

**INTERNATIONAL POLITICAL ECONOMY OF  
KOREA: A STUDY OF POST FINANCIAL CRISIS  
INTEREST GROUP ARTICULATION**

*Dissertation submitted to Jawaharlal Nehru University  
in partial fulfillment for the requirements  
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**MASTER OF PHILOSOPHY**

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**DECLARATION**

I declare that the dissertation entitled “**International Political Economy of Korea: A Study of Post Financial Crisis Interest Group Articulation**” submitted by me in partial fulfilment of the requirements for the award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.

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## **ABBREVIATIONS**

- AMF-Asian Monetary Fund
- ASEAN -Association of" Southeast Asian Nations
- CCA- Christian Conference of Asia
- CCEJ-Citizen's Coalition for Economic Justice
- CCK-Christian council of Korea
- CPAJ-Catholic Priests Association for Justice
- DLP-Democratic Labour Party
- DPRK-Democratic People's Republic of Korea
- FDI-Foreign Direct Investment
- FKI-Federation of Korean Industries
- FKTU-Federation of Korean Trade Unions
- GKU- Green Korea United
- IMF- International Monetary Fund
- KCTU-Korean Confederation of Trade Unions
- KDI-Korea Development Institute
- KFEM-Korean Federation for Environmental Movements
- KFTU -Korea Federation of Trade Unions
- KTUC-Korean Trade Union Council
- MNC-Multinational Corporation
- MOCAT-Ministry of Culture and Tourism
- MOCT- Ministry of Construction and Transportation
- MOFAT- Ministry of Foreign Affairs and Trade

NCKK -National Council of Churches of Korea

NCC-National Council of Churches

NGO- Non Governmental Organizations

OECD -Organization for Economic Cooperation and Development

PCK-The Presbyterian Church of Korea

PROK-The Presbyterian Church in the Republic of Korea

PSPD-People's Solidarity for Participatory Democracy

WCC-World Council of churches

WTO-World Trade Organization

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## CHAPTER I

### INTRODUCTION

Republic Of Korea (Hereafter Korea) has a well established tradition of protest, resentment and rebellion. From *Tonghak* movement to *Kwangju* uprising to recent violent protests against World Trade Organization (WTO) and International Monetary Fund, Korean's resolve to gain and protect their freedom is evident<sup>1</sup>. However the brutal realities of international politics kept Korea in a state of semi- sovereignty, with the continuing presence of foreign troops within the national territory. The authoritarian rulers who ruled Korea for almost three decades till 1987, with brief period of exceptions in between, legitimized their rule by sighting the poor economic conditions and the security threats emanated from the Cold War situations. With the end of the Cold War and the democratization of Korea, Koreans hoped for the return of sovereignty as well as for an independent policy making progressively leading to normalization of relationship with North Korea and possibly ending up in the long awaited unification of homeland. But Koreans never knew what was in store for them. On October 1996 Korea entered into the OECD (Organization for Economic Cooperation and Development) group of advanced industrialized countries and Korean *chaebols* (corporate conglomerates) was in an expansion spree establishing subsidiaries in foreign territories, for Koreans every thing looked right, in spite of the depreciation of Yen and emerging competition from China which Koreans viewed as a short run phenomena. But the liberalization process which began before 1997 because of the pressure from United States, laid the trap for Korean economy ending up in the catastrophic financial crisis of 1997-1998. The IMF dictated restructuring programme followed by the crisis made Korean state weak , Korea learned in a hard way how ruthless International Capital can become in pursuing its interests . With the opening of Korean economy, as required by the IMF rescue package for Korea, to foreign multinationals Korean government began to rapidly lose its autonomy over economic policy making. By the beginning of 21<sup>st</sup> century foreign financial interests,

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<sup>1</sup> Zhengxu Wang, "Populist Protest in Democratization and the Case of South Korea," *Perspectives* 6, no.3 (September 30 2005), [http://www.oycf.org/Perspectives/30\\_09302005/3\\_Wang\\_PopulistProtestKorea.pdf](http://www.oycf.org/Perspectives/30_09302005/3_Wang_PopulistProtestKorea.pdf).



especially U.S interests became dominant player in Korean economy. Initially Koreans welcomed foreign MNCs because of the general public's discontent against the chaebols, and because of the propaganda from the part of Korean government that foreign MNCs investment are essential to rescue Korean economy. However later they realized the destructive effects of deregulated foreign direct investments. For instance " a survey conducted by the Korea Development Institute(KDI) in 1998, at the height of the regional financial crisis, found that 80.6 percent of South Koreans thought takeovers by foreign investors would help the economy. Later according to a survey released on April, 2005 by the Korean language newspaper *Munwha Ilbo*, 83.6 percent of South Koreans believe that local companies must be protected from takeover bids by foreign investors<sup>2</sup>."

The U.S based private equity funds made huge profits by snapping up assets during the financial crisis and selling them after the economy rebounded. Carlyle made a \$1 billion profit when it sold a 36.6 percent stake in KorAm Bank to Citigroup for \$2.7 billion on 2004. Newbridge Capital earned \$1.2 billion from its sale of Korea First Bank to Standard Chartered Bank in January, 2005 after holding it for five years. Lone Star bought and sold a 45-story building in Seoul, reportedly for a \$240 million profit. It also acquired a 51 percent stake in Korea Exchange Bank, the country's fifth-largest lender, in 2003 for \$1.2 billion. As on 2005 the stake valued more than \$2.5 billion. By the middle of 2005 foreign investors held 47 percent of the shares of the top 10 conglomerates in the country and 42 percent of the shares on the Korean stock market, compared with 9.1 percent in 1997<sup>3</sup>.

Korean public began to lose confidence in politicians because of corruption, incompetence and the failure to address the social distress and dominant presence of foreign interests on Korean soil. They increasingly turned towards civil society organizations and other interest groups, which flourished and became increasingly articulative during the post crisis period, to address their problems. Among the interest groups those groups which were liberal and advocated an independent policy making

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<sup>2</sup> Choe Sang-Hun," In Seoul, fears return of foreign investors," *International Herald Tribune*, Thursday, May 12, 2005, <http://www.ihf.com/>.

<sup>3</sup> Ibid.

came out as dominant in Korean polity. But almost three decades of right wing authoritarian rule and American influence established a strong conservative constituency in Korea. Groups emerged from this constituency advocated neo-liberal policies and Pro-American foreign policy. How the interplay between liberal and conservative interest groups articulation combined with the foreign interests which often found alliance with conservative interests are shaping Korean polity will make an interesting phenomena to study. In a wider context the study will be helpful to understand the impact of changes in international political economy and consequences of neo-liberal reforms on democratized Korea.

### **1.1. International Political Economic Context of the Study**

After facing a series of defeats of its once dominant industrial capital at the hands of international competitors in the 1970s and 1980s, mainly by Japan, American capitalism witnessed a profound set of transformations. Although the information and telecoms sectors have often been held up as the leading edge of the new American transnational capitalism, by far the most important structural transformation was that placing the financial sector in the lead. Transnational banks, investment banks, brokerage houses, insurance companies, and pensions and mutual funds have massively expanded their transnational activities since the 1980s and now dominate the huge expansion of the internationally open U.S. financial markets as well as their satellite financial markets in the city of London.

The American state vigorously backs this international expansion by American financial operators, demanding both the dismantling everywhere of capital controls and the complete freedom of entry and exit by U.S. financial operators along with national treatment for them. It also pushes for institutional arrangements on corporate governance, banking regulation, and stock market construction—all of which assure U.S. capitals' decisive local competitive advantages.

According to Clinton Doctrine, presented by Anthony Lake, then National security advisor “through out the Cold War, we contained a global threat to market democracies; now we can consolidate the victory of democracy and open markets. American foreign policy has entered a ‘noble phase’, with a ‘saintly glow’”<sup>4</sup>. It is striking that although the Clinton administration’s international economic policy which was seen as par excellence a policy prioritizing Wall Street’s interests and international expansion, the centrality of this orientation has been maintained by the Bush administration, even forming an important part of the National Security Strategy of September 2002 and being a central demand in the administration’s drive for the so-called Free Trade Agreements.

The ascendancy of the U.S. financial sector internationally is not inimical to the expansion of the nonfinancial U.S. corporations. Their expansion abroad has increasingly altered its form in the 1990s. They now expand abroad not so much by Greenfield investment in new productive assets but through mergers and acquisitions (M&As)—gobbling up other existing capitals and centralizing ownership in American hands. For instance in crisis hit Korea. Foreign acquisitions of domestic firms apparently accounted for the lion’s share of the record \$8.9 billion in foreign direct investment (FDI) inflows in 1998, an amount equal to more than one-third of the total for the previous thirty-five years. “A new record was set the following year, as an additional \$15.5 billion flowed into the country. These vulture investments have already resulted in a significant denationalization of South Korean capital. Perhaps the most important example is the South Korean auto industry, arguably the most productive sector in the region,<sup>5</sup>” which is passing into Western hands .Insofar as American commercial banks and investment banks gain central places within other financial systems, they can quickly acquire insight into the whole business structure of the economy concerned and can assist their American corporate clients to acquire openings for M&A activities in the country concerned.

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<sup>4</sup> Noam Chomsky, “Power in the Global Arena,” *New Left Review*, no.230 (Aug-Sept 1998):10.

<sup>5</sup> Martin Hart-Landsberg and Paul Burkett, “Economic Crisis and Restructuring in South Korea: Beyond the Free Market- Statist Debate,” *Critical Asian Studies* 33, no.3(2001):403-430, <http://taylorandfrancis.metapress.com/media/03x1mb08rh5kpic0hm2u/contributions/5/u/e/d/5uedcxxp8fn4nkhq.pdf>.

Here again the American state plays a central role in pressing other states to adopt corporate governance systems that are stock market based and oriented to “shareholder value” to ensure that hostile takeovers are possible.

In principle, this raises the possibility of opening up other capitalist systems, say in China and other growth centres in East and Southeast Asia, to the extent that American capital can in large part concentrate its efforts on acquiring the industrial and banking assets of these countries, profit from the pools of cheap labour in these centres, and abandon efforts to build up the domestic American industrial base. American finance and American rentiers could become the owners of and destinations of the value-creating labour of the East Asian working class.

In both Germany and Japan there has been strong resistance to these drives from the U.S. financial and nonfinancial corporate sectors. Both these centres remain predominantly industrial capitalisms in their most advanced sectors and resist having their industrial sectors chewed up in waves of American-led M&As. Resistance has proved much more difficult in weaker capitalisms or in states like South Korea that were hit by the East Asian financial crisis and then opened up by the U.S. Treasury. To elaborate, the American agenda to open Korean economy was contained in the "restructuring and reform measures" clauses of the IMF bail out agreement, “calling for accounting standards and disclosure rules to be strengthened to meet international practice and audit standards; acceleration of the schedule for allowing foreign entry into the Korean financial sector, including allowing foreign firms to establish bank subsidiaries and brokerage houses by mid-1998; liberalizing foreign investment in the Korean stock market, increasing the ceiling on aggregate foreign ownership in firms from 26 percent to 50 percent by the end of 1997 and to 55 percent by the end of 1998 (with the ceiling on individual foreign ownership to be raised from 7 percent to 50 percent by the end of 1997); allowing foreign banks to purchase equity in Korean domestic banks in excess of the 4 percent limit requiring supervisory authority approval; allowing foreign investors to purchase, without restriction, domestic Korean money market instruments and corporate bonds; and reducing restrictions on foreign direct investment in Korean

industrial and other firms through simplification of procedures. These matters are not normally the subject of IMF agreements, and they reflect a clear concern by the American sponsors of the IMF, who wanted a substantial opening of the Korean market to U.S. investors as quid pro quo for the bail-out. That these matters constitute a U.S. agenda is not hard to prove, the U.S. Congress, and U.S. officials such as the Special Trade Representative, having repeatedly called for these very measures to be implemented, without success, until the financial crisis enabled them to incorporate these points into the IMF agreement”<sup>6</sup>.

Sources in Washington acknowledged that several reforms had been specifically demanded by US treasury officials, in keeping with former US Trade representative Mickey Kanter’s view that IMF could be a “battering ram” for American interests<sup>7</sup>.

Financial penetration and rentier capitalism on a transnational scale would be utterly dependent upon the legal arrangements within the overseas states concerned. The ingenuity of corporate lawyers is indispensable. But even if law is indispensable, it is also fragile: extremely vulnerable to political shifts. A political movement within a state could sweep into the dustbin overnight a whole raft of laws on which American financial operators depend. In other words, it would depend upon the political leverage of the American state over the regimes in the target states concerned.

With the collapse of the Soviet Bloc, the pressing threat from anti-capitalist modernization movements has receded and with it the trusty American sword for defending capitalism in general. At the same time, the American way of reorganizing international capitalism meets with suspicion both in parts of Western Europe and in East Asia, particularly after the East Asian crisis and the U.S. Treasury’s activities in that crisis.

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<sup>6</sup> John A. Mathews, “Fashioning a New Korean Model Out of the Crisis,” *JPRI Working Paper*, no. 46(May 1998), <http://www.jpri.org/>.

<sup>7</sup> Bruce Cumings, “The Korean Crisis and the End of ‘Late’ Development,” *New Left Review*, no.231 (Sep-Oct 1998):56.

As a result, U.S. efforts to restore primacy appear to many capitalist class leaders as burdensome, not least because they can tend to undermine their authority within their own populations insofar as they simply bandwagon with American thrusts and because the American advocated financial liberalization “can lead to the concentration of the wealth and provides powerful weapons to undermine social programmes<sup>8</sup>.” For example, the case of Korea is instructive; the financial crisis in Korea produced a backlash among larger and more dispersed interest groups—the middle class and unorganized labour, and agricultural sector<sup>9</sup>. Since 1997, most workers in the Republic of Korea have experienced increased job insecurity. In the aftermath of the crisis, the proportion of regular full-time workers in total employment decreased, while that of non-regular workers—such as temporary and daily workers—increased. This rise in job insecurity has been most significant among workers in non-regular employment, women and older workers<sup>10</sup>. Therefore, it is natural to expect that these dispersed interest groups also play an important political role, some times against the existing political authority.

The frustrations are evident both in Western Europe and in South Korea and even in Japan. And added to this, the U.S. economic program for other capitalisms is not trusted; there are fears of predatory elements in the program and fears also of inbuilt destabilizing elements through generating monetary and financial instabilities.

The central experience of Northeast Asia in the post-war period, in short, has not been a realm of independence where autonomy and equality reigned, but an alternative form of political economy trapped in a hegemonic web. And thus had states ‘strong’ for the struggle to industrialize, but ‘weak’ because of the ‘web’ of dependency spread over them: they are and still remain as semi-sovereign state. In the post cold war period where

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<sup>8</sup> Noam Chomsky, *Op. cit*, 24.

<sup>9</sup> Shale Horowitz and Sunwoong Kim, “Electoral Response to International Financial Crisis: The Role of Dispersed Interest Groups in South Korea’s 1997 Presidential Election,” *International Interactions* 30, no.2 (April-June 2004):165-189(25), <http://docserver.ingentaconnect.com/deliver/cw/routledg/03050629/v30n2/s4/p165.pdf?fmt=dirpdf&tt=5740&cl=25&ini=&bini=&wis=&ac>.

<sup>10</sup> Joonmo Cho and Jaeho Keum, “Job instability in the Korean labour market: Estimating the effects of the 1997 financial crisis,” *International Labour Review* 143, no.4 (Winter 2004):373(20), <http://find.galegroup.com/itx/infomark.do?&type=retrieve&tabID=T002&prodId=SPJ.SP00&docId=A131865677&source=gale&srcprod=SP00&userGroupName=amccust&version=1.0>.

U.S enjoys its position as only super power, it prefers the virtues of a multilateral economism to the vices of direct coercion and intervention, and thus the IMF and the World Bank have vastly enhanced their utility in Washington's eyes, and even the abandoned Bretton Woods mechanism has materialized in the form of World Trade Organization (WTO). Perhaps the breadth of American hegemony can be appreciated in China's beleaguered efforts to polish its application to the WTO, while Washington continued to demand more reform before approving Beijing's entry.

Mickey Kantor, when he was the U.S Trade Representative in the first Clinton administration, wanted to push China to open its markets faster. The WTO rules provided developing countries longer adjustment periods, the World Bank, and every economist, treated China- with its per capita income of \$450-not only as a developing country but also as a low income developing country. But Kantor was a hard negotiator. He insisted that it was a developed country and should therefore have a quick transition. While holding on its unreasonable insistence to treat China as developed country, the United States also demanded, in effect, that America be treated as if it were a less developed country, that it be given not just ten years of adjustment for lowering its barrier against textile imports that had been part of the 1994 negotiations, but an additional four years<sup>11</sup>.

On April 1999, when Chinese Premier Zhu Rongji came to U.S partly to finish off negotiations for China's admission into the WTO, over the opposition of the U.S Trade Representative and the state Department, the U.S treasury insisted on a provision for faster liberalization of China's financial markets. China was quite rightly worried; it was precisely such liberalization that led to the financial crisis in neighbouring countries in East Asia, at such costs. China had been spared because of its wise policies. The U.S treasury's demand for faster liberalization of China's financial markets was made to serve the narrow interests of the financial community in the United States, which Treasury vigorously represents. Wall Street rightly believed that china represented a potential vast market for its financial services, and it is important that Wall Street gets in, establish a

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<sup>11</sup> Joseph E. Stiglitz, *Globalization And Its Discontents* (New Delhi: Penguin Books India, 2003), 63.

strong toehold, before others. For China, maintaining stability is essential; it could not risk policies that had proved destabilizing elsewhere. Zhu Rongji was forced to return to China without a signed agreement. However later U.S – China agreement eventually led to China being admitted to the WTO in November 2001<sup>12</sup>.

A central preoccupation of American policy is to shape and channel China's position in the world market, so as to block the emergence of 'another Japan,' and the deep meaning and intent of the American and IMF response to the Asian liquidity crisis is to close the historical chapter in which the sheltered 'developmental states' have prospered. South Korea is an exemplary case for U.S post cold war strategy to maintain and strengthen its dominant position in the world and for all points mentioned above, because the liquidity crunch hit just in the middle of a defining presidential election, in a country long touted as a 'miracle' of industrial development, a country that was given at the eve of the crisis the highest credit ratings by key Japanese agencies, and one which was getting abundant Japanese and Western bank lending. But Korea continued to be locked into the structure of American hegemony, and so key American officials dominated the IMF, with the goal of transforming Korea's developmental state into American-defined normality<sup>13</sup>.

The foreign lenders, big banks such as Citicorp and J.P. Morgan, had made the loans because the four international bail-outs of Mexico since 1976 taught them that, so long as they lent money to countries that were part of the informal American empire, they could expect the American government or some surrogate of it such as the IMF to step in and make good on their so-called non performing assets.

Given the overcapacities that too much investment generated and the competitive challenges from China and Japan (between April 1995 and April 1997, the yen fell 60% against the dollar); export growth in South Korea and in the ASEAN countries fell from 30% in early 1995 to zero by mid-1996. A balance- of –payment crisis was inevitable.

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<sup>12</sup> Ibid., 64.

<sup>13</sup> Bruce Cumings, *Op. cit*, 51-52.



When the loans started to come due in the summer of 1997, the logical, economic textbook response of the borrowers should have been to default and declare bankruptcy. That would have seriously pained the lenders, teaching them what markets are supposed to teach that one is responsible for the risks one assumes. The foreign bankers would have had to renegotiate their loans to the East Asian countries, spreading them out over time and also adding a few profitable points to their interest rates. The western and Japanese banks would probably never have got all their money back. However, under this scenario, the people who lost financially would have been the investors in the G-7 democracies, not the people of Asia; and reform of the East Asian economies would have been forthcoming because of market forces, not orders from Washington. Many Asian and American bankers and politicians would have been sacked, but the people of East Asia would have accepted the need for long overdue reforms and would have implemented them much more willingly. The Japanese proposal, “1998 Miyazawa Plan, under which Japan offered \$30 billion to support the recovery of the nations hit hardest by the 1997-98 financial crisis<sup>14</sup>”, was shot down by U.S. fearing of a rival institution to American interests, especially when US depends on Japanese savings to service debts.

