Drew University
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South Korean Anti-Corruption Efforts: A Study of the Chaebol-Government Relationship

A Thesis in Business

by

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Abstract

This thesis will study the anti-corruption efforts in South Korea. The anti-corruption policies will be examined through the historical context of the corruption problem. This thesis will give a brief history of South Korea and its economy, mention the power of the business conglomerates known as the Chaebols, define corruption using the Transparency International's Definition of "the abuse of entrusted power for private gain", refer to the dependence behind the Chaebol-Government relationship to explain corruption in the Korean context and describe the South Korean anti-corruption efforts.

The specific anti-corruption policy studied in this thesis will be the 2016 Improper Solicitation and Graft Act. The Improper Solicitation and Graft Act is known to be the "strictest ant-graft law in the world" that prohibits 15 types of solicitation. The law targets government officials, civil servants, and media personnel and their families. The thesis will conclude that there are major limitations within the Improper Solicitation and Graft Act as the act does not target the real problem which is the power of the Chaebols. The government has participated in political retaliation and has continued to allow the Chaebol leaders to get close to a free pass on punishment.

Dedication

I would like to thank Professor Mundo for his support, guidance, and mentorship throughout my thesis writing experience. I probably would not have been able to finish my thesis without his help. I would also like to thank Professor Dawson and Professor Jordan for the wealth of knowledge and support they have provided.

In addition, I would like to thank my family and friends for their support throughout the year while dealing with my complaints. Umma and James, thank you for helping me through my various rounds of editing!

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Section 1: Introduction

South Korea (the Republic of Korea) has become recognized throughout the world due to its political conflict with North Korea, the spread of Korean Entertainment (K-pop and Movies/Dramas/Variety Shows), Samsung Products, Korean Air's Macadamia Nut Scandal and most recently the 2016 political corruption scandal involving the first Female President Park Geun-hye and her confidant Choi Soon-sil.

Although these negative and positive associations of South Korea have made South Korea well known to the general public, South Korea has received attention in other fields. South Korea has been well-known for many years for their growing economic prowess and status change from one of the poorest countries to a first world nation. With the change in status and influence of Western ideals, South Korea has become aware that some of their citizens, politicians, business leaders, and celebrities have been participating in corrupt behavior. There have been various attempts to combat corruption through the anti-corruption legislation but they have been relatively unsuccessful in fixing the problem.

This thesis will analyze the anti-corruption policies and the focus that these policies have had on the Chaebol-Government Relationship in South Korea. I will discuss the implementation and results so far of the newest anti-corruption policy, the Improper Solicitation and Graft Act, and the history that has led to the implementation of the act. I will argue that the policies have been ineffective as they do not target the real problem, which is the power of the Korean Chaebol Conglomerates. The government has allowed

Chaebol leaders to get close to a free pass on punishment for fraudulent activities and participated in political retaliation.

The remainder of the thesis will be organized as follows. Section 2 will be a literature review on Chaebol and government relationship and corruption. Section 3 will provide the anti-corruption history that has led to the creation and implementation of the Improper Solicitation and Graft Act. Section 4 will conclude this thesis.

Section 2 – Literature review

The literature reviewed in this section will deal with the broader topic of business and government interactions and applied in the South Korean context. The literature will be separated into 6 parts: South Korean Historical Development, Korea's Business Ruling Class, Development and Centralization of Power Among Chaebols, International Influence, Definition of Corruption in the context of the thesis, and Corruption in South Korea.

Part 2.1 – South Korean Historical Development

Before the rise of the current South Korean government, there were three main divisions in Korean History. For the majority of the long Korean History (around 57 BCE to around 1910), there was mainly a monarchy system in which kings or emperors had authoritative power (Hahn, Lew, Lee, Lee, & Lee, 2019). In addition, there was a strict class system with the emperor as the head of the nation and servants and slaves at the bottom. This is taking into account the changes due to conflicts and wars, the geographic changes and size of the country and dynasty change.

From 1910 to 1945, Korea was ruled and occupied by the Japanese through the Japan-Korea treaties and during and after the First Sino-Japanese War and the Russo-Japanese War (Hahn, Lew, Lee, Lee, & Lee, 2019). During this time, the Korean emperor gave up sovereignty to the Japanese emperor. After World War 2, Korea was put in the trustee of the Allies after the Japanese lost the war. Korea was split at the 38th parallel

into the modern two-country system, with the Soviet Union occupying the north and the US forces taking control of the south (Hahn, Lew, Lee, Lee, & Lee, 2019).

After the Korean War, the start of the recent democratic system of government in South Korea (with some more authoritative regimes and presidents in between) started with Rhee Syng-man being elected to power in 1948 to the current President Moon Jae-in. In the past 55 years, South Korea has had ten Presidents: two presidents who gained power through military overthrows, a president who was assassinated and a president who was impeached. Despite the turmoil, South Korea was seen to be a success story.

With the ceasefire of the Korean War, South Korea experienced a phenomenon called a "Miracle on Han River" which describe the rapid development in the South Korean economy (The Korean Economy – the Miracle on the Hangang River, n.d.).

Figure 1. South Korea's GDP (current USD), 1960-2017. Graph from The World Bank. (2019, April 24). GDP (current US$) [Data file]. World Development Indicators. From The World Bank: from https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=KR.

The South Korean economy transformed from a mostly agrarian economy to a technology powerhouse in the last 65 years. In fact, South Korea has transformed from a poor war-torn third world nation to a first world country with the 4th largest economy in Asia and the 11th largest economy in the World in 2018 (Bajpai, 2019). This rapid development came with accusations of corruption within the business and political sphere. However, one of the major factors that has been emphasized to have led to this rapid development in the South Korean economy is the strong relationship, interaction, and mutual support between the government and the business sector (especially the Conglomerates known in Korea as the Chaebols).

Part 2.2: Korea's Business Ruling Class

The ruling elite and the representatives of the business sector are known as 재벌 (Chaebol). Using Chinese characters, "chae (財) means wealth or fortune, and bol (閥) means a group or party" (Choi, Michell, & Palihawadana, 2008, p. 1). Throughout the thesis, Chaebol will be used as a term to represent the business sector as they are known to be a very influential and dominant force within the South Korean business sector and the South Korean economy.

Chaebols are described to be large family-run conglomerates that have businesses in multiple diverse industries. The industries include shipbuilding, automobiles, construction, chemical engineering, armaments, tourism, textiles, and mining. For example, Samsung, the largest conglomerate in power and reputation in recent years, has companies that deal with different types of industries including insurance, construction,

electronics, textiles, fashion and credit cards. Chaebols are known for their strong centralized family control management, a long-term orientation with emphasis on diversification, entrepreneurial orientation, and importance placed on group harmony and social contracts (Choi, Michell, & Palihawadana, 2008).

All Chaebols follow "three business structural traits: it consists of many affiliated firms operating in a diverse number of industries, ownership and control of the group lie in a dominant blood-related family, and the business group accounts for a great percentage of the national economy" (Murillo & Sung, 2013). The “formally independent” firms within the Chaebol are run by professional managers, yet the entire conglomerate is controlled by a “Chongsu” who is an “unofficial or unappointed general manager who makes the final corporate decisions” (Murillo & Sung, 2013, p. 2). The Chongsu, form the dominant blood-related family, holds control through the cross-shareholding within the affiliates despite having a small portion of the overall group shares and no formal power or title.

The development of the power of Chaebols can be boiled down to five stages (Choi, Michell, & Palihawadana, 2008, pp. 311-312).

