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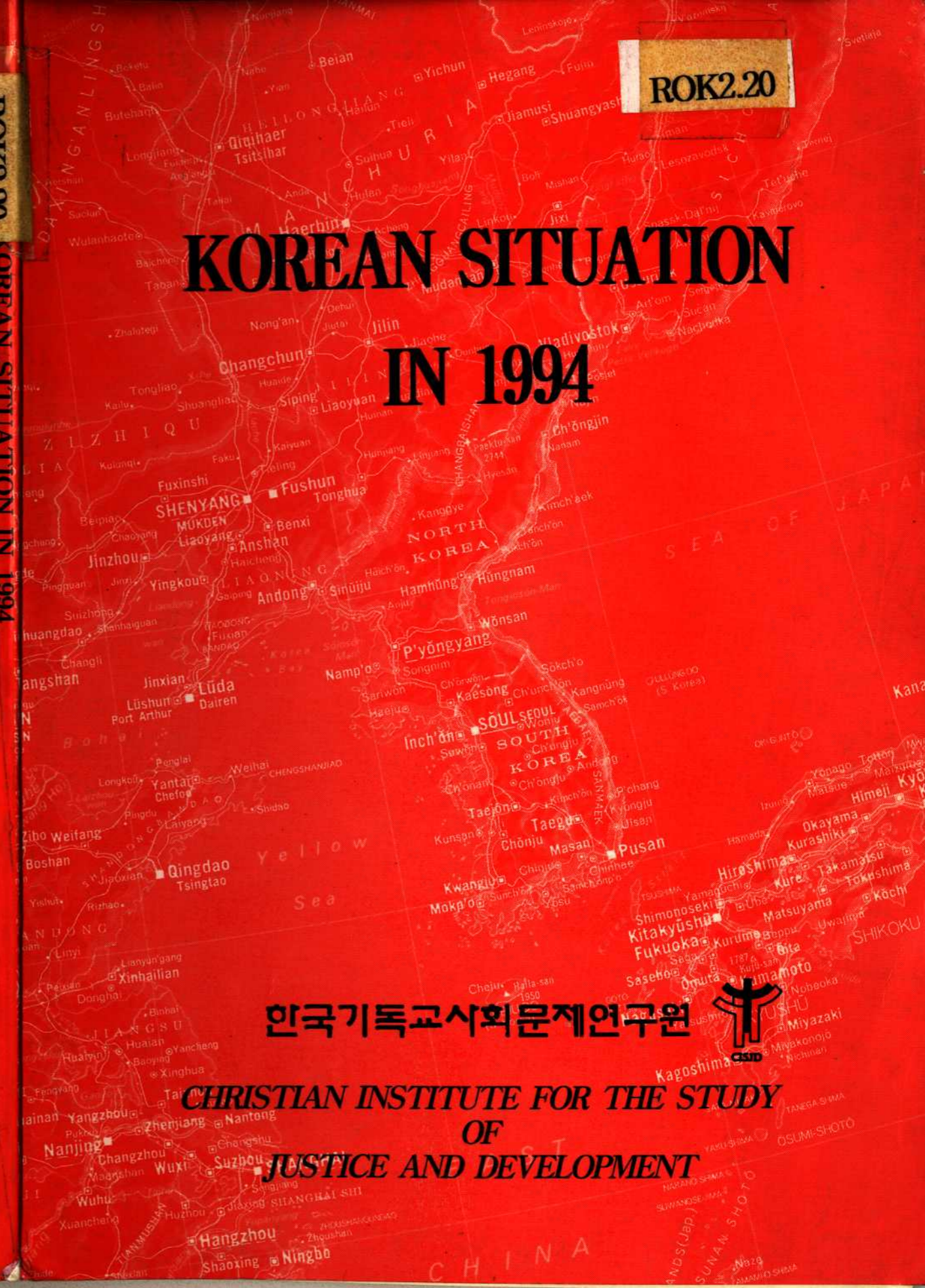
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KOREAN SITUATION IN 1994

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CISJD



한국기독교사회문제연구원



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Preface

The changes that marked the beginning of 1990 both within and outside the country affected even the remotest corners of Korea and represented an important period in time. Depending on the worldwide movement of transnational corporation (TNC) funds, as well as the trend towards the institutional establishment of "blocking," the world has become subject to the grand scheme of what is called globalization. It also appears that even after the compromise settlement of the Uruguay Round, the reality of economic competition and trade friction does not show signs of abatement. Moreover, with the collapse of the former USSR, the tensions surrounding regional racial and religious unrest have been mounting, and friction due to economic and political differences between First and Third world countries has been deepening. Although the fall of the Third world in economic status is creating a grave situation, the support and aid of the First world can not be more parsimonious and has been shrouded unded diplomatic pretense.

Within such world situations, the Korean government has been boasting the nation's admission to the OECD as proof of Korea's outstanding economic development.

Such general terms signifying ideological policies such as "internationalization" and "globalization" are often means to extol a particular dogma. Korean people's fixation on democratization not only comes from an understanding and confrontation of reality, but also because it has come time that a prospect for such a transition cannot be ignored.

In other words, now Korea is experiencing the multiple effects that resulted from the democracy struggle of the 80s.

Two years have passed since the birth of the so-called "civilian government," and in turn, the much hoped for peace and prosperity is awaited by Korean citizens.

Through our publication of The Korea Situation, we of CISJD have attempted to give a bird's eye analysis of the Korean democratization process through the conditions and background surrounding political, economic, unification, and ecumenical issues. The 1994 publication of The

Korea Situation is the presentation of such an attempt made over an entire year.

Success was felt with the establishment of a "civilian government" and the subsequent liquidation of the military dictatorship, but the effects fell far below the expectations. The writers of The Korea Situation feel that especially concerning self-reliant reunification, the so-called security to the rights to live, the improvement of the quality and standards of living, and other issues drawing concern from the average citizen have resulted in very little actual reform.

Such judgement may underlie even our report, as we look back on the two years since Kim Young-sam's inauguration, and look to the remaining three, while wondering what direction must be taken in order to achieve full democratization and peaceful reunification. The Korea Situation attempts to expose the root of the many problems that underlie Korean society, as well as that which obstructs the confidence and trust of the Korean people.

The Korea Situation is divided into four parts.

The first deals with the evaluation of the political reforms made over the one year. The processes and limitations of military reform, real name financial transaction system, publicizing holdings and savings of public officials, the termination of political fund subscriptions, election law reform, reorganization of government structure, etc., have been covered, as well as an analysis of the true nature of these reforms.

The second is an analysis of Kim Young-sam's economic reform that fails to hold a firm target, but is the side effect of the business recovery attempt that smells of a retreat from Chaebol policy reform and an augmentation of so-called globalization.

Admitted the business recovery were a cruel industrial structural adjustment policy and an industrial policy centered around Chaebols, and The Korea Situation attempts to show how such policies obstruct the performance of the civilian government.

The third is the reunification situation. Arising from the "north Korean issue of nuclear weapons," and exasperated by north Korea-US talks, the

north-south Korea relationship has seriously disintegrated. Following the death of Kim Il-sung, the former head of north Korea, flared angry debates over the significance of a funeral address, and hit a new wave of McCarthyism that effectively consumed the country. The subsequent result was the conservative process that directed the civilian government.

The fourth is of the ecumenical movement. The ecumenical movement is the culmination of Korean people's efforts for democracy and fixation on reunification, and as the movement entered the 90s, it has attempted to expose its own weaknesses and problems as it works toward self-transformation. The movement will move forward as long as the trend and popularity towards democracy and peaceful reunification continue. The weaknesses of the movement must be understood and evaluated under the context of the fluidity of and consequent changes within Korean society.

Finally, the passionate efforts of CISJD on social development and international solidarity since 1994 are being brought forth through public declarations. Moreover, The Korea Situation includes a final section covering the Joint Statement of the Korean NGO on the 1994 APEC Summit, in which CISJD was able to participate.

We pray that our efforts will contribute to the democratization and peaceful reunification of Korea, and that we may join forces with like-minded brothers and sisters of the world to work with common hopes and desires.

January 15, 1994
Seoul, Korea

Rev. Park, Sang-jung
Director of CISJD



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PART ONE.

POLITICAL SITUATION

Chapter 1. Progress of Political Reform and Political Leaders' Meeting

1) Revision of Politics-Related Laws

The three electoral reform bills - an omnibus electoral law, a bill regulating political funding, and a bill on local autonomy rule - were passed by the National Assembly through an accord between the ruling and opposition parties on March 4. This bill above all was intended to minimize campaign funding and to guarantee cleaner fund-raising for inexpensive elections. This revision work is the beginning of substantial reform, which consists of institutionalization and legalization of the reform drive, while some of the reform policies merely appeared as a formality. Two buttresses of "money" and "institution", which had supported exclusive control of the ruling camp, must now be drawn out. Thus, reshuffling and reorganization in politics would be subsequently inevitable.

The contents of the amended bills are as follows.

A. Omnibus electoral laws; It first guarantees freedom of campaigning by eliminating extensive limitation rules. Second, official spending limit was lowered and thus, fair elections are secured. Third, all campaign-use expenses must be strictly supervised by the Central Election Management Committee, and candidates must yield all campaigning funds with officially registered checks. The provision of "extensive prohibition" was replaced by that of "limited prohibition." This will check arbitrariness of the judiciary on unidentified activities and thus guarantee unconstrained campaigning. Moreover the government must take over other expenses such as the costs for printing posters and brochures, the number of paid campaign workers each candidate is allowed to employ drops to 1/10, and the main frame of the campaigning must be built on the volunteers' support activity.

