

# Policy Forum 08-003: The Hard Part Starts for Seoul's New Man

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By Donald Kirk

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## I. Introduction

Donald Kirk, a Journalist who has been covering Korea - and the confrontation of forces in Northeast Asia - for more than 30 years, writes, "In the end, some analysts say, Lee's instincts for business, especially construction, may trump his notion of firmness toward North Korea. As a product of the Hyundai empire, he may well build on progress already achieved by the subsidiary Hyundai Asan in developing tourism to Mount Kumkang, above the eastern border with North Korea, and further

investment in the Kaesong special economic zone, also above the line 64 kilometers north of Seoul."

The views expressed in this article are those of the author and do not necessarily reflect the official policy or position of the Nautilus Institute. Readers should note that Nautilus seeks a diversity of views and opinions on contentious topics in order to identify common ground.

## **II. Article by Donald Kirk**

- "The Hard Part Starts for Seoul's New Man"

By Donald Kirk

The election of a pragmatic conservative with a long track record of having his way in business and politics to a five-year term as president of South Korea ushers in a period of dynamic transition - and unavoidable conflict with the activists who've been setting the policy agenda for the past decade.

Just as Kim Dae-jung's election in 1997 came at the height of the economic crisis and portended a period of change, so does that of Lee Myung-bak who appears likely to bring about an equally dramatic swing in governance and outlook.

The 66-year-old Lee, whose victory fell on his birthday, is hardly going to strip away many of the reforms initiated under Kim and his successor, Roh Moo-hyun. But he clearly has an agenda that he and his top advisers deem necessary to vault the economy to the next level of global competitiveness and also to deal effectively with North Korea and the nuclear issue.

North Korea was by no means the critical factor in an election in which Lee picked up 48.7% of the vote, but it could well reach that level if he makes good on his theory about how to deal with North Korea's human rights record.

Lee did not seem at all worried that the mere mention of "human rights" is enough to send the North Korean propaganda machine into a rhetorical paroxysm and prompt North Korean negotiators to stomp out of reconciliation meetings, much less to get North Korea to completely abandon its nuclear weapons program.

In almost patronizing tones, on the morning after his triumph, Lee reminisced for a moment on the constructive impact of criticism of South Korea's human rights record under the military leaders who ruled the country until mass protests forced adoption of the "democracy constitution", and presidential elections every five years beginning in 1987 with a constitutional mandate of a single term.

Never mind that the winner of that first election was a general, Roh Tae-woo, later to be convicted along with his dictator-predecessor, friend and ally, the incompetent General Chun Doo-hwan, of massive corruption and responsibility for the bloody repression of the Kwangju revolt in 1980. General Roh won the 1987 election only after the two leading anti-government critics, Kim Young-sam and Kim Dae-jung, failed to agree on a single candidate. The winners ever since have been civilians, "YS" in 1992, "DJ" in 1997 and Roh Moo-hyun in 2002, all of whom ran on strong records of fighting rights abuses in South Korea.

Since criticism from abroad had been so effective in encouraging human rights in the South, Lee reasoned, so "criticism that comes with affection can help make North Korean society healthy". No longer, he said, would the South Korean government remain silent, as it was first under Kim Dae-jung and then under Roh Moo-hyun, about human rights abuses in the North. "I will make a change from the previous administration that completely refrained from criticizing North Korea and pandered to it in a one-sided way," said Lee.

That remark suggested that South Korea would not only raise the topic in inter-Korean talks, but would also reverse its policy of abstaining from UN resolutions condemning North Korea's human rights record, most recently one by the UN General Assembly that North Korea's media has been loudly excoriating. It's even conceivable that South Korean negotiators could raise the issue in six-party talks on North Korea's nuclear weapons, though Lee seemed more preoccupied with verifying the North's claims about disabling its nuclear complex and moving from there to complete dismantlement of the program.

Lee has promised to try to "persuade North Korea that the abandonment of its nuclear program will bring greater benefits for maintaining its regime and for the North Korea", but those words were almost ritualistic. What really counts is his reminder that "for North Korea to give up its nuclear weapons is to ensure its development" - a turn of phrase that means he will not want to make good on enormous giveaways to North Korea unless North Korea has indeed contributed to the "denuclearization of the Korean Peninsula."

The question, of course, is whether Lee will follow through on this policy when he gets a dose of North Korea's response. The North, once accustomed to criticizing him but now largely silent, can signal its annoyance by the usual tactics of canceling meetings, cutting off visits, and perhaps slowing down the disablement of the nuclear complex at Yongbyon - even though US Secretary of State Condoleezza Rice and nuclear envoy Christopher Hill both like to say that process is "on track".

Lee is expected to follow through on the commitment of the outgoing Roh Moo-hyun government at least in giving humanitarian aid to North Korea, but, he may delay it if he's not convinced the North has at least disabled the nuclear complex at Yongbyon. And he's not expected to be interested in any further commitments unless North Korea produces a complete list of its nuclear inventory, including whatever it has done to develop warheads made with highly enriched uranium and to export nuclear technology elsewhere, notably Iran and Syria.

