

# South Korea's Blue House Scandal

Written by Mi-yeon Hur

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MI-YEON HUR, FEB 21 2017

Since October 2016, every weekend, Gwanghwamun Square in Seoul has been flooded with hundreds of thousands of people demanding the ouster of current South Korean President Park Geun-hye. Park faces allegations that she helped her close confidante, Choi Soon-sil, extract money from South Korean conglomerates to use for personal gain, while Choi Soon-sil was arrested on charges of fraud and abuse of power. Pundits outside South Korea tend to focus on the unusual and sensational aspects of the issue, such as Choi's shamanism, how much control Choi enjoyed over Park, or when and how Park would step down. However, these aspects hardly give a clear understanding of the Blue House[1] scandal and the series of ongoing public demonstrations in South Korea. The core issue amid the chronic scandals engulfing South Korea is the country's distorted economy and immature democracy. The title of "11<sup>th</sup> largest economy in the world" is the wrapping paper that covers the political discrepancies and socio-economic disparities that South Korean society is currently experiencing. Outsiders must understand that what South Korean citizens are demanding is not only the removal of an incapable and apathetic ruler but also meaningful changes to the rigged economic and political structure.

More specifically, what South Koreans want to achieve is the completion of the 1987 democracy movement and revision of the chaebol-driven economic system.[2] To fully grasp what is actually going on in South Korea, people must understand how defective and inefficient the South Korean political system has been and how South Korean presidents with their imperialist power have pursued economic policies that have deteriorated economic justice and social equality. This will allow people to understand that the recent candlelight protests are an extension of the pro-democracy movement that started decades ago, how such detestable leaders were able to occupy the Blue House, and why South Korean people call their home country "Hell Chosun." [3]

### South Korea's Democracy: Already but Not Yet

South Korea is witnessing what I would call a "civil revolution without bloodshed", a citizen struggle against authoritarian rule and for a true democracy. Politically, South Korea has been under a quasi-democratic system where public opinion is restrained and manipulated. The recent Choi Soon-sil scandal shows that the media was never free from political pressure; the political parties neither respect public sentiments nor represent public preferences; Park Geun-hye was able to rule the nation as an imperialist dictator.[4] All of these truths stem from the fact that South Korea has yet to complete its democratization process.

In its process of democratization, South Korea has experienced a few nation-wide democratic uprisings. The first democratic protest, which occurred on April 19, 1960, is known as the "April Revolution." Thousands of college students and citizens took to the streets of Seoul, boldly demanding the resignation of Rhee Syng-man, who was elected as the first president through massive electoral fraud. The April uprising successfully toppled the Rhee regime, but the Blue House was taken over by General Park Chung-hee, who seized the opportunity and political uncertainty to lead a coup on May 16, 1961. Under Park Chung-hee, democratization movements became more intense. A series of protests developed into massive uprisings in the southern cities of Busan and Masan in October 1979, triggering internal conflicts among the coup leaders, which led to the assassination of Park.

The brief period after the dictator's assassination, often called the "Seoul Spring," gave people high hopes for a democracy. However, Major General Chun Doo-hwan began maneuvering to gain control over the Korean Central

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Intelligence Agency and declared even more draconian forms of martial law. In May 1980, the country exploded into protest against the possibility of a renewed military dictatorship. Gwangju, the capital of South Jeolla province, was the city that resisted until the end, but hundreds of people were massacred during a military siege tacitly approved by US President Jimmy Carter, whose top priority for South Korea was political stability.[5]

Chun's government, which gained power illegitimately, was never a very popular one. Throughout its tenure it was dogged by constant protests from dissident groups. In June 1987, millions of citizens poured out onto the streets, marking the final blow to Chun Doo-hwan's dictatorial regime. Many scholars have commented that the June Uprising of 1987 paved the way for South Korea to emerge as Asia's most vibrant democracy, but unfortunately, due to a political split in the opposition camp, the South Korean president-elect in 1987 was none other than Chun's long-time friend and accomplice to the Gwangju massacre, Roh Tae-woo. South Korea would not have a true civilian president until 1993, and it was not until 1998 that an opposition party won the presidential election.

As described above, for decades the South Korean public has consistently protested against undemocratic governance and oppression, yearning for the socio-political transformation of their homeland. The recent candlelight demonstrations against the Park Geun-hye government also need to be seen within a broader framework of public struggles against non-democratic forces. Yet, how could the protests be so incredibly peaceful? I assume that civic consciousness matured under the progressive governments of Kim Dae-jung and Roh Moo-hyun from 1998 to 2007, which did not attempt to control or repress dissenting voices, while the Park government's authority has been weakened to the point where it dares not use force against the public.