In addition, punishment is heavier for those who violate these clauses. The arbitration motion, which had been the point in dispute between the ruling and opposition parties, is now only possible for the central parties and candidates. However, There was no resolution on issues such as the deferring of the direct voting to a party, the banning of public polls during elections, and the changing of the voting age (currently 20)

B. Bill regulating political funding: It aims to guarantee clarity of political funding by increasing government aids to political parties, employing an anonymous flat sum receipt system(issued by CEMC), ; expanding fund-raising from patronage and sponsors. However increase in government subsidy to political parties would burden people with heavier taxes by increasing from 600 to 800 won per head. Thus, political funding should not be drawn from people's taxes, but other sources.

C. Bill on local autonomy rule : This bill attempts to provide an institutional apparatus for the separation of powers between central and local chapters. It aims to strengthen the right of personnel management belonging to the chief of the local office. This in turn means the head of the local organization holds substantial power of personnel recruitment and management including the means to appoint the vice chief which had been retained by the central government. Furthermore, the central and higher office's right of inspection is greatly reduced .

Meanwhile, to check this increased power of local heads, the central government holds command of an "order of performing duties", and inhabitants can participate in the local administration by voting on major decisions of local governing bodies. The Local assembly's power is also strengthened to curb overinfluence of the local governing body through the right of indictment and the fine imposition of a fine for every absence during administrative inspection. However, low independence of local governing body is an obstacle against the realization of local autonomy.

These reform bills will bring about essential changes following the revision of the law on political party.

Political parties will stress freshness and a reformative image while they run for elections at a low cost with volunteer-mobilized campaigning, and through cutback of offices, they will be a merger or abolishment of organizations. Furthermore they will prioritize policy development with increased government subsidy. It has become difficult to be the beneficiary merely because of specific party affiliation. The former management system and its features which, heavily depended on organization and fund patronage will be changed to focus on the personal image and policy. In spite of these constructive improvements, such factors as the faculty condition of party establishment, increase of national aids, expansion of public management may, on the other hand, bring forth random candidacy and overpoliticization

through frequent formation of new political parties. If politics-related bills are with fairness and strictness practiced, such actions will satisfy the expectation of "clean politics, free elections" to some extent despite partial limitations.

Meanwhile, each political party is pushing ahead for reorganization. The DLP has reappointed chief organizers of 14 troubled district party chapters and is reportedly expected to reorganize 20 district chapters. The DLP had planned to deal with politics-related laws, reorganize of the central party chapter - especially by the midst of March, reshuffle derelict district leaders, and reorganize of the substructure. Every party will recruit new persons who support political reform bills and substitute candidates in local administrators' election for the National Assembly.

2) Chief Leaders Meeting Between the Ruling and the First Opposition Party.

There was a meeting between the president and the major opposition leader in March 11. However, no agreement was reached in this meeting but the confirmation of mutual trust. What the past image of the ruling-opposition leaders' meeting showed to the people was that two equal opinionists discussed national affairs, but in this meeting, the president appeared to be the sole authority diagnosing current affairs and asking opposition parties for the change of understanding. This look rightly forecasted that state-affairs would become heavily dependent on the dogmatic tendency and personal leadership of president Kim Young-sam.

No agreement was made at the meeting on the major disputed points including the abolition of National Security Law, the revision of Uruguay Round agreement and its approval in the National Assembly, and the North Korean nuclear issue. The main focus was particularly centered the abolition of National Security Law. It was immediately highlighted before the meeting as the US and UN human rights committee and International Amnesty Committee made it an object of criticism. Moreover, even if ruling and opposition parties agreed to build a subcommittee to discuss on the abolition of the National Security Law, President Kim Young-sam's disapproval of abolishing the National Security Law revealed that it would not be easy to abolish the law.

In addition, President Kim also rejected the Democratic Party's calling for a modification of the UR agreement in the sector of agricultural, livestock, and marine products. He assitionally claimed that if the DP opposed the endorsement in the National Assembly, the DLP would appeal to the decision of the majority and YS will be willing to be judged in the local or general elections. The DLP is planning to make possible the approval of UR pact in the special session of the National Assembly in June. However, the DP is expected to strengthen pan-national opposing movement through collaboration with Unification and People's Party, and the New Korea Party.

Meanwhile, the DP leader Lee Ki-taek's stand became more weakened. Each faction within the party held back its voice while the UR and North Korean nuclear problem was blocked ahead. However after the leaders meeting they intensified their criticism. The power struggle within the DP depends on the dynamics of the relation between pro and anti-Lee Ki-taek circles, and the competition among each faction still continued. The faction politics within the DP loaded much burden on the reformation of the party. That is, They obstructed induction of fresh characters because the senior leaders of each faction do not want to provide new faces who don't belong to his faction with him in the position of chairman of the district party chapter which can command considerable number of local representatives. At the situation that political reform bills are being passed and full-scale reshuffle in the political world is expected, the DP should be revived as a real policy party

Chapter 2. Limits of Kim's Capacity to Lead National Politics, and the Formation of 'NEW ERA FORUM'

1) Where is Kim's Government Heading for?

During the past year, Kim Young-sam's government has pushed reform policies in the area of politics by reforming the military, exposing property status of public officials and amending politics related laws. They were to remove the military, once the core of political powers, from politics and to build a new power base for Kim. In particular, the transfer of the commander generals belonging to the banned Society of Hana(One) from key positions marked a clear retreat of the military from the political ground in south Korea.

Other than political reforms, the present government also attempted to do reforms in the field of economics through the Real Name System in financial transactions, but only to fail by pressured introduction of countervailing supplementary measures. Failing to reform except in the field of politics, Kim's policies in social and economic matters became generally viewed as having pro-Chaebol(large business conglomerates) tendency.

Consequently, the recent trend of Korean politics can be said to be under larger influence of the monopoly capital than before on the one hand, and on the other hand to be under stable rule of the civilian government, while witnessing the political retreat of the military and the stagnation of the dissident groups in the background. The growth of Chaebol's influence over politics are shown by the facts that the decision of who will take the Second Mobile Communication Project was commissioned to FKI(The Federation of Korean Industries) and that there was an attempt to hold training courses for the government officials by big business institutions.

However, areas of genuine interest of the public in terms of reforms lie in structural reform issues such as the inequality of income between regions and classes, the incredible magnitude of the underground economy, excessive concentration of immobile properties in the hands of the few and their speculative trade, and the malfunction of monetary and financial systems. Nevertheless, the public is now gaining a clear awareness that Kim's government can no more lead the reforms as they are only limited to the

political field. With the expectations unmet by the pro-Chaebol inclination of his recent policies, Kim's power, originally based on the three-party merge which is now a source of instability, is being challenged by a conservative faction within the Democratic Liberal Party as well as by some resistant bureaucracy. The recent abrupt replacement of the Prime Minister Lee Hwe-chang, the exposure of alleged political bribery related to the transfer of Sang-moo army camp, and the conflict aroused by the new act called Price Stability for Agricultural Products Act are the result and manifestation of the limited capacity of Kim's government in dealing with national affairs.

2) Limits of Capacity of Kim's Government in Administering National Affairs

On April 22, the Prime Minister Lee was abruptly replaced. His replacement was officially brought by President Kim's refusal to Lee's demand for the correction and open criticism the administrative style manifested in the Policy Coordination Meeting for Reunification and Security(PCMRS), which was led by the Blue House. From another view-point, however, the prime minister has been in clash with the president and his close persons since his appointment to the position at the end of the last year. Whenever Lee firmly pushed reform drives such as the halt of financial assistance to the pseudo-governmental civil organizations, and ordered to thoroughly investigate the Sang-moo case and the case of Buddhist-politics link in the recent division of the Buddhists, and to strictly ban campaign activities of politicians prior to the campaign period, he was objected. The replacement of Lee, who was once the spearhead of reform drives when he announced "inspection without sanctuary" as the Inspector General, was a revelation of the problems existing in the capacity of the administration and the function of the Presidential staff. Furthermore, his replacement showed the danger of reform drive depending upon arbitrary decisions of the supreme power.

On the other hand, the internal dispute of Buddhists turned into a political conflict when the government decided to deploy riot police into the Temple of Choge, the headquarter of Choge Buddhism, in favor of ill-fated Suh Eui-hyun, the then secretary of Choge Buddhism. The dispute was triggered by Suh's attempt for his third term in the position that had almost all the powers in Choge Buddhism. Reform groups quickly united, and demanded Suh's step-down and exposure of the irregularities related to the Sang-moo base.

They expressed strong criticism towards Kim's government due to the well-known link between his key officials and Suh's Buddhist power. The reform groups that finally overthrew Suh and took the whole control of Choge Buddhism, are now demanding dismissal of the Minister of Home Affairs, Choi Hyung-woo, and an apology from Kim Young-sam for the unjust police operation in the Temple.

From May 21 to 30, a parliamentary investigation was conducted on the alleged bribery of politicians related to the transfer of Sang-moo army base. The ruling and the opposition parties had previously reached an agreement on this investigation on April 13. The postponement of the actual investigation since then is related to the alleged involvement in the political fund of some key figures of the 6th Republic as well as Kim Young-sam and his close persons. Doubts were raised concerning the disappearance of 20 billion won(US\$ 24.7 million) when Cho Gi-hyun of Chung-woo General Construction Co. made the contract of the transfer of Sang-moo base with the government, using close ties of the Buddhists with the then President Roh Tae-woo. The vanished money is speculated to be handed in as political fund. According to the investigation conducted by the opposition party(Democratic Party), Cho is found to have misappropriated a total sum of 22.7 billion won from the contract money. It is quite probable that he provided 20.7 billion won from the sum as political fund to the ruling power. Democratic Party is raising questions whether Lee Hyung-woo, the former head of Presidential Security Service, Lee Jin-sam, the former Chief of the General Staff of the Army, a few DLP law-makers, and even President Kim were involved.

