COMPARATIVE STUDY OF PARK CHUNG HEE'S AND AUGUSTO PINOCHET'S GOVERNMENTS LABOR CONTROL POLICY



บทคัดย่อและแฟ้มข้อมูลฉบับเต็มของวิทยานิพนธ์ตั้งแต่ปีการศึกษา 2554 ที่ให้บริการในคลังปัญญาจุฬาฯ (CUIR) เป็นแฟ้มข้อมูลของนิสิตเจ้าของวิทยานิพนธ์ ที่ส่งผ่านทางบัณฑิตวิทยาลัย

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A Thesis Submitted in Partial Fulfillment of the Requirements
for the Degree of Master of Arts Program in Korean Studies

(Interdisciplinary Program)

Graduate School

Chulalongkorn University

Academic Year 2015

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การศึกษาเปรียบเทียบนโยบายการควบคุมแรงงานระหว่างรัฐบาลของปาร์คจองฮี และออกุสโต ปิโนเชต์



วิทยานิพนธ์นี้เป็นส่วนหนึ่งของการศึกษาตามหลักสูตรปริญญาศิลปศาสตรมหาบัณฑิต สาขาวิชาเกาหลีศึกษา (สหสาขาวิชา) บัณฑิตวิทยาลัย จุฬาลงกรณ์มหาวิทยาลัย ปีการศึกษา 2558 ลิขสิทธิ์ของจุฬาลงกรณ์มหาวิทยาลัย

| | AUGUSTO PINOCHET'S GOVERNMENTS LABOR | |
|-------------------------------|---|--|
| | CONTROL POLICY | |
| Ву | Miss Pranita Kaewkerd Korean Studies | |
| Field of Study | | |
| Thesis Advisor | Professor Chaiwat Khamchoo, Ph.D. | |
| Accorded by the Cradus | ate School, Chulalongkorn University in Partial | |
| , | · | |
| Fulfillment of the Requiremen | its for the Master's Degree | |
| | | |
| | Dean of the Graduate School | |
| | Junait Chutintaranond, Ph.D.) | |
| | | |
| THESIS COMMITTEE | | |
| | Chairman | |
| (Assistant Professor Pa | ataporn Sukontamarn, Ph.D.) | |
| าหาล | Thesis Advisor | |
| (Professor Chaiwat Kh | amchoo, Ph.D.) | |
| | Examiner | |
| (Professor Tae Gyun F | | |
| · | | |
| | External Examiner | |
| (Assistant Professor W | (ichian Intasi, Ph.D.) | |

COMPARATIVE STUDY OF PARK CHUNG HEE'S AND

Thesis Title

ประณิตา แก้วเกิด : การศึกษาเปรียบเทียบนโยบายการควบคุมแรงงานระหว่างรัฐบาลของ ปาร์คจองฮีและออกุสโต ปิโนเชต์ (COMPARATIVE STUDY OF PARK CHUNG HEE'S AND AUGUSTO PINOCHET'S GOVERNMENTS LABOR CONTROL POLICY) อ.ที่ ปรึกษาวิทยานิพนธ์หลัก: ศ. ดร. ไชยวัฒน์ ค้ำชู, 70 หน้า.

แรงงานเป็นหนึ่งในปัจจัยการผลิตที่มีเหลือเฟือระหว่างกระบวนการพัฒนาอุตสาหกรรมของ ประเทศเกาหลีใต้ กอปรกับภายใต้การปกครองของรัฐบาลอำนาจนิยม การควบคุมแรงงานในฐานะ ของปัจจัยการผลิต และความมั่นคงของตัวรัฐบาลเองจึงเป็นเรื่องสำคัญ ชิลีก็เป็นอีกประเทศหนึ่งที่ ประสบความสำเร็จในการพัฒนาเศรษฐกิจภายใต้การปกครองของรัฐบาลที่นำโดยทหาร ซึ่งทั้งสอง ประเทศต่างมีนโยบายในการควบคุมแรงงาน เนื่องจากแรงงานเป็นปัจจัยหนึ่งในการขับเคลื่อนภาค เศรษฐกิจ และการที่แรงงานเป็นกลุ่มชนกลุ่มใหญ่จึงมีอิทธิพลต่อทางภาคการเมืองเช่นเดียวกัน โดย การศึกษานี้พยายามที่จะหาความเหมือนและแตกต่างของนโยบายการควบคุมแรงงาน และมูลเหตุ ของการควบคุมแรงงานของรัฐบาลปาร์คจองฮี (1961-1979) และ รัฐบาลออกุสโต ปิโนเชต์ (1973-1989) โดยศึกษาวิเคราะห์จากข้อมูลทุติยภูมิ โดยพบว่าทั้งสองประเทศมีเป้าหมายเดียวกันในการ ควบคุมแรงงานเพื่อสร้างเสถียรภาพทางการเมืองและเศรษฐกิจ ทั้งการกำจัดฝ่ายตรงข้าม และ อุดมการณ์ฝ่ายซ้ายที่แทรกซึมในชนชั้นแรงงานไม่ให้มีอำนาจทางการเมือง และเพื่อบรรลุการพัฒนา เศรษฐกิจซึ่งเป็นเป้าหมายสูงสุดของรัฐบาลอำนาจนิยมในการสร้างความชอบธรรมในการปกครอง โดยแรงงานถือเป็นหนึ่งปัจจัยที่มีผลต่อระบบเศรษฐกิจจึงจำเป็นต้องควบคุมให้ค่าแรงต่ำ จำกัดการ เรียกร้อง เพื่อดึงดูดทุน และการลงทุนจากต่างประเทศ แต่อย่างไรก็ตามในส่วนของระดับความเข้มใน การควบคุมแรงงานนั้นมีความแตกต่างกัน กล่าวคือ แรงงานในประเทศชิลีมีความเข้มแข็ง และมี อำนาจต่อรัฐบาลมาก ดังนั้นในระยะแรกปิโนเชต์จึงควบคุมโดยใช้ความรุนแรง แล้วจึงลดระดับลงใน ระหว่างกระบวนการพัฒนาเศรษฐกิจ ในทางกลับกันแรงงานในเกาหลีใต้ขณะนั้นไม่มีความแข็งแรง เท่าในชิลี ดังนั้นระดับความเข้มในการควบคุมแรงงานของปาร์คจองฮีจึงมาเน้นในช่วงปลายสมัย หรือ ระหว่างช่วงรัฐธรรมนูญยูชิน

| สาขาวิชา | เกาหลีศึกษา | ลายมือชื่อนิสิต |
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5787523320 : MAJOR KOREAN STUDIES

KEYWORDS: LABOR CONTROL POLICY, RATIONALE, COMPARISON, SOUTH KOREA, CHILE PRANITA KAEWKERD: COMPARATIVE STUDY OF PARK CHUNG HEE'S AND AUGUSTO PINOCHET'S GOVERNMENTS LABOR CONTROL POLICY. ADVISOR: PROF. CHAIWAT KHAMCHOO, Ph.D., 70 pp.

The large number of laborers was a part of the manufacturing factors during the industrial development of South Korea under an authoritarian government in order to control labor as a manufacturing factor and for the stability of the government is significant. Chile is also another country that had success in developing its economy under a militant government. The two countries have labor control policies regulated due to the fact that it involves the economic sector. Moreover, as labor is also a large group that influences the politics, this study tried to search for the similarities and differences of the labor control policies and the reasons for the policies created by the Park Chung-Hee's government (1961-1979) and Augusto Pinochet's government Based on secondary sources, this thesis found that the purpose of controlling the labor of the two countries were for their political and economic stability, for the elimination of rivals wing idealists which infiltrated the labor class to prevent excessive political authority possession, and for economic development which is the most important target of the authoritarian government to create legitimacy of their rule. Labor is another factor affecting the economic system. Therefore, the low wages and negotiation limit should be controlled in order to attract investment and foreign investors. However, the intensive labor control was different. Initially, Chilean labor force was powerful and united, so Pinochet's labor control has been achieved through violent suppression and then he has stepped down from his position during economic development process. In contrast, South Korean labor force was not powerful and lack of unity comparing to Chile. As a result, the rights and freedom of people were suspended during Park Chung-Hee's Yushin Constitution period.

| Field of Study: | Korean Studies | Student's Signature |
|-----------------|----------------|---------------------|
| Academic Year: | 2015 | Advisor's Signature |

ACKNOWLEDGEMENTS

I would like to express my deepest gratitude to my advisor, Professor Chaiwat Khamchoo, Ph.D. for his continuous support during my thesis writing. His expertise, encouragement and valuable suggestions sustained me to complete my thesis successfully.

Besides, my thanks and appreciation go to my thesis committee members, Assistant Professor Pataporn Sukontamarn, Ph.D., Professor Tae Gyun Park, Ph.D. and Assistant Professor Wichian Intasi, Ph.D. who gave insightful comments and reviewed my work with important guidance.

Let me also say thank you to my family especially my beloved mother, father, sister, brother and grandfather for always understanding, supporting and encouraging me as well as many of my friends and Miss Nongluk Boonthiem, a Korean Studies program coordinator for providing me with helps and encouragement. Their warmth is also the greatest part that motivated me to the success.

จุฬาลงกรณ์มหาวิทยาลัย Chulalongkorn University

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CHAPTER I

INTRODUTION

After the end of the Second World War, the world was unstable and developing countries were established; these countries were known as "third world countries". Some of them were governed under "authoritarian regimes". The characteristics of an authoritarian regime are to be strict, punitive parental and conditional affective in order to maintain the stability of politics and the economy (Adorno, Frenkel-Brunswik et al. 1993). Even though South Korea was under the military coup led by Park Chung-Hee (1961-1979), it achieved economic take-off and duly industrialized partly through the repressive labor policy.