Before getting around to that stage, however, Lee must first overcome severe opposition from the left-of-center United New Democratic Party, whose pro-government candidate, Chung Dong-young, came in a distant second on Wednesday with just more than 25% of the votes.

Diehard members of the party are still hoping to embarrass if not crucify Lee's presidency by a special investigation into his link to the BBK investment fund whose main partner is in jail here awaiting trial on charges of manipulating stocks and embezzling millions of dollars, much of which wound up in a Swiss bank account. A seven-year-old videotape showing Lee boasting that he runs the fund provided a last-minute glitch in Lee's march to the presidency, but did not seem to have turned off many voters.

As Huh Chan-guk at the Korea Economic Research Institute told me, "People are more concerned about the economy than morality."

Morality may not be the uppermost concern of Lee's political foes, but they talked about it a great deal when they passed a bill for a special prosecutor to investigate Lee's link to BBK, for which prosecutors earlier had said there was no evidence. President Roh and his cabinet approved the bill, giving Roh's appointee 40 days to come up with a reason for indicting Lee - and blocking him from inauguration in late February as Roh's successor.

The constitutional crisis, the demonstrations and protests, the hysteria and violence that such a denouement might provoke are difficult to imagine. So difficult, in fact, that it's quite likely the prosecutor will wind up agreeing that Lee has no involvement with BBK and, if he ever was involved,

that he himself did nothing illegal. Although the history of Korean politics is replete with extraordinary clashes, the sense is that Lee will take over to the usual background noise of denunciations and criminations, but that's about it.

The reason is that Lee's message on the economy was too compelling for most Korean voters, an essentially conservative people who prefer the prospect of stability and prosperity to that of civil unrest. At the same time, Koreans are clearly disillusioned by the record of disappointment in dealings with North Korea over the past 10 years under the "Sunshine" policy initiated by Kim Dae-jung.

At this stage, not happy with annual growth rates of 4% or 5%, compared with the 8% growth rates before the 1997 economic crisis, many Koreans may prefer the resurgence of the *chaebol* that dominate the economy.

"The conglomerates in Korea once were wild animals," said Yun Chang-hyun, a finance professor and member of the Citizens United for Better Society. "During the past 10 years they have turned into pets." In order to achieve Lee's promise of 7% annual economic growth, he observed, "the government will have to draw them out and invest again."

Lee's economic plan, while it may not be especially interesting outside Korea, could bring dramatic changes in the economic and physical landscape. In the face of much criticism, he still wants to build a canal linking the capital region of Seoul with the port city of Pusan, an enormous project, and he also wants to invest heavily in capital development and construction throughout Korea.

In the process, Lee wants to relax or lift entirely the law banning the chaebol from ownership of banks. He also wants to reduce taxes imposed by the Roh government on construction, and strip away the regulations that banned much expansion in the Seoul metropolitan region as a means of spreading new buildings more evenly around the country.

Lee's vision of the economy is an outgrowth of his long years in business. He was a star with Hyundai Engineering and Construction, where he rose to the chairmanship at the age of 35 in one of the country's roughest industries. His rise was all the more remarkable because Hyundai Construction was then the centerpiece of the enormous Hyundai empire. Its founder and chairman, the late Chung Ju-yung, trusted him implicitly. As chairman, Lee was responsible for spearheading Hyundai projects around the world, notably in the Middle East.

Lee might have stayed at the helm of the Hyundai empire but for one terrible problem. He was not one of Chung's sons, and Chung, good Korean father that he was, made certain real control would pass to his own sons and other relatives before dividing up the group in the years before his death in 2001. Lee had long since gone into politics, running successfully for the National Assembly and then for mayor of Seoul.

During his four years as mayor, Lee reinforced his reputation as a builder who got things done. His most visible achievement was to unearth a stream called Chongyecheon which runs through the center of Seoul. To do so, he ordered the removal of offices, shops and apartment blocks along with the avenue that had covered the riverbed in the middle of the hard-driving capital. Appropriately, in the hours after his election, Lee was on the bandstand by the stream, promising to "revive Korea" and thanking adoring fans for their support as they chanted his name.

"Renovating Chongyecheon is very [different] from the canal from Pusan," said Lee Chong-min, professor at Yonsei University. "There is rhetoric. You cannot avoid that in campaigns." Nonetheless, he predicted, "He will try to keep his major projects in focus."

The first 100 days of Lee's presidency, said Lee Chong-min, "will be the most fast-paced in the history of Korea since the restoration of democracy in 1987". Lee, he noted, is a man who "works for fun".

In the end, some analysts say, Lee's instincts for business, especially construction, may trump his notion of firmness toward North Korea. As a product of the Hyundai empire, he may well build on progress already achieved by the subsidiary Hyundai Asan in developing tourism to Mount Kumkang, above the eastern border with North Korea, and further investment in the Kaesong special economic zone, also above the line 64 kilometers north of Seoul.

"The policies of his former boss Chung Ju-yung was engagement with the North," said Peter Bartholomew, a business consultant in Korea for the past 40 years. "MB is in the same line of continuous economic engagement." This is, of course, provided he can get something in return for the investment.

### **III. Nautilus invites your responses**

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: [napsnet-reply@nautilus.org](mailto:napsnet-reply@nautilus.org) . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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