The parliamentary investigation, if it succeeds, will be the first in-depth investigation on political bribery. In this sense, it is drawing much attention. But, DLP is showing a very passive stance on questioning witnesses and tracking the related checks, on which the success of the investigation relies. In addition, it is uncertain whether the Blue House would take an active and reform step on this matter as it feels a state of political crisis and the need of binding the ruling forces before the coming local elections.

3) Formation of 'New Era Forum'

On April 13, Lee Boo-young, Kim Kun-tae, Jang Gi-pyo, Lee Chang-bok, Che Jung-gu, and Im Chae-jung, the six most prominent leaders of dissident movement in the 1980's, met together to announce the formation of 'New Era

Forum'. This assembly of six persons received much attention from the public and the media in three aspects: first, the need of forming new reform forces as the limit of Kim Young-sam's reform drive has been clearly revealed; second, the recent moves to form people's political forces based on people's movement in the face of coming local elections; and third, the future development path for the dissident movement.

Under the past authoritarian system led by the military, the dissident forces were identified and empowered as the political force against the military regime, the conscientious force against the privileged and the anachronistic and a checking force against the whole institutional politics. They have become, however, significantly weaker and divided in these roles since the emergence of Kim's reform politics. Some of the former dissident groups are now within Kim's government while others are either in the traditional people's movement or in new styles of social action. The New Era Forum, established by the six leaders of different forms of opposition and dissident movement, therefore, gains much needed attention in terms of the possibility of unifying again all the forces critical to the government.

The dissident forces, in unity until 1987, were divided into three lines facing the presidential election of the year, depending on which presidential candidate was preferred among the three: critical support to Kim Dae-jung, compromised selection of one opposition candidate, and people's own representative as its candidate. Im Chae-jung, who advocated a critical support line in 1987, is now a law-maker of DP, the successor of Peace Democratic Party that Kim Dae-jung was leading. Lee Boo-young, a leader of the 'one opposition candidate' line and later 'people's political empowerment' line, entered DP when it was under the leadership of the present chairperson, Lee Gi-taek and became a law-maker, too. Che Jung-gu followed similar path as Lee Boo-young. Jang Gi-pyo was the leader of the people' line and the founder of the short-lived "People's Party". Kim Kun-tae was a leader of the 'critical support' line who never entered the political parties. Lee Chang-bok is the present chairperson of the National Alliance for Democracy and Unification of Korea(NADUK), the umbrella of almost all dissident and people's movements.

Though the New Era Forum started as a discussion meeting rather than a political association, it still attracts expectations for it to unite the divided forces and to form a unified front of people's movement. However, whether it will serve for this end or for others such as strengthening DP or renewing attempts to form people's party, no one now can predict yet.

Chapter 3. The Korea Version of McCarthyism and August-2nd By-Election

1) McCarthyism and Disappearance of Politics in Korea

Highly fluctuating up and down on different issues, Korean politics since last June showed great changes without any internal coherence. Since June 2 when the IAEA announced impossibility of post-measurement for the north Korean nuclear materials, the conservative forces in south Korea began to over-react to the possibility of war and purposely led the politics to a critical point. Then Carter's visit to north Korea and substantial negotiation occurred, and followed Kim Young-sam's decision to accept the summit proposal of the North. Suddenly, "the summit expectation mood" dominated the politics. Then, again, as the north Korean Chairman Kim Il-sung died suddenly on July 8, the conservatives quickly upsurged as if springing from a short repression. The politics in Korea since then can be summarized as reemergence of McCarthyism and disappearance of politics. The democratic forces, having fought against the military rule and strived towards peace and reunification for decades with commitment and sacrifice, were all termed as pro-north impurities and began to meet an unprecedented repression under the so-called "civilian" government. The Witch-hunt of the Middle Ages was reproduced in Korea at the dawn of the 21st century.

The reason for the war crisis in June was not from the seriousness of the north Korean nuclear issue but the apprehension and reaction of the conservative forces and the President Kim's sympathy with them.

Those who were discontent with Kim's reform policies but could not voice out found the nuclear tension a good chance to speak up. In a way, they succeeded in halting the reform drive by expanding crisis sentiment throughout the society with the use of the war anticipation mood of the American media. Kim Young-sam also needed to compromise with the conservative in order to sooth the popular resentment to his agreement with Clinton on the rice import plan at the summit last year in November. (This is also how Kim replaced the sprit of 'reform' with that of 'internationalization', just as the former dictator Park Jung-hee demanded a national unity to improve economy when his legitimacy was challenged.) In other words, Kim's government had to either recognize or support the

reemergence of the conservative forces and their fabrication of war crisis for the sake of his own stability.

On June 18, Kim Young-sam announced that his government would accept north Korea's proposal for a summit unconditionally and without further deliberation. The reasons for this decision were; first, the decreasing popularity of Kim's government as it revealed its limit in national administration in handling recent political affairs of bribery, irregularity and even violence closely related to his son, political partners and politics; second, amplifying popular campaigns against ratification of the Maastricht Treaty and war crisis, and labour's resistance to wage limit policy in June; third, the public's growing uneasiness about Kim's irregular policy line in relation to the north Korean nuclear issues; fourth, a possible isolation of the south's position as the Three-Round Talk of the US-North became more perceivable since Mr. Carter's visit to north Korea. It is particularly possible that Kim's government was desperate to take control of the national politics vis-a vis the coming local election and the parliamentary election of 1995. The possibility of a North-South summit gave Kim a good chance to restore his leadership by historical legitimacy to be given in the reunification process.

As the working-level talk was concluded in agreement on 28 June, north and south Korea seemed to be avoiding old-style clash of proposals. Though some critics raised doubts on the value of the summit, they were soon tempered down by the enthusiasm of the absolute majority of the population towards a peaceful reunification. However, as the cold-war witch-hunt restarted after Kim Il-sung's death, dialogue and self-regulation of the civil society vanished. Every effort for reunification was identified as controlled by the North. When a few brave law-makers of the opposition party raised in the National Assembly "the need to send diplomatic condolence to north Korea if the government wants to improve the North-South relations and to have dialogue with the North", the conservatives dashed to attack them as siding with the North and pro-Kim Il-sung persons. Politics disappeared suddenly and a madness of oppressive labeling began.

The leadership of the student movement was immediately identified as Ju-che(Kim Il-sung's ideology) followers, and a psychopathic president of a university began to appear in the media exposing some millions of young people as Ju-che followers without presenting any evidence. Also without evidence, student leaders were arrested and sought by police while two professors were arrested for writing "enemy-benefiting" textbooks.

On July 27, the Agency for National Security Planning (the central intelligence agency of south Korea) prepared a carefully worded press conference of a north Korean defector, Kang Myung-do. There, he claimed north Korea possessed 5 nuclear bombs - without evidence - only to be denounced by the U.S.A. later. This incident is generally interpreted as a checking measure of the Korean conservatives against the improving relationship between the U.S.A. and north Korea.

The fact that Kim's civilian government sided with ultra-rightist anti-communist sensationalism, continued to deal with diversity of opinions through the police actions instead of dialogue and debate, and contributed to increasing tension with the North by allowing the Korean politics some decades backward.

In other words, Kim's government was in general responsible for the disappearance of politics and rebirth of McCarthyism in Korea. Remembering the teachings of the military rule and popular resistance of the past, one should point out the fatal mistake of Kim Young-sam's position today because the loss of both diversity and regulation by reason and consensus of the civil society means both the loss of social development and the birth of massive resistance.

2) August-2 By-Election

In the three by-elections on August 2, the poll rated low -47.0percent for District A of Soosung in Taegu city, 49.7 percent for Kyungju city, and 63.1 percent for Youngwol-Pyungchang area. The results were victories of Mrs. Hyun Kyung-ja of the New Democratic Party in Taegu, Mr. Lee Sang-doo of the Democratic Party in Kyungju city, and Mr. Kim Ki-soo of the Democratic Liberal Party in Youngwol. The ruling DLP had an unexpected gross defeat despite the previous war-crisis and McCarthyism sensation.

The recent by-elections showed political apathy of young generations, decrease of election bribery, and strong influence of regionalism and blood favoritism. Decline of election bribery was a good sign of the on-going election reforms as well as a sign for the possibility of continuing fair election. Both the ruling and opposition parties highly evaluated the trend of disappearance of traditional evils such as bribing voters, administrative

intervention and malicious propaganda. It is viewed that if the amended election laws take root, an improvement of political behaviors would be possible and measures such as free speeches of candidate, use of volunteers in campaign, and strict regulation on campaign budget would grant rise of new political leaders.

One should note, however, that reform politics were hidden behind the scenes, and pro-government votes were split as a manifestation of the voters' definite distrust of Kim's administration of national affairs. The general sentiment in the former pro-government area of Taegu is now against it - furnishing a speculation of a new political party. Because this area has been traditionally the backbone of the support for the ruling party, the main-stream of the ruling party will surely experience difficulty here in the local election and the national election next year, obtaining more irregularities in building political leadership. If those unfavored by Kim Young-sam, mostly from this area, get united to form a new political force, Kim will certainly be troubled by a real division of the ruling power.

As a matter of fact, a big political bribery case was suddenly exposed in the media with a convict named An Byung-hwa, who was very close to the former power cores Roh Tae-woo, Chun Doo-hwan, and Park Tae-joon. Many view this exposure as a check of the Blue House against the former power group. However, it is clear that he cannot overcome today's weakness if he continues to depend on political maneuvers instead of restarting the reform drive to a larger scale.