It has been fashionable amongst some globalization theorists to claim that the transnational capitalists have broken with their own “territorial” state. This seems very wide of the mark as far as the relations between American transnational capitalism and the American state are concerned. This sector of American capitalists has, through its representatives, controlled the American state for decades, has invested large amounts of money in politics to maintain this control and has shown something like hysteria at the prospect of political forces hostile to its transnational interests gaining power within the United States. And this political posture has surely been a rational one from their angle. After all, the American state has worked tirelessly to open other jurisdictions to these internationalist American capitals, to further their implantation abroad and their interests abroad in thousand ways. And if history has taught capitalists one thing about

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<sup>14</sup> C. Fred Bergsten, “America's Two-Front Economic Conflict,” *Foreign Affairs* 80, no.2 (Mar/Apr2001):16-27, <http://web34.epnet.com/externalframe.asp?>

investments abroad, it has surely taught the importance of projecting the power of their state to protect their capitals from hostile forces in other states. All this suggests that the relationship between American transnational capitalists and the American state remains that of robust, mutual loyalty.

One key empirical test of this would surely be to see whether this (dominant) wing of the American capitalist class has worked to build new, supranational institutions for *enforcing* their property rights internationally, over and above the American state. There is not the slightest evidence of this. Another would be to see whether the American state has worked to penalize the transnational expansion of American capitals. Again, no evidence of this exists.<sup>15</sup>

The most powerful unaccountable institution in the world, IMF, also an instrument of American power, one that allows the US to collect money from allies and to spend the amassed funds on various international economic operations that serve American national interests. In return for IMF help it demanded austerity budgets, high interest rates, and sales of local businesses to foreign bargain hunters. It claimed that these measures would restore economic health to the 'Asian tigers' and turn them into orthodox Anglo-American type capitalist economies<sup>16</sup>.

The IMF has been a public insurance company for U.S. financial operators' investments abroad. But it has performed this role under the tight control of the U.S. Treasury and time and again this has proved extremely valuable to American international financial operators. They would not have got some \$25 billion of European money for the Mexican blowout of 1994-95 but for the breathtaking manoeuvres of the U.S. Treasury, nor would U.S. banks have led the negotiations with South Korea in 1998

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<sup>15</sup> Peter Gowan, "Triumphing toward international disaster," *Critical Asian Studies* 36, no. 1(March 2004):3-36, <http://www.blackwell-synergy.com/10.1080/1467271042000184562>.

<sup>16</sup> Chalmers Johnson, "Economic crisis in East Asia: the clash of capitalisms," *Cambridge Journal of Economics* 22, no.6 (November 1998):653-661(9), [http://saturn.bids.ac.uk/cgi-bin/ds\\_deliver/1/u/d/ISIS/23987762.1/oup/comeco/1998/00000022/00000006/art00653/DC0B8C267B788DF11133245841E2F9E8EA24822A71](http://saturn.bids.ac.uk/cgi-bin/ds_deliver/1/u/d/ISIS/23987762.1/oup/comeco/1998/00000022/00000006/art00653/DC0B8C267B788DF11133245841E2F9E8EA24822A71).

without the U.S. Treasury's muscle. And the Brazilian bailout later would not have occurred without U.S. Treasury muscle. The story of the value for U.S. transnational capitals of the U.S. state's dominance over international institutions is repeated across the spectrum of such institutions. The complete absence of efforts by U.S. international capitalist groups to break up this structure for cosmopolitan regimes above Washington surely speaks volumes<sup>17</sup>.

U.S is wary about any attempt by East Asian countries to build independent institutions. In the Post-crisis period it is following closely the initiatives taken by "ASEAN + 3": the ten members of the Association of Southeast Asian Nations (ASEAN), plus Japan, China, and South Korea, countries to form an economic bloc, which could include Preferential trade arrangements and an Asian Monetary Fund (AMF) keeping in mind the financial crisis and its dependency on west and to prevent any future crisis. But till date most of the efforts of ASEAN+3 met with little success because of the political problems existing between the biggest three members of the group and the semi-sovereign nature of many members in the group. While East Asia is pursuing to form independent economic bloc, U.S is forwarding its policy of strengthening its power in East Asia by proposing bi-lateral investment and free trade agreements with the states within its sphere of dominance which, if materialized, will make any future integration of the region nearly impossible.

Before 1997 financial crisis most Koreans believed the spread of globalization would help the country to be a big power, but this perception has changed, particularly when Korea was hit by the worst financial crisis in its history. Many citizens and NGOs began to regard globalization and neo-liberalism as a negative phenomenon and inimical to national interest and favourable to American interests. Financial crisis shaped a generation of Korean's perceptions about U.S, and majority of them believe that U.S exploited the situation. In a December 2002 survey of national attitudes, conducted in forty-two countries by the Pew Research Centre, a stunning 44 percent of South Koreans

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<sup>17</sup> Peter Gowan, *Op. cit.*

were found to hold unfavourable views of the United States. A Korean Gallup Poll, conducted around the same time as the Pew Research Centre survey, confirmed as much and more, reporting that some 53.7 percent of South Koreans held “unfavourable” and “somewhat unfavourable” view of the United States, Most of these happened to be young, and included upwards of 80 percent of the college students polled. The Koreans learned in the hardest way possible that at the moment of their financial ruination, the United States had chosen to further its parochial self-interest, rather than helping an ally<sup>18</sup>. The rise of anti-Americanism is increasing the power of interest groups who are advocating nationalistic policies and public is more and more alienated from government which, to the public, seems to favouring American interests.

## 1.2. Post Colonial History of Interest Groups in Korea

Labour and the middle class had emerged as the two important axes of civil society in Korea. Their growth has continued with the democratization of Korean Society. Furthermore, these two forces have increased their capacity by systematically organizing themselves since the late 1980s. Every group in the civil society does not necessarily organize an interest group for their activities. Yet, since the central forces of civil society can stand up to coercive state power more effectively by organizing themselves. The activation of interest groups increases the level of democratic politics; interest groups carry out the function of interest aggregation and actively participate in input process of decision making. This kind of interaction between the political system and interest groups is essential for the development of civil society, and, thereby, the democratic development of the political system<sup>19</sup>.

During the authoritarian era of Korea the scope of interest group articulation was nearly non existent, the interest groups which emerged during this period was either sponsored by the authoritarian government or highly controlled by it. Only those interest

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<sup>18</sup> Meredith Woo-Cumings, “South Korean Anti-Americanism,” *JPRI Working Paper*, no.93 (July 2003), <http://www.jpri.org/>

<sup>19</sup> Young Rae Kim, “Emerging Civil Society and the Development of Interest Group Politics in Korea,” *Korea Observer* XXX, no.2 (Summer 1999):253.

groups which had strong base in the United States was allowed to work freely, however it was conditional that it did not disturb the existing political setup. But the groups did emerge during the authoritarian era in the form of student and labour resistance against the repressive policies of the government. Often violent, struggles from the part of labour and students laid the groundwork for a dynamic civil society which emerged after the democratization of Korea. The autocratic regime of Syngman Rhee was toppled by the April 19 student Uprising in 1960. The first democratic government of Chang Myon, plagued by incessant street demonstrations and the faltering economy, barely survived one year. Park Chung Hee came to power in 1961 through a bloodless coup, started a command economy, and pushed the country into a high-gear race for economic prosperity. Despite the admiration of outsiders for the Korean government's creation of the "Korean miracle," Park was never successful at buying popular support with his economic achievements. His regime was continuously plagued by dissident movements, student demonstrations, and grass-roots labour protests. The corporatist labour regime that worked so well in neighbouring East Asian economies faltered in the face of tenacious workers' struggles to form independent unions.

The transition from the Park regime (1961-79) to the Chun regime (1980-87) was also marked by an immediate activation of civil society, accompanied by a level of labour strife and civil protests that had not been seen since the immediate post-liberation period. Chun Doo Hwan came to power only after the bloody suppression of a civil uprising in *Kwangju*, which left a deep scar in Korea's political history and sowed the seeds for the infamous demise of his regime. Civil society became highly splintered and politicized under Chun's harsh authoritarian rule, and 1987 witnessed another uprising. This time many middle-class citizens joined students in large-scale street demonstrations to force Chun to transfer power through a direct presidential election, in this way the Korean transition to democracy deviated from the top-down, elite-initiated process found in such neighbouring countries as Taiwan, Hong Kong, and Singapore; the Korean transition from authoritarian rule has involved a far more active struggle by civil society against

state power<sup>20</sup>. Later the dramatic shifts occurred in the political economy of post democratization Korea provided great impetus for the formation of large number of interest groups.

### 1.2.1. Saemaul Movement

One of the noteworthy civil society movements under authoritarian government was *Saemaul Undong* or New Community Movement, initiated by Park Chung Hee regime with its identifying slogan as “*Let’s improve our livelihood*” was meant to eradicate poverty from Korean society. The programme was sponsored by central government and was characterized by three basic principles, namely diligence, self-help and cooperation. It was meant to be the cornerstone of Korea’s modernization, reforming and revitalizing the spiritual as well as the material orientation of the nation and of its people.

The movement was accepted as a breakthrough, based on confidence and optimism, in the campaign to escape from despair and frustration. One of the main objectives of *Saemaul* movement was to reduce the rural- urban migration flow primarily by mobilizing rural communities to shake off their “backward” ways and make positive efforts to improve their material lives. In fact, farming communities had already demonstrated in the 1960s that they needed little invitation to seek out a better life by moving in droves to the cities, despite the uncertain economic prospects there. Key aspects of the new rural policy were the mobilization of local government in support of *saemaul* initiatives, the substantial raising of the government-set grain prices, the introduction of new strains of rice and the unprecedented availability of investment funds and material goods for the purpose of local community projects aimed at raising incomes. The extent to which these measures contributed to the movement is debatable. Rural policy did not change human behaviour, but the larger workings of the Korean economy and some judicious agricultural policy measures brought the new influences of growing

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<sup>20</sup> Hagen Koo, ed., *State And Society in Contemporary Korea*(London: Cornell University Press,1993),3-4.

infrastructure, access to city markets, market information. Technology and capital investment to bear upon the rural sector, with productive results<sup>21</sup>.

The Saemaul movement started in rural areas, and then moved to the towns and the metropolitan cities. It emphasized environmental improvement, increases in personal income and a reform of national values. In the urban areas, however, *Saemaul Undong* showed little success in improving housing conditions in slum and squatter settlements. It tried to change urban citizens' way of thinking, especially encouraging self-support and voluntary participation in the movement, and did not concentrate on slum and squatter upgrading. In the initial stages, the movement embarked upon various projects in four different places: job sites, local districts, homes and schools, with the motto, "*diligence, frugality, neighbourhood association and cooperation*". In its later stages, the movement tried to help not only establish a sound set of values based on citizens' morality and the public good but also build up a philosophy of life based on principles and public morale. Various actions were taken in order to establish an orderly, pure and dignified urban environment. For example, there were efforts to persuade people to obey traffic rules, to pick up waste paper, to use refined language and to observe good manners. In residential areas, however, especially in slums, the Saemaul movement made some practical improvements, for example, environmental improvements, pavements, tree-planting and the cleaning up of sewage. But four main problems hindered the urban Saemaul movement in its efforts to upgrade settlements by means of self-help. First, it is difficult to persuade residents to cooperate with each other, or to control them, because of the characteristics of urban society. Second, progress is slow because of the complex interests of the citizens and because they foresee no quick return in terms of dollars and cents. Third, the urban Saemaul movement has less experience than the rural Saemaul movement. Fourth, the fundamental weakness of *Saemaul Undong* is that, from the outset, it lacked strong and well-defined legitimacy, which meant that in the initial stages it was inevitably characterized by a series of trials and errors. More importantly, it failed to earn the trust of younger citizens due to the prevalent distrust and misunderstanding that there was a political agenda behind the campaign.

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<sup>21</sup> Adrian Buzo, *The Making of Modern Korea* (London: Routledge, 2002), 135-136.

In the early 1980s, the urban *Saemaul Undong*, then reborn as a nongovernmental movement, changed direction by setting itself the goal of advancing and preparing citizens' mind sets for an advanced industrial society. Representative projects during this period included three civil campaigns, which concerned reducing consumption, assisting and protecting the disadvantaged, and mutual cooperation. Activities included collecting recyclable waste; trading used goods; identifying and circulating ideas for reducing consumption; controlling street environments; voluntary services to reduce theft and vandalism; and energizing small-scale unofficial village councils called *pansanghoe*<sup>22</sup>.

In the post democratization Korea, where society increasingly evincing characteristics that are generally associated with mature industrial society's economic development no longer dominated the public policy debates. But during the 1990s public opinion polls consistently showed a continuing high level of concern about social inequality. Reserves of tolerance for authoritarianism, always thin, practically disappeared, banishing the military from any significant role in political life and ensuring a constant public sensitivity to the potential of the defence and security apparatus for interference in civilian politics. Changing political and economic priorities reoriented social values away from exclusive concentration on achievement and towards the pursuit of better quality of life, more individualism, and shorter working hours<sup>23</sup>.

Allowing individual citizens and their associations to take part in public affairs, democratization in Korea during the past decade has transformed the way in which policies used to be made under the military regimes. The implementation of various institutional reforms has virtually ended state control over civil society. With the abolition of the Basic Press Laws and other regulations that were used to control public protest and censure the new media, freedom of expression and association has been

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<sup>22</sup> Ha, S-K, "The role of NGOs for low-income groups in Korean society," *Environment and Urbanization* 14, no.1 (April 2002): 219-229(11), <http://docserver.ingentaconnect.com/deliver/cw/iied/09562478/v14n1/s18/p219.pdf?fmt=dirpdf&tt=1435&cl=53&ini=&>.

<sup>23</sup> Adrian Buzo, *Op. cit.*, 188-189.



restored. The institutionalization of free and fair elections in both local and central governments has also expanded the involvement of the mass public in electoral politics and policymaking.

Farmers, factory workers, women, the elderly, the urban poor, businessmen, and journalists have all formed new public interests groups as balancing forces against the existing government-controlled representational organization. According to the Directory of Korean NGOs, distribution of organizations based on year established is as follows: 5.7 percent in the pre-1960s, 7.2 percent in the 1960s, 9.0 percent in the 1970s, and 21.6 percent in the 1980s, and 56.5 percent in the 1990s. In other words, more than half of these organizations were established in the 1990s. Up until the 1980s, many civil organizations demanded political development including improvements in human rights and democracy under authoritarian regimes. Since the early 1990s, however, civil movements have grown to encompass a wide variety of issues, including environmental protection, quality of life, national reunification, and various other social issues. As of 2000, 6159 non-governmental organizations are known to operate in Korea.

The unprecedented expansion of civil society has produced a high level of political activism. As a result, civic associations and interest groups have become formidable players in economic policymaking in democratic Korea. In general, democratization has transformed the policymaking process into an open and contentious realm of mass politics by allowing those groups, formerly excluded by the military regimes, to participate in it. Civic associations and interest groups employ a variety of methods to influence the process of legislation in the National Assembly. In every Assembly election, these groups and associations recruit and support as their own candidates, the people who would represent their legislative preferences. In the 15th National Assembly (1996–2000). The civic associations and interest groups influence the legislative process in the National Assembly by providing political funds to its individual members and their political parties; they also influence the process by regularly attending the Assembly's public hearings, and providing relevant information to its committees. In addition, they regularly submit petitions to those committees for legislative consideration.

Besides submitting petitions for or against a particular piece of legislation under consideration, they adopted and issued public statements or resolutions for the purpose of informing public opinion in favor of their policy position. They sometimes engage in demonstrations or sit-ins to protest the passage of a bill that would be considered harmful to their cause. Environmentalist groups alone, for example, took part in 20 demonstrations or sit-ins, protesting legislative actions during the 1995–2000 periods<sup>24</sup>.

The most important reason for the flourishing of interest groups in the post democratization, especially after the financial crisis, has been a growing distrust among Koreans of politicians, political parties, and political system in general. Former presidents and their family members have been at the centre of a series of major scandals involving corruption, bribery and other abuses of political power.

Furthermore, the 1997 financial crisis revealed the incompetence and inefficiency of the government bureaucracy, as well as the lack of transparency of the political system. On the whole, the increased distrust of the political system, the favourable environments for the activities of NGOs, and the availability of experienced civic organizational leadership provided ideal conditions for the participation of civic organizations in political processes. Also, the Kim Dae Jung administration recruited a substantial number of individuals who were in leadership positions in various citizens' organizations during the democratization movement of the 1970s and 1980s in order to increase his support base and to build a favourable public opinion for the economic restructuring<sup>25</sup>.

In the post –financial crisis period Korean public chose various interest groups to express their concerns over economic policies which are inimical to national interest. Over the time these concerns turned in to full blown nationalistic backlash led by liberal

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<sup>24</sup> Doh Chull Shin and Junhan Lee, "Democratization and its Consequences," *Social Indicators Research* 62-63, no.1-3(April2003):71-92, <http://www.springerlink.com/media/12d2yvmwqh1r91h5tw5w/contributions/p/v/1/0/pv103m5n643141v7.pdf>.

<sup>25</sup> Eui Hang Shin, "The Role of NGOs in Political Elections in South Korea," *Asian Survey* 43, no.4 (July/August 2003):697-715, <http://caliber.ucpress.net/doi/pdfplus/10.1525/as.2003.43.4.697?cookieSet=1>

interest groups against various representations of foreign capital, be it the IMF, newly investing foreign MNCs or the increase of foreign imports into South Korean markets. There was uproar, for instance, in the country's media when total imports of foreign cars increased an alarming 100 percent over 1999–2000, from around 2,000 to 4,000 units. South Korean society equates foreign ownership with colonialism, as one interviewed official from the Ministry of Foreign Affairs and Trade (MOFAT) commented, 'selling Daewoo to Ford, GM or any other foreign company to many Koreans equates to selling your country.'

Paradigmatic struggles between foreign interest's dominance over the domestic economy in the name of globalism and economic nationalism have also been played out between different government ministries. For example, during the late 1990s MOFAT and the Ministry of Culture and Tourism (MOCAT) feuded over South Korea's 'screen quota' system – designed to insulate the domestic film industry from foreign competition– where officials from the latter strongly opposed calls to scrap the system. A similar conflict arose between MOFAT and the Ministry of Agriculture and Forestry (MOAF) over the former's plans to partially liberalize the country's agricultural trade regime in accordance to MOFAT's bilateral FTA strategy<sup>26</sup>.

The nationalistic backlash against the foreign dominance of the domestic economy shows the dynamic changes happened in the Korean socio-cultural beliefs. South Korea's graduation from a client state to a dynamic and vibrant member of the international community. Korean self-confidence and national pride have grown commensurately with increasing sophistication, economic success, and international prestige exemplified by its membership in the Organization of Economic Cooperation and Development, its growth into the eleventh largest economy in the world, its hosting the 1988 Summer Olympics, and its co-hosting the 2002 World Cup with Japan. These developments have led Koreans to question some of the country's past practices, values,

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<sup>26</sup> Christopher M. Dent, "transnational Capital, the State and Foreign Economic Policy: Singapore, South Korea and Taiwan," *Review of International Political Economy* 10, no.2(May 2003): 246–277, <http://journalonline.tandf.co.uk/media/fcggwktutkn8502g9m7j/contributions/v/g/0/m/vg0mp8rc47j411f5.pdf>

and relationships; to seek greater political and security independence from the United States; and to demand a more equal partnership and mutual respect in the bilateral relationship<sup>27</sup>. The incapability of the politicians to pursue these objectives turned Korean public to rely on interest groups to pressure the government to pursue policies of national interest.

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<sup>27</sup> Seung Hwan-Kim, "Anti Americanism in Korea," *The Washington Quarterly* 26, no.1 (Winter 2002-03):109-122.

