

- 14 According to recent opinion polls, only 14.3% and 26.1% of voters identified the presidential candidates with, respectively, their own parties and policy platforms. 57.7% said they would vote for a candidate based on that candidate's ability and personality. *Kyōnghyang shinmun*, 16 June 1992.
- 15 Issue of consumer price and economic recession, 55.8%; democratization, 8.8%; overcoming regional antagonism, 16.3%. *Kyōnghyang shinmun*, 16 June 1992.
- 16 *Han'guk ilbo* on 28 May 1992 put the figures as follows: Kim Young-sam 30.7%, Kim Dae-jung 21.6%, Lee 15.4%, Chung 9.4%, Park 7.7%. More recently, the *Chungang ilbo* on 19 June gave a similar pattern: Kim Young-sam 30.5%, Kim Dae-jung 18.7%, Lee 14.7%, Chung 7.5%, Park 10.1%.
- 17 *Han'guk ilbo*, 28 May 1992.
- 18 *Kyōnghyang shinmun*, 16 June 1992.

## THE ILHAE FOUNDATION: BEYOND A SCANDAL

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### Introduction

Before hosting the World Olympiad in Seoul in September 1988 as a symbol of international recognition of South Korea's "economic miracle," there was to be yet another miracle, a "political miracle" unprecedented in modern South Korean history. After decades of authoritarian rule since independence from Japan in 1945, demonstrations and riots embroiled the entire people of the South in the summer of 1987 with a forceful show of political will for democracy in every sector of society, never before experienced in such magnitude. With people angered and frustrated by the prolonged political stalemate between the ruling party and the opposition as to whether to adopt a parliamentary or direct vote system for the Presidential election in November 1987, demonstrations culminated in a massive popular uprising calling for a direct election and a complete ouster of President Chun Doo Hwan [Chōn Tuhwan]. Chun, a former general who came to power by a

bloody coup in the aftermath of the assassination of Park Chung Hee [Pak Chŏnghŭi] in October 1979 had to agree when his chosen successor, Roh Tae-woo [No T'aeu], declared on 29 June 1987 that the Presidential election would be a direct popular vote.

Roh was elected president by winning 36% of the plurality vote due to a split in the opposition between Kim Dae-jung [Kim Taejung] and Kim Young-sam [Kim Yŏngsam]. Yet, in the subsequent election for the National Assembly, the opposition won a majority of seats for the first time in modern history. This was significant in two ways. There was a new political reality in which there was a balance of power between the formerly all-powerful executive and the legislature. Also, through National Assembly Hearing Sessions, Koreans, for the first time, were allowed to examine publicly and criticize the abuses of the past dictatorial regime.

During the Hearing Sessions in Autumn 1988, an even more emotional outpouring than that during the Olympics was generated. This was over the political and financial Ilhae Foundation scandal, along with the Kwangju Massacre and other "negative legacies" of the Fifth Republic. In this paper, the Ilhae Foundation, its origin, organization, and activities as well as the final scandal will be examined both as an example of Chun's corruption and as a political vehicle to prolong dictatorial rule. By doing so, it is hoped that the extent of abuse as well as the possible sources of systemic weakness in political and economic decision-making processes and infrastructures will be discerned.

This topic is of particular interest to me, as editor and speech-writer for the Chairman of the Ilhae Foundation and the President of the Ilhae Institute, Kim Kihwan, in 1986 and 1987. From my position, I had a unique opportunity to gain an insider's view and knowledge of the inner workings

which, until the Hearing Sessions, were shrouded in secrecy and mystery regarding their true nature and purpose. Throughout the paper, my personal observations will be added wherever appropriate or necessary.

### **The Origin of the Ilhae Foundation**

To evaluate the Ilhae Foundation scandal, it is necessary first to inquire about the origin and purpose of the organisation. It was the tragic episode on 10 October 1983 during Chun's five-nation goodwill tour of Southeast Asia which provided the direct occasion for the establishment of the Ilhae Foundation. A bomb planted by North Korean terrorists in Rangoon, Burma, killed seventeen of Chun's entourage. This was yet another profound national tragedy and sorrow in the enduring legacy of the unresolved hostilities between North and South following the Korean War.

With regard to the origin of the Ilhae Foundation, an article in *Shin Tonga* recaptures the mournful mood in 1983. "In the cabin of his special KAL 727, heading for Seoul after breaking off his goodwill tour, President Chun was unable to speak and simply wept. Among others consoling him, Chairman Chung Ju Yung [Chŏng Chuyŏng] of the Hyundai Group, who was accompanying the group as a special economic delegate, mentioned the necessity of compensation for the bereaved family members and of fundamental countermeasures concerning the South-North Korea problem."<sup>1</sup>

Immediately after Chun's return, some major economic figures in South Korea held a meeting to discuss a proposal to establish a memorial organization to help the bereaved families. A plan was filed in November in Chun's name. This presented the foundation's goals as "scholarship aid for the education of the offspring of

martyred diplomatic emissaries and of the wounded, and of national heroes," and as "support for the nurturing of superior athletes and coaches in preparation for the international games in 1986 and 1988."<sup>2</sup>