On the hand, the opposition parties had some important gains in these elections, since they succeeded in winning a seat from this traditionally anti-opposition area. This is not only an important bridgehead for coming elections, but also a strengthening factor for the weak leadership of the party. From these gains, the opposition parties are expected to start a joint-opposition move such as a party merge.

Furthermore, one should note that the loss of the ruling party came in the middle of the madness of McCarthyism - a fact that most of the media purposely ignores. A representative of the opposition party, one of the main targets of the McCarthyist witch-hunt, won despite the media's general bias. This is a subtle proof that the old style ruling does not yield the same effect to the people as before.

Democracy under a McCarthy-style sensationalism and tradition of exclusion of civil society from politics is nothing but a fiction. Since the actual thrust in reforming irrational state apparatus comes essentially from the civil society, healthy resistance of civil forces should be fostered and strengthened.

Chapter 4. Crises in Korean Society and Response of the Political Arena

1) Crisis in Korean Society

The domestic society during last September and December was stained with shocking events such as "Chijon family" case, tax embezzlement of Inchon North Ward Office, desertion of an armed military officer, and the collapse of Songsu Bridge. We witnessed some maladies like animosity against society, negligence of human life, collapse of social disciplines just as we almost forget the political turmoil and split of public opinion caused by "Jooche" upheaval.

The "Chijon Family" committed murders with much confidence, saying that "It's highly regrettable that we could not kill more." This case indicated that people who are discarded from the society and can not "dream a bright future" allegedly commit crimes in an extreme way with enmity against wealthy people who have indulged in extravagance and hedonism.

People who feel estranged from society commit this kind of stunning murder relatively deprived of emotion and in poverty in an incomplete capitalistic society which allows abnormal ways of accumulation of wealth such as illegal profiteering, speculation in real estate, etc.

Big crimes which recently occurred in succession are affected by several structural problems such as disproportion of wealth, incomplete distribution, negligence of humanity education, confusion in social disciplines, disturbance of public order, weakened ethics and morals.

To resolve these problems, thus, we first need to recover morals and establish the sense of community. We have to find a key to change a humanity-lacked society into a healthy one with conscience recovered. Second, to restore our morality, we need to arrange an institutional apparatus to remove the inequality in opportunities caused by indigence. In particular, it is urgently required to establish a national welfare system to provide people with the minimum standard of living. Third, it is necessary to deploy a social reform campaign in which the civil leadership take the initiative.

However, as we saw the tax embezzlement case of Inchon North Ward Office, we find that corruption has been deeply rooted even in a public service area.

According to a report, tax officials in Inchon North Ward Office pocketed a large sum of money which amounted for 15 billion won. In the meantime, suspicion was raised that high-ranking officials in Inchon city curtailed and covered up the case even though they had noticed before the chronic corruption, fearing the aftermath.

With this event as a momentum, government announced on September 30 that it would scale up the scope of property registration of public servants from 34,666 to 192,000 in number from January 1996.

It is expected that audit and inspection through the registration of property would be extended to low-ranking public officials. However, it is rather question able as to how far the government drives forward the inspection work as it fears the disturbance of public officials, facing local election next year. Since its inauguration, this government has purged out scanded high-ranking officers in the inspection and reform process. However, as we can see the above case, "reform from the topside" has a limit in purification of corruption in the low sphere of public services.

In addition, we identified again the selfishness of localities and incompetence of government as Minister of Home Affairs, Choi Hyung-woo set up a plan to divide Kyung-gi Province into two. An argument on reorganization of administrative districts included the problem of raising Ulsan city's status to "Jikhal-si" and the expansion of city boundaries of Pusan, Taegu, and Inchon.

These issues caused exhaustive confrontation between pro and cont sides of neighborhood, conflicts between local council representatives and National Assemblymen in those regions, cacophony between party and government. This argument was concluded as the government decided to suspend the decision on the status of Ulsan city with an agreement to reach a determination through hearing of public opinion. Reorganization of administrative districts is a way of fulfilling the aim of early settlement of local autonomy and balance of national land development. However, the government brought about insincerely an internal conflict without thorough examination and preparation, and hearing of public opinion.

Since the central government can not control properly the different views of local districts, there is a need for an institutional passageway to balance regional developments and bottle up selfish regionalism. since the era of local autonomy begins with arrives after 4 local elections in June 1995.

The most shocking incident, above all, was that Songsu Bridge built 15 years ago over the Han River, collapsed during the morning rush hour.

It claimed about 30 lives due to the fraudulent work and poor safety inspection. Despite the press and representatives that raised the safety problem of bridges over the Han River a few while ago, officials including the Seoul mayor strongly defended that "they are surely safe." It means the mayor told a falsehood to Seoul citizens and the nation.

We need fundamental treatment to prevent recurrence of massive accidents and troubles. The problem can not be totally solved with a mere apology to the nation, detention of some people related to the incident, temporal criticism of the press. To form a "healthy" society, the government should hold the full responsibility to the end, people should cultivate a sense of citizenship, and enterprises establish right morals and ethics. To be awakened from a nightmare of big accidents and troubles, government should be free from demonstrative administration which has been chronic since military dictatorship, and enterprises themselves should change their attitude of shameless profit-making for expansion of business, and people make a strong popular force to check the government and enterprises.

2) Regular Session of the National Assembly and the Future of the People's Movement

The National Assembly started its 100-days session in September 10. This time which is a prelude of the competition in 4 local elections of next year, was expected to have a hot dispute between the ruling and opposition parties.

The points of issue in dispute between them are ratification of UR pact, revision or abolition of National Security Law, price rise, and so on. The Democratic Liberal Party stands on the immediate conclusion of UR ratification during this session, while the Democratic Party required the government to revise the agreement through another negotiation with the United States because the original accord has unfavorable terms in opening of agricultural and fishery products.

The Democratic Party set up 6 objectives in this session such as intensive budget inquiry, acceleration of legal and institutional reform, pursuit of reconciliation between South and North Korea, and unification policy,

rearrangement of institution for the period of local autonomy, preparation of support plan for rural areas and small-to-medium-sized enterprises.

It blamed the government in particular for the inconsistency of nuclear policy against North Korea, and rebuked people who are in charge of making new "security situation." Besides, the party is concentrating its power on the abolition of the National Security Law and replacing it with "Democratic Order Law." 'The Meeting for Democratic Political reform' within the party, in particular, addressed the unconstitutionality of the National Security Law in September 27. The security law is known to have been wholly revised in the 'emergency countermeasure committee for national security' in September 1980. However, this committee was not supposed to have the legislative right since it was an advisory committee to the president.

Thus, the 'Meeting for Democratic Political reform' insisted that the National Security Law which was totally revised in the emergency committee violated the constitution.

The cross approval issue of North and South Korea is forging out as the international situation has changed surrounding the Korean peninsula since nuclear dialogue between North Korea and the United States was concluded.

There is a need for the abolition of the National Security Law and setting up a new legal order based on the national interest facing the post-Cold War era.

In the meantime, with the local autonomy system near at hand, the Democratic Liberal Party and the ex-president Chon are actively moving out. The party appointed new organizing staffs to 13 troubled local party branches. The feature of this reorganization is that factions of the old Democratic Justice Party and the Republican Party were mostly excluded and the clique of the past Democratic Party was mostly filled up. The ex-chief representative and spokesman of Minjoong(People's) Party were named as new organizers. They announced the reason why they joined the party is that they think "it's a way of securing progressivism at this moment to participate in the President Kim's reform."

Their joining in the Democratic Liberal Party was also surprising as well as the joining of Mr. Kim Moon-soo, who was a leader of dissident labor movement. It means the figureheads of Minjoong party, which has pursued the people's political advancement with the cause of "progress" entered the conservative ruling government. They turned to advocate the expansion of

big businesses particularly in the joining interview, and opposed the revision of the National Security Law at the moment, and supported the entrance of government for WTO. They must have confirmed themselves that there is no place for a progressive party in Korean society as they failed to enter the parliament in the last presidential election. Their failure in the advancement into the parliament, however, does not prove the interest of people in Korea has been absolutely guaranteed. They announced that they would jointly participate in the reform campaign of the current government which severely oppressed the labor movements, for example in Hyundai heavy Inc., Locomotive council, and Subway Union. Their entrance may justify the present oppressive labor policy.

How about the current position of the circles which struggled for democratization in the past days, and have walked along a different way contrary to the entrance of ex-officials of Minjoong Party?

The People's movement side which played a significant role in the opening of "civilian government" has rather lost popular support since the establishment of civilian government. The political terrain has so much changed that it became more difficult to voice a political opinion without a strong political standpoint in an institutional mechanism. The present government secured a just ground in the election and national upholding through reform policy in the early stage. On the contrary, popular movement side has lost its political influence since it has not coped well with the divided and changed political situation. Among the popular movement groups, some of the old Minjoong Party and a section which insisted on a single presidential candidate of opposition side have joined the current regime by supporting government's reform. Some circles such as the National Coalition, and the People's Political Coalition still remain to be dissident groups. Parts of dissident groups organized the "Democratic National Council for the Unification Era," thus backing up the separation and differentiation of people's movement from a political campaign. Civil movement groups have expanded the scope of their activities since 1987. The existing nongovernmental movements such as "Association for the Economic Justice" and "Association for the Environmental Movement" have steadily worked out and "Citizens' Solidarity for Participatory Democratic Society and Human Rights"(Participatory solidarity) was launched on September 10. This group is highly expected to grow as it aims at a different type of social movement, no more based on the past civil and dissident movements.

