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Hanjin Shipping Sinks, Samsung Head Arrested in South Korea

Friday was a tough day for South Korean business leaders, as separate court proceedings impacted Hanjin and Samsung.

By [Andrew Soergel](#), Economy Reporter | Feb. 17, 2017, at 11:40 a.m.



Hanjin Shipping's bankruptcy proceedings have disrupted maritime trade worldwide in recent days as many of the company's vessels find themselves unable to dock. STEPHEN CARR/THE DAILY BREEZE VIA AP

The week ended on a sour note for two of South Korea's international industrial titans, as a Seoul district court closed the curtains on Hanjin Shipping and the head of Samsung was swept up in a corruption purge.

After falling billions of dollars into debt in the wake of the global financial crisis and the recent downturn in international shipping demand, Hanjin hit hard times and for years had been supported by emergency loans and contributions from creditors.

But those creditors in 2016 [pulled the plug](#) on Hanjin's lifeline and the South Korean government refused to step in, forcing the shipping company once regarded as one of the world's largest – and which at one point accounted for 8 percent of U.S. maritime trade – to file for bankruptcy. At the time, Hanjin declared debt north of \$5 billion.

That bankruptcy filing froze Hanjin's assets and prevented the company from paying dockworkers to load and unload ships. As a result, [thousands](#) of container shipments were stranded at sea, and ports around the world began turning away Hanjin vessels. Samsung and LG Electronics were among the companies that were impacted by delivery delays during the peak months of the holiday shipping season.

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Analytics company Datamyne at the time estimated Hanjin was responsible for 12 percent of all inbound shipments brought in to California's Port of Long Beach – one of America's busiest maritime hubs.

Fearing a holiday supply shortage, retail, manufacturing and shipping organizations, along with advocacy groups in the U.S., asked the American government to allow Hanjin ships to unload their products. The National Retail Federation was one of 120 organizations to sign off on a letter sent to the Commerce Department in mid-September.

"We will try to ensure that the bankruptcy process will enable the firm to pay off debts to all debt holders in a fair and proper fashion," the court said in a statement.

Separately, Jay Lee, head of Samsung Group, was arrested Friday for his alleged involvement in a bribery case linked to a friend of President Park Geun-hye, according to [Reuters](#).

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It's alleged Lee was involved in an effort to curry favor with the government as Samsung goes through corporate restructuring. Lee, who reportedly will be charged with bribery, embezzlement, hiding assets overseas and perjury, has denied wrongdoing – as has Samsung.



"We will do our best to ensure that the truth is revealed in future court proceedings," the Samsung group said in a statement.

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Park was impeached in December in the wake of corruption allegations and is on trial before the country's Constitutional Court.

Lee is expected to be questioned Saturday, according to Reuters. A South Korean judge reportedly rejected a prosecution request aimed at also arresting Park Sang-jin, president of Samsung Electronics.

Samsung Electronics' stock was down slightly in midday trading Friday. And though the Lee arrest was hardly catastrophic to investors' feelings about Samsung, it comes as the company attempts to recover from a series of malfunctions and fires associated with its Galaxy Note 7 product.

News of Lee's incarceration serves as another bad headline for the company – and for South Korea's private sector in the wake of Hanjin's collapse.

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[Andrew Soergel](#) | ECONOMY REPORTER

Andrew Soergel is an Economy Reporter at U.S. News. You can connect with him on [LinkedIn](#), follow him on [Twitter](#) or email him at asoergel@usnews.com.