The founding sponsors totalled seven people. Among them were chairmen of top-grade domestic conglomerates, including Choi Soon Dal, former Minister of Telecommunications who also became the first Ilhae Chairman; Chung Su Chang, Chairman of the Korean Chamber of Commerce and Industry; Chung Ju Yung, Chairman of Hyundai; Koo Cha Kyung, Chairman of Lucky-Goldstar; Kim Woo Choong, Chairman of Daewoo Corporation; Choi Chong Hyun, Chairman of Sunkyung; and Yang Jung Mo, Chairman of Kukje.<sup>3</sup>

Subsequently, on 25 November 1983, the inaugural general meeting of the foundation, provisionally named the Ilhae Foundation, opened in secret in a so-called "safe house" in Samch'ong-dong, Seoul. In addition to the seven sponsors, six more businessmen attended: Kim Suk Won, Chairman of Ssangyong; Kim Seung Yung, Chairman of Korea Explosives; Lee Choon Yong, President of Daelim Industries; Lee Hee Gun, President of Shinhan Bank; Kim Sang Ha, Chairman of Samyang. Lee Chong Won, a lawyer and a former head of the Ministry of Justice, and Lee Woong Hee, President of MBC television, brought the total number of attendees to fifteen.<sup>4</sup>

At this meeting, Accounting Director Cho Sung Hee of the Army Security Command, then a colonel on active duty and later General Affairs Director of Ilhae, explained the goals of the foundation and its articles of incorporation. In the election of officers and directors, Choi Soon Dal was elected chairman and Lee Chong Won auditor. All the business leaders were named directors. The founders accepted 50 million wŏn (approx. \$72,000), donated by

President Chun as an endowment through a motion for an assessment of pledges.<sup>5</sup>

It is noteworthy that an active duty military officer, Cho Sung Hee, was chosen as the head of business affairs in place of any business leader. Moreover, it is intriguing to notice the participation of Yang Jung Mo from Kukje because, one year later, he experienced the dissolution of his company, then Korea's fifth-ranked conglomerate, due to his "uncooperative attitude" toward the Ilhae Foundation.<sup>6</sup>

On 1 December 1983, six days after the inaugural general meeting, the Ilhae Foundation completed its registration with the Seoul City Educational Commission as a non-profit making scholarship association. In this registration document, the Ilhae Foundation specifies that its founder should be its president, meaning Chun. This provision was eliminated on 14 August 1987, after Roh's June Declaration which, of course, radically changed Chun's political fortunes. A revision of articles at a hastily-arranged 8th Temporary Directors Meeting of the Ilhae Foundation took place.<sup>7</sup> Such a politically influenced decision to dissociate Chun from the foundation indicates that Chun had much to hide in terms of personal use of public funds, and ulterior motives as to the future purpose and direction of the organization.

### **The Ilhae Foundation as an Organization**

From its inception in November 1983 until it began to hold public functions in January 1986, lavish physical facilities were planned and constructed at Sŏngnam on the outskirts of Seoul. While details of the construction were kept a strict secret, a large and imposing mausoleum of a building as well as a beautiful guest house were constructed on the sprawling green acreage of land donated by Chung

Ju Yung. The main building for the Ilhae Foundation was designed by an internationally renowned architect, Kim Su Gun, who also designed the main Olympic Stadium in Seoul.

During this time, the name of the organization was changed from "88 Institute," to "Security and Reunification Institute" and then to "Peace, Security and Reunification Institute."<sup>8</sup> This mirrored a process of transformation of the Ilhae Foundation from a scholarly association for the offspring of Rangoon to a research institute studying the root cause of such incidents, through long-term research on peace and unification issues. On 26 October 1984, under the name "Peace, Security and Reunification Institute," the organization was registered as a non-profit research institute with Choi Soon Dal as its first Chairman.<sup>9</sup>

Meanwhile, opposition to the government grew in 1984 and 1985 and Chun suffered a setback in the February 1985 National Assembly elections. As funds were continually collected from the top fifty businessmen in South Korea, Chun increasingly came to view the foundation as his personal political base. There is evidence of this in a 40-page 1985 plan—a confidential report for inter-office circulation prepared by Chun's Democratic Justice Party (DJP)'s Central Bureau—which calls for preparing Chun's base so that even after turning over the government in a new election, Chun would hold real power.<sup>10</sup>

Thus, it can be seen that Chun was beginning to build a power base from 1985. Perhaps, this political purpose was clear as early as the Second Directors meeting in September 1984, when the Foreign Ministry gained supervisory influence from the Education Ministry. From then on, the research focus of the organization shifted to topics with more political connotations including security and trade with the U.S., the most domestically troubling issues for Chun.<sup>11</sup>

