
TROUBLED TIGER

Businessmen,
Bureaucrats,
and Generals
in South Korea

MARK L. CLIFFORD

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An East Gate Book

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TROUBLED TIGER

This unauthorized biography of Korea, Inc. provides the inside story of one of the world's fastest growing economies and its tumultuous struggle to break into the ranks of the developed world. Drawing on extensive interviews, the author paints a vivid portrait of the tensions between government and business and within the government since 1961.

Troubled Tiger mixes an anecdotal, readable account of the dramatic rise of the Korean economy with an in-depth analysis of the economic choices Korea faced and made under former presidents and ex-generals Park Chung Hee, Chun Doo Hwan, and Roh Tae Woo and of the tremendous costs of that growth. It also details the huge changes that have been roiling the Korean economy with the emergence of a more democratic government under President Kim Young Sam.

"During my time in Seoul, I found Mark Clifford to be one of the most astute observers of the scene in Korea. His book, *Troubled Tiger*, weaves together in a compelling way the complex skein of economic, political and military forces that have combined to produce today's Korea. The importance of Korea, to Asia and to the United States, is not well understood in this country. Clifford's book is thus important, as well as interesting reading. I strongly recommend it to all with an interest in Korea and the Northeast Asian region."

—Donald P. Gregg,
U.S. Ambassador to Seoul, 1989–1993

For Melissa and Anya

Acknowledgments

Somewhere beyond the video clips of rock-slinging demonstrators and the idealized photographs of what once was the land of Morning Calm is a country filled with some of the world's most extraordinary people, one whose demonic energy alternately chills and seduces those who know it.

This book is an attempt to sketch a more nuanced picture of one of the world's most extraordinary economies than that which appears in either popular or academic accounts. It does not pretend to put forward any theory about development, although I am particularly interested in the relation between Korea's authoritarian politics and social structure and the country's rapid economic growth. I am also interested in the tensions between and among business, government and the military and how the balance of power has shifted over time.

I must thank my erstwhile co-author Tony Michell for starting out with me on what has been a much more ambitious project than either of us imagined or intended. Tony helped plot the general structure of the book and contributed research for an initial draft before other commitments forced him to bow out.

Jim West read this book in several subsequent drafts; his intellectual rigor, encyclopedic knowledge of modern Korea, and natural skepticism made for a reader of the sort that all authors long for. I would also like to thank Professor Song Sang Hyun for an incisive reading and numerous factual corrections as well as sharing his perceptive analysis of Korea with me since I met him in 1987. Other readers who struggled through all or part of the manuscript, and whose insights I have benefited from, include Ron Rodgers, Miguel Gonzalez, John Bernson and Chung Hoon Mok. Special thanks for everything, including a sharp copy editor's eye, to my mother, Marty Carlock.

I was fortunate enough to be in Korea during what was, even by Korean

standards, an unusually tumultuous period and to be there with an extraordinary group of foreign correspondents. I must particularly thank those people with whom I worked—my colleagues at the *Far Eastern Economic Review* in Seoul, John McBeth and, later, Shim Jae Hoon, as well as the bureau's assistant, Lee Kyung Ja. Jae's willingness to share much of what he has seen in more than three decades of reporting in Korea made this a richer book.

This book could not have been written without the many hundreds of Koreans and foreigners who helped me understand one of the world's most enigmatic and fascinating countries, especially those who sat for extended interviews while I poked and prodded into the dark corners of the past. I am grateful to Ed Baker, John Bennett, Bob Carter, Cho Sung Il, John Gittlesohn, Kim Ki Hwan, Kim Mahn Je, Kim Suk Won, Lee Hahn Been, Lee Sang Hi, Lee Soon Ja, Carol Mann, Holly Ornstein, Alan Plumb, Nam Duck Woo, Park Tae Joon, Park You Kwang, David Satterwhite, and Yoo Chang Soon as well as many others who asked not to be named but whose contributions proved every bit as valuable.

But my biggest debt is to my family, to my daughter, Anya, and my wife, Melissa, who is, along with so much more, an acute observer of Korea and an incisive editor.

Hong Kong
April 1994

* * *

I have used the Korean convention of referring to the family name first followed by the two given names spelled as separate words. This decision leads to at least one anomaly alert readers may notice: My interviews and descriptions refer to Kim Ki Hwan; citations to Dr. Kim's published work follow his preferred spelling, Kim Kihwan. Sakong Il is another anomaly: His family name (Sakong) is made up of two characters; his given name consists of one.

