

## South Korea in 2016

### *Political Leadership in Crisis*

#### ABSTRACT

President Park faced a leadership crisis after revelations that she relied on a confidant with no official position for key decision-making in state affairs. Heavy industry met with serious financial difficulties, and a strong anti-corruption law was enacted. North Korea tested more nuclear weapons and missiles. Controversy over the deployment of Terminal High Altitude Area Defense strained South Korea's relations with China.

**KEYWORDS:** presidential crisis, troubled heavy chemical industry, anti-corruption law, North Korean provocation, strained South Korea–China relations

#### APRIL SURPRISE

South Korea held its 20th legislative elections on April 13, 2016, electing all 300 members of the National Assembly, including 47 from proportional party lists. South Korea has a single-district system that elects one member per district, with citizens casting two votes, one for the candidate and the other for the party. Contrary to people's expectations, the ruling Saenuri Party lost the elections, winning only 122 seats, one less than the main opposition Minju Party. This was a big drop (22%) from the 157 seats Saenuri held before the elections. The newly created Kungmin Party captured 38 seats thanks to strong support (23 seats) from the Honam region, the traditional base of the progressives. In addition, the Chŏngŭi Party and independents captured six and 11 seats, respectively (many rejoined either Saenuri or Minju after the elections). As in the past, many elected members (44%) were novices.

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Unlike in the US, where incumbents have advantages, incumbents are often disadvantaged as Koreans seek new faces out of disdain and disappointment with politicians.

The outcome was a big surprise because the main opposition party had been split into two only a few months before the elections, and many experts predicted a landslide victory for the ruling party. The results showed voters' dissatisfaction with the Park Geun-hye government on various issues, ranging from disappointment with its failure to carry out policies and pledges, to anger about intra-party disputes in the nomination process, to economic problems such as rising household debt and youth unemployment. What is interesting is that the Kungmin Party came second in votes for party lists, with 26.7%, after the Saenuri Party, with 33.5%. The Minju Party came in third, at 25.5%. In addition, exit polls by South Korea's three main broadcasters found that the Kungmin Party lured away voters not only from the Minju Party it had split from but also from the ruling party: 20.8% of voters who supported a Minju candidate and 12.9% of those who voted for Saenuri candidates in their election district chose the Kungmin Party in proportional voting.<sup>1</sup>

In the post-election party-leadership shuffle, the Park Geun-hye and Mun Che-in factions consolidated their grip on power in the Saenuri and Minju Parties, respectively, gearing up for this year's presidential elections, though the Saenuri was recently split into two parties. There are speculations that UN Secretary-General Ban Ki-moon, whose term ended in December, will return to Korea and run for president as a candidate for the conservative camp. On the other hand, it is likely that Mun will represent the Minju Party. However, there are many "dark horses" such as Ahn Cheol-soo, the leader of the Kungmin Party, who conceded the party candidacy to Mun in 2012, and Park Won-soon, the two-time mayor of Seoul, who could challenge Mun. A younger generation of politicians may run as well, including Nam Kyöng-p'il, the governor of Kyönggi Province; Lee Jae-myung, the mayor of the city of Seongnam; Yu Seung-min, former floor leader; and An Hee-jung, the governor of South Ch'ungch'öng Province. It will be interesting to see whether the election will be a two- or three-way competition and whether the opposition will be back in power after a 10-year conservative rule.

1. "[Editorial] People's Party Opens the Way to a Real Three Party System," *Hankyoreh*, April 15, 2016, <[http://english.hani.co.kr/arti/english\\_edition/e\\_editorial/739893.html](http://english.hani.co.kr/arti/english_edition/e_editorial/739893.html)>.

## CHOI-GATE

The biggest story of the year by far was “Choi-gate.” Choi Sunsil, a 60-year-old woman and allegedly a shaman, is a longtime friend of President Park and has been accused of improperly and illegally influencing her rule. It was revealed that Park relied heavily on her and her “confidants” in key decisions in both domestic and foreign affairs, and that Choi, using her close ties to the president, pressured business leaders and government officials for personal gain. There is even an indication that Park was directly implicated in these wrongdoings. While it is not uncommon for Korean presidents to be marred by political scandals involving family members while in office, this incident is unprecedented.

