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**Global Challenges and Local Responses:  
Trade Unions in the Korean and Malaysian  
Auto Industries**

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# Global Challenges and Local Responses: Trade Unions in the Korean and Malaysian Auto Industries<sup>1</sup>

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## ABSTRACT

*The paper aims to address the question whether the dynamic of autoworker unionism in South Korea and Malaysia was conditioned by, and eventually also influenced the globalization processes in the local auto industry? The conclusion is a contextualized "yes", and the core argument is the following:*

*The financial crisis in 1997 was the dramatic peak of financial globalization in East Asia in the 1990s, and it did accelerate the existing trend in Korea towards centralized unionism in the auto industry, while it suspended the trend in the Malaysian auto industry towards decentralized unionism. Although the Korean and Malaysian unions were affected by the financial crisis from different structural and strategic positions, and were exposed to different national policies and corporate strategies of crisis management, the Korean unions and Malaysian unions generally followed, respectively, a more radical and militant and a more pragmatic and moderate strategy. In the global-local perspective we face two paradoxes.*

*The first paradox is that in spite of the difference in union ideology, the outcome in terms of industrial relations (IR) institutions was rather similar in the sense that the auto industry contained a mixture of industrial and enterprise unions and formal or informal federations of these unions, and that collective bargaining was by and large undertaken bilaterally at the enterprise level. This situation was generated by a dynamic, which took the Malaysian system down from a centralized IR system within the low technology assembly industry (the globally subordinated local OEMs) to a rather decentralized IR system within the SOE-MNC controlled industry. The Korean system became more centralized through the confrontations between radical enterprise unions and authoritarian employers and authorities within an auto industry, which over time become much more indigenized, technologically advanced, export-oriented and diversified into multiple auto manufacturers and an under-wood of component suppliers. Yet, in both auto industries the large enterprise unions resisted organizational centralization, which could impede their autonomy. Due to the strength of unions of the market leading firms a breakthrough did happen neither in Korea nor in Malaysia, although the Koreans were a step ahead of the Malaysians having established a federation of metalworkers unions, including*

*the important autoworkers unions.*

*The second paradox is that the radicalism of the Korean autoworker unions was maintained during 1990s globalization of the auto industry, while radicalism was abandoned by the Malaysian autoworker unions in favor of union pragmatism, when the indigenization of the Malaysian auto industry unfolded since the early 1980s and a local auto supplier industry had been formed. This cross-country difference is partly explained by the different position held by the Korean and Malaysian auto companies in the global and local auto value chain. The radicalism and effectiveness of Korean autoworker unions sustained the development of dynamic efficiency among Korean auto manufacturing firms. In the same way, the intra-industry differences in wages and working conditions among auto manufacturing firms and components supplier firms were also related to the stratification of the domestic auto value chain, and this uneven distribution of benefits created obstacles of centralized unionization and collective bargaining. The centralized IR system in Malaysia evolved in an auto industry composed primarily of firms assembling imported CKD kits of components. The inequality of employment conditions between auto manufacturers and component suppliers was a driver of the strategy of centralized unionism and collective bargaining in Korea, while the inequality was not perceived as that significant by the Malaysian industrial union, since they had been dealing with these problems by the early 1990s.*

**Keywords:** *Globalisation, trade unions, automobile industry, global value chain theory, East Asia, Malaysia, South Korea.*

## List of abbreviations

AFTA: Asean Free Trade Area  
CB: Collective bargaining.  
CA: Collective agreement  
CBU: Completely build up (automobile).  
CKD: Completely knocked down (set of automobile components).  
DMC: Daewoo Motors.  
EU: Enterprise union.  
FDI: Foreign direct investment.  
FKTU: Federation of Korean Trade Unions  
GCC: Global Commodity Chain.  
GERPISA: Permanent group for the study of the automobile industry and its employees.  
GM: General Motors  
GVC: Global Value Chain.  
HMC: Hyundai Motor Co.  
IMVP: International Motor Vehicle Program.  
IR: Industrial relations, i.e. relations between employers' associations, employees' union and state agencies.  
IU: Industrial union.  
JIT: Just in time.  
JV: Joint venture  
KMC: Kia Motors.  
IMFmetal: International Metalworkers' Federation (IMF, yet her called IMFmetal to distinguish it from the International Financial Fund, IMF).  
IR: Industrial relations (between trade unions and employers/associations and the authorities)  
ISA: Internal Security Act, Malaysia  
KCTU: Korean Confederation of Trade Unions  
KMWF: Korean Metal Workers Federation.  
KMWU: Korean Metal Workers Union.  
LDC: Less Developed Country (a developing country)  
LV: Light vehicle  
MMC: Mitsubishi Motor Co.  
MNC: Multinational corporation  
MTUC: Malaysian Trades Union Congress  
NGO: Non-governmental organization.  
NUTEAIW: National Union of Transport Equipment and Allied Industries Workers (before 1990 called TEAIEU: Transport Equipment and Allied Industries Employees Union).  
OEM: Original Equipment Manufacturing.  
ODM: Original Design Manufacturing.  
OBM: Original Brand Manufacturing.  
OES: Original Equipment Supplier.  
ODS: Original Design Supplier.  
OBS: Original Brand Supplier.  
SOE: State-owned enterprise  
TRIM: Trade-Related Investment Measures

*“Trade union experience is national, but the challenge is global!”  
Peter Unterweger, International Metalworkers’ Federation, Bangkok 2002.*

## **INTRODUCTION**

In the literature on economic globalization and restructuring in East Asia, few studies address the reactions and impacts of trade unions on these changes. The article aims to analyze how trade unions in the Korean and Malaysian automobile industries (auto industries hereafter) respond to industrial changes and organize and act collectively in order to influence employment conditions, industrial relations, corporate restructuring and broader social transformations before, during and after the East Asian financial crisis 1997-99.

While entering the crisis from different structural and strategic positions and being exposed to different national policies and corporate strategies of crisis management the Korean auto unions overall adopted a more radical and militant strategy while the Malaysian counterpart employed a more pragmatic and moderate strategy. This chapter argues that this difference was mainly due to the fact that opportunities for increasing real benefits through unionization and industrial action were completely different between the Korean and Malaysian auto industries. Above all, they were located in very different positions in the global value chain: Korean auto companies were much more internationalized and had already reached higher global value chain positions than their Malaysian counterpart. Moreover, the Korean unions enjoyed more political space than Malaysian unions due to the consolidation of political democracy in Korea since the beginning of democratization in 1987. However, this article also argues that both types of union strategy made sense in their particular institutional and historical context, and they eventually contributed to changing the industrial relations of the industry and probably also sustaining or improving nominal wages and working conditions, yet without affecting the corporate structure of the industry.

The article relies on primary empirical studies done in 1999 on national auto industries in Korea and Malaysia with Hyundai Motor Company (HMC) and

Daewoo Motor (DMC) in Korea and Proton and Perodua in Malaysia, and in 2001-2003 on auto workers' trade unions and federations in both countries, including Korean Metal Workers Federation (KMWF), Korean Metal Workers Union (KMWU), and the Malaysian National Union of Transport Equipment and Allied Industry Workers (NUTEAIW), which all organized employees in the auto industry and beyond.

The article is structured as follows: In section 2, we develop a theoretical framework to explain the processes of globalization in the auto industry and put trade unions as part of a globalizing production system. The global and local dimensions of the Korean and Malaysian auto industries are outlined in section 3. Then, the industrial relations of the auto industry in Korea and Malaysia before, under and after the East Asian Financial Crisis are described in section 4. In section 5, the dynamics of the trade unionism in the Korean and Malaysian auto industries are explained by investigating its interface with the political economic aspects of globalization and the interaction between labor and capital in the auto industry in a broader context of labor organization and mobilization. Section 6 winds up the argument.