In January 1986, Kim Kihwan, a former head of the International Economic Policy Council which specialized on U.S.-Korea trade affairs, and former Chief of Red Cross talks between South and North Korea, was appointed by Chun as the new chairman of the foundation. Kim Kihwan decided to change the foundation's name to "Ilhae Foundation" using Chun's pen-name "a rising sun from the sea." During the same month, at the opening of a joint symposium with the Brookings Institution (which also was the very first public event arranged by the Foundation), Kim Kihwan described Ilhae as "an institution founded for public good to promote national development and peaceful reunification through research of mid- and long-term domestic policy, fostering superior talents in all aspects of society, and developing the latent power of the people by encouraging those who can contribute to society in many fields." He also said that the Foundation would focus its research on unification, foreign policy and security issues. He explained that Chun's pen name was attached "to commend Chun's ambition to put the concept of peace at the centre of his philosophy of government."<sup>12</sup>

With Kim Kihwan at the helm, the organizational structure gradually evolved to reflect the needs and purpose of the organization as well as to increase its administrative capabilities and functions. With a rapidly growing number of personnel, the organization was essentially structured in two parts:

- 1) the Ilhae Foundation, which existed at least ostensibly to provide scholarship funds for the offsprings of victims of the Rangoon bombing incident;
- 2) the Ilhae Institute which soon became the most prestigious research organization and a think tank due in large part to its immense political clout and financial resources.

Actually, the Foundation arm was a group of individuals distinguished only by their staunch loyalty to Chun. They were in charge of massive funds, totalling almost 600 million wŏn (approx. \$86 million) by the end of 1986, collected from over fifty conglomerates. Perhaps this was not surprising since they were responsible for utilizing funds for Chun's personal use, such as building Chun's personal mansion and entertainment complex, complete with golf course, modern gym, botanical garden and an artificial pond, and for overseeing the whole project with proper care and security.

This group was headed by a former Presidential Security Office man, Kim In Bae. Kim later went to jail for embezzlement of funds. Under Kim as the General Affairs Director, there were various administrative and clerical assistants who managed to attain their positions through blatant nepotism. At one time, there were almost twenty people who were related to each other. In addition, there were about thirty Presidential bodyguards.

The Institute was structured as follows:

- President
- Distinguished Fellows
- Research Fellows and Research Assistants, divided into Foreign Policy, Economics, and Security Studies

The organizational structure is an almost wholesale imitation of the respected Brookings Institution think-tank in Washington, with which Ilhae held a number of conferences in 1986 and 1987. The overall structural framework and the planning of functions at the Institute owe much to the spirited imagination and guidance of Kim Kihwan, who was an urbane and polished U.S. trained economist. He emphasized the need for Ilhae to adopt and emulate the best structure and modes of operation from already well-established institutes.

Kim served as both chairman of the Foundation and president of the Institute. Thus, he was the most responsible person in terms of setting short and long-term goals and agendas and he unquestionably enjoyed a virtual monopoly of power during his tenure from January 1986 to July 1988. Along with Kim, the Ilhae Institute was jam-packed with the most powerful men in the Korean government. Indeed, virtually all former ministers of the Chun cabinet were "Distinguished Fellows." Since there was a "musical chair" quality in cabinet positions during the Chun years, these men were often recalled to serve in ministerial positions. Moreover, although they were salaried by Ilhae, they did not play any active role in academic research.

As for research fellows, there were three divisions: Foreign Policy, Economics and Security Studies. These were, for the most part, senior specialists in their own respective fields. Among them were highly respected academics and scholars who had taught at major universities either in Korea or abroad. Research assistants were selected from the pool of top-calibre graduate students from the most prestigious universities in Korea, such as Seoul National, Yonsei, and Korea University, with strong recommendations from well-known academics. There were five research fellows and assistants in each of the three divisions. The generally progressive and open-minded atmosphere in the Research Division can be discerned from the fact that there were two women research assistants from Ewha Women's University and three assistants who came originally from Kwangju.

In examining its organizational structure and personnel, it becomes evident that the Ilhae Foundation was more than just a scholarship association and research institute. Right next to the Foundation's main building, for example, Chun was secretly building a private palace for himself as a "Second Blue House" (this was how the Ilhae

began to be nicknamed in Seoul). He was also preparing to use the organization as his political base after he stepped down as President in 1988. With an extravagant new home enveloped within a prominent research institute staffed by his former cabinet members, Chun envisaged his role in retirement to be that of an elder statesman and scholar wielding great political influence. This is well demonstrated in an internal report from the DJP, which noted Chun's desire to keep power over numerous policy areas, including the South-North dialogue and any state of emergency.<sup>13</sup>

Furthermore, even if the Institute side of Ilhae had any potential to be a pure research organization with no taint of politics, this could not possibly be realised while the chairman was Kim Kihwan, one of the closest political aides to Chun. Kim had accompanied Chun to the White House as the first foreign guests received by President Reagan, a trip Chun considered one of his major accomplishments. Kim had also been dispatched as Chun's special economic envoy to Reagan to discuss U.S.—Korea trade problems and was implicated in the Michael Deaver lobbying scandal of 1986.

