SOUTH KOREAN DEMOCRACY AT STAKE:
HOW CLOSE STATE-BUSINESS RELATIONS INHIBIT DEMOCRATIC DEVELOPMENT

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ABSTRACT

As South Korea is considered a bastion of democracy in Asia, it is important to understand not just the country’s accomplishments, but the limitations of its system as well. In light of the impeachment of former President Park Geun-hye, this paper examines the robustness of South Korean democracy through an analysis of state-business relations. While many in the media consider this event to be an indication of democratic development, an analysis of policy-making processes in two key policy fields related to chaebol interests – labor reform and nuclear energy – suggests that the close state-business relations characteristic of South Korea’s authoritarian era are not only still in play today, but have a significant influence on policy outcomes. The first case, President Moon Jae-in’s labor reform policy, deals with labor reform movements and Moon’s so-called “populist” pledges, while the second case, Moon’s nuclear energy policy, addresses his reversal of policy after the creation of a deliberative committee dedicated to the policy issue. This study seeks to contextualize recent events into a broader historical pattern by focusing on how the evolution of state-business relations in each respective policy field in the past half-century can help us to identity core interests and patterns of the state, conglomerates, and society groups, among other major actors. Although recent events point to widening cracks in state-business relations, it is nevertheless too early to herald the advent of a new stage in South Korean democratic evolution; chaebol influence remains ubiquitous, and the strategies of influence they employ are adapting.
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Introduction

Ever since the 2017 impeachment of former president Park Geun-hye, it is a popular trend in both the South Korean and U.S. media to ascribe the recent and seemingly momentous changes in South Korea’s political landscape to the success of the country’s now “matured” democracy, with journalists proclaiming that the corruption scandal and its associated populist backlash indicate the coming-of-age of a young democracy.¹ Despite the country’s 1987 transition to democracy, never before would the impeachment of a president, the jailing of a conglomerate boss like de-facto Samsung chairman Lee Jae-young, or such a crackdown on corruption have been considered possible. Inherent in these claims about the recent South Korean popular movement is the assumption that the government, long beholden to special interests like chaebol - South Korea’s family-run business conglomerates - and other holdovers from the country’s authoritarian past, is now evolving to become more democratic and citizen-responsive. It is necessary to question whether the use of phrases like “populism” or “deliberative democracy,” which are often broadly and somewhat haphazardly applied in these mainstream media discussions to describe this so-called evolution, are being properly utilized and understood. As a relatively recent topic, scholarly research on the present state of South Korea’s democracy is fairly limited; however, there is a plethora of research dealing with democratic processes that would seem to disprove the notion that popular movements alone have ever been responsible for major political change in South Korea. Instead, the literature supports the idea that changes in the South Korean regime and its governmental strategies requires the convergence of numerous external and domestic factors in addition to such expressions of popular will like the candlelight protests that preceded Park’s ousting.² In fact, despite several

¹ “South Korea’s Moment of Truth,” The New York Times, April 19, 2017
popular democratization movements - such as the Chang Myon government in 1960-61, various democracy movements in the 1970s, and the “Spring of Seoul” movement in 1980 - it took South Korea forty years to finally make the transition to democracy in 1987. The country has ever since been engaged in a never-ending process of renegotiating and consolidating its democratic system of government. Factors other than popular movements, like the international and geopolitical environment, conglomerate interests, institutional design, and the interests of other major actors, must align in order for political change to be feasible.

This paper focuses in on state-business relations and the role of chaebol in recent government policies that have been heralded as achievements made possible by the “will of the people.” An analysis of such claims is necessary because although the mainstream media may accredit these policies to the “evolving” nature of South Korean democracy, the strength of its institutions, and popular sovereignty, there is evidence to suggest that South Korea has not successfully consolidated its democracy and is in fact in danger of democratic deconsolidation. Cross-national rankings from the Varieties of Democracy dataset classify South Korea’s democratic authenticity, quality, and depth as “low.” It is unclear the extent to which the popular movements of recent years have successfully reversed this trend, and whether freedom of expression and the liberal, participatory, and deliberative qualities of South Korea’s democracy are on their way back up. There is little indication that significant structural changes have been made as a result, and in particular, whether these movements have started to make a dent in the country’s entrenched state-business relations.

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3 Kim, J. (2016)
Research Design

This research paper attempts to address this puzzle by analyzing journalistic accounts of recent events through the lens of decades of scholarly research on state-business relations in South Korea. Two case studies are addressed: current president Moon Jae-in’s labor reform and nuclear energy policies. These two cases are particularly relevant because they both address areas in which conglomerate interests have long dominated government policy, and in which the current administration is attempting serious reform with significant popular backing. Moon’s administration has found itself facing serious obstacles to implementing its reform. Through an analysis of these obstacles as they relate to the enduring legacy of close state-business relations, this paper attempts to dispute claims that South Korea’s democracy has witnessed a turning point, and that the cases used to back up those claims are, in fact, not the result of serious structural transformation but of pervasive conglomerate interests operating within a system largely similar to before.

