

Daewoo Motor Aims to Make Most of Samsung's Pusan Factory Takeover

By Oh Young-jin
Staff Reporter

The government has sent a series of signals that Daewoo Motor should take over Samsung Motors' production lines in Pusan but Daewoo appears unwilling to make the first move, apparently hoping to win the best deal possible.

The concern is that amid this tug of war the situation surrounding the troubled Samsung Motors will increasingly come to resemble the Kia Motors crisis that contributed to the nation's near economic meltdown two years ago.

Confusion once again appears to hold sway in the government's handling of the situation.

Samsung chairman Lee Kun-hee's surprise announcement last week that he would inject 2.8 trillion won of his own money into paying off the debt-ridden carmakers debts all but sealed the issue.

But when the money Lee intended to use turned out to be his 4 million shares in the unlisted Samsung Life Insurance, Lee and the government came under fire for suspected collusion.

Critics say Samsung's formula would permit Lee and his close advisors to make enormous gains, with the shares valued at around 700,000 won each. It would also resolve all debt problems connected with the troubled automaker and fulfill a ten-year-old wish to go public with the group's insurer.

The government now seems to be backing down from its earlier readiness to allow Samsung Life's listing on the bourse. President Kim Dae-jung said Samsung's factory in Pusan will not be shut down, a point repeated by his key economic advisors, who said Daewoo, jilted in the electronics for auto business "big deal," should take over the Pusan factory anyway.

Under the circumstances, Daewoo said

it would be interested in the Pusan factory only if it was given a significant incentive.

"We would consider it if and when either the government or Samsung offer a deal," said Kim Jong-do, Daewoo Motors' director in charge of public relations. "The reason is that we agree with the government that the nation's motor vehicle manufacturing industry should be restructured around a Daewoo-Hyundai format."

However, Kim said that any deal by which Daewoo would take over Samsung Motors' Pusan factory must not saddle it with an additional financial burden. "The Pusan factory was surveyed at minus 1.06 trillion won in its asset evaluation," Kim pointed out.

If the government-initiated big deal is aimed at reducing redundant capacity, then Daewoo doesn't need the Pusan plant.

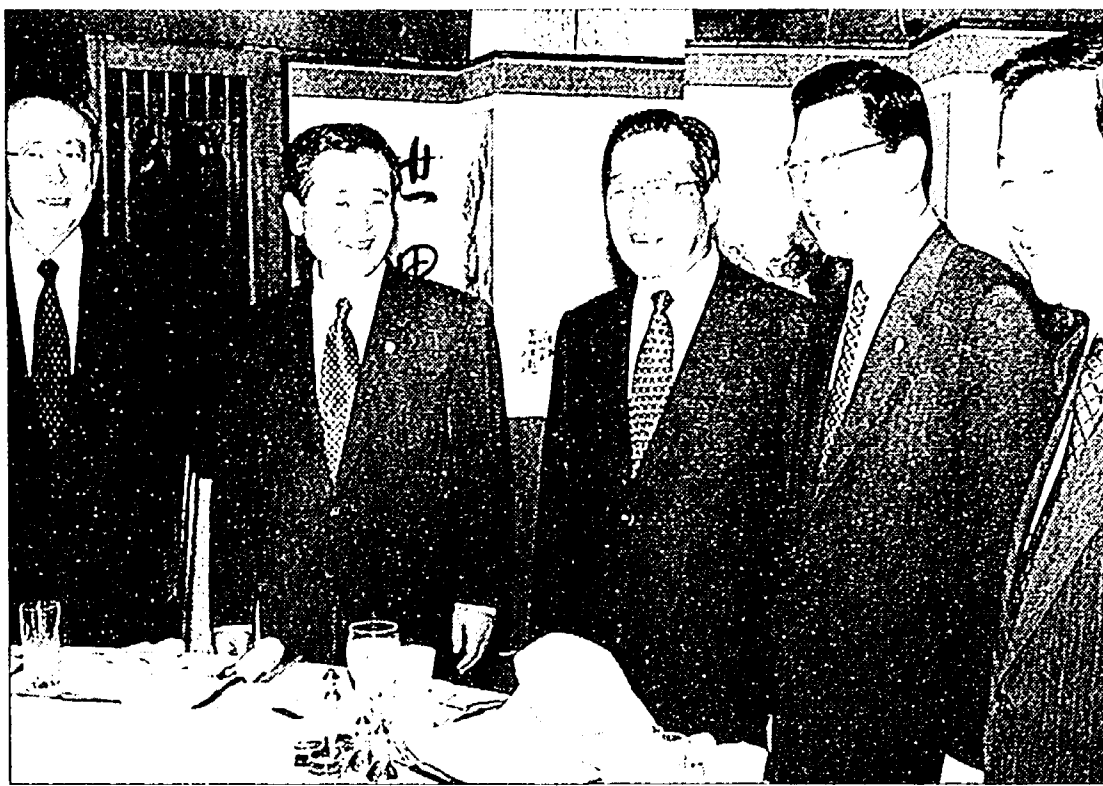
According to Daewoo PR officers, Daewoo's production lines in Puyong, Kunsan, Changwon, Pusan and Pyongtaek have a combined annual production capacity of 1.26 million units. But this year, Daewoo plans to produce 1.10 million cars.

