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# Korean Affairs Report

(FOUO 2/81)

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S. KOREA/ECONOMY

STATUS OF ELITE BUSINESS GROUPS EXAMINED

Tokyo ECONOMISTO in Japanese 10 Jun 81 pp 48-53

[Article by Maeda Yasuhiro: "The Group of Korean Businessmen That Sustain the Chon Tu-hwan Regime"]

[Text] The Fifth Republic regime of the ROK was fully launched when the Minjong Party, or Democratic Justice Party, which was founded by President Chon Tu-hwan, obtained the majority vote in the general elections held last March. The Chon regime, which is regarded as a military regime in substance, has been attempting to stabilize the political situation by means of such measures as the reopening of the National Assembly in April, the carrying out of a large-scale shift in top-ranking government circles, and the reorganization of the circle of military leaders. However, the most difficult problem, that of "rebuilding the ROK economy," which has been completely stagnant, is still left unsolved.

The zaibatsu and industrial circles of the country, which had been outside the range of the sweeping cleansing and purging staged during the past year, are now facing a sudden storm of changes. Plunging into an unprecedented adverse environment--increases in deficits in foreign trade and in the state budget, rapid increase in unemployment, wild inflation, and depression in rural villages--economic circles, including large and small businesses, are now being forced to improve the organizational quality of their own businesses and to reorganize the entire business system.

The factors emanating from "the pressure from outside," including the Chon Tu-hwan regime's policy of compulsorily merging major business enterprises and the reexamination of the excessive protectionist policy of the government that had been implemented for some time, must not be overlooked, of course. However, it may be said that these represent an essential process necessary for the rebirth of "a medium-developed industrial state." Let us review the new setups being developed in government business enterprises, in the zaibatsu, and in industrial circles, centered around the new economic policies of the Chon regime.

The man who seized the position of number one economist in the Chon Tu-hwan regime is Pak T'ae-chun, chairman of the board of directors of the P'ohang Iron Works. He was born in 1928 in Pusan, South Kyongsang Province, so he is 53 years old. He was a student in the Engineering Department at Waseda University when World War II ended. After liberation, he returned to the ROK and entered the military academy. He was in the same class as former Prime Minister Kim Chong-p'il. He was one of "the Floral Eighth Class Students." When (then)

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Major General Pak Cong-hui staged a military coup d'etat in 1961, he became the director of the secretariat under Pak Chong-hui, chairman of the Supreme Council for National Reconstruction. From then on he was very much trusted by President Pak. He entered the economic circles and founded the P'ohang Iron Works, a government business enterprise. And he developed it as a model business enterprise of the ROK according to his very conservatively wholesome method of management.

The iron works completed the construction of the fourth high furnace in February 1981, thereby establishing a system capable of producing 8.5 million tons of pig iron annually. It is now the world's 11th largest iron works with a system of continuous operation of pig iron and steel making.

Mr Pak T'ae-chun emerged as a new leader both in name and in fact last February when he became the first chairman of "the ROK-Japan Association for Economic Cooperation" established by the ROK side. He took this post because President Chon asked him to "leave the post of president of the P'ohang works and take the lead in economic circles."

The association is an organization that serves as the center of economic relations with Japan. Affiliated in it are: the Greater ROK Chamber of Commerce (chairman, Chong Su-ch'ang), the National Association of Economists (chairman, Chong Chu-yong), the Trade Association (chairman, Yu Ch'ang-sun), and the Cooperative Association of Medium and Small Business Enterprises (chairman, Yu Ki-sun). Its inaugural convention was attended by approximately 150 managers of major business enterprises, and it turned out to be an occasion for the announcement of the splendid debut of Pak T'ae-chun. Pak T'ae-chun, Chong Su-ch'ang, and Yu Ki-sun are members of the Legislative Council for National Defense; they may be called the economic representatives of the Chon regime. The association is expected to take over the functions of the former ROK-Japan Economic Cooperation Committee and to promote the economic diplomacy toward Japan on a civilian level. It is indicative of the great importance the Chon regime attaches to the relationship with Japan.

