

South Korea

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Introduction

South Korea was one of the poorest countries in Asia up to the early 1960s, with little endowment in resources and few prospects for development. From the late 1960s, however, it underwent an economic and social transformation of immense proportions: for the following quarter of a century its economic growth was to be among the fastest in the world. With a rapidly growing economy, it has been hailed by many as a model for the so-called Third World and a prime example of the “Asian miracle.” In social terms as well, a once overwhelmingly agrarian society has been transformed into a nation of city dwellers with strong middle-class aspirations: the number of Koreans living in cities jumped from 28 per cent in 1960 to about 75 per cent at the end of the twentieth century, a proportion similar to those of the United States, Japan, or France.

Meanwhile, in political terms, until the mid-1980s at least, moves towards democracy lagged far behind the rapid economic and social changes; since 1987, however, the country made a decisive turn away from military authoritarianism and South Koreans have been praised for their success in achieving both economic prosperity and political democracy. Although, by comparison with other nations, elements of uncertainty and major obstacles remain, the pace of change has come to be regular and positive. Many therefore believe that a reversion to authori-

tarianism is out of the question and that factors working for a continuous process of democratic consolidation are likely to prevail.

After a brief historical survey of the main factors accounting for the way politics and the economy developed, this paper considers the shape and characteristics of the party system and its contribution to democratization. It then looks at the character of economic governance in the country and examines the changes which occurred in this respect in the 1990s. Finally, it attempts to assess what the impact of democratization may have been on economic governance.

The historical legacy

Before democratization

Twentieth-century Korea has been marked by political turbulence as the country struggled to survive and to adapt its traditional institutions to the demands of a modern political order. The modernization process began to have an impact at the end of the nineteenth century, but it was only at the beginning of the twentieth century that Korea started to move away from the social order which had prevailed under the old Choson dynasty. As a result, traditional Korea had a very weak political structure as a basis on which to deal with foreign encroachments. Japan took advantage of this weakness, first by forcing the “hermit” kingdom to open its doors to the Western world, and from 1910 by ruling the country in a colonial manner for 35 years. Korea was liberated in 1945, when Japan surrendered to the Allied powers, but, almost as soon as that occurred, it was divided and a vicious internal war broke out.

After starting as separate governments, South and North Korea followed two fundamentally different paths towards nation building and development. While the North began to build a Soviet-backed totalitarian regime, in the South, efforts were made to transplant Western-style liberal democracy with capitalism as its developmental aim. The constitution of South Korea did emphasise liberalism and a free-market economy, but the reality was far from favourable to these goals. The country was then one of the poorest in the world: it lacked a sizeable middle class to ensure political stability. The Korean War of 1950–53 added the dislocating social effects of intense economic destruction and unprecedented internal migration. Fierce military and ideological confrontation persisted between the two Koreas after the end of the war and the armistice, hampering political stability and economic development in the South.

South Korea was at that time economically poorer than North Korea. The country had to depend heavily on the United States not only for its

national security, but also for its financial survival. The government had to face the challenge of economic reconstruction and of development under constant threats from the North. The civilian rulers of the 1950s did not rise to that challenge, however; they failed to steer the economy out of its age-old poverty. This led to a military coup in May 1961, staged by General Park Chung Hee, who was to lay the foundation of the "Korean miracle" by adopting an export-led economic growth strategy.

The miracle was a mixed blessing, however. The South did overtake the North economically by the early 1980s; rapid economic development also promoted a Korean sense of identity and national pride and accelerated the development of a strong civil society better able to sustain democratic political institutions. Yet these changes had uneven and ambivalent effects on the culture and society of South Korea. Social mobility increased, but social cohesiveness and moral standards among individuals and groups were steadily eroded. In spite of the rapid modernization process, the majority of the Korean people continued to feel unable to exercise control over the society: self-criticism and pessimism coexisted with a dynamic, highly mobilized, and materialistic society strongly motivated to seek higher standards in quality of life and economic performance.

Thus, until the mid-1980s, South Korea's political dilemma was essentially characterized by the fact that political change lagged well behind economic development. Society was controlled by a top political elite and by governmental institutions which were, on the whole, highly efficient and successful, but authoritarian, coercive, and largely illegitimate. Features of radicalism – such as the prevalence of an extremist political rhetoric and violent political actions – were common. Opposition politicians and other advocates of democracy tenaciously fought for participation and social justice; student demonstrations regularly clashed with the police; labour disputes were rampant. Thus the society appeared brittle and chaotic to outside observers: only in 1987 did South Korea enter an era of significant political transformation and adopt democratic patterns of behaviour.

The country has lived under six republics since 1948, each having its distinctive constitutional arrangements. A peaceful transfer of power took place for the first time in October 1987 with the advent of the Sixth Republic. Since then, Korean politics has been characterized by a search for a political structure aimed at replacing authoritarian, military-influenced politics. President Kim Young Sam, who took office in February 1993, was South Korea's first civilian president in three decades. The election of President Kim Dae Jung, the opposition candidate, in December 1997, marked a new development, in which a peaceful and regular transfer of government took place from one ruling party to another.

Political life in South Korea has long been centred on the presidency and on the central administrative branch of the government, while the

National Assembly has not been strong and has remained subordinated to the presidency. Politicians at the local level have tended to be weak and dependent on central control and administrative guidance. Cabinet members, including the prime minister, have been chosen by the president, usually from outside the National Assembly. They act principally as administrative heads, having rarely been allowed to build their own independent political power base. They have also usually been in office for short periods: the average tenure of Korea's cabinet ministers since 1947 has been between one year and eighteen months.

An issue that continues to bedevil South Korean society on its road to becoming a democratic polity has been the primacy of regionalism. Many Koreans maintain a strong sense of attachment to a particular locality even though their families may have lived elsewhere for generations. There are several reasons for this high level of regionalism. One is Confucianism, which has long dominated many aspects of Korean life and emphasizes family, community, school, and regional ties as the bases of individual identity and of social action. Even despite industrialization, the minds, values, and behavioural orientations of many Koreans continue to be affected by and dependent on the regions, and this affects both their collective identity and their political choices, especially when regional identity is stressed by their leaders.

Problems of economic development and of socio-economic discrimination since the 1960s further increased regional consciousness and regional cleavages. As a latecomer country aiming at industrializing rapidly, Korea adopted a strategy of uneven development, which resulted in strong geographical differences in economic growth and an unequal distribution of social benefits in the various parts of the country. This led to intense regional conflicts, which had not abated by the late 1990s.

These conflicts have been politically mobilized by politicians who have maintained charismatic leadership over their regions. To the extent that it reflects the high levels of personalization associated with the "three Kims," regionalism may be less strong when a generational change of leadership occurs; already the election of Kim Dae Jung in 1997 may reduce geographically based conflicts, for instance between Kyungsang and Cholla provinces. However, as long as regionalism is associated with economic and social discrimination, it will remain prominent in many aspects of Korea's rapidly changing society even after democracy becomes consolidated.