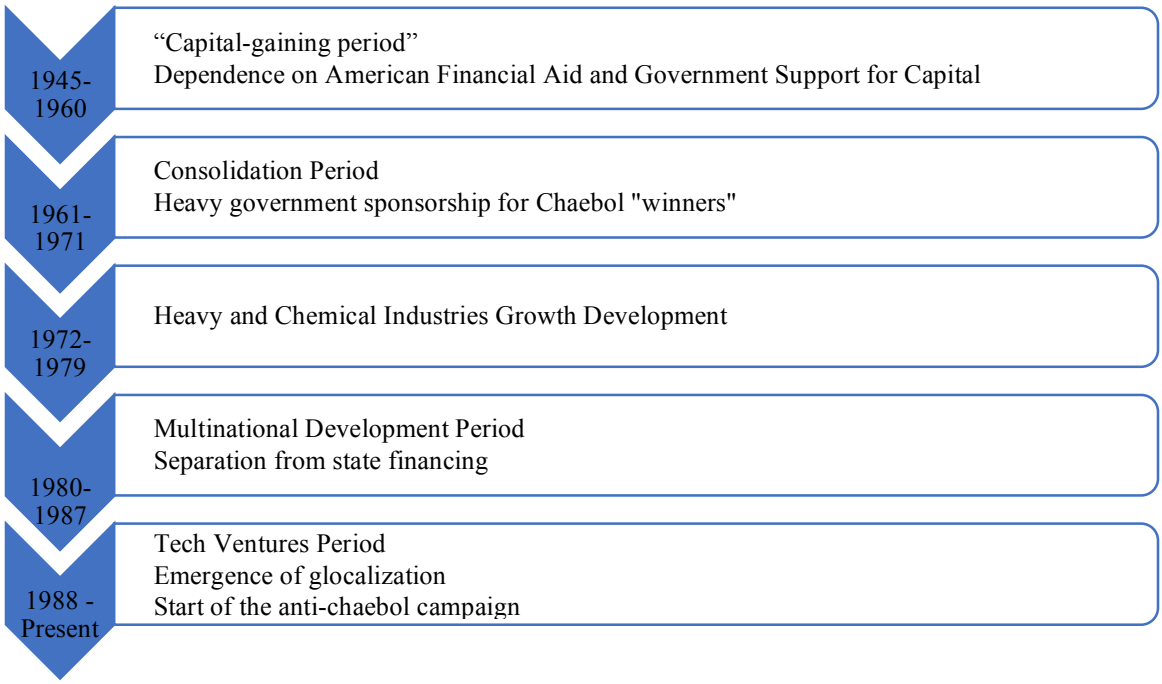

Figure 2. Stages of Chaebol Development. Figure adapted from Choi, D. S., Michell, P., & Palihawadana, D. (2008). Exploring the components of success for the Korean Chaebols. Journal of Business & Industrial Marketing, 311-322.

1. The first stage ("capital-gaining period") lasted from 1945-1960. It is noted that most of the capital was obtained using government support due to the unstable social structure and market (Choi, Michell, & Palihawadana, 2008, p. 311). Harvie and Lee (2003) note that the economic recovery was dependent on American financial aid and a failed import substitution development process.

2. The second stage lasted from 1961-1971 and was marked by the Chaebols creating oligopolies in most of the domestic market. Murrillo and Sung state that the development of the Chaebols sped up during this time under Park Chung-hee. The government chose the top performers and winners among the Korean businesses and awarded "them with exclusive projects, especially in the military and construction industries … channeled funds to them through the vast array of measures like tax

reductions and export subsidies or loans without collaterals and by acting as their credit guarantor" (Murillo & Sung, 2013, p. 5). 1962 marks the implementation of South Korea's first five-year plan. The five-year plan was "a catalyst for the remarkable transformation of the economy" and by 1970 South Korea received the title "newly industrializing country" (Harvie & Lee, 2003, p. 1).

3. The third stage lasted from 1972-1979 and was marked by increased and heavy involvement within the "heavy and chemical industries" by the Chaebols using "favorable loans, mergers and acquisitions, investments in real estate, and increased monopolization" (Choi, Michell, & Palihawadana, 2008, p. 312).

4. The fourth stage lasted from 1980-1987. During this time, Chaebols started experimenting with new ventures in the financial field and started growing their manufacturing industries. During the 1980s, Chaebols developed into multinational corporations. As a result, they no longer needed "state financing and assistance" and their corporate governance structure's weaknesses were exposed as the companies became more global (Murillo & Sung, 2013, p. 5).

5. The fifth stage lasted from 1988 to the present. The fifth stage has seen Chaebols actively pursuing new ventures in technology, information technologies, marketing, and supply chain management, heavily investing in electronics and automobile industries and obtaining and investing in foreign companies. Choi, Michell, and Palihawadana also states that the emergence of glocalization is seen at this time (Choi, Michell, & Palihawadana, 2008, p. 312). On a side note, glocalization is the "combination of the words 'globalization' and 'localization', used to describe a

product or service that is developed and distributed globally, but is also adjusted to accommodate the user or consumer in a local market" (Hayes, 2019). The start of 1993 marked the beginning of Kim Young-sam's democratic presidency and the start of the anti-Chaebol campaign. Under Kim Young-sam, the Fair Trade Commission became more powerful as their position as upgraded to ministry level and several Chaebol Chairmen were prosecuted for practicing bribes.

When looking at the current status of Chaebols, Pae (2018) wrote that 45 conglomerates were classified as "Chaebols" by the Korea Fair Trade Commission. The top 10 Chaebol Conglomerates own 27 percent of all business assets in South Korea and the top 5 Chaebol Conglomerates (Samsung, SK, Hyundai, LG, and Lotte) make up nearly half of the Korean stock index (Pae, 2018). The top Chaebol Companies can be identified by the baseball teams in South Korea as they all have baseball teams with their names: Samsung Lions, SK Wyverns, Hyundai Unicorns, LG Twins, Lotte Giants, and Kia Tigers. Due to their economic power, South Korean Chaebols have a large influence on Korean society, politics, and business. The Chaebols' long and historical relationship with the government could be described as "partner, supporter, and developer" and therefore can be seen to be deeply connected (Choi, Michell, & Palihawadana, 2008, p. 312).

Part 2.3: Development and Centralization of Power among Chaebols

The rapid development of the South Korean economy was a result of the deep interconnection and support between the government and the Chaebols. However, the

existence of a relationship between the government and the Chaebols is not unique to South Korea. There is a great deal of literature on the “interlocking positions between state and society” after World War II (Kim Y. T., 2007). Kim mentions academics in various fields such as Floyd Hunder, CW Millls and William Domhaff that theorized about the ruling elite and network analysis in the United States. The American theorists have stated the close and informal ties between government leaders and elite social groups (corporate leaders) have continued the dominance of the ruling elite interests (Kim Y. T., 2007, p. 20). This concept of the ruling elite and network analysis can be applied to the South Korean economy especially as the development and power of the Chaebols stem back to their continuous government partnership.

Historically looking, before the existence of modern South Korea, South Korea went through two periods of "occupations" from the Japanese before WW2 and the United States after WW2. The occupations were beneficial, from an economic perspective, for Koreans as it gave an opportunity to modernize. Tun-Jen Cheng (1990) states that Japan had created “overdeveloped state machinery” in order to “extract, coerce, and penetrate” Korean Society during their rule (Cheng, 1990, p. 143). As a result, starting off, South Korea had a great deal of economic and political resources that were used by the South Korean government after the Japanese left Korea. The start of the Chaebols could be seen at the decolonization process within South Korea as the first official South Korean President Rhee “fostered first a dependent, but later a powerful, capitalist class” (Cheng, 1990, p. 143).

The Korean War was a big turning point for the Korean Society. Clifford (1994) notes that the Korean War did not only destroy the country and the people but also destroyed the prevalent social system and political order that had historically been the way of life for the Korean population (Clifford, 1994). As a result, the roots of the Chaebols emerged after the end of the Korean War in the 1950s and were not directly a continuation of ex-Japanese enterprises in the colonial period (Rhyu, 2005). Most ex-Japanese enterprises were destroyed and rebuilt during the Korean War with relief funds and loans (Rhyu, 2005, p. 226). Companies such as Samsung were active during the War in limited industries that were useful in the War effort, but they did not truly become conglomerates until the end of the war and the reconstruction phase of the Korean economy (Rhyu, 2005, p. 208).

South Korea was marked by strong bureaucracy (civil and military) and strong state business relationship after the Korean War (Cheng, 1990, p. 142). The South Korean government followed a "hierarchical, unbalanced and command-oriented" approach so that leadership in the political sphere could coerce the "select and obedient business sector" to follow orders and lead to the development of a "heavy-industry based economy" (Cheng, 1990, p. 142). Clifford describes the relationship as "the faith of the state and of business were joined, and neither would survive without the other. But it was a marriage of convenience, not of love, and it was one in which the state-dominated" (Clifford, 1994, p. 40).