Samsung's Pusan factory is capable of producing 240,000 to 250,000 units per year so it would be unwise for Daewoo to take over the Pusan plant in the absence of something to greatly sweeten the deal.

Meanwhile, General Motors of the United States, the world's largest automaker and once a major equity partner with Daewoo, is reportedly seeking another alliance but industry sources said it is not plausible for it to consider taking over the factory.

First of all, GM is by all indications limiting its future involvement with Daewoo to small-scale cooperation on an "as the need arises" basis.

Furthermore, GM's worldwide strate-



Officials are all smiles before beginning a serious discussion on how to handle the Samsung Motors issue at the official residence of Prime Minister Kim Jong-pil in Samchong-dong, Monday. From left are Lee Hun-jai, chairman of the Financial Supervisory Commission, Finance-Economy Minister Kang Bong-kyun, Kim, Commerce-Industry-Energy Minister Chung Duck-koo and Minister Chung Hae-joo of the Office for Government Policy Coordination.

gy doesn't warrant additional production lines in the region.

Industry watchers point out that GM has already either opened or is planning to open factories capable of producing tens of thousands of vans and sedans every year in Shanghai and Shenyang, China, as well as in Thailand and Australia.

But considering that politics has always been an integral part of economic decisions in Korea and the incumbent government appears to be no exception to this rule, it is felt that the government will keep the Pusan factory going until April next year in order to head off anti-government sentiment in the region.

This is especially important since the

area was the power base of previous governments, and the people are by and large disenchanted under the present government. About 2,000 subcontracting vendors depend on Samsung Motors' Pusan factory.

The circumstances are quite similar to what happened in the leadup to the collapse of Kia Motors. At the time, the government had delayed the bankruptcy of what was then the nation's third-largest automaker, which many experts cite as one of the causes of the drop in international confidence which preceded the November 1997 currency crisis.

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US Protests Korea's Plan to Label All GMO Foods

By Kim Mi-hui
Staff Reporter

The United States government opposes Korea's plan to label all genetically-modified organism (GMO) food, the American Embassy in Korea said in an official document sent to the Agriculture and Forestry Ministry.

The written protest follows the Agriculture and Forestry Ministry raising the possibility of requiring labels on all GMO food to the World Trade Organization (WTO) last March.

The U.S. government pointed to the insufficient need and the unnecessary cost and effort the act will require as the main reasons for its protest.

"We agree with the requirement for mandatory labeling of GMO food and fishery products when they are substantially different in their characteristic composition or use from existing equivalent food," the U.S. government wrote in the letter.

"However, unlike the proposed requirement in the notification, the United States would not require that the methods of development be indicated on the label," it said.