There can be no denying that South Korea is in the midst of political change; however, the significance and direction of this change needs to be clarified lest the focus on popular sovereignty distracts from the lack of serious structural and institutional reform needed to break state-business collusion and the economic domination of chaebol. As such, this study endeavors to contextualize recent events into a broader historical pattern by focusing on two cases of recent policy issues related to the interests of large business conglomerates. The first case, Moon’s labor reform policy, deals with expressions of popular sovereignty through labor reform movements, and Moon’s so-called “populist” pledges; the second case, Moon’s nuclear energy policy, addresses Moon’s reversal of policy through his creation of a deliberative committee. For each of these case studies, I will detail the evolution of state-business relations in that policy.
field over the past half-century, and will identify core interests and patterns of the state, conglomerates, and society groups, among other major actors. I will wrap up each case study by examining the recent issue at hand and analyzing it in terms of the theoretical concepts laid out in the following theoretical section.

**Theoretical Concepts: Populism and Deliberative Democracy**

Before taking a look at the issues of labor reform and nuclear energy policy, we need to establish a working definition of both populism and deliberative democracy. These two concepts are addressed in detail in this paper because they are two terms that are commonly used today in the mainstream media to explain or refer to the apparent “evolution” or “maturing” of South Korean democracy. It is therefore necessary to ask what these terms actually mean, and whether the events of the past couple years as well as those taking place today can actually be characterized as such.

**Populism**

Populism, or populist politics, is a term without a set academic definition, and can be interpreted in a variety of ways; there is an entire subfield to the study of populism that is devoted to trying to define it. The fact that it is used so broadly in the mainstream media is perhaps a reflection of the unsettled state of the term in scholarship. Populism is usually defined in contrast to elitism or “others,” which are commonly depicted as depriving the sovereign people, as however defined by each movement, of their rights, values, or prosperity in one way or another. Examples of this include the populism of North American farmers in their opposition to financial and monopolistic dynamics, the various populisms of Latin America and the resistance of the peasant mentality in a new urban context, emerging European populism as a
backlash against new demographic patterns, and more. South Korean popular movements follow this pattern as well: the massive public backlash against former president Park following revelations of a political scandal involving Park’s undisclosed links to her close advisor and shaman leader Choi Soon-sil, as well as a massive corruption scandal in which Park extorted roughly US$774 million from various chaebol through the establishment of two charitable foundations, indicated wide discontent with pervasive political corruption. The subsequent protests, which drew a total of over 1.5 million people, the impeachment and arrest of Park, and the jailing of the Samsung heir Lee Jae-young on related charges, reflect a deep opposition to overwhelming chaebol influence and the enduring model of state-business collusion from the days of the country’s developmental state.

Populism is often used with either a highly positive or negative connotation, but it is a neutral term that can be either a threat or a corrective to democracy depending on circumstances. On one hand, it can be a threat if it provokes hyperbolic and divisive political debates and proposes overly simplistic solutions to complex issues. It can be a corrective when it works as a warning sign to parties and politicians that they need to revisit their approaches to governance and to political representation. Populism, perhaps more than other theoretical concepts due to its ambiguous nature, must be considered in a geographic and social context because its specific traits are determined by the context in which it manifests itself, whether that be through social movements, political or institutional change, ideological beliefs, demagoguery, or others. Populism is often driven by a deep sense of political alienation or disaffection, and especially by crises of political intermediation in which societal actors cannot find meaningful avenues through which to address their grievances or to affect change. However, rather than simply being

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4 Anselmi (2018), Bell (1992)
5 Chwalisz (2015)
a phenomenon of protest or reaction, populism should be understood as a special social configuration of political power based on a direct social expression of popular sovereignty.

When studying cases of populist politics, it is imperative to look beyond protests themselves and to consider the social and political paradigms in which decisions of import are being made. It is therefore questionable, in the case of South Korea, that the recent popular movement against Park and chaebol can be interpreted as populism; despite the movement’s identity clearly being defined in opposition to elitism and its widespread support across several sectors of society, the social configuration of political power has seen little change. As an oppositional concept, populism needs to be considered in relation to the system that it is attacking or that preceded it. It is for this exact reason that the examples of so-called populist politics we see today must be considered in relation to the power dynamics of government, and in particular, in relation to the legacy of how close state-business ties affect institution structures and state corporatism. In the case of South Korea, it is clear what the recent movement is opposing; it is less clear whether this opposition has or will alter existing power dynamics. By some definitions, South Korea has seen a surge in populist politics in the past few years; by others, the recent movement simply indicates that South Koreans strongly distrust their leaders and institutions and have relied on protest over other forms of democratic action throughout their modern history because of political dysfunction. In fact, if protest culture in South Korea is simply the result of a long-standing lack of institutional mediation between citizens and government, then “populism” can perhaps be considered a mainstay in South Korea at the very least since the failure of the first democratization movement in the early 1960s. The question then becomes, when can a widespread social movement based on a pessimism about the elites’ ability to make decisions for the people affected be considered “populist”? If we consider
populism to be popular sovereignty as shaped by expressions of popular will, or a society’s optimism about the people’s ability to handle their own affairs, then South Korea can be considered an example of emerging populist politics. However, a change in administration, although it reflects a change in policy orientations, is hardly indicative of the deep structural reforms needed to rewrite South Korean power dynamics. If we consider populism to be a social and political paradigm in which popular will actually influences policy outcomes, it is less clear whether the movement to oust Park and chaebol can be considered populist, given the fact that chaebol influence remains ubiquitous in political affairs.