The state focused on short-run macroeconomic policies to grow the economy (Amsden, 1989, p. 93). The government supported big business through bailouts and

practiced aggressive borrowing to sustain fast growth. In fact, Chaebol companies had an environment in which government was very supportive as the response to economic downturns was to increase exports and economic expansions. Nam (1995) notes that "the guarantee of state protection enable South Korea's Chaebols to engage in risky large-scale projects that exceeded their financial capabilities" (Nam, 1995, p. 366). At the same time, the state "borrowed its way out of balance-of-payments difficulties" (Amsden, 1989, p. 93). The Korean government used foreign credit to maintain economic growth by financing long term investments and working to get out of balance-of-payment (Amsden, 1989, p. 94).

Applying the work of Rostow, Sanidas (2017) states that the key factors that made South Korea have uniquely strong economic development through the years from 1945 – 1990 were

1) Adoption of a sound growth strategy
2) Development of growth-promoting institutions and public policies
3) Availability of high-quality workers and entrepreneurs
4) Technological backlog available to Korea as a latecomer
5) Efficient use of national resources for infrastructure development
6) Ability of entrepreneurs and policymakers to adjust rapidly and flexibly to external shocks
7) The avoidance of the position often taken by economists that an economy can be managed adequately using only such macro-economic tools as the regulation of the money supply while keeping interest rates low
8) Strong competition among firms, among industries, and among big business groups

South Korea can be considered to be an example of a country that experienced late industrialization. According to Amsden, late industrialization is marked by the state stimulating economic activity through subsidies that "distorts relative prices", performance standards imposed by the state, well-educated workforce (compared to early

industrialized countries), key figure of salaried engineers and "modern industrial enterprise" (Amsden, 1989, pp. 8-10). Chaebol Companies would be the modern industrial enterprises as they hold the characteristics of "large in scale, multidivisional in scope and administrated by hierarchies of salaried managers" (Amsden, 1989, p. 9). The rapid industrialization started around 1910 and is still occurring in the present.

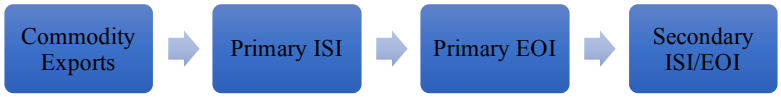

Figure 3: Phases of Industrialization. Figure adapted from Gereffi, G. (1990). Paths of Industrialization: An Overview. In G. Gereffi, & D. L. Wyman, Manufacturing Miracles. Princeton, NJ, U.S.A: Princeton University Press, 18.

Throughout 1910 -1945, Korea faced a period of commodity exports in which South Korea sold unrefined and semi-processed items such as agricultural products (Gereffi, Paths of Industrialization: An Overview, 1990).

During 1953-1960, South Korea practiced primary import-substituting industrialization (ISI), which shifted from importing goods like textiles to making the goods domestically. From 1961-1972, primary export-oriented industrialization (EOI) was practiced in which more labor-intensive products were exported. The Korean state throughout the 1960s and 1970s was essential for the growth of the South Korean economy as nearly every shift in industrial diversification was ordered and instigated by the state (Amsden, 1989, p. 79). In fact, the state was the mastermind behind the "war-import substation projects" that included the industries cement, fertilization, oil refining,

synthetic fibers, machinery, and the shipbuilding industries. They were the main forces that advised the movement formalist industry to heavy industries and promoted the domestic electronics industry to flourish (Amsden, 1989, p. 82).

From the years 1973 to the present, secondary ISI and secondary EOI are the current phases that South Korea is facing. South Korea is domestically manufacturing products such as automobiles that are capital and technology-intensive (secondary ISI) and exporting these higher valued and still intensive products (secondary EOI) (Gereffi, Paths of Industrialization: An Overview, 1990, pp. 18-22).

Through their economic development, South Korea implemented a "growth first policy" through "promotion of large industrial combines…heavy use of sector-specific, discretionary industrial policy" (Cheng, 1990, p. 171). South Korea used a "Big Push" approach to Export-Oriented Industrialization (EOI) as the nation aimed to make heavy and chemical industrialization the backbone of exports (Cheng, 1990, p. 163). Cheng states that South Korea is now "experimenting with economic stabilization, revitalizing small enterprises and trimming policy loans to Chaebols" (Cheng, 1990, p. 172).

The focus on exports helped the development of industries in South Korea. However, due to the focus on exports, South Korea has become economically reliant on international trade and companies have focused on exporting their goods (Schive, 1990). South Korea has industrialized by "expanding the manufacturing sector" and at a similar time "changing the manufacturing structure" (Schive, 1990, p. 268). This practice can be seen by the changes in focus of the South Korean manufacturing from the food, tobacco,

textile, nonmetallic mineral production industries to the more recent focus on the now leading industries in the production of metal, metal products, machinery, electronics, etc.

When looking at the development of the Chaebols, there exists a clear partnership between the business and government in the growth of the South Korean economy. However, Korea's business and government relationship is not seen as unique even when looking at the Asia-Pacific region. Countries in the Asian Pacific have a distinctive Capitalism System that has been termed Command or Developmental Capitalism. Developmental Capitalism is marked by both "active state interaction in the economy and close state-business relations" (Yoshimatsu, 2000, p. 5). Countries such as South Korea, Singapore, and Taiwan that implemented Developmental Capitalism were seen to have rapid economic growth in the 1980s and 1990s.

However, South Korea has adopted and applied this form of capitalism with a Korean spin of adding Confucianism values, that will be further discussed in Section 2.6. Baum states that South Koreans practice a pronounced "egalitarian management style", are more flexible and willing to listen, emphasize "worker participation in decision making" and "creative problem solving" and have more numerous employee benefits which make them unique (Chang, 1998, p. 63).

Despite the positive result that came with the rapid development of the South Korean economy, there also was the creation of negative consequences, which included an increase of corruption, public unrest, and accusations that the government's support to business benefited the elite few (Sanidas, 2017). However, as a whole, rapid development helped establish a middle class and gave economic power and stability to a wider range

of people. As mentioned before, the development of the South Korean economy could also be traced back to various international influencers that include Japan and America.

Part 2.4: International Influence

International Influence and support from countries, such as Japan and the United States and organizations such as the IMF greatly influenced the economic development of the South Korean Economy. Fajnzylber (1990) states that many countries in East Asia and Latin America including South Korea have followed and adapted American and Japanese experiences in industrialization to their own economic development (Fajnzylber, 1990, p. 324).

Fajnzylber notes that South Korea gained its main source of inspiration from Japan and focused on "strategic industrialization, international competitiveness and the ‘conquest of major markets" (Fajnzylber, 1990, p. 324). South Korea has replicated Japan and America in “[maximizing] domestic economic potentialities and [fulfilling] internally defined societal objectives” yet has “harnessed the forces of economic development to generate endogenous modernity” (Fajnzylber, 1990, pp. 334-335).

The Japanese Occupation and the aftermath was an important influence. South Korea, after WW2, practiced leniency to traitors (South Korean pro-Japanese collaborators during the Japanese Occupation) in order to create political stability within the newly created democratic government in exchange for political legitimacy. As a result, the powerful political power that these "traitors" had enforced "the Japanese pattern of the state-corporatist governance" (Nam, 1995, pp. 359-360).

> But what is more important, the strength of the Japanese colonial legacy even after liberation came from the intensive and systematic clientelization of collaborator Korean businessmen and young elites. According to Eckert, Korean businessmen had learned from Japanese colonialism that the most important rule of the game was that close collaboration with the state would guarantee business success. (Nam, 1995, p. 360).

The current government and Chaebol relationship can be originated from the zaibatsu relationship with the Japanese government. As, the colonial legacy was not destroyed by the South Korean government, due to the leniency, elite businessmen under occupation continued their habit of asking the government for favors and protection.