The document specifically named the high expense that will be necessary to manufacture, store, manage and distribute GMO foods if Korea requires that even those GMO foods proven to be totally harmless to consumers be labeled. Currently, those proven to have side-effects or which are substantially different in composition are marked as such.

Thus, it requested that Korea and the U.S. discuss the issue again in the next CODEX meeting.

The Korean government is still in the process of determining their future action, the ministry said.

"We first brought up the issue as a way of protecting our consumers, but we agree that the process is rather complicated," said Min Yeon-tae of the Livestock Distribution Division within the Agriculture Ministry.

At present, the government has three conditions under which the labeling of GMO food is required. One is when the make-up of the GMO food is significantly different from other equivalent foods.

The second is if they have proven side-effects. The third is if the Agriculture and Forestry Minister sees a need for labeling.

"The minister may still require labeling of all GMO food. We are all discussing the possibility very thoroughly," said Lee Yeon-gu of the Food Industry Division.

If the ministry decides to proceed with the law, it will officially make a statement to the WTO, as is required by the procedure Lee said.

The U.S. action, on the other hand, is in keeping with its attitude during the last CODEX held last April, where the U.S. and Canada had argued for the lack of necessity for such labeling requirements while the European Union (EU) spoke for it, according to the ministry.

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English Version of Korea's Financial Statutes' Marketed

A full English version of Korea's financial laws and regulations is out on the market.

"The Financial Statutes of the Republic of Korea" is published to help the international community gain better access to Korea's financial supervisory system.

Following the financial crisis of November 1997, the Financial Supervisory Commission (FSC) became the most influential government organization for overseeing the nation's financial and corporate restructuring.

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The book provides legal information about the structure and operations of supervisory organizations, disciplinary measures and arbitration mechanism of Korea.

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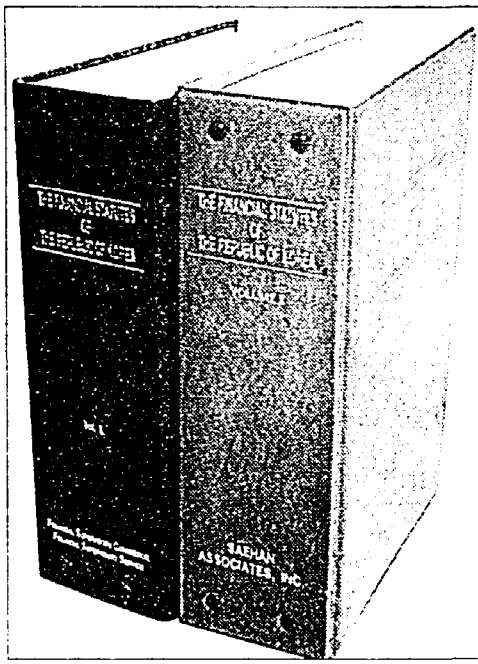
Saehan Associates, publisher of the translation, was founded in 1984 and has maintained its reputation in the international community for its sophisticated work on translations of local banking regulations and information on the foreign exchange system.

The \$800 price tag includes the two-volumes translation and a one-year supply of free updates.

Saehan also markets "Foreign Exchange Transaction Regulation, Act & Decree" for \$200, a full translation of foreign exchange transaction regulations in Korea effective April 1, 1999.

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Lunchbox Biz to Contest Environmental Law

The lunchbox industry is occupied with something else besides packing lunches these days. They are mounting a full-fledged legal fight against a five-month-old environmental law that banned all use of disposable bowls for lunches.

As of yesterday, the Lunch Industry Association of Korea (LIAK), made up of chain lunch businesses, presented a constitutional petition and said they are ready to go ahead with official administrative litigation sometime this month.

LIAK argues that the government is being unfair in "singling out lunch boxes" as "disposable goods" without having allowed sufficient time for them to come up with alternative packaging methods.

They also questioned the government's decision to allow the continued use of ramyon (instant noodles) bowls,

"In our eyes there is no difference between ramyon bowls and lunchboxes. The government is just looking out for the interests of the chaebol groups that run the ramyon industry while slighting us," said Shin Hyung-sik of LIAK.