Labor is one of the crucial forces in driving the country in terms of politics and the economy. In some countries, labor provided a strong base which allowed some political parties to reach power. Mostly, the third world countries face instability in both political and economic aspects. Therefore emphasizing the labor policy is one effective way to direct a country's future. Limited labor power is important for sustaining political and economic stability in countries ruled by military regimes.

South Korea began its industrialization in the 1960s under the Park Chung-Hee regime. Strictly repressive labor movement was controlled by state labor policy, so it contributed to the economic miracle and maintained stability and the comparative

advantage based on low wages and abundant labor. Moreover, the government also banned collective bargaining in order to attract foreign capital and foreign direct investment (FDI) which would stimulate economic development. It is thus undeniable that the control of labor policy is another factor which contributed to the economic miracle in South Korea.

In a parallel to South Korea, in Chile during Augusto Pinochet's government (1973-1989), labor rights were suppressed by the military government to prevent political turmoil. Besides, Chile was an important role model as a developing country which practiced neo-liberal policies to restructure its economy. Chile was the first case in South America that was successful in handling these policies in the mid-and late 1970s. The Chilean working class had the strength to call for both political and economic improvement for a long time. Therefore, control of labor under authoritarian governments restricts the freedom of the workers and contributes to the economy as well.

Therefore, this research aims to compare the rationale for controlling labor of the two governments by studying the labor policy along with the history of political economy. Throughout nearly two decades of governance of these two countries, labor control provided guidelines for contributing to the government, so it can be seen in which aspects there were similarities and differences between the South Korean and Chilean goals of controlling labor.

1.1 Research Questions

- 1. Why did Park Chung-Hee's and Augusto Pinochet's governments control their labor force strictly?
- 2. How different or similar were the South Korean and Chilean goals in controlling labor?

1.2 Research Objectives

- 1. To study the rationale for repressing labor movements by studying the labor control policies of Park Chung-Hee (1960-1979) and Augusto Pinochet (1973-1989).
- 2. To compare the differences and similarities of the objectives of labor control policy between Park Chung-Hee (1960-1979) and Augusto Pinochet (1973-1989).

1.3 Hypothesis

The rights and labor control of the governments under Park Chung-Hee and Augusto Pinochet had similarities and differences. The two governments controlled labor with the same goal, which was for economic development, to build legitimacy for maintaining authoritarian power and to stabilize politics. However, the intensive labor control was different. Initially, Chilean labor force was powerful and united, so Pinochet's labor control has been achieved through violent suppression and then he has stepped down from his position during economic development process. In contrast, South Korean labor force was not powerful and lack of unity comparing to

Chile. As a result, the rights and freedom of people were suspended during Park Chung-Hee's Yushin Constitution period.

1.4 Methodology

This research is a qualitative study, employing descriptive and analytical approach drawing on secondary sources both in English and in Thai.

1.5 Scope of the Research

The research investigated the role of the state and the context of major labor control policies with historical events in the period of Park Chung-Hee (1961-1979) and Augusto Pinochet (1973-1989); moreover, it examined the development of the economy that affected labor control.

1.6 Significance of the Study

1. There are few research studies on Korean Studies, Latino Studies conducted in Thailand. In consequence, this research will be beneficial to those who are interested in the labor control policies of South Korea and Chile. Furthermore, labor control also supported the economic miracle in both countries where their military governments become the models of economic development. In academic terms, the research might lead to further studies that have not yet been mentioned and to comparative studies in other countries which have military governments as well.

2. Due to the fact that labor forms labor movement and their numbers are plentiful, they could assemble to demand or to request in terms of politics and the economy. Consequently, for the military governments rule the two countries for a long time, their objective of economic development affects the labor policies as well. Particularly during the Cold War, the publication of left-wing political ideas was easy and fast, which caused a risk to the military governments. Therefore, to impose a labor policy is essential and the risk is the reason why the two governments had to control the labor force.

1.7 Organization of the Study

This thesis consisted of five chapters. Following this introductory chapter, chapter two is concerned with the literature review regarding the related studies in labor control both in Chile and South Korea, and other studies which may be of benefit to this study. Chapter three analyzed the labor control policy of Park Chung-Hee (1961-1979) along with state-directed development, roles of the government and the outcome of controlling labor. Chapter four analyzed the Chilean labor control policy of Augusto Pinochet (1973-1989) through neo-liberalist economic policies and also the outcome of controlling labor. The last chapter concludes the findings of this thesis.

1.8 Conceptual Framework

After the Second World War, the authoritarian regimes became widespread, especially among the third world countries. As illegitimate governments which seized power from civilian government, the leaders had to seek the legitimacy to govern the country. Therefore, the main goal was to achieve economic growth. The labor force would unite for bargaining in order to negotiate with the government. Generally, they made claims for their workplace conditions such as welfare, higher wages and fewer working hours. Furthermore, they also called for political reform in order to gain more rights and freedom. However, in the case of the strengthening the government's stability, repressive labor policies have to be practiced until economic prosperity is achieved. So, this part of this paper discusses the concepts and factors of repressive labor policies.

1.8.1 Authoritarianism OMEKORN UNIVERSITY

Authoritarian governments rely on violence and repression to resolve industrial conflict and to limit labor militancy. According to Domínguez (2002) who summarized important authoritarian traits, regime designers will force political, economic, and social actors into regime licensed organizations to maximize state control over the society, control economic and social forces toward the government's goals, while employing a minimum of military force.

Furthermore, O'Donnell (as cited in Im, 1987, p.232-233) developed the Bureaucratic Authoritarian concept (hereafter "BA") through the experiences of Argentina (1946-1955) and Brazil (1930-1945 and 1950-1954) which adopted and critiqued modernization theory by arguing that "the processes set in motion by high level modernization tends to generate authoritarianism". (Kil 1987) Discussing the BA model shows that before the emergence of BA regimes, industrialization is based on Import Substitution Industrialization (ISI) and populism (as cited in Cammack & O'Brien, 1985) in which the government has popular support as the political base and aims to strengthen the relationship between the leaders and the lower classes including workers and peasants. Moreover, state was highly interventionist in the economic sector in order to allocate resources and give social welfare to their supporters.

This model is also concerned with the repressive popular sector and mobilization during economic development. From the experience of Argentina and Brazil it was revealed that the countries were ruled by the military as an institution which attempted to promote industrialization dependent on foreign investment. They also eliminated elections and repressed politically active unions. Moreover, these authoritarians saw labor as an ongoing threat to political instability.

Consequently, authoritarian regimes since the 1970s were changed from those in the 1960s and also took place again in Argentina and also in Chile in 1973. Schamis (1991) explained the outstandingly coercive nature of the new authoritarianism: political activity was banned, strike rights were banned, the military intervened in

hundreds of labor unions, all this along with economic policies which are the primary goal of policymakers. Social actors' threats brought about deeper repression. Moreover, in the economic sector during the 1970s, Keynesianism impacted economic policy. However, authoritarian regimes in Latin America contributed to economic development.

The BA model can also be used to analyze South Korean authoritarianism during the Park regime, especially in the Yushin period (1972-1979). South Korea avoided BA regimes by adopting a developmental stage, but failed because the ruler could not negotiate among the classes during the economic process. Due to historical facts, the ruling power blocs preferred authoritarianism over democracy. Although the popular sector was strong and politically active, the government was favored by the US during the Cold war period of anti-communist ideology.

During the Cold War, the US was the representative of a liberal world which Characters II May Engrey University defined the other half of the world as poor and underdeveloped, especially in Africa, Asia, Latin America and the Caribbean. So, the US communist containment policy offered capital to support economic development in these risky countries, which were mostly ruled by authoritarian regimes, in order to prevent the communist ideology from spreading in those areas. President Harry Truman explained the policy in a speech:

"Second, we will continue our programs for world economic recovery.

This means, first of all, that we must keep our full weight behind the European recovery program. We are confident of the success of this major venture in

world recovery. We believe that our partners in this effort will achieve the status of self-supporting nations once again"

US President Harry Truman, 20 January 1949, (as cited in, United States Congress Joint Congressional Committee on Inaugural Ceremonies 1989)

Accordingly, authoritarian regimes in both South Korea and Chile were introduced during the Cold War period and were close to the United States. Anti-communism was a specific motivating element in military intervention supported by the US in South Korea, Chile, Thailand and some other third world countries in which the political situation was unstable and at risk of communist expansion. That is the reason why they received US assistance such as ideas, knowledge, capital and investment to help their path to developing industrialization.

Valenzuela (1998) demonstrated that the dictatorships realized labor could be partly a threat which participated in political instability during earlier democratic regimes. Since authoritarian governments have a lack of legitimacy through elections, they had to mobilize the labor force and use harsh suppression during the industrialization process and also prevent communist expansion.

1.8.2 Economic Development

Economic development is the most important goal of authoritarian governments in order to maintain legitimacy. Thus, control of labor policy is the weapon to suppress labor which could contribute to economic development.

Todaro and Smith (as cited inJasuja, Sehgal et al. 2011) gave the definition of 'economic development' that implies an ascension of the social system in terms income. savings investment along with progressive and in the socioeconomic structure of country, including institutional and technological changes. Moreover, the development relates to the growth of human capital indexes, a decrease in inequality figures, and structural changes that improve the general population's quality of life, while 'economic growth' is a part of the economic development concept that refers to an increase over time in a country's real productivity of goods and services (GNP) or real productivity per capita income (average income).