### **The Activities of the Ilhae Foundation**

An account of the activities of the Ilhae Foundation from January 1986 to November 1987 reveals the extent to which Chun attempted to utilize the organization for his own political goals and purposes. The beginning of public functions at the Institute, in the form of lectures, conferences and banquets, closely coincided with the arrival of Kim Kihwan. With a great deal of enthusiasm and energy, and obsessive attention to every detail of operation, Kim initiated such events to enlarge the political role of the Institute. The following are some of the more notable events held at the Institute:

- Korea-U.S. Trade Relations: Issues and Prospects I & II (Ilhae/Brookings Joint Seminars)
- U.S. and Soviet Policies Toward Asia and Implications for the Korean Peninsula (with Henry Kissinger)
- Trade as an Element of the Korea-U.S. Security Relationship (Ilhae/U.S. Congress Seminar)
- The Emerging New Power Relations in Northeast Asia (with Zbigniew Brzezinski)
- Security Issues in the Pacific (with Robert Sennewald)
- Korea-U.S. Economic Relations: Current Issues and Future Possibilities (Ilhae/Brookings Joint Seminar)
- China in the Year 2000: Economic and Security Implications (Ilhae/American Enterprise Institute Joint Seminar)
- Korea—U.S. Relations: Current Issues and Prospects (Ilhae/Heritage Foundation Joint Seminar)
- Progress in Democracy: The Pacific Basin Experience (Ilhae/Carnegie Council on Ethics and International Peace Joint Seminar)
- Korea-U.S. Relations and Northeast Asia (Ilhae/Centre for Strategic and International Studies Seminar)
- U.S. Policy toward Asia and Korea-U.S. Relations in the Twenty-first Century (with Gerald Ford)
- Superpower Policy in the Asia Pacific Region (with Harold Brown)

This is an impressive array of activities involving some of the most respected scholars and politicians from America. However, in view of the fact that the Ilhae Foundation was a political vehicle, a few questions about the nature and purpose of these events naturally arise. From my own experience as an editor who prepared summaries of these lectures and conferences for the Blue House, a standard operating procedure right after every event, I believe that the purpose of these events were three-fold: i) to use Ilhae as a political lobby for Chun in the more intellectually sophisticated and legally acceptable mode of a think-tank which followed the examples of ideas and policy lobbying of think-tanks in the U.S.; ii) to employ the brain-power of Ilhae to acquire in-depth intellectual analyses as well as "cutting-edge" knowledge and information on some of the most troubling domestic political issues such as trade

and security; iii) to pursue Chun's more "visionary," but sensitive, pet projects like the opening of Korea's diplomatic and trade ties with China and the Communist bloc.

Chun clearly saw the "economic miracle" of Korea through trade surpluses from exports as the most important achievement of his regime between 1980 and 1987. He felt threatened by rising protectionism in the U.S. With exports accounting for nearly 40% of Korea's GNP and roughly 40% of exports going to the U.S., growing protectionism in Washington was indeed the most serious challenge facing the South Korean economy as well as Chun's career. Since Chun had to deal with an increasingly vociferous opposition at home on these trade and security issues, he recognized an urgent need to deflect domestic and American pressures through successful lobbying in Washington. With protectionist pressures against Korea brewing on Capitol Hill, Chun desperately sought a reliable lobbying channel for himself, particularly after his personalized, but rather unsuccessful, attempt in sending Kim Kihwan as his special economic envoy to Reagan.

Thus, the Ilhae Foundation played a major role as Chun's lobbying body at this opportune moment. The fact that lectures and conferences focused on the most visible policy makers and opinion-makers in Washington, as individuals and institutions, amply proves this point. The participants at Ilhae included several dozen ranking U.S. Congressmen as well as influential trade representative and security experts, in addition to the most vocal critics of the Chun regime itself. The latter included Congressman Stephen Solarz and staff members of the House Human Rights Subcommittee on East Asia. To best represent Korea's views, a veritable all-star cast from the Korean economic and diplomatic/security bureaucracy as well as the National Assembly, and chairmen of major conglomerates presented papers and perspectives.

At every possible opportunity, the South Korean participants tirelessly pointed out the security burden of Korea as a unique feature of Korea's economy and its relations with America. This arose from an unusual set of historical circumstances which distinguished South Korea from Japan and the other "four tigers" or NICs. In vigorous and sometimes quite emotional exchanges, such assertions from Koreans were mercilessly attacked by American participants who insisted on further opening of the Korean market so that bilateral trade could be conducted on a more level playing-field. Meanwhile, as the two subjects of trade and security dominated conferences and policy roundtables, in-house experts were constantly urged to develop more coherent and sound policy arguments regarding Korea's position. Hence, research fellows were invariably under much intellectual pressure to improve their arguments (as well as their English) to better represent Korea's position for these polemical policy debates.

