

LG Calls for Removal of Dacom Ownership Ceiling

—A New Round of Battles With Samsung to Ensue—

By Yang Sung-jin
Staff Reporter

LG Group, the nation's fourth largest conglomerate, yesterday submitted to the Ministry of Information and Communication a formal request for the removal of restrictions on Dacom ownership.

In the application document, LG argued that the ownership ceiling, which has blocked the conglomerate from owning more than a 5-percent stake in Dacom, is outmoded in light of the rapidly changing telecom industry.

"The walls between wireless and fixed-line telecom firms are falling down while telecom firms are increasingly going for mergers and acquisitions to become bigger," an LG spokesman said.

He argued it is high time to remove the ceiling, citing as grounds the current regulations. He said the Telecommunications Business Act, which was revised last September, does not restrict the ownership of facility-based telecom operators.

"Even foreign investors will be allowed to possess up to 49 percent of a domestic telecom outfit beginning in July," the spokesman said.

LG's move came two days after Samsung, another conglomerate, stirred up

the domestic telecom industry by increasing its stake in Dacom to around 24 percent last week.

At the moment, it is uncertain whether LG's formal request will lead to a new round of battles between LG and Samsung for the fixed-line telecom outfit or end in a dramatic settlement, analysts said.

Officially, LG has a 4.21-percent stake in Dacom but is believed to own in excess of 30 percent of the telecom carrier when "friendly" and "camouflaged" shares are taken into account.

The ministry said it will hold a policy meeting on May 6 to settle the controversial issue.

Sources close to the deal said the ministry is likely to review the matter in favor of LG, given that it has so far remained tactfully ambivalent on the issue, repeating its "neutral stance" on a number of occasions.

But the issue may hit a snag if — a big if — Information-Communication Minister Namgoong Suk mishandles the application from LG.

The minister explained to lawmakers at the parliamentary inspection in mid-February that the government did LG "a favor" by allowing it to jump into the PCS (personal communications service) business.

Furthermore, Minister Namgoong reit-

erated that the limit on Dacom ownership was still in effect. If the Dacom issue is settled in favor of LG, the minister may have to admit he lied in public, undercutting his credibility. If not, he will face a backlash from those who remain hostile toward Samsung's bid to take over ownership of Dacom. Either way, Namgoong, who worked for Samsung SDS, an IT firm, before being appointed as minister, is likely to face a bewildering choice.

The sticky ownership ceiling issue dates back to May 1996, when the Ministry of Information and Communication allowed LG Group to start its PCS business on condition that LG agree in writing to hold no more than a 5 percent Dacom stake.

With LG emerging as the winner, other conglomerates, including Samsung, unwillingly pulled out of the potentially lucrative wireless telecom business in 1996.

Recently, Samsung Group has continued to buy Dacom stocks, a move many analysts cited as an indication of the conglomerate's ambition to reenter the telecom field, again.

Although Samsung Group officials recently said the conglomerate is not interested in owning Dacom, industry watchers said Samsung intends to strengthen its voice in the telecom outfit

wooded by LG, regardless of the resolution of the ownership ceiling issue.

Meanwhile, LG said it will strive to emerge as one of the world's biggest telecom entities with interlocked affiliates. LG Telecom, a domestic mobile carrier, and Dacom, an intercity and international call carrier, will strengthen their positions while creating a synergy effect together with other telecom subsidiaries.

According to the masterplan released by the company yesterday, LG Electronics and LG LCD will take the lead in multimedia technology while LG Information & Communication, a telecom equipment maker, will be tasked with handling next-generation digital technology such as CDMA and IMT-2000.

Chollian, a PC communications service provider affiliated with Dacom, and Channel I, an Internet Service Provider linked with LG, will offer comprehensive online information in an effort to nurture e-commerce and Internet businesses.

LG-EDS and Dacom's subsidiary DST will provide information technology infrastructure and operations expertise to the projected "one-in-all" telecom giant.

LG said it will invest a total of 6.5 trillion won in Dacom by 2005 in a bid to make it a leading world telecom giant with a projected turnover of 10 trillion won.

Small Firms Want More Foreign Industrial Trainees

By Hong Sun-hee
Staff Reporter

While the government is trying to curtail the foreign industrial trainee program by a sharp margin to give job opportunities for the nation's unemployed, the demand for foreign laborers is growing remarkably in the small and

medium businesses.

According to the Federation of Small and Medium Business, the factory operation rate has gone up at their member companies thanks to the regaining economic health and consequently the foreign workers, mostly from the Southeast Asian countries, are in great demand at these firms.

During the first three months of this

year, 1,635 businesses asked the federation to find 5,856 foreign laborers for their factories which are shunned by Koreans due to the difficult, dangerous and dirty nature of the work there, or the so-called "3-D jobs."