According to Song (2002), rapid economic growth was supported by authoritarian labor control, which squeezed the maximum productivity out of workers. Labor regimes aimed at depoliticizing and demobilizing industrial workers. The government dissolved the labor unions and banned them, establishing the unions for preventing collective bargaining or striking against state policies which disturbed industrialization stability. "Organized labor has been regarded as a necessary evil throughout the history of the Republic of Korea since liberation."

Ogle (1990) argued The Korean economic miracle under an authoritarian regime was based on the exploitation of workers through a variety of repressive labor regulations aiming to accumulate capital and attract capital to be used for economic growth.

Moreover, Korean modernization relied on five factors which are centralized planning, foreign capital, the export development model, Chaebol, and a military dictator or a strong centralized government. So, Korean economic development depended on exporting the productivity. During the process, South Korea did not even have enough capital, natural resources or primary commodities, but the advantage was the large supply of labor. In addition, Korean labor has given the nation three forms of comparative advantage: low labor costs, high productivity, and high levels of skill.

According to Kohli (1999) in 'The Developmental State', East Asian governments in the twentieth century emphasized economic development in order to survive economic depression, post-war reconstruction, and independence from US assistance. Moreover, Woo-Cummings demonstrated that state control of finance was the linchpin of the developmental state, followed by labor relations, autonomy of the economic bureaucracy, the combination of incentives and command structures, and the existence of the Korean Chaebol (as cited in NG, 2008) So, labor was controlled for stimulating economic development and also contributed to the Chaebol and foreign investment.

In the case of labor and the "developmental state", in order to understand why labor ought to be suppressed in the export-led industrialization policy, according to 'dependency theorists' Peter (as cited in Ha, 1992, p.128) argues that the success of dependent industrialization depends upon how well the regime is able to make workers passive victims and provide favorable conditions for multinational

corporations, such as low wages and a disciplined labor force, so the role of the state is crucial for controlling labor both in organizing labor power and repressing wage demands.

The nature of labor regulation and capital-labor regulation is strongly influenced by specific historical context, society, and the internal circumstances of the country and region. Park (2001) demonstrated that during the 1960s and mid 1980s South Korea introduced economic growth by export-led industrialization, so the labor force was suppressed and wages were low, with long working hours and heavy labor intensity managed by repressive labor regulatory instruments. Because of the terrible living conditions, South Korean workers had the world's longest working week until at least the mid-1980s and also suffered from the high accident rate in industrial plants.

Koo (2006) argued that the strength or weakness of labor has an effect on development policies and on the labor market conditions and income distribution.

Besides, he also summarized the two crucial characteristics of labor under rapid economic growth during the South Korean Export Oriented Industrialization process as follows:

- 1. There are plenty of qualified industrial workers.
- 2. The weakness of organized labor.

Meanwhile, the Pinochet regime adopted neo-liberalism as the original economic model using "Chicago boys" (Skidmore, Smith et al. 2010) who were a group of technocrats trained in the US who drove the long-term plan in the 1970s. They tried

to organize a limited amount of autonomous union activity and to enter into collective negotiations in important plants such as the copper companies which had the comparative advantage of the Chilean economy. It showed that neo-liberalist economic policy influenced the control of labor to contribute to economic development.

In consequence, the comparative study of the government reasons to control labor under Park Chung-Hee and Pinochet examines their labor policies using the scope of thinking, starting from building an understanding of the authoritarianism of the two. The authoritarian regime always seeks justification for economic development, for which the labor force are the main participants in politics and the economy. If they perform inappropriately or protest for wage increases or policy changes, their actions will result in unstable politics in the country and also have an effect upon reliability in the investment sector. As a result, the labor control policy has been enforced to maintain political and economic stability. In addition, this policy supports economic development. As labor forms a part of the manufacturing factors of production, the comparative study between the governments of Park Chung-Hee and Pinochet required historical and economic content, owing to the fact that the significant events in that period still influence the current changes in labor control.

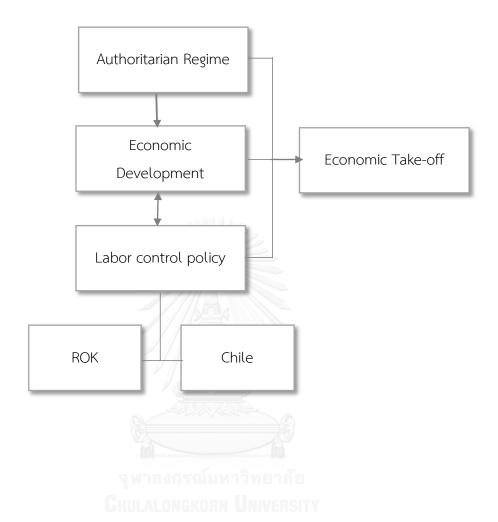


Figure 1 Conceptual Framework for control labor policy

CHAPTER II LITERATURE REVIEW

From researching the secondary academic data and resources about labor control in South Korea and Chile, it can be shown that limited numbers of labor control studies shave been conducted. Mostly the studies focus on labor control from the political economy perspective and the mobilization of the working class. Studies which compare labor control between Chile and South Korea have not been found. Moreover, the majority discuss the efforts to build the legitimacy of authoritarian governments which focus on the successful economic development. Labor is one factor to control in order to strengthen political stability and also contribute to the economic development as follows:

According to Ha (1992), study of the state and labor policy development in GHULLIANGKORM DAWERSHY

South Korean Industrialization from 1961-1990 revealed that the explanation of Korean repressive labor policy is not only political, but was required for economic reasons as well. Park attempted to acquire the necessary political legitimacy through economic development. Furthermore, repressive labor policy in the export-led industrialization policy ought to be suppressed, according to dependency theorists, relying on the cheap and abundant Korean labor force. This is related to economic and political

factors in changing labor policy during authoritarian regimes. Ha also summarized the historical traits of Korean labor policy as follows:

- 1. The repressive labor policy had been adopted earlier than the introduction of export-led industrialization. In Rhee's government, economic development relied on Import Substitution Industrialization (ISI) and also on controlling the labor movement in the corporatist system as well as in a repressive way.
- 2. According to dependency theorists, export-led industrialization depended on foreign capital and foreign direct investment. That was the reason for suppressing labor to attract foreign investment.
- 3. Highly repressive labor policies are also related to the political conditions in Korea.
- 4. The growth of Korean labor wage rates during the 1960s and the 1970s relied on not only economic growth but also on the relationship between cheap labor costs and comparative advantage in the world market.

Nevertheless, Ha argued that comparative advantage effects on keeping wages low and strengthening state autonomy were related to the power of social forces. That is the reason why labor was excluded from political activities under the Yushin regime.

Domínguez (2002) emphasized South Korea in comparison with four Latin American authoritarian countries. Authoritarian regimes face two main installation problems which are seeking legitimacy to govern, and who will be in charge. There are two options, which are to have an undisputed leader or military junta. No military coup

is free from some violence, arrests, conflict and repression. South Korea has claimed legitimacy from overcoming a recent past of corruption in the government, developing economic growth, and thus building a stronger country to confront the communist enemy to the north.

Meanwhile, Chile exceeded the repression levels in South Korea because of the 286% inflation rate and widespread intense social conflict. Surprisingly, legitimacy claims of this military regime came from the fact that many Chileans welcomed the dictatorship and required a dictator in order to rescue Chile from chaos and confrontation.

Labor issues regularly arise in all authoritarian governments who must cope and retain control. This study has shown that among five countries, Brazil was best able to deal with the working class by using state corporatism to collaborate with labor in order to promote peace in the society.

During the Cold War, the anti-communist authoritarian regimes of the 1960s and 1970s were close to the US as an ally. Anti-communism was a specific motivating element in military interventions in politics in Brazil, Chile and South Korea, etc.

Park (2001) focused on the reformation of labor regulations and the economy through the economic crisis during the 1990s. He started analyzing from the militaristic labor control of the Park regime along with economic development and raised two ideologies which were often used to mobilize labor: "anti-communism" and "developmental state".

First, the Park regime adopted anti-communism, then repressed labor union activities and pro-labor or leftist political groups. Following the Cold War period, South Korea had just become free from Japan. The US army removed disarmed Japan from South Korea, which harshly repressed labor movements keeping them out of political participation. Moreover, the aim was to sustain stability and especially to prevent communism in the Korean peninsula.

Second, the developmental state notion promotes the belief that national economic growth will provide wealth to the people. That is why sacrifices must be made for economic growth.

Therefore the outcome in practice of these two ideologies was the weakness of organized labor. From the 1960s to the mid1980s, the military and repressive regulations affected labor mobilization and contributed to economic growth.

Moreover, Park demonstrated that the government had established a relationship between the major capitalists (Chaebol) to promote economic growth, which is a relationship of 'give-and-take'. The government will support capital and institutional support, but on the other hand the Chaebol must also follow the directions of the government. The goal is to make the Chaebol lead the development industry for export. The result of the State-Chaebol relationship was the exclusion of other social groups of workers, farmers and small and medium sized industries. The state put economic growth as the ultimate goal, so labor policy was the efficiency tool to support economic development.

Another study claimed that Korean labor control was the crucial factor contributing to the industry and export sector. Eshag (1991) argued that Korea could control labor effectively because Korea had no long history of democracy in which labor was independent and had freedoms and rights before. Furthermore, the country had only recently become free from Japanese colonization. Thus, labor control was not a new experience for Korean labor in which labor was mainly suppressed in the industry sector and especially in foreign firms. Minimum wages were controlled, labor was banned from protesting and collective bargaining in order to avoid disputes in industry, and also to avoid a negative impact on the economic sector.