**CHAPTER II**  
**DISCUSSING THEORITICAL FORMULATIONS**  
**ON INTEREST GROUPS**

Analyzing interest group articulation in Korea through existing theoretical frameworks will be misleading, mainly because most of the theories on interest groups are based on the empirical evidence from the U.S and European experiences, and according to Joseph LaPalombara “ except at a level of abstraction that renders it both useless and dangerous for empirical research , a general interest group theory does not exist” he proceeds to say that “any attempt to explicate political behaviour within the general framework of interest group theory” is likely to be misleading and fruitless. Instead, we need to conceive of the interest group approach as an analytical tool or as a system of describing certain (but not all) aspects of the political process<sup>1</sup>. Though most of the interest groups in Korea, such as Federation of Korean Industries and labour unions may look similar to their counterparts in the U.S their functional relationship with the society and governmental institutions in Korea is fundamentally different from the relationship of similar groups in the U.S with the society and the governmental institutions. The tactical and strategic approaches of interest groups are greatly influenced by such factors as: the level of technological development; the social, economic, ethnic, and religious composition of the population; and the social and political values held by the people<sup>2</sup>. Interest group politics in Korea is a recent phenomenon. It is only after the democratization of Korea that interest groups have been allowed to participate freely in the political process of Korea. However the Korean state still retains some of the vestiges of authoritarian era in order to implement ‘order’ to the often chaotic labour scenario of Korea.

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<sup>1</sup> Joseph LaPalombara, “The Utility and Limitations of Interest Group Theory in Non-American Field Situations,” *Journal of Politics* 22, no.1 (February 1960):29-49, <http://links.jstore.org/sici?sici=0022-3816%28196002%2922%3A1%3C29%aATUALOI%3E2.0.CO%3B2-F>.

<sup>2</sup> Henry A. Turner, review of *Interest Groups on Four Continents*, ed. by Henry W. Ehrmann, *The Western Political Quarterly* 13, no.3 (September 1960):809-810, <http://links.jstore.org/sici?sici=0043-4078%28196009%2913%3A3%3C809%3AIGOFC%3E2.0.CO%3B2-6>.

One of the important characteristics of Korean interest groups' activities were the nationalistic flavour encompassed in it. With the gaining of power to question the government, which they have increasingly used in the post-financial crisis era, Korean interest groups have put forward the uneasy question of U.S dominance in almost all aspects of Korean policy making. Unlike what the interest group theorists state both in economic and the political domain, about the competition between domestic interest groups for the allocation of resources, the Korean interest groups have been mainly the government to regain national pride, an intangible thing, in terms of gaining its sovereignty in foreign policy making and economic policy making. NGO groups have pressurized the Korean government to follow the standards of the developed world in terms of an environmental friendly economic development which they believe is commensurate with Korea's membership in the OECD and her target of getting into get in to the league of developed countries.

Within Korean polity two positions emerged during the post democratization era. One section representing the older generation which had endured the authoritarian period opposed the other section, represented by the younger generation, and its anti-Americanism and call for independent policy making. From 1997 onwards the power equations in Korea have shifted from a right wing command type to a more democratic left wing politics. But the financial crisis in 1997 and the way foreign MNC's became dominant in the Korean economy revealed a weak state. Most of the interest group activities during the post financial crisis era were to push the state to strengthen itself to ward off unfavourable outside influences. Another important aspect of the interest group politics in Korea is its tremendous mobilization capabilities, mainly due to of the highly developed information technology infrastructure of Korea, especially the high rate of internet penetration in Korea (above 70% of the Korean population is connected through the internet).

According to Garceau, the study of interest group articulation must be done keeping in mind the cultural history, class structure, institutional settings and the like, the concerned country. Most of the interest group theories are based on the political

culture of the west represented by individuality, personal liberty and democratic traditions. The political culture in East Asia provides us with a different picture. Drawing from the pioneering works done by East Asian scholars particularly Lucian Pye who credits the East Asian political culture with “virtues of group conformity, interpersonal collaboration, collective responsibility and social integration at the expense of personal liberty,<sup>3</sup>” gives us sound reasons to evaluate interest group politics in Korea on its own terms.

Jean Meynaud, “in his comprehensive study of French pressure groups in France, comes very close to a very important theoretical insight when he points out that the fragmentation of parties, like the fragmentation of the groups, has its origin in the divisions in the public mind. Political ideologies and religious considerations destroy the unity that would result from objective professional and interest considerations. A number of organizations mushroom within the same professional sector because of ideological reasons. One might hypothesize indeed that this parallelism between the political system and the interest configuration is true everywhere. Wherever the political governmental organization is cohesive and power is concentrated in certain well-established centres, the pressure groups become well organized with a similar concentration of power and vice versa.<sup>4</sup>”

Concerns of theorists about whether the power in the state is divided among competing interest groups or is the policy making process captured by organized interests are applicable partially to Korean polity. The Korean state apparatus still holds some overriding powers, but has to cope with the immense pressure of outside (foreign) influences and from domestic interest groups. The Korean state has had to always live with the presence of foreign military force within its territory and has had to take pain to frame economic policies which does not interfere with the interests of foreign MNCs in

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<sup>3</sup> Cal Clark and Steve Chan, *Bringing Transnational Relations Back In: Non State Actors, Domestic Structures and International Institutions*, ed. Risse-Kappen (New York: Cambridge university press, 1995), 122.

<sup>4</sup> Roy C. Macridis, “Interest groups in comparative Analysis,” *Journal of Politics* 23, no. 1 (February 1961): 25-45, <http://links.jstore.org/sici?sici=0022-3816%28196102%2923%3A1%3C25%3AIGICA%3E2.0.CO%3B2-G>.

Korea. The competing pressures of asserting national identity and to follow developed countries' norms of development, both social and economic, has shaped the working and objectives of the Korean interest groups. Interest groups within Korea are divided over two different views pertaining to what constitutes the national interest of Korea. One cluster of interest groups mostly consisting of religious, trading and business groups who benefited from an increased involvement of the U.S in the Korean economy and some time out of their own interpretation of Korean colonial and post colonial history support the U.S army presence in Korea, an open economy, and tough dealing with North Korea. The other cluster consists of groups with a more liberal outlook ranging from religious to business groups. The second of group advocate a more independent policy making with more emphasis on Korean interests than American interests. They question the sending of Korean troops to Iraq, favour an appeasing and humanitarian approach towards North Korea, and regulating the influence of foreign interests in Korean economy.

The mainstream parties in Korea have also courted the influential interest groups. A power shift to a centre-left politics from a right wing oriented politics is an indicator of the dominant influence of more liberal interest groups. But there are also instances of issue convergences between conservative and liberal interest groups such as for an environmentally sensitive economic development, campaigns against human right violations etc. Despite the fact that more left oriented and liberal interest groups have obtained influence in the post –crisis era, the Korean government has had to face pressure from strong conservative groups who have outside linkages and global networks, especially those groups which have strong base in the U.S. While the government itself is more inclined to liberal policies it had to accommodate the powerful foreign interests which also often found support from Korean conservative interest groups.

Rather than explore politics through an interest group –based theory I've chosen to incorporate interest groups into the broader perspectives of Korean politics. Still, reviewing and discussing the available theoretical formulations which influenced



significantly the study of interest group politics will be helpful in understanding and explaining certain aspects of interest group politics in Korea. However no theoretical frame work can entirely explain interest group politics in different countries mainly because of the variations in political culture, social configuration –which include the “class” system(open or closed), literacy and education, wealth and structural organization and interaction of social groups-and its political and economic position in the international system.

### **2.1. Traditional Theory of Groups**

There is a traditional theory of group behaviour that implicitly assumes that private groups and associations operate according to principles entirely different from those that govern the relationships among firms in the marketplace or between taxpayers and the state. According to Olson this “group theory” appears to be one of the principal concerns of many political scientists in the United States, as well as a major preoccupation of many sociologists and social psychologists. This traditional theory of groups, like most other theories, has been developed by different writers with varying views, and there is accordingly an inevitable injustice in any attempt to give a common treatment to these different views. Olson gives us a brief view of the traditional theory of groups in a loose way of single traditional theory, drawing a distinction between the two basic variants of this theory: the casual variant and the formal variant.

In its most casual form, the traditional view is that private organizations and groups are ubiquitous, and that the ubiquity is due to a fundamental human propensity to form and join associations. As the famous Italian political philosopher Gaetano Mosca puts it, men have an instinct for “herding together and fighting with other herds.” This instinct also “underlies the formation of all the divisions and subdivisions ...that arise within a given society and occasion moral and, sometimes, physical conflicts.” The ubiquitous and inevitable character of group affiliation was emphasized in Germany by George Simmel, in one of the classics of sociological literature, and in America by Arthur Bentley, in one of the best –Known works on Political Science. This

universal joining tendency or propensity is often thought to have reached its highest intensity in the United States<sup>5</sup>.

The formal variant of the traditional view also emphasizes the universality of groups, but does not begin with any “instinct” or “tendency” to join groups. Instead it attempts to explain the associations and group affiliations of the present day as an aspect of the evolution of modern, industrial societies out of the “primitive” societies that preceded them. It begins with the fact that “primary groups”-group so small that each of the members had face-to-face relationships with the others- like family and kinship groups were predominant in primitive societies. As Talcott Parsons contends, “ it is well-known that in many primitive societies there is a sense in which kinship ‘dominates’ the social structure; there are few concrete structures in which participation is independent of kinship status.” Only small family or kinship type units represent the interests of the individual. R.M. Maclver describes it this way in the Encyclopaedia of the Social sciences: “ Under more simple conditions of society the social expressions of interests was mainly through caste or class groups, age groups, kin groups, neighbourhood groups, and other unorganized or loosely organized solidarities.” Under “primitive” conditions the small, family- type units account for all or almost all human “interaction.”<sup>6</sup>

But these social theorists contend, as society develops there is a structural differentiation, new associations emerge to take on some of the functions that the family had previously undertaken. “As the social functions performed by the family institution in our society have declined, some of these secondary groups, such as labour unions, have achieved a rate of interaction that equals or surpasses that of certain of the primary groups.” In Parsons’ words, “It is clear that in the more ‘advanced societies a far greater part is played by non-kinship structures like states, churches, the larger business firms, universities and professional societies... the process by which non-kinship units become prime importance in the social structure inevitably entails’ loss of function’ on part of

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<sup>5</sup> Mancur Olson, *The Logic Of Collective Action: Public Goods and the Theory of Groups* (Massachusetts: Harvard University Press, 1971), 16-18.

<sup>6</sup> Ibid.

some or even all of the kinship units.” If this is true, as Maclver claims, “the most marked structural distinction between a primitive society and a civilized society is the paucity of specific associations in the one and their multiplicity in the other,” then it would seem that the large association in the modern society is in some sense an equivalent of the small group in the primitive society, and that the large, modern association and the small, primitive group must be explained in terms of the same fundamental source or cause.

According to Olson traditional theorists explained groups in “functional” terms—that is in terms of the functions that groups or associations of different types and sizes can perform. In primitive societies small primary groups prevailed because they were best suited (or at least sufficient) to perform certain functions for the people of these societies; in modern societies, by contrast, large associations are supposed to predominate because in modern conditions they alone are capable of performing (or are better able to perform) certain useful functions for the people of these societies. The large voluntary association, for example, could then be explained by the fact that it performed a function – that is, satisfied a demand, furthered an interest, or met a need—for some large number of people that small groups could not perform (or perform so well) in modern circumstances. This demand or interest provides an incentive for the formation and maintenance of the voluntary association<sup>7</sup>.

Traditional theory assumes that participation in voluntary associations is virtually universal, and that small groups and large organizations tend to attract members for the same reasons. The casual variant does not distinguish between groups of different size. Though the more sophisticated variant may be credited with drawing a distinction between those functions that can best be served by small groups and those that can best be served by large associations, it nonetheless assumes that, associations will be formed, whether it is small or big, according to the need of the time.

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<sup>7</sup> Ibid., 19-20.

Traditional theory distinguishes groups according to the scale of the functions they perform, not according to the extent they succeed in performing these functions or capacity to attract members. It assumes that small and large groups differ in degree, but not in kind.

## 2.2. Pluralism and Liberalism

Political scientists such as Arthur Bentley, about 1910, and David Truman, forty years later, placed groups at the heart of politics and policymaking in a complex, large and increasingly specialized governmental system. The interest group becomes an element of continuity in a changing political world. Truman noted the “multiplicity of co-ordinate points of access to governmental decisions “and concluded that “the significance of these many points of access and of the complicated texture of relationships among them is great. This diversity assures various ways for interest groups to participate in the formation of policy, and this variety is a flexible, stabilizing element.”

Derived from Truman’s work and that of other group-oriented scholars is the notion of the pluralist state in which competition among interests, in and out of government, will produce policies roughly responsive to public desires, and no single set of interests will dominate.

“Pluralist theory assumes that within the public arena there will be countervailing centres of power within governmental institutions and among outsiders. Competition is implicit in the notion that groups, as surrogates for individuals, will produce products representing the diversity of opinions that might have been possible in the individual decision days of democratic Athens<sup>8</sup>.”

In very few ways the pluralist vision of Korean politics corresponds to the realities of policymaking and the distribution of policy outcomes. A host of scholars, politicians, and other observers have roundly criticized this perspective. C. Wright Mills launched a polemical critique against the class bias of pluralist theory. Mills argued that in the

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<sup>8</sup> Allan J. Cigler and Burdett A. Loomis (eds), *Interest Group Politics* (Washington: CQ Press, a Division of Congressional Quarterly Inc, 2002), 5.

United States, political power had become nationalized and concentrated in one inter-related economic, military, scientific-technical, and intellectual "power elite." Moreover, the pluralist system of decision-making was significantly biased toward the concerns and priorities of international corporate capitalism. Henry Kariel pointed to the oligarchical tendencies of large scale organizations which function both as interest groups influencing governmental policy and as agencies making policy of great public consequence. In particular, he stated that pluralism under conditions of large scale technology conflicts with the principle of constitutional democracy<sup>9</sup>.

Among the critiques, two broad (although sometimes contradictory) critiques deserve special mention. The first argues that some interests habitually lose in the policy process; others habitually win. Without endorsing the contentions of elite theorists that a small number of interests and individuals conspire together to dominate societal policies, one can make a strong case that interests with more resources (money, access, information, and so forth) usually obtain better results than interests that possess fewer assets and employ them less effectively. The small, cohesive, well-heeled Federation of Korean Industries for example, used to does well year in and year out in policy making; marginal farmers and the urban poor produce a much less successful track record. But in the post-crisis period the civic coalition groups have become more powerful because of their mass base and have a better say than *chaebols* in policy making. So the proposition that some interests habitually win and some lose in the policy process is also not completely correct. Despite the fact that the critics point is not foolproof, as can be seen from the continuing unequal results, critics of the pluralist model argue that interests are still represented unevenly and unfairly<sup>10</sup>.

The second critique generally agrees that inequality of results remains an important aspect of group politics. But this perspective, most forcefully set out by

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<sup>9</sup> Bun Woong Kim and David S. Bell, Jr., "The Theory And Applicability of Democratic Elitism to Korean Public Administration," *Asian Journal of public Administration* 7, no.1 (June 1985):70-76, <http://sunzi1.lib.hku.hk/hkjo/view/50/5000234.pdf>.

<sup>10</sup> Allan J. Cigler and Burdett A. Loomis, ed., *Op. cit.*

Theodore Lowi, sees interests as generally succeeding in their goals of influencing a government- to the point that the government itself, in one form or another, provides a measure of protection to almost all societal interests. Everyone thus retains some vested interest in the structure of the government and the array of public policies. This does not mean that all interests get exactly what they want from governmental policies; rather, all interests get at least some rewards.

Lowi has labelled the proliferation of groups and their growing access to government as “interest group liberalism”. He argues that this phenomenon is pathological for a democratic government:

“Interest group liberal solutions to the problem of power [who will exercise it] provide the system with stability by spreading a sense of representation at the expense of genuine flexibility, at the expense of democratic forms, and ultimately at the expense of legitimacy. Interest group liberalism is pluralism, but it is sponsored pluralism, and the government is the chief sponsor. On the surface, it appears that the unequal results and interest group liberalism critiques of pluralism are at odds. Reconciliation, however, is relatively straightforward. Lowi does not suggest that all interests are effectively represented. Rather, there exists in many instances only the appearance of representation. Political scientist Murray Edelman pointed out that a single set of policies can provide two related types of rewards: tangible benefits for the few and symbolic reassurances for the many. Such a combination encourages groups to form, become active, and claim success<sup>11</sup>.”

### **2.3. Theoretical Discussions on Group Development**

A climate favourable to group proliferation does little to explain how interest groups organize. Whatever interests are latent in the society and however favourable the context for group development may be, groups do not arise spontaneously.

David Truman has suggested that increasing societal complexity, characterized by economic specialization and social differentiation, is fundamental to group proliferation. In addition, technological changes and the increasing interdependence of economic sectors often create new interests and redefine old ones. Many political scientists assume that an expansion of the interest group universe is a natural consequence of growing societal complexity. According to Truman, however, group formation “tends to

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<sup>11</sup> Ibid.

occur in waves” and is greater in some periods than in others. Groups organize politically when the existing order is disturbed and certain interests are, in turn, helped or hurt<sup>12</sup>.

It is not surprising then, that economic interests develop both to improve its position and to protect existing advantages. Truman’s theory of group proliferation suggests that the interest group universe is inherently unstable. Groups formed from a imbalance of interests in one area induce a subsequent disequilibrium, which acts as a catalyst for individuals to form groups as counterweights to the new perceptions of inequity. Group politics thus is characterized by successive waves of mobilization and counter mobilization. The liberalism of one era may prompt the resurgence of conservative groups in the next. Similarly, periods of business domination often are followed by eras of reform group ascendancy.

#### **2.4. Public Choice Theory and Interest Groups**

Public choice theory was developed in the 1950s as an answer to orthodox economic theory and economic policy. The highly abstract models of neo-classical theory led to an allegedly clear identification of factors for market failure by welfare economics. Political interventions were supposed to answer to those failures. Politicians were supposed to work as well-informed, unselfish agents of the people and to solve the problems like unemployment or external effects caused by market failure. Hence political action was thought to be an action correcting the wrongdoings of the market; especially the victory of Keynesian economics in the 1950s enhanced the importance of political action. The increasing role of politicians in the correction of market failure was not followed by a modelling of the role of politicians in the economy: Their behaviour was largely kept in a “black box”, with the general assumption that they worked for the general welfare. This “nirvana approach” was criticized by some economists, who applied the behavioural model, the utility maximizing individual, not

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<sup>12</sup> Ibid.

only to the economic sphere, but also to political decisions, voter's decision and lobbying activities.