Mark Clifford covered South Korea as a correspondent for *Far Eastern Economic Review* from 1987 to 1992, where he was also a frequent contributor to BBC World Service. He is a past president of the Seoul Foreign Correspondents' Club, which taught him more about Korean labor relations than he ever wanted to know. A graduate of the University of California at Berkeley, he is currently the business editor for the *Review*.

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TROUBLED TIGER

1

Uneasy Alliances

Enrich the Nation and Strengthen the Army.
—Park Chung Hee¹

Wearing a suitably conservative dark suit, seventy-seven-year-old Chung Ju Yung sat quietly in the courtroom, looking as if he were just another businessman caught up in the usual sorts of commercial disputes that perpetually filter through the court.

In reality, Chung's trial was one of the more remarkable events in Korea in the past thirty years. The founder and the chairman of the Hyundai group, one of the world's biggest corporations, sat in a Seoul courtroom in late 1993 because he had dared to challenge the established order in Korea, one that held that government mandarins should rule the affairs of business and workers. Chung Ju Yung was a businessman but he was also a revolutionary, for this former peasant wanted nothing more than to pull down the old order, to change the twisted Confucian rules of Korea, Inc., which decreed that business exists to serve the government. The judge's sentence reflected the gravity of the threat: three years in prison.²

It might seem strange in a country that to all outward appearances is a showplace of capitalist development that a businessman like Chung Ju Yung could spark this sort of political retribution, one clearly designed to force his company back into line. But Chung's humiliation is telling. Although Korea, Inc. is celebrated as a successful example of a business-government partnership, the reality is that of a chronically strained alliance. Government officials have always believed that they should enjoy the upper hand and that business exists at the sufferance of—and often to do the bidding of—government. And relations

between government and business, always uneasy, have deteriorated sharply as the country has become wealthier and more politically tolerant. At the same time, the rate of economic growth has been slowing thanks to higher costs and increased international competition.

Periodic political convulsions have left the underlying structure of control largely untouched. Although the inauguration of Kim Young Sam, a former dissident, as South Korea's president in February 1993 was a watershed in democratic development, it also marked the start of a sweeping purge that saw hundreds of officials, including some of the most powerful in the country, driven from power. While many of them no doubt deserved their punishment, there were also personal attacks that carried the unmistakable signs of a very traditional Korean manner of settling scores—and not only in the case of Chung Ju Yung.

Park Tae Joon, the founder and long-time chairman of Pohang Iron and Steel (Posco), another icon of Korea's economic success, was driven from the country and had his house seized by the government. Although the ostensible charge was tax evasion, Park's real crime was his temerity in challenging Kim Young Sam for the presidency and the continued control that the former Posco head exercised over the ruling party's secret fund-raising apparatus. Then there was the respected president of the central Bank of Korea, Cho Soon, a long-time fixture in the nation's economic policy-making circles. He was banished unceremoniously from power in the hiatus between Kim's election and his inauguration, in large part because he had refused to punish the Hyundai group for Chung's activities and because he wanted to pursue an independent interest rate policy. And the president of the country's most prestigious think tank, the government-funded Korea Development Institute, Song Hee Yhon, found himself looking for work after he criticized Kim's economic stimulus program.

Although business is powerful, and getting more so, it is still the government that dominates the landscape in the Korean economy. In Korea almost everything that is not explicitly permitted can at any moment be forbidden. This sounds like a joke from the old Communist world, but in the case of Korea it is a reality, often enshrined in law. People protest against the government, but they also expect the government to take care of them, with the modern state expected to look after its subjects in much the same way that a paternalistic monarch would.

Although the enforced discipline of Korea, Inc. is fraying, most of the country's leaders have, at best, a lukewarm commitment to a new way of doing business. The old order is shriveling, but the new one has yet to be born. It is both Korea's greatest strength and its greatest weakness that it has chosen to follow a coarser version of the Japanese model, one that has led to a good deal of international success but that is now increasingly a victim of its self-imposed rigidity. Land policy, the tax system, the dominance of a single political party and the structure of Korean firms all have echoes of Japan. But rather than taking