Several studies of military regimes, mostly involving Latin American countries, frequently raised the O'Donnell BA model to analyze the political and economic transformation. Cammack and O'Brien (1985), Im (1987), Ma (1999), and Munck (2013) all carried out studies which raised "O'Donnell's concept" to understand the connection of socioeconomic factors, modernization and democracy that brought the rise of authoritarianism during the 1960s and the 1970s.

Im (1987) analyzed the BA regime in South Korea and Ma (1999) analyzed the Chilean case, so from these two studies we can observe the similarities and differences between these two authoritarian countries. The similarities are that political activities and competitive elections were banned. Furthermore, the popular sector also was excluded and suppressed from the economic sector, such as low wages, inequality of income distribution, and worse social welfare. To the contrary, in Korea some special

traits were developed differently as follows: Park enforced the Yushin constitution to develop higher economic growth.

Second, BA transformation did not come from exhausted Import Substitution Industrialization (ISI) but from economic outcomes in the 1970s. Third, the popular sector was weaker than in Chile and could not seriously threaten the ruling powers. Finally, a strong state had already been established before the emergence of the bureaucratic regime. The South Korean strong state contributed to the emergence of BA. On the contrary, the BA regime established a strong state in Latin American countries.

Through Pinochet's regime, BA was the consequence of the exhausted Import Substitution Industrialization (ISI) strategy and was also threatened by the popular sector. According to the modernization view, the formation of BA attempted to create interaction among social, economic and political forces wisely while seeking legitimacy and keeping the stability of BA.

Pinochet's objectives in seeking legitimacy were two main issues. According to Ma (1999), the first was economic growth. Pinochet started restoring the 'capitalist' economic order guided by technocrats known as the "Chicago Boys" to follow graduate studies in economics and to start an economic research center at the university, partially staffed by University of Chicago professors.

Moreover, they introduced classical liberal economic policies such as reducing the money supply, removing price controls, cutting public spending, privatization, and abolishing trade barriers for adopting free trade (Silva 2012).

The second crucial task was to 'depoliticize' social issues, with this part focusing on the labor sector because organized labor is usually seen as a potential obstacle to the state and economic system and the Chilean labor movement had been one of Latin America's most powerful before the 1973 coup by Pinochet (Siavelis 2010).

Thus Pinochet banned organized labor and tried to avoid any collective actions against the state by restricting collective bargaining to the plant level and the negotiation between workers and managers without state intervention. In summary, the objectives of these policies were to weaken labor unions and save the government from labor disputes.

The Chilean development process under a dictatorial military regime was the subject of another study which highlighted the economic perspective of the labor regulation reformation. One of the major elements of the Chilean modernization program was a reform of labor market regulations aimed at increasing labor market flexibility and reducing the degree and intensity of labor conflicts (Edwards, Edwards et al. 2000).

Skidmore, Smith et al. (2010) claimed that the goal of authoritarian governments is national reconstruction. The ultimate aim of Pinochet was "to make

Chile not a nation of proletarians but a nation of entrepreneurs". On account of the employment of neo-liberalism to drive the economic sector, Pinochet was able to decrease the inflation rate from 286 percent in 1973 to just 20-31 percent by 1987. Chile was more successful than Argentina, Brazil and Mexico because of the strict labor control policies which included lower real wages and reduced social services.

The goal of the Pinochet government in suppressing the labor force showed the strength of the working class that must be controlled and excluded from political activities in order to keep stability in both the economic and political sectors. Woods (1979) also supported the idea that the Chilean working class was very strong and had a long history of fighting against the state. Furthermore, the industrialization of Chile caused migration flows from the rural areas into the urban areas contributing to a rapid process of proletarianization. The strength of labor had an impact on the Chilean government for a long time. The government is also the government for labor because labor forms a large class within society, so the government has to give in to some labor demands in order to maintain power. So Pinochet's coup to seize power aimed to control and destroy the militancy of the working class. Some actions were characteristic of fascism such as killing, torture, and concentration camps. These actions could show the awareness of the authoritarian government of the strength of labor over the earlier governments, especially Allende's socialist government in particular which governed under the pressure of the masses.

There is also a study which mentioned the popular protests during the Pinochet government. Moreover, it focused on the Chilean copper mining industry, which is the main export base of Chilean industry and the most important source of income. Klubock (1997) argued that the neo-liberal economic model made the Chilean working class enter the maelstrom of free trade. Governments must deal with the opposition and working class by severe repression including lowering wages, and cutting the social and working welfare. That made the working class faced the worst living and working conditions. As a result of these unfair policies, the working class gathered and called for their human rights against economic repression. Moreover, the long period of repression will lead to the revolution, and labor unions will also return to become an effective class against the government and will demand democracy.

In order to study the differences of both regimes' repressive labor policies, Koo (2006) tried to compare South Korean economic development with Latin American countries. In the fields of labor, Koo has also studied in Brazil and South Korea focusing on labor mobilization and demobilization in economic development and also paid attention to income distribution. The Asian NICs did better in providing employment, improving absolute income, and reducing poverty than their Latin American counterparts. Therefore, NICs depended on low wages, a hard-working labor force, and an abundant supply of cheap and high quality labor.

From the literature review it can be stated that both the Chilean and South

Korean governments controlled labor to maintain stability because the working class

formed the majority sector and so it was important to prevent the political turmoil from mass mobilization and collective bargaining. The purpose was for rapid economic development and to keep legitimacy for governing the country because authoritarian governments usually come to power without elections. Moreover, labor was one of the production factors, so labor had to be controlled through state labor policies. In addition, this study aimed to study how these governments controlled their labor and to assess whether the policies were the same or different. Moreover, to compare the rationales of Pinochet and Park in controlling labor was important because no one has ever compared these two countries before. Therefore, this study aims to find out the answers by studying secondary data concerning the roles of Pinochet and Park Chung-Hee in terms of labor control policies, historical evidence, and also the economic development process in order to answer the questions of the study.

จุฬาลงกรณ์มหาวิทยาลัย Chulalongkorn University

CHAPTER III LABOR CONTROL IN SOUTH KOREA (1961-1979)

South Korea is one country in East Asia which has succeeded in industrialization with rapid economic growth. The Korean Peninsula was dominated and exploited by Japanese imperialism for 35 years from 1910-1945 and it is undeniable that the economic development of the country was influenced by Japan. At the end of World War II, when Japan was branded as a war criminal, there was an opportunity for Korea to gain independence. However, Japan domination in Korea was replaced by the United States in attempting to disarm the Japanese army in the Korean Peninsula during 1945 to 1948.

The Korean War was, in reality, a proxy war between the two superpowers America and the Soviet Union and China from communist world during the Cold War era, and the Korean Peninsula was divided into two countries along the 38th parallel at the end of World War II. The South Korean Government under the first President Syngman Rhee, attempted to speed up the social and economic restoration process after the war with the help of external assistance. However, the new democracy and liberal economics neglected the freedom of the people, and the dictatorship of Syngman Rhee was resisted by opposition demonstrations.

The rise to power of a military government under Park Chung-Hee heralded an era of state-directed development, which emphasized on the development of export-oriented Industrialization (EOI) (Byeong-cheon 2006). The government did not allow markets to operate liberally, but relied on the state to allocate resources. The state also supported and strengthened some private sectors leading to economic growth. Therefore, a study of labor control must evaluate the labor control policies along with economic development.

In South Korea, labor was plentiful in the early stages of development. Production costs were low which attracted capital and foreign investment. Policy and laws to safeguard workers' rights were more important for the peaceful and prosperous development of the economy. Laws and regulations in caring for the workers were adopted with minimum wage control, the right to strike, and bargaining for keeping peace in both economic developments and politics. The Syngman Rhee Government adopted an anti-Communist ideology to maintain assistance from the United States, and this eliminated rival political opponents and the leftist movement.

3.1 Labor policy background under the government of Syngman Rhee

In the aftermath of the successful land reforms, the peasants were given their own land for cultivation, and sent their children for higher education. This contributed to economic growth and social change in rural areas of South Korea. Landlords who

once processes of large portions of land diverted their investment into agriculture turned instead to industry, commerce, and education (Intasi 2015).

After the education and land reforms, Rhee developed a basic industrial infrastructure with assistance from abroad. The government set up the first Labor Law in 1953 with the concept of multiple popular enterprise management by the authorities of the three basic rights of labor as freedom of association, collective bargaining, and collective action. This law allowed collective bargaining with minimal state interference and participation in political activity.

3.2 Breakthrough military coup

An attempt was made to amend the Constitution to allow the government to remain in power for a longer period, with the U.S. army also located in the country. This resulted in an anti-government demonstration made up of opposition parties, intellectuals, students and people who supported communism and were dissatisfied with the administration. The stability of the government was threatened, and to survive the 1948 National Security Act (Youm 2000) was enforced to prevent Communist takeover.

This law also clamped down on any opposition to the government. It was remodified in 1958 to cover the media and block criticism and public opinion. In April 1960, electoral fraud led to a mass mobilization by students and scholars. The government deployed violence to disperse the crowds. Hundreds of people were

killed and wounded, and under pressure from the United States Syngman Rhee resigned. This uprising was the first successful overthrow of the government and became known as the *April Revolution* (Intasi 2013).

3.3 Labor policy under the Park Government (1961-1979) during the economic development process

A coup by Park Chung-Hee overthrew the government of Syngman Rhee in 1961. Park Chung-Hee arrested the leaders and leftist opposition against the military junta. Park also disbanded the labor unions and dissolved the General Federation of Korean Trade Unions. Labor leaders were arrested and all protests were banned for three months. The Labor unions were later re-established under the name of the Federation of Korean Trade Unions (FKTU) (Ogle 1990). Thirty members were chosen by the Korean Central Intelligence Agency (KCIA), and after training nine were selected as reliable leaders who could be controlled and manipulated by the government. A committee of union members was organized separately by industry.

