award' as well as the 'Best Social Contribution Award' in 2006 by the Aroyo

Table 6. Samsung electronics production subsidiaries in the world

Region	Country	Subsidiary	Major Product
Asia	China	Tianjin Tongguang Samsung Electronics Co., Ltd.	CTV PJTV
		Tianjin Samsung Electronics Display Co., Ltd.	C/M
		Tianjin Samsung Telecommunications Co., Ltd.	HHP (GSM)
		Tianjin Samsung Electronics Co., Ltd.	VCR DVDP CAM
		Huizhou Samsung Electronics Co., Ltd.	AUDIO
		Shandong Samsung Telecommunications Co., Ltd.	FAX PRT
		Shenzhen Samsung Kejian Mobile Telecommunication Technology Co., Ltd.	HHP
		ShanghaiBell Samsung Mobile Telecommunications Co., Ltd.	CDMA BSS Sys
		Suzhou Samsung Electronics Co., Ltd.	REF W/M RAC R/comp MWO
		Samsung Electronics Suzhou Semi-conductor Co., Ltd.	LSI Assembling and processing
		Samsung Electronics Suzhou Computer Co., Ltd.	NPC
		Samsung Electronics Suzhou LCD Co., Ltd.	LCD
	Indonesia	P.T. Samsung Electronics Indonesia	VCR ODD CTV C/M
	Thailand	Thai Samsung Electronics Co., Ltd.	CTV C/M REF A/C MWO W/M
	Malaysia	Samsung Electronics Malaysia SDN. BHD	MWO MGT
		Samsung Electronics Display (M) SDN. BHD.	CTV C/M
	India	Samsung Electronics India Information & Telecommunication Ltd.	C/M
		Samsung India Electronics LTD.	CTV C/M REF A/C W/M MWO
	Vietnam	Samsung Vina Electronics Co., Ltd.	CTV C/M
	Philippine	Samsung Electronics Philippine Manufacturing Corporation	ODD
North America	Mexico	Samsung Telecommunications Mexicana SA De CV	CTV C/M HHP DTPC
		Samsung Electronics Mexico SA De CV	W/M MWO REF RAC
	US	Samsung Austin Semi-conductor	DRAM
South America	Brasil	Samsung Electronica Da Amazonia LTDA	C/M HDD HHP
Europe	UK	Samsung Electronics Manufacturing (U K) Ltd.	C/M MWO
	Spain	Samsung Electronics Iberia SA	HHP PJTV DVDP TVCR
	Hungary	Samsung Electronics Hungarian Co., Ltd.	CTV
	Slovakia	Samsung Electronics Slovakia Co., Ltd.	CTV C/M

Source: Samsung Electronics web site

government. Samsung SDI, producing micro LCD for mobile phones and PDA, plasma display panels, organic light-emitting diodes (OLED), and CPTs, also has 12 production subsidiaries in six countries: China, Germany, Malaysia, Hungary, Brazil, and Mexico. SDI is also transferring outdated CPT production to foreign subsidiaries whereas Samsung SDI in Korea is concentrating on high-tech OLED and PSP. Another electronics subsidiary, Samsung Electro-Mechanics, has production subsidiaries in Thailand, Philippines, China (three subsidiaries), and Hungary. Based on the extraordinary performance after structural adjustment, Samsung resumed its typical expansionism, increasing its subsidiaries from 45 in 1999 to 63 in 2004. Its number of employees also increased from 113,000 to 135,000 in Korea in 2004. Samsung Electronics alone now employs 69,000 in Korea and 50,000 abroad, becoming the *world's No. 15 employer.*

With its increasing competitiveness in the global market and overwhelming significance in Korea's economic development, Samsung is now a unique corporation in Korea. Samsung's influence is outreaching to the economic, political and cultural dimension of Korean people, creating a new phrase, 'Samsung Republic'. Its outstanding performance in the aftermath of the disastrous Asian economic crisis built a myth of Samsung. It is now not merely a well-managed *chaebol*, but rather a symbol of modern Korea whose buzzwords are high-tech, efficiency, and of course flexibility. Samsung has been selected every year as the favourite company of Korean university students since 1997. Thousands of highly talented young people are queuing up to be a Samsung citizen, dreaming of being a hard-working and highly rewarded Samsung-man. In what follows, we will look at the material as well as mythical basis of the Samsung and its 'citizen', Samsung-man.

6. Tears And Joys Of Its Masters (And/Or Slaves)

Samsung's Workers and Work Organisations

There were 135,000 Samsung workers globally in 2004. Samsung Electronics alone employed about 120,000 globally including 66,586 in Korea (by the end of the first quarter of 2005). Amongst them, 10,042 were office and managerial employees and 16,787 were production line workers while 39,757 work in R&D, marketing, and other professional areas. At a glance, as always in such myths, Samsung is a 'dream workplace for all'. Samsung Electronics employees' annual salary reached about US$70,000 in 2004 while average workers in manufacturing earned around US$27,000 in Korea (*Sisa-Journal* 20 September 2005). Reportedly Samsung Electronics spent more than US$50 million on corporate welfare a year in the early 1990s. In spite of Samsung's sheer restructuring, the welfare system remained the best in the sector even after the economic crisis. While laid off workers sought survival jobs and outsourced workers lamented with broken pride, survivors were granted a load of welfare benefits. There are 11 special benefits that Samsung employees can enjoy, including medical allowance, private pension allowance, and heart surgery allowance.

Table 7. Benefits for Samsung Employees

Allowances and Benefits	What supports?
Medical Cost Allowance	Support Samsung employees and spouses' extra-medical cost that cannot be covered by national insurance
Heart Surgery Allowance	Full support to heart surgery cost for employees' children
Leukaemia Allowance	Support to leukaemia treatment cost for employees' children, up to US$20,000 per person
House Fire Allowance	Compensate damage from home fire for employee's and their parent's houses
Private Pension Allowance	Share half of pension payment, support up to 3% of annual income in the previous year
Holiday Resort Benefit	Use Samsung owned holiday facilities for free or discounted rate
Workplace Food Allowance	
Education Allowance	Support education cost for employees' children, home and abroad, up to university, need to have more than 7 years of service in Samsung
Relocation allowance	Moving cost support for transferred staffs
Wedding hall benefit	For the employees, employees' children, sisters and brothers
Funeral, Wedding, other important family matters support	Leaves and financial support

Source: Samsung Electronics web site

There are also well managed welfare facilities particularly for women workers who account for about one third of Samsung Elecronics workers. In-house nurseries, women consultation centres, designated resting areas, and breast feeding rooms are the major distinguishing features of Samsung Electronics, quoted by Korea's mass media as a model case, together with its 600 high ranking women managers and professionals in R&D. Most women workers however work on production lines. In fact, the majority of Samsung Electronics' production line workers are women, accounting for 86% of a total 16,787 production line workers while most office and managerial jobs are reserved for man, accounting for 79% of a total 10,042 managerial/office workers.

Therefore, the usual picture of electronics production lines full of young women workers exactly reflect Samsung's production line in Korea. In Samsung Electronics' Kumi factory producing mobile phones, for example, about half of its 6,600 workers are women whose average age is 21.5 years old and average service of 2.8 years (*The Korea Economic Daily* 2002, pp. 174-6). On production lines, the majority are young women. Although most do not have 'temporary' contracts, their average service years are only about four years, or shorter if considering only production line workers, meaning a large turnover. Apart from competitive HRM and pay systems, there is very limited information regarding how Samsung workers are actually organised in production lines or offices. However, it is known that Samsung utilises various working teams to encourage productivity growth and better quality control. In the mobile division alone, there are 210 work teams all uniquely named by the workers (*The Korea Economic Daily* 2002, pp. 174-6). Table 8 shows various suggestions and activities by the teams that won national awards in quality improvement.

Table 8. Samsung's 'Teams' in national quality award competition

Company	Name of team	Achievement
Samsung Electronics: Wireless division	Didimdol	Enhance quality by reducing defects rate in slide phone production
	BOA	Increase productivity by reducing stoppage in mobile phone production process
	Sinhwa (myth)	Increase production after 7 Line Aging
	Young Power	Self-motivated effort made to reduce stoppage time due to malfunction
	Jjang (the best)	Reduced stoppage time by voluntary Pro-3M activity
	Bisang (Flying up)	SCH-A850 part improvement - reducing defects rate
	Point	Improve Mail Board in SGH-E350 - enhance quality

Source http://q-korea.net/quailtyguide/devsujguide/national/news/20060707/1_9106.jsp

A team of journalists in love with Samsung's no-union policy praised these teams:

> These teams are cell organisations that are making the team members work together toward a unified direction and solve dissatisfaction at the work place and even problems in house holds. It is digging in and solving the problems, a lot more delicately than a union can (*The Korea Economic Daily* 2002, p. 176).

However, what the enamoured journalists could not see was the sheer competition between the teams since it is the 'basic' unit in the battle for higher and bigger PI and PS that determines more than 50% of their pay at year end. In this condition, it is natural for teams to compete vehemently. Competition is not only between different teams, individuals within the team have to compete with each other to get higher evaluation points, which again affects their 500% bonus, and to be a supervisor. To be a supervisor, one needs to be well beyond the average level of performance as well as getting nominations from colleagues. In the Kumi factory, there are total 55 'fame' supervisors proudly wearing golden badges on their chests.

In Samsung, 'work units' are neatly and multiplicitly related to the economic compensation for individuals. PI and PS are based on the performance of a particular team, division, and subsidiary. One needs to go together with their colleague to get the fortune of PI or PS Plus, there is a final assessment: individual merit. It is now rated mainly in terms of performance, recorded participation in education programmes and the acceptance of specific behavioural norms. Those standards are further divided into several sub-terms such as rates of diligence and indolence, the quality of goods produced individually and in teams, the quality of suggestions by workers to enhance production, the speed at which an operator works and the extent to which they maintain public order. With multiply linked work units and compensation, every aspect of performance as an individual as well as a member of team, division, and particular subsidiary, including attitude and even friendship for the team work, are subjected to evaluation and corresponding payment and promotion. This well designed competition-based work and compensation system make the workers

actually identify the interest of the individual workers with the interest of the company. Workers devotion to work turns out to be no longer individual sacrifice for Samsung. Rather, it is for their own sake, which later indeed benefits the company.

This economic compensation system based on the performance of multiple work-units and of individuals results in *deep division between 'winners' and 'losers'*, the basic form of division between the core and the peripheral that rules the workers. In Samsung, the rule is that 'winners get everything'. After one year of work with the same background and experiences, a new office worker can earn US$10,000 more than another, thanks to the highly performance-based pay system. The wage system for office workers is designed in a way that the annual payments increase geometrically along the hierarchical chain of commands. Naturally, there are heated competitions for promotions among office workers. Once a worker reaches a higher managerial post, annual salary increases to a level that cannot be compared with competing firms. Samsung supports the winners the best and turn its back on the losers. The top 5% by evaluation are offered heavy investment for human resource development while the lowest 5% are encouraged or even forced to take voluntary retirement (Choi 2006, p. 34). Apart from the division between winners and losers, there are many different kinds of internal divisions that in fact sustain Samsung's competitive edge. There are divisions between blue and white-collar workers, formal and informal, Samsung and suppliers, Samsung Korea and foreign subsidiaries, foreign subsidiaries and their suppliers, etc. On each step of the ladder, the peripheral functions as the core to workers one step down the ladder. These divisions combined with multiple linkages between work units and compensation, appear to be at the centre of Samsung's success story.

The Core and Peripheral

While the division between losers and winners rules both production and office workers, there is a *division between white- and blue-collar workers* that is something almost impossible for an individual worker to overcome. The division started at the very beginning of recruitment. Samsung, known for the most competitive jobs for university graduates in Korea, employs almost exclusively the top five to 10 university graduates. Although some of the high managers and even CEOs with degrees from mid-range universities have been the focus of a rumour-mongoring media, it is close to a myth. Samsung's office workers are the elite with a strong corporate mindset from the beginning of their careers.

There is a big discrepancy of workers identity between white- and blue-collar workers (Choi, 2006, p. 32). White-collar workers are educated as masters of Samsung and repeatedly encouraged to identify themselves with the brand image through various ways. During the process, they become Samsung-men, with body and soul subjugated to Samsung capital. The major motivation for the dedication of white-collar workers is most of all promotion and corresponding economic compensation. Although there is sheer competition waiting for them, there is no intrinsic constraint for a worker to be a high ranking manager earning an astronomical salary. For the purpose, workers need to conform and loyalty is the most important norm. On the

contrary, blue-collar workers seem to show limited identification of themselves with the company. Samsung's blue-collar workers are filled with high-school, vocational schools, and technical college graduates. University graduates are not accepted for production-line jobs. Younger workers are favoured by Samsung and attendance is the most important school record in getting production line jobs. It is altogether a completely different standard of recruitment, compared with white-collar workers. Blue-collar workers seem well aware that there is a big division between themselves and office workers and there is a certain limit in promotion (Choi 2006). Therefore, although Samsung's blue-collar workers are still proud to be Samsung-men on the basis of better payment and corporate welfare, they realise that there will be not much to get even with fast-track promotion. So, rather than promotion or other long-term perspectives, they tend to be more interested in short-term benefits of extra income. This division between white- and blue-collar is also *a highly gendered division* and again strengthened by gender relations. Whereas Samsung's factory workers in Korea are young women (14,417 out of 16,787 in 2005), Samsung's managers are predominantly men (7,966 out of 10,042 in 2005). There are big differences in pay for men and women. While men earn about US$79,000 a year, woman workers attain only US$52,000 a year. Without long-term perspective for a future as 'Samsung-Woman', turnover is higher among women blue-collar workers with four years average service whereas male workers average 7.5 years.

The other division is between core Samsung workers and workers in Samsung's in-house subcontractors or suppliers called 'cooperative firms'. As we saw above, there were increasing numbers of informal workers on the production line during and after the economic crisis, as a result of the separation of peripheral businesses from Samsung. The separation of peripheral businesses became an important basis of Samsung's extraordinary performance during and in the aftermath of the crisis. In the meantime, witnessing their fellow workers becoming SME employees in a day, survivors had to work harder. Thanks to the hard work of its own workers as well as its former employees now working for Samsung's low value added peripheral business (which now means cheaper supplies of service and parts for Samsung) without being Samsung workers (i.e., as subcontract workers) and benefits from Samsung, Samsung could save enoumous amounts of money and sustain the high profit drive in its highly profitable core businesses without worrying about profitability and cost in low value added peripheral businesses. In the meantime, the share of wages against total produced added value in Samsung continued to decrease (Song 2006, p, 20). While the media compare Samsung workers' wages with other firms, in fact they increased slower than the increase in added value, meaning workers' shares of profits were not as great as appears in absolute terms.

Indeed, it is the workers in Samsung's cooperative firms that pay the highest cost for Samsung's profit-drive. The relations between Samsung, which dominates the domestic as well as export maket, and Samsung's cooperative firms, which rely largely on Samsung for sales, are highly *unequal*. Targeted growth can be achieved

by cost cutting against the suppliers. For example, if a subsidiary targets 10% growth at the beginning of the year, it can require cost cut to suppliers, which are possibly headed by former Samsung-managers and employ former Samsung workers. Those former managers, realising the absolute power Samsung can exercise, accept the deal and try to compensate for loss by using cheaper labour or suppressing labour costs. At the end of the year, the Samsung subsidiary ends up with, for example, 16% growth thanks to cost cutting against suppliers. It is even 6% overachieved. Workers in that Samsung subsidiary can now share the extra profit through PI, possibly feeling more pride as a Samsung-man, while workers in a cooperative firm end up with nothing and again cannot but envy the Samsung workers who might once have been their fellow workers.

There is another big division that supports Samsung's increasinig profit: between core Samsung workers in Korea and the local workers in Samsung's foreign subsidiaries in developing coutnries. Most of the welfare benefits that Samsung-man in Korea enjoys do not exist in Samsung's subsidiaries in developing countries. At best, they have relatively better factory canteen and wages slightly above the minum levels of their countries. Of course, Samsung does not miss the cultural treatment, as in the case in Samsung Malaysia, to make workers think themselves as masters of the company. Indeed, this division sustains not only Samsung but also most TNCs in the cost cutting competition in overly-invested makets. In these countries, Samsung treats the workers exactly the way they treated Cheil Industries workers in the 1960s in Korea. Mostly migrating from remote areas, as we see in the country reports in this volume, these workers would be satisified with what Samsung offers even if it is nothing special. Just slightly better: shaming its self-promotion as the distinguished global leader.

Samsung's different forms of division between core and peripheral are often copied in countries where it invests. Samsung's method to create division between core Samsung workers and workers in a cooperative firm was used in Thailand in an exactly same way, when Samsung Electro-mechanics established a separated company headed by a former Samsung manager. Now the workers in the new independent company have to work for Samsung without getting any benefits from Samsung. At the bottom of the ladder of core-peripheal division, there is not much difference between Samsung and non-Samsung. For the home-based workers producing electrical parts for Samsung, there is virtually no difference from others making any product for any other companies. The extra-profit Samsung earns from devoted workers by utilising multiple divisions between the core and peripheral and building multiple linkages between work units and compensation, thereby making them longer and harder with perspective to reach higher steps on the ladder, gradually *exhausted* along the way down the hierarchical chain of production. In terms of products, it is the same that workers in developing countries, with a very few exceptions where big local markets are available, work on rusting products with decade old production lines shipped from Korea. Not a single worker in Samsung seems to be free from this multiple division of the core and peripheral.

The Tough Way of Refusing to Be a Part

It is true that Samsung-men get paid more, compared with other corporations at the same or lower level. However, this seemingly perfect self-reproduction system has also its limit. Samsung-man works long hours particularly at the upper level of the hierarchical chains of command where there is more possibility of upgrading her or himself. However, many soon realise that there is something missing. To survive, you have to win over others and play the role of the core against the peripheral while you are exploited by other workers at the core against you. Naturally, many cannot handle this and refuse to be part of it. In repeated overwork, evaluation and under the pressure of a number of to-do and not-to-do, many step off the ladder by looking for alternative jobs. In particular, failing in the competition for promotion, workers with long service years face gradual demystification of being a Samsung-man. This is why in the 'dream work place' Samsung has high turnover rates. However, for many, it is obviously difficult to get better jobs after spending their whole youth surviving in Samsung. They cannot but stay until asked to step out. Often by getting a managerial job in a cooperative company of Samsung, they rejoin the Samsung Republic, but this time with a different role in the core-peripheral relations.