At any rate, though direct elections were incorporated into the presidential voting system with the Declaration for Democratization on June 29, 1987, a direct vote by the people alone could not create a proper democratic system.[6] A single round of voting with a first-past-the-post presidential election made for many "wasted" votes. If there had been a two-round system that prevented a less-popular candidate who did not receive an absolute majority from winning, South Korea would have had a different outcome than Roh Tae-woo who won with only 36.6% of the votes in the presidential election of 1987.

Similar to South Korea's presidential elections, its legislative elections also generate too many "wasted votes." Unlike many other countries that introduced party-list proportional representation for their parliamentary elections in their transition to democracy, in 1988 South Korea adopted a plurality voting system with single-member constituencies combined with a bit of proportional representation. The plurality system was not introduced based on a broad consensus between the major political parties at the time, but rather unilaterally passed by the ruling Democratic Justice Party, founded by Chun Doo-hwan. Mechanically, the plurality rule imposes formidable entry-barriers on minor parties with new ideas, consequently leading to a two-party system where diverse public opinions and preferences are not effectively represented.

Though democratic leaders occupied the Blue House for a decade from 1998 to 2007, the fundamentals of legislative elections remained unchanged. Civil society organizations have continually demanded reform of the electoral system so that new and minor parties can have a better chance to get seats in the parliament, but the privileged successfully resisted such reform that could lead to a loss of their power in the national assembly. Worst of all, there is literally no ideological distance between the two major political parties of South Korea. Choi Jang-jip, the author of "Democracy after Democratization," characterizes the South Korean political party system as a "monopolistic conservative party system" where people can hardly find an inspirational candidate whom they can expect to actually bring about change in their country.[7] For the most part, with little exaggeration, political parties, whether they identify as progressive or conservative, are preoccupied with permanent campaigning for the next presidential election. This is because they know that the president has absolute power to steer the country as he or she wishes. In fact, this effectively explains both Choi Soon-sil-gate and the sarcastic term "Hell Chosun."

## South Korea's Economy on Shaky Ground

The expansion of presidential powers has been a distinctive feature of South Korean democracy. The South Korean president enjoys almost absolute power over the executive, legislative, and judicial bodies. One of the main sources

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of presidential power is the authority to appoint or influence the appointment of as many as 10,000 senior officials in the bureaucracy, military, and government-affiliated organizations. This accumulation of power in the hands of the president was in fact gradual and usually done under the demand or pretext of a national emergency. The confrontation with North Korea has permitted a larger concentration of authority in the presidency and has given presidents the opportunity to exercise almost royal prerogatives. What began as emergency powers were soon consolidated into the ultimate cultural and constitutional authority inherent in the presidential office, which became the so-called "imperial presidency."

With volatile political parties, an ineffective national assembly and weak civil society, South Korea has every condition for the president to control the nation through authoritative power. Worst of all, when the president is fascinated with and addicted to economic growth, South Korean society faces formidable social problems. As any president, regardless of which party he or she is from, believes that national economic policy should be designed and operated based on economic development and expansion, it has become South Korean government's unchanging goal to make the country an ideal location for conglomerates to do business.

Park Chung-hee was the one who made chaebols become the backbone of the South Korean economy. The Park regime offered them a variety of incentives such as subsidized loans from state banks, low interest rates, tax exemptions, import and export licenses, and myriads of government contracts. In return, chaebols were expected to achieve higher levels of exports and to surreptitiously provide kickbacks to the government. Although this system helped the country reach double-digit economic growth rates, labor exploitation and human rights abuses increased in the course of the country's rapid industrialization. In addition, by the late 1960s, the financial structures of many companies had already become fragile due to their heavy debts. However, under the successive Chun Doo-hwan and Roh Tae-woo eras, the chaebol continued to expand without taking any steps to reduce their leverage. As most of the new capital formation was financed by major South Korean banks that were under effective government control, the risks of debt financing rose.