Popular movement forces and civil movement groups, however are still not deemed to have tangible alternatives and policy-making capability. They

don't meet with the challenge of global economy, and the drastic changes in the Korean peninsula after an agreement of North's nuclear issues. They also can't handle the current issues with a long-term view and a plan. The future of popular movement camp, thus will not be favorable if they can't positively responded to the above problems.

Chapter 5. The Limitation of the Opposition Party's December 12 Struggle and President Kim's Initiative in Political Affairs

1) December 12 Struggle of the Opposition Party

In spite of moral grounds, the opposition party's struggle against the suspension of indictment on the December 12 revolt failed to realize the anticipated result due to the inflexible response of and the split within the party.

The prosecutory authorities' decision to suspend indictment of the December 12 revolt equals to an indulgence for those who ruled against democratic order in the past. The decision meant a judicial checkpoint in establishing democracy and national spirit in Korea.

Though the government had defined the incident as a "military revolt," it suspended the indictment, which can be interpreted as a plan to control the coming political situation. This means that the government would not allow the ex-government power to re-emerge and exercise influence in political affair, while accepting the co-existence with them.

In response to this decision, the Democratic Party demanded withdrawal of the suspension, and declared struggle outside of the National Assembly. As a protest, the leader of the party, Lee Ki-taek resigned from the membership of the National Assembly. In addition, many NGOss announced statements and organized rallies in order to publicize the unjustness of the suspension of indictment. In particular, the Democratic Party and NGOss organised together a rally on the 10th of December under the banner of "Bring the December 12 Revolt to a Trial and Set-up a Special Implementation Act of the Uruguay Round," in which more than 20 thousand citizens gathered and raised their voice against the government' decision.

In spite of the strong opposition, the government concentrated only on criticising the opposition party for initiating stringent campaigns outside the Assembly. Arguing the inevitability to pass a budget bill within the legal deadline, the ruling party railroaded the budget plan, the Local Autonomy Act

and other bills through the Assembly on the second of December. Though the opposition party had returned to the regular session of the Assembly, the Democratic Liberal Party dared to pass the bills by itself. The government, on the one hand, emphasized the legal deadline to pass the budget bill. But, on the other hand, it suspended the indictment of the December 12 military rebels, whom it had defined as responsible for an illegal revolt and military coup. This reveals an opportunistic interpretation of the law by the government for its own sake. Moreover, the next day, the government announced reorganization of government setups under the banner of "globalization," intended to divert public attention from the December 12 issue. This means that the government chose to take initiative by this diversion tactics rather than to settle the problems with the opposition party through negotiation and reconciliation.

From the Democratic Party and NGOs' point of view, objectives of the December 12 struggle were as following: withdrawal of the suspension of indictment, and obtaining moral justification and support through it, encouraging a factional strife within the DLP, facilitating solidarity between the Democratic Party and NGOs, and finally securing a bridgehead of the opposition party in the coming local elections.

However, the Democratic Party was unable to heal the anger and disappointment of the people caused from continuing incidents such as tax embezzlement in the city of Pu-chon, the gas explosion accident at A-hyun-dong and the break-down of an overbridge at Jong-ahm-dong. Furthermore, it failed to show the party's unity due to conflicting opinions on the tactics of the December 12 campaigns. Thus, by failing to react flexibly in the December 12 struggle and to cope with the offensive response of the government party, the Democratic Party has experienced loss of leadership and continuing internal strife.

As a result, the December 12 struggle, though it had enough moral justification, left only negative perception to the people that the Democratic Party exploited the December 12 incident for the party's own interest. This means that the opposition party is in urgent need to revolutionize itself in order to cope with the government's logic of "globalization" and also to meet the people's desire for reform policy.

2) Reorganization of Government Setup and Cabinet Reshuffle

Taking the Bogor Declaration of the APEC Summit Conference on November 15 as a turning-point, the government reshuffled government setup and the cabinet, seeking reorganization of the DLP at the same time.

President Kim publicized the plan for reorganizing government structure at the joint conference of high officials of the government and the party on December 3, and passed the Act in a provisional Cabinet meeting on the 23rd of the same month. This reshuffle marked the most radical operation on the structure of the government since the establishment of the Economic Planning Board during the third republic, and thus, is expected to be followed by subsequent changes in the following state affairs. The government claims that it seeks for "a small but strong government" by defining the basic direction of the reorganization as globalization, localization and preparation for reunification. The main characteristics could be summarized as the following: reduction of government setup by integrating or abolishing ministries and offices, strengthening the coordinating ability of government control body such as the Office of Prime Minister, and enlargement of the scale of each ministry and office, and encouragement of their autonomy. According to this plan, government setup was reformed to be constituted by 2 boards, 5 offices, 13 ministries and 15 agencies, while 4 under secretary offices, 26 organs of consultation and 115 organs in-charge were reduced in scale. The plan resulted in reducing 1002 public officials.

The reshuffle was conducted on the background that the existing bureaucratic structure was inadequate in carrying out reform policy, and that public officials were so indifferent that even everyday service for citizens could not be normally performed. There was an urgent need to change the atmosphere in public service society.

However, the government's decision revealed some problems. First, the problem of the time of the announcement and of procedures. Though the decision would have significant and long lasting effect on the life of people and the management of government bodies, the decision was announced as a shock treatment just the next day when a draft budget was passed by surprise in the National Assembly. This was another authoritarian behavior of the government which neglected to hear the voices from the citizens and the opposition party. In addition, the decision had another problem that the

reorganization was limited to certain parts of government setup, excluding the Central Korea Bank and non-economy related ministries and offices. Moreover, it has to be seen if the drastic shakeup would be a success or not, because it would take quite some time until the effectiveness of a new structure come to be realized.

On December 23, President Kim announced a cabinet reshuffle, too. The reshuffle reflects not only the president's response to the voice and demand of the people after two-year presidency, but also his ideological background and the direction of the following state affairs.

The essence of the reshuffle could be characterized that officials from the Democratic faction, which was the leading power in the Kim's government, retreated, and technocrats held an important portfolio in the government. Also, officials with reformist minds retreated, and old faces of the past governments re-emerged. The government argue that it would facilitate solidarity within the conservatives and would raise the effectiveness of the Administration by appointing ex-government officials in new government posts. In particular, the naming of Kim Yun-hwan as Minister of State Affairs, and Kim Yong-tae as Minister of Home Affairs means that the government intends to embrace the Taegu-Kyungbuk faction which has shown great dissatisfaction to Kim Young-sam. The fact that only one official from the Honam (Southwest) area was included in the reshuffle among the total number of 23, in contrast to 8 officials(35%) from Youngnam (Southeast) area, backs up the argument. Thus, the reshuffle was aimed at uniting politicians from the Youngnam area and at forming a conservative united front in order to break through the coming local elections.

Furthermore, the DLP is hurrying the party reorganization in the name of "globalization of the party." In a party caucus scheduled on February 7, drastic change in its name, constitution, regulation and structure of leadership will be realized. This could be a metamorphosis from a party of 3 combined factions to a party under the Kim Young-sam's leadership in order for success in the coming elections and to restructure the current political topography.

Therefore, it could be interpreted that President Kim took the initiative in political affairs by excluding the opposition party and by reorganizing government setup, the cabinet and the party, taking into consideration 4 local elections in 1995, general elections in 1996 and presidential elections in 1997.

PART TWO.

ECONOMIC SITUATION OF KOREA

Chapter 6. Strengthening International Competitiveness and Granting Special Benefits to Big Conglomerates.

1994 became the second year since the implementation of the new economic policy. Government emphasized "enhancement of national competitiveness" to "survive in the endless competition." This indicated that government policy moved from the invigorating policy represented as the new economic policy for 100 days into the structural reform symbolized by the real name financial system, and recently it changed into the logic of internationalization.

1) Direction of Economic Policy in 1994

Government announced "the direction of the economic policy in 1994" in January 14. According to this announcement, the government proposed a full-scale improvement of business environments, an increase of social overhead capital and balanced regional development, and a globalization of the economic system and readjustment of the structure, price stabilization and betterment of quality of life. It suggested measures for farmers and fisherfolks as a main task; however those measures were substantially not for the farmers and fishermen, but for the enterprises and capital-holders. And the other tasks were also arranged to throw up restrictions on enterprises and advocate those businesses.

Particularly, we can draw two features from this direction. First, support for enterprises makes it possible that they expand spheres of activity beyond the dimension of deregulation. Second, measures for the price stabilization are structured to function through price control of a single item, not through currency control. There exists the likelihood of conflict between price control policy and deregulation policy. Thus, it proved that government does not stand firm in the price stabilization policy which directly influences people's life.

Eventually, according to this trend, the government showed an intent to get into the stride of new economic policy focused on support of big conglomerates and the deregulation for them.

Special advantages to big enterprises shown in the selection process of the second mobile communication promotor and privatization of the Korean mobile communication also reached the agricultural sectors through the abolition of the limit on land possession, deregulation of farmland appropriation, approval of big businesses engagement in agricultural product market. The second mobile communication case is a significant example of special preference. The project had become a target of monopoly capitals because communication is one of the national key industries and has a great scale of marketability amounting to 1500 billion won. Sunkyong was first selected as the proprietor but it finally gave up the right from political pressure. The right to choose a proprietor under the Kim Young-sam government was transferred from the Ministry of Communications to the Federation of Korean Industries on the pretext of autonomous adjustment of private section. The problems raised in the selection process were related with secret consent among big cooperations and their concealment. The selection was made by the secret consent among big conglomerates under the condition that no objective standard ever existed. And it is also a controversy whether the government transferred the authority to the FKI with fairness. It is not pursuable that government select the proprietor on the basis of mutual consent among conglomerates for the efficiency and competitiveness, not based on the people's interest. Economic policy for big cooperations' sake would likely harm economic justice and deform industrial structure.