As a by-product of this dialectical process, Chun was privy to the most cogent and up-to-date intellectual analyses for the best possible policy development and guidelines. Since the topics were increasingly becoming a hazardous source of political liability and vulnerability for Chun, he anxiously wanted to achieve a major diplomatic success by a breakthrough in relations with China and other Communist states. Ilhae achieved some success in this regard, for it held Korea's first academic seminar and policy discussions with mainland Chinese economists on the prospects of opening direct Korea-China trade.

The special role that Kim Kihwan played as one who could successfully bridge the cultural and linguistic gap between Koreans and Americans should be noted. Kim was an exceptionally able and talented, albeit politically ambitious and self-promoting man, who proved to be a remarkable lobbyist and spokesman for Chun. His open

advocacy of market liberalization in Korea as a conservative monetarist economist gained him many bitter critics. Yet, it also naturally earned him many friends in Washington, which increased his effectiveness as a lobbyist for South Korea's trade and economic policies in the U.S. Congress.

Therefore, the Ilhae Foundation provided a most sophisticated and well-systemized Korean effort in Washington such as had not been accomplished by a Korean government before. The events at the Ilhae were also highly successful as a forum for discussion of the most sensitive and thorny issues in trade and security relations. This was also possible because Ilhae was able to reap the benefits of South Korea's new economic status and international recognition by attracting U.S. participants. With the anticipation of the 1988 Olympics, Korea's ultimate coming-out party, U.S. policy makers were thrilled to visit and congratulate Korea and to engage in dialogues about the changing nature and implications of U.S.-Korea relations.

### **The Fall of the Ilhae Foundation**

The Ilhae Foundation's fall from grace closely paralleled the end of Chun's dictatorial rule. From the Summer of 1987 onwards, one could not fail to observe that nervous jitters gave way to a palpable sense of doom at Ilhae, particularly from Chun loyalists on the Foundation side. However, the dramatic news of Roh's announcement on 29 June 1987 was greeted with much fanfare by the people on the Institute side. Such a striking contrast in perceptions and reactions toward Chun's military dictatorship clearly underscored what were by now serious internal problems between Foundation and Institute personnel. There was a great deal of tension between the two parts, since ignominious and uneducated Chun cronies in the

Foundation handled the funds and attempted to play the role of management over well-educated and pro-democracy Institute people as their employees. In this awkward labour management scenario, an explosive potential for conflict was inherent in the organizational structure.

In most cases, people in the Institute had been invited to join the Foundation with Kim Kihwan in early 1986 and were quite idealistic and enthusiastic about building a world-class research institute. Yet, at the time, the Institute staff were powerless given the political reality of South Korea, which dictated the management of affairs as well as the organizational structure and personnel in the initial phase. But, with a more defiant democratic mood in the country, the research staff, particularly a group of young and dedicated research assistants, struggled almost daily with the Foundation personnel to bring about significant and democratically-oriented internal reforms.

In this situation, Kim Kihwan proved to be a miserable administrator and exhibited a dismal lack of leadership. Terribly frustrated, all 15 research assistants staged an internal coup soon after Roh's 1987 declaration. They demanded a fundamental restructuring of the organization and sweeping personnel changes, including the dismissal of the General Affairs Director, Kim In Bae, and some of the key people on the Foundation side. They all turned in resignation letters in the case these demands were not met.

Since these research assistants were the most indispensable work-horses in preparing and arranging events at Ilhae, Kim Kihwan pleaded with them to stay. He explained that his hands were tied since the Foundation staff were beyond his authority. In an exasperated tone, one research assistant commented that the authoritarian organizational structure which allowed the Foundation side to usurp power was, most ironically, "a microcosm of the



Korean political reality between a despotic dictator and the people who have long yearned for a true democratic system." In fact, the internal problems at Ilhae often closely resembled a true-to-life parody of an authoritarian state. This was all the more tragicomic considering the true nature of the organisation.

From the beginning of their tenure, research staff faced a moral dilemma: to work for the dictator or to quit. Some did quit, but most stayed on, believing that the nature and purpose of the organization would change to accommodate increasing political pressures for democratic reform. Furthermore, it was at times extremely difficult to distinguish Chun's personal political agenda and Korea's national interest.

In such an environment, the political demise of Chun certainly had a highly uplifting psychological effect on the Institute staff whereas it was a devastating blow to the Foundation staff. But more importantly, the end of the Chun era was also a beginning of the unravelling of the organizational structure of Ilhae as Chun's cronies began to lose their grip on power and were forced to adopt more democratic and fair means to cooperate with the Institute people for the Ilhae's survival. Yet, it was also a time of confusion and uncertainty for the organization as a whole. There was, for instance, a sense of loss and sadness among everyone at Ilhae, coupled with the loss of reputation and prestige which the Institute staff had worked assiduously to build in such a short time.

