

Minority Shareholders Speak Up at Chaebol Annual Meetings

Minority shareholders made some headway Saturday in efforts to make their voices heard in what used to be rubber-stamp annual shareholders meetings of the top-five conglomerates, or chaebol.

"Chamyoyondae" or the People's Solidarity for Participatory Democracy (PSPD), a leading civic group advocating the rights of minority shareholders, staged a fierce showdown with chaebol management in the annual meetings of a number of different chaebol.

In a bid to minimize the strength of the assaults by activists, five chaebol subsidiaries — Samsung Electronics, Hyundai Heavy Industries, Daewoo Corp., LG Semicon and SK Telecom — all held their shareholders meetings on the same day.

In the 30th annual meeting of Samsung Electronics, the PSPD grilled the management of the nation's largest electronics maker on key management issues, signaling a shift in the nation's corporate culture, which used to disregard minority shareholders.

Yet the activist group failed to push for the controversial "cumulative voting system" that would allow minori-

ty shareholders to elect a board member.

"While the chaebol offered us a glimmer of hope by showing signs of positive change, the reform of the conglomerate's lopsided management structure still has a long way to go," leading activist Jang Ha-sung, a professor at Korea University, told reporters after the Samsung meeting.

Jang said the group will review the legality of the process through which foreign shareholders handed over their voting rights to the company's management.

SK Telecom's shareholder meeting, meanwhile, demonstrated the growing influence of the PSPD. The nation's largest telecommunications outfit bowed to the intense pressure of minority shareholders by conceding to review the cumulative voting system in March, 2001.

A whopping 25-percent of shareholders voted to oppose SK management's proposal to postpone the introduction of the new system in favor of an immediate review.

SK also conceded to a request for the establishment of an independent auditing committee in an effort to ensure transparency in management.

Unlike the Samsung and SK meetings, where head-on clashes were avoided, Daewoo Corp.'s annual shareholders meeting ended in disarray.

The PSPD focused on Daewoo's losses in foreign markets and its worsening debt-to-equity ratio. Though the cumulative voting system was voted down, the activist group said it will file suit against board members guilty of making illegal internal transactions.

Hyundai Heavy Industries came under heavy fire at its annual shareholders meeting in Ulsan, Kyongsang-namdo. During a grueling four-hour session, Hyundai management had to fend off a PSPD offensive in which activists questioned the legality of the annual meeting procedure.

The LG Semicon meeting was also not without its problems. The meeting was mired in controversy from the outset as a group of shareholders who oppose the government-led inter-chaebol swaps of affiliates or "big deals" rushed to take issue with the meeting procedure. The conflict led to a physical scuffle which ultimately failed to prevent management from passing five items on the agenda within five minutes. (YSJ)

Hyundai, FSC on Collision Course

By Oh Young-jin
Staff reporter

The Hyundai Group, the "honor student" among Korea's chaebol or family-oriented business conglomerates due to its unparalleled success in the first year of its corporate restructuring, appears to be heading for a collision with its "tutor," the government.

According to officials at the Financial Supervisory Commission (FSC) and industry analysts, Hyundai has reservations about some of the government-set requirements in the ongoing industrial reform and the differences have the potential to flare up.

Among others, Hyundai appears dissatisfied with the barriers to its entry into the life insurance business, the calculation of its stake in the merged Cho

Hung Bank and strict debt-to-equity ratio requirements.

The nation's largest chaebol is showing its discontent over these issues, albeit privately, in contrast to its docile stance in swallowing the government's prescribed bitter reform pill last year.

Interestingly, some of these issues are commonly shared by the chaebol of lesser size, a situation some regard as a prelude to a possible full-fledged conflict between the corporate sector and the government.

The outstanding issue separating Hyundai from the government is the 200 percent debt-to-equity ratio the government ordered corporate bigwigs to meet by the end of the year.

