

ABSTRACT

Government-Business Relations in Korea: Sources of Variation in Textile, Automobile, and Semiconductor Industries in the 1980s

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This study focuses on the diversity of Korean government-business relations across industrial sectors and their determinants. The government-business relationship has two dimensions. One is mode of interactions; the other is bilateral power influence in those interactions. The mode of interactions is decided mainly by the business interests representation system that is defined as corporatism or individualism. On the other hand, we can distinguish bureaucracy-dominance and business-initiative in bilateral power influence. Resulting from these two dimensions, there are four types of government-business relations: business-initiative individualism, business-initiative corporatism, bureaucracy-dominance individualism, and bureaucracy-dominance corporatism. The type of government-business relation of a particular industrial sector can be determined by many factors, such as the location of its main market, the industrial structure, the mode of government intervention, and the concentration of authority. The first two factors determine the business interests representation system and last three factors determine bilateral power influence. In addition, the characteristics of industry as well as the government's strategies and organizational arrangements affect government-business relations, because the industrial structure, the mode of government intervention, and the concentration of authority are affected by them.

Focusing on the textile, automobile, and semiconductor industries, this study sheds light on the diversity of sectoral government-business relations and their determinants.

The textile industry is characterized as labor intensive and has developed as one of the most important industries in outward-oriented Korean economic growth. The industrial structure of the textile industry is composed of numerous small, and medium companies. Due to these factors, the interests representation of this industry is mediated by industrial associations. In contrast, the government can intervene with this industry systematically, due to its labor intensive characteristics. By regulating the equipment of the textile industry, the Korean government has controlled the amount of products and exports. In addition to this, the small and medium firms in textile industry cannot have influence on the government individually or effectively. In this regards, the bureaucracy can control this industry. This way, the government-business relation of textile industry can be viewed as the bureaucracy-dominance corporatism.

Unlike the textile industry, the automobile industry requires large scale investments and the scale of economy is important. Therefore, only handful of big companies participate in the final products of the automobile industry. In Korea, the automobile industry has developed enormously from the 1970s, and the exports of Korean cars has greatly increased from the mid-1980s. However, the exports have fluctuated and were achieved mainly by one company. In this regards, the main market of Korean automobile industry was the domestic one in the 1980s, and the rivalry between big companies was very tight. On the other hand, the Korean government was willing to intervene with this industry, because of its add-on effects on other industries, employment, and most recently exports. From the 1970s, the government had introduced many plans to promote this industry systematically. But the government didn't achieve its policy goals during the 1980s, because of inter-ministry disputes, and a lack of effective governmental policy measures. During the 1980s, the government's policy on this industry was concentrated on adjustments of products. In these processes, individual pressures were

induced and finally the government failed to control the pressures. The results of it was business-initiative individualism.

The development of the semiconductor industry in Korea has been achieved mainly by big companies belonging to Chaebol. Korean manufacturers have concentrated on DRAM products, due to the possibility of mass production and the market size. In spite of their rivalry, they have shared the same interests as latecomers of which upgrading technology has been the most important. In addition to this, the market was not domestic, but international. The strategic alliance between Korean DRAM producers was possible due to these factors. In the early 1980s, the Korean government was planning to promote the semiconductor industry for import-substitution. But the big Korean companies didn't follow this policy line. It happened because the Korean government didn't have effective policy measures. The government did not have the technological capacity to lead the semiconductor industry, and the big companies belonging to Chaebol could invest large scale from their own resources. From the mid-1980s, the Korean government has adjusted its strategy to follow the development of private firms and support the technological upgrading processes. The government-business relation of semiconductor, thus, was defined as business-initiative corporatism.

This study has some implications about the changes of Korean government-business relations, in general. First, the changes could happen mainly because of the dynamics of the industrial structure. Second, the growth of big firms is the most important factor in weakening the government's capacity to intervene in the industrial sectors, in the name of industrial policy. In this respect, we can explain the dynamics of the Korean government-business relations in general from the 1960s to now.

Key words: interests representation system of business, power influence, government-business relations, government-lead, financial system, industrial policy, corporatism, individualism, business-initiative, bureaucracy-dominance