**Deliberative Democracy**

The other term being bandied about by the media these days in reference to South Korea’s democratic evolution is deliberative democracy. Deliberative democracy, put simply, is a way of conceptualizing how democratic societies could alternatively go about collective decision-making. It occurs when the collective decision-making process is based on deliberation rather than on voting or representation. “Deliberative democracy,” similar in concept to participatory democracy, is itself a non-achievable ideal like the concept of a full democracy, but democratic societies can move toward more deliberative methods of governance in the form of policy juries, negotiated rulemaking, referendums, and protests or social movements. Deliberative democracy can also be conceived of as the communicative process of opinion formation that precedes voting. Like populism, which has no commonly accepted definition, deliberative democratic theory is difficult to define. The concept is in its “working theory” stage, as it has moved past the “theoretical statement” stage and is now being applied in a number of areas. However, unlike populism, which is more about social expressions of popular sovereignty

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6 Chappell (2012)
7 Chambers (2003)
and the related configuration of political power, deliberative democracy is more about institutional structure and the ways in which collective decision-making is allowed to occur. Deliberative democracy is a method through which leaders legitimize their policies through public participation and by bringing the ethics and rationality of deliberation to the public sphere. Rather than simply discovering all the facts of the situation, deliberation in this context is conducted with the intent for citizens to redefine mutually acceptable parameters of choice, and is intrinsically desirable because of the attitudes of fairness and respect embedded into the process. A democracy would therefore have good reason to accept the results of such a genuinely free and fair deliberation.8

However, deliberative governance has not been a real issue in South Korean public administration until quite recently, when a number of South Korean researchers devoted particular attention to the issue as a means of conflict management and dispute resolution given increasing political bipolarization. The beginning of deliberative governance in South Korea can be seen in local governmental policy-making. Most notable are efforts by the Seoul Metropolitan Government and the Gwangju Metropolitan Government to introduce, apply, and practice deliberative governance in the public sector.9 Practical applications of deliberative democracy include consensus building, legitimating public policy choices through collective decision-making, and citizen empowerment. The extent to which deliberative democratic practices can actually be institutionalized and practiced properly, however, is seriously questioned by scholars of democratic theory. Conceptions of “fairness” and “respect,” which are integral to the process of deliberation, are difficult to achieve and are in fact desirable only insofar as they contribute to either the realization of necessary moral imperatives, which are

9 Park, Kim, and Rosenbloom (2016)
socially defined, or to social stability.\textsuperscript{10} In a system like South Korea, where political and economic power is so heavily skewed in favor of \textit{chaebol}, it is difficult to image a situation in which deliberative democratic processes could be instituted without accompanying society-wide reforms in political and economic institutions. Although there are examples of attempts that have been made on the local level to institute such deliberative practices, there have been no such efforts in national policy-making, with the exception of nuclear energy policy, which will be addressed in a later section. Deliberative democracy, on the whole, is as unrealistic as rational-choice models of democracy. The main appeal of deliberative processes then, lies in public perception, transparency, and political legitimacy - all of which are issues in South Korean politics today. Critics of deliberative democracy argue that deliberation is impossible when special interests rule and power imbalances oppress the weak, but there are contexts in which it can work.\textsuperscript{11} Whether it is possible on a national level in South Korea, as Moon has attempted with his deliberative committee on nuclear energy policy, remains to be seen.

\textbf{State-Business Relations in South Korea}

Since the establishment of the Republic of Korea in 1948, several massive conglomerates have dominated the country’s political and economic spheres. South Korea’s developmental state, and in particular, its system of \textit{chaebol} concentration, originated from a conditional and geopolitical context in which political leaders were highly constrained. In order to meet the country’s political and economic challenges and maintain state viability, the South Korean government engaged in institution-building across various stages of development from the early 1950s to the 1970s. The result was a significant centralization of political power, an increase in

\textsuperscript{10} Gunn (2014)
\textsuperscript{11} Elstub and McLaverty (2014)
bureaucratic cohesion, and the expansion of state links to large business groups. Authoritarian regimes were able to pursue politically sensitive economic policies because of their ability to control interest groups’ access to government, as well as to restrict political organization and the freedom of speech. When GNP per capita tripled in less than two decades in the late 1970s and early 1980s, South Korea moved away from an emphasis on labor-intensive manufacturers in order to expand heavy and chemical industries. Rather than using the more orthodox Economic Planning Board to formulate and implement this transformation, planning at this time was highly centralized in the Blue House (South Korea’s equivalent of the White House) and in the Ministry of Commerce and Industry because then-president Park Chung-hee linked the heavy industry development plan to national security objectives. By 1980, the top fifty chaebol accounted for 49 percent of the GDP, 24 percent of total sales, and over half of the country’s total exports.\(^\text{12}\) Under a centralized leadership and a weak judiciary, successive South Korean administrations promoted industrial concentration at the expense of small- and medium-sized enterprises (SMEs) in the name of economic modernization under a developmental state model; because of this protection, chaebol became economically and politically powerful. The entrenched system of state and business collusion was formed as such, in which chaebol gave political support to the ruling party in return for favorable treatment. At the same time, politicians could maintain their political positions due to large political funds and the legitimacy associated with the achievement of economic growth led by chaebol.

