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Political corruption in South Korea

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1. Introduction

The exposure of corporate corruption at the heart of the industrial "advanced" world, with the 2001 collapse of Enron and many other multinational corporations, makes it clear that the problem of corruption is not confined to Asia or developing countries but is universal. The Korean case of political corruption poses one of the most interesting case studies of the role and impact of corruption in newly industrializing countries in Asia. With big conglomorate business, chaebol, as the foundation of its rapid industrialization structure, Korea brought about an industrial revolution within just three decades. The chaebol were seen as 'industrial warriors' in the 1970s. In the 1990s, however, the chaebol acquired huge government-sponsored loans from banks and incentives and other handouts from government, financed extremely speculative investments, and ultimately became a major factor in Korea's financial crisis of 1997. Two former presidents, Chun Doo Whan and Roh Tae Woo, were imprisoned for political and financial corruption. The sons of the two civilian presidents, Kim Young Sam and Kim Dae Jung, were also imprisoned for bribery. Against this background, combined with widespread corruption in many circles of Korean society, some progressive critics labeled Korea as a "Republic of total corruption".

Yet Korea's comparatively rapid recovery of economic growth since the financial crisis of 1997 has been impressive. By August 2001, Korea had completed the repayment of the $58 billion bailout package from the International Monetary Fund in December the same year. Korea was ranked the 13th largest trading nation in the world and boasted a GDP per capita of $9,628. Korea under President Kim Dae Jung (1998-2003) and his ruling Millennium Democratic Party, however, was rooted in structures of corruption. According to the report of the 2002 Transparency International Corruption Perceptions Index, Korea, along with Costa Rica, ranked 40th among 91countries, with a CPI score of 4.5 out of 10. Although this is an improvement when compared to two earlier rankings of 48th (4.0) in 2000 and 42nd (4.2) in 2001, Korea still remains the lowest CPI ranked nation.

So far, a surprisingly limited number of publications on Asian corruption, especially Korean political corruption, is available in English. Most studies were undertaken in the wake of the 1997 financial crisis and tend to focus on either explaining different types of corruption or on assessing Korea's development in terms of whether corruption contributed to its crisis. This paper examines the characteristics of political corruption, with an emphasis on 'political-economic collusion' (chonggyeong yuch'ak in Korean) among politicians, bureaucrats and the chaebol, from President Syngman Rhee (1948-1960) to President Kim Dae Jung. The goal of this paper is to fill the gap in the studies available in English. In reassessing the concept and pattern of political corruption, sometimes implicit in terms such as 'crony capitalism', 'nepotism', 'bribery' and 'extortion', the paper treats political-economic collusion as structural corruption connected to a composite of complex socio-political, economic and cultural realities. It will be argued that the major problems inherent to Korea today are the consequence of political corruption, which is most evident in three main areas: personalized authoritarian politics, zero-sum regionalism and imperfect electoral system.

Corruption: How do we define?

