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JPRS L/10148

1 December 1981

Korean Affairs Report

(FOUO 5/81)



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KOREAN AFFAIRS REPORT

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S. KOREA/POLITICS AND GOVERNMENT

NEW POLITICAL PIPELINE WITH JAPAN EXAMINED

Tokyo ECONOMISTO in Japanese 6 Oct 81 pp 38-42

[Article by commentator Nakagawa Nobuo: "A New Japanese-Korean Pipeline in the Making"]

[Text] Tilting to "Economic Cooperation for Security"

"Korea is hopeful regarding the outcome of the general meeting of the Japan-Korea Parliamentarians Association to be held on the 16th. It wants to appeal to the understanding of the Diet members in the Japan-Korea Parliamentarians Association, and hopes that the association will make the most of its influence on public opinion in Japan" (correspondent Fujitaka in Seoul, ASAHI SHIMBUN, 13 September 1981).

"President Ken Yasui (Japan-Korea Parliamentarians Association) and other members, a total of about 60, will depart for Seoul as scheduled on the 15th to attend the general meeting of the Japan-Korea, Korea-Japan Parliamentarians Associations. There is a move toward 'extending a helping hand of aid to Korea since the issue of economic aid to China found a political solution' which relieves the concern that the government might be dragged by the Diet members diplomacy" (MAINICHI SHIMBUN, 12 September).

This news was reported immediately after the closing of the 11th Japan-Korea Regular Ministerial Conference (10-11 September, Seoul) which failed even to issue a joint statement because of the differences: Korea requested economic cooperation valued at \$6 billion with implications for security, while Japan refused to yield to "economic cooperation for security."

Although the negotiations between the governments failed to achieve a successful result, these reports candidly indicate the attitude of the Chun Doo Hwan administration in placing its hope on the work of Diet members friendly to Korea concentrated in the Japan-Korea Parliamentarians Association, and the movement of those related to the Japan-Korea Parliamentarians Association in trying to give a positive response to that.

At the ninth general meeting of the Japan-Korea, Korea-Japan Parliamentarians Associations held 16-17 September, the Japanese side refrained from mentioning directly "economic cooperation for security". However, the joint statement, which was issued after the opinions of both sides were successfully ironed out, contained some big problematic points.

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The first point is the description: "We recognize that dangers due to the extraordinary buildup of military power and ceaseless provocations by the Democratic People's Republic of Korea (North Korea) are permanently present and bitter tensions continue to exist in the Korean Peninsula. In particular, we jointly acknowledge that it [economic cooperation for security] is extremely important for peace and stability on the Korean Peninsula."

A Japanese government-level announcement also mentions that peace and stability on the Korean Peninsula, where tensions exist, are essential to peace and stability in Japan (a joint newspaper announcement of the 11th ministerial conference). However, the recognition that such tensions are exclusively attributable to "the extraordinary buildup of military power and ceaseless provocations by the Democratic People's Republic of Korea" was announced for the first time in the joint statement on this general meeting of the parliamentarians associations. It is very obvious that this statement symbolized nothing but total agreement with the Korean side, which blames the "threat from the north" as the source of the tense situation on the Korean Peninsula.

The second problem is the point: "In acknowledgement of this, the Japanese side evaluates highly the Korean defense efforts, expresses profound understanding of the difficult economic situation in Korea which must bear burdensome national defense expenses, and confirms our sincere efforts for economic cooperation with Korea."

In this statement, the resolution to act for the economic cooperation with Korea with "our sincere efforts" is directly connected to the high evaluation of the Korean defense efforts and to the profound understanding of the hardship of the Korean economy due to the burdensome national defense expenses. With this point is viewed in connection with the first point, which recognized the "threat from the north" as the source of tensions, the content of the joint statement seems to be in agreement with the theory of "economic cooperation for security" proposed by the Chon Tu-hwan administration.