The FSC is quite adamant that the chaebol's arbitrary progress toward meeting the required ratio is unacceptable. It has thus demanded real

progress, and not just on paper. Hyundai is sitting on the FSC demand that Hyundai submit its plan to bring its debt ratio down to the required level on a quarterly basis, not counting asset re-evaluation and investment in kind.

Analysts say that excluding the re-evaluation and in-kind investments, Hyundai will have to raise an additional 8 trillion to 9 trillion won to meet the FSC-imposed debt ratio, an order it says is next to impossible to meet.

"We have to request more foreign investment, execute a capital increase or sell our overseas assets," one Hyundai official said. "This will be difficult and we are already having a hard time achieving our existing financial restructuring plan."

In contrast, the FSC's standing order is for the chaebol to meet the required debt ratio and seven other criteria or face the consequences.

Therefore, some analysts expect a major confrontation between the government and Hyundai next month when the first quarterly review is due.

Another issue of contention is a condition set by the government that Hyundai should take over two ailing insurance companies before making inroads into a business deemed pivotal to raising direct cash funds. Hyundai, which had originally planned to take over the troubled Hankook Life Insurance, is facing no immediate prospects for progress.

"We need to invest 600 billion to 700 billion to take over the two ailing life insurance companies, a sum too large for us," one Hyundai official said.

Last but not least, Hyundai and the FSC remain at odds over Hyundai's stake in the government-controlled merger into Cho Hung of Hyundai-controlled Kangwon Bank. Hyundai claims that it is entitled to a 6 to 7 percent stake in the new Cho Hung, citing its cash injection of 180 billion won, while the FSC sees Hyundai's stake as not exceeding 4 percent. This FSC move was seen as a response to Hyundai's attempt to branch out into the banking sector.

The existing applicable law places a 4 percent ceiling on an individual's stake in a commercial bank and bars ownership by a conglomerate.

Gas Price to Rise to W1,270

By Hong Sun-hee
Staff reporter

The price of gasoline will soon rise to 1,270 won per liter, its highest level ever in Korea, due to the increasing price of crude oil in the international market.

The 100 won per liter price hike will go into effect at gas stations nationwide around May, according to the nation's oil refining firms.

Domestic gas prices will go up by 8 to 10 percent if the price of crude oil climbs by one dollar per barrel, they forecasted. As a consequence, there is a high possibility that the price of gas will be set at the 1,270 won per liter level. Currently, domestic gas goes for 1,170 won per liter.

The highest level recorded to date is 1,224 won per liter.

While crude oil from Dubai, Korea's main source of imported crude, has been stable at \$11 to \$12 per barrel for years, the price is expected to soar by

Controversy Brewing Over Call to Open Korea's IT Market

This is the third in a series of responses from local industry to the recent draft report by the American Chamber of Commerce (AmCham) in Korea outlining its market-opening recommendations. — ED.

By Yang Sung-jin
Staff Reporter

The IT (information and technology) and telecom sectors are fast-growing industries worldwide, creating new jobs and churning out high value-added products.

No wonder it's a fiercely competitive market both at home and abroad. Understandably, U.S. IT and telecom firms are deeply interested in the Korean market, which has lately been expanding at an explosive rate.

The strong enthusiasm of the U.S. business community for Korea's fledgling IT market is well reflected in the 110-page draft report submitted to the Korean government by the American Chamber of Commerce (AmCham).

In the section devoted to the IT industry, the draft report calls for Korea to improve market access and introduce more far-reaching deregulations to lure more foreign investors to Korea.

Government officials and industry insiders generally agree on the necessity of opening the market and pushing for deregulation, but they have expressed skepticism over some specific "recommendations" in the AmCham draft.

One of the most contentious points relates to the Korean government's subsidies for the production of software products. The draft contends that the government subsidizes software initiatives to develop national products in such areas as ERP (enterprise resource planning), GIS (geo-facilities information system) and systems development methodologies.

Yet the state-led support for such projects and a set of policies aimed at jump-starting the software industry do not run counter to free market principles, government officials contend.

