

Signs of political instability as South Korean government prepares for next year's election

Peter Symonds
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Recent defeats in two local by-elections, a confrontation with the trade unions, an ongoing corruption scandal and continuing uncertainty in the financial and banking sector have left the South Korean government headed by President Kim Dae Jung in an increasingly precarious position as it prepares for national parliamentary elections next April.

The loss of two polls—for the mayor of Ansong city and the head of Hwasung—to the opposition Grand National Party (GNP) has fueled recriminations within the ruling coalition of the National Congress for New Politics (NCNP) and its junior partner, the United Liberal Democrats (ULD) headed by Prime Minister Kim Jong Pil.

The two parties had agreed to field joint candidates in each area so as not to split the vote. But the arrangement generated opposition in both parties, leading to defections and a large swing against the coalition. “We would have won the Hwasung reelection if an NCNP candidate had run, but the unfortunate nomination was the result of heeding only the ULD opinion,” NCNP acting president Lee Man Sup complained bitterly. Since June, the ruling coalition has lost all but one of the local and national by-elections.

The latest defeat has prompted Kim Dae Jung to try to resuscitate plans to merge the two parties prior to next year's national poll, as the basis for a new political formation, the Democratic New Party for the New Millennium. He said on Tuesday that he intended to make a decision on the merger before the end of the year, and a planned cabinet reshuffle on January 15. ULD leaders, however, reacted angrily to the proposal, claiming they had not been consulted and would be opposed to any “premature” unification of the two parties.

The reaction underscores the ongoing tensions between the two parties. Kim Jong Pil announced recently that he intended to stand down as prime minister. As an article in

Asiaweek noted: “Desperate to salvage his standing, Kim Dae Jung ignored protocol and visited the official residence of his PM, who had announced his intention to resign last week. The president was unable to change his partners' mind, but managed to persuade him to delay his departure until January.”

The government also continues to be embroiled in the so-called furgate scandal, which broke out early in the year when it was learned that the wife of the ex-chief prosecutor, Kim Tae Jung, had accepted a fur coat and other items from an expensive boutique. The clothes were allegedly paid for by the wife of an insurance tycoon under investigation for fraud. Despite Kim Dae Jung's efforts to limit the political damage, the scandal continues to claim victims. Recently the president had to fire his own legal affairs chief Park Ju Sun for his involvement.

These rifts and scandals are signs of more fundamental political problems. Kim Dae Jung won the 1997 presidential elections by exploiting his reputation as a “democrat” and opponent of the military-backed regimes that dominated South Korea to the end of the 1980s. But like the other so-called reformer, Kim Young Sam, whom he replaced as president, Kim Dae Jung quickly came to terms with the representatives of old military autocracy. Nothing epitomised this more than the appointment of Kim Jong Pil as prime minister—the man who had headed the notorious Korean Central Intelligence Agency in the 1970s when it nearly succeeded in assassinating Kim Dae Jung.

In the wake of the Asian economic crisis, the coalition between Kim Dae Jung's NCNP and the right-wing ULD set about implementing the demands of the International Monetary Fund for a major restructuring of the country's corporate conglomerates or *chaebol* and the opening up of the economy to foreign investors. The government relied heavily on its alliance with the trade union bodies—the conservative Federation of Korean Trade Unions (FKTU)

and the Korean Confederation of Trade Unions (KCTU)—to limit and suppress the opposition of workers.

In early 1998, the KCTU and FKTU were instrumental in allowing Kim Dae Jung to implement far-reaching changes to the country's labour laws, which effectively destroyed the lifelong system that had protected the jobs of full-time workers in major companies. The level of unemployment rose rapidly by nearly fourfold to 8.6 percent in February 1999 and has since declined to 4.8 percent, which is still well above pre-crisis levels. Workers were also forced to accept wage cuts: according to the LG Economic Research institute, nominal wages fell on average by 2.5 percent in 1998.

Many more workers are fearful of losing their jobs as the government presses ahead with its “Big Deals” to restructure the largest *chaebol*. In South Korea where there is little in the way of welfare, the loss of a job can quickly lead to poverty, homelessness and despair. It is little wonder that suicide rates have skyrocketed over the last two years—a symptom of rising social tensions.

As a result the trade union leaderships have felt compelled to distance themselves from the coalition government. They recently broke their alliance with Kim Dae Jung and are threatening to wage an anti-government campaign during the April elections.

On November 10, around 20,000 workers, students and farmers gathered in the capital of Seoul to demand a shorter working week, an end to corporate restructuring and a halt to the privatisation of the Korean Electric Power Corporation. Hundreds of protestors were involved in fierce clashes with police. The unions are threatening further protests, including a national general strike on December 23, if their demands are not met.

The major concern of the union leaders is not the decline in living standards but to maintain their own privileged position. The central demand of the FKTU leaders, backed by the KCTU, is to overturn a change to labour legislation, which will bar companies from paying the salaries of full-time union organisers beginning in the year 2002. Under the previous military dictatorships, the FKTU, the only legally recognised union body, was a state-supervised organisation of company unions with close links to management.

The strikes and protests, however, have a broader significance. They reveal a widespread disappointment, frustration and anger among workers and sections of the middle class with Kim Dae Jung, who came to power promising to improve living conditions and extend democratic rights. The ongoing opposition in the working

class to the government will only intensify the political crisis in the lead-up to next year's elections.

The government as well as the media, both within Korea and internationally, have been quick to seize on signs of economic recovery—high growth rates and falling unemployment—as proof that the Asian economic crisis is over. But the recovery is more apparent than real, dependent as it is on high volumes of exports, particularly to the US, and increased government spending. As the deep concerns over the failure of the huge Daewoo corporation indicate, the entire banking and financial system remains laden with bad debts and is very fragile.

An article in the *Business Week* magazine last month entitled “Boom or Mirage” pointed to the “Jekyll and Hyde” character of the South Korean economy: “It's almost enough to renew one's faith in Asian miracles. Surpassing anyone's expectations of just a year ago, the South Korean economy is experiencing a certified boom. Factories churning out everything from computer chips to cars are scrambling to keep up with soaring export orders and hot domestic demand. Stores are jammed. Corporate earnings are surging...

“But stray into the financial sector, and the jubilation over the real economy quickly dissipates. The torrent of good news has not been enough to halt a steady, three-month slide in Korean stocks, down 20 percent since their July 9 peak. Some foreign bankers even warn that a new financial crunch could lurk around the corner, the type of crunch that could destroy consumer confidence and unravel the economy.”

If, in spite of all the glowing media reports, the South Korean recovery does begin to unravel then the government of Kim Dae Jung will certainly do the same.



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