To demonstrate their anger, several large lunchbox chains will send a written petition to Chong Wa Dae and the Office of the Prime Minister next week.

The group will specifically ask for a grace period so that they can find alternative forms of packaging as well as requesting that the government allow the use of recyclable disposable goods made from synthetic materials rather than banning them altogether.

The government is not likely to pay much heed to the pleas.

"The lunchbox industry knew of the government's plans to ban disposable

goods since 1995. They had plenty of time to prepare for the change," said Shin Soo-hyun of the Environment Ministry's Waste Management Policy Division.

Shin said the higher-cost (50-100 percent) of alternative materials like paper and pulp is the main reason (the industry did not adapt to the law earlier).

"As for the ramyon bowls, they are considered packaging, not disposable goods because they can be shelved for longer periods. Lunchboxes, on the other hand, expire within 12 hours and are thus more harmful to the environment," Shin added.

Neither is LIAK sure of winning the legal case, though it has secured a lawyer and assembled evidence of the law's negative effects on the lunchbox industry. "Above all we want to bring the unfair law to everybody's alien-

ation," LIAK's Shin said. At the very least, the industry will gain time to adjust to new packaging methods, he said.

LIAK will proceed with the next step in its lawsuit when one of their stores is formally reprimanded for continuing to use disposable products, as that will give the group solid evidence of how the law is hurting the industry.

Many lunchbox businesses have so far escaped punishment while continuing to use disposable bowls, LIAK admitted.

The law currently bars all restaurants from using disposable cups, dishes, wooden chopsticks and plastic forks. However, fast food restaurants are allowed to use disposable items if they collect and recycle 90 percent of all disposable items.

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Times Interview

'Brand Is Key to Gaining Competitive Edge in Times of Change'

By Hong Sun-hee
Staff Reporter

During a recession, a strong brand is a competitive advantage, and the close relationship between the brand

and its users is an almost indispensable asset to any company in times of change, said a renowned U.S. advertising specialist yesterday.

"Manufacturers create the products, but only consumers can create a strong brand. A well-known brand doesn't mean a strong one. Often a best-known brand does not have strong relationships at all. Our job is to get inside the mind of customers, figure it out and market the alternate value of the brand," said Shelly Lazarus, chairwoman and CEO of Ogilvy & Mather.

The global agency has its own process of discovering the true value of a brand. "Often we make some unusual questions but consumers give very good answers. But one should be very experienced to apply appropriate rules at every point of contact or communication," she said.

Lazarus was in Korea to attend "Brand Forum 1999," held Friday at the Shilla Hotel under the auspices of O & M Korea.

Lazarus said owner-CEOs, prevalent in Korean companies, may perform a flipside role in terms of the clients versus brands.

"If the owner-CEO understands the significance of a brand, the focus will be concentrated companywide to create the delights and conviction of the consumers on their brand," said the doyenne of marketing communica-

tion. Ogilvy's network includes over 120 offices in 17 countries across Asia-Pacific and 377 offices in 97 countries worldwide. Its presence in Korea dates back as far as 1982, when it entered the market in asso-

ciation with Korad. Its Korea office opened in January. Major clients include Unilever, IBM, Kimberly-Clark, Kodak, American Express, Gillette and Mattel, all active in Korean market, and Korean Air in the overseas market.

Her company sees Korea as a critical market in which to develop a tailor-made offering. Its large size, impressive talent pool and sophisticated infrastructure are all attractive assets.

"Our wish is to marry local skills with our international network. Three years ago, we established a similar operation in Japan, and we are now one of Japan's most successful agencies. We feel similarly optimistic about Korea," Miles Young, O & M Asia-Pacific chairman, told forum participants.

In her 26 years at the company, Lazarus has worked in every product category in both the general advertising and direct response disciplines. She has played a significant role in company management for nearly a decade.

A graduate of Smith College with an MBA from Columbia University, Lazarus currently serves as vice chairman of the American Association of Advertising Agencies, and will serve next year as the association's chairwoman.

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