Let me first explain my use of the word "corruption". Seen as a "social disease" throughout human history, even in the Old Testament, the word "corrupt" originated from the Latin words, "con" (together) and "rumpere" (to break). Thus the term, "corruption" can be understood to mean collective unsoundness that is broken and defiled. Against this etymological background, I would like to borrow John McFarlane's recent definition of corruption: "the subordination of public interests to private aims involving a violation of the norms of duty and welfare, accompanied by secrecy, betrayal, deception and a callous disregard for any consequences suffered by the public." McFarlane suggests that corruption can take various forms or degrees such as "bureaucratic" or "political" (by bureaucratic officials or politicians taking bribes or influencing elections or providing patronage), "grand corruption" (misuse of power by heads of state, ministers etc for private, pecuniary profit), and "noble cause corruption" (where instruments of government such as intelligence services may finance or other support for criminal activity, including assassinations, secret arms supplies or money laundering and so on).
The Anti-Corruption Act of January 2002 is illuminating when it defines “An Act of Corruption” as, “The act of any public official abusing his/her position or authority or violating laws to seek gains for himself/herself or any third party” and “The act of causing damages to the property of any public institution in violation of laws; in the process of executing the budget of the relevant public institution; acquiring, managing, or disposing of the property of the relevant public institution; or entering into an executing a contract to which the relevant public institution is a party” (The Korea Independent Commission Against Corruption, 2002). This definition is applicable to both bureaucratic and political corruption and perhaps, in extreme cases, to grand corruption. Noble cause corruption, however, is left uncovered. In fact, the KICAC openly states that “The Act” controls two groups: public officials (who work for public institutions) and public institutions (such as legislative, administrative, judicial bodies, including the National Assembly, courts, central and local governments etc). Despite the absence of any public policy against noble cause corruption, the Korean pattern of political corruption, including political-economic collusion, cannot fully be explained without consideration of “Korean-style” noble cause corruption. Here my use of the phrase “Korean-style” is intended to distinguish Korea’s own pattern of noble cause corruption, such as state-guided political fund raising, bribing foreign dignitaries and politicians, both by the Korean Central Intelligence Agency (see below), and so on.


As is widely known, the Rhee regime, especially following the Korean War (1950-53), was maintained largely by US aid, to the extent that many characterize Korea’s economy during the 1950s as an “aid economy”. Political corruption, especially the financing of President Rhee’s Liberal Party, in the process of the distribution of US aid dollars and the provision of access to import licensing and foreign exchange, among others, was rife and enabled the accumulation of much “illicit” wealth. Although the Rhee regime was ousted by the April Student Revolution because of vote rigging in the March 15 presidential election of 1960, and corrupt politicians and government officials were duly punished under the newly introduced Special Law for Dealing with Illicit Wealth Accumulation by the Chang Myon government (August 1960 - May 1961), political corruption as such, and especially political-economic collusion as structured money politics, did not become central to Korea’s political scene until the mid-1960s, when the Park regime began its export-led industrialization with massive foreign loans guaranteed by the state. Korea then was often characterized as a “foreign loan economy”. Park, who had initially seized power through a military coup in May 1961, empowered the then newly appointed Deputy Prime Minister, Chang Kyong, to attract and manage foreign loans to fund the government’s first Five-Year Plan (1962-1966). At the same time, Park needed political funds to maintain his ruling Democratic Republican Party. Consequently a four-member committee was set up, comprised of political and party elites – known as the “Gang of Four” – who were put in charge of DRP fund raising. Chang was one of the four, together with Kim Hyunguk, Head of the KCIA, Yi Hurak, Presidential Chief of Staff, and Kim Songon, Chairman of the Finance Committee of the ruling Democratic Republican Party

As Deputy Prime Minister and as the head of the Economic Planning Board (May 1964 - October 1967) during the peak of Korea’s acquisition of foreign loans, Chang played a key role in the government’s initial steps towards rapid development. Equally notable about Chang’s role during this period, however, were his unorthodox modes of approving foreign loans. His procedure for approving foreign loans was so “political” in terms of receiving “contributions” from borrowers, mainly chaebol, that state-guaranteed foreign loans to chaebol were widely seen as synonymous to political-economic collusion. It became so systemic and vast in the financing of the ruling Democratic Republic Party that Park’s victory in the 1967 election was seen as a clear result of kickbacks (Woo, 1991: 108). One of the most widely publicised cases of political-economic collusion, which led to Chang’s dismissal (on 3 October 1967), was the smuggling of saccharine by Korea Fertilizer Company (KFC) owned by Yi Pyongch’ol, owner also of Samsung, the richest chaebol in Korea. Park/the state confiscated KFC as a “voluntary donation”.