There is increasing recognition within Samsung that being a Samsung-man is not a sustainable way of living. In particular, continual restructuring and growing job insecurity contributes to faster demystification. Workers learnt it as fast as Samsung grew based on the very mystification. The truth is that Samsung's workers are treated as Samsung's masters only as far as they subject themselves to the corporate system while a slight sign of insubordination can be subjected to heavy punishement. Indeed, unionisation is the worst risk way of expressing doubt in Samsung-men. Regarding unions, Samsung faces a dilemma. Thanks to its outdated no-union policy that it skilfully kept during the militant union movement in Korea,

Table 9. Unionising attempts in Samsung in Korea after 1998

Subsidiary	Year	Development
Samsung SDI	1998	Violent Union busting, kidnapping, beating and surveilance
Shinseage	1998	Union formed (no longer belong to Samsung)
Samsung Corning	2000	Union busting (incompany subcontractor)
Eswin	2001	Union busting by sompany registering paper union first
Samsung Group (general)	2001	Disbanded by the government
Samsung Capital	2001	Union busting
Arne Samsung	2002	Union busting, lay-off
Hotel Shila	2003	Leaders disappeared, company union registered
Samsung General Union	2003	Union formed, later disbanded by the government due to union unemployed members
Samsung Plaza	2003	Union formed, later busted
Samsung Electroncis	2004	Union registered, few days later unregistered
Korea Metal Workers Federation	2004	6 workers from Samsung Electroncis and SDI, later all quitted by force and intimidation

Source: Cho 2006, p. 60

Samsung did not face much trouble in structural adjustment in the aftermath of the economic crisis. The no-union policy looked ever more valuable. Watched by jealous eyes of other corporations that had to handle vehement proetest against structural adjustment, Samsung had no major labour dispute in cutting a third of its workforce. However, the successful structural adjustment *severely undermined* the Samsung myth among its workers. Samsung-men gradually refused to be Samsung-men. Starting in Samsung SDI, Korean workers began to organise unions after structural adjustment while workes in Thailand also attempted to organise union during structural adjustment.

It was Samsung SDI where Samsung's primitive and brutal way of handling those who refuse to be part of Samsung value was revealed clearly. In 1998, Samsung SDI pushed forward structural adjustment and laid off 700 to 800 workers through voluntrary retirement. Song Soo-geun, a representative of SDI's employee-employer council, together with 14 other council members, visited the HQ of SDI and protested against further structural adjustment. In response, Samsung SDI laid him off after several attempts to persuade and intimidate him, kidnapping him on his way to a protest demonstration with KCTU. His colleagues were either transferred to Tianjin (China) and Malaysia or beaten by the management (Cho 2006, p. 63). The kidnapped Song was dragged to the east coast of Korea and threatened with being buried alive by managers and staff. He was released only after swearing to be involved no longer in unionising. After a couple of years, other organisers sued Samsung SDI after they found that the company tracked their mobile phones using the 'friends finding service'. According to the organisers, Samsung illegally copied the inbuilt information of their mobile phones and subscribed to the 'friends finding service' with local wirless communication service providers. Even more surprising, the service subscribers were all dead, i.e., SDI are suspected of using the information of dead peoples' mobile phones trying to avoid evidence of surveillance (Cho 2006). In almost all the unonising attempts, Samsung management did not hesitate to use violence, intimidation, buying off, and other illegal and inhumane methods.

The victims of Samsung's union busting testify that Samsung has a systematic way of handling unionising attempts, coordinated by the HQ of Samsung conglomerates through 'regional task forces' set up in every province where Samsung subsididaries exist. This task force's primary purpose is to follow suspected organisers everywhere they go. Once identified by a task force, managers shadow organisers in and out of workplaces. Eventually, most organisers have to either take voluntary retirement with compensation or go to foreign subsidiaries.

While there are increasing attempts to unionise Samsung despite sheer union busting, workers laid off during structural adjustment have been organised to reclaim their rights, establishing a nationwide Committee for Samsung Workers Reinstatement in 2000. Structural adjustment, according to the committee, awoke Samsung workers who had been trapped by the myth of Samsung.

Samsung must know that citizens and Samsung workers would no longer be possibly manipulated by Samsung's dirty tricks that pretend to respect human beings

with their bloodied hands and face of a beast hidden behind:

> We Samsung workers realised, during the structural adjustment in the economic crisis and IMF bail-out, that Samsung is not permanent workplace and we can be removed whenever necessary for sake of the Lee Royal family. (*Committee for Samsung Workers' Reinstatement, 9 Feburuary 2000, quoted from Kim and Lee 2002*)

It is increasingly clear that Samsung's mythical world has been undermined by its own success on the basis of full-scale marketisation of labour relations. It seems that there is not much room for Samsung to constrain Samsung workers who began to see the reality behind its myth of being a global leader for workers. Multiple divisions among the Samsung workers are likely to continue as long as there is a fresh workforce pursuing the dream of Samsung. However, it is also clear that the sheer competition and dehumanisation that the new workers experience will push many of them to refuse to be part of it.

Conclusion

We have followed Samsung from its establishment as a dried fish trader and noodle maker to a well-recognised TNC equipped with modern technology and business management as well as large global market domination. The history of a corporate Samsung has been addressed, contrary to numerous books and articles on Samsung in which Samsung's success is described as if it is solely because of the mighty, multitalented, and ultra-open-minded chairman, in the context of its relation to labour, domestic and global markets, and politics. By doing so, we tried to look at Samsung as amalgamated relations between employer and workers, between competitors in the market, between the political and economic, and between national economies. As to Samsung as a corporation, it seems that Samsung has been managing all aspects of its relations to the surroundings from which Samsung's success story cannot be separated. Samsung managed to quickly learn from its experiences in these relations and turn them into a corporate energy and strategy by which it develops to another stage. It achieved its initial accumulation on the basis of the old landlord-dominated social structure, colonialism, war and aid-based reconstruction. It took advantage of the old structure and quickly became part of the new structure by moving faster than others. Later, it took advantage of monopolistic market guaranteed by direct political alliance and unlimited supply of labour in the urbanisation of Korea.

Samsung faced the first serious challenge from labour in the late 1950s but overcome it by utilising union busting tactics and strong control over collective labour by the new military government later. In the 1960s and 1970s, and partially in 1980s, Samsung was riding the developmentalism of politicised development with the military government at the centre, moving toward heavy industry and electronics, founding the basis of modern Samsung. Taking maximum advantage of its monopoly status in the protected domestic market, Samsung became an

export-driven corporation by the end of the 1980s. Regarding the challenge of labour in the 1980s, Samsung exercised sheer union busting tactics more succcessfuly than other big corporations on one hand, but had to pay more economic compensation than others by excluding the option of political compensation. Although Samsung needed to pay its workers more and spent more money on corporate welfare, they could have, thanks to increasing economic compensation, the most dedicated hard working workers. On the other hand, Samsung started globalising itself, taking advantage of cheap production costs, including labour, in developing countries and avoiding the pressure from competition in the global market. It also diversified products and business areas with a technology drive. In response to a labour-costly Korea, Samsung developed a complicated HRM system of its own, making close links between different working units' performance and economic compensation. By doing so, Samsung created a number of divisions between the core and peripheral among its workforces that founded the identity of Samsung-man. Grasping the core and exploiting the peripheral became the way of running business since the 1990s. However, Samsung workers seemed less satisfied than before. The sheer restructuring of all time made workers recognise the way in which their labour created value at the expense of their body and soul. More and more labour disputes occurred and Samsung seems not to have many different options than costly union busting. But things could have been worse since Samsung could not increase economic compentation for peripheral workers and this stopped Samsung creating the mystification that Samsung enjoyed with the core groups of workers. As restructuring becomes common and more sort of daily life both at the core and perisheral, Samsung's no-union policy is increasingly under pressure.

Samsung moves. It moved from one industry to others by diversifying its businesses. It moved from Korea to Asia, America, and China, from low-tech to high-tech, and transistor radio to semi-conductor. Every move, as we saw above, was caused by the old challenges and created new challenges. It developed in the space created by itself, labour, the state and competitors. Indeed, it is in a constant struggle with labour, the political, as well as markets. One might say that Samsung's moves were largely successful. In these movements, Samsung figured out successfully how to mobilise labour in a way that workers are dedicated to their work. They learnt how to link individual and collective work units to individual and collective compensation. However, it is too early to say that Samsung will manage to overcome future challenges in the way it did. It seems that Samsung will have more and more difficulty in handling labour, which started reclaiming its soul and collectiveness in the last few years, unless it gives up the exclusion of political compensation and recognises that the capitalist ideal is a mere ideal and Samsung, as a capital, cannot resolve the intrinsic contradiction of capital. Most of all it was exploitation of workers that made today's Samsung.

REFERENCES

Ahn, Joo-yup, Jun-mo Cho and Jae-ryang Nam 2001, *Bijeongyugeunroui Siltaewa Jeongchaekwaje* (The Reality of Irregular Work and Policy Imperatives), Unpublished working paper, Seoul: Korea Labor Institute.

Burkett, Paul and Martin Hart-Landsberg 2000, *Development, Crisis, and Class Struggle: Learning From Japan and East Asia*, New York: St Martin's Press.

China Labour Bulletin 2004, 'Dagongmei - Female Migrant Labourers', *http://www.china-labour.org.hk/iso/article.adp?article_id=5282&category_name=Economic%20Reform*

Chinese Bureau of National Statistics 2002, *Chinese Statistical Yearbook*, Beijing: Chinese Statistics Press.

Cho, Don-moon 2006, 'Inganjonjung Samsung Chaebol Munojojeonryakui Siljae: Samsungnodongjadeului Nodongjohap Gyeolseongsidoui Eoyksa' (The Reality of the No-Union Policy of the Human-Respecting Samsung Chaebol: The history of attempted unionising by Samsung workers), a paper presented at *the 1st Seminar on the Light and Shadow of Samsung*, Alternative Alliance Committee, Seoul Korea, 31 March 2006.

Cho, Yoon-je 1998, 'Financial Reform Experience of Korea', *Working Paper No 98-04*, Graduate School of International Studies, Sogan University, Seoul: Sogang University.

Cho, Yoon-je 1999, 'The Political Economy of the Financial Liberalization and Crisis in Korea', *Working Paper No.99-06*, Graduate School of International Studies, Seoul: Sogang University.

Choi, Ihn-hee 2006, 'Samsung Nodongjaui Sam: Gwaliui Munhwawa Nodongjaui Daeeug' (The Life of Samsung Workers: the Culture of Control and Workers Response), a paper presented at *the 3rd Seminar on the Light and Shadow of Samsung*, Alternative Alliance Committee, Seoul Korea, 16 May 2006.

Clarke, Simon 1988, *Keynesianism, Monetarism and the Crisis of the State*, Cambridge: Edward Elgar.

Council of Korean Trade Union 1997, *Jeonnohyeopbaekseo Vol. 1* (Council of Korean Trade Union White Paper Vol. 1), Seoul: CKTU.

Cumings, Bruce 1987, 'The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycle, and Political Consequences', in Frederic C. Deyo (ed.) *The Political Economy of the New Asian Industrialisation*, Ithaca: Cornell University Press.

Cumings, Bruce 1997, *Korea's Place in the Sun: A modern History*, New York: Norton.

Federation of Korean Trade Union 1979, *Hanguknodongjohapundongsa* (The History of Korean Trade Union Movement), Seoul: FKTU.

Gomez, E. T. and Jomo K. S. 1997, *Malaysia's Political Economy: Politics, Patronage and Profits*, Cambridge: Cambridge University Press.

Gyunghyang Daily News, 27 October 1970.

Haggard, Stephan 1990, *Pathways from the Periphery: The Politics of Growth in the Newly Industrialising Countries*, Ithaca: Cornell University Press.

Haggard, Stephan and Chung-In Moon 1991, 'Institutional and Economic Policy: Theory and a Korean Case Study', *World Politics*, Vol. 42, No. 2, pp. 210-37.

Haggard, Stephan and Chung-In Moon 1993, 'The State, Politics, and Economic Development in Postwar South Korea', in Hagen Koo (ed.) *State and Society in Contemporary Korea*, New York: Cornell University Press.

Hart-Landsberg, Martin 1993, *The Rush to Development: Economic Change and Political*

Struggle in South Korea, New York: Monthly Review Press.

Hart-Lansberg, M and P. Burkett 2004, 'China and Socialism: Market reforms and Class struggle', *Monthly Review*, 56, 3:7-123.

Hoam Foundation 1997, 'Ho-am, Byung Chull Lee', *http://www.hoamprize.org/english/hoam/frame1.htm*

Huh, Sang-su 2004, 'Saneop Nodongjaui Chogi Hyeongseongwa Jeokeung: 1970nyeondae Jeonjahoesareul Jungsimeuro' (The Early Formation and Adaptation of Industrial Workers: Focusing on Electronics Enterprises in 1970s), in Jong-gu Lee at all. (eds.) *1960-1970 Nyeondae Hangukui Sanoephwawa Nodongja Jeongchaeseong* (Industrialisation of Korea and Workers' Identity in 1960s and 1970s), Seoul: Hanul Publishing House.

Ihn, Jeong-sik 1946, *Chosonui Tojimunje* (Land Problem in Joseon), Seoul: Cheongsusa.

Jeong, Joo-yeon 1997, 'The Recent Evolution of Korean Enterprise Bargaining: A Neglected Face of Korean Industrial Relations', *The Journal of Labour Studies*, No. 14, pp. 52-69.

Kang, Jun-man 2005, Lee Gun-hee Era, Seoul: Inmulgwa Sasang Publisher.

Kim, Dong-wook 1988, *Cheongubaekchilsimnyndae Nodongjeongchaekegwanhan Bunseokyeongu* (An Analytical Research on Korean Labour Policy in the 1970s), MA dissertation, Department of Sociology, Sogang University, Korea.

Kim, Eun Mee 1997, *Big Business, Strong State: Collusion and Conflict in South Korean Development, 1960-1990*, New York, State University of New York Press.

Kim, Eun-Mee 2000, 'Globalisation of the South Korean *Chaebol*', in Samuel Kim (ed.) *Korea's Globalisation*, Cambridge: Cambridge University Press.

Kim, Hyung-gi 1988, *Hangukui Dokjeomjabongwa Imnodong: Dokjeomjabonjuuiha Imnodongui Irongwa Hyeonsangbunseok* (Monopoly Capital and Wage Labour in Korea: An Analysis of the Theory and Phenomena of Wage Labour under the Subordinate Monopoly Capitalism), Seoul: Ggachi.

Kim, Hyun-gi 1997, *Hanguk Nosagwangyeui Jeongchigyeongjehak* (The Political Economy of Korean Labour Relation), Seoul: Hanul.

Kim, Min Jeong 2006, 'Samsungeseo Bijeongyunodongjadoegi, Salagagi, Guerigo Haegodanghagi' (Becoming Irregular Worker, Surviving and Being Laid-off in Samsung), a paper presented at *the 3rd Seminar on the Light and Shadow of Samsung*, Alternative Alliance Committee, Seoul Korea, 16 May 2006.

Kim, S. Ran 1996, 'The Korean System of Innovation and the Semiconductor Industry: a Governance Perspective', *Working Paper for the Science Policy Research Unit/Sussex European Institute*, University of Sussex, U.K.

Kim, Seong-hee and Park Hyeon-my 1999, *Jeonjasaneop Dagieopui Nosagwangaewa Jakoepjangcheje* (Labour Relations and Workplace Regime in Big corporations in Electronics Industry), Seoul: FKTU.

Kim, Seong-hwan and Lee Jeong-my 2002, *Byeoranggeutaeseo Huimangeul Umkyeojoego* (Holding the Hope at the Edge of a Cliff: A Whitebook of Samsung's Suppression of Workers), Seoul.

Kim, Yun-hwan 1983, 'Geundaejeok Imgeumnodongui Hyungseongwajeong' (The Process of the Formation of Modern Wage Labour), in Kim et al. (eds.) *Hanguk Nodongmunjeui Insik* (Understanding Korean Labour Problems), Seoul: Dongnyeok.

Kim, Yu-Seon 2001, *Bijeonggyujikui gyumowasiltae* (The Scale and Reality of Irregular Workers), http://klsi.org/pds/downadd.asp?wp_id=123, Korea Labour & Society Institute.

Kohil, Atul 1994, 'Where Do High Growth Political Economies Come From? The Japanese

Lineage of Korea's "Developmental State"', *World Development*, Vol. 22, No. 9, pp. 1269-93.

Koo, Hagen 1993, 'The State, *Minjung*, and the Working Class in South Korea', in Hagen Koo (ed.) *State and Society in Contemporary Korea*, New York: Cornell University Press.

Koo, Hagen 2000, 'The Dilemmas of Empowered Labour in Korea', *Asian Survey*, Vol. 40, No. 2, pp. 227-50.

Koo, Hagen 2001, *Korean Workers: The Culture and Politics of Class Formation*, Ithaca: Cornell University Press.

Korean Confederation of Trade Unions (ed.) 2002, *A Collection of the Analyses of Cases of the Struggle of Irregular Workers (*Bijeongyujik Tujengsarey Bunseok Toronheo Jaryojip*)*, Seoul: KCTU.

Korean Federation of Transportation, Public and Social Service Union (KFTPSU) 2002, *Gonggongyunmaeng BijeongyuNodongja Siltaejosagyulgwa* (A Report on Irregular Workers in KFTPSU Affiliated Firms), Seoul: KETPSU.

Korean Institute for Labor Studies & Policy (KLISP) et al. (eds.) 2000, *Gujojojeongwa Hyunjangtongje Deungjeonryak* (Structural Adjustment and Counter-Strategy to Workplace Control), Seoul: Nodongjeonseon.

Korean National Council of Churches (KNCC) 1984, *Nodonghyeonjangwa Jeungeon* (Workplace and Testimony), Seoul: Pulbit.

Korean National Statistics Office 2002, 'The Ratio of Net Income to Sales in Manufacturing', *http://kosis.nso.go.kr/cgi-bin/html_out.cgi?F=X2c1da_r503e.html*

Kwon, Hye-ja 2001, 'Kim Dae-jung Jeongbuui Goyongjeongchaekpyeonga' (An Evaluation of the Employment Policy of the Kim Dae-jung Government)', in Hye-ja Kwon et al. (ed.) *Kim Dae-Jung Jeongbuui Nodonggwanryeonjeongchaekpyeonga* (An Evaluation of Labour Policy of the Kim Dae-jung Government), Seoul: FKTU.

Lee, Byungchon 1999, 'Hangukui Gyeongjewigiwa IMF Cheje: Jongsokjeok Sinjayujuuiui Moheom' (Korean Economic Crisis and IMF Regime: An Adventure of Dependent Neo-liberalism), in the Korean Social Economics Society (ed.) *Sinjayujuuiwa Gukgaui Jaedojeon* (Neo-liberalism and the Re-challenge of the State), Seoul: Pulbit.

Lee, Byung-hee and Deok-soon Hwang 2000, 'Gyeongjewigiihu Nodongsijanggujoui Byeonhwa' (The Change in the Labour Market Structure after the Economic Crisis), in Jin-ho Yun and Choel-gyu Yu (eds.) *Gujojojeongui Jeonchigyeongjehak* (The Political Economy of Structural Adjustment), Seoul: Pulbit.

