New South Korean government pushes sham "chaebol" reform

Ben McGrath
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New South Korean president Moon Jae-in, who came to office on May 10, has outlined a number of governmental and economic reforms to give his administration a progressive veneer.

One of the main thrusts of Moon's government and the ruling Democratic Party of Korea (DPK) is ostensibly directed against South Korea's family owned-conglomerates, known as chaebol, which dominate economic life in the country. The president has promised to strengthen the rights of shareholders, give more power to the Fair Trade Commission (FTC) and raise the corporate tax rate from 22 percent to 25 percent, reversing the 3 percent tax cut made by the former Lee Myung-bak administration. Moon said during his inauguration: "I will take the lead in reforming chaebol. The phrase 'collusive ties of politics and business' will completely vanish under the Moon Jae-in administration."

The immense power and resources of the chaebol, which is backed by their close ties with the government and the state bureaucracy, has led establishment figures to criticise their owners for running the companies like personal "fiefdoms." Investors and stockholders who want to obtain a larger share of corporate profits often complain that chaebol families use company funds for personal expenses. This is the discontented layer for which Moon Jae-in speaks.

At the same time, the administration is attempting to head off anger in the working class before it can grow into a larger, anti-capitalist movement. During the massive anti-Park rallies this past December, demonstrators denounced the chaebol and the bribes they had given to the former president and her colleagues. The rallies, which attracted millions of participants, were a focal point for social and economic discontent, but were never allowed outside of the pro-capitalist confines established by the DPK and its hangers-on in the trade unions and pseudo-left.

To supposedly deal with corruption, Moon has promised to reestablish a bureau within the Fair Trade Commission to investigate the chaebol. First established under Kim Dae-jung, the bureau was dissolved by Noh Moo-hyun under pressure from the conglomerates. Moon served as senior secretary and the chief of staff in Noh's government.

The administration announced on May 17 that Kim Sang-jo, considered a sharp critic of the chaebol, would head the FTC. He is an economics professor at Hansung University and a shareholder activist. He also served on the so-called tripartite committee of government, business, and labor during the 1997–1998 Asian financial crisis that forced the burden of the economic collapse onto the backs of the working class.

Kim joined Moon's presidential campaign as an economic advisor in March and spoke with the *Joongang Ilbo* newspaper on May 9 to outline the incoming president's agenda. He made clear that the real motivation is not to benefit the working class, but to assist weaker sections of big business compete against the top four companies—Samsung Group, Hyundai Motors Group, SK Group, and LG Group.

Kim stated: "We are in an era where chaebol reform can't happen just through presidential reform. We need to respect the strength of the market. Forcing a regulation will only make standards ambiguous. It will not be effective on the top chaebol, and there is a high likelihood it will only result in overregulation for lower-ranking chaebol."

Kim stressed the primary concern of Moon's government is the profitability, and therefore survival, of smaller companies. He asserted: "Growth itself has slowed. Chaebol that bring in such (excessive) profits are a minority. The gap in size has also widened—the assets of the top four conglomerates is half those of the top 30. Companies below the top 10 are struggling to stay afloat."

While some big business layers with ties to the top chaebol are wary of Moon's plans, other sections of capital have applauded them. Mark Mobius, executive chairman of Franklin Templeton Investments, expressed excitement at "exploring potential opportunities in Korea." He predicted that "better corporate governance could lift the prices of many Korean companies."

The concept of chaebol reform is not new. Since General Chun Doo-hwan came to power in 1979, successive governments have attempted to implement changes that would help smaller companies compete.

Chun's government in the 1980s recognized two points: First, the enormous wealth concentrated in the hands of the chaebol owners had generated immense anger in the working class and threatened both the legitimacy of the government and capitalist relations. Secondly, the bloated conglomerates, with influence and control over various economic sectors, represented a danger to the economy as whole if they collapsed in a major crisis.

The 1997–1998 Asian financial crisis, during which Hyundai and other chaebol faced potential bankruptcy, verified this second point. The response of President Kim Dae-jung, however, the first Democratic Party president, was to rush to the assistance of the major conglomerates and the wealthy. With the support of the trade unions, Kim Dae-jung imposed the crisis on the working class by removing obstacles to the large-scale sacking of workers. He presided over the creation of an irregular labor force which is paid significantly less than their regular counterparts. Since then, companies have been able to sack employees by arguing they face financial trouble.

Structural changes were introduced that affected the chaebol, but in the interests of international finance capital, not the working class. Kim Dae-jung accepted the demand by the International Monetary Fund that South Korean companies be opened up to as much as 50 percent foreign ownership, as part of a $57 billion bailout deal during the crisis.

The mass sackings under Kim and the further growth of irregular work under Noh Moo-hyun completely discredited the Democrats in the eyes of workers, allowing the conservatives to return to power under Lee Myung-bak in 2008.

From 2001 to 2010, spanning the Kim, Noh, and Lee governments, the top five chaebol increased their sales as a portion of South Korea's GDP from 59 percent to 70.4 percent.