Thus, we can see that the Diet members friendly to Korea, in expressing their position, grossly stepped out of the formal posture of the Japanese Government through the latest general meeting of the Japan-Korea and Korea-Japan Parliamentarians Associations in regard to the issue of the loan in yen worth \$6 billion with an implication of security.

The wheels turned as the Chon Tu-hwan administration had hoped. This indicates that the efforts of the Chon Tu-hwan administration aimed at the creation of a new political pipeline between Japan and Korea through the parliamentarians association bore the desired fruit.

The structure of the parliamentarians association, which serves as a parliamentary exchange machine-political pipeline, was formally founded on 10 July 1975. The parent body of this organization was the Japan-Korea Parliamentary Social Reunion established in 1972.

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New Stage of Parliamentarians Association

Through the two organizations, Yi Pyong-hui, known as the "minister in charge of Japanese affairs," was the man who functioned as a service window for the Korean side, and Kim Chong-p'il functioned behind the scenes. The objective of Yi Pyong-hui and his camp was the building of a new pipeline primarily between members of the Kim Chong-p'il faction and the mainstay of the Liberal Democratic Diet members, in place of the old pipeline between Yi Hu-rak and other factions against Kim Chong-p'il and the Japanese old line such as the Japan-Korea Cooperation Committee.

In summation, from the viewpoint of the political pipeline, the Japan-Korea relation shifted from the first stage to the second stage with the evolution from the Japan-Korea Parliamentary School Reunion to the parliamentarians association.

The second stage was the period when Korea overwhelmingly approached Japan because of an increase in capital and capital goods dependence on Japan associated with the cooling of Korea-U.S. relations during both the Nixon and the Carter administrations, which formulated a policy to pull out U.S. Armed Forces resident in Korea, and it was also associated economically with the beginning of heavy chemical industrialization.

However, the situation made a complete turnabout in the wake of the assassination of Pak, post-assassination unrest and the emergence of the Chon Tu-hwan structure. Under the discipline and whirlwind restoration of the political, economic social and cultural worlds enforced by the Chon Tu-hwan structure, almost all Korean politicians linked to the old Japan-Korea pipeline disappeared from the frontline. With this as a fact, an effort to rebuild a pipeline to Japan was begun, brandishing the pretext: "breaking from past sticky relations." The third stage of Japan-Korea relations has started. The centerpiece of the new stage is the reestablishment of the parliamentarians association through remodeling.

The parliamentarians association is comprised of two organizations, the Japan-Korea Parliamentarians Association and the Korea-Japan Parliamentarians Association. The Korean side has proceeded with the remodeling of the Korea-Japan Parliamentarians Association with the progress of the Chon Tu-hwan structure consolidation process, and it asked the Japan-Korea Parliamentarians Association to take corresponding actions, striving for the reopening of the activities by the parliamentarians association. At the table of the Takeo Fukuda and Chon Tu-hwan meeting held on 15 September 1980, agreement was reached regarding the reopening of activities by the parliamentarians association, but it took until June 1981 for the agreement to be implemented.

Factors such as the restless Korean situation during the 1 and 1/2 years since the assassination of Pak, and particularly the hesitation of the Japanese side in getting accustomed to the change inflicted by the deportation of the Korean partners, had considerable influence on bringing a necessary functional halt to the association's activities during that period.

In June 1981, the parliamentarians association was finally reestablished as an organization, after various events and manifestations--the announcement of an American policy to support the Chon Tu-hwan administration wholeheartedly at the

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Reagan-Chon Tu-hwan meeting (February 1981), a commutation of the death sentence to life imprisonment for Kim Tae-chung just before the meeting, and with that as a momentum, the starting of a movement by the Japanese Government toward all-out rapprochement with Korea.