Lee, Han-gu 1997, 'Ho-ameul Dasi Bonda' (Rethinking Ho-am), *http://www.hoamprize.org/korean/hoam/frame1.htm*

Lee, Honggue 1993, *Globalization of the Korean Electronics Industry*, working paper, Seoul: Korean Development Institute.

Lee, Kang-kook 1998, 'Change of the Financial System and Developmental State in Korea', a paper presented in *World Institute for Development Economics, http://www-unix.oit.umass.edu/~kklee/study/change-e.doc*

Lee, Sang-chul and Jae-heon Ryu 1993, 'Gujojojeongui Baljeon' (The Development of the Structural Adjustment), in Korean Association for Industrial Society Studies (ed.) *Hangukgyeongje Gujojojeongwa Nodongjagyegeup* (The Structural Adjustment of the Korean Economy and the Working Class), Seoul. Nokdu.

Lee, Seung Hyeop 2006, 'Samsung Injeokgwalisystemgwa Heonsinui Dongwon' (Samsung's Human Resource Management and the Mobilisation of Dedication), a paper presented at *the 2nd Seminar on the Light and Shadow of Samsung*, Alternative Alliance Committee, Seoul

Korea, 2 May 2006.

Lee, Young-youn and Hyun-hoon Lee 2000, 'Korea: Financial Crisis, Structural Reform and Social Consequences', in Tran Van Hoa (ed.) *The Social Impact of the Asia Crisis*, Basingstoke: Palgrave.

Lim, Hwi-cheol 1998, 'Sanoepgyeonje' (Industrial Economy), in Korean Social Science Institute (ed.) *Diagram Hangukgyeongje* (Diagram Korean Economy), Seoul: Uiam Publishing.

Lockwood, William 1968, T*he Economic Development of Japan: growth and structural change*, Princeton: Princeton University Press.

Ogle, George E. 1990, *South Korea: Dissent within the Economic Miracle*, London: Zed Books.

Park, Chung-hee 1970, 'The Dawn of a New Era: Inaugural address on 17th December 1963', in Shin Bum-shik (ed.) *Major Speeches By Korea's Park Chung Hee*, Seoul: Hollym Corporation Publishers.

Republic of Korea 1999, 'Overcoming a National Crisis, The Republic of Korea Rises Up Again', *http://www.ced.go.kr/english/library/reference/text/1year2.php*

Samsung Electronics 2005, Annual Report, http://www.samsung.com/AboutSAMSUNG/ELECTRONICSGLOBAL/CompanyProfile/AnnualReport/pdf/2005/Samsung_AR2005_e.pdf

Seo, Dong-hyuk, Lee Gyeong-sook and Kim Jong-gi 2004, *Hanguk Jeonjasanoepui Globalhwa Yoenhyangbunseokgwa Daeeungjeonryak* (An Analysis of the Effect of the Global Strategy of the Korean Electronics Industry and Its Strategy to Respond), Korea Institute for Industrial Economics and Trade.

Silver, Beverly J. 2003, *Forces of Labor: Worker's Movements and Globalization since 1870*, Cambridge: Cambridge University Press.

Sisa-Journal 20 September 2005, No. 830-1.

Song, Won-geun 2006, 'Samsung Chaebol Gyeongjaengryeokgwa Seonjangui Geuneul', (The Shadow of the competitiveness and growth of Samsung Chaebol), a paper presented at *the 2nd Seminar on the Light and Shadow of Samsung*, Alternative Alliance Committee, Seoul Korea, 2 May 2006.

Suh, Jae-jin 1991, *Hangukui Jabonga Gyeguep (The Korean Capitalist Class)*, Seoul: Nanam.

The Korea Economic Daily 2002, *Samsung Rising: Why Samsung IS Strong?*, Seoul: The Korea Economic Daily.

Yu, Bum-sang 2001, 'Cheongubaekpalsipcilnyeon Nodongja Daetujenggwa Saeroun Nodongundongjihyeongui Hyeongseong' (The Great Workers' Struggle in 1987 and the Establishment of a New Configuration of Labour Movement), in in Choi et al. (eds.) *Cheongubaekpalsipchilnyeon Ihu Hangukui Nodongundong* (Korean Labour Movement After 1987), Seoul: KLI.

Zhang, J. 2003, 'Urban Xiagang, Unemployment and Social Support Policies', a paper presented in *China Labor Market Policies Workshop*, World Bank Institute, Beijing.

WEB SITE REFERENCES

Korea Export-Import Bank 2005 web data base, http://www.koreaexim.go.kr/kr/oeis/m03/s01.jsp

Samsung Electronics Korea Website, http://www.sec.oc.kr

Samsung Electronics Website, http://www.samsung.com/

NOTES

1 In particular, export of cotton cloth marked a 185% increase from 1913 to 1918 (Lockwood 1968, p. 38).

2 In 1960, large-scale corporations paid more than SMEs. However, this also reflects the difference between white-collar workers in large-scale enterprises and blue-collar workers in SMEs. In the 1960s, there was not yet a big differentiation between workers in the large-scale factories and those in SMEs since there was not hierarchically integrated subcontracted chains yet. It was the case particularly in the textile industry (Kim, H G 1988, p. 200). Therefore, it would be inappropriate to say that there was a big gap of working condition and pay between large-scale enterprises and SMEs.

3 The total number of wage workers increased from 2,414,000 in 1960 to 3,787,000 in 1970. Particularly, manufacturing workers appeared to lead this by doubling its size between 1960 and 1970 (417,622 in 1960 to 995,981 in 1970) (Koo 1990, p. 673).

4 Those migrated workers from rural areas in labour intensive industries, particularly textiles, were predominantly young women workers, who were regarded by and large as a surplus labour force in rural families.

5 The fact that seven of the first 10 directors of the Labour Administration had been from important positions in the police department since its establishment in 1963 (Kim, DW 1988, p. 40) shows that labour regulation relied on direct intervention based on force and surveillance.

6 The number of subsidiaries owned by the largest 30 *chaebols* increased from 126 in 1970 to 348 in 1979, due to new investment in heavy industries.

7 For many, after work hours become another work time to commodify themselves by learning new skills, for example, English.

8 Korea Export-Import Bank 2006 web data base http://www.koreaexim.go.kr/kr/oeis/m03/s01.jsp

9 Workers with *xiagang* status are in theory still employed by the firms, paid basic and medical allowances, and offered three years of recruitment training in state training centres. *Xiagang* status lasts for three years and workers who cannot find work within this time become officially unemployed. Contrary to theory, many *xiagang* workers do not enjoy protection as the firms often ignore entitlements and local government, which is supposed to supplement the cost, has no budget for it. Many of them end up in informal employment.

10 The All China Federation of Trade Unions did not play an important role, not to mention a leading role, in protecting workers. Rather than representing the workers, it functions as a transmission belt from state to workers by endorsing the state's restructuring programme.

11 After accession to the WTO, the Chinese state introduced more relaxed regulations on foreign investment, increasing the encouraged industrial sectors from 186 to 262 and decreasing the restricted sectors from 112 to 75.

CHAPTER 2

SAMSUNGISATION OR BECOMING CHINA? THE MAKING OF THE LABOUR RELATIONS OF SAMSUNG ELECTRONICS IN CHINA

MONINA WONG

INTRODUCTION

This article uses the example of the electronics industry and Samsung Electronics in China to show how the Chinese state has used marketisation to solve the contradictions of the socialist economy. The case study also demonstrates exactly how foreign investment is capitalising on such contradictions to achieve globalisation strategies. The article begins by following the evolution of China's economic reform from 1979 to the present drawing particular reference from the electronics industry to illustrate how, in different stages, marketisation achieves recapitalisation for economic reform; and that the state's market protection policy strengthens the reforming Chinese capital in the 1980s and early 1990s. Yet the state-led capital strategy resulted in financial crisis as fundamental contradictions within Chinese state-capital relations unfolded in the late 1990s. With China's accession to the World Trade Organisation (WTO), globalised marketisation is the path that China cannot avoid and yet that aggravates existing problems. The illustration is followed by tracking the corporate development of Samsung Electronics in China, which demonstrates how foreign capital accomplishes the globalisation strategy by mediating with these internal contradictions of China in three particular aspects namely foreign acquisition of the domestic market, the restructuring and liquidation of state-owned capital, and the de-collectivisation and informalisation of labour used increasingly by the state to resolve the unemployment problem that inevitably arises. Yet the success of Samsung in China is not just the success of the corporate strategy of an individual capital. The article argues that the capital accumulation of Samsung in Korea was based on the particular Korean state-*chaebol* politics and its

suppression of labour in the mother country. By analysing the particular labour practices of Samsung Electronics in China, the article further argues that the absence of reciprocal social relations in China determines the particular 'Samsungisation' of shop floor labour relations in its Chinese subsidiaries as both a reduced version of the Korean company's labour strategy and an adaptation to the particular labour relations system in China. The future of labour relations in Samsung Electronics in China is therefore related to the development of the social contradictions and corresponding labour struggles in general, not particular, capital-labour relations in the country.

1. Economic Reform And The Devleopment Of The Electronics Industry In China

Separating State, Enterprise and Capital - the Sixth and Seventh Five-Year Plans, 1981 - 1990

Under the socialist economy, the electronics industry in China was state-owned, operating under the Bureau of National Defence that served the needs of national security and the military. Production of consumer electronics goods was considered a sign of capitalist individualism and before the implementation of the open door policy in 1979, civilian electronics products shared only 27 percent of the production of all the electronics state-owned enterprises (SOE) (Lu 2002). On the eve of the economic reform, the industry, as with other industrial sectors, was suffering from low technology, low economic output, and low labour productivity due to isolation from the world economy. In the Third Plenum of the Eleventh Central Committee of the Chinese Communist Party in 1978, the state decided to use marketisation to separate the state, capital and labour to resolve the political-economic legacy of the socialist economy. The breakthrough in the electronics industry came first of all in a meeting of all the major electronics SOEs in 1980 in which the policy shift to developing a civilian and consumption oriented electronics industry was adopted. Development of the industry was prioritised in the Sixth Five-Year Plan (1981-1985) and the Seventh Five-Year Plan (1986-1990), which targeted the growth of the electronics sector in the share of national industrial output value from 1.4 percent in 1980 to three percent in 2000 (Lu 2002). The central state took the lead to withdraw officially from the sector with the establishment of the Ministry of Electronics Industry (MEI) and 64 percent of the budget on the promotion of the electronics industry was allocated to reorganise low-efficiency state capital. Thereby in1986, a total of 187 electronics SOEs directly under the defence bureau were merged or put under the administration of provincial and municipal governments that would be in better position to seek private means of recapitalisation (Lu 2002). At enterprise level, further withdrawal of the state in the management of production and labour signified the beginning of the transformation of Chinese capital to one modelled on the capitalist system[1]. On the one hand, state and administrative subsidies to underperforming electronics SOEs was cut. Under the two administrative orders passed in 1979, namely *Provisional Methods for Expanding the Autonomy of Enterprises* and *Provisional Methods*

about Submission of a Fixed Profit Amount of the Electronics Enterprises, SOEs were given a three-year holiday on profit submission. Enterprises were expected to finance their operations through retained earnings and loans from state banks on an interest-payment basis. On the other hand, the power of management over production and use of labour was enhanced to stimulate productivity under the *Implementation Methods on the Provisional Rules of the State Council about Further Expansion of the Autonomy of State-Owned Enterprises* issued in 1984. The planned economy was replaced step by step by market operation and the role of the state was further reduced to general policy regulation except in a few strategic areas. The management had full rights to retain profits, procure materials, fix prices and sell products above regulated prices after meeting state targets, and to reallocate resources through mergers with other SOEs for increased efficiency and better utilisation of resources. The introduction of the labour contract system in 1984 gave a final blow to the tenure employment of SOE workers, allowing SOE management to recruit, dismiss and use flexible labour such as temporary, seasonal, and rural labour based on the needs of the market; and the wage system was replaced with one based on individual performance. These policies in the 1980s marked an important step preparing for the privatisation of SOEs in the next decade.

The same process took place in research and development (R&D) in order to support the import substitution policy and develop technological autonomy in the electronics sector. The Tenth, Fourteenth and the Nineteenth Research Institutes were merged with the Bureau of Production and Technology and the Electronics Science Research Institute was established under the MEI in 1982 and 1983 respectively. State R&D institutes also gained financial and management autonomy under the *Supplementary Rule on Experimenting the Paid Contract System in the Administrative Expenses of the Research Institutes (1984),* the *Opinions on Reforming the Technological Institute of the Electronics Industry (1985)* and the *Notice about Furthering the Electronics Technology Reform (1987)*. Due to lack of capital, these changes actually pushed the state-owned R&D institutes towards capitalist operation through cooperation with private corporations and foreign invested enterprises (FIE) or forming profit-making companies on their own. As a result, out of the 50 R&D institutions under the MEI, 48 of them either owned or operated a total of 204 profit-making organisations or companies including 37 joint ventures (Lu 2002). Legend Computers, which later became Lenovo Computers, for instance was the most successful private company formed under the Chinese Academy of Science whereas Great Wall Computers was a spin-off of the MEI. As a result, first stage marketisation succeeded in rejuvenating state capital and the infrastructure of the electronics industry on a central state budget of only 1.1 percent, 0.7 percent and 0.5 percent over the three five-year plans from 1981-1995 (Lu 2002). The transformation of state capital in the electronics industry was basically accomplished through privatisation and marketisation.

To further improve the productivity of Chinese capital in the electronics industry however necessitated import substitution and the construction of a stable national

market to achieve economies of scale and autonomy especially in core technology and components. Foreign direct investment (FDI) in the electronics sector in the early 1980s sought to use China as a processing base for low value added and labour intensive manufacture and assembly of components for export. The central state intervened under the Seventh Five-Year Plan (1986-1990) to directly promote and protect the market of a number of identified consumer electronics goods. National consumer electronics projects were launched by the government such as the colour TV project in the 1980s, and the video cassette recorder (VCR) and computer manufacturing projects in the 1990s. However, as 70-80 percent of colour TV components were imported, the state had to directly invest in developing or licensing core components manufacturing e.g. the integrated circuit (IC). Indirect intervention was disguised as part and parcel of the stepped-up enterprise reform that focussed on facilitating SOEs' and privately owned enterprises' (POE) access to loans and land through state banks and local governments. At the same time, transnational companies' (TNC) access to the local market was barred by high tariffs (for instance 82 percent for foreign brand computers in 1992), quotas on local market sales, and restricted access to local distribution channels under a licensing system. Direct state intervention in this period boosted the growth of the production of local TV and related electronics items by 31 percent between 1986 and 1990 and Chinese companies achieved 100 percent local production in colour TVs. The protective measures made foreign electronics goods un-competitive and successfully promoted a number of large-scale local electronics companies and brands. The Sixth and Seventh Five Year Plans therefore ended with the manufacture of 114million black and white TVs, 476million colour TVs, 147million cassette recorders, and the manufacture of national washing machines and refrigerators (Lu 2002). Export of electronics components also escalated.

Emergence of Contradictions in Capitalisation and Labour - the Eighth and Ninth Five-Year Plans, 1991 - 2000

Yet direct state support as well as the import substitution and market protection policy formed an oligarchic market in which five or six prominent state-owned or affiliated enterprises dominated up to 60 percent of the colour TV sector (Luo 2005). Duplicative investment, over-production, and relative underdevelopment of the rural consumer market finally led to keen competition within domestic capital and launched eight price wars in the colour TV sector between 1996 and 2002. The first price war shrank the market price by 18 percent (Li, Ying 2004) costing an economic loss of the national capital of RMB14.7 billion (*China Youth News*, 28 October 2000). Corrupt practices of SOE management and government bureaucrats which led to unprecedented inflation and overheated economy that directly contributed to the political crises of the state in 1987 and 1989 further affirmed the fact that Chinese capital still tied with affiliation to the state had not really achieved market efficiency and regulation. More radicalised restructuring of the SOEs therefore replaced revitalisation in 1990s resulting in unprecedented shrinking of the SOE sector. The blessing of Deng Xiaoping in 1992 behind the slogan of 'Building the Socialist

Economy with Chinese Characteristics' loosened the final ideological string to full-scale marketisation. On the one hand, means of all sorts were used to privatise the SOEs such as further promotion of joint ventures, mergers, liquidation, complete and partial buyouts by private investors, recapitalisation into mixed shareholding cooperatives or companies etc. On the other hand, through the administrative power of the central state, inefficient state capital was kicked out from the market. The 'Retain the Big Ones and Let Go the Small Ones' strategy left only the 1,000 largest SOEs under state funding and operation. About 100 centrally run and 2,500 locally run SOEs were turned into limited liability or shareholding companies whereas others were simply closed down in the 1990s (Lu 2002). On that basis, the 'Large Scale Company Strategy' (LSCS) was developed by the MEI in 1993 to maximise state support for six reformed SOEs[2] in TV, VCR, and computer manufacturing (ICT companies were included in 2004). LSCS was aimed at promoting a number of Chinese electronics conglomerates to accomplish the unfinished task of vertical integration particularly in the development of core technology.

Despite that, deeper contradictions in the financing and capitalisation of economic reform emerged after the mid-1990s. With the withdrawal of direct administrative funding to SOEs, loans from state banks became almost the only source of capitalisation for SOE restructuring. Yet, the non-commercial mission of state banks to finance the SOEs and the protective pressure from local government to lend to inefficient enterprises even on duplicative investments led to huge bad debt problems. The vicious cycle also drove the state banks and local government to speculate in real estate and stocks resulting in the accumulation of even more bad loans. The bubble in the real estate and stock market was saved from bursting in 1994 by government intervention and devaluation of RMB (Chan 2005). Although not directly implicated in the financial crisis in 1997 in Asia, the internal contradiction in the capital structure of the Chinese economy was alarming as the size of non-performing loans (NPL) rose to 20 percent of Gross Domestic Product (GDP) (US$960 billion) in 1998 (Chan 2005). Quick and effective transformation of negative state assets and capital was needed. The government measure adopted in 2000 to allow the Assets Supervision and Administration Commission (ASAC) and the asset management companies (AMC) to swap the SOE debt for shares resulted in a US$40.5 billion debt-to-equity swap and the average asset-liability rate drop from more than 70 percent to less than 50 percent in the SOEs involved (Zhou, Dayong 2003). Yet it was only nominal and by no means could it be interpreted as lessening the bad debt problem of the state banks[3] (Hart-Landsberg and Burkett 2004: 57). Finally real insolvent capital was pressured to go bankrupt leading to unprecedented closures of SOEs and lay-offs between 1998 and 2001 (Hart-Landsberg and Burkett 2004). On the other hand, thanks to the international trade wars in semiconductors and electronics goods in the late 1980s between North Asian countries and the US and Europe, transnational capital that possessed higher capital and technology intensity was reconsolidating the globalisation strategies that resulted in the second wave of electronics FDI inflow in the 1990s. FDI and private investment was therefore

increasingly sought as a major source of capitalisation in this period in China. While the number of FIEs in the sector was only 536 and the amount of utilised foreign investment was US$607million in 1988 (Lu 2002), the number of FIEs rose to 7,000 in 1996 and more than 10,000 in 2001 (NBS 2003). Prominent companies such as IBM, Motorola, Nokia, Sony, Sanyo, Samsung etc. either started or began systematically to increase direct investment in China in this period. Almost without exception, these companies began with entering into joint ventures either with reformed SOEs or investment companies affiliated to local government as part and parcel of the state strategy to improve the profitability of state capital. As a result, the asset value and industrial output value of shareholding electronics companies rose to 17 percent of the whole sector and that of the FIEs rose to share 36 percent (of total asset value) and 45 percent (of the total industrial output) in the same year (Ministry of Information Industry, 1999). The number of workers employed in electronics FIEs reached 1.96 million in 2001 (NBS 2003). The policy of FDI-led export oriented industrialisation of the electronics sector and supportive government policies through the Ministry of Information Industry (former MEI renamed) and the Ministry of Economics and Foreign Trade (later renamed Ministry of Commerce or MOFCOM) in establishing high-tech industrial parks, zero-import/export dues, credit loans, export insurance etc. also paid off. The electronics industry has become one of the most vibrant in China and electronics export rose from 12.7 percent of the total national exports in 1999 to 28 percent in 2005 (Table 1, Ministry of Commerce 2002, 2006).

