



## SOUTH KOREAN GOVERNMENT UNDER THE FORMER CEO, PRESIDENT LEE MYUNG-BAK

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### Abstract:

After a promising start with his landslide victory in December 2007, President Lee Myung-bak carried a mandate for sweeping economic reforms, but he had to overcome several important troubles. In August 2008 significant demonstrations took regarding American beef imports scheduled under the pending US-ROK Free Trade Agreement, his ambitious building projects, opposition to his privatizing agenda and somehow authoritarian style. His record in foreign policy is remarkable as it supposes a departure from his predecessor's priorities: reinforcing the alliance with the US, seeking to restore good relations with Japan, being more forthcoming in his energy security diplomacy towards Russia, upgrading his partnership with China and taking a firmer stance on North Korea. But still Lee Myung-bak has to succeed in the new challenge stemming from the global economic crisis and to restore the national economic health.

**Palabras clave:** President Lee Myung-bak; foreign policy; economic crisis; US.

### Resumen:

Tras un prometedor inicio gracias a su arrolladora victoria en diciembre del 2007 y portando un mandato para llevar a cabo profundas reformas económicas, el presidente Lee Myung-bak se ha visto obligado a recuperar la confianza de su ciudadanía tras las duras críticas a numerosos aspectos de su política: la importación de carne vacuna bajo el Tratado de Libre Comercio EEUU-Corea del Sur pendiente de aprobación, sus ambiciosos proyectos de construcción, su agenda de privatizaciones y su estilo algo autoritario. Las características de su política exterior resultan interesantes por los contrastes con su predecesor: refuerzo de la alianza con los EEUU, mejora de las relaciones con Japón, mayor dinamismo en su diplomacia energética hacia Rusia, mayor envergadura a su relación con China y una postura más firme hacia Corea del Norte. Sin embargo Lee Myung-bak ha de superar el desafío que la crisis económica mundial le presenta y así poder restaurar la situación económica de su país.

**Palabras clave:** Presidente Lee Myung-bak; política exterior; crisis económica; EEUU.

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Less than a year, precisely 6 months after Lee Myung-bak took oath of his term on February 25 as the tenth president of the Republic of Korea pledged a "fresh start with a new resolution" on August 15th, 2008, nation's 60<sup>th</sup> anniversary. He recognized his unpopular government which has been in trouble for months by the huge civilian anti-government candle-lit rallies and general strikes lead by Korean Confederation of Trade Unions (KCTU).<sup>2</sup> The former CEO, who came to office with the largest margin of victory in a presidential election, has seen his support fall down below 20 percent.

The objective of this paper is to analyze the Lee's government in terms of its challenges in domestic political environment, the economy, relations in foreign affairs and the inter-Korean engagement.

President Lee, a member of the conservative Grand National Party, inaugurated his government changing from the progressive governments of ten years ruled by Kim Dae-jung and Roh Moo-hyun.

Given the fact that South Korea struggles with an uncertain economic future by the fast pace of globalization, energy crisis and the export competitiveness by rivals from China, and other nations in the process of development, Lee seemed to be the right person at the right time with his pro-business policies for Korean economic interests. The hope of the South Korean public was that Lee would revitalize South Korea's economy to meet the challenges of global competition.

Nevertheless, contrary to the landslide victory in general election last December, thousands of South Koreans started to protest in Seoul from the beginning of April against imports of American beef with fears of mad cow disease.<sup>3</sup> In fact the massive protest was not just limited to the beef importation. It was rather the issue of initiation for broad protests against President Lee's leadership, discontented by key personnel appointments in his government, and his policies in general. Many student protesters were unhappy with Lee's authoritarian way of pushing through his reforms. They even called him "bulldozer", his nickname which he earned from the Hyundai Group while he was a CEO of the construction unit of the conglomerate.

In the face of this vast public discontent, President Lee was in dilemma before launching his several electoral campaign promises, the Grand Canal project, creation of a Silicon Valley,<sup>4</sup> privatization and marketization of public services, education reform and taking appropriate measures to solve the incoming economic crisis.