The country’s 1987 democratization paralleled the need for more open domestic markets in the face of increasing competition in international markets; in other words, a new international environment required a level of transparency, accountability, openness, and competition that the

\(^\text{12}\) Haggard and Moon (1990)
developmental state could not provide. The 1997 Asian Financial Crisis also upended much of the previous economic model as the South Korean public lost faith and demanded reforms. The goal of South Korea’s financial and corporate restructuring during this period was to replace the state-governed market structure with more market-oriented policies, leading to practices more in line with good governance, liberalization, and deregulation. However, there is still significant skepticism about the openness and regulatory consistency of the South Korean government despite the success of these post-crisis reforms. Many chaebol reform efforts therefore originated in this post-crisis period, although they have not resulted in levels of transparency and accountability on par with global best practice.¹³

The institutional characteristics of government have influenced the direction of South Korea’s economic policy, and as a result, the long-standing government-business model continues to exist today. The cooperative relationship between the South Korean government and chaebol has been accredited with the country’s rapid economic growth and historic transformation into the 11th largest economy in the world. According to the Korea Fair Trade Commission (KFTC), chaebol were responsible for about two-thirds of South Korea’s total exports in the 21st century, and by the end of Park’s rule as president in 2016, Samsung alone comprised approximately one-fourth of South Korea’s total GDP.

However, the symbiotic nature of state-business relations has led to the formation of monopolies and the concentration of capital in the hands of a few, but immensely influential economic behemoths and consequently, has resulted in widespread political corruption and economic injustice. South Korea is no longer a developing country and cannot rely on the institutional structures left by the developmental state model to continue to create growth. In fact,

¹³ Uttam (2014)
GDP growth has slowed from 6 percent in 2010 to 2-3 percent annually from 2012 to 2016, and stands at 1.1 percent for the first quarter of 2018.\textsuperscript{14} The country’s relatively good macroeconomic numbers, such as the low overall unemployment rate, masks problems with high youth unemployment, low worker productivity, high labor underutilization, and low female participation in the workforce. Attempts by the government to implement structural reforms is still met with significant headwind from vested interests. \textit{Chaebol}, of course, have relatively little incentive to go along with government attempts at reform under the current economic structure. Moving toward a more transparent and open market-based economy could potentially derail \textit{chaebol}’s ability to win favorable contracts and to use their political and social influence to earn more than what would have been received under a competitive market. Government efforts to deregulate, increase enforcement on large conglomerates, and promote SMEs are part of an attempt to do away with state-protected \textit{chaebol} profits and provide a more balanced playing field that does not rely entirely on monopolistic markets. The persistence of \textit{chaebol} monopolies in certain industries is, from the government’s point of view, inefficient and growth-reducing. In order to induce \textit{chaebol}, whose influence and power depends heavily on corruption, clientelism, and strong ties to politicians, Moon’s administration is attempting to strengthen government enforcement by going after \textit{chaebol} bosses. Despite this, South Korea is still struggling with the fact that its political and economic institutions weren’t necessarily built to maximize total wealth or social welfare, but to promote economic development and advantage \textit{chaebol}, who today benefit at the expense of society.

Although South Korea’s executive is more restricted and the legislature and courts stronger under its current democratic regime, every new administration, in response to the

\textsuperscript{14} “South Korea GDP Growth Rate,” \textit{Trading Economics}, 2018
demands of interest groups, has initially sought but ultimately failed to address the situation of *chaebol* economic domination. Economic growth forms the basis of political support for the government, and politicians need donations to win elections; within such a paradigm, politicians have long accepted that they have no choice but to depend on *chaebol* to achieve economic development goals. Current president Moon’s strategy toward overcoming *chaebol* pressure is just starting to form. He has promised to shift away from the *chaebol*-focused growth model and instead focus on maintaining long-term economic growth by improving competitiveness, the development of small- and medium-sized enterprises, as well as by accelerating *chaebol* reform. Enforcement of fair-competition rules and transparency of management have been strengthened under Moon, and he has appointed officials critical of *chaebol* domination to key policymaking positions. Moon appointed Kim Sang-jo, known as South Korea’s “antitrust tsar,” as the Fair Trade Commissioner, and has promised to end a long history of politically-motivated amnesties to convicted *chaebol* bosses. The KFTC regulates monopolies and upholds consumer rights, and Kim is set to double penalty fees for businesses who break fair trade rules and has already criminalized non-compliance with KFTC investigations.

Moon’s enforcement crackdown on *chaebol* is meant to invite “voluntary” reform, which is not an implausible expectation given the fact that large conglomerates are looking for ways to increase shareholder returns in an era when Chinese competition and investors are taking more and more of the profits - one way to accomplish this would be by simplifying corporate structures. It is unclear at this point, however, whether political and public fervor for reform will persist over *chaebol*’s political, media, judicial, and academic influence. If the country’s economic fortunes start to dwindle, it may put pressure on Moon to release *chaebol* heads from
prison and back off on tough enforcement. It is also unclear whether chaebol will be willing to make concessions in exchange for Moon agreeing to ease up on enforcement.

On the legislative side, Moon faces impediments to reform as his Democratic Party has only 120 of the total 300 seats in parliament, thus lacking the three-fifths majority necessary to pass legislation unilaterally. Therefore, parliamentary opposition including the conservative Liberty Korea Party could hinder Moon’s policy goals. Nevertheless, in this current situation, public pressure to pass laws on chaebol reform will likely play an important role as Park’s recent impeachment continues to fuel civilian activism and involvement in government affairs. Another more serious obstacle is that carrying out chaebol reform cannot be a win-win situation for all parties involved. Although SMEs will gain more open and fair business opportunities through chaebol reform, such reform will harm the chaebols’ privileged access to government loans and preferential treatment. Hence, chaebol are not expected to willing to agree to this style of reform. Furthermore, politicians may be reluctant to commit to reform that might make chaebols worse off because they themselves might lose political power without donations from these chaebols groups.