2) Confrontation Concerning the Uruguay Round Agreement.

Meanwhile, the government held a Cabinet meeting and foreign cooperation committee in February 14 before confirming the UR country schedules in the sector of agriculture, industry, service according to UR agreement. Reevaluation of the UR agreement left over to the National Assembly after the government confirmed the country schedules. UR agreement become valid on the occasion that the whole 117 nations assent unanimously, thus if the Assembly rejects or puts off the decision, it would not become effective. Therefore, the approval at the National Assembly is closely related to the commencement of Uruguay Round. For this reason, opposition parties insisted that the government partly engage in the negotiation again. However the reigning party advocated accepting the Uruguay Round in the world of constant competition among nations to raise national competitiveness.

While ruling and opposition camps were strongly confronted concerning the UR inside the parliamentary stage, voices of opposition were raised more from the outside. Confrontation surrounding the Uruguay Round was getting more fierce, as 20,000 people including members of 9 farmers organization like the General League of National Farmers, Korean Association of Farmers and Fisherfolks Successors and students held the "National Farmers Rally to realize putting negotiation back on track, disapproval at the National Assembly, reform of agricultural policy.

Chapter 7. Economic Upturn under the New Three-Lows and Wage Control

1) Economic Upturn under the 'New Three-Low's' and the Economic Bipolarization

Compared to the period of 1986 to 1988 when the phenomenon of the so-called three-low's led to the high growth of the Korean economy, there is emerging a new three-low's (low dollar price, interest rate, and oil price) since the second half of 1992. This is basically due to the strong tendency of yen value resulting from the U.S. pressure on Japan. But, the factors of the new three-low's phenomenon are different from those of the previous one.

The new conditions started in the midst of the stagnation of the world economy while the advantage of the low wage factor for the Korean economy has become far less effective than before due to the chase of the late developing countries like China and ASEAN countries. As a result, Korea has already lost its market competition in textile and shoes production, and saw the breakdown of low-wage system and the limit set by badly invested and worn-out social infra-structures. The Korean Chaebols are said to have missed the chance to restructure the economy during the old three-low's period because they were absorbed in speculative investment of land and other non-productive properties instead of investing their profit to new technologies. In this regard, there has been a keen interest in how the government and Chaebols would deal with the new favorable conditions.

Along with this, the Korean economy is in its full recovery phase. According to the industrial trend of the first quarter of this year disclosed by the Statistics Administration, investment is active, and prices, consumption, and employment were relatively stable (refer to Table 1). Facility investment also accelerated while the rates of increase of goods for domestic consumption and the wholesale and retail remained relatively stable on one digit level. Analyzing these business indices, one can see the Korean economy is riding a slow up-curve since the fourth quarter of 1992. Having reached 3.3% rate at the beginning of this year, the prices, however, still has potentials to rise again though the government's intervention in April succeeded in cutting its sharp rise.

Table 1. Indices of Production, Investment, and Consumption Trends

1994	Jan.	Feb.	March	April
Production	84.0	79.0	83.4	
Investment	72.2	12.8	76.7	
Consumption	9.7	5.7	6.1	
Consumer Prices	6.4	6.8	6.4	5.9

* production: average rate of operation, investment: rate(%) of increase in permission of machinery imports compared to the previous year, consumption: rate(%) of increase in wholesale and retail compared to the previous year.

* source: Statistics Administration

On the other hand, the phenomenon of a widening gap between heavy and light industries, or the economic bipolarization, shows no sign of improving. Table 2 below shows that the heavy chemical industry, recording 13.3% increase in production, was the locomotive of the presently activated economy of which the production of cars, machinery and communication equipments, and video and audio equipments, in particular, showed high level of increase. While heavy industries were booming as such, the light industries were still staggering in the shadow of stagnation.

Nonetheless, the light industries did make a U-turn from the 2.7% decrease of the fourth quarter of last year to 1.2% increase this year, aided by the boom in heavy industries. This bipolarization of the Korean economy needs remedies of balanced structural adjustment such as financial assistance to small and medium companies and special investment for structural adjustment per se.

Table 2. Production of Heavy and Light Industries

	1991	1992	1993	1/1	2/4	3/4	4/4	1994 1/4
Whole	9.6	5.8	4.4	1.0	2.4	5.2	8.7	
Heavy	13.7	9.2	8.4	4.9	6.2	9.0	13.2	13.3
Light	2.0	-0.9	-5.6	-9.0	-7.2	-3.7	-2.7	1.2

* source : Economic Planning Board

2) Economic Concentration of Chaebols and Workers Resistance to the Wage Agreement of March 30 between the Federation of Korean Trade Unions and KEF(Korea Empliyer's Federation)

As Kim's new economic policies were only confined to Chaebol-oriented structural adjustment and economic recovery, bankruptcy of small and medium enterprises and the economic bipolarization remained as difficult problems to solve. Furthermore, there were other factors that worsened the situation. The policies for the privatization of public enterprises and the attraction of civic capitals to provision social overhead capital are being realized in such a way as to accelerate economic concentration into Chaebols. In this regard, Kim's discourse of structural adjustment and revival of national competitiveness can not escape from the criticism that they are merely another move to favor Chaebols.

The labour side, in relation to countering this move, had an important meeting on April 6 in the Press Center in Seoul. There, 8 presidents of trade unions including Korean Heavy Industry, Dacom, Korea Communication, Bank of Small and Medium Enterprises, and Emergency Committee of Wonjin Rayon, announced the establishment of the Preparatory Committee of All Trade Unions of Public Enterprises to Counter Privatization. The participants demanded solution to unstable employment caused by the privatization process, separation of ownership from management, civic stock system for new ownership, provision of employee ownership, and establishment of tripartite body to deal with privatization. This shows how resistant workers are towards the privatization led by the government and FKI(The Federation of Korean Industries).

On the other hand, May Day was officially revived this year for the first time in 35 years, but FKTU and NCTUR(the National Council of Trade Union Representatives) held their own events separately.

In the May Day Rally organized by NCTUR, 15 thousand workers participated and decided "to fully counter repression on labour and to start a campaign of seceding from FKTU and refusing to pay its membership fee until the day of FKTU's dissolution". They also protested with anger the March-30 agreement of FKTU on the 5~8.7% limit of wage raise.

Later on May 14, dismissed workers belonging to the National Committee for Restoration Struggle of Arrested, Wanted, and Dismissed Workers and some 50

student activists entered the FKTU building and staged a sit-in urging "dissolution of FKTU" and "repeal of the March-30 agreement". They were all forced out and scattered in 7 hours by the police and FKTU officials.

The rate of wage raise the FKTU agreed with KEF(Korea Empliyer's Federation) is a concession at quite a low level, one can see, if the extreme rise in prices last year and the beginning of this year is taken into consideration. Not only was the rise of prices recorded from 5.9% to 6.8% until April this year, but the resulting psychological disturbance of the public was also serious. In this regard, the FKTU's easy concession gave Kim's government a new thrust for ideological pressure on labour. Proclaiming "Spirit of Burden Sharing" and "Strengthening National Competitiveness" onto workers at the New Year's press conference, President Kim claimed "the high wage is the biggest obstacle to improving the nation's international competitiveness" and urged this year to be "the first year of no labour disputes". This is the same as expressing the policies of controlling wage in old fashion, instead of establishing a link between high wage and high technology.

This is a repetition of the old system of capital-oriented national mobilization based on the advantage of the existing factor (low wage). The government's blame on wage increase for economic difficulties does not have grounds since its logic lies on the comparison of productivity with nominal wage. By this, the government distorts the fact that the rate of increase in real wage runs clearly lower than that of productivity since 1990, as in Table 3.

Table 3. Comparison of Labour Productivity and Wage Increase: Manufacture Sector (in percent)

	1989	1990	1991	1992
Rate of Increase in Productivity	7.5	12.7	13.3	10.2
Rate of Increase in Nominal Wage	25.1	20.2	16.9	15.7
Rate of Increase in Real Wage	18.3	10.7	6.9	8.9
Rate of Increase in Prices	5.7	8.6	9.3	6.2

* source : KLI Labour Statistics, Korea Labour Institute, 1994

3) Economic Policies of 'Council for Promoting New Economy' in Second Quarter

On April 27, the government announced stability measures more or less oriented towards economic retrenchment, such as lowering monetary expansion rate and limiting this year's supplementary budget to one special tax. This came after deliberating the plans set out by the Council for Promoting New Economy. The government, in addition, extended the benefit of favorable loan of foreign money to small and medium enterprises as a supportive measure, while adding some regulatory measures against economic concentration in the process of privatization and provision of social overhead capital. These can be considered as reflecting the government's judgement of the general recovery of national economy and its move to check price rise, worsening of national accounts, and economic bipolarization.

The new regulatory measures against Chaebols can be just superficial, though. The government's responses to Samsung's attempt to advance to car production and to the wage negotiations to be fully engaged in June will show its real attitude towards Chaebols and thus need to be closely monitored.