While more details will not be known until the current investigation is completed, the scandal angered and embarrassed the Korean public, with Park’s approval ratings plunging to a single digit. There are growing calls for her to be investigated, or step down, or be impeached; one million citizens were estimated to participate in a protest on November 12th. Once a political darling, Park is now condemned as someone who shamed the nation. She was impeached by the National Assembly on December 9, and her case is under consideration by the Constitutional Court. If the court upholds the vote by the National Assembly, Park will be the first Korean president to be impeached.

The current political crisis reveals the limitations of the single five-year presidential term. It is the product of the 1980s democratic movement designed to prevent the long-term rule of a single president, and there is a wide consensus that after three decades, its efficacy has run its course. While the Korean presidency is still powerful, the current system has proved to be ineffective as the president becomes a lame duck after three or four years in office, making it difficult to pursue any long-term policy agenda. In the current leadership crisis, unless Park steps down or is impeached, Korea will still be stuck with her for more than a year.

While most Koreans agree on the need for constitutional reform to change the power structure, they disagree as to which would be best: a four-year presidency that allows re-election, a parliamentary system in which the executive power is vested in the majority party of the legislature, or a semi-presidential system in which diplomacy and military affairs are handled by the president and internal affairs by the prime minister. Also, given the varying

political interests of the main stakeholders, it is unclear if and when such reforms can be made. In fact, both Lee Myung-bak and Park Geun-hye promised such reforms during their presidential campaigns but opposed them once they took office.

## THE PILLAR OF THE “HAN MIRACLE” IN DANGER

The South Korean economy continued to struggle in 2016. Its GDP growth rates of 2.8% for the first quarter and 3.3% for the second were higher than those of the previous year, but did not recover their 2014 levels.<sup>2</sup> Also, while South Korea had an overall trade surplus in 2016, both imports and exports declined from the previous year.<sup>3</sup> More troubling are growing household debt and youth unemployment. Household debt has increased every quarter since 2014, to an all-time high of 88.8% of GDP in the first quarter of 2016.<sup>4</sup> The youth (people aged 15–29) unemployment rate has also increased, reaching 12.5% in February, the highest since the financial crisis of the late 1990s.<sup>5</sup>

However, the bigger story has to do with struggling heavy industry. It has formed the backbone of Korea’s economic rise since the 1970s, but the top three firms—Hyundai Heavy Industries, Samsung Heavy Industries, and Daewoo Shipbuilding & Marine Engineering—all suffered economic losses, with a total of 3,229 workers laid off in January–June 2016 and many more to come.<sup>6</sup> In fact, in October, Hyundai Heavy Industries announced plans to lay off 4,300 more employees.<sup>7</sup> Moreover, the debt-ridden Hanjin Shipping Co. filed for bankruptcy protection. It is the largest company in the Korean shipping industry and the world’s seventh-largest in terms of capacity. Its bankruptcy has affected Korea’s trade with foreign countries, but the government has strongly indicated that it has no plans to bail out the company.

2. Trading Economics, “South Korea GDP Annual Growth Rate, 1971–2016,” <<http://www.tradingeconomics.com/south-korea/gdp-growth-annual>>.

3. Government of Republic of Korea, “Statistics Korea: Statistics on Exports and Imports,” <[http://www.index.go.kr/potal/main/EachDtlPageDetail.do?idx\\_cd=1066](http://www.index.go.kr/potal/main/EachDtlPageDetail.do?idx_cd=1066)>.

4. Trading Economics, “South Korea Households Debt to GDP, 1962–2016,” <<http://www.tradingeconomics.com/south-korea/households-debt-to-gdp>>.

5. Trading Economics, “South Korea Youth Unemployment Rate, 1982–2016,” <<http://www.tradingeconomics.com/south-korea/youth-unemployment-rate>>.

6. “Korea’s Top 10 Conglomerates Downsize 4,700 Workers in First Half,” *Korea Times*, August 17, 2016, <[http://www.koreatimes.co.kr/www/news/biz/2016/08/123\\_212134.html](http://www.koreatimes.co.kr/www/news/biz/2016/08/123_212134.html)>.

7. “Hyundai Heavy Industries Reduces Numbers by 4300,” *JoongAng Ilbo*, October 13, 2016, <<http://news.joins.com/article/20716537?cloc=joongang%7CChome%7Cnewslistr>>.