The corresponding figures were 1,550 people and 3,536 people in the third and fourth quarter last year, respectively.

This year, the demand filed at the federation is on a fast rise month-on-month apparently under the economic recovery. The figures were 1,257 (at 337 factories) throughout January, 1,525 (at 412 factories) in February and 3,074 (at 886 factories) in March. Last month, 706 workplaces applied to the federation in pursuit of 2,568 foreign hands as of April 22.

The government policy is to lower the per-factory quota for foreign industrial

trainees to 80 percent of the current level.

To implement the plan, the Small and Medium Business Administration has decided to dole out 500,000 won per head a month to the pertinent factories for six consecutive months to the entities which replace their foreign workers with Koreans.

In spite of all the government-led efforts, the small and medium businesses are eagerly waiting for the arrival of foreign workers because Koreans don't want to take the 3-D jobs.

A federation official said, "The government seems to have the wrong perception that the foreign industrial trainees deprive Koreans of job opportunities. But the unemployed Koreans give no need to the work environment or occupations held by foreign industrial trainees."

Number of Top Chaebol Subsidiaries Falls by 9 in April

The number of subsidiaries under the nation's top 30 conglomerates or chaebol dropped by nine to 677 in April compared with a month ago, the government said yesterday.

The Fair Trade Commission (FTC) said the top 30 chaebol set up four new firms, while shedding 13 subsidiaries through mergers & acquisitions, spin-offs and asset sales.

Hyundai Group reduced the number of

its subsidiaries by three, combining Hyundai Motor Service and Hyundai Motor in one notable move.

Samsung, the nation's third largest conglomerate, liquidated two companies, the FTC said, while LG absorbed two.

Kumho absorbed one subsidiary, while Halla sold the assets of one affiliate. Hanjin, Hanwha and Kumho launched one subsidiary each.

Economic Activities This Week

Restructuring Forecast to Make Greater Progress

The end of last month saw the finalization of price negotiations on Hyundai Electronics Industries' takeover by LG Semicon and the hammering out of an agreement on the rehiring of LG workers.

Perhaps owing to such positive developments, DCR of the United States upgraded Korea's credit-rating by two notches and other international credit-rating firms were moving to do the same.

In a meeting with owners of the nation's top five conglomerates, President Kim Dae-jung also made it clear that any financial incentives will have to be preceded by strong progress in restructuring.

Such retooling is expected to continue this week as accountants complete their asset and other financial evaluations of Samsung Motors for its takeover by Daewoo Motors in a swap for Daewoo Electronics. The following is a rundown of the main events scheduled for this week:

— Korea Gas Corp. (KOGAS) is expected to finalize its selection of two to three foreign companies to participate in its new 100-billion-won rights offering.

— Last-ditch negotiations are underway for the takeover of Hanbo Steel by Dongguk Steel and Hanbo's creditors are expected to decide whether to proceed with the deal sometime this week.

— The Korea Trade-Investment Pro-

motion Agency (KOTRA) is organizing the nation's largest export fair of textile products at the Inter-Continental Hotel in southern Seoul.

— An evaluation of the assets of Samsung Motors is due by the end of this week. Should Samsung and Daewoo disagree on the results, a more detailed analysis will be conducted by international accounts Deloitte Touche Tohmatsu.

— The merger of the rolling stock divisions of Hyundai, Daewoo and Hanjin failed to be realized by the Apr. 20 deadline but the three companies are forecast to hammer out a compromise sometime this week.

— Hyundai and Samsung are continuing to wrestle over the merger of their petrochemical divisions. It remains to be seen if Samsung will take over Hyundai's business unit or if it will be sold to a third party.

— Another visit to North Korea by Hyundai founder Chung Ju-yung is due to be finalized within the month. The trip will be instrumental in efforts to proceed with the organization of a South-North basketball tournament.

— The World Trade Organization will hold an ordinary meeting of the members of its board of directors in Geneva May 3-4 to make preparations for the launch of New Round negotiations.

Naray Telecom Offers Cheaper Int'l Calls

Naray Telecom, one of the mushrooming domestic international call resellers, offers lower rates than conventional carriers, such as Korea Telecom and Dacom.

International call resellers, offering low-cost services through leased lines, are usually divided into two categories: those using Internet technology and those employing voice traffic networks.

A spin-off from Naray Mobile Telecommunications, Naray Telecom is actually the first company to carry international calls on the Internet.

In July 1997, it forged a partnership with IDT of the United States to offer overseas Internet telephony services.

With the international call resale market growing, Naray has joined hands with AT&T to provide voice resale services with improved call quality. In addition, it has begun offering cheaper international fax services in real time.

Naray officials claimed users can hardly notice any difference in call quality from conventional carriers. "Naray's service is up to 64 percent cheaper than existing services offered by fixed-line carriers," a Naray spokesman said.