Ellison and Gereffi (1990) stated that there was a strong relationship between the United States and East Asia, including South Korea, through the 1950s and 1960s (Ellison & Gereffi, 1990, p. 374). This strong relation was a result of the Cold War and the fear that Asia would fall under the rule of Communism from Russia, North Korea and other countries in the Communist Bloc. Ellison and Gereffi note that Korea would not have survived throughout the 1950s if not for American assistance in security and business so that social classes such as farmers and labors would not fall for the Communist rhetoric (Ellison & Gereffi, 1990). On the other hand, the desire and move from an agricultural industry to a more industrial industry stemmed from a desire to survive and have independence from threats of countries such as North Korea, Russia and other within the Communist bloc. Abegglen (1994) notes that the 1960s was an important time for the development of East Asian Countries as "several conditions came together to produce at once and at the same time relatively favorable access to international finance, and increased relocation of production by multinational corporations to low-wage sites" (Abegglen, 1994, p. 114). In fact, the rapid development led to the 1960 per capita GNP

of $80 growing to a per capita GNP of $6,500 by 1991 with government's use of Chaebols as a vehicle of development (Abegglen, 1994, p. 120).

However, the 1997 Asian Crisis was a turning point for the perception of Korean Chaebols. Chaebols faced bankruptcy as the conglomerates lost support from the South Korean banking sector. The conglomerates asked the government for help and the government went to the IMF to get a $57 billion loan (Murillo & Sung, 2013, p. 5). However, "age of unwavering guarantees and political favors for Chaebols" seemed to be over as the government allowed Daewoo to go bankrupt (Murillo & Sung, 2013, p. 5).

Murillo and Sung note that the IMF helped the Korean economy and business sector change as the "the regulatory framework was strengthened … business environment became more globalized …the Korean Stock Exchange (KSE) was opened to foreign investors" (Murillo & Sung, 2013, p. 5). As a result, transparency and credibility became more important to Korean firms as foreign investors' addition to the market led to a "rise of a shareholder-oriented management paradigm and shareholder activism" and government led the effort for improved transparency within the Korean business sector.

South Korea's economic development, in recent years, brought to the forefront the issue of Corruption within South Korea's economy, politics, and society.

Part 2.5: Corruption Definition

Corruption is a term that is hard to define due to the different ideas of what constitutes corruption. According to Transparency International, corruption is defined as

"the abuse of entrusted power for private gain. It can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs" (Transparency International, n.d.)Similarity, the UNDP definition of corruption is the "misuse of public power, office, and authority for private benefit" (Quah, 2004, p. 62). Although this definition is very broad regarding what corruption is, the application of the definition is difficult due to the differing cultures, experiences, and processes that are used around the world.

One can also say that Transparency International has a Western bias as the majority of the sponsors are Western governments, organizations and the UN (Transparency International, n.d.). In the figure below from the 2018 transparency report, Western countries are viewed as less corrupt than countries in South America, Asia, and Africa. As a result, there is a Western bias in looking at corruption and fighting corruption as "the only way to combat corruption is to introduce 'good governance', defined in terms of a western model of liberal democracy" (Heywood, 2016).

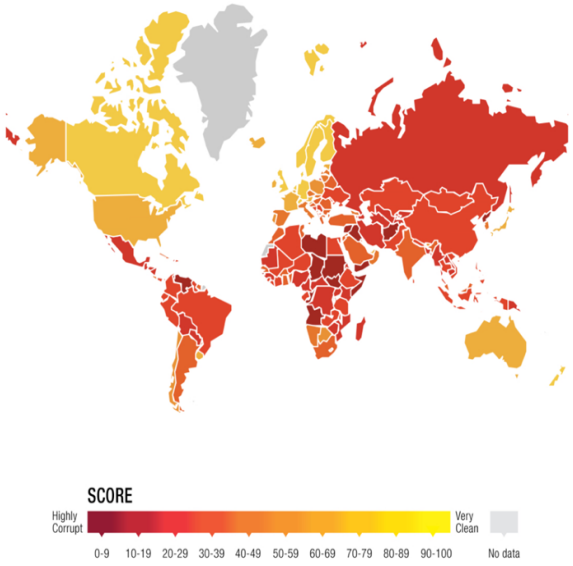

Figure 4. 2018 Corruption Index. Figure from Transparency International. (n.d.). Corruption Perception Index 2018. From Transparency International: https://www.transparency.org/cpi2018

As a result, it is interesting to look at corruption in corrupt countries such as Nigeria as they are considered one of the more corrupt countries with a score of 27 and place of 144/180 in 2018. In Nigeria, corruption is not viewed as impacting only those in high positions, but it is integrated into the very daily activities of ordinary people. Smith (2008) talks about how corruption is extended from abuse of power in public office for private gain but also a range of social behaviors that range from cheating in schools, fooling a lover, and abusing occult power (Smith, 2008, p. 5).

Due to the perception of corruption, Smith notes that many corruptive actions are acceptable and normalized in Nigerian Society as certain types that stem from an obligation to kin and clients (reciprocity, sharing and interdependence) are not seen as corruption. In fact, in Nigeria, corruption has both a positive and negative connotation. Although Nigerians understand that corrupt activities are morally objectable, they still take pride in the development of skills to commit these corrupt activities (Smith, 2008, p.

221). “Instead of corruption being depicted as a legacy of primordial skill or a symptom of cultural backwardness, as it is so often represented in Western media, corruption becomes a contemporary skill in which Nigerians can match and indeed surpass people from the West” (Smith, 2008, p. 22).

When looking at political systems, Fukuyama (2014) mentions the relationship between patronage and clientelism in the identification of corruption. Fukuyama notes that in "a clientelistic system, politicians provide individualized benefits to political supporters in exchange for their votes” (Fukuyama, 2014, p. 87). Although clientelism is considered political corruption, Fukuyama states that the practice does not have to be considered as corruption, but an early form of democratic accountability. The practice of clientelism was based on a relationship of reciprocity and accountability between the politician and voters. It generates political participation and tends to disappear as countries become more developed. Clientelism becomes more difficult and more expensive to give incentives that voters would like, as the country becomes more democratized or the voters become wealthier (Fukuyama, 2014, pp. 90-92). When applying Fukuyama's thoughts about reciprocal relationships, it becomes interesting to see how the reciprocal nature of gifts and the cultural practice of gift giving fall under the process of corruption in society.

Mauss (1954) states that starting from ancient societies to current societies, the exchange of gift between people seem voluntary but are actually obligatory. The reciprocal nature of the gift-giving process is to help create a mutually beneficial relationship in which wealth, peace, respect, and trust are present within the relationship

(Mauss, 1954). However, this exchange of gifts (gifts, money, favors) by the parties are used to gain power and connections for private gain in many Asian Countries such as Hong Kong and South Korea.

In the case of Hong Kong, the term Guanxi is defined as “relationships of social connection built on pre-existing relationships” (Smart, 2009, p. 399). Smart notes that Guanxi is built through "the exchange of gifts, favors, and banquets" and that there is an art to the use of guanxi as the relationship is not for the short-term purpose to maximize self-interest, but for the building of a long-term relationship between the parties (Smart, 2009, p. 404). However, the question is whether the exchange is still considered as corruption.

As a result of the complexities that deal with applying corruption in a cultural setting, I will apply the Transparency International definition of corruption to the circumstances in South Korea and look at the problem of corruption through a Western lens of what constitutes corruption. This is due to the fact that South Korea, itself, is applying the Western perspective in looking at the old cultural practices and determining what constitutes corruption. In fact, President Moon Jae-in and the government of the president “declared a bid to increase the nation's CPI ranking to 20th or higher within five years” in July 2017 (YonHap News Agency, 2019). I will view corruption in the framework of the government using their political power over the Chaebols and the monetary power that Chaebols have over the government.

Part 2.6: Corruption in South Korea

South Korea's economic success is enveloped with the consequences of historical corruption, a two-edged emphasis on Confucianism values, and persistence in the use of corruption by Chaebols and government for economic growth. Historically, Quah notes that corruption in South Korea was not a large problem until the 16th century onward. Corruption became a larger problem within Korean society after the king allowed his family to get involved and participate in government affairs, and civil servants relaxed from living lives of rectitude and thrift (under Confucianism) to lives of luxury (Quah, 2004, p. 67).

