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A New President Aims to Change South Korea’s Course

DAVID C. KANG

Moon Jae-in’s victory in the May 2017 presidential election put an end to almost a year of political paralysis and turmoil in South Korea. Dissatisfaction with the previous president, Park Geun-hye, led to massive weekly protests that ended in her impeachment and arrest on charges of corruption. But the tragedy of the Park saga should not obscure the larger forces that drive Korean politics. After a decade of conservative rule, the political pendulum had been swinging toward the left even before the impeachment, and the troubles of the past year only hastened it. With Moon taking the helm for a five-year term, South Korea has the chance to regain momentum it lost during the year of crisis. Although some see his election as a total repudiation of the previous two governments’ conservative legacies, Moon is more centrist than generally imagined, and his presidency will almost certainly involve both change and continuity in domestic and foreign policies.

Clearly, domestic politics will be Moon’s priority, even though the North Korea issue will intrude on his agenda. Because of the corruption scandals that toppled Park—astonishing even by Korean standards—there has been speculation that Moon might finally be able to cut the web of collusive ties between business and politics. However, dealing with endemic corruption will probably be a low priority for Moon. The reality is that powerful business and political clans are deeply embedded in Korean society and unlikely to disappear anytime soon. Moon has to deal with that fact when determining his priorities. He will likely focus on

other issues, including economic inequality, unemployment, improving competitiveness among small and medium enterprises, and dealing with social questions such as increased immigration. (Over a million Chinese are now legal immigrants in South Korea, by far the largest such community. Vietnam, the Philippines, Thailand, and the United States are the other top five countries of origin.)

In foreign policy, Moon’s election heralds a departure in relations with North Korea. In contrast with his two predecessors, Park and Lee Myung-bak, he has already begun to pursue some paths of engagement. He declared that an invitation for North Korea to join the 2018 Winter Olympics in South Korea would remain “open until the very last moment,” formally offered talks with Pyongyang “at any time, at any place,” and proposed resuming cross-border family reunions. Yet this does not mean that Moon will totally abandon pressure on North Korea: both pressure and inducements are important elements of policy to be used in the appropriate circumstances.

Moon has also made clear that he highly values South Korea’s relationship with the United States. This is important to note because it is often conventional wisdom—especially in Washington—that South Korean engagement with the North is typically accompanied by anti-American policies. Yet that is not the case with Moon. He is strongly pro-American but also strongly pro-engagement.

Steering North Korea policy will require delicate balancing by Moon, and adroit diplomacy as well. His goal is to return Seoul to the driver’s seat in dealing with Pyongyang, and to attempt to find areas of engagement with the North while simultaneously taking a tough line against North Korean provocations. This is further complicated by an unsettled US strategy: President Donald Trump’s Korean policy has not yet become clear, and many

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key policy-making positions in his administration are still empty. Trump and his leadership team have made contradictory statements a number of times about North Korea. In August, Trump himself threatened to unleash “fire and fury” if North Korea made more threats of missile attacks on US territory, while Secretary of State Rex Tillerson said “Americans should sleep well at night” and “have no concerns about this particular rhetoric of the last few days.”

Despite the lack of clarity from Washington, most early indications are that Trump will not only be more confrontational toward North Korea than most of his predecessors; he will also be more protectionist on trade policy with South Korea, making Moon’s task even harder. Trump has already called for a renegotiation of the US-South Korea free trade agreement, which was negotiated under George W. Bush and signed by Barack Obama in 2012.

IMPEACHMENT DRAMA

This year marks the thirtieth anniversary of democratic rule in South Korea. The fight for democracy in the 1980s was literally a fight. Protests back then were met by thousands of riot police clad in storm-trooper gear using a particularly virulent type of tear gas banned by the Geneva Conventions against students and laborers who responded with Molotov cocktails and baseball bats. Moon was deeply involved in the pro-democracy movement, having opened a human rights law firm with his lifelong friend, Roh Moo-hyun, in the 1970s. (Moon would serve as Roh’s chief of staff when the latter was South Korean president from 2003 to 2008.)