For instance, Naray charges just 360 won for a one-minute call to the United States, compared with the over 750 won charged by conventional carriers for the same call.

"For only 10,000 won, you can talk with your relatives and friends in the United States, including Alaska and Hawaii, for about 30 minutes," the spokesman said.

The company also offers one of the cheapest rates among Korean call service providers to other foreign countries, including Canada, Japan, Australia, Germany and Singapore.

Naray Telecom also has tailored a variety of call products to personal and corporate clients.

With four different prepaid cards, users can make international calls by dialing 3450-3000, a ten-digit user code and then a four-digit secret number, before dialing the call.

The prepaid cards can be recharged after use with a discount rate of up to 15 percent.

A more widely used way of making international calls is to dial 3450-



Naray Telecom charges 360 won for a one-minute call to the U.S.

3630, a use code, a secret number and the telephone number.

Despite the benefits of overseas calls at extremely low rates, pressing so many numbers can be a nuisance.

For those who find it cumbersome to press so many numbers, Naray provides a "one-touch phone" or "auto-dialer," for free if users exceed a specific amount on their bill.

But with a mobile phone, the calling process is much simpler and without paying additional mobile phone charges. What users have to do is press Naray's access code of 00321 and the number, such as the country code, the regional code and the phone number.

Naray currently offers its services to the four mobile carriers — KT Freetel (016), Shinsegi Telecomm (017), Hansol PCS (018) and LG Telecom (019).

To use the various international call services, clients must subscribe to the company by calling 02-3450-3001/3002, or accessing its website at www.telebird.com.

Naray Telecom claims 12,000 individual subscribers and 2,000 corporate clients.

Naray, which posted turnover of 3.5 billion won in 1998, plans to achieve a sales target of 15 billion won by the end of this year. (YSJ)

Improving Domestic Conditions Help Boost Business Prospects

Recovering domestic market conditions are bettering the business outlook, as seen in the soaring business survey index (BSI) which hit 119 this month, the Federation of Korean Industries said yesterday.

According to FKI officials, the BSI has been increasing steadily from 101.0 in February to 109 last month, meaning that overall business conditions are getting better and better.

A BSI of less than 100 means business conditions are expected to get worse as compared to the previous month while anything higher means there is a good chance of improvement.

However, the FKI officials said sea-

sonal factors are playing a major role in helping boost the BSI by strong margins, indicating that it is not strictly improving business conditions that are pushing up the BSI.

By sector, the BSI for domestic consumption rose to 123, indicating that local demand in construction, cement, automobiles and iron and steel will continue to do well this month.

In exports, the appreciation of the Korean won is expected to have little impact on Korea's outbound shipments, owing mainly to increasing demand in Southeast Asia, the United States and the European Union.

Chung IY Makes 1st O'seas Trip Since Halla's Bankruptcy

Halla honorary chairman Chung In-yung has embarked on an official overseas business trip for the first time since the collapse of his company at the end of 1997 amid the Asiawide financial crisis.

The wheelchair-bound Chung flew to Shanghai for the dedication of an ultra-modern 39-story financial center in the heart of the thriving Chinese city. Chung in fact stood up without assistance to cut the tape.

The financial center, constructed by Halla Engineering and Construction over a period of 41 months, has a total floor space of 22,000 pyong (one pyong is about 3.3 square meters).

It comes complete with its own electric, gas and water supply facilities and is expected to emerge as the center of

finance and trade for not only Shanghai but China as a whole, Halla officials said.

Chung, 78, had been fabled for his aggressive overseas business activities, spending more than half a year traveling the world to win contracts for commercial buildings and high value-added vessels.

Chung stepped back from the business frontlines in early 1997 to allow his son, Mong-won, to take charge of the conglomerate but Halla collapsed under the financial burden resulting from the construction of its Samho Shipyard.

At present, Halla is moving to rebuild through the injection of foreign equity, concentrating on its subsidiaries, including Halla Engineering and Construction and Mando Machinery.

