

Lee Myung-bak Elected President of the Republic of Korea

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On December 19, the voters of South Korea elected Lee Myung-bak, the previous mayor of Seoul and a former business executive, to be the next president. The candidate of the Grand National Party (GNP), Mr. Lee won by a wide margin over the other candidates, principally Chung Dong-young of the newly established United New Democratic Party and former GNP leader and 2002 presidential candidate Lee Hoi-chang.

Election Details: Mr. Lee won seven of the nine provinces, losing only the two Cholla provinces, which historically have been the center of support for anti-conservative parties. He also won, by large margins, in all the seven separate cities except Kwangju, which is in the Cholla region and was the locus of the 1978 protest against the authoritarian government of the time. He won a total of 11.4 million votes, while Mr. Chung won 6.17 million.

Legal Challenge: Prior to the election, prosecutors examined allegations that Mr. Lee had been involved in establishment of a securities company, BBK, that subsequently defrauded investors, but announced that there was no credible evidence of such involvement. However, on the eve of the election, release of an old video tape in which he appeared to claim a role in establishing BBK led to passage of a bill sponsored by Mr. Chung's party authorizing appointment of a special prosecutor. Mr. Lee asserted that the video clip was taken out of context and reiterated his insistence that he had not been involved, but said that he would accept the new probe. President Roh cited this acceptance in his approval of the bill. Most observers doubt that a special prosecutor (expected to be appointed shortly) could be in a position to file an indictment, even if credible evidence emerged, prior to the scheduled inauguration of the new president on February 25. (Once in office, the president can only be indicted for serious crimes affecting the national security.) Moreover, the constitutionality of the bill is being challenged.

Transition Team: A 2003 law provides for a range of measures to support a president-elect both logistically and with respect to provision of information and nomination of cabinet members. Mr. Lee has established a transition team, led by Dr. Lee Kyung-sook, president of Sookmyung Women's University since 1994, reportedly chosen on the basis of her non-political status and strong managerial skills. Her team is apparently organized into seven divisions, two of which are on economic issues that are led by former government officials and include two foreign experts.

Early Visit to Washington: Reports indicate that President-elect Lee will shortly send special envoys to the United States, Japan, China, and Russia to arrange summit meetings, and a spokesman on January 4 said that in the case of the United States Mr. Lee would seek a summit immediately after his inauguration.

Policy Initiatives: The following summary of policy initiatives by the new president is based on press reports.

North Korea: At a press conference following the election, Mr. Lee emphasized that substantial aid flows from South Korea and a peace treaty could come only after the North abandons its nuclear ambitions. He also indicated that he would not avoid commenting on the North's "shortcomings" on human rights. Representative Park Jin, a key member of the transition team, said that the team would be looking closely at the agreements reached to implement the October 4 summit meeting between President Roh and Chairman Kim Jong-il, and reserved the right to make adjustments to ensure that the South's financial undertakings were realistic and cost-effective. He also suggested that establishment of a "peace zone" in the West Sea should not compromise the military dimension of the Northern Limit

Line. Mr. Lee's advisor on North Korea, Professor Nam Sung-wook, predicted that the new government would divide the various agreements into four groups, some of which would go forward as planned and others would be deferred and implemented only in conjunction with progress on nuclear issues. The transition team called for regular meetings of the foreign ministers of the ROK, United States, and Japan to coordinate pending issues.

During the campaign, Mr. Lee articulated a number of additional economic policies to assist the North if it denuclearizes, some of which were quite general (e.g., help resolve perennial hunger and health and welfare problems) and some very specific (e.g., raise per capita income in the North to \$3,000 over 10 years, create at least 100 export companies having over \$3 million in earnings, foster 300,000 industrial jobs, and create a \$40 billion "international cooperative fund" to support pursuit of these goals. The transition team said that it is considering how to implement the concept of such a fund—the \$40 billion apparently would include loans and investments by domestic and foreign businesses and international financial institutions. North Korea's media have so far not commented directly on the election. Spokesmen for Mr. Lee interpreted a joint New Year's Day editorial in the North Korean press calling for timely implementation of the post-summit accords as a positive signal, effectively recognizing that the North would be dealing with a Lee administration.