### **Global automobile production, state policy and trade unionism: a theoretical framework**

The auto industry has been recognized as the 'industry of industries' (Dicken 2003, p. 355). When this notion became outdated and obsolete in the industrial North in the 1970s due among other things to increasing internationalization and 'maturity' of auto markets it gained new popularity in developing countries, not least in Korea in the 1970s and in Malaysia in the 1980s. When industrial internationalization during the 1990s turned into regionalization with free trade regions like the EU, NAFTA, and AFTA on the one hand and MNC-driven global production networks on the other hand, global auto production stagnated with an over-capacity of 50% to be followed by a brutal worldwide consolidation among MNCs with plant closures, acquisitions, rationalization, relocation, outsourcing etc. Due to the combination of globalization and 'economic

nationalism' some developing countries like Korea and Malaysia pursued a continued expansion of their domestic auto manufacturing capacity (Wad 2001). Recently, this counter-trend in developing countries has even accelerated with MNCs rallying for the expanding auto markets in India and mainland China.

Gerry Gereffi (1999) and others (Humphrey & Memedovic 2003) have argued that the internationalization process of various industries should be understood as a *global commodity chain* (GCC) driven by lead firms. In the case of the automobile industry, Gereffi found a *producer-driven* global commodity chain. Such a chain is characterized by an inter-firm, corporate power structure, in which the *lead chain firms* are the final original equipment manufacturers (OEMs). More specifically, MNCs with own brand manufacturing of automobiles are the lead chain firms at the global level, while foreign subsidiaries, associate companies or licensed domestic firms may be lead firms at the national level<sup>2</sup>. The global auto chain is producer-driven in the sense that the chain is controlled by the global OEMs governing the activities of the components supplier companies as well as distributors and dealers. As such, the global auto chain differs both from a classic *market* situation, which may only be found in the aftermarket for non-original component equipment and second-hand automobiles, and from global *buyer-driven* chains to be found, for example in the global garment industry, where big retailers govern the global chain due to their control over design and marketing.

The global commodity chain is also a *global value chain*, which is stratified in accordance with the distribution of value adding activities and yields throughout the various links and controlled (governed) by the lead chain firms. R&D, design, marketing, branding and financing may all be functions, which add more value compared to, for example, component manufacturing and auto vehicle assembling. The globalization of the auto industry has generated a global structure whereby various chain leaders (OEMs) have established a certain *hierarchy of component suppliers* delivering whole systems or modules (½ tiers suppliers), advanced components eventually involving design collaboration with the OEM (1<sup>st</sup> tier suppliers), more simple components of international standard

(2<sup>nd</sup> tier suppliers), simple components of local standards (3<sup>rd</sup> tier suppliers) etc. With the principle of “build-where-you-sell” and regional market integration, chain leaders will ask their key suppliers (½ tier or 1<sup>st</sup> tier suppliers) to follow them into new markets through FDI (“follow sourcing”) where they again may impact on local auto firms by way of undercutting, acquiring or forming joint venture. Evidence indicates that linkages between foreign OEMs and local auto suppliers may upgrade local firms’ capabilities in terms of productivity and product variety, but seldom in terms of product design and R&D. Hence, local firms face problems of vertical mobility within the OEM supplier hierarchy from lower tier status to 1<sup>st</sup> tier and ½ tier status and by implication to higher value adding activities (Wad 2004b).

Within the particular segments we do also find so-called *market leaders*, which are the dominant producers of automobiles in a particular market segment. In Korea HMC has been the market leader, and in Malaysia Proton rapidly rose to a dominant market position in the mid-size segment. Worldwide, GM was for long a market leader in non-luxury car segments, while Mercedes-Benz dominated the luxury car segment. In fact, competition within the global and national auto chains takes place as a competition between particular auto chains lead by the particular OEM, eventually allied with other transnational ½ tier and 1<sup>st</sup> tier suppliers.

The labor force employed by the various auto enterprises is locked into this global production structure, and this stratified value system influences very much the options for employment, income, working environment, training etc. Lead chain firms will normally earn more revenue than other firms upstream and downstream, and the market leaders will also make more profit than market followers. This difference in value adding spills over into the space for wage concessions and overall improvement of working conditions (Sturgeon & Florida 2000). Finally, trade unions also face very different employers and bargaining strategies depending on their position within the global production system, and unionizing and uniting the union organizations are also influenced by this global production system.

Theories of *industrial relations* (IR) have, in the West, since the 1950s applied the IR system approach comprised by the relations between the workers and their trade unions, the employers and their associations, and the government and state institutions responsible for labor markets and workplace issues (Kelly 1998). Over time, the approach has been expanded by way of analyzing IR issues at several levels (macro, mezzo and micro) and including other stakeholders like civil society groups (non-governmental organizations). In Third World IR studies researchers have focused on the state-labor nexus because the state was considered paramount to economic development and controlled economic activities and labor relations much more than it did in the West (Frenkel 1993, Kuruvilla 1996). But with increasing globalization and rapid industrialization in many East Asian economies, a new market perspective has taken over aiming to explain labor trends at least in Asia by forces of economic globalization (Kuruvilla et.al. 2002; Kuruvilla & Erickson 2002). Because private sector relations have become more important in East Asian countries, we suggest that the IR system approach has become *more, not less*, relevant in analyzing IR in this region. Yet, being a rather closed nation-centered perspective, the IR perspective needs to be opened up to deal with and incorporate globalization processes and international agents like multinational corporations (MNCs) to become appropriate and achieve explanatory power in the 21<sup>st</sup> century, and a multi-level comparative approach is required integrating the analysis of structures and actors at the macro, mezzo and micro levels (Jeong & Wad 2004).

Our analysis of IR in Korean and Malaysian auto industries (the mezzo level) will focus on the conception (or ideology) of trade unionism among autoworker unions, the structure of the trade unions, the collective bargaining institution established with their employer counterpart, and the IR strategy pursued by the union. Three ideal types of *trade union ideology* are outlined: Radical unionism, pragmatic unionism and conservative unionism where radical unionism is based on a conception of labor-management relations as antagonistic and conflict-ridden, while pragmatic unionism takes them to be dialectical (mutual conflict-

ridden and cooperative) and conservative unionism understand them as mutual beneficial and collaborative. The concept of *trade union structure* captures the employee constituency of the union in terms of sector based union, for example the industrial union organizing employees within a specific industry, the enterprise union organizing employees within a specific enterprise, or the general union organizing employees within all sectors (crafts, occupations, industries). In a global economy, we even find world councils, which are bodies of trade unions within a MNC, and global unions, which are multilateral federations of national trade unions (e.g. the International Metalworkers' Federation).

Institutions of *collective bargaining* between unions and employers can prescribe interaction to take place at various levels: the micro level (the enterprise) and may, for example, create a "company government compromise", which some researchers (e.g. the GERPISA group) take to be decisive for corporate viability; the mezo level (the sector, industry); the national level and even at the international level, for example where a Corporate Code of Conduct (the so-called 'International Framework Agreements') is agreed upon by a MNC, its world council and the relevant global union (e.g. the International Metalworkers Federation, henceforth IMFmetal). Collective bargaining (CB) and -agreements (CAs) may be centralized, with for example, CB taking place at the industry level, or decentralized CB evolving at the enterprise level.

We suggest that there is a certain strategic coherence and practical interdependence between radical unionism, general or sector wide organizing and -collective bargaining, and that such *IR strategies* do only evolve under certain conditions, because the practicality of these strategies are dependent on other IR actors, for example whether employers organize at the same sector level as the employees and accept to undertake centralized collective bargaining, and whether the state's labor laws allow for the particular kind of organizing and negotiation aimed for by the union strategy. Certain IR trends in the OECD area, envisaged since the globalization of the 1980s and 1990s, are identified: first, collective bargaining has become more decentralized; second,

trade unions have become more centralized (larger or more concentrated) and even more differentiated for example with conglomerate unions unionizing employees across sectors; and third, the classical Western model of IR-tripartism, based on negotiations between the government, and the peak organizations of labor and capital (social corporatism) at macro and mezo levels, is withering into either “lean corporatism” (organized decentralization) or neo-liberalism (disorganized decentralization) (Traxler et.al. 2001). Korea has been highlighted as a deviant case because centralized unionism and - collective bargaining and social corporatism have been pursued since the late 1990s (Jeong 2001b; Kim 2004).