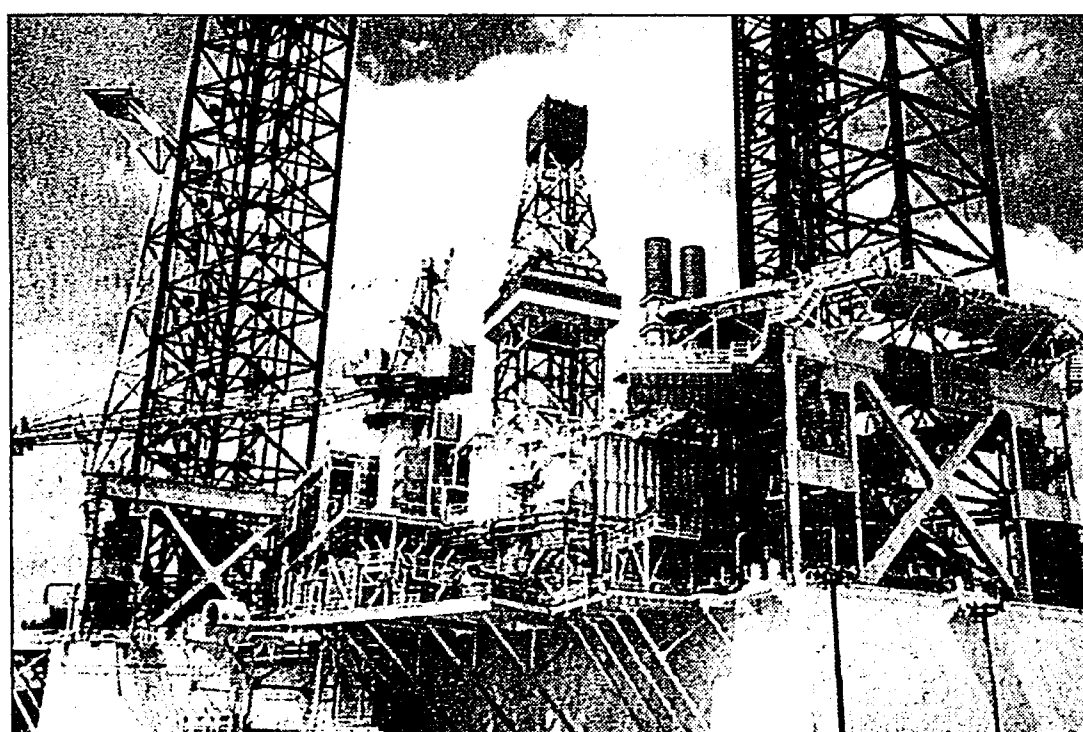
DOPCO Concludes Collective Bargaining Without Dispute

Daehan Oil Pipeline Corp. (DOPCO) has become the first state-run company ever to conclude its annual collective bargaining without a labor-management dispute, company officials said yesterday.

The agreement between DOPCO president Roll Young-wook and union chairman Kim Hyun-man means that

the union is automatically ejected from the progressive Confederation of Korea Trade Unions.

Roh said he appreciates the determination of all employees of DOPCO to pull together to advance the time frame for the oil transport company to realize a profit by about one to two years after 2005.



Seen above is a "jack-up" platform for undersea oil drilling manufactured by Hyundai Heavy Industries in 1995 and located some 320km off Scotland.

Hyundai Wins \$130 Mil. Contract for Offshore Rig Manufacturing

Hyundai Heavy Industries and Hyundai Corporation have won a \$130 million contract for the manufacturing of an offshore rig for natural liquefied gas drilling in Indonesia.

A signing ceremony took place Sunday between the two Hyundai firms and Conoco Inc. of the United States based in Indonesia, a spokesman said yesterday.

The Hyundai companies obtained the contract in "fierce" international bidding between McDermott, Bechtel and Brown & Root of the United States, and Singapore's Sembawang and Jurong, he said.

Projects for marine resources development in Indonesia have been monopo-

lized by the United States and European countries, so far.

It is the first time for a Korean company to make inroads in the Indonesian market in this sector, he added.

Hyundai had manufactured a 25,000-ton "jack-up" platform, the largest in the world, for British BP in 1995, which is similar to the platform it will make for the U.S. firm in Indonesia.

Hyundai Heavy Industries plans to start the manufacturing of the equipment this month and deliver it in May 2001.

Conoco Inc. plans to produce 6 million cubic meters of LNG a day using the platform to be located off Natuna Island in western Indonesia.

Satellite System

Satellite	Satellite Broadcasting Service
SUPERBIRD(Analogue)	TBS (Tokyo Broadcasting System)
BS-SAT (Analogue)	NHK 1.2, J S B
ASIA SAT-1(Analogue)	STAR SPORTS, CCTV 4, PHOENIX, MUSIC [V]
ASIA SAT-1(Digital)	STAR WORLD (PAL)
ASIA SAT-2 (Digital)	DW(German), MCM(French), RAI(Italian), TV 5(French), PTVE (Spanish), European Radio
ASIA SAT-2 (Analogue)	ESC(Egyptian), CCTV4(China)
PANAM SAT-2 (Analogue)	CNN Int'l
PANAM SAT-2 (Digital)	BBCWorld, RAI(Italian), CMT(Country), EWTN Bloomberg, TCS(Singapore), NHK Int'l
	CNNC, National Geographic(PAL)
RUSSIA	ORT-1-Ostankino, NTV, RTR (PAL)
INDIA	Sony Entertainment, MTV-India (PAL)
KOREA SAT	KBS1,2, EBS1,2, SBS, MBC, (방송통신 대학강좌)

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YongSan Electro 02)714-1736, 3424-6547~8
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