On 3 June, the Japan-Korea Parliamentarians Association held a general meeting, and new officers, beginning with President Yasui, were installed. Subsequently, on the 10th of the same month, the Korea-Japan Parliamentarians Association held an executive meeting and installed President Yi Chae-hyong, Secretary General Kim Yun-hwan and other new officers. On the 22d of the same month, the joint executive meeting of the Japan-Korea and Korea-Japan Parliamentarians Associations was held in Tokyo, which marked the relaunching of the parliamentarians associations.

What is notable about the parliamentarians associations that were finally reestablished is the contrast in the fact that the Korean officers were almost completely replaced whereas the Japanese officers were practically all old hands, except for the position of the president, which was filled by Yasui, a new face who was the former chairman of the House of Councilors (see table below).

Consequently, the limit of the association is predictable from its origin, since the Japanese side officers are occupied by "those who served then" (TOA NIPPO, 9 June 1981), while the Korean side is stressing "breaking from past sticky relations" and "modernization of diplomatic style toward Japan."

Return to Bilateral Diplomacy

From 26 May to 4 June, Secretary General Kim Yun-hwan (then unofficially in office) visited Japan on the pretext of introducing himself as the new secretary-general-designate, and talked with political leaders such as former Prime Minister Fukuda; Chairman Shintaro Abe of the Policy Affairs Research Council, Liberal Democratic Party; Chairman Yoshikatsu Takeiri of the Clean Government Party; and Secretary General Toshio Yamaguchi of the New Liberal Club. As if taking this opportunity, a political level Japan-Korea pipeline began to operate.

As mentioned before, new officers of the Japan-Korea Parliamentarians Association were installed on 3 June while Kim Yun-hwan was in Japan. On 8-11 June, a party of Liberal Democratic representatives, Hideyuki Aizawa, Kiyoshi M ri and Hideo Watanabe, visited Korea. Afterward, Japanese politicians visited Korea one after another, creating a traffic rush.

Among those visitors, the most notable ones were: a party led by Chairman Abe of the Liberal Democratic Party's Policy affairs Research Council (15-19 June), a party led by President Yasui of the Japan-Korea Parliamentarians Association (14-16 July), a party led by Chairman Ganri Yamashita of the Standing Committee for House Management (21-24 July), a party led by Liberal Democratic Representative Noboru Takeshita (23-28 August) and a party led by Chairman Takeiri of the Clean Government Party (25-29 August).

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Japan-Korea, Korea-Japan Parliamentarians Associations

	Korea-Japan	Japan-Korea
Position		
Adviser	Chong Nae-hyok (chairman of National Assembly) Ch'ae mun-sik (vice chairman of National Assembly) Kim Yun-ha (vice chairman of National Assembly)	Takeo Fukuda (former prime minister, top adviser of Liberal Democratic Party)
President	Yi Chae-hyong (Democratic Justice Party, chairman of Central Executive Committee)	Ken Yasui (former chairman of the House of Councillors, top adviser of Liberal Democratic Party) Deputy President Ikko Kasuga (Democratic Socialist Party, regular adviser)
Vice President	Kwon Chong-tae (Democratic Justice Party, director general) Yi Kun-ho (Democratic Justice Party, vice chairman of Central Executive Committee) Chin I-ch'ang (Democratic Justice Party, member of National Assembly) Yu Ok-u (Democratic Socialist Party, vice president) Yi Chong-song Lee (chairman of National All-Party Convention) Ko Chong-hun (head of Democratic Socialist Party)	Sosuke Uno (Liberal Democratic Party, member of House of Representatives) Yoshio Sakurauchi (") Sadanori Yamashita (") Noboru Takeshita (") Shin Kanemaru (") Tatsuo Tanaka (") Shiro Hasegawa (") Asao Mihara (") Kingo Machimura (" member of House of Councillors) Masao Nakamura (Democratic Socialist Party, member of House of Representatives)
Secretary General	Kim Yun-hwan (Democratic Justice Party, member of National Assembly)	Matsuheo Mori (Liberal Democratic Party, member of House of Representatives)