Chairman Pak obtained a seat in the National Assembly in the general election last March, where he was ranked in 17th place by the Democratic Justice Party, the government party, as a designated assemblyman under the proportional representation system. Thus he assumed a strong position of influence in both political and business circles. "Making the trek to Mr Pak" by personages of Japanese political and business circles has become evident. President Chon Tu'hwan is planning to build a second P'ohang Iron Works with Japan's cooperation during his 7-year term; Mr Pak T'ae-chun has thus become indispensable to him.

In connection with the sudden rise of Mr Pak, attention is being drawn to the presence of Chairman Chong Chu-yong (65), the leader of "the Hyondae Group," number one zaibatsu in the country. At one time it was speculated that he might withdraw from a position of leadership in economic circles after being swamped by the big waves of depression in the chemical heavy industry, the stagnation in exports, and the surge in the price of crude oil, but he still maintains an influential position.

"The Hyundai Group," which encompasses 60 business enterprises, is under the management of Mr Chong Chu-yong, the leader, his four brothers, and his sons. Last April, when [Chong] In-yong (60), former president of the Hyundai Yanghaeng, was arrested on charges of embezzlement and misappropriations in the conduct of business, etc, it was gossiped that even "the Chong Kingdom" was getting ready for a downfall. In-yong is a brother of Chong Chu-yong.

[Chong] Chu-yong (chairman of Hyundai Construction and Hyundai Heavy Industry); second brother Sun-yong (president of Hyundai Cement); third brother Se-yong (president of Hyundai Automobile); fifth brother Sang-yong (president of Kungang Slate); former son-in-law Hui-yong (president of the Hyundai Comprehensive Firm); second son Mong-ku (president of Hyundai Steel Pipe, Hyundai Automobile Service, and Hyundai Precision Industry); and third son Mong-kun (president of Kungang Development Industry)--the whole family is thus tightly united in business. Only In-yong once rebelled against the family and established Hyundai Yanghaeng independent from the group, but he returned to the group later. His Hyundai Yanghaeng went into a slump and he abandoned it, after which its name was changed to Han'guk Heavy Industry and it became a monopoly producer of electric generating equipment; thus the company made a fresh start and Kim Yong-chun became its president.

However, "the Hyundai Group" itself did not budge at all. It is holding fast to its unique capital nationalism, which allows no merger with foreign business enterprises except for the introduction of technology. The family rule system has not changed either. However, the group recently employed Yang Pong-ung, executive director of Hyundai Construction, as the president of Han'guk Pavement Construction Company--a case in which the group has now let a management specialist, who had been brought in at an early age, take over the management of a business enterprise under its jurisdiction; and there have been a number of similar cases. Thus, in the future there will be two major business pillars in the group: one, Hyundai Heavy Industry (shipbuilding; president, Yi Ch'un-nim); and the other, Hyundai Construction, which earns dollars in construction projects in the Middle East. And the automobile, cement, and slate businesses will become more and more independent. Meanwhile, In-yong has been released and has gone to Papua, New Guinea.

Last April, Hyundai Heavy Industry was successful in getting the order for platforms (turrets) in the international tender for procurement of equipment needed for the project of developing natural gas off the coast of Tokiwa, Japan, beating out the Japanese forces of Shin Nittetsu and Nihon Kokan. This was a great shock to Japan's industrial circles.

Han'guk Heavy Industry, which was separated from the Hyundai Group, at one time had four departments: power generating equipment, iron manufacturing equipment, petrochemistry, and heavy equipment (construction machines). It has now abandoned petrochemistry in an attempt to normalize its business management.

The ROK is planning to build one or two atomic power plants over a 10-year period from now. It is expected that Han'guk Heavy Industry will achieve a high growth as a producer of comprehensive power generating equipment.