In the early 1990s, with the recession of the global economy, South Korea's economic balance rapidly deteriorated. By the end of 1996, South Korea's external debt had grown to over \$150 billion, while usable gross international reserves were no more than \$30 billion. Needless to say, a major portion of the foreign debt was borrowed by the chaebol. When the Asian currency crisis first broke out in Thailand in 1997 and swept through the Southeast Asian countries, South Korea could not avoid a wave of financial crises. It was the shaky financial institutions that triggered the crisis, rather than speculative attacks on the Korean won. Poor financial regulation and supervision failed to deter financial institutions' reckless lending and investing, which eventually made the economy increasingly vulnerable to a foreign exchange crisis. Inevitably, the International Monetary Fund (IMF) became involved in Korea's financial crisis. The IMF's conditions for financial assistance ranged from macroeconomic policies to structural reforms, especially in the financial sector and labor market. Under the IMF's excessive austerity programs, South Korea experienced an avalanche of corporate bankruptcies, high interest rates, and a sharp decline in growth rates. Social instability was an inevitable outcome. South Korea's painful labor market reforms, conducted at a time when adequate social safety nets had not yet been developed, produced quiet desperation and a salient increase in suicide deaths among people who suddenly became unemployed due to their company downsizing and restructuring.[8]

Without eradicating the root cause of the economic crisis – the chaebol – both Kim Young-sam and Kim Dae-jung hastily implemented financial market liberalization and labor market reforms while paying little attention to the possible incompatibility of neoliberal economic policies and social welfare. President Roh Moo-hyun, who was regarded as progressive in his approach, also continued to pursue his predecessor's neoliberal economic policies that further widened social gaps, while putting patches on the social welfare system. Under the conservative administrations of Park Geun-hye and her predecessor Lee Myung-bak (2008-2013), polarization has worsened in all areas.

### A Need for Transformation

Unfortunately, South Koreans have become victims of their country's economic success under the tenet of accelerating and sustaining economic growth, and more recently that of promoting globalization. A highly competitive

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environment with little tolerance for failure has made people become overly self-centered and lethargic at the same time. The sarcastic term “Hell Chosun” frequently used among young people reflects the dire social situation of South Korea, where ordinary people feel more deprived than ever. The thousands of people gathering in Gwanghwamun Square are expressing that they will no longer put up with the kind of society that asks people to give their whole lives for the sake of the nation's trade surplus, even when fair distribution cannot be expected. Outsiders need to understand that it is not just a protest against an incapable leader but an all-out struggle against an undemocratic and inhumane system. The South Korean protesters demand not only a different state leader but also a different national community: a welfare state where they feel secure raising their children. There is every reason to sincerely hope that South Korea's revolutionary peaceful candlelight protests will become a catalyst to finally transform the system that gave birth to Park Geun-hye and Choi Soon-sil, and lead to the development of a desirable state where people can fully enjoy political rights, civil liberty, and economic justice.

## Notes

[1] Cheong Wa Dae, the residence of the South Korean president, is commonly referred to as the “Blue House” because the main building and its annexes are covered with traditional Korean blue roof tiles.

[2] Chaebols refer to a small number of conglomerates – for example Samsung, LG, and Hyundai, which are owned by the chairman's family. They have dominated the South Korean economic landscape, making up a large portion of South Korea's GDP. For more information on chaebols and their role in the South Korean economy, see Phil-sang Lee's “Economic Crisis and Chaebol Reform in Korea,” available at <https://www8.gsb.columbia.edu/apec/sites/apec/files/files/discussion/PSLee.PDF>

[3] Chosun is the name of a Korean dynasty that lasted for over 500 years from 1392 to 1910. Young people in South Korea sarcastically call their homeland “Hell Chosun”, expressing their anxiety over a society where they can find no hope unless they were born with a silver spoon in their mouth.

[4] See Arthur Meier Schlesinger, *The Imperial Presidency* (Boston: Mariner Books, 2004). The South Korean presidential system has a great possibility to give birth to what Schlesinger characterizes as an “imperial presidency” by giving enormous power and privilege to a president while lacking checks and balances, and Park Geun-hye was a typical example of someone who abused the system. See also the interview article “2017 Presidential Dreams” by *Kyunghyang newspaper* (9 January 2017), available at [http://english.khan.co.kr/khan\\_art\\_view.html?code=710100&artid=201701091831257](http://english.khan.co.kr/khan_art_view.html?code=710100&artid=201701091831257)

[5] For more information, see Tim Shorrock's “Money Doesn't Talk, It Swears,” available at [http://timshorrock.com/?page\\_id=21](http://timshorrock.com/?page_id=21)

[6] For the historical background of the South Korean electoral system, see Aurel Croissant's “Electoral Politics in South Korea,” available at <http://library.fes.de/pdf-files/iez/01361008.pdf>

[7] Jang-jip Choi, *Democracy after Democratization: The Korean Experience* (Seoul: Humanitas, 2012).

[8] For more details on the dark side of Korea's economic success, see *The Miracle with a Dark Side* (2003), published by the Institute for International Economics.

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