Chapter 8. Limits of Economic Upturn and Amendment to Fair Trade Act

1) Force-Dependent Labour Policy

Since the strike of locomotive drivers and the National Council of Subway Trade Unions began on 27 June, the government strived to separate the striking workers from the public by use of power and with the help of conservative press, and finally subdued the strike by physical means and without mercy. This incident again revealed the similarity of Kim's labour policy to his predecessors'. At the same time, those who hoped a change in labour policy based on institutional reforms and social consensus had to be disappointed. On the other hand, the government showed a different attitude toward the long strike of the Hyundai Heavy Industry Trade Union, declaring non-intervention and emphasizing autonomy of the labour-management negotiation at the beginning. This was viewed as an example ambiguity and duality of the present labour policy.

2) Economic Trends

1994	Jan.	Feb.	Mar.	Apr.	May	June.	July
rate of increase of consumer prices	1.3	2.4	3.3	3.5	3.6	4.3	5.2

(in percent, compared to the end of 1993)

It is questionable whether or not the government would be able to hold the target 6 percent against the rise of prices this year. While the rise reached 5.7 percent on 25 July, very near to the year's limit, the business almost rated 9 percent during the first half - a green light for the period's potential growth rate of 7 percent. Whether this is a recovery or overheating is an issue at debate. The government reacted to this sudden upturn by pressuring down the price of industrial products and employing currency control measures, but only to cause various side-effects including a severe confusion

in the financial market. On August 4, for example, the call interest rate reached the legal upper limit of 25 percent since three days before, and the debenture rate also reached 13 percent.

The cause for the recent rise of interest rate seems to come from the avoidance of institutional investors such as banks and investment trust companies in buying up bonds as the Korean Bank (national central bank) became known to start a strong currency control in order to loosen inflation pressure. This atmosphere has been prevalent since June as the money supply and the price rise rate increased significantly, aided by the sharp rise of agricultural prices after the summer's draught and hot weather.

On the other hand, the oil price began to rise since April, from 14~15 \$US at the beginning of this year to 20.18 \$US on August 4, as the booming economies in most advanced countries demand more oil and the OPEC nations froze their oil production level. The accompanying rise of raw materials in the international market added another condition to the instability of prices. The recent economic boom does not seem to favor ordinary people and small or medium scale business. The measures of the new economic policy do not depart from the traditional pro-Chaebol (big business conglomerates) orientation. Moreover, there are many factors that indicate the recent boom was not a result of structural adjustment but rather the rising value of the Yen. This dependency on outside factors is viewed as a limitation the Korean economy experiences even in its upturn period.

3) Price Rise under the New Government - Weakening of the International Competitiveness

Side-effects and confusions under the new government compel a comprehensive review of its new economic policy. Though the new government emphasized international competitiveness of economic internationalization plan, various researches show that the actual economy has gone in the opposite direction - a steady weakening of competitiveness.

According to an analysis by Daewoo Economy Institute, the price competitiveness of the Korean products is low due to the high inflation, the high interest rate, and accordingly the high cost of production and money interest rate. This situation does not seem to be able to improve in the near future.

In fact, it turned out that the Korean competitiveness in international market diminished by 4.1 percent compared to Japan, 13.5 percent to China, 12.8 percent to Hong kong, and 17.5 percent to Singapore since 1992. In addition, the unit production price index for Korea steadily rose to 113.4 in 1990, 118.4 in 1991, 121.5 in 1992, and 122.5 in 1993 with 100.0 as the index for 1985. As a major cause for this rise, the increase rate of the wholesale price in Korea rose 3.15 percent on average in every year for four years since 1990, while that in Japan, Taiwan, and Singapore fell by 0.4, 0.225, and 2.4 percent respectively. In 1993 alone, the wholesale price fell by 1.5 percent on average in Korea while Japan and Singapore recorded 3.34 and 1.8 percent drop respectively.

4) Bipolarization of the Business and the Increasing Number of Bankruptcy of Small and Medium Size Enterprises

Another trouble accompanying the decrease of the international competitiveness is the increasing tendency of bipolarization in industry. Inheriting the bipolarization of development between the heavy and light industries, the light industry itself is going under bipolar division within. The sewing industry, the shoe-making industry, and the bag-making industry continue to experience very bad situation while the light industry related to textile and fiber materials is riding on a great boom. The government views this trend as a natural process of its structure adjustment of industries - bipolarization of competitiveness. But critics insist that this is a result of the government's biased policy unduly favoring the big business groups or a result of inflexible adjustment policy. This argument has its ground in that most of the booming industries are owned by big business groups while the unpromising ones are run by small and medium enterprises.

On the other hand, the bankruptcy rate of small and medium companies remains high in spite of the overheating of the business. This can be explained by the disparity that the majority of the booming industries are centered at the heavy and chemical industries and the light industry in general has not yet surfaced to the upturn point. The real-name system made the private loan market wither, which in turn caused financial constraint to small and medium enterprises. The traditionally distorted money flow system did not help, since the banks and other financial agencies favor loan sales to the big business, refraining from giving loans to the small

business in need of them. The small and medium enterprises actually borrow money on security in growing number, indicating how hard it is for them to survive in the present adjustment process.

5) Rise of Deposit Money for House Rent and the Non-Constitutionality Decision on Extra-Profit Taxation for Land Ownership.

A general rise in house rent price is expected as the level of deposit money has gone up by 20 percent last year as of August. The rise of rent deposit hit especially the lower classes as it peaked for small and middle sized apartments. (It is thus clear now that the instability of housing cost will threaten price control in this autumn.)

In the middle of this, the Constitutional Court decided on July 29 that the extra-profit taxation law for land ownership was constitutionally incongruent, thus giving a stopper to the government's reform policy on land. The speculative investment on land has been one of the most serious grievances in the Korean society, which can ignite great social unrest. This is why the new government, viewing this issue as a potential threat to the state's security, had to bring in a certain constraint to the private ownership principle of capitalism by introducing the concept of 'common land' in order to control the speculative investment on land. However, the concept of 'common land' is now in danger by the recent decision of the Constitutional Court. How the government will deal with this would be an interesting point to observe.

6) Amendment of the Fair Transaction Law with More Regulations on Chaebols.

Compared to the 39 cases last year, the number of company merges by the 30 largest chaebols so far this year is already 33. In addition, the ratio of mergers of different types of business inflated to 66.7 percent as of the end of July last year while that of the year before was only 43.1 percent. This is proof that the government's policy on business specialization for chaebols is neglected and the chaebols are actually pushing forward in the negative direction for diverse expansion into new business areas.

According to the report of the Fair Transaction Committee of the government of August 8, among 21 branch companies of chaebol groups investigated by the committee, 76 cases of transactions were identified as unfair internal ones. This was a surprise to the public, because the chaebols seemed to enjoy the tradition of unfair internal transactions despite continued pressure from the public against it since last year.

In response, the government gave an advance notice of legislation for an amendment bill of the monopoly regulation and fair transaction law on August 8. The bill aimed to lower the limit of the investment to exterior companies to 25 from 40 percent and release from this regulation those companies that have a good dispersion of ownership. To this policy to control concentration of ownership, the Korea Federation of Industry and other business groups immediately refuted saying such a bill "would deflect businessmen's will to invest and result in losing economic competitiveness". However, due to the strong tendency of chaebols to expand its business recklessly, the government is expected to push a more stronger policy toward reforming the customs of concentration of ownership, in firm finance, and owner dominated management.

Chapter 9. The limit of Structural Reform and Tax Embezzlement of Incheon North Ward Office.

1) The Limit of Structural Reform

President Kim Young-sam declared "globalization of Korean economy and reinforcement of domestic competitiveness" last November after he returned from the 5th APEC Summit meeting in Seattle.

This, of course does not mean the economic policy has newly changed or the government expressed a new intention. This is merely another expression with a positive tone of what the Korean government's policy stresses on in connection with the ongoing industrial restructuring policy since the early 1980.

The government has already emphasized the "enhancement of national competitiveness and share of burden" under a premise of "endless competition in the midst of opening and globalization," facing a challenge in the international trade order and inevitable restructuring of domestic economy. That is, the government embodied its policies in "100 days plan for the new economy" and "7-year plan for the new economy." Those reports set a focus on business activation policies, facing a stagnation at the moment. The government gave much more stress on this policy as it confronted the UR negotiation. Also, the government used the propaganda policy towards people.

The domestic NGOs, however see problems and the first task of Korean economy in a different point of view from that of the government. They put an emphasis on the balanced growth grounded on stable price and structural economic reform to solve the pressing economic stagnation of the day. Domestic economy subsequently grew up thanks to the external factors such as the prosperity of global economy and rise of Yen in value. Thus it marked 7.5% in the growth rate of GNP in the first half of 1994. However, it still couldn't be free from a high degree of inflation(6.0% in July). This is mainly caused by that the government's release in the first stage a large amount of currency in the name of economic activation and neglect to correct the regeneration of inflation.

Furthermore, the real name financial system and bills related to the real

property which were presented by the government in an appellation of economic reform, revealed the limitation of governmental restrictions on underground economy. Merely 6 trillion won of 30 trillion won under assumed names were converted to real name finance.

The tax embezzlement case of Incheon North Ward Office revealed last September stunned the nation directly showed the current condition of structural economic reform of Kim Young-sam government in this context.

This kind of case was not merely limited in the North Ward Office. Even East and West Ward Offices were also involved in misappropriation. In every locality, tax corruption depreciated the reform policy of the Kim Young-sam government.

In the inspection of the government offices which started from September 28, the major issues were bribe-offering of Daewoo group for nuclear plant, bribe-taking of Ahn Byoung-hwa, the ex-president of KEPCO(Korea Electric Power Corporation), fraudulent work of construction companies as well as tax embezzlement. The reality is that big companies' secret fund, corruption, and unnoticed transaction are still prevalent with higher strategies as well as public servants' injustice. If this facet also reflects the national competitiveness and globalization of Korea, the problem is much more serious.