Throughout the long Korean history, the major influence of Korean culture and the South Korean economy has been Confucianism (Kim & Jaffee, 2010). According to Chang (1988), Confucianism was adopted from China to various Asian countries, including South Korea, and embedded in the history and the culture within the South Korean population. It is the moral value system that Koreans have lived by, making it a lasting influence in Korean Society.

Through the Confucianism value system, Korean society has valued the following understandings of

1) Orderly Society
2) Relatively free Society
3) Family-oriented Society
4) Group and individualism oriented Society
5) Education-oriented Society (Chang, The Confucian Capitalism: Impact of Culture and the Management System on Economic Growth in South Korea, 1998, p. 57)

The Confucianism value system helped Korea develop a good economic base that has led to a successful nation. As there is a focus on receiving education from a societal

perspective, there is a foundation for an educated worker base. An orderly and group-oriented society leads to citizens understanding their position within society. As a result, citizens are able to work within the group called society. There is no religious caste system within the modern Korean Society. As a result, Korean workers with both their capabilities and hard work could improve their own status with some limitations.

Confucianism has influenced a management system called FARS. FARS puts importance into family, alumni, regional and state/government relationships. The largest influence of Korean society from Confucianism is the family-oriented nature and the concept of respect. In Korea, there is an emphasis on filial piety to your parents and family members, loyalty to superiors and state and reciprocity. As a result of this family-oriented nature of society, there is a large focus on the good of the entire family and the emphasis on family prestige. In fact, even within a company setting, there is a tradition in which the head of the company is portrayed as the head of the household who is working to do the best for the family and company (Dalton, 2005, p. 246). However, the emphasis on filial piety can have a negative side as an individual can act for the best of his family/company and disregard the negative impact it can have on the country as a whole.

Formal and informal ties are important in Korean society. Chaebols have created lasting relationships through marriage between different Chaebol groups, government officials, and different sectors within the South Korean economy. In a 2018 CEO Score, a Korean evaluation company, released a study that states around ½ of second-generation Chaebols married another Chaebol and about 8% of second-generation Chaebols married political or government officials (Choi H.-j. , 2018). Choi noted that 8% from 23.4%

among first-generation officials could be from the "gradual erosion of cozy relations between politics and business". These ties have created cozy relationships between families in different businesses. For example, Samsung had marriage ties with the chairman of a major South Korean newspaper Dong-A (Kwak, 2017, p. 29). As a result, the newspaper reported with a bias towards Samsung, when there was a whistleblowing corruption scandal plaguing Samsung.

In South Korea, there are also many informal ties that are used to create relationships based on Alumni and Region. Ties are also created through acceptance toward elite SKY Universities and through the less common use of regionalism. Similar to investment banking and Ivy League Universities in the United States, the majority of Chaebol businesses look towards SKY Universities (Seoul University, Korea University, and Yonsei University) for their employees. In addition, as one goes up higher in the management chain, regionalism becomes more important as there has been a trend for Presidents and Chaebol leaders to have more trust towards those born in the same region due to stereotyping (Chang, Chaebols: The South Korean Conglomerates, 1988, p. 54). For example, although regionalism has declined, Chang states that in many cases executives are from the same region as the founder of the Chaebol company. In addition, similar to the United States, there has been a higher level of worker movement from government jobs to businesses in South Korea (Kim Y. T., 2007, p. 25). As a result, businesses have used the former government officials for lobbying and connections.

Money politics are embedded in Korean Politics due to historical and current practices (Kang, 2002). Personal relationships are very important to many Korean

Chaebols and Politicians, as there is a reliable relationship in case of problems and a mutually beneficial relationship that helps with success.

On the other hand, Family piety has caused issues with corruption, as society has focused on the good and future of their own family instead of the good of the entire society. As a result, there is a focus on doing activities, such as bribery, to improve the lives of their own families at the expense of non-family members.

As a result, Dalton argues that the patriarchal elements of Confucianism and Korean historical experiences have created an atmosphere in which corruption has become normalized, justified and concealed in Korean Society (Dalton, 2005). The line becomes blurred in the case of the difference between gift giving and bribery due to the excuse of past traditions. In fact, South Korean businessmen have attempted to justify cases of fraud and other corrupted activities as "smart financial moves" (Albrecht, Turnbull, Zhang, & Skousen, 2010, p. 265) Albrecht, Turnbull, et al state that fraud cases exist in South Korea due to limited oversight, lack of independence between entities, fraud becoming a cultural and social norm, and the pressure of success that Korean culture imposes on its citizens.

Chaebols led the rapid development in the South Korean economy with the close cooperation of the South Korean Government (Chang, Chaebols: The South Korean Conglomerates, 1988). The growth of the Korean economy can be associated with the mutually beneficial relationship between Chaebol conglomerates and the government. Broadly speaking, starting from rule of Park Chung-hee, the governments gave support and protection to Chaebols (exclusive rights, monopolistic access to resources, financial

assistance, low interest rates, tax benefits, foreign exchange allocations, import and export licenses, and foreign investment incentives) in exchange for jobs, foreign currency and international exposure of Korea in international markets.

Wedeman (1997) states that corruption was a method by which Chaebol companies were able to access cheap capital from the state, and the state was able to sell economic opportunity through activities such as forced donations (Wedeman, 1997, pp. 465-469). Abegglen notes that Chaebols' origins came from "small business and retailing backgrounds" but grew due to the inclusion by the government to support the country's economic growth in the 1960s (Abegglen, 1994, p. 122). With government support, Chaebols companies were able to become international players and gain the ability to invest in Research and Development (R+D). However, Abegglen notes that despite all the benefits that Chaebols and industrial success has provided for the economy, negative aspects such as the concentration of power and ownership among a powerful few, higher labor costs and labor shortages, and appreciating currencies became more present.

Amsden writes that Korean Chaebol Companies are different than other conglomerates as they have diversified into industries that have no relation to each other with government sponsorship (Amsden, 1989, p. 116). Therefore, there is highly concentrated power within many industries in South Korea as a result of this practice. This diversification was a "product of harmony of interests between the state and private enterprise" (Amsden, 1989, p. 136). With the government supporting Chaebol companies, Korea was able to enter into the international market and compete with other international business organizations. There was a standing government-sponsored

practice of big businesses diversifying into new industries rather than sponsoring entrepreneurs. As a result, there were and still to some extent are barriers to entry for many small entrepreneurs and a lack of people wanting to use their experiences and education to work towards becoming an agent of change or taping and investing into an unknown market.

South Korea was unique in the sense that in the 1960s the state had centralized power over Korean society due to weaknesses in social classes. In fact, there was a sense of discipline that the state imposed on firms as they penalized and rewarded them (Amsden, 1989, p. 14). Chaebol companies would receive incentives based on performance from the government. For example, Amsden stated that "stunning performances in the areas of exports, R&D … was rewarded with further licenses to expand, thus enlarging the scale of big businesses in general" (Amsden, 1989, p. 14).

In the case of discipline, there were "two interrelated dimensions ... penalizing poor performers ... rewarding only good one" (Amsden, 1989, p. 15). In the case of many firms, such as Shinjin, Asia Motos, and Taihan, bankruptcy due to incompetence led to the government abandoning the Chaebol and even transferring the holdings to other Korean Chaebol Companies. Fajnzylber notes that during the 1980's the majority of financial institutions, except for local or foreign banks, were government-created, government-owned or government-controlled by shareholder majority (Fajnzylber, 1990, p. 344). This created the problem that South Korean companies must follow the government in exchange for loans and other financial instruments that the business needed from the banks.

Ellison and Gereffi conclude that Korean leadership has been a very important reason why South Korea has found economic success (Ellison & Gereffi, 1990). Wade (1990) notes that the government did just play a regulatory role in Korean economics but invested through direct and indirect state assistance to shape the path in which Chaebol companies did their business and which industries they entered. As a result, South Korea's power is known to have more "hierarchical consolidation" in a political setting and a "single position operating through a unified management hierarchy spanning the whole group" in an economic setting (Wade, 1990, p. 258). However, excessive government intervention in business has not always been a good strategy as South Korea has experienced “bad periods” (Wade, 1990, p. 261).