Despite its restructuring efforts, the most likely scenario is that the Korean operator will be liquidated, marking one of the shipping industry's biggest failures.

Even more seriously, Korea is facing much larger structural problems that could affect the future growth of the economy. The nation has a low birth rate (1.19 births per woman, among the lowest in the world), and its population is aging rapidly (in 10 years one out of every five Korean citizens will be 65 or older), which leads to a shrinking working-age population. In addition, many young talented Koreans desire to leave. In a recent survey of 1,005 Korean scientists and engineers, about half (47%) said they would work abroad rather than in Korea if given the option.<sup>8</sup> And about half of Korean science and engineering students studying abroad stayed in the US after obtaining their Ph.D.<sup>9</sup> It's no surprise that the 2015 IMD World Talent Report ranks Korea 44th out of 61 countries surveyed in terms of how severely brain drain hinders economic competitiveness.<sup>10</sup>

The government has spent US\$ 80 billion over the last 10 years to raise the birth rate, with no success. Many young Koreans say they now have to give up three things (dating, marriage, and parenthood) and condemn Korea as "Hell *Chosun* [Korea]." It is ironic that its economic development was based on a successful policy of population control but now South Korea is struggling to produce more babies.

As in other countries facing similar demographic crises, one solution is to import foreign labor. While South Korea has supplemented its shrinking workforce with foreign labor, policies thus far have focused on importing unskilled workers from China and Southeast Asia to fill jobs (approximately 1.3 million to 1.4 million) that locals shun. South Korea needs to expand its policies to focus on importing more skilled workers to fill jobs such as hospital staff, technicians in middle-tier companies, and software engineers in large ones. Yet, technicians and professionals made up only 7.8% of foreign workers in Korea as of 2015.

8. "Reasons Korean PhDs in Science and Engineering Go Abroad," *Yonhapnews*, July 17, 2016, <<http://www.yonhapnews.co.kr/bulletin/2016/07/15/0200000000AKR20160715118600063.HTML>>.

9. Michael G. Finn, "Stay Rates of Foreign Doctorate Recipients from U.S. Universities, 2011," Oak Ridge Institute for Science and Education, Oak Ridge, TN, 2014.

10. Institute for Management Development, "IMD World Talent Report 2015," Lausanne, Switzerland, p. 51.

The challenge is that South Korea remains an exclusionary society, and politicians fear losing the votes of native Koreans worried about foreigners taking their jobs. In a recent report by the French business school INSEAD, South Korea was ranked 59th out of 109 countries in its tolerance of immigrants. Most foreign skilled workers have little intention to settle in South Korea on a permanent basis, although unskilled ones might be more willing to stay.<sup>11</sup>

### CURBING CORRUPTION

With a series of scandals involving high-level officials, prosecutors, and judges, and big business (*chaebol*), corruption has continued to be a major challenge in Korean society. For example, family owners of the conglomerate Lotte Group were charged with bribery and embezzlement, while a number of senior prosecutors and judges were charged with money-for-influence allegations. South Korea ranked 37th out of 168 countries in Transparency International's corruption perceptions index in 2015, far behind Japan, Taiwan, and Hong Kong.

A new law called the Kim Young-ran Law (named after its initiator) was implemented on September 28, 2016. It applies to public officials, journalists, and educators in public and private schools, and to their spouses. The nation's strictest-ever law against graft, it sets a cap on what they can accept at 30,000 won (US\$ 27) for meals and 50,000 won (US\$ 45) for gifts per person at a time. It imposes a punishment of imprisonment not to exceed three years, or a fine of up to five times the amount accepted, on persons convicted of accepting money or a monetary equivalent valued at more than one million won (about US\$ 900) from one person in one installment, regardless of whether such compensation was in exchange for favors or related to the person's work. For gifts worth one million won or less, a fine of up to five times the gift's value will be imposed.