Among the campaign proposals of Lee Myung-bak, the first priority was the construction of a cross country waterway linking from Seoul in the northwest corner of the country to the south-eastern port city of Busan. The objective of this project is to cut transport costs and boost consumption. However, this is the most controversial of his projects and opposed by the majority of the people. Lee's intention was to pursue this project as the symbolic work of his presidency as he successfully completed the massive urban renewal

<sup>2</sup> Choe, Sang-hun: "Fresh start with a new resolution", *New York Times*, 11 June 2008.

<sup>3</sup> It was banned 5 years ago.

<sup>4</sup> The project is to create Korean version of Silicon Valley in the central region of Chungcheong, linking it to Daedeok, the heart of Korea's applied sciences.



Cheonggyecheon stream public recreation space project in downtown Seoul while being a mayor of the city. However, there exists a huge risk in the canal project and could remain as a major failure for Lee as his predecessor, Roh Moo-hyun, suffered a similar experience with the capital relocation project which was blocked by the opposition and ultimately the Constitutional Court.<sup>5</sup>

After the beef issue and Grand Canal construction plan faced serious opposition from the public, President Lee had to set back and promised to be more attentive before the people's voice. Now Lee tries to restore public confidence and pledged for patience to his government and asked for national unity to overcome an economic crisis.

Since mid-August, the government has proposed a series of reforms measures as Lee was recovering from his criticism. His administration is downsizing the government and started selling state-owned companies to private sectors and to foreign investors. Also, for the education reform policy, he is working for a new policy measures to lessen the private tutoring expenses of most families which is a huge financial burden on households nationwide.<sup>6</sup> According to Hyundai research Institute, the average monthly spending on private tutoring by South Korean households is around 646,000 won (around 700 dollars). All the previous governments made efforts to cut excessive private education, nevertheless the survey by the National Statistics Office showed that 77 percent of primary and secondary students still are attending various out-of-school classes.<sup>7</sup> This figure is even slightly greater than the government's education budget.

One of the policy concerns, the property tax reform is on the process. The presentation of the new tax regulation implementation is already brought forward in October<sup>8</sup> which is supposed to be introduced next year to reactivate property market and construction sectors. To counter for the worldwide impact of U.S. financial instability President Lee Myung-bak instructed government's intervention to set up steps first, putting infusion of cash into the banking system to control the devaluation of Korean won and called meetings of financial experts in an effort to battle a prolonged economic crisis.<sup>9</sup> Also, Lee discussed ways to increase investments and create jobs with corporate leaders. He made a large-scale pardon of convicted important firms' leaders from illegal labour activities to provide them opportunities to improve the business environment and make efforts for investments.

Regarding the foreign relations, Lee's policy priorities are well describes in his MB doctrine which he presented during the election campaign. The doctrine has not changed much in principle which the policy advocates engagement with North Korea and strong South Korea-United States relations. It consists of seven-point: (1) Complete denuclearization and opening of North Korea. (2) Pragmatic diplomacy based on a national consensus and interest, not based on ideology. (3) Restoring the Korea-U.S. alliance based on the established friendship and the shared values of democracy and market economy for mutual interests. (4) Expansion of Asia diplomacy in partnership with other regional states to move toward the

<sup>5</sup>The opponents focus their reasons on those: firstly, canals were essential method as transportation during the 19th century however went into decline due to the development of railroads; secondly, at present, highways are used mostly in Korea to be met with the rapidly advancing industries.

<sup>6</sup>"ROK president determined to reduce private education expense", *Xinhua*, 23 September 2008.

<sup>7</sup> According to the estimation by Hyundai Research Institution, South Korea's extracurricular education market reached 33.5 trillion won (29.1 billion U.S. dollars) in 2006. It is 3.75 percent of the nation's gross domestic product.

<sup>8</sup>"Political Fight Runs High Over Property Tax Reform", *Yonhap*, 23 September 2008.