However, there are many critics of the strong relationship between the Korean Government and the Chaebols. The criticism of the relationship was based in a previously socially acceptable relationship that had mutual benefits for both parties. However, the change in mindset that this relationship was corrupt increased the perceived notion that there was corruption between business and the political sector. There were also concerns that the close relationship has hindered the growth of small and medium-sized companies, decreased innovation and therefore opportunities of economic growth in South Korea, and have produced financial and political power in the hands of a powerful few (mostly Chaebols).

There is also the knowledge that Chaebols have slowly gained much power within the country. In fact, under the rule of leaders such as Park Chung-hee, “the relationship between the state and big business leaders has been comparable to that between a

domineering patron and an obedient client" (Nam, 1995, p. 357). However, "with democratization and the accompanying change in state-business relations, special ties between the two have weakened and big businesses are less dependent on preferential industrial policies of the patron state" (Nam, 1995, p. 358). In fact, South Korean Chaebols are often seen as untouchable as Chaebols have used their money, power, and ties to have power over the changing government (due to elections), police and court to influence their decisions.

Sanidas ends his paper by making an analogy with the Korean Flag with the current South Korean societal system. The Yin and Yang in the middle of the flag can represent the internal conflict within Korean Society but still maintains a sense of balance. This Yin and Yang allowed South Korea to have a unique atmosphere in which importance placed on both development and tradition allowed for the most rapid economic development possible (Sanidas, 2017). However, do Yin and Yang really exist when it comes to the economic and political environment within South Korea?

Section 3 – Anti-Corruption Efforts

Corruption in South Korea has been a consistent theme through the different presidencies and cultural changes within South Korea. When compared to other countries such as Somalia, South Korea does not seem to be as corrupt. In fact, according to the 2018 Corruption Perceptions Index, South Korea had a score of 57 out of 100, a 3 point increase in score from 2017. In South Korea, corruption and anti-corruption efforts are an issue that underlies different presidents' terms and the discourse within the daily lives of ordinary people.

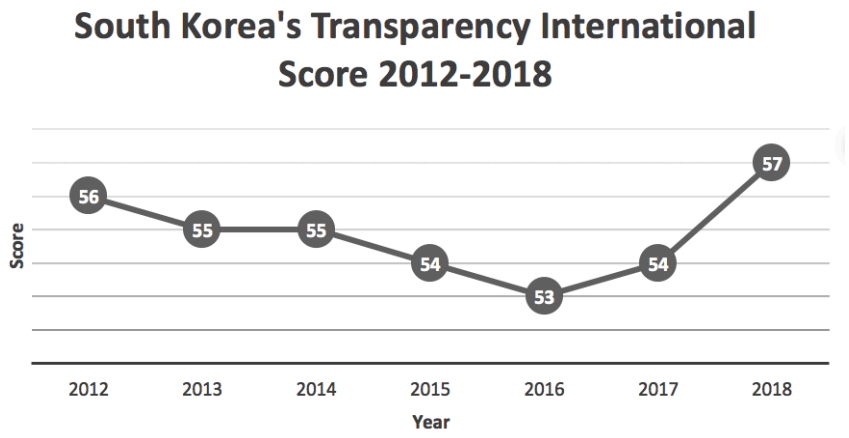

Figure 5. South Korea's Transparency International Score. Data retrieved from Transparency International. (n.d.). Overview. From Transparency International: https://www.transparency.org/research/cpi/overview

According to Transparency International, South Korea's scores ranged from 53 to 57 from 2012 to 2018. It is noted that the lowest score (53) was in 2016 when the South Korean political scandal was occurring. Although Transparency International is not a good indicator of the actual level of corruption in South Korea, the perception of corruption is still a decent indicator of how South Korean citizens view the every-day activities of their interactions with each other, the governmental systems, the media

platforms, and the daily news. The following section will relate the ups and downs with different incidents that could have triggered the perception of corruption within the country.

When looking at early anti-corruption efforts, Pan Suk Kim (2007) states that during the more authoritative regimes (Park Chung-hee, Chun Doo-hwan, and Roh Tae-woo) from 1963 to 1993, anti-corruption initiatives were more based on relieving public outrage of the corrupt practices and removing opposing politicians from their powerful positions (Kim P. , 2007, p. 139). After the end of the more authoritative regimes, the government focused on corruption that they thought damaged the economy of the country, especially the collusion of business and government.

With the democratization of South Korea, there was an increase in the discontent and criticism of the general public against the “established informal ties between the state and big business” and “public exposure of favoritism has damaged the informal ties between the state and big business, and the public's criticism of clientelism and the resulting state-business conflicts now force[d] both sides to curtail their previously close informal ties" (Nam, 1995, pp. 365-366).

Before the recent implementation of the anti-graft law, there was a period of creating, developing, and implementing an anti-corruption system from the mid-1990 to 2002 (Anti-Corruption and Civil Rights Commission, 2016). The anti-corruption efforts first started as a result of increased international exposure and regulations from the IMF after the 1997 Asian Financial Crisis. In the early 1990s, the Real Name Financial Transactions System was established by presidential executive order to ban “the use of

anonymous financial accounts" and strengthened in 1997 through the Act in Real Name Financial Transactions (Kim P. , 2007, p. 139). These anti-corruption efforts brought some changes as there was a decrease in individuals using false names in holding financial accounts. However, there was an increase in instances where corporations, instead of individuals, would use false names to commit crimes such as tax evasion (Kim J. , 2013, p. 7).

After the 1997 Asian Financial Crisis, the Korean perception of the government and business relationship became so "pervasive" that the civil society and academia started demanding the establishment of an independent agency to deal with corruption and anti-corruption legislation passed (Anti-Corruption and Civil Rights Commission, 2016). It was not until early 2000 when an anti-corruption act was implemented and the organization Korean Independent Commission Against Corruption (KICAC) was launched by the Korean government.

Through the implementation of these initiatives, the Korean government showed a priority to prevent corruption against a backdrop of Korean official and business owners receiving bribes. The ACRC notes that "Two-pronged approach was promoted, one... focused on the prevention such as formulating government-wide anti-corruption policy, correcting corruption-prone institutions and laws, conducting integrity assessment, providing anti-corruption education and operating code of conduct for public officials, and the other … on the detection and the punishment, including receiving corruption reports and providing protection and reward for whistleblowers" (Anti-Corruption and Civil Rights Commission, 2016).

As a result, through the creation of the organization, the South Korean government showed a commitment to promote and increase national integrity and not focus on just curbing corruption. However, the creation of the independent KICAC was not popular as there were many conflicts of interests among stakeholders such as the prosecutors, police, and lawyers (Kim P. , 2007, p. 142). In addition, the KICAC focused just on the public sector and not the private (Kim P. , 2007, p. 147). Pan Suk Kim notes that critics have stated that the organization lacks investigative powers to and based their investigation from reports of suspected corruption (Kim P. , 2007, p. 145). As a result, the KICAC was seen to be less powerful than counterparts in other Asian Countries and less effective in preventing corrupt acts.

From 1990 to the early 2000s, different acts went into practice that guided and restricted corrupt behaviors such as the Code of Conduct for Public Officials. The government took further steps in 2008 by establishing the Anti-Corruption and Civil Rights Commission of Korea (ACRC), "establishing a new type of anti-corruption system by integrating previous three functions of corruption prevention, administrative appeals and ombudsman which oversees illegal or unreasonable practices in the public sector" (Anti-Corruption and Civil Rights Commission, 2016). Therefore, the ACRC is involved in preventive measures such as "Anti-corruption Training, Integrity Assessment, Code of Conduct for Public Officials, and Corruption Impact Assessment" but also work on reactive measures such as "handling corruption reports, exposing code of conduct violations, and providing protection and rewards for those who report corruption and public interest violations" (Anti-Corruption and Civil Rights Commission, 2016). It is

noted that these initiatives all targeted the public sector. This, close to 30 year period, has led to some advances in tackling the previewed corruption in the Korean government and in Korean Society.