All types of union ideology may be appropriate in terms of trade union effectiveness, due to the structural interdependence of labor and management for efficient production, productivity, and competitiveness. The effectiveness of militancy, co-operation or subordination respectively depend on whether the IR system generate static business efficiency (zero-sum game) by way of resolving economic problems through hiring and firing of labor (external flexibility) or dynamic business efficiency (win-win outcomes) by means of resolving problems through internal relocation and reorganization of the workforce into team work, vocational training, multi-skills, investment in new technology etc. (functional flexibility) (Standing 1992). Hence, *dynamic efficiency* may be achieved in three ways: a) through a strong, independent and militant union confronted with a management aiming to neutralize rising labor costs through increased productivity achieved by investment, technological development and rationalization of work organization (the so-called *Western model of Fordism*); or b) through a productivity coalition (or company production compromise) based on a weaker, dependent and collaborative union (conservative unionism) if management pursues a strategy of corporate welfare and micro corporatism (the so-called *Japanese model*); or c) through union-free workshops where a human resource development strategy is applied adopting decentralized governance and acknowledgement of employees’ innovation capabilities and importance for the core competences of the company (*human resource*

*management*). We assume that unions will reflect on their experiences about outcomes of particular organizational structures, forms of leadership, industrial actions and other practices, and that they will learn how to develop or transform their strategies, organizations and collective practices and change their union ideology accordingly. This may even reach a point where the union completely transforms its very ideology or union structure or mode of collective bargaining, reflecting lessons learned and changing power relationships due to, for example, the impact of political, economic and cultural globalization.

### **Korean and Malaysian auto industries and firms**

The Asian-Pacific region (excluding Japan) makes up the world's fourth largest area of light vehicles (LV: cars and commercial vans) manufacturing and sales (IMFmetal 2003). In 2002 Korea's auto market registered 1,240,000 LVs and was more than three times larger than Malaysia's with 375,000 LVs (IMFmetal 2003), but its total production of LVs was nearly 8 times as big due to its formidable export production, 3,096,000 versus 395,000 respectively (OICA 2002). The Korean auto industry labor force amounted to 362,000 employees in 1998 and 368,000 in 2001, while the Malaysian ditto counted 40,500 employees in 2000 and 45,000 employees in 2002 (Korea: Jeong 2003 table 6; Malaysia: Wad 2004c, p. 13). The Korean workforce was more than eight times as large as the Malaysian.

The establishment of auto assembling firms in Korea and Malaysia in the 1960s took place with FDI from or through technological alliances or joint ventures (JVs) with Japanese and Western firms. In Korea Daewoo Motor (DMC) was formed in co-operation with Toyota from 1965 to 1972, and in a 50/50 joint venture with General Motors (GM) from 1972 to 1992. The company became independent from GM in 1992 purchasing GM's shares and maintained its autonomy till 1999. After it went bankrupt GM acquired a determining share in 2002. Hyundai Motor Company (HMC) began in 1967 and allied technologically with Ford to assemble Ford completely knocked down (CKD) sets of components, then in a joint venture (JV) with Mitsubishi Motor

Corporation (MMC) (12 per cent) and finally with DaimlerChrysler (DC)(10 per cent) in 2000 when HMC also was spun off from the Hyundai Group with 9 other subsidiaries (KARI 2001, p. 97). In between DC had obtained a large equity in MMC.

The Korean state intervened in the mid-1970s and forced the Korean auto firms to develop their own product and process technology, and to start exporting. HMC was the first to succeed and when it participated in the export drive, its ties with Ford broke down, and HMC turned to Mitsubishi. HMC was very successful in its export to the USA and later in other parts of the world. It experienced failure in FDI when it established a transplant in Canada in 1989 (Chung 2003, p.190). However, HMC continued its export drive and shifted its FDI-strategy to targeting developing countries - it formed JVs with local firms in East Asia, and one each in Africa and Latin America. In 1998, HMC began production in India with its first wholly owned HMC subsidiary. DMC targeted the emerging market economies of Eastern Europe, and selected Asian countries (India, China, Vietnam, the Philippines), but none in Latin America. By 2000, HMC, DMC and Kia Motors (KMC), the third largest auto company, which was acquired by HMC in 1998, had an overseas production capacity of 1,659,000 units, of which DMC took 55 per cent and HMC 30 per cent (Chung 2003:195). The Korean auto industry produced nearly 3 million vehicles in 2001, of which more than half was exported (46 percent to the USA and 28 per cent to Western Europe)(KARI 2002). HMC and KMC, an affiliate of HMC, made 51 and 29 percent of total Korean output respectively in 2001. HMC and KMC took 49 and 27 percent of total domestic sales, and 53 and 31 percent of total export.

The financial crisis 1997-99 and the subsequent reform policies of the International Monetary Fund (IMF) and the new Kim Dae Jung government represented a watershed in the Korean auto industry in two ways. First, export had surpassed domestic sales for the first time. Second, it paved the way for a wave of domestic consolidation among Korean auto manufacturers (HMC took control of Kia, DMC of Ssangyong) and a subsequently a wave of FDI and foreign acquisitions (Samsung Motor by Renault, and DMC by GM). HMC is

currently the undisputed market leader in Korea, outstripping GM-Daewoo by a big margin (KARI, various annual reports). The Korean auto components suppliers rose and fell with the Korean auto manufacturers. Foreign first-tier MNC system suppliers like Visteon, Dephi, Bosch and Valeo took control of Korean first-tier auto components suppliers like Halla and Duckyang Industry. In sum, processes of outward and inward internationalization of the Korean auto industry took place before and after the East Asian financial crisis respectively.

The Malaysian auto industry began from 1967 onwards with Western models being assembled through franchising and licensing arrangements, JVs or transplants. Due to a small market and the lavish license policy the Malaysian auto industry was fragmented and the market was overburden with many brands and models making it difficult to localize component production profitably. In the 1970s, Western models were ousted by Japanese models, with Nissan and Toyota becoming the market leaders, and with the Japanese forming joint venture assembly plants with ethnic Chinese-Malaysians. The Malaysian government, in pursuing a Malay enhancing policy (the New Economic Policy, the NEP), decided to start a national auto project by allying with the weakest Japanese link, Mitsubishi Motor Corporation (MMC), and set up Proton. Proton targeted the mid-size car market, leaving the luxury market to foreign controlled makers for a while, and began exporting without much advancement although having sales agents in 50 countries. Proton entered JVs in the Philippines (disbanded again), Vietnam (with MMC) and in China to begin production in 2005 (Proton 2003). Proton consciously went ahead with technology development, acquiring Lotus Group International, a UK design and consultancy firm, and allying with another foreign firm to develop an engine. The success of the first national car project made the Malaysian government pursue a second national car project with Daihatsu, an affiliate of Toyota, to target the small-size car market. Perodua, which started production in 1994, saw the small-size car market enjoying a boom. This was followed by state-sponsored projects for a national motorcycle company and a truck & bus company, with the aim of complete dominance of the Malaysian automotive market by national

manufacturers.

The financial crisis 1997-98 changed this planned path of Malaysian auto industry. The Malaysian government rescued the national auto companies and then proceeded to do the same for the non-national auto companies in 1998. The Malaysian auto industry bottomed out in 1998 and recovered as of from 1999. Proton, being privatized in the mid-1990s, was unable to increase export during and after the crisis<sup>3</sup> and it was rescued by the national oil company (Petronas) and 're-nationalized' in 2002 when the government's investment company (Khazanah Nasional Berhad) increased its share to 33% followed by new expansion of capacity (Proton City) and corporate restructuring. However, new FDI flowed into the auto industry and a major re-organization of the industry happened: Daihatsu obtained 51 percent of Perodua Manufacturing Company after the national car maker had been restructured; Honda Motor substituted its main local partner for another and established a new JV manufacturing facility; HMC established a JV production facility; Toyota Motor gained 51 per cent equity control of UMW-Toyota, its domestic JV; Ford increased its equity in AMIM from 30 per cent to 49 per cent. In the auto supplier industry, foreign auto supplier firms acquired Malaysian firms; for example, German Continental AG took a 51 per cent interest in the Sime Group's tire division (The Star 2003-10-14). In sum, the Malaysian national auto program made huge advances in a protected market in the last two decades, but it failed to become a major exporter like the Korean auto industry, or the auto industry in neighboring Thailand, relying on MNC subsidiaries.