Economic growth and the delayed transition to democracy

Before 1987, economic development in South Korea was based on an authoritarian approach which was fostered by the military leaders who

Table 6.1 Growth of South Korean GDP and merchandise trade, compared with middle-income oil-importing economies, 1960–1970 and 1970–1980

	South Korea	Middle-income oil-importing economies
GDP		
	(average annual growth rate, per cent)	
1960–1970	8.6	5.8
1970–1980	9.5	5.6
Merchandise trade		
	(average annual growth rate of exports, per cent)	
1960–1970	34.1	7.1
1970–1980	23.0	4.1

Source: *World Development Report 1982*, quoted in Hart-Landsberg 1993, 27, 31.

had led the country for over two decades. The regime's goals were implemented by a highly efficient bureaucracy in which corruption was limited; there was little interference from the civil society, so that the state was autonomous. "Miraculous" economic successes justified developmental authoritarianism. The main economic programme had been defined by Park Chung Hee in 1961, as he launched an ambitious plan for rapid industrialization to compensate for his weak political legitimacy. While the strategy and priority of the industrialization programme went through different stages from the 1960s to the 1980s, the basic pattern of that programme as well as the macroeconomic strategy remained unchanged for the subsequent three decades.

The results were astounding. Following the beginning of the First Five-Year Economic Development Plan in 1962, Korea's GNP expanded by 8.6 per cent a year in the 1960s and 9.5 per cent a year in the 1970s, despite the world recession of the period, and by over 8 per cent again in the 1980s; it grew from US\$2.3 billion in 1962 to US\$451.7 billion in 1995, making Korea the world's eleventh largest economy. As table 6.1 shows, the contrast between the Korean "miracle" and the performance of the middle-income oil-importing economies is sharp: among these, the average annual growth rate was only 5.8 per cent in the 1960s and 5.6 per cent in the 1970s. The annual export growth rate showed an even greater contrast: among middle-income oil-importing economies it was 7.1 per cent and 4.1 per cent during the 1960s and 1970s respectively, while in Korea it was 34.1 and 23 per cent for the same periods.

These economic developments led to rapid social change. The proportion of white-collar workers increased from 4.8 per cent in 1965 to 17.1 per cent in 1985, while the working class increased between 1965 and 1983 from 32.1 per cent to 49.5 per cent (Economic Planning Board

1984). Surveys indicated that more than 70 per cent of South Koreans identified themselves as middle-class.

In the process, society became more pluralistic but also more contentious. There were rising popular demands for political participation and social equality, which made the continuation of authoritarian rule increasingly costly. None the less, although the middle class and the working class wanted more democracy, the authoritarian regime was maintained for some years, thus rendering the structure of the state seriously "unbalanced." The polity was, in fact, in severe political crisis as a result of its economic development. There were mounting popular distrust of political institutions and increasing regional conflicts over the distribution of wealth and the sharing of key power positions. Anti-regime movements and civil disobedience reached a peak at the end of June 1987; the two most prominent opposition politicians, Kim Dae Jung and Kim Young Sam, mobilized the masses in close collaboration with street demonstrators. The situation seemed to be leading to a bloody civil war. At that point, however, the ruling coalition lost its cool, and split between softliners and hardliners. This provided the opportunity for a democratic transition to occur, as President Chun came to accept the major demands of the opposition.

It did take a long time for socio-economic development in Korea to bring about democracy, seemingly because of the existence of a "bureaucratic-authoritarian" structure which, as we shall see later in this chapter, was able to control economic developments (O'Donnell 1973). Meanwhile, as the size and complexity of the economy increased, the private sector and other social groups became more vocal about the negative aspects of the state-centred development policy: these criticisms produced pressures for more liberalization. Yet the political opening only occurred with the dramatic people's uprising in 1987 which finally led the then presidential candidate Roh Tae Woo, through his "29 June Declaration," to initiate the transition to democracy.

Transition via negotiation and compromise

South Korea's process of democratization was one of "transplacement," in Huntington's terms, not a "replacement" in which "democratization results from the opposition gaining strength and the government losing strength until the government collapses or is overthrown" (Huntington 1991, 142). The government and the ruling party not only survived but also continued to play a predominant role: this "transplacement" was possible because a balance of power existed between contending political forces and elite groups, and both sides saw the value of negotiation in initiating a change of regime.

In contrast to Latin America or Eastern Europe, the transition to democracy in Korea took place in the middle of economic success and not at a moment of crisis. Moreover, economic development does set the stage for democratization and thus shapes the structural contours of any transition process. In addition, the economic context within which democratic transitions take place largely determines the mode of transition processes and the outcomes of democratization. But the very process of democratization cannot be automatically deduced from the structural parameters of economic development and from the concomitant societal change.

As recent literature on democratic transition stresses, it is the transition process itself that makes a crucial difference to the kind of democracy that is likely to emerge and survive. Movements for democratization are often initiated under the impact of a momentary popular upsurge. The "opening" space for democratic transition usually begins with a split between hardliners and softliners within the polity. The transition to democracy is then often completed by an implicit or explicit political pact among different civilian political actors. The character of the transition in Korea, the fact that it was not only peaceful, but that it took place without any break in the institutional structures of the regime, played an important part.

The importance of economic development should not be overlooked, however. There cannot be a comprehensive right of the working class to organize and form associations with other subordinate classes without the growth of the "civil society": it is economic development that fosters the growth of that civil society, through which both the middle and working classes improve their ability and skills to organize, communicate their interests, and participate in alliances (Ruschemeyer et al. 1992). This development counterbalances the power of a strong state and opens and enlarges, perhaps in a more stable way than otherwise, a political space for negotiated pacts for democratization among opposing actors.

The economic performance of the preceding authoritarian regime thus did set the terms and affect the mode of the transition. Economic dynamism, leading to popular demands for democratization, facilitated a relatively smooth passage by means of negotiation and compromise, while, on the other hand, economic failure would have been likely to make the process extremely rocky, led to confrontation, and resulted in either imposition from above or transformation from below. Thus, in Korea, economic development brought about changes in the state-society relationship, which, in effect, empowered the civil society to gain autonomy vis-à-vis the state. Successful economic development built the pro-democratic forces that eventually pushed the existing regime towards more democracy. Progress in the economic sphere gave the society the energy, so to speak, to achieve success and to move to a new era of po-

litical openness, although such a social transformation does not of course guarantee political consolidation and institutionalization.