Moon’s election is widely considered to have been a turning point in South Korean democracy, as it resulted from an historic impeachment prompted by widespread popular protests. His “populist” policies, as they are often referred to in the media, are seen as a reflection of popular will and consensus. These sorts of analyses appearing in the news and other non-scholarly sources mask the continuing influence of the many other factors in play – namely, the enduring legacy of close state-business relations and the role of major industry interests in determining actual policy outcomes.
Case #1: Labor Reform

Case Background

The rise of organized labor is a relatively new phenomenon in South Korea. It has grown significantly since the 1987 watershed moment when the country democratized, in both quantitative and qualitative terms. Many new and powerful unions have been formed at larger chaebol, while managerial power to interfere with union affairs at most factories has diminished considerably. The ascendance of labor in South Korea is closely related to the political transition to democracy in the post-1987 period. Democratization did not automatically expand South Korean workers' rights and organizational base; until the late 1990s, the nature of the transition was primarily political rather than economic. While significant progress had occurred toward consolidating the institutional practices of liberal democracy, few adjustments had been made to allow workers to form effective national or industry-wide unions or permit unions to engage in political activities. Both the Roh Tae Woo and Kim Young Sam governments steadfastly refused to change laws and allow the formation of a new national union that could compete with the officially sanctioned Federation of Korean Trade Unions (FKTU). In particular, both governments took a very hostile stance against the Korean Trade Union Congress (KTUC), which was established in 1990 as the first national umbrella organization of independent unions. The KTUC was not authorized by the government and had to use most of its organizational resources to fight for its own recognition. Many of its leaders were jailed in the early 1990s for engaging in illegal union activities and the organization suffered a continuous loss of members as a result of intense government repression. Nevertheless, the political transition to democracy helped workers to retain much of the organizational advances they had made during the explosive period of labor militancy in 1987-88. Workers secured the freedom to organize
genuinely representative unions at the enterprise level and engage in collective bargaining over wages and other work conditions from a substantially stronger position than they had held before. The greatest gain was, of course, the legalization and institutionalization of trade unionism, although it had technically already been legally allowed.

Despite the achievements of successive labor movements, South Korean workers continue to be almost entirely excluded from the political arena. The post-1987 changes represented the modernization of South Korea’s industrial relations. As such, they placed a severe strain on South Korean capitalists, who were unprepared for such a sudden shift in labor relations. A critical element in South Korea's export-oriented industrialization from the early 1960s to the mid-1980s was the state's tight control of labor. The state did almost everything for business: it maintained extremely repressive labor laws to prohibit union activities, kept close surveillance over those suspected of causing a threat to "industrial peace," and did not hesitate to use a brutal police force to end worker protests. Such an interventionist and consistently pro-capital and anti-labor state policy led to the formation of a dependent bourgeoisie in South Korea. These capitalists had grown to be so in two ways: they were dependent on the state for the allocation of capital (cheap loans distributed by government-controlled banks) and investment opportunities, and they relied on the state for the political control over and manpower training of their labor force.

Given such ample state support, South Korea's business class was not required to develop its own strategy to deal with organized labor, nor did it have many occasions to acquire experience in collective bargaining with unions. It had long been accustomed to a patrimonial relationship with its employees and being able to make unilateral decisions about wage and

\[^{15}\text{Koo (2000)}\]
\[^{16}\text{Ibid.}\]
employment conditions. Imbued with a preindustrial hierarchical attitude toward their workers, many employers had even regarded it humiliating to sit down at the same table with worker representatives and negotiate with them on an equal basis. Thus, institutionalization and the routinization of union activities, as well as the existence of militant rank-and-file members in many large-scale firms inevitably posed a considerable threat to capitalists. During the labor militancy of 1987-88, the state withdrew for the first time from the industrial arena and proclaimed a neutral, hands-off policy toward labor relations, leaving businesses suddenly naked and unprotected in the face of furious labor offensives. Totally unprepared for such a situation, the enterprises had to give substantial concessions to aggressive labor demands.17

Economic conditions during this period were generally favorable for making such concessions. From 1986 to 1989, the South Korean economy benefited tremendously from the favorable conditions produced by the so-called "Three Lows" - low interest rates, low oil prices, and the low exchange rates of the yen to both the dollar and the won. South Korean firms made huge profits from booming exports and were in a relatively comfortable situation to buy industrial peace with big wage increases. The favorable external conditions ended by 1990 and the South Korean economy began to slide from then on. The increasingly competitive global economy of the 1990s revealed many structural problems in the domestic economy. Thus, from the early 1990s, chaebol tried to develop strategies to defend themselves against union offensives and enhance labor market flexibility. Their first response was to establish more effective organizations for themselves that would allowed them to coordinate their response to growing union power. In December 1989, one month before the formation of the KTUC, they established a national organization of managers, the National Council of Economic Organizations (NCEO).

17 Ibid.
In cooperation with another capitalist organization, the Korea Employers’ Association, the NCEO played an active role in orchestrating business responses to unions and developing policy recommendations for the government. The first major recommendation it made was the "no work, no pay" rule, an important measure intended to discourage participation in strike action rather than simply save unnecessary labor costs.\textsuperscript{18} Despite strong union resistance, the policy became institutionalized by the mid-1990s. At the same time, firms of all sizes sought to increase flexibility - large firms by hiring more temporary and part-time workers and by developing an expanded system of subcontract production, and small manufacturers by increasing the number of low-wage foreign workers on their payrolls. Though uneven in their effects, new managerial strategies had the significant combined impact of restraining labor power on the shop floor.