By taking a international value chain perspective on the position of Korean and Malaysian auto industries and firms we contend that in a global value chain perspective the Korean industry takes an overall middle position in the global value chain system due to its indigenous brand manufacturing, economies of scale and export performance, while the Malaysian industry holds a position in the low end due to export failure, weak indigenous brand manufacturing and protected home market. The lead manufacturers in their respective home markets are HMC and Proton, but Proton's domestic market

share has been declining (Asian Automotive Business Review, July, 2002; Proton 2003:34). Moreover, both the Korean and the Malaysian auto industries started as internationally subordinated industries, based on MNC equity or technology control, but they both underwent a process of indigenization, building up national auto firms, before they entered a process of outward internationalization through export and FDI. In the East Asian post-crisis period since 1997, a new phase of inward internationalization began, driven by local reform policies and the ongoing globalization of the auto industry.

The question is, then, how the structural position and changing relations of the Korean and Malaysian auto industries and firms affected the development of trade unionism in Korea and Malaysia, and vice versa? In order to answer this question, we must first describe how the Korean and Malaysian autoworkers unions evolved with the development of the auto industries.

### **Trade unionism in Korean and Malaysian auto industries and firms**

The Korean and Malaysian auto unions changed over time in terms of union ideology, union structure and collective bargaining, and they turned out to have rather different concepts of unionism but relatively similar IR systems at the turn of the 21<sup>st</sup> century!

The watershed in Korean trade unionism was the 'Great Labor Struggle' in 1987, when as new democratic trade unions emerged in the manufacturing sector, including the auto industry (Koo 2001). Before 1987, unions were found at Kia and DMC from the late 1960s, with the DCM union being company-controlled until 1985, when the first strike in a chaebol generated a new democratic new, while the Kia union and management were collaborating from the early 1980s due to a severe financial situation and government pressure (Lee 2003, p. 327). The new democratic unions, including the HMC union, went on to form wider alliances, networks and federations and a national labor center. In 1990 the democratic unions in the Hyundai Group formed the Alliance of Trade Unions in Hyundai (ATU Hyundai) inspiring other *chaebol* unions to do the same (Sohn 2002). At the same time, the National Alliance of Trade Unions

(NATU) was formed based on 17 regional associations of trade unions, initiated in the southern part of Korea and comprising enterprise unions in small- and medium-size enterprises (SMEs). The General Union Federation of Metal Working Industry (GUCMI) and the National Federation of Shipbuilding Trade Unions were established in 1994. In 1995, the National Federation of Auto Assembly Industry Trade Unions (NFATU) emerged; it included unions in assembly companies of Hyundai, Kia, Daewoo, Ssangyong, and Asia Motor. In 1996, the GUCMI and NFATU established the National Democratic Metal Industry Trade Unions (NDMTUA)<sup>4</sup>. These three federations were all affiliated to the democratic labor center, Korean Confederation of Trade Unions (KCTU), when it was established 1995. KCTU had a radical, class-oriented program for the establishment of a democratic-socialist labor movement, based on industrial unions on the one hand and a democratic labor party on the other hand (KCTU 2000).

It took a national general strike from December 1996 to January 1997 against labor reform and the financial crisis during 1997-98 to return labor to the center stage of Korean politics (Lee & Lee 2001). These events also created a strong momentum to organize an encompassing federation of metal industry unions, including the auto manufacturing unions. The various union organizations had emerged from the plant level and then associated into two different, looser organizations – one for large firms (mainly *chaebols*) and one for SMEs. In order to bridge the gap between different trade union organizations, ATU Hyundai proposed to unite the NATU, NFATU and NDMTUA in a single Korean Metal Workers Federation (KMWF). This occurred in February 1998 at the peak of the financial crisis, when the new government formed the Tripartite Commission of government, employers and trade unions centers. The KMWF numbered around 200,000 employees and aimed for the final consolidation into one industrial union with industry-wide collective bargaining authority. The formal centralization of (radical) trade unions in the metal industry took place in 2001 with the establishment of the Korean Metal Workers Union (KMWU). However, this time the big assembler unions were not

driving the unification process, which was carried through by the KMWF leadership and SME unions. The big assembler unions stood outside the industrial union – even when of all autoworker unions went on strike in solidarity with the DMC union as it struggled against the downsizing and imminent take-over of bankrupt DMC by a foreign auto MNC (KMWF-KCTU, undated).

The KMWU initiated regional collective bargaining and supported enterprise based bargaining, but the counterpart was missing, i.e. an employers association among auto manufacturers and suppliers. In Hyundai, the federation of Hyundai unions undertook for the first time common collective negotiation with HMC in 2001. In DMC, the union leaders were expelled from the factory site during the industrial dispute, and the union leadership was handed over to new people who finally accepted that GM acquired DMC after facing threats of bankruptcy, a pro-GM alliance of management, administrative and technical staff, and weak local community support for an ‘old’ industry and plant (see Lee, under review). The sticky point was not only foreign ownership but also that GM refused to acquire the Bupyeong factory – the old plant in Incheon where the first democratic strike took place in a *chaebol* and the heavy industry in 1985. Samsung Motor was the only auto manufacturer without any kind of independent union organization, being isolated from the autoworkers’ movement by a vigorous anti-union management.

In sum, the Korean auto workers unions and other metal worker unions were moving towards a more unified and centralized democratic union structure with intentional regional collective bargaining, but the divide between the big unions especially in the auto industry and the SME unions in the auto component supplier and wider metal industry was difficult to overcome. The HMC union has been at the forefront of radical unionism several times, organizing, mobilizing and acting militantly, but the HMC union has also been divided into several factions, which have different opinions about costs and benefits of giving up autonomy transferring it to the KMWU, i.e. to its headquarters in Seoul and its regional headquarters in Ulsan. At one end, there are the KCTU-convinced activists believing in class solidarity and centralization,

at the other end there are the unionists criticizing the leaders of KCTU and KMWU for calling strikes all the time for political purposes, without any insight in workplace issues or facing their members in daily working life, nor running the risks of imprisonment due to illegal industrial action. The critics maintain that the top leaders, as former student radicals, take an academic approach to these issues. Moreover, it takes a 2/3 majority to give up autonomy, and the result of the (last) vote did not cross this threshold although a majority of 62 percent voted in favor of joining the KMWU (IMF[metal] IMFNews 2003, No. 3, p.5). Meanwhile, the HMC union kept control of union resources and used them to fight for the interests of the HMC union members, and quite successfully. At HMC the annual wages decreased slightly in 1998 and has increased since then with 4.5 percent in 1999, 8 percent in 2000, 12.9 percent in 2001<sup>5</sup>.

In Malaysia, autoworkers were organized in an industrial union in 1971. The National Union of Transport Equipment and Allied Industries Workers (NUTEAIW)<sup>6</sup> rapidly turned into a radical union after an internal fight whereby grass-root oriented activists from a car assembler of Ford (AMI) took over the leadership (Das 1991, p. 129). The new union leadership prompted employers to organize an association of assemblers and entering common, centralized mode of collective bargaining in 1973. Centralized collective bargaining expanded in 1975 but did never include the Nissan assembler (Tan Chong), the market leader. Collective bargaining contracted again in 1982 when an important employer (UMW-Toyota) withdrew from the employers' association and undertook bilateral negotiation with the industrial union in the same way as Tan Chong (Wad 2004a). Hence, a strong centralized IR system prevailed in the Malaysian auto assembly industry for a decade and continued to a lesser degree for the rest of the 1980s.

This system began to be decentralized in three ways (Wad 2004a, pp. 246-259). First, the non-national auto employers disbanded in the 1990s, and the industrial union -- having adopted a more pragmatic ideology -- undertook bilateral bargaining with individual employers in the 1990s. Second, enterprise unions emerged in the national sector of state owned enterprises (SOEs) or JV-

enterprises and established negotiation and collective agreements with their individual employer. Third, two of the larger assemblers' workforces broke away from the industrial union to form or join enterprise unions in collaboration with their employers. The industrial union counter-acted this downsizing of the union with a unionization drive in the emerging auto supplier industry, and some smaller enterprise unions in auto component supplier firms did even give up and joined the NUTEAIW.