Political-economic collusion as the main source of funds for the ruling DRP, however, dramatically changed in the 1970s. Park declared his comprehensive heavy and chemical industrialization (HCI) plan in January 1973 as the top priority of the “Revitalization Reform”. Known as “Presidential Guidance System” mainly among Korea’s developmental elites, including the Blue House Secretariat and the Ministry of Commerce and Industry, the leading instrument of Korea’s HCI program, Park’s authoritarian Yusin system, tolerated very little “individual activity”, whether in politics, the economy, the military or social circles, without surveillance by the five-pronged intelligence
private, pecuniary "grand" including the HCI program, defense industry development and the Yulgok program under Political-economic collusion under the two former presidents, Chun Doo Whan and Roh Tae Woo, was certainly Defense Tax in July 1975, established to fund the Yulgok Program, Korea spent 6 per cent of national GNP between served their purpose, because there remains little evidence of corruption surrounding several mega projects, Wonch'ol, the chief of these three programs, was purged in May (equivalent to $USS.IS8 billion). These measures were obviously far from perfect. Nevertheless, they seem to have served their purpose, because there remains little evidence of corruption surrounding several mega projects, including the HCI program, defense industry development and the Yulgok program under Park, even though O Wonch'ol, the chief of these three programs, was purged in May 1980 (Kim, Hyung-A, 2003). Political-economic collusion under the two former presidents, Chun Doo Whan and Roh Tae Woo, was certainly "grand" in terms of McFarlane’s definition of "misusing power by president, ministers, military generals etc for private, pecuniary profit." Chun rose to power by staging two military coups (on 12 December 1979 and 17 May 1980), and copied Park's authoritarian developmentalist regime. However, he was immensely corrupt, where Park
was vigilant. The scale of Chun’s personal corruption was indeed extensive, involving a mix of systemic embezzlement, nepotism and cronynism, mainly through members of his own family, including his wife. He became the first state leader to publicly apologize to the Korean people for his family members’ misconduct. His elder brother, Chun Kyonghwan, for example, served two years and ten months in jail for so-called “Saemaul Corruption”, that is, for embezzling and misappropriating revenues from the state-led rural development program, the New Village Movement of over 1 billion won, as well as for tax evasion of a similar amount.

Chun Doo Whan’s voracious extortion of political and personal funds from chaebol – $1.24 billion at the then prevailing exchange rate – alienated chaebol, especially after Chun effectively destroyed the Kukje group (the seventh largest chaebol in Korea at that time) when its owner had declined to make an appropriate political donation, known officially as “quasi-taxes”. Between 1979 and 1987, over 14 major corruption scandals, including illicit fund raising through Chun’s Ilhwa (Sun and Sea) Foundation, Sae Sedaе Simjang (New Generation Heart) Foundation headed by Chun’s wife, etc., reveal a complex web of political corruption among Chun’s family members, Cabinet ministers and military generals, for private, pecuniary profit, especially through political-economic collusion. Chun was sentenced in 1995 for his role in the military coup and for receiving bribes to a total of 225.95 billion won (about $US226 million).

Roh differed very little from Chun. In fact, Roh’s period in power can be seen as an extension of Chun’s model of grand corruption. (Roh also was sentenced for military rebellion and corruption in 1995.) Chaebol were once again the main source of political corruption, but with more vigour applied to seeking favourable treatment in gaining approval for finance and market access, as well as for acquiring a place in the state’s industry policy decision-making. However, the state’s method changed, for what Chun had tried by force, Roh tried by manipulation. In this process, there emerged three major developments. The first was marriage alliances through siblings of political and bureaucratic elites and that of chaebol. Roh’s son and daughter, for example, married into leading chaebol families, just as many siblings of officials at the highest levels married to chaebol families. The influence of these relationships quickly became a key factor in economic and industrial policy during the Roh era, including the government’s decision to lower interest rates at the beginning of 1991 (Cotton and Kim, 1995).