Thus economic progress helped the transition to be smooth and the smoothness of the transition helped political progress to take place. Yet despite these developments, the cultural and historical legacy of authoritarian rule and in particular of the prevailing regional cleavages continues to shape the country's political life. The Constitution, having undergone nine revisions between 1948 and 1987, still does not provide a basis for liberal democracy to take shape fully. Power is more evenly spread between different branches of the government, to be sure, both the legislature and the judiciary having gained in strength at the expense of the executive; but the handling of major issues of economic policy, security, and international relations has remained essentially in the hands of the executive and the bureaucracy. Old-style elite political networks function in much the same manner as before 1987. A rubber-stamp legislature, an imperial president, a presidential power cult, a politics of "pushing through" instead of persuasion and compromise, and artificial reshuffling of parties after elections are familiar phenomena in Korea. The rules of the electoral game have been made more regular, but the underlying basis of party politics has not markedly changed.

Democratization, party politics, and the party system

The nature of party politics is perhaps what poses the most serious challenge to Korean democracy. During the authoritarian period, the party system was based on a dominant party, which had close relationships with the bureaucracy. Post-transition Korea has led to a move from the one-dominant-with-one-opposition-party system toward a multi-party system. But all political parties suffer from lack of institutionalization and Korea has a long way to go before it achieves a viable, pluralistic party system. Parties have very limited influence in economic governance, which has long been dictated mainly by the state. In addition, standards of political behaviour and the quality and background of the elected officials have also remained more or less unchanged.

External constraints on party system development: Presidentialism and the electoral system

The Constitution and presidentialism

To begin with, a number of external constraints have limited the development of a healthy party system. First, the constitutional structure and

specifically the presidential form of government seem to be a hindrance. It has often been noted that the presidential form of government is associated with weak and less disciplined political parties (Sartori 1994, 176–77; Mainwaring 1993). In the United States in particular, the most and indeed almost the only successful case of presidentialism, parties are relatively weak; in Latin America, the situation is more mixed, but while parties are sometimes strong, regimes have typically been unstable, at least up to the mid-1980s.

In Korea, presidentialism has led to the president monopolizing the state's power, and to the marginalization of other political institutions such as parties and Congress. Parties tend to be excluded from key decision-making processes and are often regarded as subordinate, insignificant actors; this has in turn rendered their institutionalization difficult. The concept of “delegative democracy,” a term used to characterize new democracies, with special reference to Latin America, by Guillermo O'Donnell, may help in this connection (O'Donnell 1994). While representative democracy in advanced democratic countries tends to operate on the basis of well-established institutions and with a high degree of institutional accountability, delegative democracy tends to rely on individuals. Once elected democratically, presidents behave as if they were the sole embodiment of the nation, standing above both parties and organized interests. The “delegative” president seeks support directly from voters, whose judgement of the chief executive's policies is not “restricted” by institutional checks and balances. The role of political parties is clearly markedly impaired by the mighty power of the presidency.

Specifically, the typically negative attitudes of South Korean presidents to parties and party politics have undermined the role of these organizations, not just in relation to decision-making but in relation to policy implementation as well. As the formation of the policy agenda and the aggregation of social demands is performed by presidential aides in the Blue House and through bureaucratic channels, parties have little room or incentive to develop their structure to fulfil those functions. For instance, in the major conflict relating to the new labour laws in December 1996, the governing New Korea Party (NKP) was reported to have abruptly changed its position on a key aspect of the law as a result of pressure from the president's office, even to the extent of violating the National Parliament Law (*Chosun Daily*, 22 December 1996). The governing party had no mechanisms by which it could explain its position to voters.

The electoral system

The rules and practices of the electoral system also restrict the development of parties. The Constitution gives the people the right of free ex-

pression and the right to form political associations freely, but party laws and electoral regulations vastly limit these rights. For instance, the formation of new parties and in particular of parties organized by industrial workers is overtly discouraged, as industrial workers are not allowed to form any political organizations, including parties; labour unions are also prohibited from donating political funds to political organizations. The linkage between people and parties is thereby distorted since the demands of industrial workers are scarcely articulated. There is a paradox here: Korean politics has become increasingly contentious and confrontational as industrialization has developed, but the cleavage between workers and employers cannot easily be translated into party conflict because of legal constraints. Furthermore, despite constitutional freedom, the existing parties use various tactics to discourage new parties from coming into existence. As a result, even after a long period of democratic transition, the country's party system continues to be dominated essentially by conservative parties, many of which have been re-named or re-formed since 1987 without having appreciably altered their old ways of doing politics under the authoritarian system (Jaung 1996).

The mechanics of voting have introduced further obstacles to party system development, as since 1988 elections have mainly been conducted on the first-past-the-post system with single-member constituencies: only 46 of the 299 seats in the National Assembly (15 per cent) are filled by a kind of proportional representation formula. This has resulted, as in other countries using the same system, in a substantial "bonus" for the largest party. Thus at the 1996 election, the governing NKP received 34 per cent of the votes but obtained 47 per cent of the seats; the second party, the National Congress for New Politics (NCNP), obtained a proportional share, 26 per cent of the seats for 25.3 per cent of the votes; but the third and fourth parties, the United Liberal Democrats (ULD) and the Democratic Party (DP), were at a disadvantage: the ULD obtained 16.5 per cent of the votes but only 10 per cent of the seats while the DP received 3 per cent of the seats for 10.9 per cent of the votes. The "bonus" in seats for the governing NKP was thus 13 per cent, while the "deficit" for the ULD and the DP was 5.5 and 4.9 per cent respectively. However, the NCNP and the ULD did succeed in obtaining a sizeable number of seats because of their strength in the Honam and Chungchong areas (see table 6.2).

Moreover, the first-past-the-post system, in Korea as in other countries which have adopted this system, makes it difficult for new parties to succeed, fundamentally because such parties experience problems in building grassroots organizations which can mobilize substantial numbers of electors. The dominant parties tend therefore to be traditional and rather conservative, while those which have different sets of goals, and espe-

Table 6.2 Results of the South Korean general election, 1996

	NKP	NCNP	DP	ULD	Independent
Percentage of vote (a)	34.4	25.3	10.9	16.5	13.0
Percentage (number) of seats from Districts (b)	47 (121)	26 (66)	3 (9)	16 (41)	6 (6)
Percentage (number) of seats from PR list	39 (18)	28 (13)	13 (6)	19 (9)	
Percentage (number) of total seats	46 (139)	26 (79)	5 (15)	16 (50)	5 (16)
Distortion effect: (b) - (a)	13	0.7	-7.9	0	

Source: Compiled from National Election Commission 1996.

For explanations of party acronyms, see the text of this chapter and the List of Acronyms, p. ix.

cially those which do not have a strong regional base, are markedly penalized.

Finally, the rise of media politics provides challenges as well as opportunities for the development of the party system in democratic Korea. In most advanced democracies, the mass media have played an increasing role in electoral and party politics in recent years. A similar phenomenon is just beginning in Korean democracy. This was evident in the 1997 presidential election. The three major candidates had several television debates which were watched by millions of voters. The candidates also relied heavily on political advertising via television and radio. As the new election laws prohibit outdoor mass rallies, the mass media became critical to electoral success.