Under the financial crisis 1997-99, the Malaysian auto industry faced a dramatic decline in sales followed by reduction of production and employment in 1998: Proton's sales fell 52 percent, Perodua's 35 percent and non-national assemblers saw a 78 percent drop; production fell by 57 percent, 43 percent and 85 percent respectively; and employment declined 14 percent, 11 percent and 38 percent, respectively (Wad 2004a, p. 243). Although the unions faced a sharp downturn in jobs, the rate of redundancies was well below the collapse in sales and production. Employment fell 41-47 percentage points less than production in the domain of the three organizations!

However, the rescue of job did not match the reduction of remuneration. Overtime was abolished and working hours were reduced. Collective agreements, which were running for at least three years by law, were not renewed downwards but extended unchanged for one year or more. While the industrial union concluded CAs with 10-15 percent wage increases across the board 1994-97 compared to a combined 3-year inflation around 10-12 percent, the NUTEAIW managed to get 5-10 percent salary adjustments in CAs concluded in 1998-99 compared to a similar level of inflation (NUTEAIW, 1997, 2000; Jomo & Lee 2001, p. 236). In addition, CAs gave wage increments and other benefits, so the standard rates did not decrease in absolute terms during the crisis, but the increase was less than inflation increased in the former CA period, hence, real hourly wages were declining. The severe damage to take home pay was, anyway, caused by the reduction in overtime, which had generated a lot extra income in the booming years before the crisis.

Yet, no legal or illegal strikes at the industry and national level were ever undertaken in the Malaysian auto industry. During and after the financial crisis, only a few wildcat strikes occurred in the unionized sector. Management and unions in general collaborated in order to save jobs both in the national and the non-national sector. Based on field research on three auto manufacturers and two auto suppliers in March 1999, Peetz & Todd (2000, p. 72) reported that the auto manufacturers attempted to adjust in a worker-friendly way during the crisis while outright retrenchment was carried out among auto component suppliers. During the crisis, enterprise unions began networking with one another, and a few also met with the industrial union. The NUTEAIW feared that the in-house unions should give in and lower the terms of employment during the financial crisis. Although the attempt of collective networking faded with economic recovery, the industrial union saw the need to form in the future a federation of auto unions as the autoworkers faced a free trade area among the ASEAN countries (AFTA), which would include automobile trade around 2005. The issue was restated in 2002 and set a mandate for the industrial union to be the secretariat in charge of the formation of a Federation of autoworkers unions. An agreement was reached in 2004 to form a Federation constituted by NUTEAIW and the two important enterprise unions in the auto assembling industry (Proton and Perodua), but the final decision has to be taken by the governing bodies of the unions.

In sum, the Malaysian autoworkers began with an industrial union (NUTEAIW) and established fairly quickly centralized collective bargaining with auto assembly companies in the 1970s. After an economic crisis in the mid-1980s, state-induced industry restructuring and the rise of enterprise unions in new and dominant assembly companies in the 1980s and the early 1990s the industrial union shifted to pragmatic unionism, halting union decline by organizing the auto supplier industry, recapturing enterprise unions, and adopting bilateral collective negotiations with employers. The Malaysian autoworkers were divided in a radical-turned-pragmatic industrial union and conservative enterprise unions that were concomitant with the state-directed

indigenization of the auto assembling industry, and this divide was sustained by their alliances with the opposition and the leadership, respectively, in the national labor center, the Malaysian Trades Union Congress (MTUC). The financial crisis and the emerging free trade area of the ASEAN countries forged a new alliance between the Malaysian industrial union and the key enterprise unions agreeing in principle, but not yet in practice, on the formation of a Federation of Malaysian auto unions.

All in all, while the Korean auto unions adopted a common radical conception of unionism, the Malaysian auto unions were divided in terms of union ideology (union pragmatism versus conservatism), and while Korean auto unions began as enterprise unions and Malaysian auto workers formed an industrial union from the outset, both Korean and Malaysian unions ended up with a pluralistic union structure which is composed of an industrial union, enterprise unions and a federation (established or agreed upon) and with unions which by and large undertake bilateral collective bargaining with individual employers. Yet, the Korean auto workers are an integrated part of a metal industry based federation and union, while the Malaysian auto workers are part of a more narrow organization of employees within the motor vehicle and component manufacturing industry and join hands with other metal industry workers unions in the IMF (metal)-Malaysia Council. In actual numbers and union density, the KMWU had 126,000 members (2002) within the metal industry, of which most were from the auto industry, while Malaysian auto workers unions had 21,300 members (2002) (Jeong & Wad 2004; Wad 2004c). In terms of union density, the Korean auto workers stayed around 34 percent in 2001 (124,500 union members relative to a workforce around 368,000, Jeong 2003, table 6), while the Malaysian auto workers were as high as 47 percent in 2002 up from 39 percent in 2000 (Wad 2004c, p. 13)!

### **Explaining the dynamics of Korean and Malaysian auto unionism**

What explains this divergence in union ideology and partial convergence in industrial relations (IR) patterns between Korea and Malaysia at the dawn of the

twenty-first century? In order to answer this general question, we need to be more specific and ask five questions and relate them to the summary of industry development, state policies and key features of trade unionism (see appendix, table 1).

The *first* question is why the independent Malaysian autoworkers' union arose much earlier than the independent Korean autoworker unions, although the Korean auto industry was established, expanded and technologically upgraded earlier than the Malaysian counterpart?

Korea and Malaysia imported automobiles from the West, before both states established a protectionist trading regime in the 1960s to facilitate import substitution (IS) in the auto industry, at first aiming at achieving higher levels of localization of auto production and later on in order to indigenize ownership, develop the industry technologically, and capture the domestic market before becoming export competitive. The authoritarian Korean government was more successful in IS policies than its Malaysian counterpart and quickly turned the private Korean auto firms towards indigenous management, technological upgrading and export orientation. It secured domestic expansion in the 1970s and export competitiveness in the 1980s by way of keeping wages down through state corporatism, that is, state-directed tight wage policy, enforcing discipline, and suppressing independent labor union activists. The policies were successful but generated a contradiction by producing a mass of repressed and angry workers in the midst of success of their huge companies. Hence, while autoworkers were prevented from forming independent unions for a period, the combined suppression by management and state conditioned a situation, where labor activists became part of the broader democratization movement. The 'Great Labor Struggle' of 1987 to 1990 changed the shop floor power and social status of labor for the better, and workers in the automobile and other heavy industries initiated a radical and militant trade unions movement in opposition to the conservative trade unions which had been organized in the Federation of Korean Trade Unions (FKTU) and co-opted and subordinated by the former authoritarian-repressive developmental state.

In Malaysia, the auto industry was established and dominated by Western MNCs during the first decade through wholly owned subsidiaries, JVs or franchising and licensing arrangements with local firms. The workforce of the non-national auto industry consisted primarily of Indians and Chinese and so did the membership and leadership of the autoworker union. In a conjuncture of intra-Malaysian tensions (ethnic cleavages), regional conflicts (the Vietnam War), a IR-system of sector unions and centralized collective bargaining in key export and infrastructure industries, which dated back to colonialism and the anti-communist battle in the 1950s, together with an international trend of neo-Marxism, the newly formed autoworker industrial union was taken over by grass-root oriented leaders who challenged the hegemony of the employers and also left the pragmatic trade union center (MTUC) in order to build a new radical trade union movement together with other radical unions (Wad 1988, Das 1991). Hence, the Malaysian autoworkers formed a radical trade union very quickly after the start of the Malaysian auto industry, and this industry consisted of low technology OEM firms assembling imported completely knocked down (CKD) kits of components. A component supplier industry did not yet exist.