However, the perception of corruption has been increasing at a very small rate due to the increased media coverage of corrupt officials, police, businessmen, and government. In 2009, President Roh Moo-hyun committed suicide after charges of bribery. During the years 2011 and 2015, various scandals started arising from a football (soccer) match-fixing scandals, President Lee Myung-bak's brother being accused and sentenced for corrupt activities that included bribery and a scandal that involved fake safety certifications to nuclear reactor plants in South Korea. These various incidents heightened the awareness of the corrupt activities in South Korea.

In 2011, Anti-Corruption and Civil Rights Commission's released the report "A Fairer Society through Spreading the Culture of Integrity" that stated various initiatives to create a fairer society and introduced various initiatives such as the Improper Solicitation and Graft Act. The bill was introduced to the National Assembly but was stalled due to party politics and put on the back burner (Lee D. S., 2016). However, the death of 304 passengers and crew (most of them teenagers) in the Sewol Ferry Incident brought the Improper Solicitation and Graft Act back to light.

The 2014 Sewol Ferry Incident was found to be the result of the " 'revolving door' between regulatory agencies and the private sector" (Lee D. S., 2016). Government officials, through the practice of gift giving, allowed the unsafe vessels to leave and sail from the port creating the basis of the story where the captain left the boat, multiple

children died and many families suffered as a result. The tragedy brought forth the world's strictest anti-graft law around the world and continued a discontent toward corruption, the government and President Park.

The Improper Solicitation and Graft Act was passed on March 3, 2015, and implemented on September 28, 2016 (Anti-Corruption and Civil Rights Commission, 2016). The Improper Solicitation and Graft Act is another restrictive law geared toward the actions of employees within the public sector. The act can be boiled down to the 30/50/100 rule in which government officials, civil servants, and media personnel cannot accept meals that are worth around 30 dollars, gifts that are worth around 50 dollars, and congratulatory and condolence money and plant wreaths that are worth around 100 dollars (Anti-Corruption and Civil Rights Commission, 2016). There are also limits on fees for giving lectures and the law prohibits 15 types of solicitation. Amended on January 17, 2018, due to the complaints of extreme profit losses in the Korean agriculture and meat industry, the law still is considered to be one of the world's strictest anti-graft law (Seol & Kim, 2018).

However, after the passing and implementation of the Act, there were some impacts on the South Korean Society and business practices of Korean Businesses. Businesses started rejecting the practices of giving presents to coworkers and businesses that worked with them during the Chuseok (Korean Thanksgiving) season. Citizens mostly kept to the price limits of gifts shown by a drastic increase in sales of gifts worth less than the limit (Arirang TV, 2017). Instead of the practice of the most senior person in the room paying for meals, businessmen and ordinary people started paying for their own

meals and had 회식 (drinking work meals with co-workers) less frequently. Restaurants started offering Kim Young-ran meal sets that cost less than 30 dollars and Korean beef and Flower shops started decreasing in sales drastically as a result of the law. Some people have stated that prices of certain goods such as flower wreaths were artificially high due to the demand.

There was also wide support behind the implementation of the Improper Solicitation and Graft Act showing that the public treated the perceived corruption within the Korean Society as a problem that the country must fix. In fact, the ACRC states that there has been an increase in support of the act from May 2015 to December 2016 (58% to 85%). However, among the survey, it can be noted that more than half of the responders supported the Act throughout the whole time period (Anti-Corruption and Civil Rights Commission, 2016).

In October 2016, a large wave of media coverage of a corruption scandal blew over the South Korean nation. Known as the Choi Soon-sil scandal, then-President Park was accused and convicted of giving special benefits to her confidant Choi Soon-sil and allowing for corrupt activities such as exchange of bribes to occur between her confidant and various top business executives including the head of Lotte, the former head of Ewha University, and the heir of Samsung, Lee Jae-yong (Steger, 2018). When looking at the charges, Lee Jae-yong and other Samsung executives were accused and convicted of "donating" around 36 million dollars to non-profits run by Choi Soon-sil and a horse and money for Choi Soon-sil's daughter's career in exchange for government support for a restructuring of Samsung (BBC News, 2018). A New York Times article states that Park

was sentenced in 2018 to 33 years in prison with convictions in 16 charges that included bribery, coercion, and abuse of power (Choe, Park Geun-hye, Ousted President of South Korea, Is Formally Indicted, 2017). Park was convicted of influencing 18 businesses to donate to Choi's nonprofits, collecting close to 23 million dollars in bribes from three large businesses, illegally using the budget of the National Intelligence Service, and violating election law.

Her corrupt actions led to large protests (one involving close to a million people), which led to the eventual impeachment and jailing of the former president. Although most people have stated that President Park's actions were deplorable, others have stated that her actions might have been an influence of her father President Park Chung-hee, who was a dictator-like President that really led the practice of giving special benefits to Chaebol companies that donated to the government and his political party.

The news of President Park's actions was shocking to some as news that the highest elected official, the president, was involved in activities that were in many ways against the ideals set by the Improper Solicitation and Graft Act. However, to others, this scandal was a sign of continued corrupt activities that previous presidents, their administration, or families of previous presidents and administration have participated in through the recent history.

In 2017, President Moon Jae-in was elected into power with a campaign that emphasized Chaebol reforms that included greater transparency in the corruption scandal and a harder stance against Chaebols. After his election, he appointed a well-known

shareholder activist, Kim Sang-jo, to the role of fair-trade commissioner as a step to start the reform against Chaebols (Kim & Sotaro, 2019).

However, in the last year, there have been more "corruption scandals" that have been reported by the South Korean media. Roh Hoe-chan, a prominent and well-liked South Korean Politician known to be "clean" of corruption committed suicide in 2018, after facing "an allegation that he received money from an associate of an influential blogger jailed in an online opinion-rigging scandal" during the 2017 election. Roh confessed on his suicide note that he accepted 40 thousand dollars in 2016 but did not grant any political favors (Kim H.-j. , 2018).

In addition, former President Lee Myung-bak was convicted of committing bribery during his presidency. However, Lee Myung-bak stated that these accusations were politically motivated and revenge from President Moon for his accusations against President Roh Moo-hyun (Haas, 2018). Lastly, President Moon's confidant was accused in January 2019 for rigging a large number of comments on online news articles that may have had an effect in pulling votes for President Moon during the 2017 election process (Yonhap News Agency, 2019). This event continues the trend of President's confidants having some sort of scandal that has impacted the legitimacy and efforts that the president has championed for in regards to anti-corruption.

With Lee Myung-bak's recent punishment, Moon Jae-in has been accused of participating in activities that "continued negative partisan feelings" and not being as hard against corruption and Chaebols as he said that he would be during his presidency (Kim H.-A. , 2018). Like Presidents before him, he has replaced former leadership with

people who believed in his beliefs and has led reform efforts that included the arrest of former top officials during the Park Presidency.

President Moon Jae-in has also been accused of being friendlier to Chaebols as a result of working to fix the slowing job market and the Korean economy. President Moon has been pushing corporate-friendly policies rather than his former worker-friendly stance in addition to pushing for deregulation of new businesses. It is also notable that Minister of Strategy and Finance Kim Dong-yeon has met with various Chaebol companies that led to the revealing of investment plans and the creation of jobs worth around 310 billion dollars (Kim H.-A. , 2018). This brings up a question: how were the Chaebols persuaded to make these investments?

Denyer (2018) cited Seoul University Professor Park Sangin to explain why President Moon has been reluctant to move against Chaebols. “The Chaebols are simply too powerful, with their influence spreading deeply into parliament, the judiciary, the media, and academia, he said. Challenging the Chaebols risks ‘the possibility of sabotage’ against Moon’s leadership” (Denyer, 2018). Denyer also notes that while previous presidents Park Geun-hye and Lee Myung-bak were sentenced to 24 and 15 years for corruption, respectively, Samsung heir Lee Jae-yong and Lotte’s Shin Gong-bin were released after 1 year and 8 months, respectively, for corruption charges. When looking at Lee Jae-yong’s release, the appeals court had suspended his sentence from five years as the bribes that he had offered to Park were much smaller at 3.6 million dollars instead of 27 million dollars (Choe & Zhong, 2018). Choe and Zhong note that this is not the first time that Samsung’s leaders have been not punished for their corruption. Lee Jae-yong’s

father Lee Kun-hee was charged twice with bribery but did not spend even a day in prison. Lee Jae-yong would later join President's Moon's entourage to North Korea as one of the business representatives.