Table 1: Export statistics of the new high-tech industries* in China, 1996-2005

Year	Export value (US$100 m)	Annual growth ratio (%)	Share in total export volume (%)
1996	126.6	25.5	8.4
1997	163.1	28.8	8.9
1998	202.5	24.2	11
1999	247.04	22	12.7
2005	2,183	-	28

* Computer manufacturing, telecommunication, new materials and electronics industry

Source: Consolidated statistics from MOFCOM

While Chinese capital was using state power and the space opened by the mobility of international capitals to reform themselves and outcompete each other, the social cost of the restructuring was paid directly by the state and Chinese labour. Stability in the labour market and the relative smoothness in laying off SOE workers could not be attained without direct state intervention and the simultaneous prolaterianisation of rural labour en masse. Xiagang (a term literally meaning 'off the post'was devised to avoid terming these workers 'unemployed') reached its zenith between 1998-2001 in reaction to the 'let go' policy of indebted SOEs and the ripple effect of the Asian Financial Crisis in 1997. The Asian Development Bank estimated that in 2000 alone nine million SOE workers were laid off and the urban unemployment rate stood at 8.2 percent or 15 million including the xiagang workers (ADB 2001). Between 1998 and 2001, the number of laid off workers reached 25,500,000 (Zhao

2002). The social burden of restructuring went beyond the capacity of individual Chinese capital to absorb. The State Council then approved setting up re-employment service centres administered by the Ministry of Labour and Social Security (MOLSS) in all regions in 1998. The government allocated RMB73.1 billion to establish the *SOE Xiagang Workers Basic Living Protection and Re-employment Fund* and reformed the enterprise-based social security system into a society-based unemployment and pension insurance scheme in 1991 to socialise and share the cost of restructuring. Laid off workers were entitled to basic living grants, social insurance, job training and re-employment services for a period of three years after which they were thrown to the labour market as unemployed. The direct impact of the recapitalisation of the Chinese economy was a corresponding restructuring of the urban workforce and general informalisation of labour. The drastic rapidity in SOE lay-offs first of all resulted in the deterioration of formal employment and a parallel rise in informal employment. International Labour Organisation (ILO) statistics (Table 2) show that between 1996 - 1999, while the number of workers in the SOEs and collective owned enterprises (COE) decreased by 28 percent from 142.6 million to 102.84 million, the number of workers employed in the urban private enterprises and FIEs (including joint ventures) increased by 70 percent and 13 percent respectively (ILO 2002). At the same time, the number of own account workers and those employed in micro enterprises increased by a remarkable 41 percent (ILO 2002). The trend persisted as the number of SOE workers continued to fall by 4.6 million in 2001 and a further 4.8 million by the end of 2002 in contrast to the increase in the non-state-owned sector by three million in the same year (ADB 2003).

Table 2: Changes in employment patterns in urban areas, 1996-1999 (millions)

Year	Total employ-ment	Employed in SOEs	Employed in urban collective enterprises	Employed in private enterprises	Own account and micro-enterprise workers	Employed in foreign owned enterprises and joint ventures
1996	198.15	112.44	30.16	6.20	17.09	5.40
1997	202.07	110.44	28.83	7.50	19.19	5.81
1998	206.78	90.58	19.63	9.73	22.59	5.87
1999	210.14	85.72	17.12	10.53	24.14	6.12

Source: ILO 2002

Secondly, shrinking SOE employment was complemented with the prolaterianisation of rural labour, which increasingly became a main labour force to sustain the continuous trade surplus and high FDI flow to China in this period. Movement of labour, which was strictly controlled in the socialist economy under the rural-urban household registration system, was relaxed de facto under the economic reforms. The number of migrant workers given in the Fifth National Census in 2003 doubled to 140 million from 70 million by 1993, which exceeded 10 percent of the total urban population and accounted for 30 percent of the rural labour force (*People's Daily*, 27 July 2005). This new supply of young rural labour in the cities

was socialised on capitalist relations as both the old labour standard and the labour dispute system lagged behind the transformed state capital relation. For instance between 1979 and the implementation of the revised labour law in 1995, the subject of the labour law was urban SOE and COE workers excluding rural migrant workers despite their growth in urban employment. Moreover the socialist labour relations and dispute system embodied in collective labour mechanisms at the workplace such as the collective contract system, the trade union and the workers' representative congress was exempted, usually under private negotiation between management and local government in the FIEs and POEs as part of the competitive edge of China as the FDI haven. Therefore the new capital in China was allowed to establish despotic workplace relations against a mass of unorganised migrant workers whose residence in the cities was dependent on employment. Indeed the shrinking of the mass base of the only legitimate trade union, the All China Federation of Trade Unions (ACFTU), in relation to that of the SOEs, and the drastic growth of the unorganised migrating workforce transformed labour relations in China to capitalist and individualised. Despite the adjustment of the state to play the role of legislator and regulator in the new social relations (Taylor, Chang, and Li 2003), the implementation of the economic reform necessitated exactly collaboration rather than subjugation of the interests of capital, particularly at local level. This resulted in a surge of isolated labour resistance actions first of all in the heavy industry cities that suffered SOE lay-offs in the late 1990s and later even in the FIE and POE sectors.

The Pharmakon of Full Scale Marketisation - 2000 Onwards

Indeed the contradictions in the recapitalisation and employment strategies of the Chinese economy had escalated so much that deeper embeddedness in the global capitalist economy was the only path to take. First of all, the government's asset management measures could not eradicate the insolvency loans of the state banks despite the nominal swap of figures. According to the 2002 annual report of the Bank of China, total NPL value continued to rise to RMB408.5 billion with a total loss rate of RMB187.4 billion by the end of 2002. The same applies to the China Construction Bank whose NPLs reached RMB268 billion with a loss rate of RMB56.9 billion (Shusong 2004). On the other hand, the anticipation of further opening China's market resulted in a surplus of capital desperate to take on more aggressive investment strategies. Actual FDI continued to reach a remarkable amount-a 20.4 percent increase to US$27.4 billion in 2000 and a 12.5 percent increase to US$52.7 billion in 2002 (ADB 2001, 2003). At the same time, the persistent trade surplus that reached US$44.6 billion and four percent of GDP in 2002 directly contributed to an unprecedented foreign exchange reserve of US$286.4 billion (ADB 2003). This, coupled with the high domestic savings rate, swelled total bank deposits since 2001 to 18.5 percent of GDP in 2004 (Chan 2005). Such contradictions could not be resolved simply through further recapitalisation but expansion of the market through real globalisation of capital[4]. The accession of China to the World Trade Organisation (WTO) in 2001 sustained production capacity and continuous accumulation of Chinese capital as well as employment for Chinese labour. Moreover, in 2002 the government officially

adopted a 'stepping-out' strategy, which approved 24 provinces and municipal cities to initiate and support overseas investment projects of local enterprises. By the end of 2004, the foreign exchange bureau had approved 1,152 overseas investment projects involving Chinese investment of US$5.119 billion (Ministry of Commerce 2005). China's WTO entry indeed provided the opportunity for the state to adopt the twin strategies and yet it could be both medicine and poison. The challenge posed to the competitiveness of Chinese capital of exchanging greater access to the global market with equivalent if not more concession to opening the domestic one remains uncertain. Whereas the implication of intensified market competition on Chinese labour is even less guaranteed.

The electronics sector was therefore immediately faced with the cancellation of tariffs on more than 200 electronics items including computers, semiconductors, ICs and software, which were up to 30-100 percent in 1997 (Zhou, Y C 2006). Commitment to opening the domestic market especially the burgeoning telecommunication market means sacrificing the government efforts to protect the domestic industry and the LSCS. The contradiction was fully demonstrated in the scrapping of the two protective provisions approved by the MEI in the 1990s[5] (Ure 2002). Moreover, the passing of the new *Telecommunication Enterprise Management Regulation for Foreign Investment* in 2000 and the commitment of China to the Information Technology Agreement (ITA) further tied the hands of the central state in subsidising local governments and enterprises under commitment to the WTO[6]. The ITA obliged China to eliminate all tariffs (by 1 January 2005[7]) quotas (by 1 January 2002), subsidies, and other non-tariff barriers on electronics products covered by the agreement. More challenging to the Chinese companies was granting national treatment status to all enterprises in import-export rights, capitalisation and accession to the domestic distribution channels in the country. Indeed China's accession to the WTO turns a new page of fully-fledged competition, which has no turning back option. Although enterprise reform and the LSCS in the electronics sector did result in the emergence of a number of Chinese transnational conglomerates such as Lenovo, TCL, and Haier that were ready to benefit from the 'stepping out' strategy and compete in the global market[8], more electronics companies that are already plagued with duplicative investment, cut-throat competition, and lack of core technology could lose out to foreign enterprises and continue being contained within their global production network.

Though riddled with internal contradictions, the particular way of the continuous incorporation of China and therefore these domestic contradictions into the global capitalist economy distinguishes China, as a strategic country for transnational capital, from other developing countries, as mere processing bases. The urgency to take best advantage of the 'rising China' seems particularly strong for globalised North Asian capitals, which over the years have developed to be competitors of western capitals. In the words of the CEO of Sony for example, China is the automotive at the core of the re-configuration of the Asian market that is key to the vitalisation of the company's global strategy after its launch in the western market in the 1980s

(*Financial Times*, 1 November 2002). Sony has a cumulative investment of US$8 billion in China and is stepping up its China strategy to compensate for the less aggressive investments despite its early landing in China in 1978 (*People's Daily* Online18 August 2003). Sony's Korean rival, Samsung started late but moved much quicker. In 1993, Samsung's first investments in China exceeded US$4.5 billion; it has established more than 90 subsidiaries employing more than 50,000 workers across different sectors in China (Samsung China web site 2006). Samsung Electronics alone directly operates 14 manufacturing facilities, eight sales offices, and four R&D institutes in China, employing more than 23,000 workers (Samsung China web site 2006). Sales revenue earned from China reached US$17.6 billion[9] in 2005 against the company's reported revenue of 57.46 trillion won in the same year (Samsung China web site 2006; samsung.com 2006). More so, while exports contributed 82 percent of the company's revenue, China alone shared US$7.8 billion of the US$50 billion export revenue of the Korean *chaebol* in 2005 (*Financial Times*, 14 April 2006; Samsung China web site 2006). The contribution of China to Samsung, as to other transnational capital however should not be treated as a priori based on a simple reductionist argument of low cost. The movement of Samsung in China is a trajectory of using accumulated market strength of the company and the adapted corporate strategies whose roots lie in the unique state-*chaebol* politics vis-a-vis labour in the home country to mediate and finally benefit from the internal contradictions of the Chinese economy revealed in the state-led economic reform.

2. Samsung Inc. And Movement To China

The Political-Economic Foundation of Samsung Korea

Samsung dates back to a small trading business in Korea in 1938, selling fruits and dried food to Manchuria. Within a decade the company had turned to multi-sectoral manufacturing including food processing, textile and electronics (Samsung web site). The genealogy of the *chaebol* was closely tied to post-Korean War political economy. The Park Chung-Hee Government, which replaced President Rhee's in 1971, sought to secure domestic legitimacy and protect national security after the reduction of the US army in Korea. The state-led development model based on import substitution and heavy industrialisation necessitated state collaboration with selected *chaebols* while exercising generalised control over other individual capitals and labour through repressive means particularly workers' collective actions (Chang, DO 2002). In return for the *chaebols*' support for the government's Heavy and Chemical Industry Promotion Plan launched in 1973, the state provided them with credit loan access amounting to as much as 60 percent of the sum total of the loans of the big Korean banks (Kim, S.Ran1996), which largely allowed the chaebols to accomplish diversification and capital accumulation. Yet in the 1970s, the Korean electronics industry including that of Samsung was limited to low-end production of transistor radios, CRT, and components for US and Japanese companies such as Corning Glass Works, Motorola, Sanyo, and NEC. Korea was highly reliant on import of core technology and FDI. To solve the problem of lack of vertical integration

capacity, Samsung decided to invest in autonomous development of core technology such as semiconductors. The *chaebol's* economic position allowed it to acquire technology through acquisition or licensing with companies such as Korea Semiconductor Company in 1974, Micron Technology, and Sharp for manufacturing dynamic random access memories (DRAM) in 1984. Meanwhile mass production of relatively low-end consumer electronics goods as well as other investments continued to accumulate capital to support capital-intensive investment in semiconductors and DRAM (Kim 1997).

The 1980s was marked by trade wars between the US, Europe, and the Northeast Asian countries. Suffering from a trade deficit of low-priced import of electronics products from Japan, Korea, and Taiwan, the US and Europe finally launched trade wars against the East Asian countries. The generalised system of preferences by the US and Europe for Korea was withdrawn in 1988 and import tariffs were imposed on Korean exports. Samsung followed their Japanese counterparts and responded by moving part of its export production such as cathode ray tubes (CRT), microwave oven, and white electronics products to the vicinity of the market namely the US (1984), Portugal and Mexico (1989) to evade high tariffs (Kim 1997). Yet mere capital mobility without possession of core technology and vertical integration would not suffice for a TNC to survive the competition with international capitals. The continuous high capital input of Samsung into semiconductor development and the corporate strength in surviving the plunge in DRAM price on the world market in 1985 would not have been possible without continuous state suppression of labour organising in the late 1970s and 1980s. Previous accumulation of capital allowed Samsung to finally take advantage of the competition between the US and Japan in 1987. When the Semiconductor Trade Agreement (STA 86-91) was signed between the US and Japan in 1985, Japan was forced to open its semiconductor market to foreign manufacturers which was followed with subsequent retaliatory measures in 1987 imposing more anti-dumping duties on Japanese DRAM in the US market. Restricted supply of 256K DRAM from Japan led to market shortage and a price hike (Kim, S Ran 1996). The trade war therefore opened the market to Samsung, which by that time had developed production of the 64K and 256K DRAM (in 1984) and the 1M DRAM (1985) (Kim, S.Ran1996). Korea then became the second supply market to the US allowing Samsung to start profiting from economy-of-scale production.

However the 1980s was also the period when labour militancy and independent workers' struggles gained strength in fighting back against blatant state and capital repression. While the number of labour disputes was 174 per year between 1977 and 1986, the number rose to 846 per year between 1987 and 1996 (Chang, DO 2002:18). Already, the twin pressure faced by capital vis-a-vis international protectionism on the one hand and the forced opening of the domestic market in the 1990s embodied in the removal of import quotas and tariff reduction of imported consumer products to below 10 percent in 1989 and 1993 (Kim 1997) could not afford Korean capital to tolerate further loss of control over labour relations and wage hikes. Despite the fact that the state-led export oriented development model had inevitably embedded

Korean capital into globalised competition starting from late 1980s and early 1990s, the state could still be relied on for general capital to repress labour militancy and outlaw independent trade unionism. The *chaebols* however, particularly those in the strategic sectors such as heavy industry and electronics, could afford to adopt a more aggressive globalisation strategy to overcome market competition. The eventual market leadership Samsung acquired in semiconductors and DRAM allowed the company to streamline its product market focusing on strategic components namely semiconductors (40 percent), consumer electronics (38 percent) and information systems (22 percent) (Kim 1997). A globalised production network took shape utilising Southeast Asia and China for economies of scale production as well as new markets to support the Korean headquarters for core R&D and manufacturing of high profit margin niche products such as DRAM and TFT-LCD etc. Indeed the basis the chaebols such as Samsung had built in dominating the domestic market as well as investing in overseas markets allowed them to adopt new labour strategies in collaboration with the state for subtler control of the emerging independent labour movement. Hand in hand with the repressive state labour measures and the corporate reorganising of production, the former introduced flexibilisation of the labour market through legislation for dispatch labour, whereas the latter supplemented repressive labour control with shop floor human resources management (HRM) practices (Chang, DO 2002; Chang and Ho 2004). The HRM practices Samsung introduced in the 1990s such as above market wages and benefits, merit-based bonuses, performance-based appraisals, and contract system etc. were successful in quarantining labour disputes and independent trade unionism (Chang and Chae 2004). When the financial crisis hit the country badly in 1997, the historical moment had come to subsume the independent labour movement by concession and cooperation with the state and capital in general, and reinforcing the Samsungisation of labour relations in particular.

The Movement of Samsung in China

Samsung's investment in China started in 1992 after the normalisation of diplomatic relation between Korea and China. Within 15 years Samsung China has cumulatively invested US$4.5 billion, set up 24 subsidiaries and employed a total of 50,000 workers (Samsung web site). Table 3 shows the chronology of the establishment of Samsung's electronics subsidiaries in China.