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Deputy Secretary General	Yun Sok-sun (Democratic Justice Party, deputy director general) Kwon Ik-hyon (Democratic Justice Party, member of National Assembly) Yi Cha-hun (") Kwak Chong-chol (") Yim Pang-hyon (") Kim Mun-sok (Democratic Korea Party, member of National Assembly) Kim Song-mok (") Yi Song-Su (National Party, member of National Assembly)	Mutsuki Kato (Liberal Democratic Party member of House of Representatives) Hiromi Nakamura (") Noboru Minowa (") Kabun Muto (") Kosaku Wada (Democratic Socialist Party, member of House of Representatives) Tatsuo Yamazaki (Liberal Democratic Party, member of House of Councilors) Shinya Totsuka (") Michiyuki Isurugi (") Michikazu Karatani (Democratic Socialist Party, member of House of Councilors)
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Source: TOA NIPPO, 9 June 1981

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They all met with President Chon Tu-hwan and talked about substantive matters. For example, the request for a government loan of \$6 billion with the implication of security was informally conveyed through the talks with Chairman Abe of the Policy Affairs Research Council, President Yasui of the Japan-Korea Parliamentarians Association and Chairman Yamashita of the Standing Committee for House Management, preceding conveyance of the communication by a formal route. (TOA NIPPO, 11 August) In the case of Abe, he met with Prime Minister Suzuki after his return and deftly requested the improvement of relationship with Korea, with which Prime Minister Suzuki reportedly agreed (TOA NIPPO, 13 July).

This vividly characterizes the creation of the new Japanese political pipeline by the Chon Tu-hwan administration.

The first characteristic is that the parliamentarians association, furnished with new faces, is used as the centerpiece of the structure.

Second, in parallel with the approach to the Liberal Democratic Party's Fukuda faction as a human reservoir, as seen in the invitations to visit Korea extended to former Prime Minister Fikuda (September 1980) and subsequently to Abe and Yasui, the Chun administration is intensifying its effort to approach the Tanaka faction by inviting Yamashita and Takeshita to Korea. Furthermore, as seen in the invitation to Takeire, it intends to expand the pipeline even to the Clean Government Party.

This is noteworthy as a new movement to broaden the available human reservoir to include other influential factions in the Liberal Democratic Party and parties other than the Democratic Socialist Party, while the previous conventional pipeline was partial to some factions of the Liberal Democratic Party and the Democratic Socialist Party.

However, the technique used to achieve the objective was none other than an old familiar tactic which aims at encouraging government-to-government formal route negotiations in front by exerting pressure through political maneuvering from the back. This is, therefore, the third characteristic. We cannot help but say that the Korean approach is far from new and refreshing when it seeks to broaden the pipeline to Japan yet expects most from Chairman Abe of the Policy Affairs Research Council, who is considered to be the next leader of the Fukuda faction.

The newspaper KYUNG HYANG (dated 16 June), known as siding with the government in Korea, described Abe as "the Diet member who was elected eight times and who is known as the 'crown prince' of the Fukuda faction because of his career experiences in serving as minister of agriculture and forestry in the Miki cabinet and as chief cabinet secretary in the Fukuda cabinet"; and in a comment--to give an example of the Korean partisanship for Abe--said: "Chairman (Policy Affairs Research Council) Abe, who advocates a clean government and a young government and it is hoped will be the next candidate for prime minister, is expected to work as a (Japanese) service window to Korea in the future and is recognized as a powerful figure in the Japanese political arena."

Thus we got into a mess and were pointedly criticized for "creating noises that bypass the diplomatic route, and projecting an impression of bilateral diplomacy once again" (YOMIURI SHIMBUN editorial dated 12 August).

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Unilateral Economic Service Window to Japan

In parallel with the building of a political pipeline, efforts are also made to rebuild a pipeline connecting Japan and Korea economically.