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Government's Aim

The major zaibatsu, including "the Hyondae Group," of this country have now embarked upon the work of reorganizing the systematized business enterprises "on their own initiative," thanks to the enforcement of the Monopoly Control Law and the Fair Trade Law enacted by the Chon regime.

The zaibatsu, which spread out their management nets over all industries like an octopus, were criticized on the grounds that they had launched an acute price contest and thus had neglected to nurture the essential strength to be gained from launching international competition. Thus, government policies are aimed at aligning the major enterprises of the zaibatsu through the competition of quality control. However, on the part of the zaibatsu, there may arise a situation in which some business enterprises will have to be contracted to achieve a balance or be abandoned because of the phenomenal restrictions on the absorption of other enterprises and the new establishment of enterprises.

"The Taeu Group," under the leadership of Kim U-chung, who is only 46 years old, is trying to tide itself over the current transitional period with the organizational setup centered around the founding comrades in the group and the alumni of the group chairman's alma mater (Kyonggi higher school).

The four major trunks of the group are the following: Taeu Business, Taeu Shipbuilding, Taeu Development (construction), and Taeu Heavy Industry. The year before last, when U-chung took over the management of Taeu Development in order to prop up the field of urban development and strengthened the business of the firm in order to maintain the title of number 1 exporter, he concurrently took the post of president of Taeu Business for the second time and transferred Yi Sok-hui, who had been president of the company, to Saehan Automobile. Taeu Heavy Industry has been placed under Yun Yong-sok (44), executive director of Taeu Business, and Taeu Shipbuilding under Hong In-ki (44)--both young men.

The Taeu Group grew up by means of dealings in typical export goods of Korea, such as textile products and miscellaneous goods; it is a "mixture" of medium and small scale business enterprises, and therefore neither a monopoly nor an oligopoly system would work for it. Its inherent weakness has always been its dependence on overseas trends. Thus it is of more and more importance for strengthening the management basis of the Taeu Group that the automobile industry--an oligopolical domestic consumption industry--and heavy industry fields be developed further.

The characteristics of the Taeu Group are the "enticing" of employees from other companies by offering higher pay and thorough implementation of responsible management in each department of the business. Although the group of founding comrades occupy the top ranks, the Taeu is surpassing other zaibatsu in opening its offices to talent from outside. The number of holders of Ph.D. degrees--"the brains" of the management camp--are as follows: the Taeu, 16; Lucky Group, 10; Samsung Group, 7; and Hyondae Group, 5. Thus the Taeu is proud of its "Taeu of Personnel."

However, last September, when the Ch'oe Kyu-ha regime was suddenly replaced by the Chon Tu-hwan regime, the Taeu Group was faced with a delicate situation.

Chairman Kim U-chung was forced to "give back" 20 billion won worth of his personal property, except for his home, unconditionally to the society. Furthermore, in compliance with the strong policy of unifying the automobile and power generating plant businesses into one, it was ordered that the Hyundai Group would be responsible for passenger car production and the Taeu would be responsible for power generation; and it happened that Mr Kim U-chung was forced to take over the management of the above-mentioned Hyundai Yanghaeng, which went into a slump.

Furthermore, the capital participation of the Taeu Group was rejected; and the name of the business was changed to Han'guk Heavy Industry, which became a government-owned company operated by government investment. Then the company was further downgraded to a company associated with Han'guk Electric Power, and Kim Yong-chun became its president--a bizarre and weird transformation drama. Saehan Automobile under the jurisdiction of the Taeu Group--which will be described later--was almost merged with Hyundai Automobile. However, GM of the United States, which held a 50-percent investment there, "sat upright" and so the original status was restored after a disagreeable fuss. This mysterious policy of consolidation was taken as the beginning of "zaibatsu crushing" by the Chon Tu-hwan regime; and industrial circles shuddered in horror.

#### Car Production Dualized

The Hyundai and the Taeu are launching a severe contest under the new policy of dualizing the production of automobiles.