3.3.1 Consolidating power and the industrialization period

The first stage involved a social and political adjustment, maintaining and supporting the economy through state-directed development. Rhee's labor laws were revised in 1963 (Koo 2011) to restrict political rather than economic activities due to the threat of labor destabilizing the Government. Laws were aimed at preventing

political opponents and leftist ideology to penetrate through the labor unions. Expansion of state intervention in labor relations continued to maintain the three basic rights of labor. The Labor Federation which was under government control supported the economic plan. The principles of these laws were as follows:

- Labor was depoliticized and disconnected with political groups and also banned from political activities. Due to the efforts to establish the Labor Party, It was also prohibited from collecting union members for political purposes. As a result, it was difficult to generate collective action.
- Park launched the first economic development plan (1962-1966) with the aim to eradicate poverty through self-dependence by expanding basic and light industry. (Outward looking industrialization). Moreover, activities of the Labor Unions were controlled, thus reducing risks in production processes caused by strikes, and wages were kept low. This helped to control production costs and supported export-oriented policies.

The labor laws of 1963 contributed to export growth and rapid industrial development. However, pressure from two American industries resulted in a lengthy labor dispute. Park realized that new labor regulations were needed (Ha 1992).

| Crisis of the failure | / | labor conflicts | / | labor control | |
|-----------------------|----|-----------------|------------------|-------------------|---------------|
| by foreign-invested | >> | labor conflicts | $\rangle\rangle$ | switches back for | \rightarrow |
| firms | | frequently | | economic concern | |

The enactment of the Provisional Law Concerning Exceptional Labor Unions and Settlement of Labor Disputes in Foreign Invested Firms (PELFIF) in 1969 (Ha 1992) was a major turning point of the Park labor policy which attracted capital and foreign investment. The second economic plan (1967-1971) focused on the development of industry to self-dependency and sustainability, known as the export-oriented industrialization (EOI) policy.

The principle of this law emphasized on labor, especially in foreign industries. Labor was politically controlled to support economic development. The establishment of a Government Office of Labor Affairs (OLA) aimed to take care of, and control workers in foreign industrial concerns peacefully. Protests, collective bargaining and organizing unions in foreign firms were banned without permission from the OLA (Koo 2011).

Government efforts to achieve exports and economic expansion were promoted, with rewards for entrepreneurs who followed state policy. Park also held an annual export day to make people aware of this success. Speeches were written to instill belief in obeying the leader that the diligent, difficulty of workers have sacrificed for the nation (Intasi 2015).

However, the initiation of PELFIF in 1969 was not sufficient to promote rapid industrialization as the economy still required more capital and foreign investment. The 1970s was the period of relaxation of the tension and improved relations between the United States and the Soviet Union during the Cold War, also known as the *détente*

period. It began by President Nixon visited China and the US withdrew some troops from South Korea to provide more self-dependency (Nixon Doctrine). Park declared a state emergency decree and passed a special law under which workers were suppressed more severely in both political and economic participation.

The Special Law on National Security (SLNS) 1971 (Ha 1992) suspended two of the three basic rights of labor, including collective bargaining and collective action.

Unionization could be established under the FKTU with access to state intervention.

This special legislation decreased labor rights and freedom, and the prohibition of collective bargaining removed a powerful negotiating weapon for employees and employers to maintain stability, political peace, and to attract capital and foreign investment. This law also brought all labor issues under the control of the OLA.

3.3.2 Yushin Constitution period

The Yushin Constitution was adopted in October 1972 and allowed the President to run for a third term of office and gave dictatorial powers to Park. (Kipyo 2012) Widespread allegations of election fraud caused increased opposition from political opponents, and people began to realize that Park intended to remain as the long-term president. However, economic growth had resulted in the expansion of the middle classes and intellectuals; they could now easily access news and information regarding the government. Thus, the government was concerned about the gradual formation of opponents against the state. Meanwhile, the workers realized that they

were exploited due to the export policy and the reduction of the minimum wage to reduce production costs. The United States also withdrew some troops from South Korea, creating concerns on stability and threats from North Korea.

Park Chung-Hee, therefore, declared a state of emergency in late 1971. Labor was controlled under The Special Law on National Security (SLNS) 1971. The Constitution and the National Assembly were dissolved and all political parties were banned from political activities. In 1972 Park adopted the *Yushin Constitution* and the bureaucratic-authoritarian (BA) system was introduced, giving him unlimited presidential terms and absolute power. Government criticism was prohibited (Intasi 2015).

The Third Five Year Economic Development Plan (1972-1976) aimed to stimulate rapid economic growth. Thus, the state adopted heavy and chemical industries (HCIs) along with light industry. This period followed the labor-intensive industry driven by the President and the Ministry of Trade and Industry (MCI). The government monopolized the steel and petrochemical industries as they were key raw materials in the development of heavy industries (Intasi 2015).

Regarding labor, measures were added to prohibit collective bargaining, union activities, and any strikes which affected the nation's economy. During the Yushin Constitution period, labor was intensively suppressed and labor laws were revised twice as:

- Amendment 1973 law aimed to prohibit any collective activity without certification from the OLA which became the largest labor committee.
- Amendment 1975 Law established a labor-management council, with the goal "to seek peace in industry and make a contribution to economic development through cooperation between employer and employee." (Ha 1992)

As a result of centralization, a social movement formed to claim their rights and demand democracy. Between 1974 and 1979 important anti-government groups appeared as follows: the National Congress for the Restoration of Democracy, the National Coalition for Democracy, and the National Coalition for Democracy and Reunification. A religious group, the Catholic Priest's Association for Justice was also established, along with the organization of professional groups and the Association of Professors who were against the government (Intasi 2015).

Park Chung-Hee was chosen by the National Council for Unification to run for another presidential term in 1978 amid public opposition from activist groups. Park used repression and oppression to control the people and they wanted change. A rally was staged by 200 female employees of Y.H. Industrial Company in August 1979 (Federal Research Division 1997) because of the shutdown of the company and unfair treatment. The demonstration was held in front of the New Democratic Party building as a protection. However, the government used violence to suppress the demonstrators, resulting in injuries and some deaths.

This incident triggered a huge controversy. Supporters of the opposition party of Kim Young Sam in the southeastern cities of Pusan and Masan expressed frustration, and protested against the state because the majority in the national assembly had driven Kim Young Sam from the party. The government was worried that the unrest would spread to other areas and used violence to crack down on the demonstration. The Intelligence Director, however, disagreed with the use of violence and told Park that this would only escalate the situation. This dispute resulted in the assassination of Park Chung-Hee in October 1979 and ended the era of dictatorship.

3.4 The effects of labor control

South Korea received assistance from advanced capitalist countries, especially the United States, because it was an important buffer state of anti-communism during the Cold War. Furthermore, Korea was also a key strategic area in northeast Asia. Therefore, the primary concern of the United States up until the 1970s was the politics and strategy of South Korea and not the economy.

After the Korean War, the United States provided financial assistance to South Korea, supporting and encouraging economic growth. The export quota of goods and food strengthened the export sector. South Korean comparative advantage relied on cheap and abundant labor. Moreover, the United States played a key role in normalizing diplomatic relations between South Korea and Japan. Thus, Korea

expanded its export market and attracted money and investment from Japan (Im 1987).

The most important factor for rapid development and growth is the role of the state. This began with the state-directed development strategy of the dictator Park Chung-Hee. Through consolidation, political movements limit their focus on strengthening economic growth and boosting industrialization. As a result of this intensive industrialization, Korea developed swiftly. During the 1960s and 1970s, labor migrated from rural to urban areas to work in the industrial plants, and the towns expanded rapidly as shown in Figure 2.

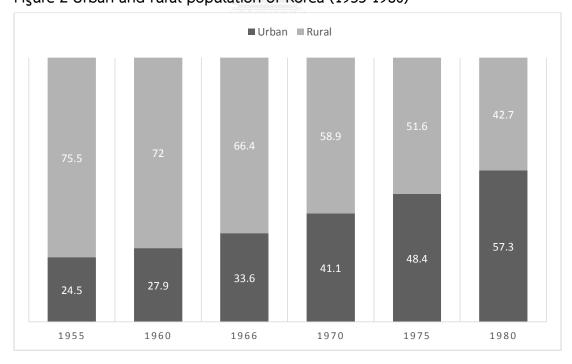


Figure 2 Urban and rural population of Korea (1955-1980)

Source: adapted from Korea statistical yearbook (as cited in Frank 2002)

As a consequence of the rapid expansion of urban society, the agricultural sector was neglected, resulting in income inequality between the agricultural and industrial sectors. Table 1 shows the distribution of income for each sector. In particular, the decline in the agricultural sector was most noticeable during the Yushin Constitution (1972-1979), which focused on promoting the development of heavy and chemical industries.