"Given that the software industry is still in its infancy, government subsidies are needed to help small and medium software firms gain a minimum competitiveness before taking a chance on their own. Moreover, the subsidies, in contrast to the accusations of outsiders, are extended in a legitimate way through a close review," said Chun Chang-pil, director of the Policy Coordination Division at the Ministry of Information and

Communication (MIC).

"What they (AmCham) really want is to sell more of their own products here in a bid to stifle potential competitors," Chun added.

Lee Sang-mu, a ministry official in charge of GIS project said, "The ulterior motive of the draft is ill-disguised. The U.S. government has long been involved with technology development, including GIS, through the Federal Government Data Committee (FGDC). What they fear is the possibility of losing market share here if Korean firms advance into the field, which is highly likely."

According to Lee, 95 percent of the GIS programs available here are U.S.-made. But the GIS field is undergoing a drastic paradigm shift, making it essential for the government to monitor the GIS market, whose revenues are estimated at 200 billion won whose growth rate is a dizzying 44 percent a year.

On technology-transfer front, the AmCham report argued that in many government bids which require technology transfer, the requested technology often lands in the hands of private sector companies. One ministry official said the government cannot in principle own technology and therefore it is inevitable for private companies to benefit from the transfers.

Meanwhile, the draft also called for the abolition of the EMI (electro-magnetic interface) certification requirement for maintenance parts, which it describes as "a significant business barrier for free trade."

MIC officials in the EMI department said the demand is simply "outrageous." Most industrialized countries, including the U.S., have adopted the EMI certification system in order to protect consumers from harmful electro-magnetic rays.

"The EMI regulations are being fine-tuned in the ministry in accordance with the Mutual Recognition Agreement, a tool to benefit participating countries. If we get rid of the EMI as the AmCham demands, who's going to stop some vendors from selling products spewing harmful electromagnetic rays?" fumed an official who asked not to be identified.

The report also addresses the increasing importance of e-commerce. It says a specific clause, "Social Order, Economic Stability, and other Public Interest," under which the government can restrict the use of encryption products, should be deleted from the Electronic Commerce Basic Act, which was passed by the National Assembly in January.

Mun Sung-wook, an official in the Industrial Standardization Department of the Ministry of Commerce, Industry, and Energy (MOCIE), said the contents of the bill have already changed and as a result, the clause in question, except for "National Security," was omitted in order to meet OECD guidelines on e-commerce.

In the draft of the AmCham report, another issue is the Door to Door Sales Act (DDSA), which requires all firms conducting business over the Internet to have a business presence in Korea and to comply with all Korean laws.

The draft notes that such laws should be amended so that Internet firms can do business freely and so that foreign standards on e-commerce transactions are mutually recognized. Mun of MOCIE said specific regulations on e-commerce and taxation on Internet commerce are yet to be agreed by the parties involved.

"We are not in a position to allow just any Internet-based firm to do business here, at least for now, since consumers should be protected from 'ghost' foreign companies," Mun said.

In the telecommunications sector, the AmCham report calls for a change in related regulations so that foreign companies can enter the voice resale business without restrictions.

Kang Tae-young, a ministry official in charge of Voice Resale, said the present limit on foreign ownership is set at 49 percent in a sector which will be fully liberalized in January 2001, as agreed in World Trade Organization negotiations.

"At present, we are not reviewing the case in hopes of loosening the regulations since the issue has already been settled by the WTO agreement," Kang said.

Meanwhile, the draft singles out SI (system integration) firms affiliated with the nation's largest conglomerates for particularly harsh criticism, calling them the "penitential, long-term effect of pro-chaebol policies adopted over the years."

The heart of the matter is that SI companies related to the chaebol have a near-monopoly on the provision of IT products and services to other subsidiaries within the conglomerate.

An official of a domestic SI said what the draft takes issue with is right on the mark. "It is true that each chaebol's SI firm has maintained a semi-monopoly status so far. In the longer term, it should be changed in favor of full-fledged free competition based on the quality, not connections," he said.