What the Chon Tu-hwan administration did first for that purpose was to make a unilateral service window for economic cooperation with Japan.

The broadest pipeline connecting Japan and Korea economically is the Japan-Korea Joint Economic Committee of the Private Sector. This committee was created in February 1967 as a permanent organization which stemmed from the Japan-Korea Joint Economic Social Meeting of the Private Sector held in February 1966, 1 year after the conclusion of the Japan-Korea Treaty.

In Japan, the Japan-Korea Economic Committee was established by the Keidanren, the Japan Chamber of Commerce and Industry and the Japan Foreign Trade Council, and from the beginning it assumed an attitude of unilaterally taking charge of the service window to Korea, including the founding of the Joint Economic Committee. In contrast, in Korea, actual contacts with Japan were predominantly handled individually by each economic group and each corporation regardless of the existing service window of which the Korea-Japan Economic Committee was in charge.

Incidentally, while the Japan-Korea Economic Committee had a substantive standing executive office, namely, the Japan-Korea Economic Association, the Korea-Japan Economic Committee did not have a similar office. Korean management was quite different in that the work of an executive office was entrusted by turns to the Federation of Korean Industrialists (Zenkeiren), the Korean National Committee of the International Chamber of Commerce and the Korean Traders' Association.

The Chon Tu-hwan administration launched a policy to correct these situations and to make a unilateral service window to Japan, which resulted in the new establishment of the Korea-Japan Economic Association (12 February 1981). A total of 10 influential economic leaders were selected, including Pak Tae-chun, president of the Po Hang Iron Works, who was appointed chairman; and Kim U-chung leader of the Daewoo group, who was appointed vice chairman.

Chairman Pak Tae-chun was at one time, as an army officer, an instructor to President Chon Tu-hwan, and he has also been a key figure for heavy chemical industrialization as president of the Po Hang Iron Works since 1968, which makes him the number one industrialist in the spotlight under the Chon Tu-hwan structure. The Po Hang Iron Works is closely connected both financially and technologically to Japanese iron and steel capital such as the Nippon Steel Corporation, and Pak would be a suitable man to build human relations with Japan's present financial world, where financiers from the iron and steel industry play leading roles.

At the same time, this creation of a unilateral economic service window to Japan has been wheeled out, from one point of view, with the hidden design of placing the economic cooperation with Japan under the powerful management and control of the Chon Tu-hwan structure by reforming the conventional practice whereby each financial group and corporation individually established economic relations with Japan in the period of President Pak.

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Large-scale heavy chemical industry reorganization and the corporate integration and deintegration policy pursued by Chon Tu-hwan entail the intention to nurture business groups suitable for the new system by shaving the power of the Hyundai group and the Daewoo group, which grew to be the largest and second largest business groups in Korea during the Pak administration. A typical example of the new groups is the Sunkyung group, which acquired the right of management of the Korean Oil Public Corporation after its denationalization to a private operation.

In any case, the real power acquired by the Hyun Dae and Daewoo groups through their hitherto rapid growth became too strong for the Chon Tu-hwan structure to manipulate at will.

Therefore, the reorganization of the economic world under the Chon Tu-hwan structure is still in an unpredictable state, unlike the political field. Chairman Chong Chu-Yoang of Zenkeiren (a financial group equivalent to Japan's Keidanren), who is also the leader of the Hyun Dae group was recently harshly critical of the government, in apparent defiance of the new policy: "Incentive to create profits will not be furnished no matter what competent human resources, rich capital and excellent technologies are mobilized as long as government control over business and interference and restrictions over the economic functions are deep-rooted" (TOA NIPPO, 8 August).

In a nutshell, it is clear that the crack between the government and the economic world is enlarging behind the Korean effort to create a unilateral economic window to Japan.

In contrast, the Japanese economic world has amplified the movement to repair economic relations with Korea, which started to cool off in 1979, by means of mass attendance of influential members at the ceremony for the completion of the fourth equipment expansion work held in February at the Po Hang Iron Works and at the 13th meeting of the Japan-Korea Joint Economic Committee of the Private Sector held in June.