Three different approaches to interest groups are considered in the public choice tradition, namely; social equilibrium models, asymmetric representation models and the capture theory of regulation. Interest group activity might be considered in terms of a social equilibrium, where the groups with different interests (for example, farmers and consumers, or environmentalists and producers) remain in the situation of functional balance that maximizes efficient outcome. The core of the argument presented by Gary Becker is that politicians in the political competition process cannot neglect any of the groups, as power relations between interest groups are symmetrical. A similar idea is that of 'countervailing power' forwarded by J.K. Galbraith. Galbraith sees the outcome of a bilateral monopoly situation, for example, a situation where strong, oligopolistic producer groups face countervailing power by state sponsored consumer groups, as a solution for the perennial problem of cartelization and power in the markets. However, both the approaches, rather presume that equilibrium might theoretically exist, without saying how to achieve one. A completely different view, namely, one with asymmetric power relations between interest groups, is presented by Olson and used to explain the patterns of economic growth in the post-war era. All interest groups, business organizations, trade unions or NGOs alike, have to cope with the problem of free-riding, because the impact of interest groups takes on to some extent, the characteristics of a public good, non-rivalry in consumption and non-excludability. Free riding can most easily be overcome in the case of small, homogenous groups, where outsiders are easily identifiable. Large, heterogeneous groups can, albeit with some degree of difficulty, overcome the organizational rationality trap. Therefore, small groups like business firms generally prevail over large, heterogeneous groups like taxpayers or consumers, when it comes to lobbying efforts, say, for the protection of markets. This is what Olson calls the 'logic of collective action'. It provides a more realistic and sobering view on the activity of interest groups.<sup>13</sup> If only small and homogenous groups can effectively

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<sup>13</sup> Bernhard Seliger, "From Civic Organization to NGOs in Germany: an Interest Group Analysis," *International Area Review* 6, no.1 (spring 2003):53-68, <http://segero.hufs.ac.kr/library/iar/11-4.pdf>.



organized, then the NGOs represented in a country do not necessarily present the 'silent majority' of non-organized interests and indeed the influence of NGOs might be even detrimental for the regulation of businesses, which is often the goal of NGOs. For those with consumer or environmentalist concern, public choice also finds an amazing pattern, namely the advantages of regulated industries, which always means an element of protection from domestic intruders or foreign outsiders. In fact, public choice theoreticians have argued, that industry regulation is captured by the industries themselves, - as is meant by it being called the 'capture theory of regulation'.

## **2.5. Olson's Theory of Group Formation**

Central to theories of group proliferation are the pluralist notions that elements of society possess common needs and share a group identity or consciousness, and that these are sufficient conditions for the formation of effective political organizations. Although the perception of common needs may be necessary for political organization, whether it is sufficient for group formation and effectiveness is open to question.

Historical evidence documents many instances in which groups have not emerged spontaneously, even when circumstances such as poverty or discrimination would seem, in retrospect, have required it. Mancur Olson effectively challenges many pluralist tenets in *The Logic of Collective Action*, first published in 1965. Basing his analysis on a model of the "rational economic man," Olson posits that even individuals who have common interests are not inclined to join organizations that attempt to address their concerns. The major barrier to group participation is the "free rider" problem: "rational" individuals choose not to bear the participation costs (time, membership fees) because they can enjoy the group benefits (such as favourable legislation) without joining. Groups that pursue "collective" benefits, which add to all members of a class or segment of the society regardless of membership status, will have great difficulty forming and surviving. According to Olson, it would be economically irrational for individual farmers to join a group seeking higher farm prices when benefits from price increases would be enjoyed by all farmers, even those who

contribute nothing to the group. Similarly, it would be irrational for an individual environmentalist to become part of organized attempts to reduce air pollution, when all citizens, members of environmental groups or not, would reap the benefits of cleaner air. The free rider problem is especially serious for large groups because the larger the group the less likely an individual will perceive his or her contribution as having any impact on group success.

For Olson, a key to group formation – and especially group survival – was “selective benefits”. These rewards, for example, travel discounts, informative publications, and cheap insurance, go only to the members. Organizations in the best positions to offer such benefits are those initially formed for some non-political purpose and that the ordinarily provide material benefits to their clientele. In the case of Unions, for example, membership may be a condition of employment. Olson answers the question why are some economic interests are better able to impose their preferences on government policy than others, by arguing that those economic interests, least able to overcome collective action problems in order to project their demands on politicians, are most likely to bear the costs of political decision making. The influence of a group depends not only on the economic gain or loss that a group might incur from government action but also on the group’s size and organizational ability<sup>14</sup>. Based on this theory of collective action, Olson (1982) developed a longitudinal theory of interest group formation. Therein he reaches the conclusion that a country will witness an increasing number of interest groups over time as long as it remains politically stable<sup>15</sup>.

Olson’s notions have sparked several extensions of the rational man model, and a reasonably coherent body of incentive theory literature now exists. Incentive theorists view individuals as rational decision makers interested in making most of their time and money by choosing to participate in groups that offer benefits greater than or equal to

<sup>14</sup> Allan J. Cigler and Burdett A. Loomis, ed., *Op. cit.*, 9.

<sup>15</sup> Ivo Bischoff, “Determinants of the Increase in the Number of Interest Groups in Western Democracies: Theoretical Considerations and Evidence from 21 OECD Countries,” *Public Choice* 114, no.1-2 (January 2003):197-218(20), [http://saturn.bids.ac.uk/cgi-bin/ds\\_deliver/1/u/d/ISIS/23208971.1/klu/puch/2003/00000114/00000001/00392268/F17FC211BD0DC1D111314273228802E83A16D02AA0.pdf?link=http://www.gateway.ingenta.com/de/jnu%3Bid=1gdl2u3vlnak4.circus&format=pdf](http://saturn.bids.ac.uk/cgi-bin/ds_deliver/1/u/d/ISIS/23208971.1/klu/puch/2003/00000114/00000001/00392268/F17FC211BD0DC1D111314273228802E83A16D02AA0.pdf?link=http://www.gateway.ingenta.com/de/jnu%3Bid=1gdl2u3vlnak4.circus&format=pdf).

the costs they incur by participation. Three types of benefits are available. Olson, an economist, emphasizes on material benefits-tangible rewards of participation, such as income or services that have monetary value. Solidary benefits are the socially derived, intangible rewards created by the act of association, such as fun, camaraderie, status, or prestige. Finally, expressive (also known as purposive) benefits derive from advancing a particular cause or ideology.

The examination of group members' motivations, and in particular the focus on nonmaterial incentives, allows for some reconciliation between the traditional group theorists' expectations of group development and the recent rational actor studies, which emphasize barriers to group formation. Nonmaterial incentives, such as fellowship and self-satisfaction, may encourage the proliferation of highly politicized groups and "have the potential for producing a more dynamic group context in which politics, political preferences, and group goals are more centrally determining factors than in material associations, linking political considerations more directly to associational size, structure, and internal processes." Indeed, pure political benefits may attract members, and even collective benefits can prove decisive in inducing individuals to join large groups. Like elected officials, groups may find it possible to take credit for widely approved government actions, such as higher farm prices, stronger environmental regulations, or the protection of social security<sup>16</sup>.

Finally, several studies indicate that the free rider problem may not be quite the obstacle to participation that it was once thought to be, especially in an affluent society. Albert Hirschman, for example, has argued that the costs and benefits of group activity are not always clear; in fact, some costs of participation for some individuals, such as time and effort expended, might be regarded as benefits (in terms of personal satisfaction) by others. Other researchers have questioned whether individuals even engage in rational, cost-benefit thinking as they make membership decisions. Michael McCann noted that "there seems to be a general threshold level of involvement below which free rider calculations pose few inhibitions for...commitment from moderately

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<sup>16</sup> Ibid.

affluent citizen supporters.” In short, individuals may join and participate in groups for reasons beyond narrow economic self-interest or the availability of selective benefits.

## **2.6. The Theory of Collective Action**

The theory of collective action comes under the domain of political economy. The theory of collective action rests on the hypothesis that organized groups of voters exert more pressure on politicians than do unorganized groups. This theory explains systematic policy failure in developing countries if special interests are particularly well organized and antagonistic to broader development objectives. RH Bates pioneered the application of collective action theory to policy outcomes in developing countries. He links agricultural policies in some African countries – a mix of harsh price controls on agricultural outputs administered by monopsony (single-customer market: a situation in which a product or service is only bought and used by one customer) marketing boards and generous direct and indirect subsidies on imported agricultural inputs- precisely to the differential influence of interest groups on politicians . In contrast to the work in American politics, he focuses on the characteristics of the interest groups themselves. He argues that these policies can be traced directly to the loose organization of the mass of small farmers who use few of the imported inputs; to the successful collective action of relatively few large farmers to receive input subsidies that offset the price controls; and to the need to subsidize food purchases of urban residents because of the relative ease with which they can be mobilized politically in opposition to the government. This and other contributions, in both developed and developing countries leave little doubt that organized interest groups have significant advantages in the making of policy<sup>17</sup> .

## **2.7. The Interest Groups and Rent Seeking**

In a democracy very often the government action does not even remotely represent the interest of the ordinary voter. It rather represents interests of particular

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<sup>17</sup> Philip Keefer,” What Does Political Economy Tell Us About Economic Development – And Vice Versa?,” *Annual Review of Political Science* 7, issue 1(2004):247-272,  
<http://web34.epnet.com/externalframe.asp?>

groups. One economic explanation for this has to do with the increasing need of candidates for funds to run successfully their election campaigns, and the willingness of special interest groups to provide those funds as long as their interests are served. In American politics, these groups argue that it is in the general interest for their special interests to be served. Thus, the gas and oil industries argue for huge subsidies through the tax system, stressing the importance of energy for the American economy.

Economists refer to these activities as rent seeking; rents, being returns enjoyed by a factor of production that go beyond those required to elicit its supply. The term rent seeking is used when individuals or firms devote their energies to the procurement of the rents or other special favours from the government. The Government, through its power to tax, set tariffs, provide subsidies, and intervene in other ways in private markets, can affect the profitability of various enterprises enormously. For example, the attempt by the U.S car producers in the 1980s to restrict foreign competition is a case of rent seeking. As a result of protection from foreign competition, they can get higher prices for their products and make bigger profits<sup>18</sup>.

As long as the government has the discretion to grant rents and other special favours, firms and individuals will find it pays to engage in rent-seeking behaviour-that is, to persuade the government to grant them tariffs or other benefits- and the decisions of the government accordingly get distorted. It makes little difference whether this behaviour comes in the forms of direct bribes, as is frequently the case in less developed countries, or campaign contributions that serve to influence how congressional representatives vote in the U.S. Either way the consequences are likely to be similar: the government respond to the rent seeking behaviour of special interest groups.

## **2.8. Interest-Group Theory of Government: A Brief Review**

Government activities are viewed as a process in which wealth or utility is redistributed among individuals and groups. Some individuals and groups are effective at organizing and engaging in collective action such that they are able, for example, to

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<sup>18</sup> Joseph E. Stiglitz, *Economics*, 2nd ed. (U.S.A: W.W. Norton & Company.Inc, 1997), 547-548.

organize for less than a \$1 in order to procure \$1 of wealth transfers. These individuals and groups are net demanders of transfers. Other individuals and groups are in the inverse position it costs them more than a \$1 to avoid giving up a \$1. Rational behaviour dictates that this second group of individuals will be net "suppliers" of transfers. The institutional framework of representative democracy and its agents represent the means of facilitating wealth transfers, that is, of pairing demanders and "suppliers" efficiently. There exists an equilibrium level of transfers in this theory, with deviations being mitigated through elections.

The modern interest-group theory has evolved in at least two directions. One branch has been termed the Chicago Political Economy. This version, exemplified by Stigler (1971), Peltzman (1974), and Becker (1983), focuses on the impact of regulation and the government on the allocation of resources, or what economists refer to as P (Price) and Q (Quantity). The main thrust of the self-interest theory of regulation, as proposed by Stigler and Peltzman, is that regulations develop as the result of demands from different interest groups for governmental intervention. There is no necessary divergence between politicians' optimal policies (as responses to interest groups' demands) and their implementation. Policies, however, are seldom implemented directly by the politicians themselves. Instead, they are delegated to regulatory agencies, departments or the courts<sup>19</sup>. Peltzman (1974) developed a generalization of Stigler's (1971) theory of economic regulation in which he explained why government does not give out perfect cartels. The vote-maximizing regulator is, in effect, constrained to make trade-offs among a variety of interests such that politically determined prices are always the result of trade-offs or compromises at the margin. No one group gets all that it wants in this process. Becker (1983) posits a theory of pressure group competition in which such competition leads to the least-cost pattern and amount of transfers. The world, in other words, is as efficient, all else equal.

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<sup>19</sup> Pablo T. Spiller, "Politicians, Interest Groups, And Regulations: A Multiple-Principals Agency Theory of Regulation, Or "Let Them Be Bribeed", *Journal of Law and Economics* 33, no.1(April 1990):65-101, <http://links.jstore.org/sici?sici=0022-2186%28199004%2933%3A1%3C65%3APIGARA%3E2.0.CO%3B2-L>.

Although the names Barro, Peltzman, Posner, and Stigler are less well known among Political Scientists than that of Olson, their theories of regulation are perhaps the single most dominant view in the economic literature, and their theories of regulation are based on interest group considerations. Stigler's work, in particular, has exercised an enormous influence over a large body of researchers (Who were later known as the Virginians) and their analyses of rent seeking. Stigler and Friedland (1962) and others in the Chicago tradition sought to question whether regulation makes a difference in the behaviour of an industry and whether, in fact, regulation actually serves the public interest concerns (i.e., minimizing negative externalities and monopoly). The question this theory suggests articulated by Barro and pursued so relentlessly in the Virginian literature of rent seeking, is how to design institutions to arrest or at least control the tendency of regulation to grow solely for the mutual benefit of the regulator and the regulated.

Much of the Chicago interest group theory of regulation grew from specific research on electrical utilities. The theory itself possessed the basic characteristics of a more general economic analysis built on simple supply and demand considerations. The distinction is that where earlier models had focused on the public interest as the source of demand for regulation, the Chicago school identifies the source of demand as the regulated industry itself. Regardless of the source, the regulated industry, and not consumers, is expected ultimately to be the chief beneficiary of regulation. Certain industries, especially those with "larger" number of producers, faced a severe free-rider problem in their attempts to regulate competition privately. Barriers to entry had to be erected and close supervision or policing of cheaters within the cartel pursued if profits were to be protected or increased. Vigorous regulation by the government could overcome Olson's free-rider problem as well as disguise the self-interested nature of that regulation<sup>20</sup>.

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<sup>20</sup> William C. Mitchell and Michael C. Munger, "Economic Models of Interest Groups : An Introductory Survey," *American Journal of Political Science* 35, no.2(May 1991):512-546, <http://links.jstore.org/sici?sici=0092-5853%28199105%2935%3A2%3C512%3AEMOIGA%3E2.0.CO%3B2-L>.

According to the Chicagoans, the government is simply the supplier of regulatory services such as price fixing, restriction of entry, subsidies, suppression of substitutes, and promotion of complementary goods. In exchange for these highly valuable services, the regulated industry can offer legislators campaign contributions, speaking honoraria, and votes of industry employees and can promise highly remunerative future employment to the regulators. The resulting exchange may not be obvious, because the chief benefit of regulation is the opportunities that it creates for cross-subsidization in such industries as airlines, trucking, the postal service, and telephones. Some groups are required to pay higher prices in order to subsidize other users of essentially the same services or goods. With deregulation these subsidies have been eliminated or reduced with the expected rise in complaints from previously privileged user groups.

All in all, the Chicago theory explains a portion of what we commonly observe about the behaviour and choices of the regulated, the regulators, and the various consequences for markets and the political world.

The other branch of the interest-group theory has been termed the Virginia Political Economy. Scholars in this tradition have focused on the impact of institutions on the wealth transfer process. Landes and Posner (1975) introduced the independent judiciary as an enforcer of long-term contracts between the legislators and interest groups. McCormick and Tollison (1981) showed the impact of legislative institutions (e.g., size) on the costs and benefits of lobbying. The Virginia approach adds to and supplements the Chicago approach<sup>21</sup>.

Although Olson's work on interest groups is better known than that of the Virginia school, a good case can be made that the Virginians predated Olson, at least with respect to the analysis of rent seeking, the *raison d'être* of interest groups. While Buchanan and Tullock's *Calculus of Consent* (1962) raised concern about the power of organized interests, the formal origin of the modern study of rent seeking dates back to

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<sup>21</sup> *Ibid.*



Tullock's brief but now classic essay of 1967, "The Welfare Costs of Tariffs, Monopolies, and Theft" and the important research of Ann Krugner(1974).

Olson was chiefly concerned with the formation of groups, and later their generalized ill effects on the society. The Virginians, and particularly Robert Tollison, have suggested instead a complete "interest group theory of government" in which groups are the motive force in a model that accounts for the behaviour of politicians, bureaucrats, and citizens. Though partly a logical follow-up of Calculus of Consent, the new rent-seeking literature constitutes a distinct hybrid, particularly in research spirit and methods. Tollison and his various co-authors are vigorous adherents of the stiglerian methodology. The result is that the work is strongly empirical, oriented toward testing hypotheses derived from (but different from) the Chicago version of interest group theory.

For the Virginians the government is not an institution that generates social welfare by producing public goods and overcoming externalities. Instead, the political system provides a quasi-market setting for brokering wealth transfers and extorting rents. In fact, chapter 3 of McCormick and Tollison's *Politicians, Legislation, and the Economy* (1981) is entitled "The Demand and Supply of Wealth Transfers." They model the legislature as both a large "brokerage house" and "wage cartel," focusing on such considerations as the compensation of the state officials, their outside earnings, and competition for party leadership positions as explanations for legislative activity. Shughart and Tollison subsequently (1986) considered the general topic of the growth of government. Their main argument is that governmental output and growth are driven by the benefits and costs that citizens confront in using the machinery of the government to increase their wealth. According to the authors, "each legislator/broker searches over his constituency, identifies those groups that are net demanders of wealth transfers and those that are net suppliers, and develops a legislative agenda- a level and pattern of wealth transfers that maximizes his political majority." The size of legislatures is important because of its impact on decision costs; similar impacts may be

produced by bicameral bodies. Again, institutional properties of legislatures are of critical significance in explaining legislative behaviour<sup>22</sup>.

Recent Virginian research has covered a wide verity of topics in which the interest group perspective dominates theory formation. The literature growing out of these earlier works is now quite large (Tollison 1988, 1991) and leads in numerous directions. Space does not permit a discussion of these various avenues of research. A small example will have to suffice.

In the interest-group theory consumer and producer interests are traded-off against one another. However, much economic regulation is driven by a different set of combatants. Much regulation is fuelled by competitor versus competitor interests. The most obvious example of this type of regulation is where the producers of butter obtain a regulation raising the price of margarine. But this is not what is meant here; what is meant is competitor versus competitor in the same industry, that is, some butter producers against others<sup>23</sup>.

The basic idea is straightforward. Firms in an industry are heterogeneous with respect to costs. This opens the door to possible regulations which impose relatively greater costs on higher-cost, marginal firms, causing some of them to leave the industry. All firms face higher costs as a result of direct regulation, but the exit of higher-cost firms raises market price in the industry. Depending upon relevant elasticities, the increase in price can outweigh the increase in costs for the lower-cost producers. If so, the regulation increases their wealth at the expense of both consumers and the higher-cost firms which had to leave the industry.

## **2.9. International Political Economy and Interests**

Interests are the goals or policy objectives that the central actors in the political system and in the economy-individuals, firms, labour unions, other interest groups, and

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<sup>22</sup> Ibid.

<sup>23</sup> Robert D. Tollison, "The Interest-Group Theory of Government," *The Locke Luminary* 1, no.1 (summer 1998): Part 4, [http://www.thelockeinstitute.org/journals/luminary\\_v1\\_n1\\_p4.html](http://www.thelockeinstitute.org/journals/luminary_v1_n1_p4.html).

governments- want to use both the foreign economic policy, as well as domestic economic policy. In focusing on interests we will assume that individuals and the interest groups that represent them always prefer foreign economic policies that raise their incomes, to policies that reduce their incomes. Thus, whenever a group confronts a choice between one policy that raises its income and another that lowers its income, it will always prefer the policy that raises its income.

Interests are often based on ideas. Ideas are mental models that provide a coherent set of beliefs about cause and effect relationships. In the context of economic policy, these mental models typically focus on the relationship between the government policies and the economic outcomes. Not surprisingly, therefore, economic theory is a very important source of ideas that influences how actors perceive and formulate their interests. By providing clear statements about cause and effect, economic relationships, economic theories can create an interest in a particular economic policy. The theory of comparative advantage, for example, claims that reducing tariffs raises aggregate social welfare. A government that believes in this theory might be inclined to lower tariffs in order to realize these welfare gains. Alternatively, a government might adopt high tariffs because a different economic theory (the infant industry argument, for example) suggests that tariffs can promote economic production in ways that raise national income. What matters therefore, is not whether a particular idea is true or not, but whether people in power or people with influence over people with power, believe the idea to be true. Thus, ideas about how economy operates can be a source of the preferences that groups have for particular economic policies<sup>24</sup>.