Thirty years later, Korean democracy has matured in ways that were once unimaginable. The protests of 2016–17 were just as massive as those of the 1980s. But the differences were much more noticeable than the similarities. The demonstrations of the past year were remarkably peaceful. Parents brought their children, candlelight vigils replaced clouds of tear gas, police rarely had to intervene even to keep traffic moving properly, and protesters cleaned up after themselves. Week after week, hundreds of thousands of people flooded downtown Seoul to show their displeasure with the president. Yet all sides respected the institutional process, they accepted the Constitutional

Court’s March 2017 decision to uphold Park’s impeachment—making her the first sitting South Korean president to be removed from office—and the transition of power was orderly and straightforward.

The initial scandal that brought people into the streets back in September 2016 involved revelations of particularly egregious nepotism and corruption on the president’s part. Park Geun-hye—the daughter of authoritarian strongman Park Chung-hee, who ruled South Korea from 1961 to 1979—reportedly used her political power to secure admission to an elite university for the daughter of a close confidante, Choi Soon-sil. She also used pressure and threats to extort nearly \$100 million in “donations” to set up a think tank that would serve as a sinecure for her and Choi upon leaving office.

Lee Jae-yong, the head of Samsung, the country’s biggest and most important conglomerate, and grandson of its founder, was arrested in early February 2017 and charged with offering Park up to \$38 million in bribes. Park and Lee are both in jail awaiting trial; Choi was sentenced to three years in prison in June.

The unprecedented impeachment of Park and her pending trial have raised the possibility that this time is different—that corruption and collusion between business and political elites have become so endemic and toxic that something finally must be done. However, few believe that even the arrest or conviction of Samsung’s chief will result in any permanent consequences for either the company or its leaders.

CHAEBOL COLLUSION

South Korea is an archetypal “developmental state”: during the era of high growth a generation ago, the authoritarian government directed public and private resources into national economic objectives, protected infant industries, and actively intervened in markets through tax and interest-rate policies as well as subsidies and guidance for the development of specific sectors and industries. Reform, democratization, and the 1997 Asian financial crisis weakened the government’s control over the economy. However, political efforts to direct the economy, informally and formally, are still common—and remain one of the dominant influences on how businesses operate.

Any solution to the North Korean problem that requires Pyongyang’s capitulation is unrealistic.

Park Geun-hye's downfall was a vivid reminder of the cozy relationship between politics and business in South Korea. And in a country rife with powerful political and business clans, it is common knowledge that favors are often exchanged for bribes.

Collusion is endemic because the clan—or family unit—is still the fundamental building block of Korean society. *Chaebol*—the Korean term for massive business conglomerates—are almost all built around and run by a particular family. Samsung is not so much a corporate entity as it is the family concern of founder Lee Byung-chull. His son, Lee Kon-hui, became Samsung chairman after him, and his grandson—Lee Jae-yong—is the heir apparent and current vice chairman. Lee Kon-hui has been convicted twice of corruption, served time in jail, and was pardoned both times by different presidents—a common story among *chaebol* titans.

To understand Korean business, it is perhaps instructive to think about how North Korea's ruling family functions. North Korea is also built around a clan—Kim Jong-un, the current ruler, is the grandson of founder Kim Il-Sung. For most North Koreans, it is unthinkable that anyone other than a member of the Kim family should lead the country. It is just as unthinkable that anyone other than a member of the Samsung, Lotte, or Hyundai ruling families should run those conglomerates.

Not only is Korean economic, social, and political life built around the clan; South Korea is a very small country for members of the elite. All the elite clans work, live, study, and socialize in Seoul. Members of this small coterie of powerful families reside near each other, intermarry, and do business together. Their relationships span generations. Simply passing a few laws is unlikely to change this basic building block of Korean society. *Inmaek* and *honmaek* (personal relations and marriage relations) are so deeply intertwined with business in Korea that eliminating them fully is almost impossible. Better laws, or laws that are actually enforced, might curb bribery but are unlikely to affect the exchange of favors and opportunities across generations and families.

SOCIAL STRESSES

Moon's Washington meeting with Trump in June 2017 was a perfect example of the conundrum facing South Korean leaders. While Moon may want to restrict their influence, the fact remains that the *chaebol* represent the country's most vibrant form of economic activity. Accordingly, Moon brought

with him to the United States a number of *chaebol* executives, in order to show Trump what South Korea could do for America. One of the highlights of the visit was Moon's announcement that Samsung would build a \$380 million appliance factory in South Carolina and a \$1.5 billion semiconductor chip plant in Texas, while Hanjin (the parent of Korean Air) agreed to buy fifty Boeing planes for its aging fleet.