Meanwhile, there was an immediate response from the Ilhae board of directors to the sudden turn of events. At a directors' meeting, some of the most meaningful and thorough changes to this date were introduced in Ilhae organizational structure and personnel. Kim Kihwan was demoted to a single position as president of the Institute

while Chung Ju Yung was selected as chairman of the Foundation.

Also, to answer a rumour of stock-market manipulation concerning Ilhae, both Kim and Chung had to appear in a televised interview in October 1987. Chung explained the origin and activities of Ilhae in the most general and evasive terms and flatly denied any role in stock-market manipulation. To the best of my knowledge, the rumour was false. There was nobody on the Foundation side clever enough to manipulate the stock market. Nevertheless, this was the beginning of what became "the Ilhae scandal," for it planted seeds of suspicion about the true nature of the Foundation among average Koreans. It is also interesting to note here that the scandal was initially a financial, not political issue.

### **The National Assembly Hearing Sessions**

Korea's political drama unfolded with Roh's election by a narrow majority as president in November 1987 and the subsequent National Assembly elections in which the opposition parties defeated the ruling party. Buttressed by an outpouring of popular support, the opposition members of the National Assembly started to tackle the legacy of corruption and malpractice in Chun's Fifth Republic. Thus began Korea's first televised National Assembly Hearing Sessions, with special investigation committees on the most egregious examples of Chun's dictatorial abuse of power, including the Kwangju Massacre of 1980, human rights violations, financial scandals, media censorship and the Ilhae Foundation.

Calling this a "political show" for its entertaining quality, an article in *Shin Tonga* states that "whole process of National Assembly Hearing Sessions was unprecedented in Korea with even higher ratings than the Opening

Ceremony of the 1988 Olympics."<sup>14</sup> In the first moments of political openness, the average ordinary Korean was thrilled to see some of the most powerful men of the former Chun regime embarrassed, harassed, and downright humiliated.

Among wrongdoings and irregularities during the Fifth Republic, the Ilhae scandal was one of the most emotionally provocative to the public because it became the most celebrated example of Chun's personal corruption. From 4-9 November 1988, a special investigation committee of the National Assembly questioned witnesses such as Chang Se Dong, the former Chief of the National Security and Planning Agency (previously known as the KCIA); Yang Jung Mo, the former Chairman of Kukje; Chung Su Chang, Chairman of the Korean Chamber of Commerce and Industry; Choi Soon Dal, the first Chairman of the Ilhae Foundation; Chung Ju Yung, the Honorary Chairman of Hyundai and then Chairman of the Ilhae Institute. Among others, Ahn Hyun Tae, the former head of the Presidential Security Office who played a significant role in the initial start-up phase of Ilhae and Kim In Bae, the underling at the Presidential Security Office who later became General Affairs Director at Ilhae, were also interrogated.<sup>15</sup>

In the course of the National Assembly Hearing Sessions, it was revealed that irregularities and corruption had indeed occurred in the establishment and administration of the foundation. To understand the exact role that Chun and his loyal circle of subordinates at the Blue House, the Presidential Security Office, the National Security Planning Agency and the Army Security Command played, the committee concentrated on the question of how much political coercion was used to collect the massive funds. While being interrogated about the extent of political pressure, Chung Su Chang acknowledged that he was at first put in charge of deciding the amount of funds to be collected from 50 *chaeböl* by using company sales figures and assets.<sup>16</sup> But Chang Se Dong denied any

political pressure had been used and maintained that the donations from *chaeböl* were strictly voluntary. He supported this view with the fact that support from some conglomerates such as Hanyang and Hanbo were refused because these were believed to be in an unsound financial situation.<sup>17</sup>

On the other hand, Yang Jung Mo insisted he suffered the "spontaneous combustion" of his conglomerate because he was not always cooperative with the various causes of the Chun government and that Chun had wanted to demonstrate this absolute autocratic power by liquidating a major group like his own.<sup>18</sup> Moreover, referring to the authoritarian political climate at the time, Chung Ju Yung said that "businessmen did not want to go against the flow of the times, wanting to keep government favour." He also admitted that, "After the second collection in 1985—the collection of funds were in three phases from 1984 to 1986—the Blue House set a higher goal in terms of the size of contributions from *chaeböl* toward Ilhae. At that time, I gave reluctantly to live comfortably under this regime."<sup>19</sup> This also went along with Chung Su Chang's assertion that "even if the businessmen did not willingly contribute, judging that it would otherwise mean trouble, most of them voluntarily gave."<sup>20</sup>

It was thus disclosed that donors were able to lobby the Blue House, as it appeared that they could receive special favours in return. Assemblyman Kim Dong Ju made public a list of favours to sixteen donors. These included approval for a huge land reclamation project by Hyundai, permission to establish a golf course by Ssangyong, permission to write off a bad debt on a golf course in Cheju island by Hanjin, permission for a combined steel mill, along with reduced taxes and special financing for Dongkuk Steel, and long repayment and refinancing favours for Daelim Industries and Daewoo. Pohang Steel, in contrast, appeared to have

been forced to donate while the Daenong Group gave willingly to receive approval for their business.<sup>21</sup>

The testimonies unveiled a complex process of political push and pull, as well as outright collusion, between the political and economic elites in Korea. This showed that it was not easy to distinguish political pressures from other considerations in the collection of Ilhae funds. However, in light of the tyrannical nature and high-handed style of politics during the Chun era, it seems reasonable to assume that the process of collection of funds was characterized by arbitrary political pressure from Chun more than by the eagerness of major conglomerates to make hefty voluntary contributions.