In view of the fact that the Pak regime's policy of nurturing the chemical heavy industry reached an impasse, last August the Chon regime set forth a bold policy of unifying the automobile industry into one; and all the zaibatsu were shocked by that. After much ado, it was decided that among the three passenger car makers, Kia Industry, which had a tie-up with Toyo Industry of Japan, would become the exclusive producer of trucks, while, starting last February, Hyundai Automobile and Saehan Automobile would become the exclusive makers of passenger automobiles.

The main Hyundai cars are the "Colt," built with a body designed by Italian designer Jujiaro [phonetic] and with Mitsubishi's "Lancer" [phonetic] engine installed on it. Saehan Automobile took the lead in developing diesel engines, competing by producing "Geminis" and "Records." The Hyundai has the capacity to produce 116,000 cars a year, but last year it produced only 39,700 cars, 16,000 of which were exported to underdeveloped countries. And its operation rate has dropped to less than 30 percent. Once it had in storage over 100,000 cars, including buses. Starting this year, both Hyundai and Saehan have swung into full operation because of the increase in domestic demand. In March this year, during a 1-month period, they sold 3,800 cars (passenger cars).

The Chon regime is planning to have the annual car output reach the 1-million car level by 1985. It is not going too far to say that the future of the ROK's economy depends on whether the automobile industry becomes the cardinal pillar of these two zaibatsu. While Hyundai Automobile is a purely national type, Saehan is much different, in that the American GM invested 50 percent of Saehan's asset. The dualized production setup is also a result of the tremendous resistance put up by GM against Hyundai's proposed absorption of Saehan. GM has decided to produce 1,000 cc class world cars (annual output, 300,000 to 500,000) at Saehan; implementation of this plan will start in the second half of 1983.



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However, the government's patronage over Hyondae's national system is so great that some observers suspect that Saehan may dwindle away into nothing eventually. In any case, it is now emerging as such a force that Japan's car makers cannot afford to ignore it.

Within the Taeu Group, it seems that Taeu Shipbuilding will make rapid progress. ROK shipbuilding ranked second, next to Japan, in the amount of shipbuilding orders received last year. Based on its past business showing, the ROK now ranks fourth among shipbuilding countries of the world, with Brazil and the United States ranking second and third. As of the end of March this year, the balance of the amount of orders received was 3,009,000 tons; breaking this down among the enterprises, Taeu Shipbuilding's growth is highest, followed by Samsung Shipbuilding and Taehan Shipbuilding.

The Taeu is hurrying to install a large type crane of the world's largest class at the Okp'o Shipyard; it will soon be completed. In the field of shipbuilding, too, Hyondae Heavy Industry, which has the highest business showing in shipbuilding in the ROK, may compete with the Taeu in every project that comes up there. However, competition to get orders in shipbuilding circles is said to lead invariably to sacrificing exports, so there may be mutual destruction if the below-cost business run continues as it is now while technology continues to go higher. Shipbuilding in the ROK, however, is limited to the construction of ship bodies; as for shipboard high-class precision equipment, the ROK's dependence on Japan will increase more than ever. Such circumstances, it is said in some quarters, will stabilize the Japan-ROK perpendicular division of labor system.

Another self-made business group similar to the Hyondae and the Taeu is "the Samsung Group," whose chairman is Yi Pyong-ch'ol (73). This group is said to be a typical zaibatsu. However, it is different from the Hyondae and Taeu in that, except for the top-ranking managers, the family rule system is not a predominant feature of this group. For more than 20 years now, it has held on to the policy of employment based on open employment tests, which are called "kongch'ae." The management as a whole is the responsibility of each business enterprise (39 business enterprises); it is not necessarily in the hands of blood relatives.