As these deals suggest, Moon may try to limit some of the more egregious forms of nepotism and corruption involving the *chaebol*, but he will almost surely focus the bulk of his energy on other economic issues. The swing to the left that brought Moon to power came during a time of increasing social stress in South Korea. The protests against Park—though initially focused on corruption and what were widely called her authoritarian tendencies—soon became a forum for a wide range of grievances across a rapidly changing society. Polls showed that concern about social cohesion was one of the issues that brought protesters into the streets.

The suicide rate in South Korea is 50 percent higher than in Japan, and four times higher than in China. South Koreans' marriage and birth rates are also lower than China's. It is estimated that 10 percent of South Korean women have no intention of getting married. So rapidly has Korean communal society begun to disintegrate that there are new terms for eating alone (*honmo'k*) and even drinking alone (*honsul*).

The divide between rich and poor continues to grow. The unemployment rate (3.8 percent in June), although low by Western standards, is high by Korean historical standards, and almost 10 percent of Korean youth are unemployed. Moon must also deal with skyrocketing household debt, stagnating wages, and a number of other structural problems with the economy. One way in which he has pledged to begin addressing these issues is by creating 800,000 public-sector jobs to “stimulate the market.”

Despite Moon's campaign promise to tackle corruption, he is likely to take a pragmatic approach, trying to curb the worst excesses of *chaebol* influence while working with the major conglomerates to address these economic and social problems. Stimulating growth in small and medium businesses will be a high priority.

ENGAGING THE NORTH

In foreign policy, the most enduring and difficult issue for any South Korean president is

how to deal with North Korea. In contrast to the two previous conservative presidents, Park and Lee Myung-bak, who were generally skeptical of interacting with the North, Moon has already begun to move forward with limited overtures toward engagement with Pyongyang. Although those offers have been mostly symbolic, they represent a clear change in tone. As chief of staff under Roh Moo-hyun, Moon was deeply involved in engagement policies toward the North, playing a key role in setting up the summit meeting between Roh and North Korean leader Kim Jong-il in 2007.

While the North Korea problem is framed in the United States almost exclusively in terms of its nuclear and missile programs, for South Korea the problem is much larger than that. Human rights, refugees, economic relations, and ultimately the issue of unification are all elements of dealing with the reality of a divided peninsula. Within this larger spectrum of concerns, Moon appears likely to continue to put pressure on North Korea over its weapons programs while simultaneously looking for ways to cooperate or at least interact with Pyongyang on other issues.

An example of this limited engagement came early in Moon's tenure. A month after assuming the presidency, Moon welcomed the North Korean women's hockey team to South Korea, saying, "Sports are a powerful tool to demolish walls and separation." He called for North and South Korea to send a unified team to the Winter Olympics in 2018.

Moon has explicitly said that while sanctions are a tool of diplomacy, so too is interaction. He is unlikely to be naive in dealing with the North, and he has no intention of simply offering inducements and hoping for the best. Rather, Moon is not opposed to diplomacy and engagement under the right conditions. As he said in a *Washington Post* interview a week before his election, "I agree with President Trump's method of applying sanctions and pressure to North Korea to bring them out to negotiate. If that happens, I would meet with Kim Jong-un to secure the nuclear program."

In a clear break with the United States, however, on July 17 Moon offered to hold military and humanitarian talks with North Korea to ease tensions along the demilitarized zone. North Korea had proposed such talks in May 2016, but Park rejected the offer. The North Koreans did not initially respond to Moon's proposal, which showed they were at least contemplating it. Moon's move

marks a strategic turn for Seoul toward a stance that includes diplomacy as a key element of the relationship with the North.

It appears that Moon is open to considering more economic engagement with the North as well, under certain circumstances. This could include an attempt to reopen direct trading relations, such as by restarting the Kaesong Industrial Complex, a joint economic zone located just north of the border. Started in 2004, the complex at its peak hosted 123 South Korean companies employing over 53,000 North Korean workers. South Korea suspended operations in February 2016 in response to North Korean missile and nuclear tests. In confirmation hearings, Cho Myoung-gyon, Moon's nominee to run the Ministry of Unification, said he is willing to consider reopening the Kaesong complex, but only after significant progress on the nuclear issue has been made.