In addition, through Chang Se Dong's and Ahn Hyun Tae's attestations, it was shown that the Blue House almost single-handedly managed the designing, planning and construction of the facilities plus the allocation of funds at Ilhae. In fact, both admitted that they reported the financial situation and administrative details of Ilhae directly to Chun and that Chun gave personal orders and approval in the management of affairs. When asked about Chun's future intentions to use Ilhae, Ahn stated that "after Chun retired, it was believed that he would stay at Ilhae and I, as the head of Presidential Security Office, thus went to the construction site and oversaw the whole project." Ahn added that "after Roh's declaration, however, we realized that it would be difficult for the President to stay at Ilhae. So we changed the provision of article of association which specified that its founder should be its president because, with the name "Ilhae," we know that we could not extinguish people's suspicions."<sup>22</sup>

Chang took personal responsibility for the extravagant home, garden, and golf course as well as a helicopter pad near Chun's parents' tombs. He said, "Yes, I built Chun's new home, 'Chõngnamdae', and spent

altogether about 100 million won (approx. \$1.5 million) Although one might say that this should not be a duty of the head of the Presidential Security Office in a strict legal sense, I felt that it was all for the protection and security of the president." With curious logic, he further defended his actions: "It is silly to say that this is a crime of the Fifth Republic. It was for Chun's personal use. It was supposed to be his home."<sup>23</sup>

Furthermore, it was proved that Kukje was sacrificed for political reasons due to its passive or uncooperative attitudes in contributing to Chun's causes, including the Ilhae Foundation. As this made Kukje "hateful in the eyes of the ruling elite, they felt a need to revenge and punish [the group] for such behaviour." Regarding Kukje's overnight dissolution, Kim Manje, former Deputy Prime Minister and by then Minister of the Economic Planning Board, testified that it was Chun's personal decision to dismember the company because Kukje neglected its "lobbying activities" with the Chun government.<sup>24</sup>

In the aftermath of the National Assembly Hearing Sessions, Chang Se Dong was arrested on charges of abuse of power and was sentenced to prison for nine months. Kim In Bae was jailed for embezzlement of funds at Ilhae. One by one, Chun loyalists left Ilhae, either voluntarily or involuntarily. Kim Kihwan was removed. By then, Chun had appeared on television before the nation to apologise for the negative legacies of the Fifth Republic.

As for the research institute, the name was changed to "Sejong Institute" to commemorate the high cultural achievements of the 15th century King Sejong and to shed its unfortunate association with Chun. Most of the research fellows and assistants remained. Lee Yong Hee, a former professor of Political Science at Seoul National

University and Minister of National Unification, was invited to join as president of the Institute.

### **Conclusion**

From this examination of its origin, organizational structure and personnel, and activities, in addition to the findings of the National Assembly Hearing Sessions, I have shown that the Ilhae Foundation was the most important example of Chun's personal corruption as well as a political vehicle to prolong his dictatorial rule. As was evident, it was also designed to become Chun's personal mansion and power base. The Ilhae scandal thus showed the extent of his abuse of power, and proved an illuminating commentary on the political reality under military dictatorship in an unfortunate chapter of Korea's modern history.

As we apply closer scrutiny of the Ilhae Foundation—as an organization as well as the basis of a scandal—it becomes necessary to inquire about the nature of dictatorial rule under Chun in regard to South Korea's political and economic decision-making processes and institutions. For example, I cannot help but ponder why and how such self-aggrandizement was possible. How was Chun able to control the political and economic situation of Korea in such a way that he never even conceived a possibility of being held accountable for such immoral and illegal behaviour?

From my work experience at Ilhae, I learned that Chun was a quite well-informed and politically aware man who surrounded himself with the best of academic and bureaucratic minds. Moreover, starting from his days at the Army Security Command as a political protégé of Cha Ji Chul, a hard-liner killed in 1979 with Park Chung Hee, Chun seems to have clearly understood the importance of controlling the media and suppressing political opposition.

Hence, he was most calculatingly brutal in quelling the uprising in Kwangju and systematically efficient in dealing with the opposition and the media.

Chun was able to substantially weaken the opposition by his "divide-and-conquer" method. This weakened the legislative branch, turning it into a mere rubber-stamp for Chun's executive orders. As for the judiciary system, "a constant pattern of gross violation of human rights" during Chun's rule generated by legal manipulation and practice ignored constitutional and legal provisions and acted more as "sentencing machines" of dissidents at political trials.<sup>25</sup> So it can be seen that Chun eliminated virtually all possible sources of political dissent effectively and efficiently and managed to succeed in concentrating all political power in his hands. As such, there were no institutional mechanisms of political recourse to make Chun accountable for his abuse of power.