The second development was intensified regionalism between Cholla and Kyongsang regions, focused on Taegu (“TK”), Roh’s home district, as well as the home of two former military dictators, Park and Chun. The influence of the TK power group during the Roh era became so dominant in all areas of politics, the economy, the bureaucracy and the military, that the conflict between these two regions therein became irreconcilable. Regionalism has been a key factor in Korean electoral politics since the 1987 split between the then three most prominent opposition leaders: Kim Young Sam, Kim Dae Jung and Kim Jong Pil, who respectively became the founding president of Reunification Democratic Party, the Peace and Democracy Party and the New Democratic Republican Party. The third but not least significant development was the government’s introduction of the financial policy termed “joint obligation” which enabled the chaebol to borrow foreign loans, both short and long term, almost without restriction through “cross-subsidisation” between subsidiaries. The massive cross-subsidisation among the chaebol has been identified by many researchers as having contributed significantly to the 1997 crisis. The large trade deficits, which grew to $8.8 billion with 9.7% inflation in 1990, for example, were due largely to massive borrowings by the chaebol in their “octopus-like” business expansion and speculative diversification.

To make matters worse, business elites set a new trend of consumption directed at “affluent lifestyle”. The most ardent followers of this consumption trend were the newly emergent middle-class. Korea’s golf-boom, which earned the regime a new label, “the golf republic”, was one of the most telling outcomes of the monetisation of politics during the Roh era (Cotton and Kim 1995). It was later found that Roh not only bribed officials of the Seoul city administration during his presidential election of 1987, but also provided illicit funds to Kim Young Sam (of the ruling party) and Kim Dae Jung (of the opposition party) in the 1992 presidential election. Given this web-like nature of money politics in Korea, Roh’s mode of collection for his $650 million political shush fund, from 1988 to 1993, was systemic and structural, and involved the three most powerful institutions in Korea: the presidential Blue House, the banks and the business community, largely the chaebol. According to Koh, for example, Roh must have collected $10 million per month while he was in public office. Such murky political corruption proved to be no less a problem, under the two subsequent civilian presidents, Kim Young Sam and Kim Dae Jung.

On his presidential inauguration in March 1993, President Kim Young Sam declared he would not receive even a single "won" from the business community or from any individual. Considering that the presidential office had been the centre for collecting and distributing Korea's largest political funds under regimes of the past, Kim's declaration was radical, if not idealistic. As the first elected civilian president since 1960, Kim began his intensely nationalistic campaign for a "New Korea", primarily aimed at uprooting political corruption and many other "Korean diseases" of the past, by which he meant Korea's institutionalised corruption. Kim began his campaign initially by dismantling the military's power-base, the Hanahoe("One Club"- elite army officers' club, exclusively for those from Kyongsang region), which had been founded by Chun and Roh in the late 1970s, and for nearly two decades had been the most powerful group within the Army. As a means to eliminating institutionalised corruption, Kim introduced a series of anti-corruption laws, including the Public Servants' Ethics Law. He also pursued, despite its doubtful legality, the prosecution of his two predecessors, Chun and Roh, for sedition and corruption in regard to the Slush Funds. Kim's anti-corruption campaign reached its peak when, under the slogan of "globalization", he issued an emergency decree banning anonymous bank accounts and requiring the mandatory use of real names. He also introduced a compulsory rule for registering and declaring the property and assets of every official.

Kim's methods, however, were unfortunately too much of a mixture of the old and new. For example, he drew together a coterie of supporters from his home region, South Kyongsang based on Pusan, which became his power-base known as "PKP" - a copycat of the old "TK". Despite his anti-corruption legislation, however, Kim did not reform many of the restrictive rules inherited from the past. Thus laws that prohibited unions from associating with funding, or from supporting political parties or candidates for political office, remained unchanged in spite of loud complaints. Most notably, Kim effectively promoted intensely personalized politics through his son and his long-standing personal clique who, with no apparent expertise other than their personal record of service to Kim, managed almost all his affairs. "Retainers" from Kim's private residence in Sangdo street, Seoul, known to the public as "Sangdo-dong kasir", together with Kim’s son, Hyonch’ol, were particularly influential in managing Kim's political affairs, including the 1992 election campaign in which Kim's party spent nearly 13 billion won, more than three-and-a-half times the legal limit for campaign expenses (Korea Herald, 22 January 1999). Given this excessive level of campaign costs, it seems reasonable to conclude that Kim's "retainers" were not only successful in collecting political contributions, both legitimately and illegitimately, but also highly effective in manoeuvring the ruling party in accordance with Kim's own agenda. The widely publicised illicit activities of Kim’s son and retainers were found proven in 1997, when Kim’s son was sentenced for receiving bribes in connection with the bankruptcy of Hanbo (a leading chaebol) – a major factor in the 1997 financial crisis. As one report recently argued, one of the major problems of the 1990s was that the old system, that is, the export-oriented production system, was not adequately replaced to "regulate the new market driven practices" by successive regimes during the post-Park era. Korea in the 1990s, in particular, featured "wasted years of that decade" (McKay, 2002).