This analysis does also explain the *second* question, why the independent Malaysian and Korean autoworker unions adopted a radical line from the onset and yet diverged in terms of organizational structure and forms of collective bargaining? The Malaysian autoworker union arose in a "screw-driver" (assembly) industry with unskilled workers within a labor market organized by industrial unions and in a tense situation of neo-imperialism and ethno-political cleavages, and these conditions facilitated the formation of a radical and industrial union. Moreover, centralized collective bargaining was known in the large plantation industry and in commerce, including companies, which traded in automobiles. The management of the auto assemblers were more or less familiar with centralized bargaining from abroad (e.g. Australia), so it did not take the employers long time to counteract the radical industrial union by establishing their own association for motor vehicle assemblers and accept collective bargaining and agreements. Finally, the state prohibited wide industry

and class-based unionization, stipulating unions to organize in narrow industries and not e.g. in one metal industry union.

In Korea, the situation was different. The Korean government and chaebols insisted on Korean management control of auto firms from the very beginning. Hence, the Korean autoworkers were up against a despotic, anti-union management style, or at best were provided with a state co-opted union, which by law had to be wide industry based before 1980 while enterprise-based since 1980 (Lindström 1993). The Korean workplace was commanded like a garrison, and this militaristic managerial ideology suppressed the individual freedom of the single worker and made them feel as a second-class citizen. At the same time, the autoworkers formed a concentrated, huge workforce of male workers in a strategic capital-intensive industry while living in urban areas, and this structural location made them potentially strong as a socio-economic and political force.

When the mobilization began, triggered off by police brutality, the flood of militant workers overtook every measure of resistance by authorities and employers for a period. With the state's retreat from the workplace, employers were left with few means of control against a militant and angry working class community. Enterprise unions multiplied in chaebol groups and beyond, supported by sympathy strikes and civic groups, and they forced employers to undertake enterprise-based collective negotiations although the employers were very much against giving up their management prerogatives to lead the companies in an authoritarian way. In sum, the radicalism of Korean and Malaysian autoworker unions were rooted in different circumstances, while their choices of different types of union structures (enterprise union versus industrial union) were conditioned by the institutional options and experiences.

Then, *third* question is the following: Why did the Malaysian autoworker unions during the 1980s turn to a more pragmatic and conservative unionism while accepting rather decentralized collective bargaining, when the Malaysian auto industry concomitantly underwent de-globalization or indigenization; and

why did the Korean autoworker unions on the contrary maintain a radical ideology while favoring centralized IR institutions, when their industry was in a process of globalization? In theory, it should be vice versa (see section 2)!

In Malaysia, the government restructured the auto industry into a Malaysian owned and Japanese-oriented industry, because the government wanted to rectify ethno-economic imbalances, especially between the Malay and Chinese populations, and to rectify the lack of localization of auto component production controlled by MNCs. A state-MNC alliance for the benefit of the Malays, emerged creating an ethno-political framework for the first 'national' auto project in the early 1980s. The Malaysian government aimed rather successful for hegemonic control, among other things, by advocating an anti-British and anti-Western "Look East" policy, taking Japan and partly Korea as developmental models and promoting enterprise unionism in pursuit of corporate harmony and increased productivity, and if necessary, enterprise level collective bargaining (Wad 1988). Yet, the trend towards a more decentralized IR system was already initiated by the Japanese-related auto JVs, which were owned by Chinese Malaysian families, and which came to dominate the Malaysian auto market by the end of the 1970s. The Nissan OEM stayed outside the association of assemblers from the beginning, although it was unionized by the industrial union. But when the new JV between Toyota and a Chinese Malaysian owned company emerged in the early 1980s and decided to leave the employers' association in favor of bilateral negotiations with the industrial union, the centralized Malaysian IR-system declined and fell apart into enterprise-level bargaining in the 1990s. The strength of the industrial union was reduced in labor market terms, when it, in addition to the in-house unionized national auto manufacturers, lost membership control of these important, non-national assembly firms (Nissan and Toyota) in the early 1990s. This happened due to a dispute among union leaders in the wake of the imprisonment of the general secretary, together with other critics of the government, in 1987 and the decision to elect new union leaders. In this situation, the industrial union switched to a more pragmatic strategy, which

meant that it returned to the labor center, the MTUC, that it improved co-operation with employers which respected the autonomy of the union, and that it began organizing the auto component firms which had emerged due to the indigenization of the auto industry. The union leadership did also believe that bilateral negotiations with individual employers provided it with a better bargaining position than it had when it faced a united front of auto assemblers.

When the Korean state and capital struck back during the economic recession in the early 1990s -- motivated by the unstable environment of business and rising labor costs -- workers and unions found themselves on the defensive, and this continued with the globalization policy of the Kim Yong Sam administration, which emphasized outward FDI and made demands for increased competitiveness among Korean firms (Wad 2002). The authorities continued to suppress illegal industrial action, and to arrest and imprison labor activists; employers started collaborating with moderate unionists forming micro-coalitions of productivity improvements (company production compromises). Radical union activists concluded that a process of centralization was necessary if they should sustain and progress with their labor movement. This took time and many debates but did eventually produce the KCTU, which was born as a radical and illegal labor center in 1995 and finally legalized with the Tripartite concord and 'Grand Compromise' between the government, employers associations and labor centers in 1998 (Wad 2002). Yet, the KCTU abandoned this instance of social corporatism immediately when the leadership was ousted after accepting the deal (Kim 2004).

The 1990s employer offensive disclosed the weaknesses of enterprise unionism, and the KCTU unions promoted the alternative model of industrial unionism and industry level bargaining. In the situation of globalization and the employers' counter-offensive in the 1990s, they believed that thousands of enterprise unions, which sprung up in the late 1980s, had to consolidate and centralize into an industrial union if the trade union movement were to progress. Hence, the ongoing confrontations between radical enterprise unions and employers, facing increasing competition at the domestic and export markets on

the one hand, and rising labor and other production costs in Korea on the other hand, sustained the radicalism of the independent and democratic Korean unions, including the unions in the heavy metal industries. However, the process did not facilitate the establishment of centralized collective bargaining, because the Korean employers did not want centralized employer associations with bargaining authority.

This argumentation takes us to the *fourth* question: Why did the autoworker unions in Korea and Malaysia ended up with a rather similar union structure at the industry level in spite of their differences in union strategy and the different level of internationalization and technological development in the two auto industries? The industrial development of the auto industry in Korea and Malaysia had created a rather similar structure of larger auto manufacturing firms and smaller auto component supplier companies on the one hand, and concomitantly positioned the Korean and Malaysian auto firm differently in the global auto value chain. The stratification of the domestic auto industry in quite different firms with different levels of productivity, profitability and wages created different interest groups among the autoworkers, which were again maintained by enterprise-based unions. In spite of the radical ideology of the autoworkers and their leaders, factionalism evolved in the larger assembly firms, and some groups were not eager to completely give up union autonomy and join the industrial union. The metal industrial federation was lead by former student-turned-worker leaders, whom some worker groups judged to be without enough workplace experience and insight to understand and support the workplace struggle for better wages and working conditions. Hence, the drivers behind the development of the industrial union were found in the leadership of the federation (KMWF) and among the unions in the smaller supplier firms where wages and working conditions were well below the conditions in the chaebols. A rather similar situation arose in Malaysia, but from a different starting point: The autoworker industrial unions began in the assembly industry, and with the national auto program it was pushed away from the dominant assemblers and into the components supplier industry where it created a new union stronghold.

Korean and Malaysian auto industrial unions differed in a strategic sense. While the Malaysian industrial union once did bargain with an employer association, the union did not take industry level bargaining to be of strategic importance. On the contrary, it perceives bilateral negotiation as an advantage, and the union leadership is confident that time will prove that the industrial union is stronger than enterprise unions. This relative strength, the union contends, is confirmed by the fact that the industrial union has been determining the trend in collective bargaining and agreements, and that some in-house unions have joined the industrial union in the 1990s. But bilateral negotiations between an industrial union and an individual employer emphasizes the enterprise level, and the industrial union risks that the management makes use of eventual opportunities to support a breakaway faction, which wants to establish an in-house union. Such a situation appeared in the past, and it emerged again in one of the biggest Malaysian auto component supplier firms in 2004.