The sub-regional production network of Samsung in China was established in three major clusters. The northern city of Tianjin in Hebei province with geographical proximity to Korea manufactures 60 percent of China's cell phones (Yao 2002) and is also Samsung SDI's biggest cell phone parts manufacturing base. In Tianjin alone, Samsung has established 11 subsidiaries including investment from SDI, SEC, Samsung Electro-Mechanics (SEM), Samsung Textile, Samsung Corning and Samsung Techwin. They are all located in the Tianjin Economic-Technological Development Area (TEDA) making Tianjin Samsung's largest single investment site in China. The city alone receives 35 percent of Samsung's total investment in China, employing 28 percent of the entire Chinese employees of the company (*China Business News and Observer* 2006). The significance of Korean capital to the locale

Table 3: Samsung's electronics affiliates in China

Year	City (Province)	Affiliate name	Products, Chinese partner, capital ownership
1992	Tianjin (Hebei)	Tianjin Samsung Corning	VCR, DVD parts*100% subsidiary*
1992	Huizhou (Guangdong)	Huizhou Samsung Electronics (HSEC)	Audio products 1992 *HZ City Land Development Company*
1993	Tianjin	Tianjin Samsung Electronics (TSEC)	VCRs, VCR decks, VCR drums, 1993 *TJ Tongguan Company (TCB)*
1993	Wei Hai (Shandong)	Shandong Samsung Tele-communications Co (SST)	Printers
1993	Tianjin	Tianjin Samsung Electro-Mechanics (TSEM)	VCR drum motors, tuners *TJ City Wireless Electronics No.5 Factory*
1994	Tianjin	Samsung Optic-Electronics	Cameras *TJ City Camera Company*
1994	Suzhou (Jiangsu)	Samsung Electronics (Suzhou) Semiconductor Co Ltd	Semiconductor. Later DRAM, SDRAM, flash memory, system LSI. *Suzhou Industrial Park Shareholding Co Ltd*
1994	Dongguan (Guangdong)	Dongguan Samsung Electro-Mechanics (DSEM)	Speakers, keyboards, etc *100% subsidiary*
1995	Tianjin	Tianjin Tongguang Samsung Electronics (TSDI)	CTVs, TFT-LCD display *TJ Tongguang Company (TCB)*
1995	Suzhou	Suzhou Samsung Electronics (SSEC)	White electronics goods *Joint venture with SOE, became 100% subsidiary in 2002*
1996	Tianjin	Tianjin Samsung Mobile Display (TSDIM)	Display for CDMA mobile phones, PDA *TJ Electronics Equipment Company*
1996	Shenzhen (Guangdong)	Shenzhen Samsung Display Company (SSDI)	CPT,CRT, PDPSZ City government, *SZ City Investment Management Company*
1998	Dongguan	Dongguan Samsung Display Company (DSDI)	TFT-LCD display, electron guns, *Dongguan City Houjie Town government. 100% subsidiary in 2001*
1998	S\henzhen	Shenzhen SEG-Samsung Glass Co Ltd	CRT TV, Panel and funnel glass, *SEG Corporation Acquisition to become biggest shareholder 2002*
2001	Tianjin	Tianjin Samsung Telecommunications Co	GSM, CDMA cell phonesJoint venture with *Tianjin City Electronics Equipment Co*
2002	Suzhou	Suzhou Samsung TFT-LCD Display Company (Suzhou SDI)	12.1", B 14.1", B 15.0", B17.0" monitors, TFT-LCD notebook display. *100% ownership*
2002	Suzhou	Samsung Semiconductor (China) R&D Co Ltd	IC, Semiconductor design, R&D *100% ownership*
2002	Suzhou	Samsung Electronics Suzhou	Notebook computers, *100% ownership*
2002	Shenzhen	Shenzhen Samsung Kejian Mobile Communication Technology Co., Ltd	CDMA mobile phones, *Joint venture with China Kejian Co Ltd.Acquisition and became biggest shareholder 2003*
2002	Shanghai (Jiangsu)	Shanghai Samsung Display (SSDI)	VFD, PDP testing
2004	Shenzhen	Samsung Corning	CRT, *100% ownership*

Source: Author's consolidation

is equally explicit. The industrial output of nine of these subsidiaries already accounts for 15.6 percent of the total industrial output of the FIE sector of Tianjin (Tianjin government 2004). The clustering effect brought by Samsung makes Korea the fourth largest investing country in Tianjin with the establishment of 1,502 Korean enterprises and RMB2.5 billion worth of utilised FDI in 2002 (Tianjin Foreign Affairs Office 2002). In Dongli and Jinnan districts inside TEDA, the Korean investment shares more than 60 percent of the total incoming FDI and export value as well as two thirds of the FIE employment. Samsung now procures more than 50 percent of components from more than 100 factories in Tianjin to support its annual production capacity of 150 million cell phones. The establishment of such a production base allowed Samsung to close down a Spanish cell phone factory in 1994.

A second Samsung cluster is in the Yangtze River Delta Area (YRD) of Jiangsu province in middle China. The YRD includes a number of information technology cities such as Shanghai, Suzhou, Kunshan, Wuzhou, and Wuxi that emerged in the second wave of FDI inflow to China after the mid-1990s that was capital- and technology-intensive anticipating the removal of tax and tariffs after China's accession to the WTO. The centripetal pull of Shanghai therefore enables YRD to attract investment from the Original Design Manufacturing and Original Brand Manufacturing (OBM) capital to accomplish regional vertical integration. Next to Shanghai, Suzhou has become the most favoured destination city of top Japanese and Taiwanese IC and notebook computer companies. There are currently more than 6,200 Taiwanese enterprises investing more than US$28 billion in Suzhou while more than 40,000 Taiwanese expatriates and investors are settling there (*Suzhou Daily*, 18 February 2006). YRD now shares 60 percent of the country's IC packaging and 50 percent of China's total notebook production (Yao 2002). In 1994, the Jiangsu government constructed Suzhou Industrial Park (SIP) in a joint venture with the Singapore government. The privileged SIP enjoys unique investment and import-export policies including for instance the status of independent customs administration that allows enterprises to directly connect air freight import of materials from Shanghai with the manufacturing and logistics network within the industrial park for just-in-time and build-to-order exports. Besides, SIP has autonomy in approving investment projects, developing its own regional provident scheme, and handling passport and visa applications so as to attract expatriate IT professionals to stay in Suzhou[10] (SIP web site). As a result, the accumulative FDI of SIP reached US$23.95 billion in 2005 (SIP web site). Realised industrial output and import-export value was worth US$58 billion and US$40.5 billion respectively in the same year (SIP web site). These investments are highly concentrated in IC, semiconductor, TFT-LCD, as well as automobile and aircraft components manufacturing. Samsung invested in five subsidiaries in SIP including SSDI, Samsung (Suzhou) Semiconductor Co Ltd, Suzhou Samsung TFT-LCD Co Ltd, Samsung Semiconductor (China) R&D Co Ltd and Suzhou Samsung Electronics and Computer Co Ltd. Suzhou is now the most concentrated site of Samsung China in IC design, packaging, and R&D, as well as the manufacturing of notebook computers and digitalised electrical appliances.

The third sub-region is Guangdong province where Samsung bases electronic components production in three subsidiary factories in Dongguan city and Huizhou city. Cell phone display, CRT TV, LCDTV and LCD display are manufactured in two other subsidiaries in Shenzhen where Samsung Corning is located to produce glass substrates for CRT TV and LCD TV. Unlike YRD, which is a late hotspot for capital-intensive FDI, Guangdong was the first province for labour-intensive processing industries from mainly Hong Kong and Taiwan. Despite the relatively low capital intensity of FDI, Guangdong province still tops the country in manufacturing non-core electronics components and peripheral products. For instance Dongguan city alone has more than 2,800 IT factories that support 95 percent of the peripheral sourcing within the city (Yao 2002). About 60 percent of the world's production of printers, computer case (40 percent), computer servers (30 percent), keyboards (16 percent) and CPU (15 percent) are made in Dongguan (Yao 2002). The Guangdong cluster is a key support base of components to SEM and is expected to achieve higher integration and expansion in TFT-LCD production.

In the beginning of its Chinese venture in the early 1990s, Samsung struggled hard with the market protection and 'FDI for export only' strategies of the Chinese government. China had successfully used FDI to improve the quality of state capital and Samsung had to enter into joint ventures with either local electronics SOEs, for instance TSDI with Tianjin Telecommunications and Cable Broadcast Company (TCB or Tongguan), TSDIM with Tianjin Electronics Equipment Company; or with the investment holding companies supervised directly by the local municipal government as in the case of HSDI with the Huizhou City Land Development Company, SSEC with Shenzhen City Investment and Management Company (SSEC) and DSDI with Dongguan City Houjie Town government (DSDI). Behind the collaboration was a double strategy of Samsung to seek low production cost and access to the local market. Therefore between 1992 and 1998, only low-end production such as VCR parts manufacturing was transferred and traditional consumer electronics goods such as VCRs, DVDs, and refrigerators etc. were sold through a sole agent and the 23 direct sales offices of Samsung in China. The degree of vertical integration and localised sourcing was low. Yet the marketing strategy did not work vis-a-vis the Chinese government's market protection and LSCS. The second 'movement' Samsung China took after 1998 incurred a different market and labour strategy of consolidation, market segmentation, and localisation. SSEC in Suzhou for instance sacked one third of its 900 workforce after suffering a loss of US$2.1million in 1998 with stocked up inventory and idle production lines (*Business Week*, 4 March 2002). All 23 sales offices were closed, inefficient Chinese managers appointed by the SOE partners in joint ventures were sacked, businesses and operations of subsidiaries were made independent to foster peer competition. China's WTO membership further occasioned a turning point for Samsung to adopt more aggressive strategies. Production was restructured to target China's high-priced markets in mobile phone, computers, TFT-LCD TV, and digitalised home appliances. On the other hand, the local industry market for core components amongst FIEs in China was also fast expanding thanks

to the second wave of FDI inflow after 2001. Greater localisation and vertical integration not surprisingly pushed Samsung's procurement in China to a peak of US$15.3 billion in 2005[11]. The export value of Samsung from China in the same year reached US$9.8 billion, which was 57 percent of the Korean company's total sales volume (Samsung web site). China has become the second largest market and manufacturing base of the company. Riding over the tides of China's irreversible market liberalisation in the new millennium, the move of the company to 'build a second Samsung in China' starting in 2002 demonstrates improved readiness of the company to take fuller advantage of the deepened structural economic as well as labour changes of China.

3. Capital And Labour Strategy Of Samsung In China

Capitalising on the Capital and Market Contradictions of China

Certainly the restructuring of Samsung electronics in China could not have succeeded in detachment from two historic moments of China's capitalist economic development at the turn of the century. The profit turn of Samsung electronics in China coincided first of all with the historic time when the internal financial crisis and SOE privatisation project reached the peak in 1998 harnessing a fundamental change in the capital structure of China. The second historic turn came after China's WTO accession and thus the disintegration of China's protectionist policy. The Chinese state had to grant national treatment status to all FIEs and lift the 20-40 percent local marketing rate restriction for FIEs after 2001. This was followed further by the relaxation of the prohibition against foreign investors' acquisition of the state-owned shares in the reformed SOEs in 2002 that immediately saw a boom of direct subsidiaries of TNCs. Gradually Samsung shifted to directly opening wholly owned subsidiaries or buying over the shares of the joint venture partners after 1998 (see Table 2). The joint venture in Shenzhen, the SEG-Samsung Corning Company, established the first case of foreign acquisition of state-owned shares of a listed company in China in 2004. The Chinese partner SEG was formed as a consolidated electronics SOE in 1986 based on the previous mergers of a number of electronics factories under the military bureau. In the enterprise reform SEG became a mixed shareholding company and yet was indirectly supervised by the Shenzhen government through the state authorised AMCs formed solely to buy over negative SOE assets and debts from the national banks and consolidate them for profit-making investment. The joint venture with Samsung started with a technology transfer agreement aimed at modernising the production line of CRT TV and tubes of SEG while at the same time SEG could procure core components from other Samsung subsidiaries at full market rate. The low degree of real technology transfer actually realised in joint ventures is always a dilemma for Chinese companies, which became the case in SEG-Samsung that manufactured low-end CRTs and glass substrates without possessing the core technology from its Korean partner. More often than not, real transfer comes only after the foreign investor has acquired full ownership of the invested enterprise. Worse in this case, SEG was plunged into deeper debts due to mismanagement as

well as over-dependence on the production and technology of Samsung. The Shenzhen government which indirectly held shares in SEG was caught between the need for more foreign capital to save SEG from collapsing and selling out national assets to the Korean investor (*Finance and Economic Daily*, 16 February 2003). The final buyout deal in 2004 removed the last obstacle to Samsung's control of the SOE and straight afterwards, Samsung Corning in Korea announced the plan to transfer production lines to the restructured Samsung plant and invest another US$470 million to turn it into the world's biggest CRT TV glass panel plant to supply to its affiliates and non-affiliate companies in China.

Indeed the desperate need for foreign capital and technology to deepen economic reform is also simultaneously pulling back, if not contradicting the earlier policy of the Chinese government to develop and protect domestic enterprises. China heavily relies on a foreign supply of CPU and industrial ICs that are dominated by Intel, AMD, and Japanese and Korean companies (Zhou, Y C 2006). The market exchange strategy could mean bridging or perpetuating the technology lag in the competition between Chinese and foreign capital. Samsung used similar tactics in its four-year penetration into the GSM and CDMA market in China. In 2000 the State Council of China decided to introduce the CDMA network and started licensing CDMA services to China Unicom and CDMA handset manufacturers. It was expected that in five years' time, the CDMA handset market in China would reach RMB500 billion (*Business News*, 2 December 2003). In fact Samsung had started developing the first Chinese language CDMA cell phone back in 1999. The licensing system however was opened to only 37 companies in 1998, 29 of which were GSM and 20 were CDMA. After 2000, no new CDMA license was issued (*China Internet Weekly*, 4 August 2004). Between 1998 and 2000, the restricted market access in the Chinese telecommunications market had been a major obstacle to Samsung's new product strategy. The only option was to enter into a joint venture with a SOE and Shenzhen Kejian Company was chosen as the Chinese partner. Kejian started as a subsidiary company of the Chinese Academy of Science in 1986. It did not possess key technology in handset manufacturing and had to rely on Samsung to produce the Kejian brand cell phone. The joint venture was an exchange between Samsung's supply of core parts for Kejian to put its own label on and the Chinese partner sold Samsung's handsets through its distribution channel in China. Samsung-Kejian was a cash generating machine for both parties earning a net revenue of RMB260 million for Kejian in 2003 and even more (RMB638 million) for Samsung. In 2002 Kejian even became the top local cell phone brand in China. But dependence on Kejian was only temporary. With China Unicom's adoption of Qualcomm's CDMA technology in 2002, Samsung being a long-term supplier to Qualcomm was finally granted a CDMA licence in the same year and the GSM licence in 2003. The need for Kejian dwindled. As Samsung's market sales reached eight million sets in 2004, the Korean company had become the greatest enemy of its Chinese partner. Kejian's decline was a typical reflection of many of the privatised SOEs that engaged in over-investment with acquired foreign capital and yet possessing no core technology. With accumulation of bad debts as

high as RMB670million, which was 251 percent of the net asset value of the company, the company was de-listed from the Shenzhen Stock Exchange in 2006 and Samsung is also considering withdrawing investment from the joint venture.

Samsung and the Restructuring of Chinese Labour Relations

FDI and overall employment

Besides the pressures from capital and technology, the Chinese state is increasingly confronted with the problem of unemployment. *The White Paper on the Employment and Policy of China* released by the MOLSS in 2004 shows that China was faced with the gravest unemployment situation at the end of 2003 reporting the highest urban unemployment rate of 4.3 percent meaning eight million did not have jobs (Ministry of Labour and Social Security 2004). The working population increased by 13.6 million every year during the tenth five-year plan between 2001 and 2005 (NBS 2004). This does not include surplus rural labour of 150 million awaiting employment[12] nor the 28.18 million workers who were laid off from the SOEs between 1998 and 2003 (Ministry of Labour and Social Security 2004). Employment pressure and the risk of social instability directly posed financial burden on the state. The central government had spent RMB73.1 billion to support the *xiagang* fund to pay for the living subsidies and re-employment training programmes for 23 million former SOE workers while the local governments in more than 30 cities directly fund the Re-employment Service Centres. New jobs were also directly created or nine million workers, five million of who were laid off SOE workers (Ministry of Labour and Social Security 2004). The financial pressure was unprecedented for local governments faced with both labour resistance from SOE workers as well as a dwindling central budget. Since 1981, the central state has reduced direct budgeting in the share of national fixed asset investment from 28.1 percent in 1981 to 5.7 percent in 2004 (Table 4). Increasingly, foreign and other sources of funding[13] become the dominant source of capitalisation accounting for 75.8 percent of national fixed asset investment by 2004 (*China Statistical Yearbook 2005*).

Similarly, the share of SOE employment in the national urban population also dropped from 69.9 percent in 1991 to only 25.3 percent in 2004, smaller than the combined employment share of the private enterprise sector (23.3 percent) and the FIE sector (3.9 percent[14]) (Table 5). As the source of revenue and employment has shifted to private and foreign capital, it is common to find that local government identifies with the interests (private and foreign) of capital rather than to regulate it enabling capital to utilise, and in return reinforces labour deregulation to carry out corporate labour strategies. Samsung's labour practices in the traditional socialist industrialised city of Tianjin contribute further to the disintegration of the socialist labour relations system; whereas in the case of Suzhou and Guangdong province the Korean company reinforces the growing trend of irregularisation of labour in China.