As if having struggled with more than 17 mega-corruption scandals under Kim Young Sam was not enough to alert the political, bureaucratic and economic national leaders to the emerging patterns and extent of political corruption, the Kim Dae Jung government (1998-2003) repeated almost identical bribery and influence-peddling scandals, orchestrated this time by the president’s two sons, while a string of the president’s associates and officials at the highest levels were also charged with various forms of corruption. With his election triumph in the midst of the financial crisis, although with a very narrow victory (39.7% of the vote against 38.2% of his nearest challenger), Kim Dae Jung, like Kim Young Sam, swiftly strengthened his presidential power-base predominantly centred on his own home district, the Cholla region. Despite Korea's relatively successful economic recovery, however, the regional rivalry between the Cholla and Kyongsang regions under Kim's presidency exceeded every regional rivalry in Korea's contemporary history.

In the 1997 presidential election, for example, Kim received 94.4% of the vote in the Cholla region while garnering just around 13% in his main rival region, Kyongsang. By contrast, Yi Hoech’ang, a candidate from the Hamnara Party received 66.9% vote in the north Kyongsang region, while garnering mere 3.3% in the Cholla region. It is a widely known fact that the three regions, Cholla, Kyongsang and Ch’ungch’ong, have become the power-bases of the three political parties led exclusively by Kim Dae Jung, Kim Young Sam and Kim Chonp’il. These party leaders have managed their respective parties strictly through personalized styles and methods, thereby monopolising National Assembly nomination rights and controlling candidate nomination fees which were one of the main sources
of income for political parties, including the ruling party.\(^7\) As a result, the monolithic authoritarian party rules under these leaders came to be seen as an “emperor-like system.” Despite bitter complaints and criticism by many Koreans, including politicians who have called for radical change to the party system as well as the electoral system, no significant change was made. No political leader appeared to be in a hurry to reform the existing electoral or party system, both of which were far from democratic in terms of electoral nomination, financial transparency and accountability.

4. Conclusion
The 2002 election which led to President Roh Mu Hyun’s victory against all odds was a phenomenon largely the result of the “lightning” efforts of the younger generation in their 20s and 30s. The rise of President Roh may open a new opportunity for the Korean people to achieve success in bringing a better system of good governance focused on the eradication of the structural corruption discussed in this paper. The paper has argued that the three main problems inherent to Korea today, namely personalized politics, regionalism and a flawed electoral party system, are consequences of political corruption, exacerbated by the failings of successive regimes, especially after 1987, including the failure to replace the old export-oriented production system with a new one that would address Korea’s needs in this new global era, to respond to the rapidly changing conditions of industrial and financial practice. In particular, the establishment of instruments of good governance in the process of social, political and economic transformation has been too tardy and hampered by vested interests. Although there is ample evidence that Korea today is a very open society, and thus we are now being made more openly aware of incidents of corrupt practice, there remain many challenges if Korea’s justice system is to be fully empowered to deal with those breaches.

Notes


7. Pup’ae pangji wiwônhoe, Chô’ ngch’i mit kwóllyôkkôyông pup’ae pangji lâl wihan chedo kaesôn chonghap taech’aek sebu kômt’so charyo, 2002.