Of course, these movements are associated with the captivating glamor of the large business talks relating to the new 5-year project work in Korea. However, the making of corporate-level intimate pipelines, in current conditions, allows us to grasp a more accurate picture of the complicated Korean reality.

Rapprochement Lacking in Popular Support

These phenomena disclose the fact that the Japan-Korea rapprochement is being put forward according to a pattern whereby political and financial pipeline rebuilding precedes and exerts pressure on negotiations through the formal route. That has nothing to do with rebuilding Japan-Korea relations on a broad national basis.

Referring to a slightly outdated account, SANKEI SHIMBUN once asked a question in a survey of opinion in January 1977: "What kind of danger should we expect in Japan if the U.S. Armed Forces resident in Korea are withdrawn?" Of those answering this question, 58.5 percent said: "There is absolutely no danger of Japan ever being invaded no matter what happens to Korea."

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Also, according to a poll made public on 20 September of this year by the prime minister's office, "feel friendly" toward Korea dropped to 35 percent from the former (1980) 43 percent, whereas "do not feel friendly" increased to 53 percent from 47 percent. It is obvious that the critical sentiment toward the trial of Kim Tae-chung and discord with the Chon Tu-hwan administration affected the poll.

Views expressed at the general meeting of the parliamentarians association by the Diet members friendly to Korea, who took a large step toward the Chon Tu-hwan administration, which brandishes "the threat from the north", contends that "Korean defense efforts protect Japan" and requests a gigantic sum for a "defense loan," are definitely alienated to a great extent from this trend of public opinion.

Furthermore, it must be pointed out that the security theory advocated by Chon Tu-hwan indeed encounters divergent views within Korea.

Young Nam University in Dae Koo city is known to be one of the prominent private universities in Korea. There is a "research report" which is assumed to have been prepared and presented by the Unification Issue Research Institute at Young Nam University to the authorities of the Pak administration in December 1971. Top Secret is stamped on the cover page. Incidentally, the director of the research institute at that time was Sin To-song who later held the post of director of the National Unification Board.

The report pointed out that "the first line of the security of our nation" lies "within our territory much more than the ceasefire line or any other border lines," and that "the enemy that we must defend against is not a large unit of regular armed forces attacking us with tanks and heavy guns, but the factor of instability within our own system." Furthermore, it described the following as specific problems.

"The current power structure of our nation has become very rigid and grossly alienated from the majority of the people. The ruling force has become closed to the public and cannot properly apprehend the trend of public opinion and the actual living status of the people at all times. The political leadership has lost moral persuasive power and shows a tendency toward increased dependence on violence as a means of rule. Thus, the unsatisfied demands of the majority of the populace centering around the intellectuals, youth and students are daily intensified and entail the danger of growing beyond simple sentiment against the government to the denial of the system."

The actual threat to the security of Korea, the report concludes, is none other than the increasing discontent of the people with the inadequate power makeup and domination.

The fact that in Korea the struggle for democracy, which represented the discontent of the populace, continuously marched on without bending to suppression in the seventies, bears witness to the accuracy of this conclusion.

The security theory being insisted upon by Chon Tu-hwan is only a succession to the already denounced theory which existed at the time of the Pak administration.

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This further shows the vulnerability of the foundation of the Japan-Korea rapprochement presently being pursued.

If Japan-Korea rapprochement, alienated from the broad popular basis, is allowed to act as it pleases, a refumigation (furthermore, amplified) of the black mists that cling to the sticky relations will be unavoidable. In addition, the Korean economy will continue to suffer from increasing difficulty, as seen by its foreign debt remainder, which will double to \$6.1 billion by the end of 1986 from \$30.5 billion at the end of 1981, even if Japan were to prop it up completely.