In the arena of economic decision-making processes and institutions, Chun also proved to be skilful and manipulative in using the government economic bureaucracy and quasi-governmental institutions. The Korean economic bureaucracy had already been overly elitized and centralized during the Park era and could be characterized as "Korea, Inc"—with the state as the chairman of the board and performing a guiding function in the national economy. Chun exacerbated these tendencies all the more in his heavy-handed authoritarian rule. He was a "macro manager" of the Korean economy, but unlike his predecessor Park, his strictly hierarchical top-down economic decision-making process was anti-democratic and dictatorial. This, combined with capital provision through a central banking system allowed him to select and foster firms that would have comparative advantages in the world markets.<sup>26</sup>

Needless to say, economic-decision making under Chun could only be a highly politicized process as Chun could either make or break a company. This, in large part, explains behind why he was able to exert such political influence to demand contributions from fifty *chaeböl* for the Ilhae Foundation, practically as an additional state levy. It may also explain why such a high level of collaboration existed among the ruling and economic elites when collecting funds for Ilhae, as manifested in the 16 cases in which conglomerates lobbied the Blue House for special favours.

These blatant examples of collusion between the political and economic elites raise unsettling and troubling questions about the legacy of elitism, opportunism and collaboration in the process of development in the modern Korean political economy. More significantly, they point to possible sources of weaknesses in the decision-making process and infrastructure in the model of modern Korean political and economic development. In this regard, are businesses in Korea protected from such an abuse of power and political coercion in the future? Furthermore, are there adequate institutional mechanisms and have there been reforms in the political and economic-decision making process which will prevent and restrain such personalization or centralization of power?

The Ilhae scandal highlights a serious and urgent need to reform the political and economic decision-making process to create sufficient institutional mechanisms to protect the viability of fragile democracy in a developing country like South Korea. No doubt, the current reforms are moving cautiously, although at times too slowly, in this direction. Finally, as the Ilhae Foundation was dramatically eclipsed by unexpected and cataclysmic political events in 1987 and 1988, it should remain as the Sejong Institute to remind us of the ardent democratic aspirations and fearless

courage of the Korean people at a tumultuous historical crossroads between authoritarianism and democracy.

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## NOTES

- 1 Pak Chongyul, "Ilhae Foundation suspicions still remain," *Shin Tonga*, October 1988, p.336.
- 2 *Ibid*, p.337.
- 3 *Ibid*.
- 4 *Ibid*.
- 5 *Ibid*.
- 6 *Ibid*.
- 7 *Ibid*.
- 8 *Ibid*, p.342.
- 9 "Ilhae Foundation: A Sanctuary Hidden behind a Veil", *Shin Tonga*, September 1987, p.555.
- 10 Pak, *ibid*, p.342.
- 11 *Ibid*, p.341.
- 12 Kim Kihwan's speech from the First Joint Symposium of the Ilhae Foundation with the Brookings Institute on 25 March 1986.
- 13 Pak, p.343.
- 14 "Failed Political Show: A Summary of the National Assembly Hearing Sessions", *Shin Tonga*, January 1989, p.212.
- 15 *Ibid*, p.213.
- 16 *Ibid*, p.217.

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- 17 *Ibid*, p.215.
- 18 *Ibid*, p.217.
- 19 *Ibid*, p.217.
- 20 *Ibid*, p.217.
- 21 *Ibid*, p.216.
- 22 *Ibid*, p.216.
- 23 "The Ten Most Important People in the Fifth Republic on Trial", *Shin Tonga*, February 1989, p.375.
- 24 *Ibid*, p.381.
- 25 Ed Baker, *Democracy in South Korea: A Promise Unfulfilled, A Report on Human Rights 1980-1985* (International League for Human Rights and the International Human Rights Law Group), pp.127-128
- 26 Bruce Cumings, *The Two Koreans, Foreign Policy Association Headliner Series 269*, p.62

**ROBERT HART AND CHINESE  
DOMINATION OF KOREA  
A STUDY OF MISGUIDED IMPERIALISM**

YUR-BOK LEE

**Introduction**

The place of the British administrator, Robert Hart, in modern Chinese history is well known. As the Inspector General of the Chinese Imperial Maritime Customs Service between 1863 and 1911 and as a Westerner who had "more influence on the ruling Chinese than any other foreigner" during his tenure, Hart had a great impact not only on the operation of China's Customs Service but also on matters of modernization and foreign policy. Profound as Hart's influence on Chinese leadership was, his role in the history of China has been the subject of considerable controversy among scholars. Patriotic Chinese historians are insistent that Hart was simply a collector of revenue designed to meet indemnity payments to the treaty powers and, more significantly and more revealingly, was an archetypical defender of Western colonialism in China.<sup>1</sup> Several