Disintegrating the Socialist Labour System - Case of Tianjin SDI and the ACFTU

Tianjin city in North-eastern China where 11 of the 24 Samsung subsidiaries are located was a traditional socialist industrial town that suffered from serious production inefficiency, lack of investment and unemployment problems under the

Table 4: Sources of fixed asset investment in China, 1981-2004 (RMB100 million)

Year	Source of Funds			
	State Budgetary Appropriation	Domestic Loans	Foreign Investment	Domestic Fundraising and Other
1981	269.8	122.0	36.4	532.9
1982	279.3	176.1	60.5	714.5
1983	339.7	175.5	66.6	848.3
1984	421.0	258.5	70.7	1082.7
1985	407.8	510.3	91.5	1533.6
1986	455.6	658.5	137.3	1869.2
1987	496.6	872.0	182.0	2241.1
1988	432.0	977.8	275.3	2968.7
1989	366.1	763.0	291.1	2990.3
1990	393.0	885.5	284.6	2954.4
1991	380.4	1314.7	318.9	3580.4
1992	347.5	2214.0	468.7	5050.0
1993	483.7	3072.0	954.3	8562.4
1994	529.6	3997.6	1769.0	11531.0
1995	621.1	4198.7	2295.9	13409.2
1996	(629.7) 625.9	(4576.5) 4573.7	(2747.4) 2746.6	(15465.4) 15412.4
1997	696.7	4782.6	2683.9	17096.5
1998	1197.4	5542.9	2617.0	19359.6
1999	1852.1	5725.9	2006.8	20169.7
2000	2109.5	6727.3	1696.3	22577.4
2001	2546.4	7239.8	1730.7	26470.0
2002	3161.0	8859.1	2085.0	30941.9
2003	2687.8	12044.4	2599.4	41284.8
2004	3255.1	13788.0	3285.7	54866.6
	Percentage Rise			
1981	28.1	12.7	3.8	55.4
1982	22.7	14.3	4.9	58.1
1983	23.8	12.3	4.7	59.2
1984	23.0	14.1	3.9	59.0
1985	16.0	20.1	3.6	60.3
1986	14.6	21.1	4.4	59.9
1987	13.1	23.0	4.8	59.1
1988	9.3	21.0	5.9	63.8
1989	8.3	17.3	6.6	67.8
1990	8.7	19.6	6.3	65.4
1991	6.8	23.5	5.7	64.0
1992	4.3	27.4	5.8	62.5
1993	3.7	23.5	7.3	65.5
1994	3.0	22.4	9.9	64.7
1995	3.0	20.5	11.2	65.3
1996	2.7	19.6	11.8	66.0
1997	2.8	18.9	10.6	67.7
1998	4.2	19.3	9.1	67.4
1999	6.2	19.2	6.7	67.8
2000	6.4	20.3	5.1	68.2
2001	6.7	19.1	4.6	69.6
2002	7.0	19.7	4.6	68.7
2003	4.6	20.5	4.4	70.5
2004	5.7	18.5	5.3	70.5

Source: China Statistical Year Book, author's consolidation

Table 5: Urban employment by registered category of business institutions

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Urban employed population	15260	15630	15964	16816	17346	19815	20207	20678	21014	23151	23940	24780	25639	26476
Urban state owned units	10664	10889	10920	11214	11261	11244	11044	9058	8572	8102	7640	7163	6876	6710
Urban collective owned units	3628	3621	3393	3285	3147	3016	2883	1963	1712	1499	1291	1122	1000	897
Shareholding units			164	292	317			136	144	155	153	161	173	192
Joint owned units	49	56	66	52	53	49	43	48	46	42	45	45	44	44
Limited liability units								484	603	687	841	1083	1261	1436
Limited shareholding units						363	468	410	420	457	483	538	592	625
Privately owned units	68	98	186	332	485	620	750	973	1053	1268	1527	1999	2545	2994
Units funded by HK, Macao, Taiwan	69	83	155	211	272	265	281	294	306	310	326	367	409	470
Foreign funded units	96	138	133	195	241	275	300	293	306	332	345	391	454	563
Individuals	692	740	930	1225	1560	1709	1919	2259	2414	2136	2131	2269	2377	2521
Registered urban un-employment rate (%)	2.3	2.3	2.6	2.8	2.9	3	3.1	3.1	3.1	3.1	3.6	4	4.3	4.2

Source: China Statistical Year Book, author's consolidation

economic reforms[15]. However by February 2006 TEDA had successfully attracted FDI from 74 countries, hosted 4,102 FIEs, received cumulative FDI of US$29.96 billion and actually utilised FDI contracts worth US$23.43 billion (*China Economic Weekly*, 22 May 2006). TEDA was managed by the TEDA Trust Investment Company[16] (1987) supervised by the Tianjin government to consolidate state-owned and external resources for the re-industrialisation of the city (Tianjin Binhai Government 2005). The central state receded to the role of deregulation vis-a-vis local government over the use of land, means of capitalisation, and labour system[17]. The Tianjin government took the strategy of using FDI to improve state capital based on the foundation of the electronics industry, which in turn coincided, with the strategy of transnational capital to seek market escape in the 1990s. Favourable investment policies were granted to export oriented ICT enterprises such as three-year profit tax holiday renewable to 50 percent tax reduction in the fourth and fifth years, low enterprise tax rate of 15 percent, machine deterioration discount, and tax rebates. The tax rebate of Motorola alone in 2005 was equivalent to 75 percent of the total tax rebate of the FIEs (*21st Century Economics*, 9 May 2005). The government also provided generous administrative conveniences to foreign investors such as the provision of one-stop business services including construction of industrial parks and factory complexes, guaranteed energy and labour supply, speedy import/export controls etc. The rejuvenation project was successful as by 2003, US$6.4 billion was injected from TNCs such as Motorola, Lucent, IBM, Samsung, Mitsushita, Honda, and Toyota to invest mainly in joint ventures with the SOEs in electronics, mechanical, and petrochemical industries. More than 800 SOEs were reformed, consolidated, or simply closed down (Tianjin Statistics Information Net 2004). The state-owned Tianjin City Electronics Equipment Company for example had pulled in US$1.74 billion between 1996 and 2000 and reformed 38 other affiliated SOEs by establishing 113 joint ventures with foreign investors including four from Samsung (Zhao 2002). By the end of 2005, about 76.6 percent of government affiliated SOEs and 80 percent of the large- and medium-sized SOEs in Tianjin were transformed into various forms of mixed capital ownership enterprises (Tianjin City NBS 2005). These capital-intensive investments turned Tianjin into the third most important ICT manufacturing and export base of the country. Increased sourcing from leading TNCs created the cluster effect like that between 1992 and 2002, more than 300 electronics factories were established forming a RMB20 billion electronics supply network in Tianjin (Zhao 2002). Motorola, whose cell phones rank the second in the Chinese market, was sourcing US$70 million worth of components from Tianjin that in turn further attracted US$100 million FDI from OEM suppliers to the city (Tianjin government 2004). Its competitor Samsung is also planning to increase the local sourcing rate to 65 percent in 2006 while the Japanese car company Toyota is already sourcing 85 percent of its production locally (Tianjin government 2004). Indeed the dominance of FDI in supporting the local industries, boosting export and generating income to the local government is more than obvious. The city recorded a trade surplus of US$1.43 billion in 2005 and export growth of 31.4 percent worth US$27.4 billion in 2005 (Tianjin City NBS 2005). Such export figures again reflected the dominance of the FIE sector

as 80.3 percent of the city's exports were accomplished by the FIEs (Tianjin City NBS 2005).

Last but not least, the FIE sector has become an increasingly important employer in Tianjin. Unemployment, particularly the lay-offs in the SOEs had been a serious challenge to the local government. By 2002 unemployment had accumulated to two million, 60 percent of who were women (Cai 2002). The growth of the FIE sector and the re-industrialisation pulled by FDI successfully absorbed 23.9 percent of the city's working population totalling 446,400 workers in 2003. These workers earned a yearly average RMB20,000, which was RMB1,100 above the city's average income level (Tianjin government 2004). Nevertheless a large proportion of the employees in the FIE sector are not former SOE workers but young migrant workers as the economic development also attracted more than one million new peasant workers who migrated from other provinces (Zhu, Chang, and Zhou 2005). The direct impact of FDI on the alleviation of the unemployment problem of Tianjin rather lies in generating income for the local government to directly fund social security provisions and re-employment programmes[18]. Generalised economic growth particularly in the service industry also contributed to the absorption of surplus labour.

Almost all Samsung subsidiaries in Tianjin began as joint ventures with SOEs. Yet this doesn't seem to have implicated the Korean company into any rigorous labour conflict. The workers employed in of these subsidiaries today however are migrant workers aged between 18 and 25 recruited from vocational training schools all over the country (field work of Labour Action China (LAC) 2006). Like thousands of other SOEs in Tianjin, the conditions of the former SOE workers in the restructured joint venture partners of Samsung in China remain a mystery. These *xiagang* workers were supposed to maintain labour relations with the enterprise for a transition of three years during which they would continue receiving a minimum living allowance and be covered by the national social security scheme. The reality however is more often one-off dismissal with little or no compensation and in some cases laid off workers were mandated to buy back the shares of the restructured enterprise making themselves the actual payers of reform. Even more former SOE workers were driven to the informal sector. Despite the fact that there were collective as well as individual struggles of SOE workers against cases of enterprise restructuring, the silence of the trade union in these struggles and its reluctance to criticise, if not veto the reform destined any isolated protests as futile. The Tianjin ACFTU rather perceived itself as playing 'the facilitator' and 'safety valve' in stabilising the thoughts of SOE workers and smoothing enterprise reform (*Workers' Daily*, 8 December 2005).

The embarrassment of the ACFTU in the changing labour relations system is clearly reflected in the case of TSDI (known also as Tianjin Samsung Tongguan). Tianjin Tongguan Company, whose full name is Tianjin Communication and Broadcasting Group Co., Ltd (TCB), was a SOE formed in 1936 on the basis of an electrical appliance factory in Hunan province. Under the import substitution policy in the 1980s, TCB was supported by the government to develop the first national brand TV in China. The SOE was then privatised into a multi-shareholding company

in 1985. Today TCB has majority shares in 13 mainland electronics companies including Tianjin Electronics Equipment Company, which entered into joint venture with four Samsung subsidiaries. Samsung invested 94 percent of the initial capital in TSDI, which manufactures CRT TV and VCR with parts supplied by TSEC. The joint venture with Samsung took place when TCB had already completed enterprise reform and the joint venture is now modelled completely on Samsung's production and management system. The legacy of the socialist labour relations system hung over and yet the preservation of socialist mass organisations in TSDI such as the ACFTU, the Committee of the Chinese Communist Party (CCCP) branch and the Workers' Representatives Congress are however in hollow form only. The role of these mass organisations in enterprise restructuring was not known and yet their traditional function in economic co-planning with factory management has gone with the reform. The trade union and the CCCP branch are chaired by the Deputy Manager who is also the legal representative of the Chinese partner. Trade union representatives have the right to attend Board of Directors meetings and raise concerns on working conditions but have no power to intervene in the business operation of the company (Zhou, Y C 2006). Yet possible contradiction between the interest of the foreign capital and the Chinese trade union in this case is perhaps more assumed than real given the dual identity of the trade union chair, which implies an inherently corporatist structured character of the trade union. The CCCP branch dropped the class banner and its relevance to the TSDI workers is reduced to holding member study classes about government policies and consultation sessions. Lastly, the Workers Representatives' Congress, which was supposed to be a mechanism designated in the Enterprise Law in 1988 to uphold the ownership by the working class in decisions regarding economic restructuring and management-labour co-governance, was marginalised, reduced to an opinion-sharing platform composed only of management-selected workers from each department rather than a mobilising organ of shop floor worker participation. On the other hand, the Samsungisation of labour relations is taking place based along typical Samsung HRM lines such as merit-based bonus, one-year contract based on three-month performance appraisal that is tied to a yearly five to seven percent dismissal rate and the formation of a Family Affairs Committee (LAC interview with workers from TSDI, TSEC, Tianjin Tongguan, TSEM, Tianjin Telecom Co in May 2006). All these serve to replace socialist-styled worker collectivism with individual and irregular labour relations. More so, the smooth transition of the socialist-styled, party-led, statist trade union to the capitalist corporatist trade union in TSDI demonstrates exactly the 'mediated' role of the Chinese trade union in the post-reform era, not as the 'adversary' of the capitalist employers but their 'assistant' in pacifying contradictions within labour for the sake of boosting productivity and labour stability at the workplace (*Workers' Daily*, 8 December 2005). Indeed the TSDI-ACFTU offers Samsung the ideal labour and trade union relation, which is earned at a much cheaper cost than is the case in Korea.

The socialist legacy and the evolved corporatist character of the Chinese trade union seem to make it the natural' collaborator to the *chaebols*. The ACFTU of LG-

Philips in Changsha city, Hunan province, for instance also integrates itself into the HRM of the corporate rather than representing the independent interests of workers. The chair of the trade union in LG-Philips in Changsha submits plans to boost labour productivity to the management, organise productivity competitions, and awards well performing workers every year. It is not surprising that the company claimed to never have had any labour dispute since the trade union was formed in 1989 (*Chinese Chosun Daily Online*, 7 October 2003). In the case of Hyundai Beijing, the Korean management is relieved from all personnel matters including the formation of the ACFTU affiliate to the Chinese Deputy Manager who is a CCCP member and later also became the chair of the trade union (*Chinese Chosun Daily Online*, 7 October 2003). Certainly the socialist trade union structure which assumes congeniality of interest between labour and management under the Socialist Banner of The People lags behind the reality despite intensified labour contradictions and the unionising campaign launched by the ACFTU vis-a-vis the FIEs. Yet changes in the capital structure in China have not been matched by an equivalent change in real labour organising, which remains sporadic and obstructed by the absence of independent organising. Therefore although Samsung, along with other TNCs notorious for anti-unionism such as Wal-Mart, Kodak, and McDonald's was named in the ACFTU's trade union campaign in 2003, it was largely doomed due to lack of real pressure from labour. The absence of serious challenge from organised labour in China simply provides no reason for the Korean company to use a paper union to cover up its anti-trade union policy as is widely practiced in the Samsung plants in Korea and Southeast Asia.

Samsung and Dispatch Labour in Suzhou

In Suzhou city, Jiangsu province, where Samsung currently has five subsidiaries manufacturing white electronics goods, semiconductors, and notebook computers, another form of informalisation of labour is gaining dominance. The ICT and electronics industry, which is the most important source of FDI in Suzhou, is also the sector most vulnerable to labour dispatch. In SIP the number of dispatch workers exceeded 15,000 in 2003. It is expected that the figure has grown to 25,000 in 2006 meaning that more than one-fourth of employees in the industrial park are dispatch labour working in more than 100 enterprises within the park, 70 percent of which are large-scale electronics companies (Li, Y P 2006). Currently there are more than 20 registered dispatch companies stationed in SIP, networked with vocational schools all over the country, many of which are directly opened or supervised by the local provincial or municipal MOLSS. In one sense, the increasing use of dispatch labour in the ICT sector is a reaction from the state and capital to resolve the problem of labour shortage. The Suzhou MOLSS was expecting a skilled labour shortage of 15,000 only in the ICT sector in 2005 (*Hubei Daily*, 23 June 2005). In another sense, labour turnover is indeed a unique and popular form of 'labour resistance' to primitive exploitation particularly in the labour market in China where more than 100 million workers are migrating peasant labour that are neither organised nor effectively represented at the workplace. Labour dispatch is therefore a means for capital to overcome the pressure of high labour standards[19] and labour turnover to maintain

the low-cost strategy in China and is particularly so for capital-intensive electronics companies that require disciplined and stable workforces (*Hubei Daily*, 23 June 2005). The surge of HRM companies is a new phenomenon in the Chinese labour market. Suzhou Engma Human Resource Co Ltd (Box 1) for instance is the largest registered labour dispatch company approved by Suzhou city MOLSS, having business partnerships with prominent TNCs in SIP such as Mikron Technology, Innsis, Sanyo, Yamaha, Hejian, THC, AU Optronics, Wellman, Delphi, Siemens, Samsung, DHL and Philips etc. (Engma China web site). Labour supply to dispatch companies is provided more and more by the local governments of inland provinces through affiliated vocational schools. Hubei is an example of a labour exporting province where 40 percent (2.2 million) of the working population migrates to other provinces for employment. The local government in Yichang city, Hubei budgets RMB800,000 every year to support the labour export programmes and another RMB700,000 for vocational schools (reference to an example of vocational school in Box 2) (Hubei Information Network 17 February 2006). In the advocated model of Yichang city, the government has supported 8000 youths every year through loaning school fees (RMB2,000) to students from poverty stricken areas to be returned after they have been placed in jobs through the vocational schools and dispatch companies such as Suzhou Engma. The latter signs labour dispatch contracts with the graduates and places them with client enterprises some of which, including Samsung, even provide tailor-made courses and syllabuses based on the actual production system to socialise rural labour before formal employment. The dispatch system allows the user company to abstain from direct labour relations and yet possess full authority over labour. The user company needs only to pay the salary, social security, and per head fee (RMB80) to the dispatch company, which in return provides labour training and accommodation, manages labour discipline, as well as resolving labour disputes and work injury cases for the user (*Hubei Daily*, 23 June 2005).

Employment of Irregular Apprentice Labour

Besides dispatch labour, apprentice labour is another abusive practice widely used in the ICT sector and by Samsung. Apprenticeships last from three to more than six months in all Samsung Chinese subsidiaries making a ready supply of labour to undercut the bargaining power of regular workers (LAC workers' interviews 2006). The three-month apprenticeship in the Tianjin subsidiaries is followed by another two-month probation, which in the end enables Samsung to pay, for a good proportion of every year, only 57 percent (RMB420 basic wage) of the legal minimum (RMB730) for such irregular employment (Table 6). Apprentices receive 30 percent less the basic wage and overtime compensation, and 50 percent less incentives and welfare provisions of formal workers. The situation is similar in Samsung-Kejian in Shenzhen where apprentices receive 85 percent (RMB690) of the legal minimum (RMB810). Not entitled to allowances, they receive (RMB690) nearly one-fourth less, before including overtime compensation, than the formal workers (RMB900) (Table 6). In DSDI in Dongguan city, nearly one-fourth of the 4,000 workforce were apprentices who worked for as long as six months on the production line (*Nan Fang*

Table 6: Comparison of informal and formal workers' pay scales in Samsung's Chinese subsidiaries

	TSDI TS Mobile Display Co, TSEC, Tianjin Tongguan, TSEM, Tianjin Telecom Co.	**Shenzhen Kejian**
Employment and Labour contract	3 month apprentice (under legal minimum) - 2 month probation (80% regular wage) - 1 yr regular contract to be renewed every year. No accumulation of seniority.	BW:R690, OT: R6-8/hr
Wage - Apprentice/ probation	1st two-month apprentice: Basic wage R420 + Incentive R210 = R6303rd month apprentice: Basic wage R420 + Incentive R210 + Welfare R100 = R730.	*Minimum wage: R810 OT: 150%, 200%, 300%*
Wage - Regular workers	*Legal minimum wage: RMB 590 in TJ. OT: 150% legal minimum for OT on weekday, 200% on weekend and 300% on statutory holiday*	*Legal minimum: R810OT same as left*
	Basic wage Rmb530 + Incentives Rmb420 + Welfare Rmb200 = Rmb1,150 + OT (1)*Average wage in Low season: Rmb1,000/1,100Average wage in Peak season: Rmb1,600/1,800	BW: Rmb750 + Full Attendance bonus Rmb100 + travel allowance Rmb150 = Rmb900 + OTL: R1,300P: R1,600

Source: LAC Interviews

Box 1: Suzhou Engma Recruitment Ad

Suzhou Engma Human Resources Consultation Co., Ltd

Suzhou Engma is a human resources company approved by the Suzhou city Molss for labour dispatch. We are the most developed human resources company in Suzhou, entrusted by companies in Suzhou and Kunshan such as Acer Computers, Compal Electronics, and Foxconn, to train skilled labour.

Requirements as follows:

Male and female between 16 and 25

Male above 1.62 meters, Female above 1.5 meters

Healthy. Progressive thoughts. Diligent. Capacity for undertaking hardship

Remuneration:

5 days work per week; 8 hours per day. 30-90 day probation

Aggregate monthly pay Rmb800-1,200

Adjusted aggregate monthly pay subject to the enterprise to Rmb1,000-1,500 after probation

Well-performing employees entitled to housing and household registration

Enterprise provides old age, work injury, and medical insurance

All client enterprises strictly comply with labour law

Box 2: Recruitment Ad of a Vocational Training School in Hubei Province

Golden Sun Computer Training School

To create wealth to poverty stricken families, to achieve 'One person receives training, whole family relieved of poverty', Golden Sun Computer Training School is recruiting students from poverty stricken families in Linqing city area. Students who are from poor families, have good conduct and good academic results, and possess certificates issued by the village committee of the place of origin, can apply and sign agreement with the school: part of the school fee will be paid by the student, the rest to be deducted from the monthly wage after graduation and job placement.

Monthly quota for application: 20.