Table 1 Change in Korean Labor Income Share (three-year moving average)

| | Total National | Modern | Urban | Agricultural |
|------|----------------|---------|----------------------|--------------|
| Year | Income | Sector* | traditional Sector** | Sector |
| 1963 | - | - | - | - |
| 1964 | 60.1 | 60.3 | 79.2 | 57.1 |
| 1965 | 60.8 | 59.5 | 78.9 | 58.9 |
| 1966 | 64.4 | 59.0 | 80.5 | 67.1 |
| 1967 | 64.1 | 60.0 | 81.3 | 67.0 |
| 1968 | 64.4 | 62.1 | 82.5 | 66.4 |
| 1969 | 63.0 | 64.9 | 84.1 | 63.9 |
| 1970 | 62.0 | 69.1 | 85.8 | 62.0 |
| 1971 | 60.7 | 67.0 | 87.7 | 62.8 |
| 1972 | 61.4 | 68.2 | 86.4 | 61.9 |

| 1973 | 60.6 | 63.8 | 84.8 | 56.9 |
|------|------|------|------|------|
| 1974 | 59.3 | 62.5 | 83.4 | 49.7 |
| 1975 | 57.7 | 62.5 | 84.3 | 44.5 |
| 1976 | 58.1 | 65.8 | 84.6 | 45.0 |
| 1977 | 60.4 | 68.7 | 85.8 | 47.2 |
| 1978 | 62.8 | 72.1 | 87.7 | 53.5 |
| 1979 | 65.7 | 73.2 | 91.0 | 65.8 |
| 1980 | 66.7 | 74.8 | 92.7 | 73.9 |

Source: adapted from Bai (1984) (as cited in Kim and Vogel 2011)

Notes: * Private Non-Agricultural Incorporated Sector

Expansion of industry also increased employment in the industrial sector. Data in Table 1 shows the distribution of employment. The proportion of the population in work increased from 8.7% in 1963 to 22.8% in 1979. However, although the employment rate rose rapidly in the industrial sector, the number of union members did not grow in equal proportion.

The table also shows the rate of union workers decrease in the early 1970s.

This data reflects the changing regulations according to the political situation by the state controlled labor policy. The Union had reduced power and this adversely

^{**} Private Non-Agricultural Unincorporated Sector

affected economic development. Low wages were another factor that the government controlled to reduce production costs and enhance South Korea's exports.

Table 2 shows that South Korea had surplus labor in the mid-1970s, which apparently influenced the low minimum wage to attract more capital and foreign investment.

Table 2 Growth of wages and labor productivity in the Korean manufacturing sector: 1965-1979

| | 1965-73 | 1974-75 | 1976-77 | 1978 | 1979 |
|--------------|---------|---------|---------|------|------|
| Real wage | 9.8 | 5.1 | 19.5 | 20.2 | 18.3 |
| Labor | 13.0 | 10.5 | 10.6 | 11.5 | 15.4 |
| productivity | (9) | A.2.V. | | 22.0 | |

Real wage = nominal wage

Source: adapted from the Office of Labor Affairs (as cited in Ha 1992)

3.5 Summary

The government manipulated the workforce by restricting their participation in political and economic activities and controlling the minimum wage. South Korea became part of the capitalist system with assistance from the United States. The goal of the authoritarian government was to achieve legitimacy and maintain power through two main points.

The first was the defensive aim to protect the subversion by the opposition social and political parties. The government needed protection from external threats, which in this context were communist ideology spread during the Cold War. Hence, government control of the labor unions and political policies prevented the infiltration of leftist ideology.

The second goal was economic achievement related to the Offensive aim, and the promotion of economic development and industrialization. During the Park administration, economic plans were made to rapidly develop and industrialize the country. Labor was another factor that government controlled, including the right to strike, bargaining powers, and low wages. The administration supported the manufacturing processes by keeping production costs low to attract both domestic and foreign direct investment.

The laws and controlling policies of the Park administration reflected the circumstances at that time for both political stability and economic achievement. An important turning point in labor policies was the legislation of the Provisional Law Concerning Exceptional Labor Unions and Settlement of Labor Disputes in Foreign Invested Firms (PELFIF) in 1969. This law acknowledged the importance of capital and foreign investments in the country. Moreover, to support the economic policies at that time as export-oriented industrialization (EOI), the minimum labor wage was controlled to attract foreign capital and investment. Furthermore, collective bargaining in foreign

industrial estates was prohibited. Accordingly, these factors that facilitated the process of the EOI contributed to the lack of a strong labor organization in South Korea.



CHAPTER IV LABOR CONTROL IN CHILE (1973-1989)

The Republic of Chile is a strong, stable and developed Latin American country with a military government and a high growth rate. Chile was an impoverished country colonized by Spain in the 1500s.

Spanish domination caused many problems in Chile. For example, a small number of landlords controlled vast areas of land with no concept of modern agricultural methods. This adversely affected farming development. Moreover, Spain gave priority to the church which prospered with vast land holdings. After the Chilean War of Independence (1810-1818), there was an attempt to change and oppose the ownership of land. However, this did not succeed in land reform. (DiPiazza 2007)

During World War I, the neutrality of Chile afforded tremendous economic **CHULALUNGKURN UNIVERSITY**benefits, nevertheless, capitalism remained and contributed to the interests of foreign imperialism. The main income of Chile was its natural resources of copper, iron, and nitrates. However, the country still relied on capital investments from foreign markets, especially the United States.

At the end of World War II, Chilean economic policy was similar to other Latin

American countries which had adopted Import substitution industrialization (ISI)

(Odekon 2015). Chile imported machinery and intermediate goods for the

manufacturing industries to subsidize internal demand. The government also began to intervene in the mining industry which previously belonged to foreign companies.

The working class in Chile played a very strong role and continuously called for political and economic change. Concepts of socialism and communism among the working class were strong and the Socialist Workers' Party of Chile (POS) was established and joined with the International Communism Organization. In Chile, labor played an important and very strong role as the core of the political party. Therefore, the working class was a factor that the government had to consider.

A stable and strong Chilean economic system paved the way for the authoritarian government led by Augusto Pinochet who came to power in 1973. However, Pinochet used violence to control and suppress the opposition and resistance, including the labor force. Furthermore, he later faced human rights violation changes by suppressing, arresting, and killing his opponents. (Fruhling and Woodbridge

4.1 Labor policy background under the Government of Salvador Allende

Salvador Allende won the presidential elections in 1970 with 37% of the popular vote (Woods 1979). Allende was a socialist and the primary United States business in Chile was copper mining. Allende's government wanted to seize the copper holdings, therefore the United States attempted to intervene and prevent Congress approving Allende's presidency. However, Allende won the election correctly and

Congress accepted the result. Allende was the first socialist President of Chile that was not a communist. He adopted economic and social reform under the guidance of Marxism supported by the working class, but his opponents were the middle and upper classes.

Allende attempted to distribute land to the rural peasants. However, the land was owned by a small number of landlords for speculative profit rather than focusing on the production of agricultural products. As a result, Chile was one of the Latin American countries which needed to import a high percentage of food (Burns 2009). Former governments all failed with land reform in Chile.

Allende also nationalized the copper mines and major industries from foreign investors. He controlled prices, increased wages, nationalized the banks, and collected high taxes from the middle and upper classes. The opposition to the government was foreign capitalists and the upper and middle classes. On the other hand, the workers gained benefits and were satisfied in spite of rising inflation; they had strong purchasing power with a good living and better welfare.

After nationalization, almost all the International Capital Groups withdrew foreign capital and investment from Chile within three years. The United States was very dissatisfied with the Socialist Government and the industrial takeover. They boycotted buying copper from Chile, cut-off all monetary assistance, and forced the banks not to give loans to Chile. The country became diplomatically isolated and the main foreign exchange income from the export of copper decreased. Moreover, Chile

suffered from the Oil Crisis of 1973, when oil prices increased dramatically and Chile had no money to buy as the economy downturned dramatically and copper production reduced. Furthermore, there was hyperinflation and high unemployment. National income per capita decreased, and the workers and peasants no longer supported the government (Skidmore, Smith et al. 2010).

Allende's policies emphasized on reformation which benefitted the working classes and the peasantry. These people were the major supporting base of the Socialist government. In contrast, the opponents of the government were the middle and upper classes and foreign capitalists who were severely exploited.

4.2 Breakthrough military coup

The economic downturn and the loss of popularity among the working classes combined with the intervention of the United States to remove Allende from power. The American CIA and the Chilean right wing opposition supported a military coup. Under the leadership of General Augusto Pinochet, the most severe bloodshed in the history of Chile occurred on September 11, 1973. General Pinochet became the President of Chile.

The rise of military rule in Chile was another major step, changing the role of the army as defending the country and as an intermediary in negotiations on political issues to becoming the leaders.

Pinochet also emulated nationalism and fascist ideology (Woods 1979). He purged his opponents using violence, murder, torture, and imprisonment in a concentration camp. The destruction of the workers' movement and the masses reflected the distress of staying under the pressure of the popular sector. Therefore, it was necessary to react more severely than in the other countries. The coup by Pinochet and the brutal seizure of power from the civilian government was new for Latin America.

The reason for the coup was to counter the high level of class conflict that occurred during the socialist government, and an attempt to counter the leftist policies which Allende had used as a tool in social reforms. The military considered that the situation was too tense and the political role of the people and the political parties had to be reduced, including the chaos of collective bargaining among the working class. For these reasons, the revolution and coup were needed to control the situation through social rearrangement. (Phillips 2004)

4.3 Labor policy under the Pinochet Government (1973-1989)

Chile had been a democracy for a very long time; overnight it became an authoritarian government led by Augusto Pinochet. Pinochet's administration was divided over the importance and influence of labor through the two phases of consolidation of power and a confrontation period (1973-1974), and institutionalizing

the new political and economic models (1975-1981). After these periods, momentum shifted to the recovery of the labor class and the transition to civilian rule.

4.3.1 Consolidation of power and confrontation period (1973-1974)

This began with seizing power and crushing the opposition including leftists, labor, and political parties to maintain peace in the society. The military junta dissolved parliament and suspended all political activity and movement.

Moreover, the Directorate of National Intelligence (DINA) was established in October 1974 to assassinate, kidnap and deal with opponents under Decree Law No. 670. No special labor policy was introduced in this period because the emphasis was on control and aggressive suppression to prevent movement and political turmoil. The Central Labor Union (Confederación Unitaria de Trabajadores/ CUT) and all other unions collapsed with union leaders arrested, killed and imprisoned (Edwards, Edwards et al. 2000).