Increasingly, however, Korean employers found the legal framework ill-suited to labor market flexibly. The laws were quite restrictive and protective of labor with regard to redundancy and layoffs. Such labor laws were of little import when the economy was growing rapidly and the labor market was relatively tight. Even during a recession, the laws were of little consequence because workers lacked the power to protest layoffs. As a result, neither employers nor policy makers had paid much attention to labor market laws; rather, their attention was focused on those laws concerning the labor movement that would prevent the growth of independent unions and block their links to political opposition movements. Thus, because of the legacy of the labor regime developed under authoritarian rule, the South Korean legal structure for labor relations represents an odd mixture of restrictive laws concerning labor unions and collective actions and surprisingly pro-labor measures concerning job security and certain

\textsuperscript{18} Ibid., Fleckenstein and Lee (2017)
aspects of worker welfare. The government today remains hesitant to fully involve organized labor in policy-making.

**Case Description and Analysis**

Moon is facing pressure today from unions to follow through on his campaign pledge to enact significant changes in labor laws in the wake of the country’s stalled economy, including reversing some of the business-friendly policies of the past two conservative administrations. This is a case where social expression of popular sovereignty has made clear general will. The heart of the country’s labor reform challenge lies in its high rates of temporary employment, and a two-tier market which contributes to poor productivity and income inequality. In 2017, Moon played a balancing act between business opposition and a general strike led by the KCTU, which had its roots in a 2016 national strike of sixty thousand public sector workers inspired by the anti-Park candlelight uprising. Regardless of the popularity of labor demands, Moon is nevertheless facing substantial opposition from business lobbying groups worried about higher labor costs. So despite the election of a liberal president and the fall of the conservative party after the impeachment of former president Park, the legacy of heavy-handed government opposition to labor reform in South Korea could potentially mean increasing social conflict.

This is a case where both the so-called general public will and the interests of large industry conglomerates are clear, but whether these labor movements and Moon’s pro-labor policies can be considered populist, or have led to a new configuration of political power, is not. Based on the previous discussion on populism, long-standing attempts by labor and its current manifestation in the 2016 and 2017 general strike as well as Moon’s labor reform platform do exhibit some of the classic attributes of populism. For one, the identity and social movements of organized labor, which continues to struggle under a deeply unfair political and economic
configuration of power, is clearly defined in opposition to enduring chaebol economic concentration and associated ties with the state. The term “populism” is used with a highly positive connotation by those sympathizing with the labor movement, and with a highly negative connotation by conglomerate spokespeople attempting to denigrate Moon’s reform agenda. For the former, the labor movement is acting as a corrective to many of South Korea’s patently undemocratic practices; to the latter, Moon’s reforms and the demands of the labor movements are seen as promoting divisive partisan debate and proposing overly simplistic and unrealistic solutions. However, when populism is understood as a specific social configuration of political power, the efficacy of these labor movements and Moon’s related reform agenda leave much to be desired. There may be somewhat of a populist ideology in play, but without the accompanying political power, so-called “populist” demands of the labor movements in recent years cannot be considered a full populist movement.

**Case #2: Nuclear Energy Policy**

**Case Background**

South Korea initiated its nuclear activities in 1957 when it became a member of the International Atomic Energy Agency. The Atomic Energy Act of Korea - the basic law for the use and safety regulation of atomic energy - was based on the U.S. and Japanese systems and was enacted in 1958. When the Office of Atomic Energy was established in 1959, it was placed directly and solely under the oversight of the office of the president. At the same time, South Korea was preparing to launch a national nuclear power program. South Korea is a remarkable case because it was able to develop its nuclear industry in line with international standards within a relatively short period of time. The government initiated a number of programs to introduce
nuclear energy training and expertise to domestic companies, as well as to overcome the negative public image of nuclear energy due to the atomic bomb. The military-backed coup of 1961 quickly consolidated the three former regional electricity companies—Choson Electric Industries, Kyongsong Electric, and Namson Electric—into one national entity, the Korea Electric Company, which later became Korea Electric Power Corporation (KEPCO, now the Korea Hydro and Nuclear Power Corporation). KEPCO was delegated responsibility for the construction of nuclear power plants, generation and distribution of nuclear electricity, and all planning, financing, training, licensing, and management of foreign technical assistance related to the nuclear program. The government confirmed its long term plan for the country’s nuclear power program and invited bids for the construction of the first nuclear power plant (NPP) in 1968 (Kori-1), which allowed for the limited participation of domestic industries alongside loans from U.S. and U.K. commercial banks. Kori-2 and Wolsong-1, the second and third NPP contracts, were similarly financed in 1973 and 1974, with domestic industries participating only in the civil engineering aspect due to the inability of these domestic industries to assure the quality requirements of NPPs. For at least two decades, nuclear power production was intertwined with the allure of nuclear weapons, deterrence, and South Korean military strength. Nuclear power was also attached to visions of economic modernization and industrialization. With limited natural resources, key political leaders endorsed cooperation between industry and government and promoted advanced technology as a way to achieve economic growth and national sovereignty.