At one time the second son, Ch'ang-hui, and the third son, Kon-hui (42), were competing with each other to succeed Mr Yi Pyong-ch'ol; but last year, when Kon-hui took the post of vice chairman, the competition ended. Yi Su-pin (42), a university classmate of Kon-hui, was hired through the 1965 "kongch'ae," and heads the management of Cheil Sugar Manufacturing and Cheil Woolen Textile--the second and third ranking companies of this group. Yi Pyong-ch'ol's one-man system is now being shifted to a system of the era of second-generation group management.

The central business enterprise of the Samsung Group is Samsung Products, which is making a good showing in foreign trade without objection; president Kyong Chu-hyon (42) belongs to the 1964 "kongch'ae" group. The Samsung Group is trying to become the most modernized enterprise; it has in it former high-ranking military personnel, capable former government officials who were employed through influence exerted from above, and those who were brought in at a young age and promoted gradually.

Also Aimed at Most Advanced Technology

The most rapidly growing among the enterprises of the Samsung Group is Samsung Electronics (president, Kang Chin-ku), which is enjoying popularity because of its production of color television sets. In the ROK, Samsung Electronics, Kumsong Company (president, Ho Chin-ku; the Lucky Group), and Taehan Electric Wire (president, Ch'oe Hyong-kyu) are called the three home electric companies, and they are competing fiercely with one another. Since the end of last year, when color television broadcasting was started, the sale of color television sets has increased rapidly, and so these three companies have been in full operation.

Color television sets are now among the strong export goods. However, there has been no increase in their export, because the United States, the largest market, has limited its quota for the ROK to an annual total of 505,000 sets. Therefore, the Kumsong Company decided in March this year to take the initiative and set up an assembly plant in the state of Alabama. Samsung Electronics, too, decided to build plants in the United States, Spain, Portugal, Brazil, and Denmark; and Taehan Electric Wire is considering beating a path to Los Angeles in the United States. Thus they are all burning with a desire to "beat Japan."

The three home electric companies, it seems, are monopolizing the profits resulting from the buying boom in home consumer goods, including television sets, electric fans, refrigerators, washing machines, and air conditioners, as the national income increases. They represent rapidly growing industries, reminding us of the 1960's and 1970's in Japan. These electronics companies, which are growing on the basis of the production of television sets, will surely develop into the ultramodern technical industry of semiconductors and computers.

The field of electronics is said to be the one to which the government is rendering the greatest support, while the tendency to form capital is shifting from government to private initiative. Along with shipbuilding, electronics is drawing attention as a field standing in the way of Japan.

"The Lucky Group," a strong zaibatsu ruled by a single family, has a history as long as that of the Samsung. Under the leadership of Ku Cha-kyong (64), eldest son of the founder, [Ku] Cha-hak (50), brother [of Cha-kyong]--former president of the Kukche Newspaper Company--is in charge of the group's main enterprise, the Lucky (synthetic resins).

And [Ku] Cha-tu (49), second brother [of Ku Cha-kyong]--former president of the Pando business--is president of Sinyong Electric. Ho Chin-ku, president of the Kumsong Company, and some members of the Ho family are related to Mr Ku by marriage and occupy a corner of the management camp. One of the group's characteristics is its policy of employing only personnel of Kyongsang Province origin; it is displaying a color of zaibatsu that stands in contrast to that of the Samsung. It may be said that the 53 business enterprises in the group have been taken over by second-generation descendants of the founder of the group. The closed attitude and the advanced age [management] of this group stand out in comparison with the characteristics of other zaibatsu groups.

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Furthermore, "the Kukche Group" (chairman, Yang Chong-mo), "the Tusan Group" (chairman, Pak Yong-kon), "the Tonga Group" (chairman, Ch'oe Won-sok), "the Ssangnyong Group" (chairman, Kim Sok-won), "the Hyosong Group" (chairman, Cho Sok-nae), and "the Hanjin Group" (chairman, Cho Chung-hun) are trying to expand their business--both old and new. In particular, the movement of "the Son'gyong Group" (chairman, Ch'oe Chong-hyon) is drawing attention: it was a newly emerging business group in the 1960's, when it grew through exporting textile goods; in the 1970's, it made inroads into the fields of electronics, machines, and petro-chemistry.