This violent suppression by Pinochet was broadcast internationally and condemned as a violation of human rights. Therefore, Pinochet reduced tension and moved away from this mass repression to maintain his hold on power. Furthermore, he modified the political strategy of repressive persecution and elimination of opponents to politicization and institutionalization (Kim 2015). His government made serious efforts to revise and resolve economic policy and this strengthened and paved the way for the strong economy which Chile enjoys today.

4.3.2 Institutionalizing the new political and economic models period (1975-1981)

This phase focused on economic recovery to combat the problems of fiscal deficits and high inflation during the Allende Government. There was also an economic downturn caused by the global oil crisis in 1973 that affected copper exports, which accounted for almost 75% of Chilean income. Through the assistance of a global loan, Chile was saved from bankruptcy. With help from the United States, Chile refocused on exports and the restructuring of the economy through neo-liberalism policies (Skidmore, Smith et al. 2010).

Emphasis was placed on free trade, foreign investment, privatization, and deregulation by Chilean technocrats called *Chicago boys* who had graduated from the University of Chicago in the USA. Their ideologies followed Milton Friedman's belief in market mechanisms, and also outlined the policy of neo-liberalism divided into two major sections as follows:

- 1) An austerity policy controlled state expenditure, civil society and the economy through independent labor, low minimum wage, reduced financial assistance (subsidies) and cuts in social welfare.
- 2) An economic structural adjustment reduced the role of the state and the open market system. Privatization of state enterprises helped to reduce expenditure and promoted improvement in public utilities and productivity while also reducing inflation.

Furthermore, the rules for investment were abolished, the minimum wage was controlled, tariffs were reduced and people were allowed to own personal property. These policies attracted the return of foreign investment, and Chile once again focused on exporting primary products with free trade. Domestic manufacturers were given allowances to import machinery and other technology to improve production quality. Free trade agreements were signed to increase cooperation, both within and outside the region, by reducing tariffs and tariff barriers. The labor policy throughout the rule of Pinochet was the 1979 Labor Plan (Durán-Palma, Wilkinson et al. 2005).

This policy controlled the power of the unions to benefit neo-liberalism politically and economically. The government played an important role in mediating and solving the labor problems which are summarized as follows:

- Rights to organize. During the first year of existence, a business had no organized right in the public and agricultural sector and required a minimum number of workers to form a union.
- Rights to collective bargaining. This was not allowed in the first year of business operation, with no wage bargaining rights in the public and agricultural sectors.
- Rights to strike. The right to strike was legal only as part of the collective bargaining process leading to a collective contract, and strikes were limited within 60 days.

This labor policy, therefore, reduced the level of labor control during the consolidation of power and confrontation period (1973-1974), but still controlled labor

participation in political activities and collective bargaining. The minimum wage was also held down to encourage foreign investment. The living conditions for workers became worse and their rights were limited, unlike the policies of previous governments.

The neo-liberalism policies did not support populism, and social welfare services were cut regardless of the entrepreneurs who provided welfare to the workers. Neo-liberalism revised the labor regulations and increased flexibility in the labor market. Employment regulations were reduced, making the process of engagement and dismissal less cumbersome and unemployment increased. Moreover, the unions were weakened and became difficult to organize (Barrett 2001).

4.3.3 Popular mobilization (1983-1986) and transition to civilian rule (1987-1990)

Collective bargaining was begun at the plant level. Strikes in Chile were difficult to organize and illegal during the authoritarian rule. Thus, the factories were gradually able to exert pressure on the employers. These efforts increased and the working class began to regain power. Protests at the copper mine El Teniente by the oppressed and starving working class called for higher wages continuously for six months. In 1977, 1,200 out of the 4,000 workers withdrew their labor, causing the employer to agree to pay them bonus, however 49 people were laid off.

The conflict of liberalism under the dictatorship of Pinochet was tough for the political movements. Nonetheless, the labor unions survived but the domestic situation was traumatic, culminating in the financial economic crisis of 1982 (Skidmore, Smith et al. 2010). GDP decreased by 14% and the unemployment rate increased to one-third of the labor force by mid-1983. Pinochet responded by stimulating more investment and increasing exports and the unemployment rate decreased rapidly. However, the minimum wage was still kept artificially low, causing tensions to increase within the society. The mass base which had previously supported the authoritarian government greatly reduced.

In mid-1983, union leaders compiled lists and called for the government to give them more power. The first major strike on May 11, 1983 was led by the Confederation of Copper Workers (CTC). They defied the regulations and expressed dissatisfaction with the dictatorship. The government broke up the demonstration using violence. Nevertheless, after the success of this initial protest there were monthly demonstrations by students, former opposition parties, workers, and the Catholic Church. Thus, the militancy of the working class was recovering slowly but steadily.

The United States was involved with many investments in Chile. They realized that long-term oppression would eventually stimulate a social revolution against dictatorship and capitalism (Woods 1979). Moreover, the constant use of violence to suppress the protests would eventually destroy the legitimacy of Pinochet. President Reagan, a strong human rights supporter, won the American Presidential elections in

1985. Pinochet was now under pressure to return Chile to democratic rule, but he still stayed in power.

A new constitution was drafted in 1980, allowing Pinochet to remain in power until 1989. After that date a public referendum required two-thirds of the votes. In 1988, Pinochet received only 55% of the votes, and he was eventually removed from power in 1989, thus ending the dictatorship by a single person for 17 years. However, despite the past oppressive freedom of the labor movement, recovery during the new economic system has given Chile a strong economy.

4.4 The effects of labor control

Dictatorship and neo-liberalism policies significantly affected the control of labor. The status of the labor force changed from the masses with strength to influence state authority and policy-making, to a working class suffering poverty and hardship. The government weakened labor intervention by reducing social welfare and funds to support the poor, while also maintaining a low minimum labor wage to attract foreign investment.

Furthermore neo-liberalism ideology wanted to demolish the structure of the import substitution industrialization (ISI) program which failed. Therefore, the closure of the factories increased unemployment, workers scattered and the integration of the unions became more difficult. Moreover, privatization also caused many workers to lose their jobs.

Figure 3 shows how the unemployment rate increased during the economic crisis in 1982, and decreased following government attempts to reduce the impoverishment of the working class.

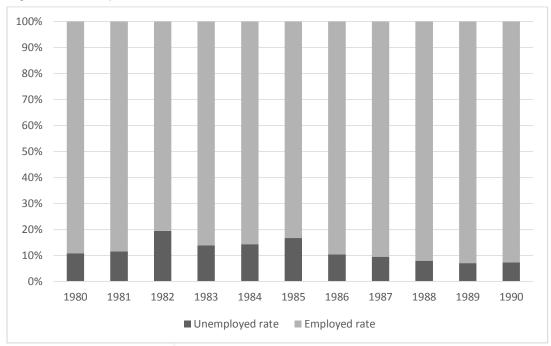


Figure 3 Employment rate in Chile 1980-1990

Source: Adapted from Durán-Palma, Wilkinson et al. (2005)

The unions were difficult to organize, and the bargaining strength of the working classes was limited. Data from Table 3 and Table 4 demonstrate the increasing number of unions and protests. The working class was oppressed with harsh living conditions and reduced welfare. Protests began in response to the dictatorship government, although they were illegal. A major turning point was the first large protest in 1983.

This resulted in more frequent mass protests. The working class began to gain strength and union membership increased.

Table 3 Union Data in Chile 1981-1990

| Year | Union members | Total unions | Avorago sizo |
|------|-----------------|--------------|--------------|
| rear | (thousands) | Total unions | Average size |
| 1981 | 396.0 | 3977 | 100 |
| 1982 | 347.5 | 4048 | 86 |
| 1983 | 320.9 | 4401 | 73 |
| 1984 | 343.3 | 4714 | 73 |
| 1985 | 361.0 | 4994 | 72 |
| 1986 | 387.0 | 5391 | 72 |
| 1987 | 422.3 | 5883 | 72 |
| 1988 | 446.2 | 6446 | 69 |
| 1989 | 507.6 | 7118 | 71 |
| 1990 | 606.8 | 8861 | 68 |
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Source: Adapted from Barrett (2001)

Table 4 Labor strikes in Chile 1960-1990 (year average)

| Year | Number of strikes | Number of strikers | Average day's |
|-----------|-------------------|--------------------|---------------|
| i Cai | Number of strikes | Number of strikers | duration |
| 1960-1970 | 279 | - | 22 |
| 1983 | 36 | 3,571 | 13 |
| 1984 | 38 | 3,595 | 12 |
| 1985 | 42 | 8,532 | 21 |
| 1986 | 41 | 3,940 | 15 |
| 1987 | 81 | 9,913 | 14 |
| 1988 | 72 | 5,645 | 14 |
| 1989 | 101 | 17,857 | 16 |
| 1990 | 176 | 25,010 | 15 |

Source: Adapted from Edwards, Edwards et al. (2000) and Frank (2002)

In addition, keeping the minimum wage low to attract foreign investment also increased the hardship of the workers. These words were spoken by Alan who worked in the carpentry and construction sector. "With 1,411 pesos, which is the labor minimum wage, we get enough money for two kilograms of bread a day: in a family of five to seven people half the wages are spent on bread" (Woods 1979). During this period of hardship, 10% of deaths of the Chilean population were from accidents at work, the highest rate in Latin America.