<sup>9</sup> Na, Jeong-ju: "President to Invest in Local Equity Funds", *Korea Times*, 17 September 2008.



opening of an Asian era. (5) Fortification of Korea's contribution to the global community as one of the industrialized countries (the world's 12th economy). (6) Energy diplomacy to join the group of most advanced economic nations. (7) Promotion of Korean cultural diplomacy based on the mutual opening and exchanges in the region and the world.<sup>10</sup>

As the way to demonstrate President Lee's promise to reconstruct Korea-U.S. relationship, Lee chose his first official overseas visit to the United States to meet President Bush in mid April, 2008 and discussed the substantive issues to strengthen the ROK-U.S. alliance in vision of the 21<sup>st</sup> Century. In the summit meeting they discussed issues such as to pass the Korea-U.S. FTA project in U.S Congress, to reach an agreement of the Korea's entry into the U.S. Visa Waiver Program within this year of 2008 and to help denuclearization of the North Korea and its economic revival. The new conservative government of Lee Myung-bak and Bush administration in Camp David summit on 18-19 of April strengthened its alliance and expanded the scope of cooperation between the two countries.<sup>11</sup> It was an important Lee's diplomatic goal achievement to reach an agreement for further development of mutual trust toward the renewed strong alliance partnership and their commitment to consolidate a basis for the future cooperation through issues of common interests in economic, commercial, social and cultural areas.

Lee's other important Korean foreign policy emphasis focused on keeping strong ties with each of the major powers surrounding the Korean peninsula: Japan, Russia, and China. Although Lee has prioritized good relations with the U.S., China, Japan and Russia also have fundamental importance as neighboring powers sharing mutual security and economic cooperation.

On his visit to Japan in April 20-21, President Lee Myung-bak, agreed to build future-oriented Korea-Japan relations and a mature partnership based on his pragmatic diplomacy and mutual trust and understanding.

During the summit, Lee and Fukuda agreed to resume bilateral shuttle diplomacy, in order to provide regular dialogue for the policy makers of the two neighbouring countries. The concerned issues were a free trade agreement and set up private consultative bodies on investment and economic cooperation. In addition, Lee and Fukuda exchanged shared opinion to enhance cooperation in dealing with the North Korean nuclear issue and the North's abduction of Japanese citizens as well as expand bilateral exchanges of youth. The 21<sup>st</sup> century's global issues, including the environment, climate change, clean energy and economic aid program for developing countries were also discussed.

China was cautious on Lee's approach to North Korea and his emphasis on strategic cooperation with the United States and Japan. Frankly speaking, China's positions have been more compatible with Roh Moo-hyun's conciliatory approach to the North, his desire for less dependence on the United States and his relative distance from Japan.<sup>12</sup>

Although, Lee put priority on Korea-U.S. partnership in his foreign policy, his administration has also well perceived the relationship with China as one of the most

<sup>10</sup> Kim ,Tong, "Lee Myung-bak's Foreign Policy", *KoreaTimes*, 2 December, 2007.

<sup>11</sup> Yu, Myung-hwan, Minister of Foreign Affairs and Trade, "Lee-Bush Summit Lays Groundwork for Solid Alliance", *KoreaTimes*, 28 September, 2008.

<sup>12</sup> Snyder, Scott , "Lee Myung-bak and the Future of Sino-South Korean Relations," *Policy Forum Online*, The Nautilus Institute for Security and Sustainable Development: Northeast Asia Peace and Security Project in [NAPSNet@nautilus.org](mailto:NAPSNet@nautilus.org), 10 April, 2008, (Web: <http://www.nautilus.org> ).



important foreign relationships to be taken care of.<sup>13</sup> Thus, during his visit to China on May both sides agreed to upgrade their "comprehensive and cooperative partnership" to "strategic cooperative partnership". The leaders of both countries agreed to provide future working agenda for development of bilateral ties on such issues of international and regional factors and expand exchanges of the youth. Lee suggested to actively engage and broaden mutually beneficial cooperation on investment, finance, communications, energy, environmental protection, science and technology. Lee and Hu also agreed to promote the process of China-ROK free trade area (FTA) for mutual benefits. Regarding the six-party talks Lee asked China to make joint efforts for denuclearization of the North Korea. Finally, both countries also agreed to work closely for the northeast Asia security in the field of strategic cooperation.

President Lee's visit to Russia followed by a series of visits to the United States, Japan and China since his inauguration. Issues high on the agenda of the Lee-Medvedev summit included Korean Peninsula nuclear issues and bilateral economic cooperation. Concerning the fact that Russia shares a 19 km border with North Korea and Russia has been a member of six-party talks on North Korea's nuclear issue the North's denuclearization was one of the highly concerned issue. On the issue of economics, as South Korea pursues energy diversification while Russia is in need of partners to invest capital to search for, develop, and extract energy reserves in Eastern Siberia and the Russian Far Eastern region both countries agreed to work closely.<sup>14</sup>

The significance of the above mentioned 4 summits with the head of States, the U.S., Japan, China and Russia initiated on April, focused on finalizing a basic framework for diplomacy with the four important powers implicated to ROK and laying down the groundwork to build a mature foreign relations as a middle power and to reactivate the weak economy during the first year of his administration.