There is abundant evidence for the increasing significance of media politics in Korean democracy. For instance, a significant portion of survey respondents indicated that television debates would influence their voting choice. Within political parties, more power and campaign funds than before were allocated to those who managed media campaigns.

The increasing influence of the media is likely to affect the future of political parties and electoral politics in democratic Korea in several ways. First, it will strengthen the influence of party leaders. As election campaigns rely more upon media than upon party organizations, the relative significance of party organizations, including local and provincial

organizations, will not increase. Instead, media-centred campaigns will reinforce the role of presidential candidates because these emphasize the personal attraction of the candidate rather than the policy positions of parties. In other words, the rise of media politics may hamper the decentralization of politics which is required for the development of parties. Second, more reliance upon media campaigns will increase the demand for campaign funds. While Korean politicians and citizens have been struggling since the democratic transition to control the demand and supply of political funds and to introduce more transparency in this area, media politics may work against such reform.

Party and party system characteristics

These external constraints account only in part for the fact that Korean parties are scarcely institutionalized, which is primarily due to three fundamental aspects of their structure. The first and most obvious of these aspects is volatility: splits and mergers have been legion (an overview is provided in figure 6.1). Second, Korean parties are dominated by popular leaders who treat them as their own property. Third, and perhaps above all, parties are so regionally based that it is questionable whether they can be described as forming truly a national system.

Ever since the republic was installed after World War II, Korean ruling parties have been primarily set up to provide organizational support for the national leader, the president, and for the inner group gathered around him. In such a context, the key requirement for participation in politics at the highest level of power has been to place personal loyalty above institutional loyalty when the two have been in conflict. It is therefore not surprising that the parties of the three dominant presidents of the authoritarian period of Korean politics, Syngman Rhee's Liberal Party, Park Chung Hee's Democratic Republican Party, and Chun Doo Hwan's Democratic Justice Party (DJP) should have risen and fallen with their leaders.

The political parties

A malleable governmental party

In the space of less than a decade, between 1987 and 1995, the governmental party changed its name and its composition three times. It started as the Democratic Justice Party in 1987, became the Democratic Liberal Party (DLP) in 1990, and was transformed into the New Korea Party in 1995. The DJP had originally been formed as an institutional framework to buttress the rule of Chun Doo Hwan and his power group. At the end of Chun's rule in 1987, adjustments were made to ensure that Roh Tae

Woo would be accepted as Chun's successor, so that President Roh "inherited" the party. However, the DJP failed to win a majority of seats at the 1988 general election; moreover, ex-President Chun was found guilty of wrongdoing and abuse of his presidential powers. To give the impression that the party had been rejuvenated and cleaned up, it was renamed "Democratic Liberal"; but there was more to this move than a change of name, since President Roh succeeded in attracting to his party both Kim Young Sam's Reunification Democratic Party (RDP) and Kim Jong Pil's New Democratic Republican Party (NDRP). Almost immediately after the DLP was set up, however between 1990 and 1992, the leaders of the major factions which had been brought together to form the party became presidential contenders. Kim Young Sam finally emerged as the presidential candidate and won the election in 1992, but not long after his inauguration, in order to bring the party more in tune with his personal image, he changed its name from "Democratic Liberal Party" to "New Korea Party." Eventually the NKP merged with the small Democratic Party in the course of the 1997 presidential election and changed its name yet again, to the Grand National Party.

The opposition parties

After the 1996 National Assembly election, Korea had three main opposition parties. One was the National Congress for New Politics, founded in 1995 by Kim Dae Jung: it obtained 79 seats. A second, the United Liberal Democrats, which obtained 50 seats, was the result of the fact that Kim Jong Pil's National Democratic Republican Party, having joined the DLP in 1990, defected from it five years later and adopted a new name. The third party was the Democratic Party, which had been founded in 1990 by Kim Dae Jung by merging a number of small parties, including what was left of the PPD, and had succeeded in gaining 77 seats at the 1993 election, but only obtained 15 seats in 1996 after its leader defected from it and set up the NCNP.

There is little to distinguish these parties from each other in terms of ideology; as a matter of fact, their role as opposition parties has not been very significant either. Typically, South Korean opposition parties participate marginally in the political process, their main role being to accommodate ever-shifting coalitions of personality-based factions. Allegiance to faction leaders is more important than is allegiance to the party as an institution: institutional loyalty is weak. Consequently, the structure of opposition parties, like that of the ruling party, tends to be authoritarian, matters being settled in a highly centralized manner in Seoul, while grass-roots organisations play little part in decision-making. The opposition parties have seldom attempted to enlist systematically the support of labour unions, consumers, environmental bodies, or other sectoral pressure groups.

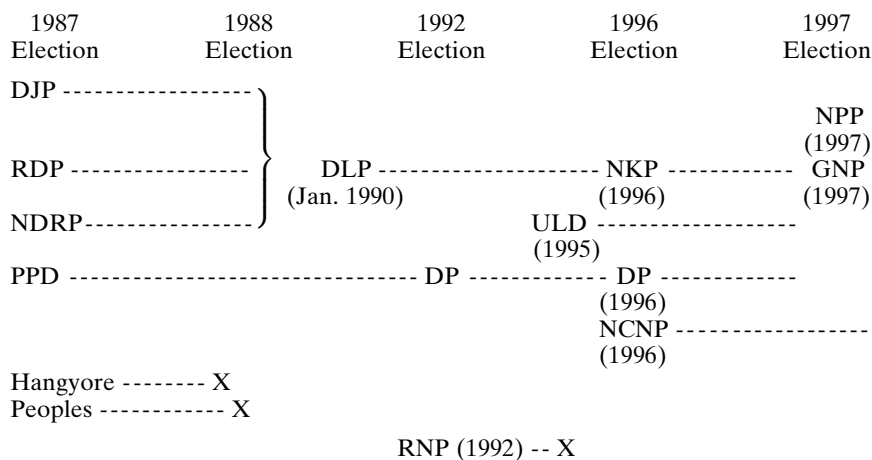


Figure 6.1 **The evolution of the South Korean party system after democratization, 1987–1997** (Source: compiled from *Chosun Daily*. “X” indicates dissolution of a party; for explanations of party acronyms, see the text of this chapter and the List of Acronyms, p. ix)

Splits and mergers, regionalism, and the personalization of leadership

The three characteristics of Korean parties, volatility, personalization, and regionalization, are intrinsically linked. Regionalism stems from but also reinforces personalized leadership, while the idiosyncrasies of leaders account for major splits and mergers. Thus regional identity is stronger than other affiliations, whether party membership, religion, or social class; it accounts in large part for the outcomes of both national and local elections. It is also a crucial element in the determination of major policy issues: politicians appeal to electors on a regional basis rather than on the basis of national programmes, goals, and visions. So long as personalization and regionalism reinforce each other, a stable national party system can hardly be expected to emerge.