This willingness to trade and interact with North Korea should come as no surprise—there has always been a substantial segment of the South Korean populace that is willing to engage the North. A recent poll showed that 80 percent of South Koreans support some form of engagement or dialogue. A key element of engagement, however, is the willingness to enforce sanctions. Moon retains the view that levers of pressure on North Korea are important, and serve as a deterrent against provocations. But Moon's approach also calls for energetically searching for other levels of interaction that can ease tensions.

LIMITS TO PRESSURE

Moon's approach—based on the recognition that negotiation and diplomacy are as important as sanctions and pressure—has support from a number of influential policy makers in the United States. In late June 2017, a group of prominent experts, including former Defense Secretary William Perry, former Secretary of State George Shultz, and a former chairman of the Senate Foreign Relations Committee, Richard Lugar, sent a letter to Trump urging him to dispatch an envoy to North Korea to open informal bilateral negotiations. Trump himself said in May that he would be happy to have a hamburger with Kim Jong-un, though Trump also threatened the North in April with an American "armada" and warned in August that US forces were "locked and loaded, should North Korea act unwisely."

Calls for increased interaction with North Korea have gotten louder in part because pres-

sure has not worked on Pyongyang in the past, and there is no evidence that just a little more pressure will work today. There are limits to the level of pressure that outside powers are willing to risk. China could pull the economic plug on North Korea and send the country into a tailspin; but it won't. South Korea and the United States could start a war on the peninsula with preemptive strikes and aim to destroy the regime; but they won't. Neither Beijing nor Washington will take such strong measures because the risks are too high and too obvious, while the outcomes are too unknowable.

Pyongyang can devastate Seoul with its conventional weapons, and could even target Tokyo. In June, US Defense Secretary James Mattis told a House committee that although the United States would win a war with North Korea, it would come "at great cost . . . If this goes to a military solution, it's going to be tragic on an unbelievable scale . . . it will be a war more serious in terms of human suffering than anything we've seen since 1953."

After the exchange of bellicose threats between Trump and Kim Jong-un in August, Moon said in a nationally televised speech, "No one should be allowed to decide on a military action on the Korean Peninsula without South Korean agreement."

Starting a war would put millions of lives at stake. And attempting to cause the North Korean regime to collapse is likely to start a war. Even if such an attempt proved successful in achieving the objective of regime change, it would cause social and economic upheaval that could result in millions of refugees flooding into Northeast Asia. North Korea's nuclear weapons and other weapons of mass destruction could fall into the hands of whatever group happens to seize the opportunity in the ensuing chaos. Given that stark scenario, the status quo—deterrence, tough talk, sanctions, and perhaps a little engagement—has remained the North Korea policy of successive South Korean governments. The only question has been whether there is slightly more emphasis on economic incentives or on military deterrence and sanctions.

This standard approach also masks the reality that any solution to the North Korea problem that requires Pyongyang's capitulation is unrealistic. South Korea and its allies don't like North Korea,

and they don't like its leaders or its policies. But they have to deal with it as a country like any other. Unfortunately, North Korea is not simply going to disappear, nor will it just give in. North Korea is one of the most predictable countries on earth: it meets pressure with pressure of its own. Given the stubborn continued existence of North Korea, trying to find some levers of persuasion through social or economic engagement is a prudent move on Moon's part.

The security situation looks almost identical to where we were twenty years ago. Each side has the capability to inflict massive damage on the other. True, North Korea has made advances in its nuclear weapons and missile technology, but this does not fundamentally alter the stability of the deterrence on both sides. North Korea's conventional artillery and short- and medium-range missiles already have the capacity to hit all of South Korea and much of Japan—putting US bases under direct threat even without nuclear weapons or intercontinental ballistic missiles. The main difference today may be psychological and only for Americans, since within a decade or two North Korea may actually be able to attack the US mainland. But deterrence will still hold even if that is the case.

But what has changed about North Korea is its economy. Despite the fact that it is not as open or as reformed as many outsiders wish it were, North Korea is significantly more exposed to foreign trade and market activity than it was two decades ago. There is substantially more trade taking place, and the most reliable sources estimate that 40 to 50 percent of North Koreans' income derives from the market economy. People's livelihoods are less tied to their government today than ever before. These changes have been so transformative that the North Korean regime has regularly attempted to roll back market forces—all the more reason to support their expansion.