Once South Korea began developing its heavy and chemical industries, self-reliance in design, manufacturing, and construction were initiated and technology imitation began. In the

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19 Choi et al. (2009)
20 Sung and Hong (1999)
construction of Kori-3 and -4 starting in 1978, foreign main contractors had to work with local subcontractors under their supervision, which facilitated technology transfer and allowed local contractors to increase their expertise. South Korea’s new regulatory body, the Nuclear Safety Center, was established in 1981, and in 1985 the government moved forward with a self-reliance policy, under which responsibilities for nuclear energy were divided among domestic entities by KEPCO. By the time the 14th and 15th NPPs were being constructed (Ulchin 3 and 4), domestic entities were entirely responsible, with foreign suppliers acting as consultants. As previously mentioned, the South Korean nuclear industry was nurtured under a series of authoritarian leaders who prevented public dissent (sometimes violently), meaning objection to nuclear power was rare and, when it occurred, ineffective. To quell tides of discontent, leaders justified their actions by appealing to the importance of adopting technologies that could best help the populous escape poverty and provide the nation with enhanced defensive capabilities - appeals that persuaded most members of the public.\textsuperscript{21} The military dictatorships of Park Chung-hee and Chun Doo-hwan exerted strong autocratic control over the South Korean economy and society. Nuclear power was heralded for its capacity to wean the nation off imported oil and coal while concurrently sustaining South Korea’s seemingly insatiable demand for more energy. A dearth of natural resources created a strategic vulnerability for the nation that crystallized during the oil shocks of the 1970s. Since that time the government has treated energy security as synonymous with nuclear power expansion.\textsuperscript{22} Nuclear power was also embraced for its potential to signal a transition to the rest of the world that South Korea was moving from developing to developed nation, and from militarily weak to strong. In addition, nuclear power was endorsed due to its capacity to consolidate and extend state authority throughout the industrial economy. The parties

\textsuperscript{21} Lee (1993)
\textsuperscript{22} Kim and Byrne (1996)
involved in nuclear development shielded the program from public scrutiny and sought to bolster support through rhetorical appeals to modernization and technological development. It was not until the late 1980s and early 1990s that a moderately influential anti-nuclear movement emerged after 11 plants reported 193 accidents, a nuclear waste storage crisis became public knowledge, and local not-in-my-back-yard (NIMBY) opposition heightened against nuclear power plants.\(^{23}\)

Since the 2000s, South Korea has been pursuing a policy based on international cooperation in technology development, with South Korean firms participating in nuclear projects worldwide. As a result of high economic growth, total final energy consumption has increased in South Korea over nine-fold between 1971 and 2006, and electricity generation has increased over 40 times during the same period.\(^{24}\) However, while South Korea has successfully adopted and developed nuclear technology, it has been slow to establish a legal framework dealing with radioactive waste, and South Korea’s legal basis was only brought in line with international standards in the 1990s. Attempts to liberalize South Korea’s electricity market following the 1997 Asian Financial Crisis led to a 1999 electricity industry restructuring plan for a competitive electricity market. KEPCO’s power plants were broken down into a number of subsidiaries (GENCOs). The government then tried to privatize some GENCOs - the five generation companies in South Korea, which are all subsidiaries of KEPCO - in 2003 and 2004, but was unsuccessful. Today, the government still intends to privatize GENCOs and liberalize its electricity market, except in nuclear and hydro power.\(^{25}\)

South Korea therefore has shown a strong commitment to its nuclear program, not only for power generation but for use in other sectors and for boosting its export capabilities. The

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\(^{23}\) Lee (1999)  
\(^{24}\) IEA, 2006  
\(^{25}\) Sirin (2010)
energy industry has long been seen as vital to South Korea’s economic growth, and therefore was systematically guided by the state. Critically, the country was able to achieve self-reliance in a remarkably short period of time by integrating its nuclear policy with its economic development plans by reducing the financial risks and other various uncertainties by supporting investment in nuclear and by guaranteeing the debts of projects. Even today, private sector participation is encouraged but not considered distinct from state-led national development. Since the 1980s South Korea has come under increasing pressure to conform to neoliberal ideals and pursue structural adjustment; the industry, however, still remains significantly in the public sector. In 2011, the government proposed a plan to increase South Korea’s nuclear capacity from 40 to 56 percent by 2020, backed by favorable public opinion. The Fukushima disaster did not change the goals or speed of South Korea’s nuclear program with then-president Lee Myung-bak expressing his confidence in the safety and efficiency of the South Korean model. At the same time, Fukushima saw the rise of anti-nuclear movements, with conservatives in the pro-nuclear camp and liberals tending to emphasize nuclear energy’s potential risks. Moon, a liberal, included a campaign pledge in his 2017 presidential bid to block the construction of new nuclear plants and to focus instead on natural gas and renewables, as well as planning to decommission older NPPs at the end of their initial licenses, indicating a dramatic reversal of South Korea’s nuclear-centric energy policy.

Case Description and Analysis

Moon faced serious backlash in 2017 when he attempted to stall construction on two nuclear power plants (Shin Kori-5 and -6) as per his campaign promise of a nuclear phase-out. This backlash came from energy experts, economists, and workers who depend on this industry,

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26 Choi et al. (2009), Jasanoff and Kim (2013), Hong (2011)
27 Hong (2011)
but also from big businesses with vested interests in the whole nuclear infrastructure. Because of the backlash, Moon created a deliberative committee to examine South Korea’s nuclear energy policy and subsequently agreed to follow the committee’s recommendation to restart construction and essentially, abandon a nuclear phase-out. This case study is a clear example of an attempt to apply more deliberative decision-making, and is the first time that the South Korean government has adopted a so-called “deliberative democracy” approach to resolving divisive public issues through the participation of citizens on a national level. However, it’s unclear to what extent “deliberation” actually played a role, and to what extent industry interests were able to influence this process, including Moon’s decision to convene the committee in the first place. Even more significantly, this resort to deliberation may not be a sign of democratic evolution but rather, an indication that South Korea’s representative democracy is not functioning properly.