The problem of party institutionalization

According to Huntington, the level of institutionalization of political organizations can be measured by their adaptability, complexity, autonomy, and coherence (Huntington 1968, 12–22). “Adaptability” refers to the capability of a party to adjust successfully to changes in its environment: evidence for this feature can typically be based on the age of an organization. “Complexity” means both the multiplication of hierarchical and functional subunits and the differentiation of these. “Autonomy” involves the extent to which political organizations exist independently of

other social groupings. "Coherence" relates to the extent to which the party is united in terms of the functions of the organization and of the procedures for resolving disputes within it.

In developed Western democracies, parties tend to score relatively highly in terms of the four characteristics: in particular, their organization and ideology remain stable for lengthy periods, while being able to adapt to changing environments. In Korea, on the contrary, parties have scarcely become institutionalized during the 1980s and 1990s. They have all been unstable, as figure 6.1 shows: every significant party has experienced a merger, has split, or has disappeared. Thus, as we saw, the DJP merged with the RDP and the NDRP in January 1990, but the DLP experienced a split after only six years, the dominant faction of the DLP having purged Kim Jong Pil's faction to avoid an intense power struggle within the party. Opposition parties underwent similar mergers, split, or disappeared. None of the four major parties participating in the 1987 founding election after the democratic transition maintained its identity for more than six years. Korea's party system is thus clearly unable to adapt to changing environments.

Nor are Korean parties complex organizations. They may appear to have subunits, but these exist only on paper: national, provincial, and local levels play a very limited part in decisions on campaign strategy and fund-raising. These decisions are taken by top-level party leaders and their immediate entourages. Thus, in spite of democratization, Korean political parties suffer from the same kind of volatility as that which characterizes many parties in authoritarian regimes: the parties have experienced delayed development, which stems largely from the fact that they are kept in tutelage by popular leaders whose bases are essentially regional.

The primacy of regionalism over other social cleavages

To become consolidated, parties need deep social roots and have to be internally united (Randall 1995; Evans and Whitefield 1993). These two elements are related in that when parties have a social base, they are likely to have numerous, disciplined, and loyal supporters. Hence the importance given by Lipset and Rokkan to the social base of parties, a feature that has come to be viewed as critical both in the West and in those non-Western countries, such as Korea, which became democratic in the late twentieth century (Lipset and Rokkan 1967, 67).

As was noted earlier, nearly all Korean parties have one, and only one, social base, regionalism. This is the one social base, however, which is least likely to lead to a stable party system. The fact that regionalism predominates makes it naturally rather easy for regionally based politicians to build a strong personalized support; this in turn prevents the

parties from developing lively internal structures and from becoming as a result disciplined and stable. What emerges, on the contrary, is volatile bodies plagued by factionalism. Korean parties display these characteristics: consequently, their institutionalization has been delayed and they have known many splits and mergers.

Moreover, paradoxically perhaps, the more liberal political environment which emerged after 1987 enabled certain features of regionalism to prevail even more. Given that all the major parties have a core regional base; that they draw support heavily from their regions; and that they were set up by or are markedly dependent on regionally strong personal leaders, differences among the regions have come to be a key element in the popular appeal of these leaders. At the same time, voters appear to reward the leaders for their emphasis on sectional geographical platforms. As a result, electoral support in all major parties has increasingly been dependent on the regional factor, rather than on social class or religion, for instance: regionalism is the key mobilizing element on which politicians base their appeal and to which the voters respond. Thus Kim Dae Jung has been strong in the Cholla provinces and areas in Seoul where many people migrated from these provinces; the people of the Chungchong provinces primarily backed Kim Jong Pil; Kim Young Sam's main power base has been Pusan and South Kyungsang Province; and the disunity of opposition politicians along regional lines between the Kyungsang and Cholla provinces enabled Roh Tae Woo to win the presidency in 1987. A similar pattern existed in the 1988 National Assembly election, as can be seen from table 6.3.

Interestingly, the strength of this regional factor has not decreased with the progress of democratization: the regional concentration of the vote continues to be remarkable. Thus the DJP obtained 66.8 per cent of the votes in Roh Tae Woo's home province of Kyungbuk; and the RDP, whose candidate was originally from Kyungnam Province, obtained 52.8 per cent of the vote in the region in the 1987 election. The concentration is even more marked in the case of the Party for Peace and Democracy (PPD), as it drew 86.2 per cent of the vote in two Honam provinces where its candidate, Kim Dae Jung, was born. The intensity of regional voting even increased at the 1992 presidential election: Kim Young Sam obtained 52.8 per cent of the vote in his home region in 1987, but in 1992 he obtained 72.1 per cent; in the Honam region, Kim Dae Jung obtained 90.9 per cent of the votes. The dominance of the regional cleavage was equally marked at the National Assembly election of 1992 and the election of 1996 showed almost no change at all in this respect.

Regionalism and voting alignments have also been intimately linked in local elections. In the June 1991 election which re-established provincial assemblies after a 30-year suspension, Kim Dae Jung's then New Demo-

cratic Party gained 83 per cent of the seats in Kwangju, 92 per cent in South Cholla, and 98 per cent in North Cholla; but it did not win a single seat in the two metropolitan communities of Pusan and Taegu or in the five provinces of Kangwon, North Kyungsang, Chaeju, and North and South Chungchong (Ahn and Back 1995). Local elections were held again in June 1995 for the municipal and provincial assemblies and for heads of local governments: the Cholla provinces were won by Kim Dae Jung's Democratic Party, the Chungchong provinces were taken by Kim Jong Pil's United Liberal Democratic Party, and Seoul was divided because of its mixed regional composition.

With regionalism being the social base for the parties, national institutionalization has not even begun to occur. Leaders can use their regional support in whatever way they wish: when political leaders form or dissolve coalitions as a result of changed circumstances, their parties merge or split. When a popular leader launches a new party for reasons best known to himself, his region swiftly changes its support toward the new party.

This pattern both leads to and is reinforced by the weak internal structure of parties. Party organizations are dominated by the top leaders; these are typically wholly responsible for managing the affairs and finances of the party, as well as for elaborating political tactics, nominating candidates for elections, and running electoral campaigns. So long as regional cleavages remain the social basis for electoral mobilization, and so long as personalized leadership with a monolithic regional identification dominates the party system, there will be little party institutionalization. The internal conditions for a stable party system can therefore be said to be absent in South Korea at the end of the twentieth century.