Nobody has a solution to the North Korea problem. Since decades of pressure have not worked, more pressure is unlikely to change things significantly. On the other hand, blithely engaging with North Korea while ignoring its horrific human rights abuses is not acceptable, either. The solution is probably a long-term, slow, and incremental set of policies that find areas to apply both pressure and engagement. In this context, Moon's search for limited economic or cultural interac-

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tions, while not solving the problem of the North's nuclear and missile programs, could bring more stability to Korean relations.

WORKING RELATIONSHIPS

Perhaps the most important task for Moon will be to craft a working relationship with the Trump administration. Although it is common for American policy makers to bemoan leftist governments in Seoul, the truth is that even progressive South Korean presidents highly value a close American relationship and alliance. It should not be overlooked that the US-South Korea Free Trade Agreement was passed under a leftist, Roh Moo-hyun, in 2007, and that the alliance survived the mutual loathing of the Roh-Bush years. Having served as Roh's chief of staff during that period, Moon is well aware of the challenges of managing the relationship with Washington.

More profoundly, Moon has personal reasons for especially valuing the US-South Korean relationship. His family is originally from the northern half of Korea, and came south as refugees during the war. Moon has always been grateful to the United States for the sacrifices it made in preserving South Korean independence over the years. In June, his first presidential visit to the United States placed special emphasis on expressing this gratitude. At a memorial in Quantico, Virginia, commemorating the role of the US Marines in the Korean War, Moon called for the alliance to become "even greater" during his presidency.

Moon's task is complicated, of course, by the unpredictability of the Trump administration. Its first six months have done little to clarify what a "Trump doctrine" might look like with respect to the Korean peninsula. Trump and his administration are still sorting out their own policies, and he has not yet appointed an ambassador to Seoul, while other key foreign policy positions are unfilled. Crafting a working relationship between Seoul and Washington will be a key priority for the new South Korean president, but it will be difficult to make progress until Trump's approach to Korea is made clearer.

As if major domestic issues, a dangerous North Korea, and an erratic US president were not enough, Moon must deal with other simmering disputes that have disrupted regional relations. China has been slowly applying pressure on Seoul over the deployment of the Terminal High Altitude Area Defense system (THAAD), a US missile shield, loudly denouncing its deployment on numerous occasions.

In July, Moon ordered an environmental assessment expected to temporarily halt the deployment.

Japan continues to be infuriated over the uneven implementation of a December 2015 agreement to settle a long controversy over Korean "comfort women" who were coerced into working in brothels for Japanese troops during the World War II era. While Tokyo expected that the agreement would lay the issue to rest, civic groups in South Korea have continued to put up monuments commemorating the comfort women and have pressed the South Korean government to abrogate the deal. In July, the leader of a foundation set up by the South Korean government to use Japanese funds to support surviving comfort women resigned. Cooperation between Seoul and Tokyo has slowed considerably.

Neither the tension with China over THAAD nor Trump's economic nationalism is as dangerous as it has been portrayed. An adroit South Korean leader can craft stable working relationships with both of these superpowers. South Korean politicians, whether left or right, tend not to view their choices about grand strategy as mutually exclusive, especially when it comes to choosing between their alliance with the United States and engagement with China.

This complex interdependence will be tested. South Korea and China have a multifaceted and deep relationship. But THAAD is an issue to be resolved, not a tipping point in their relations. As for Japan, so long as Prime Minister Shinzo Abe remains in power with his brand of divisive nationalism, South Korean leaders on the left and the right have little incentive to build better working relations with Japan. This is especially the case because Abe's moves to reinvigorate Japanese foreign policy and to return Tokyo to a position of considerable influence in East Asia have involved revisiting Japan's imperial past. This revisionist use of history is viewed with deep suspicion across South Korea's political spectrum.

It is a time of unprecedented change in Northeast Asia. Moon will need to provide clear and vigorous leadership on both domestic and foreign fronts. The new president must restore public trust in government, find ways to stimulate the economy, and deal with a host of social and cultural challenges. At the same time, he faces a volatile North Korea and complex relationships with Japan, China, and the United States. None of this will be easy, but Moon has an opportunity to shape Korea's destiny in enduring ways. ■