4.5 Summary

In Chile, loss of strength by the working classes through long struggles against the Pinochet dictatorship limited authority and restricted political movements, eventually destroying the solidarity of the labor unions. However, although the economy suffered, the government maintained the power to govern through a popular mass base.

Nevertheless, there was rapid growth and spread of leftist ideology among the working classes, and the government cracked down hard on any opposition. Pinochet was accused of human rights violations by the International Community who questioned his legitimacy to rule. Pinochet then abandoned violence to control the situation and restored economic development.

The new economic structure of Chile followed neo-liberalism ideals, and contributed to control of the workers through labor policy and not by violence. Pinochet granted more labor rights, including rights to strike, rights to organize, and collective bargaining rights under the 1979 Labor Plan. However, the restoration of exports, privatization, and deregulation of workers resulted in a higher unemployment rate, as it became easier to hire and fire staff.

Social welfare was cut and the minimum wage was kept at a reduced level to attract foreign investment. The power of the unions reduced, and the working classes faced hardship and starvation. Eventually, small protests developed into more frequent uprisings in the factories and industrial plants. The first major protest occurred

in 1983, expressing dissatisfaction with the dictatorship, and the power of the labor force increased. There was a reduction in the popularity of Pinochet among the middle and upper classes. Finally, Pinochet had to step down after losing power in a referendum in 1989, marking the end of a 17 year dictatorship.

Under the dictatorship, rights and freedom were restricted and oppressed both economically and politically to strengthen the Chilean economy. Chile become a model for economic reforms based on the driving system of *Capitalism* under a dictatorship. Nowadays, Chile has the most open economy in Latin America. History tells us that people prefer democracy not dictatorship.

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CHAPTER V

CONCLUSION

Both South Korea and Chile were ruled by a military government. The governments of Park Chung-Hee (1961-1979) and Augusto Pinochet (1973-1989) paved the way and strengthened the economic structures of these two countries. In both cases, the working classes suffered restricted powers and the minimum wage was kept artificially low to reduce production costs and attract foreign investment. The sequel beyond the economic growth was to identify the labor force as opponents together with the leftist ideologies of socialism and communism. Achieving economic and political goals contributed to the legitimate right of rule by authoritarian governments that came to power without democratic elections.

The reasons for controlling the labor force by the two governments were compared by studying the labor policies and histories of both political economies. For nearly two decades the governance of South Korea and Chile restricted labor control as a guideline for economic growth. The stability and legitimacy to rule was studied along with the labor policies. Nevertheless, this restriction of labor by the governments of South Korea and Chile is now called the miracle of the economy led by an authoritarian government.

Changes in labor policy restricted certain privileges such as the right to participate in political activities, collective bargaining, and the right to organize. However, Labor policies changed over time as Table 5 shows. Korea modified a policy according to the current economic and political situation. Moreover, policy adjustments also contributed to the circumstances to maximize benefits.

Table 5 Comparison of the major changes of labor policy between the governments of Park Chung-Hee and Augusto Pinochet

| 9 | South Korea (1961-1979) | | | Chile (1973-1989) | |
|---------|-------------------------|-----------|---------|--------------------|--------|
| Revised | - Depoliticized and | Concern | Decree | - No significant | Politi |
| labor | disconnected with | in | Law 670 | labor policy was | cal |
| law | political groups | political | of | introduced. | |
| 1963 | - Banned collecting | more | October | - Popular sector | |
| | funds from | than | 1974 | was severely | |
| | members for | economic | | suppressed by | |
| | political purposes | รณ์มหาวิท | ยาลัย | murders, | |
| PELFIF | Banned strikes and | Economic | VERSITY | assassination, | |
| 1969 | organized labor in | (major | | mass executions, | |
| | foreign-invested | turning | | and | |
| | firms without | points in | | disappearances | |
| | allowance from the | Park's | | - Union activities | |
| | Government Office | labor | | were banned | |
| | of Labor Affairs | policy) | | | |
| | (OLA) | | | | |
| | | | | | |

| SLNS | - Limited right to | Harshly in | 1979 | - Government | Eco |
|-------|------------------------------|-------------|----------|--------------------|--------|
| 1971 | strike and collective | both | Labor | played a key | no |
| | bargaining | economic | Plan | role in labor | mic |
| | - No new organized | and | | negotiation | more |
| | labor | political | | - <u>Rights to</u> | than |
| | - All unions must | | | <u>organize</u> | politi |
| | join FKTU | | | no union | cal |
| | (Federation of | | | allowed in the | |
| | Korean Trade | | | first year of a | |
| | Unions) | S 111112 | | business's | |
| | - Allowed state | | <u>'</u> | existence, no | |
| | intervention in | | | organized right in | |
| | organization process | / <u>j.</u> | | public and | |
| | -// | AGA | | agricultural | |
| Yush | Yushin Constitution (1972-19 | | | sector, minimum | |
| | under Dictatorship | | V | number of | |
| Amend | Prohibited any | Political | | workers to form | |
| ment | collective activity | | | a union | |
| 1973 | without certification | รณ์มหาวิท | ยาลัย | - <u>Rights to</u> | |
| law | from OLA which | gkorn Un | VERSITY | <u>collective</u> | |
| | became the largest | | | bargaining not | |
| | labor committee | | | allowed in the | |
| Amend | Established labor- | Economic | | first year of | |
| ment | management | and | | business's | |
| 1975 | council with the | political | | existence, no | |
| law | goal, "to seek peace | | | bargaining right | |
| | in industry and make | | | in public and | |
| | a contribution to the | | | agricultural | |
| | economic | | | sector, plan | |
| | development | | | narrowed to | |

| through cooperation | | | bargaining to | |
|---------------------|------------|---|---------------------------|--|
| between employer | | | wage only | |
| and employee" | | | - <u>Rights to strike</u> | |
| | | | limited right to | |
| | | | strike was legal | |
| | | | only as part of | |
| | | | collective | |
| | | | bargaining | |
| | | | process leading | |
| | S. 11/1/22 | - | to collective | |
| | | | contract, strikes | |
| | | | limited within 60 | |
| | | | days | |

In the section related to studying the aims to establish the legitimacy of the government, labor control partly contributed to achieving the larger economic goal and establishing political legitimacy to sustain power longer.

Table 6 Comparison of the changed labor policy status and labor militancy between the governments of Park Chung-Hee and Augusto Pinochet

| | Park Chung-Hee | Augusto Pinochet |
|-------------------------|-----------------------|------------------|
| | (1961-1979) | (1973-1989) |
| Labor militancy | Low | High |
| Degree of repression | Low → High | High → low |
| Labor policy adjustment | Frequently (depend on | Labour plan 1979 |
| | current situation) | |

According to Table 6, under the rule of Park Chung-Hee, South Korea was guided by state-directed development, emphasizing on industrialization for export. Moreover, the working class was not very powerful as in Chile, so the government did not have to resort to violence. The pursuit of legitimacy by Park Chung-Hee focused on developing rapid industrialization. Labor laws were modified depending on the circumstances at that time. The turning point was awareness of the importance of both capital and foreign investment. Therefore, the labor policy aimed to control workers contributing to foreign investment. Furthermore, another major turning point was when Park Chung-Hee become the absolute dictator under the Yushin Constitution. Rights and freedom of labor were suspended, unions were dissolved, and the right to organize strikes was banned.

Initially, labor control in Chile was achieved through violent suppression. The working class in Chile was very strong, and the most powerful labor movement in Latin America before the Pinochet revolution. Many people were arrested, injured and killed to destroy and break down the strength of the working class and the leftist ideology. This human rights violation was publicized by the International Community, and the legitimacy of Pinochet to rule the country was criticized. This was a major turning point as Pinochet stepped down from strictly repressing the labor force, and concentrated on economic reform. The neo-liberalism policy suppressed the minimum wage and gatherings and protests were illegal. The 1979 Labor Plan set out the rule of the

authoritarian government, giving the working class more freedom but unable to gather strength as before.

Economic recovery for both governments relied on foreign assistance, especially from the United States. Some labor policies benefitted investment and domestic affairs such as the minimum wage suppression, and protests were limited. A suitable atmosphere for investment was maintained. In conclusion, the reasons for repressing labor by the two governments had the same purpose of creating legitimacy to sustain presidential power.

The first purpose was to prevent overthrow by political opponents and leftist ideology which spread quickly to the working class as a threat to the government. During that time the liberal world and the United States supported the military government as the alternative to communism. Hence, state controlled rights to protest and rights to participate in political activities were necessary. However, due to the strength of the Chilean working class, the state used more violence than was required in South Korea.

The second purpose was to achieve economic development. Park Chung-Hee focused on exports and heavy industrial development. Pinochet focused on exporting raw materials, light industry, and copper and nitrates. However, strong economic growth relied on both capital and foreign investment. Therefore, controlling the workers in this section was vital to maintain production at low cost and attract investment. Collective bargaining was controlled to prevent political turmoil.

The military governments stimulated economic growth and reinforced economic stability, however, the working classes lost their freedom and were exploited to sustain development. Finally, this control and restriction of freedom caused the opposition parties to rally against the governments and bring down the dictatorships. The lesson from these South Korea's and Chile's experiences is that though countries can prosper under authoritarian governments, democracy is still required because people are then able to express their opinions and demands freely.



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CHULALONGKORN UNIVERSITY



VITA

Pranita Kaewkerd was born on June 25, 1992 in Trang province, Thailand. After her completing her school work at Buranarumluk School in 2010, Pranita entered Thammasat University in Pathum Thani province, Thailand. She received a Bachelor of Liberal Arts with a major in History in March 2014. Later on, she continued her further education on Master Degree in Korean Studies at Chulalongkorn University. Moreover, she also has been an exchange student in Seoul National University during her master in 2015.