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S. KOREA/ECONOMY

TECHNOLOGICAL ASSISTANCE FOR P'OHANG STEEL MILL REFUSED

Tokyo NIHON KEIZAI SHIMBUN in Japanese 13 Oct 81 p 1

[Text] Japan and West Refuse to Cooperate with Korea in Its Seamless Steel Pipe Plant Construction, Fearing "Boomerang" Effect

The P'ohang Steel Mill of Korea, which has taken the export offensive against Japan and in the Southeast Asian market, is now aiming at moving into high-grade steel, seamless steel pipe production. It has approached the Nippon Steel Corporation, Nippon Kokan Kabushiki Kaisha, and Sumitomo Metal Industries Ltd for technical assistance, but the request was refused by all three firms, it was learned on the 12th. According to insiders in steel business circles, European manufacturers such as Mannesman of West Germany appear to have refused also. The main reason cited was: "Japanese as well as U.S. manufacturers of seamless steel pipe are stepping up their production and adding new facilities today, so there is a danger of oversupply worldwide after 1984." There is no precedence for Japan's steel industries refusing a request for technical assistance. This event shows the nervousness of the industry about the boomerang effect, whose impact has begun to be felt in earnest. We might say that steel technology cooperation has also entered "an age of selectivity."

The P'ohang Steel Mill is a new advanced steel plant built with the overall technical assistance of Japanese manufacturers. It has grown into a system which by February this year was producing 8.5 million tons of raw steel a year, and its second hot-roll plant will be in full operation this summer. Its main product--hot coils--is comparable in quality with the Japanese product but cheaper by \$20 per ton or so. The impact of P'ohang products will be felt by Japan in the form of a reduction in the export of hot coils to Southeast Asia during the October to December period to 250,000 tons, which is less than half that during the same period of the previous year. In addition, exports to Japan are also increasing slowly but steadily, and Japan's business circles are receiving a heavy blow.

The request for technical assistance in the construction of a seamless steel pipe plant as well as instruction in operational skills after the plant is built was made by the technical personnel in charge of the P'ohang Steel Mill in person. It is the desire of Koreans to progress from production of low- to medium-grade steel centered around hot-rolled thin plate and thick plate to the production of high-grade steel. The Koreans believe that, with the Japanese manufacturers' assistance, construction of a seamless steel pipe plant can be undertaken immediately within the existing steel mill.

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At present, seamless steel pipe is in short supply worldwide as a result of the oil development boom. However, as a result of facilities being added in Japan alone, the supply capacity after 1984 will increase 60 percent, from the present 3.9 million tons a year to 6.2 million tons a year [figures as published]. If the increase in supply capacity of the U.S. manufacturers is added to this, the balance between supply and demand is bound to collapse. To build a new seamless steel pipe plant, at least 100 billion yen of capital will be required, and there is a strong indication that a request for a financial assistance will follow. Therefore, the Japanese are said to have declined the request on the ground that "they do not have technical personnel to spare."

However, the true reason for refusing the Korean request by Japan as well as the West is the fear that it might upset the market situation, like the low cost offensive of hot coils that is taking place today, because more than half of the seamless steel pipe that could be produced by P'ohang would have to be exported. The Korean Government recently postponed the construction of its second national steel plant (the second P'ohang project) from 1982 to 1985. It is inevitable that high-grade steel will have to be dealt with in the second P'ohang project. The steel industries of Japan, which have truly begun to suffer from the boomerang phenomenon, are forced to cope with this very difficult situation created by the request for economic cooperation made by the Japanese and Korean Governments.

Boomerang effect: As a result of capital or technical assistance offered overseas, the enterprises which received assistance become so powerful that their merchandise begins to flow back into the country which exported the capital and technology in the first place, or begins to compete for markets in third countries. A boomerang is an instrument used by natives of Australia to hunt small prey such as a bird. The word is used metaphorically to describe its coming back at you.

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