The Korean industrial union's strategy towards centralized collective bargaining seems to be founded in a commitment to equalize the very unequal terms of employment among assembly and supplier firms. But as long as employers' are not forced to unite and become convinced that the benefits overtake the costs of centralized bargaining, the KMWU does not have a reliable counterpart for such industry-level or region-level negotiations. Militant actions by the Korean autoworker unions may in the end produce such a unity, but with increasing foreign FDI and MNC involvement in Korea's auto industry, the ownership structure gets closer to the Malaysian one, and the prospect for a centralized association of auto industry employers is bleak. Foreign auto MNCs do not seem to join hands with local employers, and with the new adherence to human resource management strategies, flexible and decentralized IR are paramount for management, and the employers' IR perspective is completely different from the situation in the 1970s, when the production model of Fordism prevailed emphasizing economies of scale and standardization in products and processes and factor costs.

Finally, it is interesting to notice that the establishment of a federation of autoworker unions in Korea and Malaysia seem to target different objectives. In Korea, the objective was to use the federation as a mechanism to create an industrial union and increase the pressure on employers to enter centralized bargaining (KCTU 2000). In Malaysia, the objective has been political first and foremost, that is to speak with one voice in front of the Malaysian government. This was obvious during the East Asian financial crisis, but it has also become important in times of transition from a protected automobile home market to a regional (AFTA) market, which is protected against import but also contains a strong MNC controlled auto industry in Thailand. These differences reflect that the key drivers of the auto industry in Korea and Malaysia are not similar. In Korea, the national and foreign auto firms are now the core forces of business development, which generates and distributes labor benefits among other things, while in Malaysia, the state is still seen as the protector of the national economy and auto industry. The Malaysian conception of the state as a 'protector' was corroborated during the financial crisis when the government instigated currency- and capital control policies, in combination with demand expansion, to save the economy in general and the auto industry in particular from collapse. And although the ASEAN countries have agreed upon a free trade agreement (AFTA), the implementation is still up for political negotiations, and will continue to be that for several years to come.

The *fifth* question concerns the future: Will the Korean and Malaysian autoworkers IR diverge more profoundly in the future, with the Korean IR turning in a radical industrial union and a centralized bargaining system, while the Malaysian IR evolve into conservative unions dominated by enterprise unions and a decentralized bargaining system?

The answer must take stock of the "union effect" -- the achievements of the unions in the past -- and lessons to be learned from these experiences. Two aspects will suffice to illustrate this issue. First, the Korean 'Great Labor Struggle' in 1987 caused sustained increase in wages and had potential to undermine export competitiveness of Korean auto industries. This prospect

forced Korean firms to rationalize their organization and invest in technology, quality and training. Hence, the militancy of the new independent and democratic unions generated dynamic efficiency in the Korean auto industry. However, the efficiency was mainly achieved by way of exploiting economies of scale through standardized, mass production (Fordism)(Jeong 2001a). The wages did also increase in the Malaysian auto industry, but economies of scale were only achievable in the national sector in the 1990s. Around the financial crisis, Korean auto workers earned a net hourly wage (US\$) of 6.67 in 1997, which increased to 7.12 US\$ in 2001 and 9.40 US\$ in 2003/04, while their Malaysian counterparts earned 1.81 US\$ in 1997, which fell to 0,94 US\$ in 2001 (IMFmetal 1998, 2002, 2004; no data on Malaysia 2003/04). In short, the Korean autoworkers earned 3.7 times as much as the Malaysian autoworkers in 1997 and this difference widened to 7.5 times in 2001.

Second, the HMC union's battle for the 40-hour, five-day work week in 2003 ended with a victory of the union, thus, setting a benchmark for other unions. In August 2003, HMC concluded a collective agreement with the HMC union, which provided the employees with a 40-hour, five-day work week, an 8.6 percent wage increase for the next year, a performance-based incentive worth two months' wages, an immediate incentive worth one-month's wages, job security, and a labor-management panel to handle the concerns of employees. The collective agreement was approved by 81 percent of the members, the highest majority in the history of the HMC Union<sup>7</sup>. Moreover, it is the first time in Korea that a 40-hour, five-day workweek was been agreed upon, and it came after a 47-day, on-again, off-again strike by the HMC union<sup>8</sup>. In Malaysia, the claim for a 40-hour workweek has not been on the agenda in the auto industry since the 1970s. The best hourly working conditions are a 42½-hour workweek, practiced in a few auto assemblers in both the national and non-national sectors. On the contrary, a new situation evolved recently when Honda Motors instituted employment conditions, calling upon employees to work 48 hours per week. Proton's management took up the idea and demanding that working hours be increased at the new factory in 'green field'

Proton City! Moreover, Proton also demanded that Proton employees, who volunteer to relocate to the new workplace, do this without transfer benefits. This move by the management came in a situation where Proton is losing market shares in Malaysia to Honda, Toyota and HMC, and where the sole national auto manufacturer faces increased competition in the future within the regional free trade area (AFTA). The loyalty of the OEM enterprise unions is increasingly stretched.

Hence, the effectiveness of the autoworker unions seems to be much higher in Korea than in Malaysia. The Korean unions pursued a radical and militant strategy, which has paid off so far, in spite of -- or because of -- the Korean auto industry has been globalizing rapidly. The Korean autoworker unions are still in favor of establishing a centralized IR system within the metal industry, although factions within the key enterprise unions in the large auto manufacturing firms are hesitant to give up autonomy, considering the effectiveness of radical and militant enterprise unionism in the past. The Malaysian autoworker unions have also secured higher than average wages in the protected auto industry, which again is in line with the trend in the Malaysian manufacturing sector that unionized companies pay better than non-unionized companies (Standing 1992; Wad 1997). But with creeping regionalization of the Malaysian automobile market, the benefits, achieved through a long process of unionization and collective bargaining led by the industrial union, are now under pressure. While the industrial union has adopted a more pragmatic ideology, the larger enterprise unions have been under attack from their management, and these pressures may turn the big in-house unions away from a conservative stance towards a more pragmatic ideology. This is reflected in the agreement with the industrial union to form a federation of autoworker unions -- for auto policy reasons, anyway, and in contrast to the Korean unions, which formed the federation as a means to further centralized organization and collective bargaining with the employers. Yet, the federation has been established in Korea, not in Malaysia, and this gives the Korean radical unionists an edge over the Malaysian pragmatic unionists. However, the unions

in the auto chain leading firms (the OEMs) and especially also in the market leading firms (Korean HMC, Malaysian Proton) are reluctant to give up their autonomy, which have secured them privileged wage and working conditions in the past, either through militant struggles (HMC union) or through state-supported management-union collaboration (Proton union). Finally, the advances of the Democratic Labor Party in Korea compared to the newly merged center-left party, Parti Keadilan Rakyat (PKR), in Malaysia, indicate that the radical Korean trade unions have succeeded in the endeavor to generate an integrated labor movement, which may further labor-friendly IR institutions in Korea and underpin the strength of trade unions at the enterprise- and industry levels.

Hence, with the different position in the global value chain and the different political institutions the Korean autoworker unions will probably continue to be radical and militant and achieve centralized unionization, yet without centralized bargaining due to the forces of globalization, while the Malaysian autoworker unions will be more pragmatic and stay pluralistic at the industry level, yet cooperating more in order to influence state auto policy and coordinate collective bargaining at the enterprise level.

## **CONCLUSION**

Is the dynamic of autoworker unionism in Korea and Malaysia conditioned by, and eventually also influencing the globalization processes in the local auto industry and in the wider political economy of the countries? The answer is a contextualized "yes", and the argument is as follows:

The financial crisis in 1997 was the dramatic peak of financial globalization in East Asia in the 1990s, and it did accelerate the existing trend in Korea towards centralized unionism in the auto industry, while it suspended the trend in the Malaysian auto industry towards decentralized unionism.

Although the Korean and Malaysian unions were affected by the financial crisis from different structural and strategic positions, and were exposed to

different national policies and corporate strategies of crisis management, the Korean unions and Malaysian unions generally followed, respectively, a more radical and militant and a more pragmatic and moderate strategy. This difference in union ideology evolved over time, and it is explained by the harsh suppression of workers in the authoritarian, repressive developmental state in Korea, while the Malaysian -- and especially the new Malay -- workers were partly subordinated a hegemonic indigenization policy, which the Malaysian state pursued in the economy in general and in the auto industry in particular. The early radicalism of the Malaysian autoworker union is to be understood in the historic specific conjuncture of neo-imperialism in Southeast Asia and ethno-political tensions in Malaysia.