### **2.9.1. IPE Approaches and Interest Groups**

In the United States, the study of IPE has become dominated by a 'rational choice' or neo-utilitarian approach. This borrows economic concepts to explain politics. Instead of exploring the ideas, personalities, ideologies or the historical traditions which

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<sup>24</sup> Thomas Oatley, *International Political Economy: Interests and Institutions in the Global Economy* (New York: Pearson Longman, 2003), 13-14.

lie behind policies and institutions, rational choice focuses on the incentive structure faced by those making decisions. It is assumed that actors' interests and preferences are known or fixed and that actors can make strategic choices as to how best to promote their interests. The term 'rational choice' is a useful one to describe this approach since it proposes that even though a particular policy may seem stupid or wrong, it may well have been rational. 'Rational' in this sense means that for the actor or group concerned this was the optimal choice given the specific incentives and institutional constraints and opportunities that existed at the time. The rational choice approach can be applied to any one of the several levels of analysis: to individual decision-makers, to interest groups, to sectors in the economy, to parts of the government bureaucracy, or indeed to states in their interactions with other states. Let us examine two different applications of rational choice<sup>25</sup>.

### **2.9.2. Political Economy: The application of rational choice to groups within the state**

Rational choice has been applied to interest groups and their influence on IPE in what has been called a political economy approach to IPE. This approach has its roots in explanations of trade policy which focus on interest groups. More recent applications have attempted to explain why countries adapt in particular ways to changes in the world economy. The analysis proceeds on the assumption that governments and their policies are important but that the policies and preferences of governments reflect the actions of specific interest groups within the economy. These groups may emerge along class or sectoral lines, indeed, the assumptions of rational choice are applied to explain how particular groups within the economy emerge and what their goals and policy preferences are. Furthermore, rational choice provides a framework for understanding the coalitions these groups enter into and their interactions with other institutions. For example, in explaining developing country responses to the debt crisis

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<sup>25</sup> Ngaire Woods, "International Political Economy in an Age of Globalization," <http://users.ox.ac.uk/~ntwoods/IPE%20in%20an%20age%20of%20globalization.PDF>  
(A final version of this paper appears as chapter 13 in John Baylis and Steve Smith (eds), *The Globalization of World Politics*, Oxford University Press, 2001, pp.277-298.

of the 1980s, a political economy approach starts out by examining the effect of economic 'shocks' such as high interest rates and structural adjustment on interest groups. By demonstrating that the power of some interests (such as those working in the export sector) has increased and the power of others (such as those working in industries relying on diminishing state subsidies) has diminished, the approach proffers an explanation for radical shifts in government policies<sup>26</sup>.

### **2.9.3. Institutionalism: the application of rational choice to states**

A different application of rational choice lies in the institutionalist approach to IPE. This approach applies the assumptions of rational choice to states in their interaction with other states. It offers an explanation as to why institutions exist and for what purposes. The core assumption is that states create international institutions and delegate power to them in order to maximize utility within the constraints of world markets and world politics. Frequently this comes down to the need to resolve collective-action problems. For example, states realize that they cannot achieve their goals in areas such as trade or environment, unless all other states also embark upon a particular course of action. Hence, institutions are created to ensure that there is no defection or free riding, and the collective goal is achieved.

### **2.9.4. The Neo-Gramscian approach**

One strand of thinking about how and why actors have particular preferences draws on the ideas and insights of the Italian political theorist Antonio Gramsci to highlight the role of politics, law, culture, and knowledge in shaping the preferences and policies of actors. The starting point here is that interests, actions and behaviour in the world economy all take place within a structure of ideas, culture and knowledge. We cannot simply assume that the preferences of actors within the system reflect objectively definable competing 'interests'. Rather, the way actors understand their own preferences will depend heavily upon prevailing beliefs and patterns of thinking in the

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<sup>26</sup> Ibid.

world economy, many of which are embodied in institutions. The question this poses is: whose interests and ideas are embodied in the rules and norms of the system?

For neo-Gramscians the answer to the question 'in whose interest' lies in hegemony. The dominant power within the system will achieve goals not just through coercion but equally by ensuring the consent of other actors within the system. This means that dominant powers will promulgate institutions, ideologies and ideas all of which help to persuade other actors that their best interests converge with those of the dominant power. For example, neo-Gramscians interpret the dominance of neo-liberalism since the 1980s as a reflection of US interests in the global economy, successfully projected through structures of knowledge (it became the dominant paradigm in top research universities), through institutions (such as the IMF which became forceful proponents of neo-liberal policy prescriptions), and through broader cultural beliefs and understandings (the very language of 'free' market contrasting with restricted or repressive regimes)<sup>27</sup>.

Using any single approach, mentioned above, to explain the interest group articulation in Korea will not be enough. The view of what is 'rational' differs between Korean interest groups and international interest groups and the state is forced to select from the options given to it by interest groups, both foreign and domestic. The articulations of foreign interests are met with resistance as well as cooperation on the part of competing domestic interest groups and these actions and reactions between interest groups are the important forces determining the decision making of the Korean government. Decisions are made to appease more powerful interest groups, following the criterion of which of them could be less damaging to the economy. The neo-Gramscian approach tells a lot about the post crisis situation in Korea but not the complete picture. The picture is complete when we include the domestic interest group articulation pertaining to the imposed institutions, approaches and beliefs from outside.

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<sup>27</sup> Ibid.

## 2.10. Political Parties and Interest Groups

Political parties have existed in Korea ever since Korea became a republic, but only representatives of divided power in the society. The basic characteristics of political parties in a democratic society was muted till 1987, the year which saw the democratization of Korea. Since then till to 1997 parties functioned as dominant intermediaries between the public and the formal government institutions, as they reduced and combined citizen demands into a manageable number of issues and enabled the system to focus on the society's most important problems. The parties performed their mediating functions through coalition building-the process of constructing majorities from the broad sentiments and interests that can be found to bridge the narrower needs and hopes of separate individuals and communities. Since democratization of Korea social forces have contributed to the creation of new interests and to the redefinition of old ones. But the 1997 financial crisis and the massive restructuring that followed which led the foreign financial interests to play a dominant role in the Korean economy have resulted in large scale social and economic shocks in Korea. Ever since the economic crisis, interest groups have become the most important actors in the Korean political system. The Korean public see the interest groups (in this case-mostly in the form of large federations of interest groups like CCEJ) as more legitimate actors to articulate the public opinion than the political parties.

The changes in recent decades, mostly in OECD countries reflect the societal transformation that scholars have labelled the "post industrial society". Post-industrial society is centered on several interrelated developments:

"Affluence, advanced technological development, the central importance of knowledge, national communication processes, the growing prominence and independence of the culture, new occupational structures, and with them new life styles and expectations, which is to say new social classes and new centres of power<sup>28</sup>."

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<sup>28</sup> Allan J. Cigler and Burdett A. Loomis, ed., *Op. cit.*, 19.

At the base is the role of affluence. Between 1980 and 1997 Koreans saw a rapid increase in their per-capita income. A large proportion of the population began to enjoy substantial discretionary income and moved beyond subsistence. The consequences of spreading abundance did not reduce conflict, as some observers had predicted. Instead, conflict heightened, because affluence increased dissatisfaction by contributing to a mentality of demand, a vastly expanded set of expectations concerning what are ones due, a diminished tolerance of conditions less than the ideal. It is not surprising that in the post 1997 financial crisis period the Korean government faced a tremendous pressure to satisfy domestic expectations. By the late 1980s the industrial class pattern of the upper, middle, and working classes had been “supplanted by one which was relevant to a system dominated by advanced post-industrial technology. At the top of the new class structure was a “professional-managerial-technical elite.... closely connected with the government and greatly influencing its decisions”-mostly armed with PhDs from American universities and advocates of neo-liberalism. This growing group tended to be cosmopolitan and more socially permissive than the rest of the society. The spread of affluence in the post-industrial society was however uneven, and certain groups were disadvantaged by the changes. At the bottom of the new structure were those whose economic functions had been undermined or terminated by the technical revolution and mainly by the liberalization of the economy. The traditional party system found it difficult to deal effectively with the citizens’ expectations and the fast changing economic structure. The weakening of the party organization accelerated after the 1997 financial crisis. The emergence of a highly educated electorate, less dependent on party as an electoral cue, has produced a body of citizens that seeks out independent sources of information. Technological developments-such as television, computer- based direct mail- have enabled the candidates to virtually bypass political parties in their quest for public office. In the case of Korea, interest groups played a significant role in increasing the numbers of participants, creating a network, and bridging the gap between the politicians and citizens. For instance “a fan club, called “Nosamo” (supporters for 2002 Presidential Candidate Roh Moo Hyun), was created via Internet and became a very influential driving force in the election campaign and the election result. Many members of the “Nosamo” personally sent written support letters



to the election campaign headquarter. They gathered together to cheer up their candidate Roh at every rally. Online community made the big gatherings possible because they shared information effectively through the Internet<sup>29</sup>. People even voluntarily raised billions of Korean Won (Korean currency) for the campaign fund, which was basically a collection of the members' monthly salary and allowances. This strong relationship between the candidate and citizens led to a successful campaign and created higher levels of trust between the public officer and the public.

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<sup>29</sup> Jim Dator and Hyun Mi Choi, "electronic democracy," *Hawaii Research Center for Futures studies*, May 14, 2003, <http://www.futures.hawaii.edu/polisci673/Choi.pdf>.

## **CHAPTER-III**

### **An Assessment of Interest Group Articulation in Korea**

Many autonomous interest groups have emerged in Korea as the Korean State's grip on the economy and the day to day life of Koreans began to recede after the democratization of Korea. The post democratization Korea saw the breaking away of organizations such as FKI and FKTU, the organizations which played pivotal role in Korea's rapid economic growth, from the state control. FKI which acted as an intermediary organization between the government and the chaebol, during the period of authoritarian rule, gradually drifted away from state control to the hands of top chaebol families. The leading chaebols made FKI a "bargaining organization" or an influential interest group catering only to the needs of big businesses. Another organization in the labour front, FKTU, ended the state's control over it when it decided to join the movement against the large scale layoffs and restructuring during the financial crisis. These organizations landed in a new era of Korean politics where they had to pressurize the government, through organizing public opinion and lobbying, and some times compete with other interest groups to forward their interests. Even though lots of civil society organizations and interest groups emerged during the immediate years of democratization they got their opportunity for action and to test their efficiency to cater to the needs of the public only in the post-financial crisis era, mainly because of the large-scale restructuring of the Korean Economy and the resultant social distress and shocks. The doubts about the foreign interest's hand, especially of American financial interests, behind the financial crisis and the subsequent IMF proposals for the restructuring of the Korean economy proved right for the Korean civil society, business and labour organizations when the adverse effects of restructuring and liberalization began to show up.

"Joseph Stiglitz has argued that the origins of the Korean financial crisis rested in the first place, with the excessively rapid financial and capital market

liberalization that the U.S treasury had pushed on Korea, on behalf of Wall Street, and over the protests of the council of Economic Advisors of which he was the chairman<sup>1</sup>.” According to Joseph Stiglitz “at the Council of Economic Advisors we weren’t convinced that South Korean liberalization was a matter of U.S national interest, though obviously it would help special interest of Wall Street.<sup>2</sup>”

In the post financial crisis period, the state found it more and more difficult to implement policies with out the sanction of a favourable public opinion, organized mainly by big umbrella organizations of NGOs and interest groups. However there are instances of weakening of interest group pressure because of the competing interests for the same issue in the public policy making, such as in the case of Iraq war where the state got the support of the powerful conservative church group organizations to sent Korean troops to Iraq, even though some of the members within the organization raised discontent voices against it. The liberal church organizations who opposed, with other groups like labour, the dispatch of Korean soldiers to Iraq found it difficult to pressurize the government because of the fragmented public opinion on the issue.

One of the important characteristics of interest group organizations in Korea is the direct involvement of interest groups in politics by fielding political parties to fight elections. By 2005 labour and conservative religious groups had their own parties; the full effect of it in the Korean politics is yet to be seen. The attempts of the state to increase its influence in post-crisis Korea, in order to implement unpopular economic measures were received with mass protests and agitations. Interest groups, from the religious to the environmental began to openly support candidates who supported their interests. Interest groups directly addressed and campaigned against political and social issues like corruption, environmental degradation, unpopular economic policies etc., and largely succeeded in their campaigns except in reversing the neo-liberal economic reforms, though covert attempts were made by the government to restrict the adverse

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<sup>1</sup> Meredith Woo-Cumings. “South Korean Anti-Americanism,” *JPRI Working Paper*, no.93 (July 2003): <http://www.jpri.org/publications/workingpapers/wp93.htm>.

<sup>2</sup> Joseph Stiglitz, *Globalization and Discontents* (New Delhi:Penguin,2002),102.

effects of foreign influence in Korean economy. Those who won the elections on an anti-neo-liberalization platform is finding it difficult to balance between powerful foreign interests, mainly American financial and industrial MNCs increasingly establishing its dominating influence in the Korean economy and the large-scale campaigns against foreign influence by industrial and labour groups. American foreign policy in the region is finding new supporters in Korea and for its global expansion especially in the Middle East in the form of conservative church group organizations, who from the cold war era were staunch supporters of American interests in the Korean peninsula often arguing that protecting American interests in the region was important for Korean security and prosperity.

### **3.1. Defining the Interest Groups**

Within the broad definition of interest groups, two polar types are recognizable: first, interest groups proper, such as trade unions, farmers' unions, and employers' associations, which have as their primary purpose the enhancement of the advantage of their members; and, second, promotional groups, such as the societies for the prevention of cruelty on children or various voluntary relief agencies, which exist primarily or entirely to enhance the advantage not of their own members but of the population, even perhaps to the discomfort or disadvantage of their own members. Some of these, such as churches or various evangelizing groups, exist to promulgate a distinctive set of values to be applied to the society as a whole.

The distinction between interest groups proper and promotional groups is not sharp for two reasons. In the first place, most interest groups proper sincerely believe that in furthering their own material advantage they are also serving that of the society as a whole—by promoting “free enterprise” or a healthy and wealthy body of farmers or a well-paid and enthusiastic corps of schoolteachers. But the propagation of such beliefs is certainly not the primary purpose of such organizations, thus distinguishing them from promotional groups. The second reason is that some groups—for instance,

organized churches—fall between the two types; they can simultaneously pursue advantages for their own sect and seek to inculcate a distinctive set of values in a whole society<sup>3</sup>.

Korean interest groups come under both interest group proper and promotional groups, but it is very difficult to differentiate between the two in the Korean context except in the cases of business organizations, and though the count is numerous, only a few wield a powerful influence in policy making. Following is a brief assessment of the most influential and powerful interest groups in Korea and their responses to the influence of foreign interests in the Korean economy.

### **3.2. Federation of Korean Industries**

The Federation of Korean Industries (FKI) is a multi functional association for domestic industries. It is a private business organization. Membership to FKI is limited to big conglomerates and companies, its membership stipulation of annual sales of 50 billion won indicates its orientation towards a big business lobby. Unlike the other three prestigious economic organizations, namely the Korea Chamber of Commerce and Industry, The Korea International Trade Association, and the Korean Federation of small Business which were formed under special law, the FKI was established by private businessmen on a voluntary basis. The member companies and conglomerates of the FKI contribute a lions share of the GDP of Korea. As any other economic interest group organization, it states as its objectives the improving the welfare of the domestic economy of Korea. The FKI has established sister organizations such as the Korea Long term Credit Bank, the Federation of Korean Medical Insurance Societies, the Korea Invention & Patent Association, The Korea Energy Management corp., and The Federation of Korean Information Industry. Post 1997 financial crisis, the FKI tried

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<sup>3</sup> interest group . (2005 ). *Encyclopædia Britannica*. Retrieved February 21 , 2005 , from Encyclopædia Britannica Online <http://search.eb.com/eb/article-36647>.

hard to postpone and avoid the restructuring of the member companies. During the immediate years of the crisis popular sentiment was against the chaebols. One of the reasons for Kim Dae Jung's election victory in 1997 was his exploitation of the Korean public's discontent against the chaebol. Later, for the chaebols he appeared to be favouring the IMF policies and bending to the pressure of foreign investors. As a result of the foreign pressure exerted through the IMF especially by the MNC lobby in the U.S, the Korean government raised the number of business categories open to foreign ownership in 1998, including security trading, investment companies and real estate. In a crucial move resisted by the chaebol, hostile foreign M&A were permitted for the first time. The foreign investment promotion law was enacted in November 1998 providing 10-year central government tax exemptions for high tech and related industries, and for investment projects in foreign investment zones. The government also agreed to eliminate all restrictions on the foreign ownership of Korean banks and security companies, thus giving giant U.S Industrial and financial firms a prize they had sought in vain for decades. Portfolio investment was, for the first time fully liberalized. By May 1998, the government had removed all remaining curbs on foreign participation in Korea's stock and bond markets. The Government abolished the Foreign Exchange Management Act in 1999, eliminating most remaining restrictions on foreign exchange transactions. Regulations on capital transactions were to be completely abolished by 2001<sup>4</sup>.

Kim Dae Jung successfully pursued liberalization in his initial years of presidency because the public believed that it will help to end the chaebol's hold on the Korean economy and may quickly solve the problems of the Korean economy. The FKI tried its best to resist the restructuring but with little success. They had to face the ire of the labour as well as the pressure from the government. Kim Dae Jung tried to enforce the restructuring during the peak of his popularity especially in the initial years of his office term. He toed the line of the IMF by criticizing the chaebol for having too many

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<sup>4</sup> James Crotty and Kang-Kook Lee , " *Economic Performance in Post-Crisis Korea: A Critical Perspective on Neoliberal Restructuring*", University of Massachusetts, Amherst, October 3, 2001, [http://www.networkideas.org/featart/dec2001/James\\_Lee.pdf](http://www.networkideas.org/featart/dec2001/James_Lee.pdf).

subsidiaries. It indicated the antagonistic relationship which was to be sustained during the years to come between the Korean government and the FKI. The FKI accused Kim Dae Jung of ignoring “economic realities” by criticizing the chaebol for having too many subsidiaries. Instead, the FKI urged the government to rely on the market—a plea for the chaebol to be able to carry on as before<sup>5</sup>. The “Big Deal” proposed by Kim Dae Jung’s government to get rid of the money-losers and trim down to “core” Industries of the Korean economy was not well received by the chaebols. The phrase “Big Deal” which stood for the exchange or “swap” of companies among the chaebol in order to trim the losers. The “Big Deal” led to power play between FKI and foreign investors, starved by the lack of funds because of financial crisis and the dismantling of the protective legislations by Kim Dae Jung’s government, the FKI was in no position to challenge the MNC lobby. Unlike in the initial years of democracy where chaebols called the shots in the Korean governments policy making, in the post-crisis period foreign MNC interests became a dominant player in the policy making of Korean government. Kim Dae Jung was convinced that only foreign investment and competition could rescue the Korean economy. The Korean press speculated that the announcement of “Tripartite Big Deal” to arrive at a consensus between the government, business and labour for restructuring, was significant in that the negotiations took place immediately prior to President Kim Dae Jung’s visit to the U.S in June 1998, this they speculated was to give reassurance to American business and financial institutions the favourable investment environment in Korea<sup>6</sup>. Even though the tripartite deal was a flopped one, he dealt with the labour issues harshly to the extent of brutal suppression of strikes originating from the large scale layoffs.

The recalcitrance of the chaebol towards restructuring was disturbing to American officials who wanted Korea to abide by the agreement with the IMF, an institution that often served as an instrument of American policy. “The IMF conditions

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<sup>5</sup> Donald Kirk, *Korean crisis: Unraveling of the Miracle in the IMF Era* (London: Macmillan Press Ltd, 2000), 92.