Democratization and economic performance

Whether democracy helps or hinders economic performance has become a prominent issue in newly democratizing countries: as a matter of fact, the evidence on this question is largely inconclusive and contradictory. Some contend that the newly introduced democratic regimes of Asia and Latin America have affected the economy negatively; others claim that democracies have achieved a better and more efficient economic performance than authoritarian states. (Sagong 1993; Cheng 1995; Maravall 1994; Pei 1994; Geddes 1994).

Economic performance and the bureaucratic state

The success of the South Korean economy has owed a great deal to the "strong state," with its ability to formulate "proper policies" and to

Table 6.3 **South Korean presidential election results by region, 1987–1997**
(per cent)

	Seoul/Kyunggi	Chungchong	Kangwon	Honam	Kyungbuk	Kyungnam	National total
1987 ¹							
DJP (Roh Tae Woo)	33.7	32.2	57.9	9.6	66.8	35.9	36.6
RDP (Kim Young Sam)	28.2	19.5	25.5	1.2	26.1	52.8	28.0
PPD (Kim Dae Jung)	28.0	11.6	8.6	86.2	2.4	6.8	27.0
NDRP (Kim Jong Pil)	8.1	33.7	5.3	0.5	2.3	2.6	8.1
1992 ¹							
DLP (Kim Young Sam)	36.0	36.2	40.8	4.2	61.6	72.1	42.0
DP (Kim Dae Jung)	34.8	27.3	15.2	90.9	8.7	10.8	33.8
NRP (Jeong Ju Young)	19.8	23.8	33.5	2.3	17.0	8.8	16.3
Others	9.4	12.7	10.5	2.6	12.7	8.3	7.9
1997 ²							
Share of votes by candidate							
Region	Provinces/metropolitan cities	Lee Hoi Chang	Kim Dae Jung	Rhee In Je	Turnout rate		
Chungchong	Taejon	29.2	45.0	24.1	78.6		
	North Chungchong	30.8	37.4	29.4	79.3		
	South Chungchong	23.5	48.3	26.1	77.0		
Cholla	Kwangju	1.7	97.3	0.7	89.9		
	North Cholla	4.5	92.3	2.1	85.5		
	South Cholla	3.2	94.6	1.4	87.3		

North Kyungsang	Taegu	72.7	12.5	13.1	78.9
	North Kyungsang	61.9	13.7	21.8	79.2
South Kyungsang	Pusan	53.3	15.3	29.8	78.9
	Ulsan	51.4	15.4	26.7	81.1
	South Kyungsang	55.1	11.0	31.3	80.3
Others	Seoul	40.9	44.9	12.8	80.5
	Kyunggi	35.5	39.3	23.6	80.6
	Inchon	36.4	38.5	23.0	80.0
	Kangwon	43.2	23.8	30.9	78.5
	Cheju	36.6	40.6	20.5	77.1
Total		38.7	40.3	19.2	80.7

Source: National Election Management Commission 1987, 1992, 1997.

¹For explanations of party acronyms, see the text of this chapter and the List of Acronyms, p. ix.

²The presentation of data for 1997 reflects the changes made by the National Election Management Commission in the organization of election data for 1997 as against previous elections.

channel both public and private resources effectively for dynamic industrial growth. The state oversaw labour relations and the flow of human, capital, and natural resources; it could mobilize investment funds through forced savings via taxes and inflation, foreign borrowing, and financial intermediation, and then channel these funds selectively to a number of projects. The state created public enterprises and manipulated provisions of loans and incentives to the private sector as well. In brief, it played a dominant role in almost all aspects of economic life in South Korea (Jones and Sagong 1980; Deyo 1987; Amsden 1989; Choi 1989; Woo 1991; Haggard and Moon 1993; Ahn 1994). Yet the very success of the strong state planted the seeds of its undoing. As the economy grew in size and complexity, the effectiveness of state intervention decreased. Increased industrialization and increased market dependency led to further interference in both economy and society to a point where this interference became impossibly costly and counter-productive.

The process of industrialization enhances the power and influence of society and of civic organizations relative to that of the state and public organizations, while limiting the state's ability to influence society and thus eroding its freedom of intervention. The state has therefore to adjust its methods and its manner of acting on society. This occurred in Korea when economic growth and industrialization created the social and political preconditions for democracy. With deepening industrialization, pro-democratic forces were strengthened and acquired increasing political influence, although this did not guarantee their success.

As has been argued for Latin America, and as has indeed occurred in the newly industrializing countries of East and Southeast Asia, authoritarianism appears to be necessary or even inevitable for a capitalist developing economy to bring about the changes in its production structure which are necessary for its industrial deepening. Studies of East Asian newly industrializing countries (NICs) also tend to argue that the "soft" authoritarianism of the "capitalist developmental states" has a certain advantage over purely socialist or capitalist policies in providing efficiency in economic resource mobilization, especially during the early stages of industrialization. In effect, these theories end up saying that Korean society needed (or condoned) lack of democracy in order to achieve rapid economic development (Amsden 1989). Perhaps, however, Korea's rapid economic development was made possible not only because of the authoritarian "strong state," but also because of other factors; likewise, Korea's non-democratic past is due more to specific factors in Korean politics than to the urge for economic development, such as its unique strategic position in the capitalist world system as well as the absence of a countervailing elite based on an institutionalized party system.

The economy during the transition period

To examine the Korean case more closely, let us begin by considering the macroeconomic performance of Korea between 1987 and 1995. As table 6.4 shows, that performance has been mixed during the transition period. There was an economic downturn during the early period under Roh Tae Woo; the economy then appeared to recover under Kim Young Sam, albeit with weaknesses in some sectors.

Prior to the democratic transition, the performance of the Korean economy was good: in 1987, for instance, the last year of the Chun Doo Hwan regime, the economy grew by an impressive 12.3 per cent; the current account balance was US\$9.9 billion in surplus; inflation was 3 per cent and unemployment 3.1 per cent. In the early democratic period, on the other hand, the economy began to slow down. The growth in GNP fell from 12.3 per cent in 1987 to 6.9 per cent in 1989 and to 5.0 per cent in 1992; the current account plummeted to US\$5.1 billion in 1989 and was in deficit both in 1991 (US\$8.7 billion) and in 1992 (US\$4.5 billion); inflation rose to 5.7 per cent in 1989 and to 9.3 per cent in 1991. Thus, by several indicators, the Korean economy seemed to have been paying a price for the transition.

However, that economy began to revive with the Kim Young Sam government. The GNP grew by 5.8 per cent in 1993, by 8.2 per cent in 1994, and by 8.7 per cent in 1995. Inflation was reduced to 4.8 per cent in 1993 and 4.5 per cent in 1995, while unemployment was kept at 2.8 per cent in 1993 and 2.0 per cent in 1995. The balance of payments continued to deteriorate, however, except in 1993 when there was a small surplus of US\$380 million; the deficit returned in 1994, when it was US\$4.6 billion; it increased to US\$8.8 billion in 1995 and to US\$20.1 billion in 1996. By late 1997, when the economy suffered a serious financial crisis, it seemed that the ostensibly sound performance of the economy during the Kim Young-Sam government may have been in part due to these vast deficits.