Some people expressed concern that this law is too comprehensive, too strict, and will reduce consumption, hurting the already struggling economy. However, it has received strong popular support, with a poll conducted in May showing that as much as 66% (of 1,004 people surveyed) approve of the

11. "Shin and Moon: A Way to Bridge Aging Societies," *Nikkei Asian Review*, August 31, 2016, <<http://asia.nikkei.com/Politics-Economy/Economy/Shin-and-Moon-A-way-to-bridge-aging-societies>>.

new law.<sup>12</sup> It will be interesting to see how the Kim Young-ran Law will change Korean society, including its gift-giving culture and close ties between bureaucrats and businessmen, and whether it will negatively affect the Korean economy by reducing consumption, as opponents charge.

## NUCLEAR NORTH KOREA AND SECURITY CHALLENGES

North Korea conducted two more nuclear tests in 2016, its fourth in January and its fifth in August. The latter was the third during the Park administration and occurred only a few hours after US President Barack Obama wrapped up a tour of Asia, supposedly sending a strong message of defiance to the US. North Korea confirmed in a statement released through its state media that it had successfully conducted a test explosion of a nuclear warhead and that it is now able to produce nuclear-tipped missiles “at will.” It added that it would continue to build up its nuclear capabilities in both quality and quantity.

South Koreans reacted with seriousness and anger, more starkly than before. Besides tougher sanctions against the North, many are calling for the South to go nuclear too, or at least to bring US tactical nuclear weapons back to the country. While this argument mainly came from conservatives, it also garnered significant public support. In a nationwide poll conducted in September, nearly 60% of respondents said they would support a nuclear South Korea.<sup>13</sup> On the other hand, the opposition parties and progressives blamed the Park government for its inability to deal with the security crisis, urging dialogue and negotiation with the North.

One noteworthy development related to the North Korean threat is the controversy surrounding the deployment of Terminal High Altitude Area Defense (THAAD). After the North tested nukes in January, the South Korean government announced that it would bring in one missile unit from the U.S. to help defend the country from the North’s nuke attacks by intercepting missiles at high altitude. Aside from the debate over its efficacy, China strongly opposed its deployment, arguing that it would undermine

12. “66% of South Koreans Support ‘Kim Young-ran Law’: Gallup Poll,” *Yonhapnews*, May 20, 2016, <<http://www.yonhapnews.co.kr/bulletin/2016/05/20/0200000000AKR20160520075000033.HTML>>.

13. “60% of S. Koreans Support Nuclear Armament: Poll,” *Korea Times*, September 23, 2016, <[http://www.koreatimes.co.kr/www/news/nation/2016/09/205\\_214598.html](http://www.koreatimes.co.kr/www/news/nation/2016/09/205_214598.html)>.

China's national security. The Chinese contend that the real target is not so much North Korea as China. The announcement also provoked controversy within the South, as some progressives and opposition leaders opposed it. In particular, residents near the announced missile site protested against the government on grounds of health issues, environmental damage, and lack of government communication with them.<sup>14</sup>

On the other hand, South Korea's contentious relations with Japan seem to be under control, at least for now, with last year's deal on the "comfort women" issue. Tokyo expressed an apology for its colonial-era atrocities and agreed to launch a foundation dedicated to supporting the surviving victims, who were forced to serve in Japanese military brothels during the Pacific War. Japan paid one billion yen (US\$ 90 million) to the new foundation as promised, but controversy over the purpose of the money remains unsettled. Japan has claimed that the money is not for reparations but is intended to support the victims—an apparent bid to avoid any legal responsibility. Causing yet another controversy are Tokyo's calls for the removal of the comfort woman statue in front of the Japanese embassy in central Seoul, a move South Koreans strongly opposed. This could become another source of tension between the two countries in the coming years.

The THAAD controversy noted above well captures the challenging security environment South Korea faces today. It reflects the urgency of dealing with the North Korean threat, but no clear policy, whether stick or carrot, has seemed to be effective. The North Korean issue has amplified strategic distrust between China and the US, and there is growing concern that South Korea could again become a victim of that rivalry, as "a shrimp among whales." And South Koreans are anxiously awaiting the Asian policy of the 2017 Donald Trump administration, as he has publicly characterized South Korea and Japan as security "free riders."

14. "Seongju Residents Vow to Fight against THAAD," *Korea Times*, July 13, 2016, <[http://www.koreatimes.co.kr/www/news/nation/2016/07/117\\_209326.html](http://www.koreatimes.co.kr/www/news/nation/2016/07/117_209326.html)>.