Relations with the United States: Following up on pre-election promises to strengthen relations with the United States, President-elect Lee agreed with President Bush, during their telephone conversation, on the priority of resolving the North Korean nuclear issue. In a January 4 meeting with a group of visiting U.S. dignitaries, Mr. Lee said that Seoul and Washington should work together more closely to bolster the Korea-U.S. alliance and build peace on the peninsula. His aides earlier had indicated that his administration would consider more active participation in the Missile Defense program and the Proliferation Security Initiative, and they said that the transition team will work closely with U.S. policymakers to develop a plan to build a strategic and mutually-beneficial partnership. The *Chosun Ilbo* said that Washington would be sending a delegation of officials from various departments to Seoul for discussions with the transition team on the North Korean nuclear issue, the U.S.-ROK alliance, and bilateral trade.

Economic Policies: Touting his business experience, President-elect Lee pledged during the campaign to follow sensible, business-friendly economic policies that neither constrained nor supported the principal players and that observed market principles and economic logic rather than political objectives. His platform envisioned wealth distribution through high growth and the creation of jobs rather than by direct measures, but also a strengthening of the safety net for the disadvantaged. One analyst characterized "MBnomics" as a mixture of neoliberalism mixed with a populist welfare policy. Following the election, Mr. Lee and his advisers backed away from the campaign pledge to achieve 7 percent annual economic growth. Lee's spokesperson, Park Hyung-jun, said that they have downgraded this year's economic forecast to 6% due to unfavorable external factors, including high oil prices and the subprime crisis in the United States. Park said that the new government still hopes to accomplish 6% growth for 2008 and eventually average 7% growth for five years. Experts said that even 6% growth target is difficult to achieve as the external factors will likely worsen this year, but not impossible if investment and consumption increase to normal level. However, at the request of the transition committee the Ministry of Finance and Economy is developing a plan to increase the growth rate. The Financial Supervisory Commission is preparing a plan to provide relief to individuals with large consumer debts.

The Fair Trade Commission told the transition team that it would be able to abolish the limits imposed on large conglomerates (*chaebol*) on their investments in other companies, including affiliates. However, the team indicated that the Lee administration would not permit *chaebol* to acquire banks in the near future; rather, it would "allow consortiums of small and midsize companies or private equity funds to own banks."

Other post-election statements by Mr. Lee included a promise to establish harmonious management-labor relations, a plea to business leaders to increase investment in conjunction with deregulation by the government, and an undertaking to support small and medium enterprises, in part through privatization of public entities such as the Korea Development Bank. Although indicating that the controversial real estate policies of the Roh government would be revised, he asserted that real estate prices would not rise during his tenure. He also agreed with President Roh to cooperate in achieving ratification by the National Assembly of the KORUS FTA before President Roh leaves office. Regarding his controversial proposal to construct a cross-country canal, his spokesmen said that public hearings would be scheduled in the near future and that construction of the canal could start in February 2009, with completion scheduled for 2011.

Reorganization of the Government: The transition team indicated that the Lee administration would drastically reduce the number of civil servants and government committees. It would abolish the Government Information Agency, scrapping the Roh government's effort to centralize press briefings and reviving pressrooms in individual ministries. It would downsize the Prime Minister's office. There was also talk of reducing the role of the Unification Ministry and restoring the lead role of the Ministry of Foreign Affairs and Trade, and changing the structure of the National Security Council.

Education: The Lee administration is expected to abolish some of the rules established by the Roh administration aimed at reducing the perceived bias of prestigious universities in favor of applicants from elite high schools. The president-elect had also pledged to revise the system to provide for establishment of different types of high schools. On January 4 he reaffirmed his intention to allow universities to have significant autonomy in choosing their students and said that education reform will be a key task of his administration.