The Son'gyong purchased Taehan Petroleum Company from the government at the end of last year. When Gulf Oil Company, a major American company, withdrew from the ROK, the Chon Tu-hwan regime directly chose this group for a zaibatsu which would buy the shares; thus this group suddenly became a top class zaibatsu and made a stir. Chairman Ch'oe Chong-hyon of the Son'gyong Group at the same time became president of the [Taehan Petroleum] company and is now going to have the group do its best to promote the company. In fact, the group has control over the textile industry, which is the main industry of the ROK, and the group's capability to raise domestic capital has been recognized. The government also granted the group the right to obtain foreign loans (cash) from Europe. And there are indications that the group is becoming a very large one.

## Control over Zaibatsu

The Chon regime has strongly requested that these zaibatsu replace their family rule system with a modern business enterprise system by means of offering shares of stock for public subscription and taking business consolidation measures; it intends to wield the "governmental control power" of the military government and thereby reorganize the zaibatsu during the next year or two.

It is a common characteristic of the zaibatsu of the ROK that their capability to raise their own funds is very limited because of the fact that the banks in the urban areas are all run by the government.

As for the business enterprises in the field of major chemical heavy industry, their debts are very heavy and the rate of their owned capital is only 10 to 12 percent (as announced by the government in April). For example, in the case of Samsung Heavy Industry, its owned capital is 3.6 billion won (approximately 1 billion yen) and its borrowed capital is 70.4 billion won; thus the rate of its owned capital is only 4.9 percent. In the case of Hyundai Automobile, 11 percent; Hyosong Heavy Industry, 7.3 percent; and Taegu Heavy Industry, 18.7 percent. Thus they are still far from reaching the standard rate (30 percent) needed to engage in international competition.

The Chon regime has announced that the Hanil Bank, one of the four urban banks, will be run privately starting in the month of June and thereby the economy will be turned over to the management of civilian control. However, it is still not likely that the present system of ruling banks will be abolished; and this is because the systematization of certain zaibatsu have to be prevented. In other words, it is likely that the monetary field will be used as a decisive means of "controlling" the zaibatsu. Thus the toughest task confronting the zaibatsu of the ROK will be to find how to excel over others by accumulating owned capital in these circumstances.

How will the new management camp skillfully deal, without causing damage to the enterprises in question, with the task of consolidating or merging 166 companies among the 631 companies assigned to the 26 zaibatsu? The competence of the new management camp depends on how it solves this problem.

And most of the economic policies continuously set forth by the government have been the result of impulsive--due to the military way of thinking--and "lack-of-principle" action. Economic circles in the ROK are facing peculiar circumstances in which they cannot afford to move without caution, because it is still hard to predict the future of the long-term stability of the Chon regime.

But if the government hurriedly launches reforms, this may result in "the remedy being worse than the evil." Still, once any strict order is issued, it must be implemented thoroughly. Whether this regime succeeds in controlling the zaibatsu is a matter of life or death to the regime.

As for economic relations with Japan, the ROK-Japan Association for Economic Cooperation has begun launching its activities with Chairman Pak T'ae-chun as its axis. It is expected that a link with Japan will be formulated with the help of the following three senior members of business circles: Yi Pyong-ch'ol, chairman of the Samsung Group; Kim Yong-wan, honorary chairman of the National Association of Economists; and Kim Yong-son, former chairman of the Taehan Chamber of Commerce (former ambassador to Japan).

And 10 vice chairmen of the association have been appointed, including Kim U-chung, chairman of the Taeu Group; U Yong-hae, president of the Ssangnyong Company (former minister to Japan); Chong Se-yong, president of Hyundai Automobile Company; and Cho Chung-hun, president of the Korean Airlines Company. Meanwhile, the "ROK-Japan Civilian Joint Economic Committee" will hold a 3-day meeting in Seoul starting on 10 June which will serve as the initial act-in-line step of the personages of ROK economic circles, the first since the inauguration of the Chon Tu-hwan system.