<sup>6</sup> Judith Cherry, “‘Big Deal’ or big disappointment? The continuing evolution of the South Korean developmental state,” *The Pacific review* 18, no.3 (September 2005):327-354, <http://taylorandfrancis.metapress.com/media/6cc61524xj3kwh5dxceg/contributions/r/q/k/4/rqk41346766u1517.pdf>.

served the brokerage firms on Wall Street far better than the needs of South Korea. Americans demanded, and got, the right to establish bank subsidiaries and brokerage houses in the Korean market by mid-1998; the ceiling on foreign ownership of publicly traded companies was raised to 50 percent from 26 percent; and the ceiling on individual foreign ownership went up from 7 percent to 50 percent”<sup>7</sup>.

The American Treasury Secretary Robert Rubin visiting Seoul on July 1, 1998, on the last stop of a four country swing through Asia, met with the top chaebol leaders and asked them if they were considering a “Big Deal” to get rid of money losers. He received an ambivalent reply from the Daewoo chairman Kim Woo Choong, newly named chairman of the FKI. “It will take long time” replied Kim. When Rubin told Kim that many foreign business people were waiting to see how the chaebol were doing on reform, Kim replied, “we’re moving as quickly as we can,” but gave no details<sup>8</sup>. The conversation revealed the FKI’s discomfort over the interference of the U.S in its internal affairs.

The FKI whipped up nationalistic arguments to ward off foreign takeovers. The Leading conglomerate in the fight against takeovers by foreigners was Hyundai. Driven by its lust to become bigger by consuming other smaller players and to establish its dominant position in automobile industry Hyundai vehemently opposed the entry of foreign players in view of the GM’s offer on December 14, 1999 to acquire Daewoo and its foreign operations, “Hyundai motor president Lee Kye Ahn warned the GM would undermine the entire Korean motor vehicle components industry while using a Korean operation as a take off point to get in to the China market. Lee had the full support of the FKI, which claimed that GM’s price strategy would “drive Hyundai Motor out of business”. Korea, Inc, perceived foreign competition as a threat to basic national interests and the sovereignty of Korea<sup>9</sup>.

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<sup>7</sup>Meredith Woo-Cumings. “South Korean Anti-Americanism,” *Op. cit.*

<sup>8</sup> Donald Kirk, *Op. cit.*, 92.

<sup>9</sup> *Ibid.*, 210.



The Korean public and government were complacent towards the warnings by the FKI of the possible takeover of the Korean economy by foreign financial interests. In the mad race for foreign investments Kim Dae Jung overlooked the dangers ahead. He was overdriven by his enthusiasm to establish his credentials as a reformer of the Korean economy as well as a tamer of chaebol power. Kim Dae Jung's drive for liberalization was also backed by other emerging forces in the Korean economic policy making such as the "translational elites who established themselves as advisers for liberalization by the beginning of 1990's all experts on finance, all with American PhDs, and all professing allegiance to the goal of liberalization."<sup>10</sup>

Korea recovered from the financial crisis faster than other East Asian countries. However the Korean public and the business community began to realize the costs of liberalization in the hard way; the public by facing a job scenario turning from permanent to temporary contracts with an ever growing uncertainty, Business by losing their controlling stakes to foreigners.

The FKI tried hard to reverse the trend of liberalization and excessive deregulation but with out the support of the public and the government it was less successful. But by 2003 the Korean press had began to express views against the influence of foreign capital. It began when Koreans began to realize that most of Korea's biggest companies are having foreigners as majority stake holders.

"The percentage of Korean market capitalization owned by foreigners rose from a minuscule 2.7% in 1992 to 12.3% in 1997, and then leapt to 36.2% in January 2002. Foreign firms have gained major influence over such important Korean industries as semiconductors, cars electronics, telecommunications, petrochemicals and finance. The 1990s liberalization raised foreign ownership of the top seven Korean firms (as measured by stock market

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<sup>10</sup> Linda Weiss, "Developmental states in transition: adapting, dismantling, innovating, not 'normalizing'," *The Pacific Review* 13, no.1 (March 2000):21-55, <http://taylorandfrancis.metapress.com/media/e05d2179xg7wrpd8dbe7/contributions/e/t/k/c/etkc8yjjk8r0n8pg.pdf>.

capitalization ) to an average 20.6% just before the crisis broke out ,but after the years of restructuring it had more than doubled to 47%. In mid-2001,foreigners owned 56% of the listed shares in Samsung electronics, the number one firm, 63% of POSCO ,the world's fourth largest steel producer, and 57% of the listed stock of Hyundai motors<sup>11</sup>”.

More and more foreign takeovers led the debate in Korea to shift from how to attract more foreign capital to how to limit foreign influence. For instance CitiGroup's \$ 2.7 billion takeover of KorAm Bank, the largest ever foreign investment in the country led Koreans to sit back and asses the situation. News papers, politicians, and even some bureaucrats began to blame the forces of foreign capital (*weigukjabon*, in Korean), for focusing on affluent retail customers instead of helping the government to achieve its economic objectives by lending more to business. In fact , from 2001,banks controlled by *weigukjabon*- Korea First Bank ,Korea Exchange Bank, and Kookmin Bank- have balked at government attempts to arm-twist all the banks into bailing out embattled companies like L.G card, S.K Global, and Hynix semiconductor. In other words, these banks have been behaving like real banks, with a focus on profits, not mandated bailouts. That attitude wasn't expected when Seoul opened up the sector, and it's not appreciated<sup>12</sup> . The backlash against foreign capital gained further momentum with the business community led by FKI began to exerting its pressure on the government to pass legislations to restrict the foreign takeovers. Other business groupings affiliated to the government also began to follow the FKI's campaign against foreign takeovers .For example “a local chamber of commerce and industry in Ulsan, South Korea's main industrial city, communicated with the business leaders in the region on November 18, 2004 to call for their purchase of SK Corp., stocks to protect the country's top oil refiner from “hostile” takeover bids by foreign investors. The Chamber of the city that houses Asia's single –largest refinery also has staged a campaign in which every citizen is urged to buy 10 shares of SK Crop., to counter the “hostile” takeover bid by foreign investors, referring to Sovereign Asset Management, which led a move by foreign shareholders to shake up South Korea's family-run management. The “buy S.K Corp

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<sup>11</sup> James Crotty and Kang-Kook Lee, “A political-economic analysis of the failure of neo-liberal restructuring in post-crisis Korea,” *Cambridge Journal of Economics* 26, no.5 (September 2002):667-678,<http://cje.oxfordjournals.org/cgi/reprint/26/5/667?>

<sup>12</sup> *Business week online*, November 8, 2004, <http://www.businessweek.com/>.

campaign is aimed at protecting national companies from hostile takeover bids by foreign investors and helping ease difficulties in management in our colleague businesses” the chamber said in a statement. Because of the mounding pressure President Roh Moo Hyun, the successor of Kim Dae Jung, who favoured pro-labour policies, expressed his desire that the ownership of POSCO, Kookmin Bank and Korean Telecom remain in South Korean hands because they are symbols of the successful South Korean economic development. “We see a lot of hot money coming into the country for the money game and they sometime try to attack South Korean firms”, Roh said in a speech during a visit to Argentina. But the Korean government is finding it hard to roll back the liberalization and for Roh’s government, the legacy of anti-chaebol struggle is hard to die. Even when the clamour for legislations to restrict the influence of foreign funds was raising government endorsed laws during 2004 to restrict family control of conglomerates. FKI expressed its displeasure against the government moves to control conglomerates and not restricting foreign funds. To this effect the FKI called for multiple voting rights for shares to protect their company from a hostile takeover bids by foreigners said Lee Seung-Charl, an executive at the FKI<sup>13</sup>.

The FKI’s pressure and public concern against foreign takeovers began to show its effects, when on September 10, 2004 the national assembly passed a law that permits local equity funds to buy out banks. Sounds innocent, but no such funds existed before, so a law was needed to authorize them, but the reformers think the government wants to give the chaebol a chance to bankroll these funds. That would be the easiest way to raise the money needed to stop more foreign takeovers. The government notes that the law also blocks any chaebol from acquiring outright control of a bank, but the funds could still prove powerful enough to counter foreign bids.

According to experts on corporate governance reform, “this is the crucial lesson of the Korean case. The foreign –investor-driven model of governance reform, no matter what the asset class, bond or equity, has a thin domestic political base. The greater mass of

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<sup>13</sup> *Washington Times.com*, “SK concerned about takeover bids,” November 18, 2004.

Korean citizens stand to benefit little from these reforms, which rebound largely to foreign investors<sup>14</sup>.”

### 3.3. \*CHURCH GROUPS

According to the Justice Ministry, at the end of the period covered by International religious freedom report, released on September 15 2004,387 persons ,most of whom are Jehovah’s witnesses ,were imprisoned (serving sentences or waiting trial in prison )for refusing to serve their military duty. They are allowed to conduct their own religious services in prison<sup>15</sup>. This is one of the instances where state’s interests are collided with that of the church groups and the state finds it more and more difficult to impose its writ against the interests of powerful church groups. In the post –financial crisis Korea where society has undergone tremendous adjustments and traumas, church groups began to press for more power and articulation of their interests ,but unforeseen shifts in Korean political scenario and the international political scenario had shaped Korean church groups responses towards the Korean government’s policy making.

Church supported women’s group organizations were in the forefront of the struggle against the legislations which showed insensitivity towards women’s issues. The NCKK (National Council of Churches of Korea) has the legacy of struggle against brutal state oppression. It was one of these struggles which it initiated, which paved the way for the speedy democratization of Korea. The *puchun* sexual torture incident, “a sexual assault, on a female student activist, In-sook Kwon by a policemen in the *puchan* station was disclosed in June 1986 and received wide public attention. Kwon was imprisoned for using a false identification card to get employment in a factory. During the investigation and interrogation, she was severely tortured, sexually assaulted, raped by a male policeman, after which she had unsuccessfully attempted to commit suicide.

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<sup>14</sup> Peter Alexis Gourevitch and James J. Shinn, *Political Power and Corporate Control: The New Global Politics of Corporate Governance* (New Jersey: Princeton University Press,2005), 130.

<sup>15</sup> International religious freedom report,<http://www.state.gov/g/drl/r/s/irf/2004/35403.htm>.

\*Here Church groups are considered as Christian unless specified otherwise.

Her friends in the same detention facility asked their relatives to report this incident to the NCKK. The council dispatched a team of human rights lawyers to investigate the incident and demanded that the policeman be indicted. The government however, claimed the charge was a fabrication and declined the appeals to prosecute the perpetrator, and accused Kwon and other activists of being “loose and immoral” women.

The government’s decision to avoid any prosecution of the policeman provoked public outrage, which provided, before the 1987 democratic struggles, an important catalyst for the consolidation of the collective power of the opposition groups. After democratization the state’s power was reduced and the power of the church organizations like NCKK got increased<sup>16</sup>.

Korean church groups were also very active in protests against the WTO rules which they allege are pro-capitalist and contributed only to the widening the rich poor gap in the world. Church groups’ resistance against the foreign capital proved critical in organizing public opinion in Korea against growing influence of foreign capital. This was also one of the important causes which led the Korean government to slow its liberalization drive and also to pass legislations which restricted the growing influence of foreign capital. One of the church groups “Seoul Ethnic Korean Church” which is a non profit organization in providing migrant workers free facilities and work campaigned to protect their rights<sup>17</sup>.

Church groups in Korea were conscious about the linkage between domestic economic activities and global environmental degradation. Church groups were instrumental in the formation of many environmental organizations which pressurized the Korean government for environment friendly economic growth.

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<sup>16</sup> Jeong-Lim Nam, “Gender politics in Korean Transition to Democracy,” *Korea Studies* 24, (2000):94-112, [http://muse.jhu.edu/journals/korean\\_studies/v024/24.1nam.pdf](http://muse.jhu.edu/journals/korean_studies/v024/24.1nam.pdf).

<sup>17</sup> *Chousun Ilbo*, March 24<sup>th</sup>, 2000, <http://english.chosun.com/>.

Conservative Korean churches' approach to the Iraq war and the dispatch of Korean forces to Iraq which has been very similar to the attitude exhibited by Korean churches towards the Vietnam War. In a statement on October 2004. The Christian council of Korea (CCK), a representative organization of conservative protestant churches, urged Korea to send troops to Iraq on the grounds that the U.S led Iraq war would contribute to the democratization of Iraq, to the Justice of mankind and to world peace. However, unlike the past, various positions have emerged within Korean protestant churches regarding the dispatch of Korean forces to Iraq some have openly criticized the Iraq war, and the dispatch of Korean soldiers to Iraq<sup>18</sup>, thus proving that there are now many people within the Korean churches who are not constrained by pro Americanism and cold war sentiment of the past. Criticism of the Iraq war has also been voiced in some conservative churches<sup>19</sup>.

In order to achieve its objective of mass education and health care Korean government has allowed religious organizations to fill the gap between its objective and ability. Christian organizations already there, took the initiative. Now it could be difficult to find another country in which religious organizations, mostly Christian, collectively operate more hospitals, schools and universities and welfare services than in Korea. Investing huge sums of money in to educational institutions and health services, religious organizations have, unlike during the authoritarian era, major stakes in the policy making pertaining to education and health care. In education, profit could not have been their motive for involvement in education, for the education law in Korea grants only non-profit status to private schools and universities. But propagation of their beliefs and increasing their membership certainly is<sup>20</sup>.

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<sup>18</sup> [www.newsnkoy.co.kr](http://www.newsnkoy.co.kr), 15 October 2003.

<sup>19</sup> Ryu Dae Young, "Korean protestant churches' attitude towards war: with a special focus on Vietnam War," *Korea Journal* 44, no.4 (winter 2004):191-222, <http://www.ekoreajournal.net/servlet/chargedMemberDownload>.

<sup>20</sup> Andrew Eungi Kim, "Religious Influences on Personal and Societal Well-being," *Social Indicators Research* 62-63, no.1-3(2003)63:149-170, [http://www.springerlink.com/\(3pltfvvvbxbpa545am5ko545\)/app/home/contribution.asp](http://www.springerlink.com/(3pltfvvvbxbpa545am5ko545)/app/home/contribution.asp) .

How powerful are Korean church groups in pressurizing Korean government and to bring out policy decisions favourable to them can be gauged from its successful campaign to change law on overseas Koreans.

The Law on Overseas Koreans passed in 1999 grants overseas Koreans (*chaeye Tongpo*) the right to invest capital, own property, and be employed in the private and public sectors. The definition of overseas Koreans however is controversial, as the law categorized them as persons who once lived with in South Korea (established in 1948) as citizens as well as the descendants of such persons. This definition excludes Koreans in China and other members of the colonial Diaspora in Russia and Japan.

Written during South Korea's financial crisis, the law is widely considered an expedient mechanism to attract the Korean American capital, while utilizing the Korean Chinese as low-wage workers.

Since it is Korean Chinese among the Korean colonial Diaspora who have mainly migrated to South Korea, at issue is whether Korean Chinese would be permitted legal visitation and employment in South Korea. Although activists working for pan Korean solidarity participated in the campaign to reform this law, Korean Chinese and their advocates have led the campaign, forming the committee to reform the law on overseas Koreans. The committee under the leadership of a pastor- a veteran activist of the previous democratization movement- has mobilized support from National Council of Churches (NCC) that had been a mainstay of the *Minjung* democracy movement. This support from (NCC) which have had nation wide network with substantial lobbying power, has been crucial in exerting pressure on lawmakers, politicians and administrators. The intervention of the NCC in the final moment of the

campaign to reform the law brought the committee's three – year effort to success with parliament passing the revision in February 2004<sup>21</sup>.

In the post –Independence period up to the last decade of the 20<sup>th</sup> century the Christian church experienced tremendous growth .Korea with in a short period of time has become the home to the world's largest Christian church. The Yoido Full Gospel Church, led by David Yonggi Cho, has approximately 750,000 members. In Seoul and its surrounding cities, Yoido full gospel church has the ability to wield tremendous political power, due to the sheer number of its followers. The Christians have proven themselves to be well-positioned political figures capable of marshalling their followers on any issue they believe action is needed for<sup>22</sup>. The declining ecumenical movement in South Korea does not attract as large numbers as the conservative evangelical churches. On the ecumenical end, the National Council of Churches in Korea (NCCCK) works in partnership with ecumenical organizations such as the WCC (World Council of churches) and the Christian Conference of Asia (CCA) and in solidarity and cooperation with non-Christian faith traditions. In the 1960s and 1970s, the NCCCK had focused on missions with urban poor, farmers and workers, addressing issues of human rights and democracy and fighting against the military dictatorship. Representing conservative evangelicals, the Christian Council of Korea (CCK) founded in 1989, reflects the conservative end of the political spectrum. The most visible mega churches in South Korea today, including the Yongnak Presbyterian church and the Yoido full Gospel Church, are theologically and politically conservative. The founder of Yoido Full Gospel Church in Seoul, a member of CCK, Yonggi Cho, helped to form the Korean Christian Party in 2004, a conservative political party seeking to affect public policy according to a Christian world view.Cho has been a frequent speaker at anti-communist, pro-American protest rallies, and is frequently quoted for expressing Korean

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<sup>21</sup> Hyun Ok Park, "Democracy, History, and Migrant Labor in South Korea: Korean Chinese, North Koreans, and Guest Workers," *New York University*, [http://iis-db.stanford.edu/pubs/20790/Democracy-History-and Migrant-Labor-in South-Korea-by- Hyun-Ok-Park.pdf](http://iis-db.stanford.edu/pubs/20790/Democracy-History-and-Migrant-Labor-in-South-Korea-by-Hyun-Ok-Park.pdf).

(An earlier draft of this paper was presented at the Korean Studies of Stanford University and the East Asian Studies of the University of Pennsylvania in spring 2004.)

<sup>22</sup> <http://www.publiceye.org/ifas/fw/9510/korea.html>.



indebtedness to American missionaries, and urging South Korean military support for U.S war and occupation of Iraq<sup>23</sup>. Korean conservative church organizations have had good support from their counterparts in the U.S. It is believed that the conservative church organizations in the U.S have a say in foreign policy making in order to protect and forward their interests.

It was the North Korea initiative, North Korea Human Rights Act, that first prompted foreign –policy analysts to take notice. Michael Horowitz, a prominent protagonist of the involvement of conservative faith based organizations in foreign policy, called the North Korean Act a “miracle” wrought by evangelicals. But some experts point to the large number of Korean –American Christians and their activist, pastors as a larger factor in the Act’s passage. The faith-based community’s influence appeared to deepen when Bush on 2005 named Jay Lefkowitz, a former white House aide and Horowitz associate, to the post of “special envoy for North Korea Human Rights”; as called for in the Act –That appointment prompted worried blog entries on the “Christian Conservative agenda” for U.S foreign policy<sup>24</sup>.

Although church groups, both conservative and liberals, were in the forefront of the agitation against military dictatorships, they found that the post-democratic Korea is going through unexpected phases which, they never thought about. Especially the conservative church groups are angered and frustrated by the successive ascendancy of leftist and allegedly pro-North Korean Presidents during and after the financial crisis of 1997.

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<sup>23</sup> Ju Hui Judy Han,” Missionary Destinations and Diasporic destiny: Spatiality of Korean/American Evangelism and the cell church,” *Institute for the study of social change (ISSC)*, University of California, Berkeley (2005), <http://repositories.cdlib.org/cgi/viewcontent.cgi?article=1000&context=issc>.

<sup>24</sup> LaFranchi, Howard. (2006), “Evangelized Foreign Policy?” ,*The Christian Science Monitor* , March 02, 2006, <http://www.csmonitor.com/2006/0302/p01s01-usfp.html>.