List of placement enterprises:

Suzhou Epson: free placement, overtime meal and accommodation, aggregate monthly income around Rmb1,000

Suzhou Acer: free placement, overtime meal and accommodation, aggregate monthly income above Rmb1,000

Kunshan Compal Electronics: free placement, overwork meal and accommodation, aggregate monthly income between Rmb1,100-1,500

Kunshan Foxconn: free placement, overwork meal and accommodation, aggregate monthly income between Rmb1,200-1,600.

Daily, 19 April 2006). It is therefore a systematic practice of Samsung to flexibilise labour as much as possible in China through short-term contractualisation and informalisation of employment to achieve low cost.

Labour flexibilisation is a corporate means to undermine the Chinese Labour Law and overcome government pressure on wage increases and social security provisions[20]. However, this second wave of informalisation of labour that is as systematic in the FIEs lately as it was in SOE lay-offs is due as much to state mobilisation as it is driven by the need of capital. Informalisation and flexibilisation of labour has become part of the state strategy to accomplish enterprise reform and achieve the employment policy. Today more than 18 provinces have promulgated local regulations on the supervision and operation of labour dispatch. Unlike coastal provinces, which are better positioned to attract FDI to develop export oriented industries and attain high GDP growth, inland provinces export labour to the rich provinces. Anhui and Hebei provinces for instance advocate themselves as labour export bases and dispatched 100,000 and 170,000 workers in 2004 (Anhui Province Labour Export Service Centre web site; China Labour Market Information Monitoring Centre 2004). By 2006, the country had registered more than 2,000 labour dispatch companies, many of them directly opened or administered by local governments and the MOLSS. It is ironic and indeed serves even more the interests of capital as

labour flexibilisation is not only institutionalised but also sponsored by the Chinese government at various levels due to structural economic inequality and pressure of (un)employment.

Samsung's mitigated HRM practices in China

A main driving factor of Samsung's move to China is labour cost. However it is of critical importance to recognise that China's cost advantage lies not in direct remuneration relating to legal labour standard but fundamental state-capital-labour relations in China. The legal minimum wage in China is not the lowest in Asia and yet labour productivity, which is inversely related to indirect labour cost particularly the militancy of labour organising, is certainly high compared with other developing countries. Still different capitals have their own strategy to mediate macro social relations with shop floor practices. In the case of Samsung, HRM strategies were introduced in Korea as a major union-busting tool in the historical context of the politicised labour movement and political instability in the 1990s. It is constructed around the identity of *The Samsung People* which has a collective aspect built upon the ideology of the corporate family backed by an above-market remuneration system which generates a high degree of internalisation and identification with corporate interests, corporate values, and corporate economic success on the part of Samsung workers. Such construction of a collective identity however is at the same time also highly individualised based on a personal appraisal system and a differentiated pay and incentive scale that includes the delivery of wages, bonuses, allowances, welfare benefits, and company shares. These HRM practices were implemented hand in hand with the generalised practice of labour irregularisation after the financial crisis in 1997 in Korea to increase corporate competitiveness in the global market and to disintegrate the basis of worker organising at the workplace. The Samsung philosophy and HRM practices are also copied in China but in a mediated, if not reduced version, particularly in providing material benefits to Chinese employees. To a large extent, the absence of the need to pacify a militant labour and bust independent trade unions in China rationalises the differences in practice. Samsung therefore needs only to follow and preserve existing labour relation system perpetuated first of all by the non-conflictual trade unionism in China that is weakly monitored by a mass of unorganised and individualised migrant labour.

The 'Samsung Family' philosophy is therefore congenial to the state-enforced non-conflictual labour relation system that the ACFTU supports. The family philosophy is propagated both through the construction of a paternal image of Korean management for Chinese migrant workers (*Economic Watch Daily*, 14 May 2005), as well as institutionalised means like the formation of the factory-based 'Family Affairs Consultation Committee'. Such committees are usually run by the Chinese partner to dissipate labour issues as personal and psychological problems. A similar counterpart is common in Taiwanese invested enterprises in China, usually known as Workers' Psychological Consultation Office or Workers' Living Consultation Office. Both types of factory institutions are management tools used to by-pass the legitimate role of the trade union or worker representatives if they are

present, and to depoliticise and perpetuate individualised rights of labour at the workplace. Their irrelevance on critical issues is clear to production line migrant workers, nor is the interpellation of the family philosophy successful vis-a-vis the weak material reward they receive (LAC interviews with workers from TSDI, TSEC, Tianjin Tongguan, Tianjin Telecom Co May 2006). Dissatisfied though they are, the equally corporatist nature and behaviour of the ACFTU and local state institutions are structural factors underpinning the highly unequal labour relations at the workplace thus leaving workers with few choices other than voting with their feet or breaking out into sporadic, unorganised wildcat actions.

While atomised labour relations minimise the risks of collective worker actions, they also have negative impacts, the most typical being high labour turnover. High turnover is easily aggravated by unsatisfactory working conditions for the Chinese migrant workers who are not entitled to the same rights and benefits as local residents at the place of work. Indeed Samsung is not offering market-leading remuneration and benefits to Chinese workers simply because of an absence of reciprocal social relations particularly to the state as in the mother country thus giving no foundation for the *chaebol* to out-perform itself against other capital or with Chinese labour. The aggregate wage level at the Samsung subsidiaries is just above the market price around RMB1,600 (US$203) in the peak season and between RMB700-1,000 (US$89 - 127) in the low season (Table 7). The cost strategy of Samsungs' subsidiaries works through a remuneration structure, which is typical also in the manufacturing sector in China that depresses regular work reward to stimulate higher labour value in off-regular time. Therefore a large proportion of income is earned from overtime work and related allowances based on a below-the-legal basic wage with the exception of Shenzhen SDI (Table 7). About 50 percent of the workers' income in HSEC comes from shift allowance, full-attendance bonus, incentives and compensation for overtime work of 70-80 hours a month[21] (LAC interview with workers from HSEC (a) 15 April 2006). Similar remuneration structures exist in other subsidiaries. Eight hours of regular work only provides workers in the Tianjin subsidiaries with about one-third (i.e. basic wage of RMB530/US$67) of their total monthly income (average RMB1600-1800/ US$203-229), while the other two-thirds comes from performance related incentives (RMB420/ US$53), overtime compensation, and welfare subsidies (LAC interviews with workers from TSDI, TSEC, Tianjin Tongguan, Tianjin Telecom Co May 2006). Furthermore the one-year contract system excludes seniority in pay scales. The turnover rate therefore is most severe in HSEC where workers receive the lowest income in the peak season compared with other subsidiaries within the Samsung family (LAC interview with HSEC workers (a) 15 April 2006).

In order to maintain the meagre wage structure while not sacrificing production quality, remuneration is tied to the performance-based appraisal system, which in the case of HSEC, consists of quarterly, half-yearly, and annual reviews conducted by supervisors to assess productivity and discipline of workers (LAC interview with HSEC workers (a) 15 April 2006). Workers are graded (e.g. A, B+, B, B- etc.) and awarded accordingly with extra income equivalent to one month, half-a-month or

double basic wages (Table 7). Compared to the Korean counterparts, the limited incentive system for Chinese production line workers serves not so much to buy over their loyalty but rather to manage labour productivity by creating wage differentiation. In practical terms, the absence of job security, the low reward system, and the restricted prospect for real job promotion provide no basis for cultivating a strong Samsung identity amongst production line workers in China, who in general do not view Samsung as a particularly good employer or have any strong sense of belonging to the company. Some of them even feel that they are no different from informal workers and are ready to quit if there are job opportunities (LAC field interviews 2006). This overall individualised passive resistance and the absence of working class consciousness amongst the Chinese migrant workforce sustains and justifies the differential HRM practices between Samsung China and Samsung Korea. The passive resistance of Chinese workers in the form of high labour turnover cost can be socialised with the intervention of the Chinese state in the labour supply market, whereas institutionalised independent trade union movement and the militant labour actions at the Korean subsidiaries directly challenge the authority of the *chaebol*.

The myth of low labour cost - the accomplishment of general not individual capitals

The general state, capital, and labour relations support high productivity and relative low cost in China rather than the isolated practices of individual capitals. Nevertheless there are identifiable differences in labour conditions between the Samsung subsidiaries and the sub-contractors where traits of primitive capitalist exploitation are more explicit. Such differences however are a matter of degree rather than nature. While aggregate wages and below minimum basic remuneration tactics are the same in DSDI and a SMT supplier of Samsung in the same city of Dongguan, the supplier achieves profit accumulation mainly through long labour hours (240 overtime hours per month) and greater degree of wage depression (the supplier pays 78 percent of the legal minimum while DSDI pays a slightly higher 86 percent) (Table 8). Such differences between more competitive Korean capitals such as Samsung and the lesser ones is remarkable also in Tianjin. The local MOLSS found that sub-contracting Korean companies were operating lower profit margins compared to the OBM companies which the bureau found to be related to sub-contracting companies' proneness to labour disputes, strikes, relocation, and high vulnerability to cost rise. These companies had problems of wages (around RMB500-550/US$63-67 a month), low or even no social benefits provision, and therefore more tense labour relations and abusive management practices (Tianjin government 2004). One must not forget however that it was the chaebols' success in negotiating state relations in the 1960s in Korea that allowed Samsung to have earlier-accomplished capital accumulation and thus the basis to contain and not only confront labour compared to the others. Nevertheless, the cost factor of Samsung China lies not in low direct labour cost (at Samsung subsidiaries) but accessibility to the component supply chain in China as confessed by the Korean management ('The Agile Giant: the Vertically Integrated Manufacturing Empire of Samsung':http://www.esmchina.com/ART_8800069476_617

Table 7A: Working conditions of Samsung's electronics subsidiaries in China

	TSDI TS Mobile Display Co	TSEC	Tianjin Tongguan/ Tianjin Display Monitor	TSEM	Tianjin Telecom Co	Suzhou SDI	Shenzhen SDI	Shenzhen Kejian	DSDI	HSEC
Location	Tianjin city	Tianjin city	Tianjin city	Tianjin city	Tianjin city	Suzhou city, Guangdong province	Shenzhen, Guangdong province	Shenzhen, Jiangsu province	Dongguan, Guangdong province	Huizhou, Guangdong province
Production	Display for cell phones	Parts for DVD, VCD, VDC	CRT, CPT, PDP, LCD TV & screens	Electronics components	Mobile phones		CRT, CPT	Mobile phones	Electronic guns, battery, display	Audio system
Workforce size	1,200	1,100	1,200	1,500	4,500		2,000	1,000, 90% women	4,000, 90% women	2,000, 75% women
Origin of workers	Tianjin locals + migrant workers from other provinces					Migrant workers	Migrant workers	Migrant workers	Migrant workers	Migrant workers
Recruitment	Vocational schools all over China					Vocational schools	Vocational schools. Rmb800 placement fee/student	Vocational schools and labour agents (R1,000/ placement)	Vocational schools Rmb700 placement fee/student	Vocational schools Rmb800 placement fee/student
Employment and Labour contract	3 month apprentice (under legal minimum) --- 2 month probation (80% regular wage) --- 1 yr regular contract to be renewed every year. No accumulation of seniority.					3 month probation. 1 yr contract renew/yr	3 month probation.1 yr contract renew/year	3 month probation. 1 yr contract renew/year	3 month probation. 1 yr contract renew/year	3 month probation. 1 yr contract renew/year
Wage - Apprentice/ probation	1st two-month apprentice: Basic wage R420 + Incentive R210 = R6303rd month apprentice: Basic wage R420 + Incentive R210 + Welfare R100 = R730.							BW: R690, OT: R6-8/hr		

Table 7B: Working conditions of Samsung's electronics subsidiaries in China

	TSDI TS TSEC Mobile Display Co	**Tianjin TSEM Tongguan Tianjin Display Monitor**	**Tianjin Telecom Co**	**Suzhou SDI**	**Shenzhen SDI**	**Shenzhen Kejian**	**DSDI**	**HSEC**
Wage - Regular workers	*Legal minimum wage: RMB 590 in TJ.OT: 150% legal minimum for OT on weekday, 200% on weekend and 300% on statutory holiday*			Minimum wage: R700 OT: 150%, 200%, 300%	Minimum wage: R810 OT: 150%, 200%,	Minimum wage: R810 OT: 150%, 200%, 300%	Minimum wage: R690 OT: 150%, 200%, 300%	Minimum wage: R600 OT: 150%, 200%, 300%
	Basic wage R530 + Incentives R420 + Welfare R200 = R1150 + OT (1)*Average wage in Low season:R1,000/ 1,100Average wage in Peak season: R1,600/1,800			R800 - 1,800	300% BW: R810 + Heat Stress Allowance R100 in summer = R810 or 910 + OT. L: R1,000 P: R1,500	BW: R750 + Full attendance bonus R100 + travel allowance R150 = R900 + OT L: R1,300 P: R1,600	BW: R600 + Full Attendance bonus R50 = R650 + OT + R5/d night shift allowance L: R1,300 P:>R1,000	BW: R650 + Night shift bonus R40 = R690 + OT + incentive based on monthly, bi-yr & yr appraisal (2)*
Working hours and leave	Legal requirement: 8 hours/day, 40 hours/ week. Overtime work less than 3 hours/ day and less than 36 hours/month 26 working days/ month, at least one day off/ week Annual leave on statutory holidays of 10 days a year							
	3 eight-hr shifts everyday OT less than 2/week day, OT in weekend in peak time 5 working days/week or 2 day off/week in low season 1 day off/week in low season Annual leave, maternity leave				3 shifts 8hrs/day.5 days/week.2 day off/wk in low time. 1 day off/wk in peak time	3 shifts 8hrs/day. Same	2 shifts 10.5hr/day L: 2 day off/ week P: 1 day off/ month	10 hr/day L: 40-50 OT/month, 2 day off/wk P: 70-80 OT/month, 1 day off/wk

Table 7C: Working conditions of Samsung's electronics subsidiaries in China

Plate 3	**TSDI TS Mobile Display Co**	**TSEC Tianjin Tongguan Display Monitor**	**TSEM Tianjin Telecom Co**	**Suzhou SDI**	**Shenzhen SDI**	**Shenzhen Kejian**	**DSDI**	**HSEC**
Living conditions	Dormitory provided for migrant workers only (R80/month), 6-8persons/room. Locals and some migrant workers rent places to stay nearby. Food at canteen				Dormitory 4/room. Food provision. Deduct living fee R200/m	Dormitory 6/room, well-equipped food provision. Deduct 200/m	Dormitory 6/room, shared facilities. Food provision. No deduction	Dormitory only for women. R50/m house subsidy given.Food subsidy R50/m.
Social security	*Legal requirement: comprehensive insurance scheme includes old age, work injury, medical and maternity, the rate and coverage of which depends on local labour bureau's regulation*							
	Old age, work injury insurance				8% wage old age, work injury insurance	R60/m old age, work injury insurance	R65/m old age, work injury insurance	R67/m old age, work injury insurance
Joint Venture Governance	Korean management in Department Manager above.Chinese management: Chinese JV partner as Company General Manager. Chinese middle management: line supervisors, floor supervisors, managers, department managers. Officeholders above the department manager are taken by Koreans.Chinese JV partner chair trade union, personnel department, handles relations with government, customs etc							
Management practices	Factory rules.Morning gathering and simple exercise.Monthly appraisal on productivity & discipline linked with incentives scale. Strict QA, daily production quota, CCTV installed at workplace. Chinese joint venture partner runs personnel affairs dept & 'Family Affairs Committee' handle complaints on living conditions not a bargain unit. Internet cafe, ping-pong, badminton, library in factory complex.Factory organizes outings, sports events, community charity work.							

Table 7D: Working conditions of Samsung's electronics subsidiaries in China

	TSDI TS Mobile Display Co	TSEC	Tianjin Tongguan Tianjin Display Monitor	TSEM	Tianjin Telecom Co	Suzhou SDI	Shenzhen SDI	Shenzhen Kejian	DSDI	HSEC
Labour Management	No TU	TU welfare function only	TU chair is GM of Chinese JV partner co. Welfare function	No TU	No TU		No TU	No TU	No TU	No TU
Worker Identification	Unhappy with wage, Samsung is not paying higher No sense of superiority as Samsung People Quit if there is better factory						No wage increase. Unhappy about change shift every week. High turnover.		Work stress, high production quota, stand working, radiation hazard, eye problems	Low wage based on complex appraisals. Heavy workload, stand working

Notes:

(1) OT compensation: Pay according to law Minimum Wage x 150% on weekday OT, 200% over weekend OT, 300% on statutory holiday. Legal minimum wage in 2006 - Tianjin: Rmb590, Suzhou: Rmb700, Shenzhen: Rmb810, Dongguan Rmb690, Huizhou: Rmb600.*

*(2)** Incentives and appraisal scale in HSDI - (i) Quarterly appraisal incentive: Rmb50. (ii) Bi-annual and annual appraisal incentive scale: Grade A: 200% basic salary; Grade B+ 150% basic salary; B- 50% basic salary.*

Source: Consolidated from LAC field interviews 2006

671_12190e38200607.HTM, 1 July 2006). Behind the realisation of the corporate's competitive edge in improved logistics is maximal appropriation of labour value at the expense of the suppliers' workers. The Samsung Industrial Park in Tianjin, which hosts 26 suppliers in the vicinity and the Samsung Logistics Center in Dongguan running on a 24-hour basis enable the company to achieve just-in-time assembly of products within 24 hours of order placement and zero inventory at the Samsung subsidiaries (Knowledge and Economics 2005). The perpetuation of Samsung China's competitiveness vis-a-vis other capitals therefore depends exactly on the combined absolute labour exploitation of its suppliers in China.

Table 8: Comparison between a Samsung subsidiary and a Dongguan supplier (Guangdong province)

	Supplier A*	DSDI**
Location	Dongguan	Dongguan
Production	SMT	Components
Workforce	170	4,000
Contract	One year	One year
Working hours in peak month	12 hrs/day No day off 240 OT hrs	10 hrs/day One day off Estimated 80 OT hrs
Wages	BW: Rmb450 (Legal minimum Rmb574 a) + OT: R2.74 (Legal: Rmb3.4 b) x 240hrs + Full attendance bonus: Rmb90 + Living allowance: Rmb90 + Work allowance: Rmb65 = Rmb1,353	BW: Rmb600 (Legal minimum Rmb690 a) + OT pay + extra night subsidy: Rmb5/night + Full attendance bonus: Rmb50 = Rmb1,300+

Conclusion

Before the late 1990s, China's state-led economic reforms had been successful in making use of FDI to accomplish the transformation of domestic capital and labour relations. While FDI benefited mainly from using China as a cheap processing base, the incomplete embeddedness of the Chinese economy in the global capitalist system still allowed the Chinese state the space to protect domestic capital from direct competition with the former. In a similar but different stroke, intensified competition within domestic capital and with labour plunged China as well as its Asian neighbours into financial crisis in the latter half of 1990s which in turn forced Asian states and capital towards greater liberalisation - the epitome of that for China was accession to the WTO. Full incorporation of China into the global capitalist market changed the strategy of FDI in China and that has aggravated contradictions between foreign and domestic capital and with Chinese labour. Samsung has been successful in taking advantage of these structural changes so far. However intensified competition is pressuring transnational capital to use technological lead time and shortened product cycle over the lesser capital to acquire greater share in the new markets and further support higher capital input for continuous R&D in turn to maintain its competitiveness. Therefore as Sony,

Samsung, Sharp, and LG-Philips are competing to manufacture the seventh, eighth, and even ninth generation panels in the home country (Gu 2006), the lag enables them to keep the Chinese competitors which never even possessed the technology of the fifth generation panel vulnerable to price depression initiated this time by foreign capital (*Nan Fang Weekly*, 26 January 2006). Samsung's technological edge ahead of its competitors can only be sustained through greater cost effectiveness and logistics integration within the production chain in China meaning a greater contradiction with the interests of labour both directly at the subsidiary and indirectly with its suppliers. However as long as the Chinese government is directly intervening in the labour market through the deregularising employment policy and suppression of independent organising, Chinese labour cannot rely on isolated labour struggles or the collective effect of passive resistance for the benefits of their interests in the labour market.