For many South Koreans, the desire to live as members of a strong and wealthy nation self-evidently implies that the state should oversee the entire life cycle of nuclear energy - which supplies more than 40 percent of the country’s total electricity needs through 25 nuclear reactors - from technological development, plant construction, operation and maintenance, and waste disposal. Arguably, national development efforts routinely take precedence over maintaining the presumed integrity of the public-private divide in the South Korean imagination. As such, environmentalists have not been able to persuade the public that the possible adverse consequences of nuclear power warrant slowing or shutting down this engine of the nation’s economy. However, public concern over democratic accountability led to the election of Moon, an anti-nuclear liberal.

29 Jasanoff and Kim (2013)
The development of South Korea’s nuclear energy program can be traced back to just a few factors - most notably, strong state involvement in guiding economic development, the centralization of national energy policy-making and planning, campaigns to link technological progress with national revitalization, the subordination of challenges to political authority, and low levels of civic activism. Nuclear energy development is also related to national security imperatives. It is thus understandable that South Korea is having difficulties moving past the traditional state-business model that shields nuclear energy policy-making from the public and concentrates political power in the hands of KEPCO. A number of obstacles to nuclear energy reform remain: the institutional setup prioritizes industry interests, which are monopolized by KEPCO; a history of low transparency in nuclear energy policy-making and strong repression of public opposition; and low civic interest.

Moon’s creation of this deliberative committee was met with both support and skepticism. For those who opposed Moon’s nuclear phase-out policy, the deliberative committee provided a new avenue through which their voices could be heard. For those who supported the policy however, the committee was a reflection of Moon’s inability to pass his nuclear energy agenda through the traditional avenues of representative democracy – namely, through the legislature, where his party does not hold the three-fifths majority needed to unilaterally pass legislation; the committee was therefore a political maneuver that allowed Moon to avoid blame for this failure. Deliberative democracy, as outlined in the previous theoretical section, is practically impossible to achieve, but instituting deliberative practices can bring benefits. For example, because the nuclear energy policy-making process has traditionally had low transparency, Moon’s attempt to bring transparency to an otherwise heavily screened field of

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30 Valentine and Sovacool (2010)
public policy in light of opposition to his policy agenda can be considered a step forward in creating a more citizen-responsive government regardless of his motivations for doing so; the fact that the recommendation of the committee to restart construction on the two stalled nuclear plants aligned with industry interests may or may not be significant. What is clear is that the traditional avenues available to the president are blocked because he does not have the three-fifths majority to pass his nuclear phase-out agenda through a legislature where the conservative party, a longtime proponent of close state-business relations, has mounted significant opposition on behalf of KEPCO and other industry interests, among other concerns.

**Conclusion**

As South Korea is generally considered a bastion of democracy in Asia, it is important to understand not just the country’s accomplishments, but the limitations of its system as well. Contemporary discussions of South Korean democratic practice and policy-making undersell the continuing influence of big conglomerate interests. Although recent events point to widening cracks in state-business relations, it is nevertheless too early to herald the advent of a new stage in South Korean democratic evolution; *chaebol* influence remains ubiquitous, and the strategies of influence they employ are adapting. Any discussion of contemporary democracy must address the notion of populism, as it is no longer a democratic extreme but in fact, a highly probable occurrence in democracies around the world today. One must also be wary of applying the word too broadly however, as it dilutes the power of the term to describe the specific mechanisms or ideologies of movements. Although there are populist overtones, the labor movements of the past couple years and Moon’s labor reform agenda cannot plausibly be considered populist because they both - as of yet - lack the necessary political power to affect real policy change. In addition,
Moon’s 2017 deliberative committee on nuclear energy policy cannot be considered a full-fledged deliberative operation because regardless of the committee’s recommendation, the actual policy outcome depends on the legislature. It is therefore too early to make the claim that populist politics or deliberative democracy, often upheld as examples of South Korea’s “maturing” democracy, have led to any significant change in the social configuration of political power or to a serious reversal in state-business relations. It is also perhaps too early to tell, since Moon’s term began only last year and there has been little progress beyond lofty rhetorical promises in the fields of labor reform. Nuclear energy policy, on the other hand, appears to have been settled for the time being following the conclusion of Moon’s deliberative committee; although all the details behind the formation of the committee are not yet known, it is clear that industry interests and the related polarization of political parties served as an overwhelming barrier to such a transformation of the country’s energy sector.

Further research is needed to fully understand the mechanisms of popular movements in South Korea, such as whether they are effective in some areas, like ousting political leaders, but not in others, like labor reform. More research needs to be done examining how the legacies of the developmental state relate to the weakness of South Korea’s party system as a mechanism for political mediation and the well-established practice of protest in the country. In addition, the broader study of populism largely relegates South Korea to the position of footnote; there have been no thorough studies done on the topic of the history of populism in South Korea. It is imperative for democratic theorists to incorporate the study of South Korean political and social movements into their analysis of populism and deliberative democracy in an effort to better understand these concepts and their theoretical parameters. As South Korea’s democracy faces increasing challenges as it deals with various authoritarian legacies, a changing international and
geopolitical environment, and inadequate institutions, scholarly analyses of the state of South Korean democracy must keep pace.
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