On the basis of these figures it is therefore not permissible to pass a clear judgement on the impact of democratization on economic performance. When the economy began to show signs of recovery in the early years of Kim Young Sam's presidency, some felt that the Korean economy might have been paying the price of the democratic transition (Cheng 1995; Ahn 1996). There were indeed a number of positive, if not rosy, signs; as a matter of fact, Korea's economy had the highest growth rates among the new democracies even during the most difficult period of transition under President Roh Tae Woo (1987–92). By 1995, per capita income exceeded US\$10,000; in December 1991, South Korea became a member of the ILO and in the course of the democratization process, both labour and management had started to overcome their conflicts: the

Table 6.4 **South Korea's economic performance, 1987–1995**

	1987	1988	1989	1990	1991	1992	1993	1994	1995
Growth rate of GNP ¹	12.3	12.0	6.9	9.6	9.1	5.0	5.8	8.2	8.7
GNP ²	133	179	220	251	292	305	330	376	451
GNP per capita ³	3,218	4,295	5,210	5,883	6,757	7,007	7,513	8,483	10,076
Current account ⁴	9.9	14.2	5.1	−2.2	−8.7	−4.5	0.38	−4.5	−8.8
Consumer prices ⁵	3.0	7.1	5.7	8.6	9.3	6.2	4.8	6.2	4.5
Unemployment rate	3.1	2.5	2.6	2.4	2.3	2.4	2.8	2.4	2.0
Gross savings ⁶	37.3	39.3	36.2	35.9	36.1	34.9	35.2	35.4	36.2
Gross domestic investment ⁷	30.0	31.1	33.8	37.1	39.1	36.8	35.2	36.2	37.5

Source: Compiled from National Statistics Office, *Major Statistics of Korean Economy* (Seoul, 1996), quoted from Moon and Kim 1996, 15.

¹ Annual per cent change at 1990 constant prices.

² In current US\$ billions.

³ In current US\$.

⁴ In US\$ billions, BOP basis.

⁵ Annual per cent change at 1990 constant prices.

⁶ Percentage of GNP.

⁷ Percentage of GNP.

number of disputes was significantly reduced from its 1993 level; finally, the country joined the OECD at the end of 1996.

However, the prospects for sustained growth and for economic maturity came to be further in question as the economy was hit by another downturn in 1996 and by the explosive events of 1997. The growth rate of the GDP was reduced to 6.4 per cent in 1996; the current account deficit swelled. The Hanbo Steel scandal led to massive economic turbulence in early 1997, only to be followed by a series of bankruptcies of scores of ranking business firms including a few leading chaebols. By late 1997, as a result of mounting external debts, South Korea was close to national insolvency, and had to rely on the financial support of the International Monetary Fund.

Given these ups and downs, there is apparently no clear association between democracy and economic performance in Korea. The concept of political democracy is too broad to be closely related in a general manner to economic performance. It might therefore be better to look for a more limited concept that will enable us explore the association between the two variables.

We noted earlier that while democratization has proceeded speedily and successfully, the institutionalization of the party system has been deficient: it may therefore be that economic mismanagement has been caused by the gap between the democratization of the polity and the weakness of the party system. In countries where pluralistic parties compete on the basis of policy platforms, economic governance is more likely to become transparent, democratic, and performance-oriented. As Maravall argues, "to achieve successful economic reform, democratic governments need to listen, to negotiate, and to persuade" (Maravall 1994, 23). Moreover, a democratic regime can more easily gain the popular trust required for long-term planning and for economic reforms. The legitimacy of democratic regimes also provides leaders with strong political mandates enabling them to launch effective economic reforms. Thus a case can be made for the view that when a new democracy has a stable and institutionalized party system, it can also be economically efficient as well as less vulnerable to economic crises.

The changing Korean strong state

The changing role and capacity of the state in economic governance may be a further intervening variable linking democracy and economic performance. In the course of the democratization process, the Korean state, which had been the dominant actor in economic decision-making, underwent significant changes. Democratic transition caused a moderate decline, though not a serious undermining, of a number of elements of the

strong developmental state: it is no longer fully insulated and autonomous since private business and the civil sector in general have gained strength. This has had an effect on the consistency and coherence of the bureaucracy in the elaboration and implementation of economic policy-making, as well as on the adaptability of the state to changing external political and economic environments.

First, as a result of liberalization and democratization, the autonomy of the state began to be eroded. In a post-authoritarian situation, business and labour had greater political freedom to make their own voices and demands felt; social criticism and political protest against state dominance gained strength. For example, when business organizations, whose influence had grown substantially in the course of the process of economic liberalization, pushed the government to introduce new laws to allow flexibility in the labour market in December 1996, unions and workers began to protest vehemently, with the effect that the laws had to be postponed. As elections became more democratic and more regularly held, and as the political legitimacy and survival of the government came to rest increasingly on electoral support, the autonomy and insularity of the state declined even further. The political atmosphere made it impossible for the state to stop wage increases, for instance; as a result, nominal wage rates substantially exceeded increases in labour productivity. This in turn had major consequences for South Korea's competitive edge in the world market.

Second, the weakening of the strong state also brought about inefficiency and inconsistency in the government's economic policy. Both the Roh Tae Woo and the Kim Young Sam governments performed erratic twists in economic management. The Roh government, on its inauguration, attempted to introduce new economic reform programmes which included a reduction of the concentration of the economic power of the chaebols and amendments to labour laws: because of the contradictory character of these policies, the package of reforms led to an economic recession. To offset this recession, Roh's government abruptly returned to expansionary, pro-business policies which further increased inflation (Moon and Kim 1996, 10). Subsequently, when real estate and stock market speculation became wild, the government switched back to an alternative set of policies in order to diminish the effect of this speculation.

Kim Young Sam's government was also characterized by abrupt and frequent changes of direction between reform policies and conservative policies. On the inauguration of the president, the government announced ambitious plans to alter financial transactions and to campaign against corruption. Allegedly in order to enhance economic justice, in 1993 President Kim banned the use of false and borrowed names in all financial transactions, the main objective being to block the flow of illegal

or unethical political donations that smacked of corruption. In addition, the government announced that all real-estate titles had to be registered under the real name of the owner (Ahn 1996, 253). These measures had unintended results, however: they led, for instance, to sharp increases in consumption, and in imports of luxury goods. Confronted with these negative consequences as well as with mounting difficulties in the world market, the government returned to conservative policies: in 1994, instead of emphasizing reform, the government began to stress the need to recover international competitiveness with the catchphrase of *segryehwa* or "globalization."