A group of more than 60 leaders of Japanese business circles, which will be headed by Hidaka Teru, chairman of the Japan-ROK Economic Association (adviser to the Yamaichi Choken), is scheduled to attend the meeting. Interest is being aroused around how Korean economic personages will deal with the Japanese leaders in order to establish Japanese economic cooperation with the ROK.

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PROSPECT FOR SECOND POHANG STEELMILL EXAMINED

Tokyo NIKKEI SANGYO SHIMBUN in Japanese 9 Jun 81 p 3

[Article by Staff Reporter Onda: "The Second Pohang Plan in Standstill"]

[Text] When South Korea starts work on the second comprehensive iron manufacturing construction project, the so called "Second Pohang," is a matter of great concern for Japan's steel and plant industries; but now opposing views within the government have surfaced---such as the Economic Planning Board proposing to the Ministry of Commerce and Industry a substantial postponement of the construction schedule, giving the problem of financial resources as the reason. It is forecast that now the plan will take time to solidify.

Concerning the Second Pohang Construction, Korea made the proposal, "When the construction plan is concrete, please give us both your financial and technological cooperation" to Yoshihiro Inayama, chairman of Keidanren (Federation of Economic Organizations) who attended the lighting ceremony of the number four blast furnace at the Pohang Steelmill in February of this year. As might be expected from such a large scale construction of making an iron mill from start to finish with a total capacity of 12 million tons, which in the original plan would cost 1.8 billion dollars and for which construction would start in February 1982 and continue until 1991 and four 3 million ton blast furnaces would be built, major business firms and plant manufacturers were starting to move toward information gathering in order to sell equipment starting this spring, thinking "it is finally definite." Meanwhile, since the Korean steel industry is already strong and is becoming a "threat" to Japan, the comment, "There is the worry of a boomerang effect. We should be more cautious about cooperation," is being heard among steel company leaders. There has been no formal request for cooperation, and the plan preparations are being studied with a complex frame of mind, and subtle differences of opinion are beginning to appear, depending on the manufacturer.

With regard to the construction sites, at present the original proposed sites were narrowed down to two locations, Asan Bay and South Cholla Province, and a French manufacturer commissioned by the government is in the midst of investigating those sites. With the investigation coming to a conclusion in July,

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it seems certain that the Korean government will incorporate the Second Pohang Plan as a pillar of the about-to-be-decided fifth economic and social development five year plan (1982-1986), and the opinion was widespread that a description and a request for cooperation on construction will be forthcoming from Korea at the Japan-Korean non-governmental joint economic committee conference to be held to Seoul as early as the 10th.

Expressly, Pohang's "first iron manufacturing," equipped for an 8.5 million ton set-up, will be in full operation this August, and it seems that a boom-erang effect is about to appear in concrete form. That is why the steel industry's nerves were on edge at the movement toward concretizing the Second Pohang Plan. But lately it is said that because of financial problems the Economic Planning Board proposed to the Ministry of Commerce and Industry, "what about starting construction after 1987." What is being considered at present is to increase the present capacity of Pohang from 8.5 million tons to 9.6 million tons, not build the second iron mill next year, and see how events turn out.

Regarding this, the Ministry of Commerce and Industry, as well as those closely connected to Pohang, who are the nucleus of the enterprise, are insisting construction start in 1982 as originally planned, stating: 1. the balance of supply and demand will collapse if construction is delayed, and the influence on the total industry will be great; and 2. Pohang's production cost is 300 dollars per ton, but if there is a delay, the construction cost will be higher and an international competitive power cannot be held onto. However, it seems that the financial problems are rather serious, and it seems that a compromise for postponement until 1984 or 1985, not 1987, is being examined.

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