Regarding the inter-Korean relations, although Lee supports continued inter-Korean engagement, the priority attached to North Korean issues seemed lowered considerably compared to his predecessors' administration that had put inter-Korean relations as a top policy priority. Lee, being not so supportive of the Sunshine Policy of Kim Dae-jung, already expressed his policy priority as to strengthen Korea-U.S alliance tie and to take more aggressive approach, "thorough and flexible," toward North Korea.<sup>15</sup> North Korea's denuclearization as a precondition, Lee promised to provide a massive economic assistance development aid program.<sup>16</sup> Based on this policy Lee's government cut in the budget for inter-Korean cooperation, and abolished the Ministry of Unification integrated in the ministry of foreign affairs and trade. Lee's criticism on North Korean human rights violation in public and his view on long term unification are few of the evidences<sup>17</sup> which suggest that Lee does not include North Korean issue as his policy priority. In view of this new administration's

<sup>13</sup> "China upgrade relations to strategic cooperative partnership", *Korea.net*, 27 May 2008 in [http://www.korea.net/News/news/NewsView.asp?serial\\_no=20080528001&part=103&SearchDay=&source=](http://www.korea.net/News/news/NewsView.asp?serial_no=20080528001&part=103&SearchDay=&source=).

<sup>14</sup> Moscow separately proposed Seoul to join in trilateral projects, Moscow-Seoul-Pyongyang, for the Trans Siberian Railroad and Trans Korean Railroad link, with the South Korean investment.

<sup>15</sup> "thorough" to the principle of intolerance to North Korea's nuclear program and "flexible" in response in the course of nuclear negotiation to implement the Sept. 19, 2007 statement of the six-party talks.

<sup>16</sup> Klingner Bruce, "New South Korean President Brings Conservative Policy Change", *The Heritage Foundation*, (1 April, 2008). "Upon the completion of denuclearization, North Korea would receive an economic development aid. Lee's government would help North Korea receive financial aids through loans from the International Banks, the Inter-Korean Cooperation Fund of the South, direct investment from overseas, and support funds from Japan as the improvement of North Korea's relations with Japan."

<sup>17</sup> "Lee to toughen stance on North Korea", *CNN Seoul*, *CNN.Com/Asia*, 20 December 2007 in <http://edition.cnn.com/2007/WORLD/asiapcf/12/19/skorea.election/index.html>



inter-Korean policy, and as North Korea was angry at Washington for not taking North Korea off from the terrorist states blacklist Pyongyang, it not only delayed in implementing denuclearization commitments but also North Korea renewed the threat restarting its nuclear plant in Yongbyon.<sup>18</sup> Though finally, The United States on October 11, removed North Korea from its list of states that sponsor terrorism.<sup>19</sup>

The situation in North Korea is quite uncertain at this moment as Kim Jong-il is in poor health and the chain of command is opaque in view of who is controlling the regime in verge of economic collapse. President Lee's administration is cautious on the North Korea's every movements and Lee gave instructions to be prepared for the possible outcome.

With all the difficulties mentioned above and hard times due to the mass demonstrations since his inauguration, President Lee must have been set back his bulldozer style of policy. The Korean society is now waiting and expecting patiently what the Lee's administration can do after the hard lesson.

The most imminent plan should be restoring its shaky economic situation caused by the international financial crisis. As the first step, Lee announced his proposal in ASEM general meeting on October for the trilateral cooperation to deal with financial problem in Asia on the basis of the strong dollar reserve among China, ROK and Japan. When Lee, the former CEO entrepreneur succeeds on its national economic revival, the Korean people will give further credits on his other policy projects.

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<sup>18</sup> Sciolino, Elaine, "North Korea's nuclear demand is setback for Bush," *International Herald Tribune*, 23 September, 2008.

<sup>19</sup> "U.S. takes North Korea off terror list," *CNN.com/Asia*, 11 October 2008 in  
<http://www.cnn.com/2008/WORLD/asiapcf/10/11/us.north.korea/>