It was in such a context that the government attempted to enforce, in December 1996, a new law primarily aimed at allowing flexibility in the labour market and at providing businesses with more favourable conditions in which to compete in world markets. The law was sent prematurely to the National Assembly, however, without enough efforts having been made to consult with opposition parties and labour organizations. Despite very strong opposition, the government and the ruling party nonetheless endeavoured to see to it that the law was passed, with only the members of the ruling party secretly gathering and voting without debate. This led both to political turmoil and to economic chaos. Fierce protests came not only from labour organizations, but from many sectors of the new middle class (*Economist*, 18 January 1997, 27). Rapid changes in economic policy thus plagued the governments of democratizing Korea. Erratic and frequent twists in direction have hurt the credibility of the government, and this may well in turn have had severe consequences for overall economic performance.

Finally, democratization tends to cause a decline in the state's ability to adapt in a timely manner to the external economic environment. The Korean economy had previously adjusted successfully to changes in the world market with timely, effective, and consistent economic measures. In the context of the late 1990s, the bureaucracy became more vulnerable to the interests of business groups and to the pressure exercised by other private or civic organizations, this being another aspect of the reduction of the insularity of the state. The result has been a weakening of the bureaucracy's power of policy co-ordination and generally of its power to adapt to the changing world economy.

Since 1996, the Korean economy has begun to suffer from a number of factors in world markets. It was particularly affected by the decline of the Japanese yen and by high wages: exports of key items such as semiconductors sharply dropped. To meet these challenges, the economy needed quick policy changes, but with the decline of the strong developmental state, the government and economic bureaucrats were no longer able to undertake such changes: the Korean economy was no longer being effi-

ciently governed by a developmental state run by tough bureaucrats. Moreover, as part of Korea's accession to the OECD in 1996, financial controls by the central authorities on the banking system had been attenuated and even in part eliminated. Other key players in the Korean economy – notably business and labour – were markedly more powerful than in the past. A new relationship among these players and between them and the state had therefore to be established: until this occurs, the Korean economy is likely to continue to fluctuate in accordance with the conditions dictated by external actors and by the global environment in general.

Conclusion

As South Korea enters the twenty-first century, it is confronted with the twin needs of having to consolidate its democracy and revitalize its economy. The democratization process of 1987–96 helped the country to move, seemingly irreversibly, from an authoritarian to a democratic polity. Since this move has taken place, the nation has been committed simultaneously to political and economic restructuring. In the Schumpeterian sense of the term at least, South Korea has become a democracy: it has a democratic constitution which allows for freedom of political expression and freedom of association; it has a free press, several parties, regular elections, and open competition for power among major political forces; above all, since 1987, changes of government have been peaceful and regular.

Yet the legacy of authoritarian elite rule, regional cleavages, and the lack of institutionalization of political parties has blocked Korea's path towards a mature democracy. As we saw, parties have made less progress than other institutions. Party organizations are not true mediating agents between social demands and the government. They are not stable or durable, all major parties having undergone mergers and splits since 1987. Their autonomy as organizations has been undermined by the dominance of personal party leaders entrenched in rigidly circumscribed regional strongholds. The proper role of the parties as parties has been usurped by these leaders instead of being performed in accordance with settled procedures. Presidential politics has also prevented parties from being key actors, while the first-past-the-post electoral system tends to favour large existing parties and makes it difficult for new social forces to find a place in political life: all significant parties have been criticized for being in effect conservative parties, and thus for further distorting the links between party and society (Jaung 1996).

As a new kind of presidency emerges under former opposition leader

Kim Dae Jung, South Korea's democracy faces a number of political challenges. First, government performance and policy effectiveness need to be improved in order to meet citizens' expectations. Second, reform drives and democratization programmes have to be better co-ordinated in order to improve the quality of life of the people at large. Third, the values, goals, and norms of democracy need to be firmly rooted in the cultural orientation and the behaviour patterns of the population. Fourth, the future of South Korean democracy largely depends on whether it develops a social and economic base enabling it to achieve a peaceful unification of the two Koreas and thus to give the North Korean people the opportunity to live under democratic rule (Ahn 1997).

Economically, South Korea faces the task of moving successfully from being an exporter largely of cheap manufactures to being able to succeed against more aggressive and sophisticated competitors in the global market of high-technology and knowledge-intensive industries. State-centred economic governance continues in some respects. Indeed, part of the IMF package entails restoring the state's supervision in some fields, such as financial supervision; moreover, the Economic Planning Board, which had been weakened and subsumed in the Finance Department in 1994–95, is to be resurrected as an Office of Management and the Budget; furthermore, the state's prominent role in R & D and new product development as well as in encouraging small and medium-sized enterprises and exports is to remain. There may be more emphasis on collaboration than on hierarchy and direction, but the state's role has not been abandoned.

However, in other aspects, state governance is substantially reduced. As was shown by the harsh resistance of labour organizations and the strikes and political turmoil which followed the abortive attempt by the government to enact the new labour law in late 1996, there are serious doubts about the power of the state to be able to repress labour: in order to create a flexible labour market or to lower wage costs, the government needs therefore to listen, co-operate, negotiate, and persuade. The time has passed when state bureaucrats could deal with workers by using heavy-handed methods.

Meanwhile, on the international plane, the country is moving away from being a client of the United States to becoming an independent, middle-ranking actor functioning as a key player in the region's and even in the world's political and economic order. From a nation divided by ideology and bitter war, it has set itself the goal to achieve national reunification through reconciliation and peaceful processes.

By the time Kim Dae Jung was elected president in 1997, Korean society had come to the painful realization that the national economy had reached a crucial juncture. In the past, low labour costs had fuelled dynamic growth through export-led expansion. At the end of the twentieth

century, on the other hand, industries need to be upgraded to achieve high-tech production if their international competitiveness is to be maintained. Excessive wage increases, high capital costs, and exaggerated bureaucratic red tape, not to mention institutionalized corruption, have weakened the international competitiveness of the economy; prospects are even worse as external economic circumstances deteriorate. Meanwhile, mounting demands have also been made to cut down the power of the chaebols, the mainly family-run conglomerates which served South Korea well as engines of growth in the 1970s and 1980s, but which have since then lost their competitive edge in overseas export markets.

At the time of his election, President Kim promised to reinvigorate the economy by trimming government and reducing the red tape which stifles efficiency. He also committed himself to striking a balance between labour and management and to introducing measures to support small and medium-sized enterprises. His administration also had to reshape the heavily indebted financial institutions in order to enable them to conform to the requirements of the IMF rescue package, while giving banks and financial institutions greater autonomy. The choices which President Kim Dae Jung had to make were very hard: they required considerable skill to enable him to implement the necessary political and economic agenda, while maintaining coherence in economic and social policies.

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