Indeed liberalisation in the Chinese labour market has led to massive lay-offs in the SOEs and quick prolaterianisation of the rural workforce, which has replaced the socialist labour relations system with one that is highly uneven in terms of bargaining power. The mediation of these contradictions between state, capital, and labour against escalating challenges of market liberalisation have taken place in other countries leading to a crisis of the labour and trade union movement some of which saw the birth of new forms of anti-globalisation and anti-neo-liberalism movements within and across national boundaries. Until Chinese labour can demonstrate a more holistic articulation of its negation of the social contradictions at home rather than fragmented, sporadic reactions, the state and capital are the stronger players to fetishise or take advantage at the expense of labour. The Chinese version of that however remains to be seen.

References

21st Century Business Herald 9 May 2005, 'Sample from Tianjin: Survey on the Contribution of Foreign Capital', *http://finance.sina.com.cn/g/20050410/19491503730.shtml* (In Chinese).

Asian Development Bank 2001, 'Asian Development Outlook 2001 - China', *http://www.adb.org/documents/books/ado/2001/Update/prc_update.asp*

Asian Development Bank 2003, 'Asian Development Outlook 2003 - China', *http://www.adb.org/documents/books/ado/2003/Update/prc_update.asp*

Bartlett, Duncan 2005, 'Nokia's battle to stay world's number one', *http://news.bbc.co.uk/2/hi/business/4257999.stm*

Beijing Business Week Online 4 March 2002, 'How Samsung Plugged into China', *http://www.bdachina.com/content/zh/about/pressquotes/50*

Business News 12 February 2003.

Cai, Lin Ping 2002, 'One Project, One Beginning', *China Development Brief*, http://www.chinadevelopmentbrief.org.cn/wzdd/wzdd.jsp?id=19 (in Chinese).

Chan, John 2005, 'Foreign Capital Pours into China's Banks', *http://www.countercurrents.org/economy-chan081005.htm*

Chang, Dae-oup 2002, 'Korean Labour Relations in Transition: Authoritarian Flexibility?', *Labour, Capital and Society*, Vol. 35, No. 1, pp. 10-40.

Chang, Dae-oup and Jun-Ho Chae 2004, 'The Transformation of Korean Labour Relations since 1997', *the Journal of Contemporary Asia*, Vol. 34, No. 4, pp. 427-48.
China Business News and Observer 14 June 2006, 'Samsung Aims to Sell $31 Billion in China in 2006', *http://www.cbnando.com/industry/electronics/2006/06/14/samsung_aims_to_sell_*
31_billion_in_china_in_2006.html
China Daily 24 April 2006, 'Samsung Aims to Buy More in China', *http://english.china.com/zh_cn/business/news/11021613/20060424/13270029.html*
China Economic Weekly 22 May 2006 (in Chinese).
China Internet Weekly 4 August 2004, 'License Economics: Existence Justified', http://*www.ciweekly.com/article/2004/0804/A20040804330732.shtml* (in Chinese).
China Labour Market Information Monitoring Center 2004, 'Hengshui City of Hebei Province and MOLSS Strongly Promotes Labour Export', *http://www.lm.gov.cn/gb/employment/2004-10/26/content_51123.htm* (in Chinese).
China Youth News 28 October 2000, 'Calculating Gain and Loss of the Colour TV Price War, RMB14.7 billion Loss of State-Owned Assets', *http://finance.sina.com.cn/2000-10-28/19288.html* (in Chinese).
Chinese Chosun Daily Online 7 October 2003, 'The Rise of China No.6: Trade Union in the Forefront of Productivity', *http://chn.chosun.com/site/data/html_dir/2003/10/07/20031007000012.html* (in Chinese).
Chinese Embassy in the US 2005, 'Chief of Labour Bureau: The Peak of SOE Lay-Off has Passed', *http://www.china-embassy.org/chn/gyzg/t190731.htm* (in Chinese).
Economic Watch Daily 14 May 2005, 'Park from Samsung China: Building a Second Samsung in China', *http://news.chinabyte.com/62/2005062.shtml* (in Chinese).
Finance and Economic Daily 16 February 2003.
Financial Times 14 April 2006, 'Samsung Q1 profits drop 25% on won strength', *http://www.ft.com/cms/s/bb5a9c4e-cb66-11da-9015-0000779e2340.html*
Gu, Z.Y. 2006, 'The 8th Generation LCD of Sharp on the Market, Samsung, Sony, LG-Philips Follows', *http://www.istis.sh.cn/list/list.asp?id=2794* (in Chinese).
Hart-Landsberg, Martin and Paul Burkett 2004, 'China and Socialism - Market Reforms and Class Struggle', *Monthly Review*, Vol. 56, No. 3.
He, Si Man 2006 'The Agile Giant: the Vertically Integrated Manufacturing Empire of Samsung', *http://www.esmchina.com/ART_8800069476_617671_12190e38200607.HTM* (in Chinese).
Hubei Daily 23 June 2005, 'De-coding the New Model of Labour Transfer Training', *http://www.cnhubei.com/200503/ca793096.htm* (in Chinese).
Hubei Information Center 2006, 'On Several Models of Rural Poverty Labour Transfer in Hubei Province', *http://www.nmpx.gov.cn/jingyanjiaoliu/t20060217_41523.htm* (in Chinese).
Kim, R.San 1996, 'The Korean System of Innovation and the Semiconductor Industry: A Governance Perspective', *www.oecd.org/dataoecd/34/59/2098646.pdf*
Kim, Youngsoo 1997, 'Technological Capabilities and Samsung Electronics', *Working Paper 106*, presented in Berkeley Roundtable on International Economy, United States, 1997.
Knowledge and Economics 2005, 'Samsung Supply Chain: Rise and Strength', *http://info.ceo.hc360.com/2005/04/08081310647.shtml* (in Chinese).
Li, Y.P 2006, 'The Storm of Labour Sub-Contracting', *http://www.cccv.cn/corpus/detail/2006/6/20690.asp* (in Chinese).
Li, Ying 2004, 'Review on the 20-Year History of the Electronics Appliance Sector', original from CCIDNet, *http://www.ittop100.gov.cn/200412/147163.shtml* (in Chinese).
Lu, Xin Hui 2002, 'Glorious History of the 20-Year History of the Reform in the Electronics

Industry', *http://www.cnii.com.cn/20021111/ca103217.htm* (in Chinese).
Luo, H.Q 2005, 'Understanding the Mystery of the Price War of the Colour TVs in China', *http://www.glr163.com/* (in Chinese).
Ministry of Commerce of PRC 2000, '1999 Implementing the Strategy of Scientific Development and Changes in China towards a Trade Superpower', *http://www.mofcom.gov.cn/aarticle/bg/200207/20020700032466.html* (in Chinese).
Ministry of Commerce of PRC 2000, 'Import-Export of the High-Tech Products Broke USD400 billion in 2005', *http://www.china.org.cn/chinese/EC-c/1088146.htm* (in Chinese).
Ministry of Commerce of PRC 2005, 'Bureau of Foreign Currency Inaugurates Regulations for Enterprises to Step Out', *http://fec.mofcom.gov.cn/aarticle/xiangmht/ar/200505/20050500368130.html* (in Chinese).
Ministry of Commerce of PRC 2006, *Research on the Economic Development of China 2006* (in Chinese).
Ministry of Information Industry of PRC 1999, 'Chinese Information Industry Annual Report 1999', *http://www.cnii.com.cn/20020808/ca87204.htm* (in Chinese).
Ministry of Information Industry of PRC 2004, 'Opinion on Speeding Up the LSC Strategy of the Information Companies', *http://www.mii.gov.cn/art/2005/12/17/art_66_1778.html* (in Chinese).
Ministry of Labour and Social Security of PRC 2004, *White Paper on Employment Situation in China, Beijing: PRC* (in Chinese).
Nan Fang Daily 19 April 2006, '1/4 of the Workforce in Foreign Invested Company are Teenage Apprentice' (in Chinese).
Nan Fang Weekly 26 January 2006, 'Foreign Capital Instigating New Price War, Local TV Companies No Longer Prosperous' (in Chinese).
National Bureau of Statistics of PRC 2003, 'Three Types of Joint and Foreign Ventures Becomes the Main Drive in the High-Tech Industry', *http://www.cas.ac.cn/html/Dir/2003/08/29/0143.htm* (in Chinese).
People's Daily 27 July 2005 (in Chinese).
People's Daily Online 16 May 2005, 'Sony sets up R&D base in China', *http://english.people.com.cn/200505/16/eng20050516_185269.html*
People's Daily Online 18 August 2003, 'Sony Sets China as its Second Largest Market by 2008', *http://english.people.com.cn/200308/18/eng20030818_122509.shtml*
Shusong, BA 2004, 'The state-owned bank reform in China: policies and trends', a paper presented at *International Financial Corporation meeting in Minsk*, Republic of Belarus, May 2004.
Taylor, Bill, Chang Kai and Li Qi 2003, *Industrial Relations in China*, London: Edward Elgar
Suzhou Daily 18 February 2006 (In Chinese).
The Research Group of the Department of Training and Employment of the Ministry of Labour and Social Security PRC 2002, 'Skills Training in the Informal Sector in China', *The InFocus Program on Skills Knowledge and Employability*, ILO.
Tianjin City National Bureau of Statistics 2005, 'Statistics of the GDP and Social Development of Tianjin City 2005', *http://www.cpirc.org.cn/tjsj/tjsj_cd_detail.asp?id=6657* (in Chinese).
Tianjin Daily, 7 February 2006, 'Four Categories of People in Tianjin Can Apply for Re-Employment Benefits Card', *http://www.cbnando.com/industry/electronics/2006/06/14/samsung_aims_to_sell_31_billion_in_china_in_2006.html* (in Chinese).
Tianjin Foreign Affairs Office, Asia Desk 2004, 'Overview on the Development, Problems and Solutions of Korean Invested Enterprises in Tianjin', *http://www.tjfao.gov.cn/tianjinwaiban/20040924/455.html* (in Chinese).

Tianjin Government 2004, 'Situation, Problems and Solutions to Three Types of Foreign Invested Enterprises in Tianjin', *http://202.192.172.14:2003/gqgl/2004513113322.htm* (in Chinese).
Tianjin Statistics Information Net 2004, 'Development Situation, Problems and Recommendations on the Three Types of Foreign Invested Enterprises in Tianjin City', *http://202.192.172.14:2003/gqgl/2004513113322.htm* (in Chinese).
Ure, John 2002, 'China's Telecommunication and IT: Planning and the WTO', *Working Paper, Telecommunications Research Project*, University of Hong Kong.
Workers' Daily 8 December 2005 (In Chinese).
WTO 2006, 'Information Technology Agreement', *http://www.wto.org/English/tratop_e/inftec_e/inftec_e.htm* (in Chinese).
Xia, Lin 1998, 'Re-employment Project and the Success and Failure of the SOE Reform', *http://www.gmw.cn/01gmrb/1998-02/16/GB/17605%5EGM1-1609.htm* (in Chinese).
Yao, Gan 2002, 'New Typology of the Electronics and Semi-Conductor Industry in China', *http://www.ednchina.com/ec/Ectktxt/ec020702.htm* (in Chinese).
Zhao, WH 2002, 'Constructing the New Fight Engine of the IT Industry', *http://www.stdaily.com/gb/innovation/2002-09/26/content_18462.htm* (in Chinese).
Zhou, Dayong 2003, 'The SOE reform in China', Europa-University, Viadrina, Germany, *http://www.law-lib.com/lw/lw_view.asp?no=2165*
Zhou, Xin Zun 2006, 'Survey into the Company Governance Model of TJSDI', *http://www.dongshihui.net/Article_Print.asp?ArticleID=836*
Zhou, Yu Chuan 2006, 'Development Profile, Strategies and Choices of the Electronics Components Manufacturing Industry in China', *http://www.sts.org.cn/fxyj/zcfx/documents/20060314.htm* (in Chinese).
Zhu, Chang and Zhou 2005, 'Harmonious Tianjin: Sunshine for Everyone', *http://news.xinhuanet.com/newscenter/2005-03/15/content_2701277.htm* (in Chinese).

Web Site References

Anhui Province Labour Export Service Center, http://www.hao71.com/company/workout.html
Engma China Web Site, http://www.engma.net/html/
Samsung China, http://www.samsung.com.cn
Singapore Industrial Park, http://www.sipac.gov.cn/tzhj/t20031212_1251.htm
Tianjin Binhai Government, http://www.bh.gov.cn/zsyz/2005-01/11/content_3546935.htm

Interviews

Interview with DSDI workers, 31 May 2006.
Interview with HSEC workers (a), 15 April 2006.
Interview with HSEC workers (b), 23 June 2006.
Interview with Shenzhen Kejian workers, 11 June 2006.
Interview with Shenzhen SDI workers, 4 June 2006.
Interview with Tianjin Tongguan/Tianjin Display Monitor workers, May 2006.
Interview with Tianjin Telecom Company workers, May 2006.
Interview with TSDI workers, May 2006.
Interview with TSEC workers, May 2006.
Interview with TSEM workers, May 2006.

NOTES

1 Without necessarily transiting to private ownership.

2 Under the administrative order named Promotion of the Large Scale Company Strategy in the Information Technology Industry, the six companies selected were Shanghai Broadcast Company, Changhong Company, Caihong Company, Panda TV, Legend Computers, and Hualu VCR Company. Four of them were TV manufacturers; two were computer and VCR manufacturing companies.

3 AMCs bought bad loans from SOEs and sold them at a discount or simply converted them into stock in the bankrupt companies without necessarily being able to recycle these debts into profits in the market. The debt swap and write-offs were shifted to the People's Bank of China (Hart-Landsberg and Burkett, 2004: 57).

4 The inequality of economies between coastal urban areas and inland provinces sharpened class inequality symbolised in the high Gini coefficient of 4.1 is also part of the reason for the need to develop the international market for Chinese investment.

5 These are the Provisional Approval Management Methods of Open Telecommunication Operations Affairs (1993) and the Provisional Market Management Requirements for Open Telecommunication Service Markets (1995) both of which aimed at reconsolidating the telecommunications market to benefit large domestic enterprises.

6 The WTO Basic Agreement on Telecommunications details six areas of compliance: competitive safeguards against predatory and discriminatory pricing by incumbent operators; availability of cost-based interconnection; the burden of universal service requirements to be reasonable; public availability of licensing criteria; a regulator independent of the industry who offers national treatment to new entrants; and transparency in the assignment of scarce resources such as radio spectrum (Ure, p7).

7 On average the Chinese tariff on ICT imports is 6.4 percent (US Department of Commerce, 2001)

8 The most remarkable example of which was Lenovo's acquisition of the PC business of IBM with US$12.5 billion in 2004.

9 Samsung's sales revenue is much higher than Sony's which was reported as US$3 billion in 2004 (People's Daily Online, 16 May 2005).

10 Other investment policies include two-year tax exemption and three-year tax reduction by half etc, investment policies that are also common in other cities.

11 Samsung further planned to pull up the local sourcing rate to 65 percent or US$18.5 billion as well as 80 percent marketing rate of its Chinese production in 2006 (http://english.china.com/zh_cn/business/news/11021613/20060424/13270029.html).

12 In 2003 alone, the MOLSS estimated that 98 million migrant workers moved from rural to urban areas, which is more than six times the 15 million reported in 1990 (MOLSS, 2004).

13 For political reasons, the Chinese government distinguishes foreign funding as FDI from countries other than Hong Kong, Macao, and Taiwan whereas other sources of funding includes all sorts of funding from mainland, Hong Kong, Macao, and Taiwan.

14 The Chinese government distinguishes the FIEs into Hong Kong, Macau and Taiwan FIEs and FIEs invested from other countries.

15 On a visit to Tianjin in 1998 former Premier Zhu Rongzhi said that unemployment (in Tianjin) was not caused by economic reform but the fundamental economic structure ie duplication of investment, over-reliance on state bank loans, low economic productivity and employee redundancy (People's Daily, 16 February 1998).

16 The TEDA Trust Investment Company was a semi-public mixed-shareholding company. It went public on the Shenzhen Stock market in 1987.

17 These were approved in a number of state regulations such as Regulation on Administering Compensated Lease and Transfer of the Use of Land in TEDA (People's Government of Tianjin, 1988) and Opinions of the State Council on Related Problems Regarding Further Developing TEDA (State Council, 2006). Deregulation on the use of labour was approved by the central state under the PRC Collective Owned Industrial Enterprise Law (State Council, 1988).

18 The Tianjin government is promoting the Benefits for Re-employment Scheme in 2006 under which unemployed workers and those living below the minimum subsistence level are issued a Re-employment Benefits Certificate. The holder of the certificate may apply for a maximum of RMB50,000 credit loan for three years to start self-employed businesses. Enterprises employing more than 30 percent of workforce who are certificate holders can be granted a maximum of RMB1 million loans. Other than that, enterprises are entitled to social security subsidies and three-year tax holiday for employing certificate holders (Tianjin Daily, 7 February 2006).

19 In terms of labour standards, the Chinese Labour Law is in no way deficient amongst developing countries. The minimum wage varies in different provinces and cities; the highest is RMB810 in Shenzhen (2006). Working time is controlled at 40 hours per week, 26 days per month. Overtime work should not exceed three hours per day and 36 hours per month. Companies are required to pay as high as 13 percent of workers' wages for comprehensive social security including work injury, old age, unemployment, medical, and maternity insurance. The law also entitles workers to paid annual leave and maternity leave. If there is a trade union, the company has to allocate two percent of the aggregate wage to the upper level trade union as union fees.

20 Korean small- and medium-sized enterprises in Tianjin for instance complained that the social security scheme, taxed at 20.7 percent and 17 percent of the enterprise's aggregate remuneration for old age and medical insurance respectively adds to the financial burden of the FIEs (Tianjin Foreign Affairs Office, 2004).

21 The Chinese law labour limits overtime working to not more than 36 hours a month and not more than 3 a day. Regular work is 40 hours per week.