In order to strengthen the cause of the conservative church groups they found numerous organizations to pressurize the government. The religious conservatives organized by the Christian Council of Korea (CCK) mobilized mass rallies, and demonstrations against the reforms suggested by the Roh Moo Hyun Government and his Uri party. The CCK condemned pro-North Korean policy of the post-crisis Korean governments. The CCK raised a huge anti-government demonstration against the Roh government's attempt to abolish the notorious National Security Law in the downtown Seoul (The National Security Law was utilized by the military dictatorships to oppress political opponents and anti-authoritarian movements. The National Security Law was passed to prosecute the leftists in 1948). One of the instances of CCK's eagerness to protect its self interests through pressurizing the government by its organizational abilities occurred during this period. The CCK protested the attempt of the ruling party (Uri) to revise the Private School Law which allows unlimited power to the owner of the private schools. Many church leaders considered the revision as a threat to their interests since many churches own private schools. While financial resources of private schools are student fees and government subsidy, religious leaders reject state intervention in their management of the schools to monopolize the discretionary power.

[Under the revised law, family members of school owners are not permitted to become principal of a school and a committee should be set up at the school and committee members should intervene in the budget and management affairs. The committee consisted of parents and teachers could nominate one third of board members of a school]. The CCK organized a mass gathering of 5000 preachers to protest the government's attempt to revise the private school law on November 2004. In accordance with the CCK, the private school operators held mass rallies. Conservative church groups also supported the failed impeachment of President Roh<sup>25</sup>. In spite of the protests by the conservative Christian church group's government passed the Private School Reform Law. For Christian church groups both Protestants and

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<sup>25</sup> Kwang-Yeong Shin, "The Contentious Politics, Social Movement and Divided Civil Society," Department of Sociology, Chung-Ang University, *International Conference on Political Challenges and Democratic Institutions*, Taipei, December 3-4, 2004.  
<http://politics.soc.ntu.edu.tw/news/3-1%20shin%20kwang-young.pdf>.

Catholics it clearly marked the shift towards leftist politics. Bishop Sundo Kim, Pastor of Kwang Lim United Methodist church of Seoul, Korea, noted that communism, in such countries as China and North Korea, first began with private schools falling under the government, according to Korea Christian Today. The CCK led a massive prayer meeting at Young Nak Presbyterian church in Seoul protesting against the Private School Law. The measure aroused concerns among conservative Christians throughout the country who said such measures would give more power to Korean Teachers and Educational Workers' Union, an organization they believe is made up mostly of left-leaning teachers<sup>26</sup>.

“It is obvious that the CCK has some political colours within them. When two or more people gather together; they talk about politics” said Kyun Hae-Jin of the clean Election Campaign Association.

The formation of the Christian Party in the year 2004, was an attempt to articulate conservative Christian interests in every walk of Korean life “we support healthy conservatism .Because Christian religion can thrive in a democracy and a free market, we also support a free economic system” said party spokes person Jung Sang – Kyun at the eve of the formation of the party. In contrast, Buddhist groups, such as the Buddhist solidarity for clean politics, unlike the Christian Party who composed a list of candidates whom they support, are refraining from composing a list of names but instead have published a list of ethics that each candidate must exemplify to earn their vote. They value candidates with policies that help the poor and minorities, and show tolerance toward different religions and political ideologies<sup>27</sup>.

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<sup>26</sup> Lillian Kwon and Joseph Alvarez, “South Korean Christians Rally Thousands against New School Reform Law,” *christiantoday*, Posted: Monday, January 23 , 2006, 16:46 (GMT), <http://www.christiantoday.com/news/asia.pacific/south.korean.christians.rally.thousands.against.new.school.reform.law/372.htm>.

<sup>27</sup> Andrew Petty, “Christians count in Korean elections”, *The Korea Herald*, 2004-04-15, Retrieved from, <http://aibi.gospelcom.net/politics/15/Korea.asp>.

Another influential Christian Church organization The National Council of Churches in Korea (NCKK) traces its roots to the organization called National Council of Protestant Churches in Korea. Liberal in character this powerful Church organization has its stamp on most of the forces which constitutes post-independence Korean history. The NCKK focused on mission with the urban poor, farmers and labourers and addressed issues of human rights and democracy. Until 1996 it had eight denominations under its membership. The Presbyterian Church of Korea(PCK), The Methodist Church in Korea, The Presbyterian Church in the Republic of Korea(PROK), The Salvation Army in Korea, Anglican Church of Korea, Evangelical Church of Korea, The Korean Orthodox Church, Korean Assemblies of God. The NCKK professes its main agenda as the peaceful reunification of the Korean peninsula. It differs from CCK about on views on aid to North Korea and war in Iraq. Some of its denominations criticized the war in Iraq and the sending of Korean soldiers to Iraq. Its pro-North Korean stance can be seen in its declaration about nuclear issue and six party talks which read as follows.

“The NCKK, with National Council of Churches in USA (NCC-USA) and National Christian Council of Japan (NCC-Japan) recognize that the present ‘North Korean Nuclear Issue’ ” is related to the energy issues that the Democratic People’s Republic of Korea (DPRK) faces for its very survival, as well as the issue of the security of its regime. Fortunately, the positive attitude of the government of the Korea (ROK) with regard to providing electricity to the DPRK has provided a constructive element to the resolution of the present situation. At the same time we affirm the need for the U.S and Japan, as well as other neighbouring countries to become more pro-actively involved in reconstructing the industrial basis of DPRK which has suffered from repetitive natural disasters and the chronic lack of agricultural production and energy shortages .This matter, we believe, is a humanitarian issue that is directly related to the survival of DPRK.”

The NCCK, NCCC-USA and the NCCJ also called upon the government of the U.S to adopt a more positive attitude to the issue of guaranteeing the DPRK's sovereignty and security.

The most powerful Christian church organizations in Korea, the CCK and the NCCK have powerful interests in the making of the foreign policy of Korea. Because of its linkages and roots in the U.S, the CCK is actively pursuing a policy which is more pro-American even though recently some of the member denominations have begun to raise differences of their opinion from the official CCK policy. Its pro-Iraq war stance, anti-North Korean and its aggressive agitations against what they allege pro-leftist policies by the Roh government point towards its articulation of self interests. For instance Private School Reform Law, which is negatively influencing its powerful position in the educational setup of Korea, was met with vigorous resistance. But it relates with the government on its economic policy which encourages a pro-liberalization outlook. Another powerful Christian church based organization the NCCK encourages and supports the government on its humanitarian approach towards North Korea. However it criticizes the Korean government for its support to the Iraq war. Christian candidates in the National Assembly were influenced by church organizations, for e.g., the former Korean President Kim Dae Jung had declared himself as a devote Catholic during his tenure.

Compared to Christian religion based groups, Buddhist groups are not pursuing any aggressive political campaigning in Korea to forward their self interests, apart from some individual campaigns from Buddhist monks, like the one led by Oh Tae Yang against the South Korean Army draft ,which became one of the hottest political issue in Korea<sup>28</sup>.

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<sup>28</sup> Howard W. French , "South Korea Faces A Test Of Conscience Over The Draft", *New York Times*, May 8, 2002, Retrieved from, <http://www2.gol.com>.

Catholics who constitute about 8% of the Korean population also constitute an important pressure group in the Korean society. Catholic Priests Association for Justice (CPAJ) is the association through which catholic interests is expressed. It is an association of priests.

The CPAJ was and is actively involved in political issues in Korea. The CPAJ actively participated in struggles for revision of the SOFA (Status of Forces Agreement). Also in 2004, CPAJ priests held a 14 day hunger strike and prayer meeting, with daily mass calling for the abolition of the National Security Law.

### **3.4. TRADE UNIONS**

In the post-financial crisis Korea, trade unions and labour groups was and is always in the front page of the news print because of their militant struggles against liberalization and restructuring. Korean trade unions had a legacy of militant struggle against the government before the financial crisis, mainly for legalizing labour movements and other basic rights of labour. The period between democratization and the financial crisis saw relative peace between business, government and trade unions. But the financial crisis made the Korean economy more integrated to the global economy with highly negative prospects for labourers. The difference between pre-crisis and post-crisis labour scenario of Korea is the growing insecurity of employment in post crisis Korea. Instead of more competitiveness promised by restructuring and liberalization, labour unions saw consolidation of monopolistic entities and increasing control of Korean industry and services in the hands of big financial and industrial MNCs.

The KCTU and the FKTU are the major organizations through which most of the organized labour in Korea expresses their interests. As important interest group organizations, the strength of the KCTU and the FKTU to influence the government policies is deterministic in Korea's future economic performances. Looking into these organizations' efforts to influence the government economic policies is also important

to get a realistic assessment of the economic environment of post financial crisis Korea, especially, how foreign financial interests have changed the political economy of Korea.

### 3.4.1. Korean Confederation of Trade Unions

The Korean Confederation of Trade Unions KCTU, *Minju Nochong* in Korean, founded in 1995, was the successor organization to the Korean Trade Union Council (KTUC) which had embraced radical and rigid working class unionism from its inception in 1990. In the beginning of the twenty first century Industrial unions belonging to the KCTU include the Korean Teachers and Educational Workers Union (87,000 members) The Korean Health and Medical Workers Union (39,000 members), the Korean Metal Workers Union(32,000 members), The Korean Press Union (18,800 members), the Korea Securities Trade Union (15,600 members) and the Korean Life Insurance Labour Union (14,400 members). Building on the KTUC's failures, the KCTU pursued the more pragmatic goals of social reform and inclusive union solidarity<sup>29</sup>. Increasing social unrest because of liberalization and restructuring during the period of economic crisis and limited avenues to express labour grievances led to the swelling of the KCTU's membership both in terms of unions and workers. By the end of 1997 the KCTU's member unions and workers jumped to 929 and 496,908 from 861 and 418,154 in 1995, respectively largely at the expense of the KFTU<sup>30</sup>(Korea Federation of Trade Unions). The power and status of labour unions in Korea had certainly improved since the June 1987 democratic uprising. But it was only on 23<sup>rd</sup> November 1999 that the KCTU was recognized as a legal entity by the Korean government. The recognition of the KCTU itself is a testimony of the growing power of the KCTU in the Korean society and polity. It was the fourth application that the KCTU had submitted for legalization which the government accepted. Previous applications were rejected deliberately to reduce the power of the militant KCTU, but the fourth application which also had the prospect of rejection was met with threats of serious

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<sup>29</sup> Hun Joo Park, "After Dirigisme: Globalization, Democratization, The Still Faulted State and its Social Discontent in Korea," *The Pacific Review* 15, no.1 (2002):63-68, <http://journalsonline.tandf.co.uk/media/a8612mrtulctx9tmhb7j/contributions/k/e/9/d/ke9d79j1pq5yyxkq.pdf>.

<sup>30</sup> *ibid.*

consequences on the part of the KCTU against the government, which forced the government to accept the KCTU's application<sup>31</sup>. The struggle of the KCTU against the government intensified after the financial crisis hit Korea. The Korean government tried to pass the burden of restructuring and liberalization to the labourers. This action was also to make Korean economy more attractive for foreign investment. These actions of the Korean government infuriated the KCTU because they believed that the financial crisis was caused mainly by the wrong policies of the government and the chaebols. Later, the way the IMF intervened in Korea also made trade unions to suspect the hands of foreign interests causing the financial crisis. According to the KCTU International Secretary " it is the workers, not the government officials or corporate leaders responsible for our economic crisis who will have to bear the burnt of any IMF measurers "Chaebol officials, for their part, were also angry at the IMF's imperious approach, claiming to "detect a conspiracy by the U.S and Japan to use the IMF to weaken their international competitiveness<sup>32</sup>. Aware of the power of labor situated in the strategic industries of Korea and free of political ties to chaebol, the Kim Dae Jung government had in the initial years of his term accommodated trade union's demands, especially that of the KCTU, but also went in to partnership with the labour unions, culminating in the historic formation of the tripartite commission comprising representatives of the government, business and labour.<sup>33</sup>"

The tripartite commission has not functioned satisfactorily since 1998. The state has pursued two contradictory labour market policies since the financial crisis; unrestricted restructuring drives based on neo-liberal economic philosophy, because of the immense pressure from foreign interests, on the other hand, social compact approaches relying on democratic corporatism. Union members generally believe that

<sup>31</sup> <http://www.hartford.hwp.com/archives/55a/260.html>.

<sup>32</sup> Nicola Bullard, Walden Bello&Kamal Mallhotra , "Taming the tigers: the IMF and the Asian Crisis," *Third World Quarterly*19, no.3 (1998):505-555, <http://journalsonline.tandf.co.uk/media/e39xlmrtur3uu2jhpq0x/contributions/k/a/2/4/ka240k115gca2kgm.pdf>.

<sup>33</sup> Jae-jin Yang, "Democratic governance and bureaucratic politics: A case of pension reform in Korea," *Policy & Politics* 32, no.2 (2004):193-206(14), <http://docserver.ingentaconnect.com/deliver/cw/tpp/03055736/v32n2/s4/p193.pdf?fmt=dirpdf&tt=777&cl=17&ini=&bini=&wis=&ac=0&acs=11186&expires=1135229384&checksum=388D5010B3545A62B289D130C6D47ECB&cookie=900827072>.



state has used the commission as a mechanism to justify its predetermined restructuring policies. The labour, especially the KCTU, refused to be a rubber stamp in the process. In February 1999, the KCTU withdrew from the commission, and the commission has not produced any meaningful agreements since then.

The KCTU was successful in projecting Korean government's prohibition of unionism and collective bargaining for teachers in international forums. This led to harsh criticism from the ILO (International Labour Organization) and OECD, since Korea joined these forums in the 1990's. Due to the increasing international pressure, mainly because of consistent struggle by the KCTU, the Korean government revised relevant laws in 1998 to guarantee the right to organize trade unions of teachers from July 1999<sup>34</sup>.

Showing its broad world view pertaining to labour struggles for their rights, the KCTU supported along with other civic groups, the cause of foreign workers. The KCTU's support of foreign workers is generally based on the discourse of human rights which is one of the major issues in Korea. Often the Korean government has drawn flak from international NGO's and forums for its repression of labour movements<sup>35</sup>.

From 1997 itself the KCTU tried to organize protests against the neo-liberal plans of the Korean government. Despite harsh labour laws and President Kim Dae Jung's severe repression tactics against labour activism, the KCTU's efforts to organize effective mass resistance to neo-liberal restructuring has continued. Greater numbers of trade unionists were imprisoned under Kim's initial three and half years in office than during the five years of the previous government. In response to the constant government harassment of unionists, Amnesty international urged "the government of

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<sup>34</sup> Dong-one Kim and Seongsu Kim, "Globalization, Financial Crisis and industrial Relations: The case of Korea," *Industrial relations* 42, issue 3 (July 2003): 341-367, <http://www.blackwell-synergy.com/doi/full/10.1111/1468-232X.00295>.

<sup>35</sup> Timothy C Lim, "The Fight for Equal Rights: The Power of Foreign Workers in South Korea," *Alternatives: Social Transformation & Humane Governance* 24, issue 3 (July-September 1999):329-359, <http://80-web25.epnet.com>, <http://instructional1.calstatela.edu/tclim/articles/fight.pdf>.

Kim Dae Jung not to arrest trade unionists for legitimate trade union activities.<sup>36</sup> Surveys showed that even after a massive media campaign designed to sell neo-liberalism, because most of the media is controlled by the chaebol and the government, most Koreans believed that large chaebol firms are ‘ national assets that should pursue social or stake holder interests rather than private profit’<sup>37</sup>.

“Frustrated with unstable and incapable political parties, the KCTU has resorted to militant mobilization outside institutional channels since its inception in 1995. The independent path taken by the KCTU has been sustained throughout the democratic consolidation period until its national union organized its own political party, the Democratic Labour Party(DLP) in 2000, which gained ten seats in the 2004 legislative elections”<sup>38</sup>. This marked a new era in Korean politics. The growing apprehension among the public about the taking over of the Korean economy by foreign capital is giving more power to the KCTU’s arguments about the disastrous effect of foreign capital and neo-liberal policies of the government.

Thousands of workers led by the KCTU implemented a sit-in in front of the National Assembly in resistance against the dispatch of Korean troops to Iraq in 2003. “According to the KCTU, the U.S is in the core of neo-liberal globalization strategies of transnational capital, and the U.S is enforcing neo-liberal globalization through military hegemony around the world”. This view forms the basis of its agitation against the U.S imperialist attitudes and the Korean troops dispatch to Iraq. With the growing influence of the KCTU, the Korean government’s policy making is increasingly diversifying from a U.S centric to an independent one.

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<sup>36</sup> April 22, 1999 statement; <http://kctu.org>.

<sup>37</sup> James Crotty and Kang-Kook Lee, “Economic performance in post – crisis Korea, A critical perspective on neo-liberal restructuring,” *University of Massachusetts*, Amherst, (October 3 2001), <http://www.networkideas.org/featart/dec2001/jamesLee.pdf>.

<sup>38</sup> Yoonkyang Lee, “Verities of Labor Politics in Asian Democracies: Political institutions and Union Activism in Korea and Taiwan,” Department of Political Science, *Duke University*, Posted: 9-3-2005, <http://www.poli.duke.edu/gsc/files/ylee.pdf>.

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### 3.4.2. Federation of Korean Trade Unions

After putting down the communist labour movement by force in 1949, the government recognized the Federation of Korean Trade Unions (FKTU, *Daehan Nochong* in Korean) as the only legal national-level union federation. The FKTU, established in 1960, had received financial support from the government, and its policies and activities were generally subordinate to the government. By the year 2000, Industrial unions belonging to the FKTU included the Korean Tax Workers Union (98,000 members), the Korea Financial Industry Union (50,000 members), the Korean Postal Workers Union (29,000), the Korean Union of Teaching and Educational workers (28,000) The Korean Railroad Workers Union (27,600) and the Korean National Electrical Workers union (25000)<sup>39</sup>. The financial crisis and the resulting waves of massive layoffs sent mixed signals to unionized and nonunionised workers. During the period of the financial crisis and employment restructuring, the FKTU, which traditionally was more cooperative in following government labour policies than was the KCTU, became independent of state influence. When the number of union members declined sharply due to massive layoffs, it was imperative for the FKTU to voice its own agenda to protect its members; indeed, the FKTU had to compete with the KCTU to obtain its member's loyalty and support. Thus since 1997, both the FKTU and the KCTU have called a series of general strikes to stop the waves of downsizing by aggressively opposing the government initiated restructuring programs.

It was the women workers than the male workers who bore the burnt of restructuring and neo-liberalization. The FKTU's women's wing, the FKTU Bureau of Women is one of the frontal organizations who had struggled to improve the economic, social and political status of women workers. The Bureau of women advocated revision of the Equal Employment Act and women related acts, policy to ensure employment stability of women workers and the expansion of women's participation in all levels of decision making process<sup>40</sup>.

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<sup>39</sup> Dong-one Kim and Seongsu Kim, *Op. cit.*

<sup>40</sup> <http://women.nodong.net/eng/attn/fktu.eng.html>.

### **3.5. Non Governmental Organizations in Korea**

Since the democratization of Korea, Non Governmental Organizations (NGOs) in Korea have increased spectacularly. They mainly focused on human rights , corruption, economic inequalities, gender issues, addressing issues related with the U.S forces in Korea, liberalization and restructuring of the Korean economy and environmental issues. Such a speedy development of civil society organizations have only happened in the long run in other democracies, but in Korea it has happened in a short run and in a massive scale which has changed the political landscape of Korea. NGOs, numerous of them, from local to national, exert pressure on government to bring out policies pertaining to their interests.

South Korean NGOs formed coalitions with one another to organize large scale protests on particular issues which they viewed as public interest. With in a short period of time especially during and after the 1997 financial crisis most of the NGOs consolidated themselves and began to professionalize their operations by hiring permanent staff, fundraisers, and research offices. A certain form of collectivization occurred among these NGOs in order to form a strong opposition against the increasing attempts on the part of the government to implement unpopular measures due to pressures from foreign interests and because of the adjustments arising from it. As a result of this collectivization three big NGO organizations have been formed, Citizen's Coalition for Economic Justice (CCEJ), People's Solidarity for Participatory Democracy (PSPD) and the Korean Federation for Environmental Movements (KFEM), last two of them being umbrella organizations. These organizations have successfully campaigned against unpopular measures and policies of the Korean government and also have become vehicles for organizing and expressing public opinion on almost all issues affecting Korea and the day to day life of the Koreans. They have also begun to have a bigger say and greater impact on the domestic and foreign policy making of Korean government.