2) Disproportion in Capital Distribution and Rise of Dishonor Rate of Enterprises.

The above problems and limitations of structural economic reform may be concealed for a while under the cloud of economic prosperity. However, the business itself had not shown only a positive side. It has two poles. The negative one is that non-manufacturing fields and small-to-medium-sized companies are shunned by the government in the industrial restructuring process. The rate of dishonored bill August 1993 marked 0.20%, the highest rate since "Chang Young-ja and Lee Chol-hee fraud case" in 1982.

This rate is also higher than 0.06 to 0.07% in 1991, and 0.12 to 0.13% of 1992 when the business was the most depressed. In addition, the number of bankrupt companies reached 1,046 and also marked the highest in number compared to 1,004 March 1994.

The government attributed this phenomenon to "the increase of dishonored

check due to the overissues of household check, and exclusion of 'marginal companies' which could not apply themselves to the industrial restructuring." This cause analysis of the government is reasonable to some extent. However, it can't explain the real capital situation and the trend of spot economy. From July to September, 7 trillion and 500 billion won was flown out to the open market, however this capital was not evenly distributed to small and marginal companies which occupy 70 to 80% of the small-to-medium-sized companies. Banks only invite big businesses or intermediate-ranged enterprises with good security to lend money, however excluded many small companies. The latter, which was pinched for money, turned to household checks in this imbalanced situation of the capital distribution. This followingly brought about dishonor of household checks. The government's mere adaptation to circumstances, after all caused the bankruptcy of small-to-medium-sized companies.

The present industrial restructuring also causes the dishonor of small-to-medium-sized enterprises as it still depends on big conglomerates and is based on the "economy of scale." Bills related to small-to-medium sized companies which are on the agenda in the Trade, Industry, and Energy committee of the National Assembly during the regular session suggest in contents that the government will abolish "the Law to Promote Systematization of Small-to-Medium-Sized Enterprises", and "the Law to Control Projects for Small-to-Medium-Sized Enterprises", and will establish instead a law on the promotion of cooperation between small-to-medium-sized companies and big enterprises backboned by scale-down of specialization system. The committee determined to close the "Special Law to Raise the Stability of Small-to-Medium-Sized Enterprises and Restructuring", and the "Law to Promote Sales of From Small-to-Medium-Sized Enterprises," while subjecting some of the laws to, "the Small-to-medium-sized Enterprises Promotion Law." This is based on the idea which plans to reorganize domestic industry to put large enterprises first in importance and subordinate small-to-medium-sized enterprises to conglomerates under the name of responding to the advancement of foreign big businesses. This bill reflects that small capitals which were left behind will be unavoidably ruined. This divides the economy into tow poles and reveals out the falsehood reality of 'enhancement of national competitiveness.'

Meanwhile, some clauses of "The Special Law to Ease Regulation on Enterprises" which was submitted by the Democratic Liberal Party gave rise to a problem in relation with globalization policy. This "Special Law" has neglected to some extent "public welfare" as shown in reduction of enterprises' burden to 50% for the development of an industrial complex,

down to 1% of the employment rate of the handicapped and offsprings of merits, abolition of beforehand approval procedure for the installation of pollution-causing facility.

Especially, the last one contains a serious problem because those polluter industries should be more restricted. This bill raised a question which direction the government's policy for "the globalization and enhancement of national competitiveness" heads for, and causes a negative image in the society.

Thus, Korean society should arrange alternatives and countermeasures against the misleading of government with policy-searching efforts which consider social effects and correspond to the government's logic of economic growth.

Chapter 10. Floating Industrial Policy and Corruptions in Economic Sectors

1) Samsung's Advance into Car Manufacturing and Arbitrary Logic of Globalization

On December 7, Minister of Trade and Industry announced that the government will allow Samsung's advance into car manufacturing market. The controversy surrounding the Samsung's issue revealed how unacceptable is a reasonable economic logic in Korea.

That is, political assessment was given priority than an economic reasoning in the case of dealing with the Samsung incident. This decision of the government proved logical fault in its industrial policy.

Since last March, the Korean Development Institute and the Korean Institute for Industry and Economics have examined the merits and demerits of Samsung's advance into car market and have prepared logical analysis both from the point of liberalization and regulation. Based on this assessment, the Ministry of Trade and Industry had decided not to permit a new enterprise to enter car manufacturing industry for the time being. This could be understood as the government's industrial policy regarding automobile market. However, the government itself reversed its own policy without any prior explanation.

When the government expressed its negative position on the Samsung's car issue in mid-1994, Samsung changed its strategy by taking a roundabout way of political settlement in order to induce allowance from the government. Samsung promised to build the car manufacturing factory in Pusan which is the political base of influential government figures including President Kim, and also energetically lobbied politicians and businessmen from Pusan. Such lobby affected the Blue House and finally came to function as a pressure for the government to announce its political decision.

Thus it seems that the government included the decision into 'the globalization project' and went on the preparation. In November 30, 1994, the Ministry of Trade and Industry announced a new industrial policy titled "

Direction of Industrial Policy Toward Globalization." The direction included that the government will strength a competitiveness policy which will lead to a complete liberal market system, leaving behind protection policy on certain industries and worries on the loss of effectiveness due to excessive competition. Therefore, it is expected that the government will retreat from its regulatory policy on conglomerates and accumulation of wealth, but will adjust its policy in favor of those conglomerates.

In addition, the government proclaimed de-regulation policy and smaller government under the banner of 'globalization.' In the restructuring of government setup, the Economic Planning Board and the Ministry of Finance merged into the Board of Finance and Economy, and the Ministry of Trade and Industry changed its name to the Ministry of Communication and Industry.

Accordingly, the Board of Finance and Economy came to be constituted of 4 offices, 4 departments, 40 branches, 2 assistant secretaries, 13 second organs in-charge, 1 third organs in-charge, 23 forth organs in-charge, which will total to 787 officials including the minister. As the Government Reorganization Act passed the National Assembly on December 23, which resulted in reducing 1002 public service officials, globalization strategy of the government is expected to be more powerful with the ratification of the WTO bill and the Special Implementation Act of the WTO on December 26.

2) Widespread Corruptions in Economic Sectors

On December 29, Lee Si-yun, Secretary of the Board of Audit and Inspection publicized the result of a special inspection, which was shocking enough to cover the front pages of major newspapers. After investigating the payment of registration tax and real estate acquisition tax in 259 cities, counties and districts during the period 1992 to 1994, the Board found out 63,900 incidents of embezzlement and the financial loss reached 42 billion and 401 million Won. More surprisingly, not only were public service officials and law officers related in tax embezzlement, but also officials of 6 banks including the Seoul Trust Bank, Agricultural Cooperative, Fishery Cooperative, Stockbreeders Cooperative and post office were linked to the tax money stealing. Consequently, around 250 officials including 108 public servants, 98 law

officers and clerks and 44 officials of banking organs were investigated, and the embezzled tax was ordered to be withdrawn by surcharge.

The special investigation on tax money stealing was revealed in the Yang-chon District, the Sudaem-mun District and the Kang-nam District of Seoul after tax embezzlement in the North District of Inchon and in the city of Puchon. Many citizens saw these incidents as being caused by the limitation of President Kim's reform policy.

Moreover, the Fair Trade Commission investigated internal trade of 30 conglomerates for three times since last year, and announced the result that every company was not an exception in conducting unfair trade within themselves.

This indicates that conglomerates do violate the rule of fair competition while preaching that regulations should be abolished and the market should be left under free competition.

Among recently revealed unfair internal trade, the following are the main violations: The Korean Airline, an affiliated company of the Hanjin corporation, fixed the term of a bill for 58 days for the non-affiliated enterprises in contrast to for 16 days for the Je-dong-heong-san company which is an affiliated company, when drawing the bill to buy goods needed for the Korean Airline.

The Hanjin corporation monopolized almost all transportation of its affiliated companies and even forced suppliers to the affiliates to work with the Hanjin. Corporations such as Hanhwa, Lotte, Taerim, Tong-a Construction, Hanil Synthetic Fiber, Tngyang and Jinro have sent documents to their interrelated companies to preferentially purchase their own manufacturing goods.

Internal trade within the interrelated companies is like a drug which attracts companies to plutocratic management. Though a company loses in the race with another company in competition, in the end it can win the competition by the help of an affiliated corporation. This plutocratic management with internal trade tactics prevents the bankruptcy within the conglomerate. However, the problem is that it facilitates bankruptcy of specialized manufacturers and small and medium enterprises, which will result in deteriorating the national competitiveness.

However, in reality conglomerates ignore the correction order of the Fair Trade Commission because the fines are just 10-20 million Won which is just the price of a chewing gum to the conglomerates. This reveals the administrative inability of the Commission which brought only 4 charges among more than 1 thousand incidents of unfair trade from 1991 to 1993. The fact is also interpreted as that the Commission abandoned its duty to protect the people's right to pursue happiness and the right of consumers.

During an extraordinary session of the National Assembly in December, independent right to budget and personnel management was given to the Fair Trade Commission. However, in September 1994, consumer groups submitted a petition on the constitution that the right to lodge a complaint against unfair trade belongs only to the Commission is violation against the right of people to appeal to the court. This petition was under examination on the ground that consumers' criticism on the Commission's past decisions and orders should be accepted.

Therefore, examples mentioned above indicate that economic policy of the government under the pretext of globalization is far from correcting the institutionalized problems of the Korean economy, but is just a tactic of manipulating public opinion. Thus, if President Kim really wants to reform the corrupted Korean economy, he should pursue a policy of reforming the structure of unequal wealth through strong regulation on conglomerates.