Looking through history, current events and reform attempts, the implementation of the corruption reform movement, there has been a trend of powerful Chaebols, ineffective reform and slow change (if there is any). The Improper Solicitation and Graft Act was not the first and probably will not be the last attempt at reform. Although a good attempt, David Lee (2016) stated that the law was very vague and did not fix the problem of corruption and graft in South Korea. What South Korea needed was better reinforcement of existing laws and not just more laws that prevented certain actions (Lee D. S., 2016).

In fact when looking at the enforcement of just the Improper Solicitation and Graft Act in 2017, "there were 4,052 reported offenses in the 10 months through July this year … Fines were imposed in 29 cases, and 11 led to prosecution and criminal penalties" (The Straits Times, 2017). Although the gift-giving culture has been influenced by the implementation of the law, the underlying problem of power imbalances has not been addressed. Continual Corruption trends have continued from different South Korean presidencies to another's in regards to corrupted activities with the administrations, political cleansing, and continued power of the Chaebol leaders.

Section 4: Conclusion

Korean society, government, and business have been focused on success for the past 70 years. The drive for success has brought Korea from a war-torn third world country to one of the richest and industrialized countries around the world. However, that success has also had hidden consequences from the perception of corruption being high among the Korean Population, the lives damaged by the collusion of government and business leaders and the general mistrust of the Korean Population of the Korean government, public figures, police, and in some cases the media.

The problem with corruption in South Korea is not the perception that corruption is declining, shown by the recent increase in scores. The fact is that different parties within the exchange of corrupt activities are being punished with different measures and different levels of severity. Korean politicians and other public figures are often faced with longer prison sentences, such as the former president Park Geun-hye when compared to the businessmen, such as Samsung Lee Jae-yong. As a result, the perception can linger that the party in power is using its influence to jail its opponents due to party politics or revenge while playing friendly with the Chaebol powers due to their "importance".

In fact, the release of Lee Jae-yong "reaffirmed a pattern South Koreans have fought for decades to break: Business tycoons convicted of corruption here hardly spend any time behind bars" (Choe & Zhong, Samsung Heir Freed, to Dismay of South Korea's Anti-Corruption Campaigners, 2018). The real problem that faces South Korea is not the smaller acts of corruption that come from the traditions of Gift Giving and Confucianism

beliefs, which has shown some success after the passing of the Anti-Graft Act. It is the acts of big businesses that are given a free pass to act in ways that are deemed to be corrupt.

In Samsung's case, Choe and Zhong state that Samsung, as the major Chaebol powerhouse and success story, is portrayed to be untouchable and essential for the economic success of the country as a whole. In fact, Choe and Zhong note that the company is described to be "a menace with unbridled power" in South Korea (Choe & Zhong, Samsung Heir Freed, to Dismay of South Korea's Anti-Corruption Campaigners, 2018). However, Samsung is not the only company that is given a free pass. Often times, the famous Chaebol leaders are cleared or given pardon of their crimes. As a result, a question lingers within the country; will the Chaebols ever be punished for their crimes or will they just get away?

With the government's mission to be more transparent and accountable, the protection of Chaebols is a clear mark against them. With the mistrust that Korean citizens have on the Chaebols, the police, the judicial branch of the government and the Korean government as a whole, the release of Chaebols from punishment, and the continued reliance of the government on Chaebols have raised the issue whether the Korean government will actually attempt to create a fairer economy in South Korea. Denyer notes that Moon has placed emphasis on the relationship with North Korea, and reform of the economy has been placed on the back burner (Denyer, 2018). The Chaebols are simply too powerful, too influential and needed by politicians to stay in power and have control over all the other parties. As a result, reform against the Chaebols can be

considered to be impossible to enforce despite the waves of discontent among the general public in South Korea.

There have been some moves to start the process of reforming the Chaebols. The Fair Trade Commission Chairman Kim Sang-jo was put into the government power due to his nickname as the "Chaebol sniper" and his outspoken criticism of abuses by big business. Kim Sang-jo recently stated that Chaebol families should bring in professional management to handle day-to-day operation as the newest generation has lost the innovative spirit that previous generations had (Kim & Sotaro, 2019). The Chaebol reform, according to Kim Sang-jo, must be made "predictable and sustainable" with the goal being to "create a level playing field by blocking the Chaebol from conducting illegal financial transactions aimed at maintaining family control and favoring subsidiaries over outside contractor" (Kim & Sotaro, 2019). Kim Sang-Jo, according to Denyer, is critiqued for his decreased outspokenness against Chaebol and current mindset that they are "the core of our nation's competitive power" (Denyer, 2018).

With each new election, Chaebol reform and as a result, anti-corruption efforts are always an important aspect of discourse when electing a new president. President Moon Jae-in gained the trust of the general public due to his anti-corruption message and his desire for Chaebol reform in South Korea. However, these presidents have been relatively unsuccessful, as their administrations have seen corruption scandals and many of the presidents, during or after their presidency, have been jailed or family members have been jailed.

So that begs the question whether the government is the right organization to attempt to reform Chaebol's power and if there is any potential way to reform Chaebols so that they have less power over the economy, government, and the courts. Moon Jae-in, due to the necessity of Chaebols in stimulating growth through investment, has called for the National Pension Service to be more active in controlling Chaebols through their shareholder power and starting reform through the inside (Kim J. , 2019). However, this action has critics as the government could gain more control over the decisions of big business, limiting capitalism and decision making.

Corruption is seen to be a tough issue to solve around the world and as humans, there will be no country in the world where corruption will not be eradicated. However, in South Korea, Chaebols have gained power over the economy and government through the years after the Korean War and they have pushed their influence and grown more powerful than the government in some aspects. Chaebols are seen to be above the law and their perceived corrupt actions are never fully punished for their perceived corrupt actions, as seen in many examples.

The corruption laws have impacted Korean society and the newest Anti-Graft Law has started certain changes in Korean cultural traditions that have led to corrupted tendencies. Teachers, who used to receive presents from parents, are no longer allowed to receive even a flower from their students. There are limits to the money given during weddings and other celebrations. There is a greater microscope on the practices of reporters and government workers. However, the traditions of gift giving are still present

as gift boxes during the Chuseok Holidays are still popular. There has been an increase in demand for cheaper boxes that are priced according to the law.

However, the true problem of a small group of powerful families having a great deal of economic and political power will not be resolved unless there are reforms with the Chaebol Families and a reduction in power that the Chaebol families have over the government and judicial branch. Mistrust of the public of the judicial branch and the government is a powerful indicator that there continues to be a power imbalance and a lack of government investment in reforming the Chaebol. The lack of Chaebol reforms demonstrates a fear of the consequences of damaging a deeply embedded relationship between business and government in South Korea. There are even some commentators stating that celebrity scandals are a way for higher-in-status individuals, such as business leaders and politicians, to mask their own crimes, bad business decisions, and other unfavorable news outlets.

Top Executives within Chaebol Companies are given lesser punishments than their political counterparts for the same crime due to the power of these Chaebol companies over the economy and the political sphere, the deep interconnection between government and business and the mindset that the Chaebol companies are essential for the health and the growth of the Korean government. As a result, the deep seeded and adverse party struggles (and acts or retribution) and the fear of loss of power for the party gives power for the Chaebol companies and politicians to fear the loss of connections. The corruption reforms were beneficial in reducing corrupt behaviors of individuals. However, the relationship between the government and Chaebols are still going strong,

leading to opportunities for abuse of power among the Chaebols and the government allowing these actions to occur.

To reform the actual system of corruption that exists between the government and the Chaebol companies, there must be a difference instance of the importance of the South Korean Chaebol Companies in regards to the economy, a reduce in deep-rooted power that the Chaebols have over different branches of the South Korean government, less influence of businesses on the media and the spread of information, less governmental and Chaebol influence on organizations such as the police and a joining of ideals between the different political parties in terms of Chaebol companies.

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