In the global-local perspective we face two paradoxes. The first paradox is that in spite of the difference in union ideology, the outcome in terms of IR institutions was rather similar in the sense that the auto industry contained a mixture of industrial and enterprise unions and formal or informal federations of these unions, and that collective bargaining was by and large undertaken bilaterally at the enterprise level. This situation was generated by a dynamic, which took the Malaysian system down from a centralized IR system within the low technology assembly industry (the globally subordinated local OEMs) to a rather decentralized IR system within the SOE-MNC controlled industry, while the Korean system became more centralized through the confrontations between militant enterprise unions and authoritarian employers and authorities within an auto industry, which over time become much more indigenized, technologically advanced, export-oriented and diversified into multiple auto manufacturers and an under-wood of component suppliers. Yet, in both auto industries the large enterprise unions resisted organizational centralization, which could impede their autonomy, and due to the strength of unions of the market leading firms a breakthrough did happen in neither Korea nor Malaysia, although the Koreans was a step ahead of the Malaysians having established a federation of metalworkers unions, including the important auto workers unions.

The second paradox is that the radicalism of the Korean autoworker

unions was maintained during the 1990s globalization of the auto industry, while radicalism was abandoned by the Malaysian autoworker unions in favor of union pragmatism, when the indigenization of the Malaysian auto industry unfolded since the early 1980s and a local auto supplier industry had been formed. Both Korean and Malaysian union ideologies, strategies, organizational structures and forms of collective bargaining made sense and changed with the circumstances. The union effectiveness was above average in both countries in comparison to other industries, but the Korean autoworkers rapidly achieved a much higher level of wages and working conditions than their Malaysian counterpart.

This cross-country difference is partly explained by the different position held by the Korean and Malaysian auto companies in the global and local auto value chain. The radicalism and effectiveness of Korean autoworker unions sustained the development of dynamic efficiency among Korean auto manufacturing firms, which again sustained and improved export competitiveness and later on outward FDI. In the same way, the intra-industry differences in wages and working conditions among auto manufacturing firms and components supplier firms were also related to the stratification of the domestic auto value chain, and this uneven distribution of benefits created obstacles of centralized unionization and collective bargaining. The centralized IR system in Malaysia evolved in an auto industry composed primarily of firms assembling imported CKD kits of components. The inequality of employment conditions between auto manufacturers and component suppliers was a driver of the strategy to centralized unionism and collective bargaining in Korea, while the inequality was not perceived as that significant by the Malaysian industrial union, probably because it has been dealing with these problems since the early 1990s.

Finally, the Korean autoworker unions became part of a new, independent and democratic labor movement in the "Great Labor Struggle" in the late 1980s, and they have stayed with this labor movement, which also spun off a democratic labor party. The Malaysian autoworker unions arose in a labor

market, which already carried centralized IR institutions, established in late colonialism to counteract the eventual return of a defeated Communist labor movement, and which was transformed in accordance with a new ethno-political policy of indigenization. The radical industrial union tried to create an alternative, radical trade union movement, but failed and became the internal opposition after returning to the labor center (MTUC)<sup>9</sup>. The Malaysian unions stayed united in a pragmatic-conservative trade union center, while the Korean unions have been divided into a radical labor center (KCTU) and a conservative-turned-pragmatic trade union center (FKTU). But in spite of this difference in trade union unity, the Korean unions held more political leverage due to their militancy and larger political space in comparison with Malaysian unions which risk immediate deregistration if they adopt an illegal, militant strategy or engage in political struggles like the Koreans.

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#### Notes:

<sup>1</sup> This paper is a product of my collaboration with Jooyeon Jeong, Korea University and enduring interviews and discussions with trade unionists in the Korea and Malaysia. The recent research from 2001 to 2003 on trade unions in Korea and Malaysia was supported financially by the Danish Research Council for Social Sciences (SSF). Moreover, research on automobile global value chains and foreign-local linkages in Malaysia, India and South Africa 2003-2004 has been supported by the Danish Council for Development Research (RUF) in relation to the research project 'Globalization, Competitiveness and Third World Enterprises' 2001-2004.

<sup>2</sup> Gereffi (1999, p. 38 note 1) uses the term to signify "relational contracting, specification contracting, and full-package supply", i.e. both end-user commodities and intermediary commodities, as long as they are produced by using brand owner specifications and standards. Within the auto industry 'community' the term OEM denotes the assemblers regardless of their 'brand' or 'design' status, and we will stick to this simple terminology to avoid confusion, except in table 1 in the appendix (see explanatory note).

<sup>3</sup> Proton exported 8,648 units in 2002 and 7,929 units in 2003 (Proton Annual Report 2003, p. 34).

<sup>4</sup> Koo (2001) uses slightly different English names for these unions.

<sup>5</sup> Interview with HMC union officers by Jeong & Wad, June 2001.

<sup>6</sup> The industrial union was originally named the Transport Equipment and Allied Industries Employees Union (TEAIEU) and shifted name in early 1990s to differentiate itself from the Transport Workers Union unionizing drivers etc.

<sup>7</sup> IMF News 2003, No.3

<sup>8</sup> The New York Times 2003-08-19.

<sup>9</sup> In the tri-annual MTUC election by the end of 2004, the executive secretary of the NUTEAIW won the presidency of the MTUC due to an election alliance between two pragmatic coalitions of unions against the conservative coalition presided by the former MTUC president.

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## Appendix

**Table 1: Evolution of the Korean and Malaysian auto industries, state policies and the Autoworker unions**

Period	Korea		Malaysia	
	Industry structure & GO's auto and labor policies	Autoworker unions	Industry structure & GO's auto and labor policies	Autoworker unions
<b>1950s</b>	Import of CBUs; state corporatism & anti-communism (until today)	-	Import of CBUs; sector-wise IR corporatism & anti-communism (until fall of USSR)	-
<b>1960s</b>	Home market OEM; IS policy for CBUs; state corporatism	Unorganized	Home market OEM; IS policy for CBUs; legalistic labor policy.	Unorganized
<b>1970s</b>	Home market ODM; IS policy for CBU & components; repressive state corporatism	Company-union at HMC	Home market OEM; IS policy for CBUs; ethno-labor policy & weak sector corporatism	Radical industrial union & centralized CB
<b>1980s</b>	Home/export OBM; IS & EO policy; repressive micro corporatism and then retreat of the state during "Great Labor Struggle"	KIA with cooperative management-union relations. Radical enterprise unions & plant CB DMC from 1985 and HMC from 1987 etc.	Home OEM & OEM(B); IS policy for CBU & components with national car project & localization; ethno-micro corporatism (in-house unionism)	Radical industrial union & weak centralized CB; Conservative enterprise union & enterprise CB
<b>1990s</b>	Home/export & FDI by OBMs; IS & EO policy; legalistic & repressive labor policy with liberal reform before financial crisis and social corporatism during the crisis	Radical enterprise unions & enterprise/group CB; Federations at group, industry & national levels	Home/weak export & FDI ODM(B); expanded national motor vehicle program & localization; (ethno) micro corporatism and rudimentary state corporatism during financial crisis	Pragmatic industrial union into OES & enterprise CB; Conservative enterprise unions & enterprise CB
<b>2000s</b>	Export & FDI by OBMs; free trade and FDI regime; legalistic labor policy.	Radical enterprise unions & enterprise/group CB; Federations at group, industry & national levels; Industrial union with OES	Home/weak export & FDI by OBM; regional free trade area (AFTA) policy; (ethno) micro corporatism	Pragmatic industrial union & enterprise CB; Conservative enterprise unions & enterprise CB; Federation agreed by industrial & key enterprise unions in OBM & OEM.

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Notes:

- CBU: completely build up automobile. OEM: original equipment manufacturer. ODM: Original design manufacturer. OBM: original brand manufacturer. OEM(B): OEM with own marketing brand. OBM(B): OBM with own marketing brand.
- Home market, export market & FDI mean that the manufacturer is oriented towards the home market, the export market and undertakes foreign direct investment.
- OES: Original equipment supplier of auto components.

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