KITA Kicks Off 'OK Service'

By Kim Mi-hui
Staff Reporter

Once a month from April, the Korea International Trade Association (KITA) employees will visit deluxe hotels to hold promotional events on selected Korean products and offer interested foreign buyers tours around KITA offices.

In addition, KITA's office hours will be extended to 8 p.m. from the current 6 p.m. to better accommodate the needs of its business members.

These are two of the changes that KITA will make in order to provide upgraded service to its 68,000-plus member companies and boost its reputation as a top business service center, KITA said yesterday.

According to a detailed report, the company will reorganize its service phi-

losophy by clarifying its business goals to employees and translating them into action. To get their employees excited about helping their member companies, for example, the company will launch an incentive program that will award its most productive employees.

In keeping with their service-oriented policy, the catch-phrase "O.K. Service" will be used to express KITA's willingness to effectively solve any and all existing problems.

As for improved services, changes will begin with the relocation of its total service center to the lobby, near the entrance, making it more accessible to first-time visitors.

In addition, a separate staff will be organized specifically for start-up consulting and another for export-related services. KITA also plans to reward important clients with citations on special occasions, one senior KITA official said.

BASF Appoints New Chairman

Kia Motors chairman Yoo Chong-yul has been named the new chairman of BASF Korea Company Ltd. and will take over the position as of July 1, 1999 replacing Dr. F. Baumgartner.

The latter was promoted to president of the BASF Engineering Plastics Division and will be working in Ludwigshafen, Germany from that date.

Yoo worked for Hyosung BASF, a joint venture between BASF and Hyosung Group for three years from 1992.



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Foreign Exchange Rates

SEOUL		(in won)		Mar. 20	
Currency	T/T		Cash		Basic Rate
	Buying	Selling	Buying	Selling	
U.S. Dollar	1,202.40	1,239.00	1,190.19	1,251.21	1,220.70
Japanese 100 Yen	1,028.37	1,057.63	1,015.95	1,068.05	1,042.00
Euro	1,310.55	1,350.45			1,330.50
British Pound	1,959.12	2,018.78	1,929.29	2,048.61	1,988.95
Deutsche Mark	670.08	690.48	659.88	700.68	680.28
Canadian Dollar	793.66	817.82	781.57	829.91	805.74
French Franc	199.79	205.87	196.75	208.91	202.83
Italian 100 Lira	67.68	69.74	66.65	70.77	68.71
Swiss Franc	820.05	845.01	807.56	857.50	832.53
Hong Kong Dollar	155.15	159.87	152.79	162.23	157.51
Swedish Krona	148.59	151.05	144.36	153.28	148.82
Australian Dollar	757.76	780.82	746.22	792.36	769.29
Danish Krone	176.28	181.64	173.60	184.32	178.96
Belgian Franc	32.49	33.47	32.00	33.96	32.96
Austrian Shilling	95.24	98.14	93.79	99.59	96.69
Norwegian Krone	155.50	160.22	153.13	162.59	157.86
Dutch Guilder	594.70	612.80	585.64	621.86	603.75
Saudi Riyal	309.19	341.73	305.94	344.98	325.46
Kuwait Dinar	3,811.56	4,212.76	3,771.44	4,252.88	4,012.16
Bahrain Dinar	3,076.45	3,400.27	3,044.06	3,432.66	3,238.36
UAE Dirh	315.78	349.00	312.45	352.33	332.39
Singapore Dollar	697.65	718.89	687.03	729.51	708.27
Spanish 100 Peseta	787.66	811.64	751.68	847.62	799.65
Finnish Markka	220.42	227.12	217.06	230.48	223.77
New Zealand Dollar	639.98	659.46	630.23	669.21	649.72

Source: KOREA EXCHANGE BANK

Banks may charge different rates. The rates are quoted several times a day. The table quotes the rates as of 9:30.