### 3.5.1. Citizen's Coalition for Economic Justice

One of the influential NGO's in Korea, "the CCEJ was founded in 1989 by some 500 people representing various walks of life, including economic professors and other specialists, lawyers, house wives, students, young adults and business people"<sup>41</sup>. Their slogan, "Let's achieve economic justice through citizen's power" reflected their belief that the deep rooted economic injustices that existed could not be cured by the government alone but, ultimately, must be solved by the organized power of the citizens. They believed that the fruits of economic development should be shared by all the common people and not just by the small group of haves and they proposed a new methodology of gradual but thorough reform of economic system<sup>42</sup>.

By 1993 it had ten regional chapters, a specialized research institute, a publishing house, and its own bimonthly magazine. The CCEJ was one of the leading members of the movement for the chaebol reform. The ultimate objective of the campaign was to reform corporate governance characterized by over diversification, excessive debts, inside trading and family inheritance ownership. The CCEJ took active part in the civic campaign to prevent corrupt politicians from running general elections in April 2000. The campaign successfully forced the lawmakers to rewrite the election law and drop some unfit candidates from party nominations. The campaign greatly influenced the outcome of the election<sup>43</sup>. Of the 86 blacklisted candidates by the civic alliance campaign, 59 were defeated and of the 20 who were targeted in special campaigns, only one was able to win. So after the elections were over, the news media

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<sup>41</sup> Kim Pan-Suk, "The Development of Korean NGOs and Governmental Assistance to NGOs," *Korea journal* 42, no.2 (Summer 2002):279-303, <http://www.ekoreajournal.net/servelet>.

<sup>42</sup> Seong-Kyu Ha. "The role of NGOs for Low- Income Groups in Korean Society, Environment and Urbanization" International Institute for Environment and Development, *Environment and Urbanization* 14, no.1 (April 2002):219-229(11), <http://docserver.ingentaconnect.com/deliver/cw/iied/09562478/v14n1/s18/p219.pdf?fmt=dirpdf&tt=1435&cl=53&ini=&bini=&wis=&ac=0&acs=11186&expires=1131442831&checksum=A999CD7420D4100CD6F6028AF22B87DA&cookie=731078016>.

<sup>43</sup> Hagen Koo, "Civil Society and Democracy in South Korea," *The Good Society* 11, no.2 (2002):40-45, [http://muse.jhu.edu/journals/good\\_society/vol11/11.2koo.pdf](http://muse.jhu.edu/journals/good_society/vol11/11.2koo.pdf).

proclaimed that the real winner in this election was the Civic Alliance for the General Election.

The CCEJ succeeded in pushing the government to establish the 'Real Name Financial Transaction System' and the legal registration of land ownership. This institutionalization basically prohibits capital and land ownership from being transacted under false names in the unregulated market. False names had been frequently used to hide secret funds and shares for the purpose of reducing tax burdens and corrupted political transactions. In addition, many other policy related activities by the CCEJ have been carried out in the areas of democratic development, environmental protection, and national reunification. For achieving these objectives, the CCEJ lobbied government officials for policy changes, pressed for amendments of related laws, issued statements, demonstrated, and held press conferences.

The CCEJ in alliance with other NGOs, was also involved in women's issues, demanding institutionalization of the quota system to secure a minimum 20% of National Assembly seats for women<sup>44</sup>.

The CCEJ is also involved in promoting and protecting the rights of foreign workers since early 1990s. The CCEJ not only helped the workers to organize but also helped them to conduct demonstrations in Seoul to pressurize government. Because the CCEJ generally eschewed radicalism in favour of political moderation, the struggle of foreign workers has been imbued with a certain degree of "legitimacy" in the eyes of many South Korean citizens. Although this has not translated into wide spread popular support, it has helped to limit strong popular opposition to the legal gains made by foreign workers<sup>45</sup>. The CCEJ campaigned for the causes of urban poor, particularly campaign for secure housing for tenants and a campaign for secure housing for 15,000

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<sup>44</sup> Hyuk-Rae Kim, "The State and Civil Society in Transition: The Role of Non-Governmental Organizations in South Korea," *The Pacific Review* 13, no.4 (2000):595-613, <http://journalsonline.tandf.co.uk/media/3768dmrtum3uwcvkybrl/contributions/9/h/5/1/9h5168jgghdr7v0d.pdf>.

<sup>45</sup> Timothy C Lim, "The Fight for Equal Rights: The Power of Foreign Workers in South Korea," *Alternatives: Social Transformation & Humane Governance* 24, issue 3 (July-September 1999):329, <http://80-web25.epnet.com>, <http://instructional1.calstatela.edu/tclim/articles/fight.pdf>.

households living in “vinyl huts”, which demanded that the government stop evicting people from their dwelling places without offering them proper compensation, and proposed alternative policies. Typically ‘vinyl huts’ were constructed of layers of thin wooden board with an exterior vinyl covering. The CCEJ urban poor council and housing committee held a public forum and undertook various types of action, such as a rally in front of the national government office to demand secure housing for the urban poor.

In addition, the CCEJ Urban Reform Centre was established to deal comprehensively with urban problems, in recognition of the need for continuous, cooperative efforts by the civil society in the reform of urban policies and systems<sup>46</sup>.

Even though CCEJ pioneered the civic movement in Korea it suffered somewhat to its strength during the immediate years of post crisis. Mainly because of its bureaucratic management and the revelation of its former secretary general’s plagiarism of a newspaper article in January 1999. The CCEJ had already suffered through a similar controversy in 1997, when the Secretary General Yoo Jae-hyon resigned amid a scandal over tape recorded conversation with ex-president Kim Yong-Sam’s son, Kim Hyon-Chol.

### **3.5.2. People’s Solidarity for Participatory Democracy**

“The People’s Solidarity for Participatory Democracy (PSPD) is a large umbrella organization to check state power by engaging in the voluntary participation of citizens from all classes and sectors and to build a society of participatory democracy in which freedom, human rights and welfare are fully realized by citizen action”<sup>47</sup>. The activists who joined this group were dissatisfied with the moderate or conservative orientation among the leadership of the CCEJ and with the latter’s distancing from the more progressive *minjung*(people’s) movement. As the early popularity of the CCEJ began to

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<sup>46</sup> Seong-Kyu Ha, *Op. cit.*

<sup>47</sup> Hyuk-Rae Kim, *Op. cit.*

recede, largely for some internal organizational problems, the PSPD has emerged as a more influential civic organization in the late 1990s<sup>48</sup>.

Among the policy-related activities, the well-publicized public pursuit is the small shareholders' rights movement by the PSPD. This has by far received the most attention from the media, both domestic and foreign, and from the general public in the post crisis Korea. "In its campaign for small shareholders' rights movement the first target was the Korea First Bank, Subsequently, it expanded its activities to elite chaebol corporations including Samsung Electronics, S.K Telecom and Hyundai Heavy Industries<sup>49</sup>".

The PSPD filed and won a suit against the Korea First Bank Management, which prohibited minority shareholder's to speak in share holder's meeting and went forward without following voting procedures. This incident is considered as one of the milestone in Korea's Civil Society movement<sup>50</sup>.

The PSPD's participatory Economy Committee mobilized small shareholders into a group to act as one shareholder in possession of substantial equity. The committee sought to protect the rights of small shareholders against the arbitrary management practices of the chaebol business group. What the PSPD tried to do in this case was to bring attention to the rights of small shareholders that had been overshadowed by the arbitrary power of the chaebol and to have these rights recognized as public good. Prior to the PSPD's endeavour, the small shareholders had not challenged the omnipotence of the chaebol owners, nor had they the expertise and the organization to do so. As a result of PSPD's attempts the conduct of the chaebol

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<sup>48</sup> Hagen Koo, "Civil Society and Democracy in South Korea," *The Good Society* 11, no.2 (2002):40-45, [http://muse.jhu.edu/journals/good\\_society/vol11/11.2koo.pdf](http://muse.jhu.edu/journals/good_society/vol11/11.2koo.pdf).

<sup>49</sup> Christina L. Ahmadjian, Jaeyong Song, "Corporate Governance reform in Japan and South Korea: Two Paths of Globalization," Discussion paper No.23, April 2004, <http://www2.gsb.columbia.edu/apec/publication/ahmadjian23.pdf>.

<sup>50</sup> <http://eng.peoplepower21.org/>.



changed drastically and also its functional relation with 'public'<sup>51</sup>. As a result of the campaign of petitions led by the PSPD, the welfare of the Aged Act and the National Assistance Act were revised in 1996-97 with the concomitant confirmation of the authority of the National Assembly<sup>52</sup>.

### 3.5.3. The Korean Federation of Environmental Movements

The Korean Federation of Environmental Movements (KFEM) was founded in April 1993. It was preceded by a decade long environmental movement led by Coe Yeol who was imprisoned for his activism against the dictatorial government during the late 1970s<sup>53</sup>.

The KFEM is Korea's largest environmental NGO for pursuing the goals of environmental protection, peacekeeping and human rights. As of December 1998, the KFEM had 32 regional offices and 50,000 dues-paying members, including many working journalists, lawyers, professors, religious leaders, medical doctors, nurses, social workers, artists, business persons, farmers, workers, students and ordinary citizens. The leadership positions of the KFEM are filled with the urban middle class<sup>54</sup>.

In the post-financial crisis Korea KFEM's activities ranged from anti-nuclear to anti-golf course campaigns and citizen's education. It also has an affiliated think tank, the Centre for Citizen's Environment. When local autonomy was granted in 1995 allowing for elections at the local level, the KFEM supported green candidates<sup>55</sup>. The KFEM as a classic environmental protest group has strongly opposed the expansion of nuclear energy and the construction of industrial complexes on national parks. It has also launched a series of campaigns for clean air and water, and for the conservation of

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<sup>51</sup> Hyuk-Rae Kim, *Op. cit.*

<sup>52</sup> Kim Jo-Seol, "Formation and Development of the welfare state in the republic of Korea, process of reform of the public Assistance system," *The Developing Economies*, XL II-2(June 2004):146-75, [http://www.ide.go.jp/english/publish/de/pdf/04\\_02\\_02.pdf](http://www.ide.go.jp/english/publish/de/pdf/04_02_02.pdf).

<sup>53</sup> Kim Pan-Suk, *Op. cit.*

<sup>54</sup> Hagen Koo, *Op. cit.*

<sup>55</sup> Miranda A. Schreurs, "Democratic Transition and Environmental Civil Society: Japan and South Korea Compared," *The Good Society* 11, no.2(2002): 57-64, [http://muse.jhu.edu/journals/good\\_society](http://muse.jhu.edu/journals/good_society).

the nation's forest and sea ecosystems<sup>56</sup>. One of the highlights of the KFEM's efforts to protect the environment was its successful campaign against Youngwol Dam Project. The KFEM along with GKU (Green Korea United) led the formation of a civic coalition against the project. Involving a wide array of civic groups, local councils and citizens, the coalition launched a number of street protests and a nationwide signature campaign against the project. In addition, the KFEM initiated Tong river tracking programme as a way to inform the public about the river's precious landscape. In addition to these tactics, the efforts of the environmental groups were bolstered by a number of other sources. First, the mass media helped trigger widespread public interest in the issue. Extensive media coverage helped draw the public's attention to the issue, and as a result many people visited the Tong river. According to a survey by the news paper *Hankook Ilbo*, 67% of the general population opposed the dam project. Next the KFEM organized a series of academic forums to evaluate the Youngwol dam project and to propose alternative solutions to the water shortage problem, for which the dam project was proposed. In these forums, many academics expressed concerns about the project. Based on academic research, the KFEM argued that large amounts of water were being wasted through leakages from existing water pipelines leading to the Seoul metropolitan area. Repairing and upgrading them could save considerable amounts of water. Thus, it was possible to solve the water shortage problems with out building the dam.

International environmental organizations also aided in the campaign against the project. The Worldwide Fund for Nature published details about the dam conflict on its website. The Sierra club in the U.S, Green peace in China and Friends of the Earth in Slovakia send letters to Kim Dae-Jung urging him to cancel the dam project and to develop measures to protect the surroundings of the Tong River. International Rivers Network, Friends of the Earth International and the World Watch Institute also sent letters to the KFEM supporting their efforts in preserving the river.

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<sup>56</sup> Hyuk-Rae Kim, *Op. cit.*

Faced with tremendous political pressure, the MOCT( Ministry of Construction and Transportation) announced in September 1999 that a government-civilian joint task force, consisting of 33 environmental experts from both the government and private sectors, would reinvestigate the ecology of the Tong River. On 3<sup>rd</sup> June 2000, the task force reported the result of its investigation and recommended to the PM's office that the Youngwol Dam project be cancelled in order to protect the ecology of the Tong River. On 5<sup>th</sup> June 2000, Korea Environment Day, President Kim finally announced the projects cancellation.

The Youngwol case represents a situation in which democratization has made it difficult for government agencies to push through their development plans while ignoring to diffuse environmental concerns. Multiple channels are now available for environmentalists and civic groups to oppose environmentally undesirable projects. Elected officials at both the central and local levels are motivated to respond to such environmental concerns if they command enough public attention and support<sup>57</sup>.

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<sup>57</sup> Joon Hyoung Lim, Shui-Yan Tang, "Democratization and Environmental Policy-Making in Korea," *Governance* 15, issue 4 (October 2002): 561-582, <http://www.blackwell-synergy.com/doi/pdf/10.1111/1468-0491.00201>.

## CHAPTER IV

### CONCLUSION

The 1997 financial crisis led to far reaching consequences in Korean polity. One of the interesting phenomena after the crisis was the surge in the number of interest groups. Scholars have attributed this phenomenon to the need of the hour, a public initiative to address the social and economic distress. Korea's advanced Information Technology infrastructure has helped a large extent to the effectiveness of the interest groups since it helps to quickly organize to react against unfavourable legislations or authoritarian actions on the part of the Korean government. The growing distrust of the public towards the politicians and the inability of the politicians to address the growing dominance of transnational Capital on Korean economy were the most important factors which led the Koreans to take refuge in interest group formations, in order to pressurize the government to address their concerns. Though largely most of the Korean public is against the foreign MNCs dominating the domestic economy there are conservative interest groups such as conservative Christian religious denominations, which have strong base in the U.S proposing a larger role of Foreign MNCs in Korea.

The most important aspect of the post-crisis interest group articulation in Korea is the shifts in power of the traditional interest groups among themselves and between traditional interest groups and newly formed ones, especially the umbrella organizations of civil society groups.

Until the financial crisis the dominant and most powerful interest group, spreading its influence in all aspect of Korean life, was the FKI. But the crisis and the anti *chaebol* sentiment among the public in the initial years of the crisis drastically reduced the power of the chaebols, and as a result of the IMF imposed restructuring some of the chaebols over the time came under foreign control. The ascendancy of more leftist oriented politicians, such as Kim Dae Jung, who always was on the receiving end of the authoritarian government's repressive policies and voiced the unrepresented constituencies of Korean polity was also a blow to the FKI's power. Kim Dae Jung's

government, for example, accepted the IMF restructuring programme and made it an excuse to curtail the power of the chaebols. But within two years of the restructuring programme, public opinion began to change and the FKI's concerns about transnational capital exploiting Korean economy started to get attention from the press and the academicians.

Another important and pivotal interest group in Korean polity is labour groups. Radical labour groups' struggles during the authoritarian era were instrumental in laying the foundations of a dynamic civil society. Two organizations the FKTU and the KCTU represent organized labour in Korea. The FKTU used to be government sponsored and government controlled organization, and the KCTU represented radical labour groups, which was always at odds with the government. The democratization did not change much of the labour rights in Korea and the financial crisis made it worse. In the post democratization Korea the recognition of the KCTU as a legal entity and the departure of the FKTU from the government control made labour groups one of the most powerful entities in the Korean political scenario. The insecure labour scenario because of the post-crisis economic restructuring of Korea led the labour groups to follow a more radical path. The result was the frequent strikes, some times violent, constituting labourers from almost all sectors of the economy. The labour groups also took positions on the political and foreign policy issues. The dispatch of Korean troops to Iraq drew condemnation on the part of the KCTU and other labour groups.

The struggles by the labour resulted in some positive results such as increasing the unemployment benefit cover by the government and training of the labourers to equip them to the changing job scenario and to easily switch to other professions in the case of layoffs etc. But these measures addressed only a minor part of the problem. Soon dissatisfied by the institutionalized political parties, labour groups themselves began to start political parties to address their problems. How these newly formed political parties will change the power scenario in Korea is a matter of long run.

Christian religious groups constitute one of the most powerful and influential interest groups in Korea. These groups are divided between conservative and liberal orientations. The CCK, which represents conservative interests are against the reform in educational system because of the large scale investment the groups in the CCK have had in the educational setup of Korea , the government's soft approach towards North Korea and favours an open economy. The CCK organized protests against the government's educational reform bills and the scarping of the infamous National Security Law with out success. The church groups belonging to the CCK mostly supported the Iraq war and the sending of Korean troops to Iraq. While the domestic support base for its agendas receded it still remains one of the most powerful interest groups with a global support base, particularly from the United States. The group of churches under the NCKK represents the liberal part of church groups. The NCKK favoured pro-labour, an environmentally sensitive economic growth, and a soft approach towards North Korea. While both the CCK and the NCKK consist of protestant church groups, the Catholic Church also has substantial influence in the political setup of Korea.

In the post- democratization era, civil society organizations and the NGOs emerged as the most powerful domestic entities influencing government decision making. One of the important functions of these NGOs and civil society organizations was to organize public opinion against government legislations or actions which they perceive as damaging to the public good. The CCEJ, the PSPD and the KFEM constitute the most powerful and biggest organizations representing the civil society of Korea. The efforts of the CCEJ led to large scale reforms in the *chaebol's* management system which resulted in a more democratic form of corporate governance and minority stake holders began to have a say in the investment decisions of chaebols. The CCEJ took active part in a largely successful civil society campaign to prevent corrupt politicians from getting elected to state legislature. Over time the CCEJ become less effective in voicing public concerns and checking authoritarian decisions by the government, but still remains as a powerful entity in Korean polity.

The role of CCEJ was taken over by the PSPD with more active campaigns to bring out reforms in the rigid structure of the Korean economy. Organizations such as the KFEM and the GKU are formed in order to protect public resources such as environment from the pressures of industrialization. These organizations have helped to spread awareness among the public about the necessity to protect the environment. They have campaigned for an environmentally sensitive economic development and have achieved some major success like preventing the *Youngwol* dam project which if completed might have caused large scale damage to Tong River and led to other environmental problems.

The civil society organizations have also addressed a large array of problems affecting the Korean society and economy such as human rights, labour rights, gender issues etc. In the later stages of economic restructuring, major civil society organizations organized public opinion against transnational capital dominating Korean economy. The effects of these campaigns can be seen in the recent attempts of the Korean government to restrict the influence of transnational capital. Another important issue which became a central point of the political debates in Korea was the relationship between Korea and the United States. Major civil society organizations campaigned for a more equal relationship with the United States, in tandem with Korea's status in International community, exemplified by the joining of Korea in the Group of OECD group of industrialized countries. They argued for non interference of the United States in the internal matters of Korea, especially in the foreign and economic policy making of Korea.

The Korean government is finding it difficult to balance between the conflicting pressures from the United States and the Domestic groups. The Korean government's support of American foreign policy interests, particularly in Iraq, and the American MNCs' dominance in the Korean economy are the major factors which alienate Korean government from the public. Interest groups, mainly civil society organizations are campaigning to change this scenario to strengthen the Korean government in order to make it capable of pursuing its own interests in economic and foreign policy and to make Korea a dynamic democracy. Though there are campaigns by conservative interest

groups against the mass based movements of liberal interest groups, they are finding a progressively decreasing support base for their campaigns.



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