

The Choi Soon-sil Scandal

Investigations continue

The National Assembly passed a bill on Nov 17 to form a special prosecution unit for investigating the scandal surrounding Ms. Choi Soon-sil. 196 voted in favor of the bill while 10 voted against and 14 abstained¹. The 10 "nay" votes came from members of the pro-Park camp within the New Frontier Party (NFP).

The investigation team will consist of a special lead prosecutor, 4 assistant prosecutors, 20 'dispatch' prosecutors, and 40 investigators². The two major opposition parties will nominate two potential candidates for the head prosecutorial position. President Park will have to choose between these two nominees. After the lead prosecutor is appointed, the team will have 120 days maximum to conclude the investigation³. The team will investigate various activities involving Choi, including (but not limited to) the following⁴:

- Alleged leak of classified documents and/or state secrets to Choi and others. The investigation will focus primarily on the so-called "three doorknob aides:" Former Senior Private Secretary to the President, Jung Ho-sung; Former Presidential Secretary for Public Relations, Ahn Bong-geun; and Former Presidential Secretary for Administrative Affairs, Lee Jae-man;
- Alleged involvement of a civilian in state affairs, including decisions related to appointments, organizational operation, and public/private corporate personnel management;
- Alleged engagement in illegal activities involving the MIR and K-Sport Foundations;
- Alleged extortion. Choi may have used her personal ties with the president for personal gains;

- Alleged extortion. Choi's daughter, Chung Yoo-ra, may have received preferential treatment in high school and Ewha Womans University. Companies such as Samsung may have provided financial assistance illegally in return for favorable policies;
- Alleged dereliction of duty. Woo Byung-woo may have failed to perform his duty as Senior Presidential Secretary for Civil Affairs at the time and allowed Choi's intrusion into the president's decision and activities.

One of the criticisms regarding the special prosecution team is the failure to single out the most important subject for investigation: President Park.⁵ Others have suggested, however, that the team has the authority to expand its investigation to cover other related issues. This may include an investigation into President Park's "missing 7 hours" during the sinking of the *Sewol* ferry on April 16, 2014⁶.

In a separate prosecutorial investigation on Nov 20, investigators pressed charges against Choi along with Ahn BK and Jung HS. They also identified President Park as an "accomplice." Choi and Ahn were charged with extortion and abuse of power, while Jung is accused of leaking classified documents.⁷ Investigators will continue to investigate the president's involvement even though Article 84 of the Constitution gives active presidents immunity from criminal charges. Mr. Yoo Yeong-ha, the president's attorney, announced that he "regretted" the charges against President Park and labeled them as nothing but "imagination and conjectures."⁸ Members of the opposition parties have now begun to discuss the possibility of impeachment.⁹

Nationwide candlelight vigil and President Park

President Park's approval rating dropped to the lowest level for any president at 5%. She has offered two public apologies in the span of two weeks. On Nov 12, approximately one million South Koreans

gathered in central downtown Seoul just a few hundred meters from the Blue House to demand her resignation. This candlelight vigil was larger than the 2008 protest against imported U.S. beef and the largest since 1987 when South Koreans demanded democratic transition¹⁰. More protests are scheduled to take place during weekends and expectations are that these protests will continue to grow in size.

DATE	SIZES OF PROTESTS
Oct. 29 ¹¹	20,000 according to organizers (12,000 according to police)
Nov. 5 ¹²	200,000 according to organizers (45,000 according to police)
Nov. 12 ¹³	1,000,000 according to organizers (260,000 according to police)
Nov. 19 ¹⁴	960,000 nationwide according to organizers (270,000 nationwide according to police)

Party Approval Ratings

	Nov. 8-10 ¹⁵	Nov. 15-17 ¹⁶
NFP	17%	15%
TDP	31%	31%
PP	13%	14%
Justice	6%	6%
Don't know/refused	32%	32%

President Park's response to the protests has drawn severe criticism. One questionable decision was the move to replace Prime Minister Hwang Kyo-ahn with Mr. Kim Byung-joon. When faced with strong opposition, she withdrew the nomination and visited the National Assembly to relinquish the nominating power to opposition parties.

She is also under fire for refusing to cooperate with the prosecutors. Prosecutors initially scheduled Nov 16 as the date for her interrogation. A day before the scheduled interview, however, the President hired an attorney (Yoo Yeong-ha) who announced that the prosecution should review all necessary documents before moving ahead with a "face-to-face" investigation. He also asked the public to "respect the fact that President Park is first and foremost a woman."¹⁷

While President Park has been forced to remain silent on domestic affairs, she has been active on several diplomatic fronts. On Nov 10, she held a summit meeting with President Nursultan Nazarbayev of

Kazakhstan¹⁸ and talked on the phone with US President-elect Donald Trump¹⁹. She also continued South Korea's consultation with Japan on the information sharing agreement and on Nov 14, tentatively signed the General Security of Military Information Agreement (GSOMIA).²⁰ Although she skipped this year's APEC meeting in Peru from Nov 19~20, she will attend the US-ROK-Japan trilateral summit meeting in Tokyo next month²¹.

Party positions on President Park

PARTY	POSITIONS
NFP	<ul style="list-style-type: none"> Divisions between the pro-Park and anti-Park camps have intensified The anti-Park camp has asked for the pro-Park leadership to resign so they can break up the NFP and reinvent the party²² Despite calls for his resignation, Lee Jung-hyun, current NFP leader and a member of the pro-Park camp, has refused Kim Moo-sung, former NFP leader, and Oh Se-hoon, former mayor of Seoul, both criticized President Park and asked her to leave the party²³ Kim Moo-sung, along with others, have also called for the president's impeachment²⁴
TDP	<ul style="list-style-type: none"> Many members of TDP, including current party leader Choo Mi-ae, former party leader Moon Jae-in, Seoul Mayor Park Won-soon, and Lee Jae-myung, participated in the candlelight vigil on Nov 12 demanding President Park's resignation²⁵ On Nov 14, Choo Mi-ae invited President Park to a bilateral talk to discuss ways to manage the current crisis.²⁶ When the Blue House quickly accepted her proposal to hold talks, opposition parties strongly opposed this meeting. Members of both TDP and PP criticized Ms Choo's decision and argued that she was playing into the president's hand.²⁷ Faced with staunch opposition, Choo withdrew from the scheduled meeting.²⁸ On Nov 15, Moon Jae-in, one of the leading presidential candidates, held a press conference and announced that he will "join the South Korean people and continue to demand the

	resignation of President Park until the day she announces her unconditional resignation” ²⁹
PP	<ul style="list-style-type: none"> On Nov 10, the PP announced the decision to actively participate in the movement to remove President Park from power.³⁰ On Nov 13, the PP held an emergency meeting and offered a ‘roadmap’ to President Park’s resignation. This roadmap includes forcing the president to leave her party, appointing an appropriate prime minister to run the government, and investigating President Park³¹ Ahn Cheol-soo, former leader and co-founder of PP, has urged the replacement of Blue House leadership by early 2017.³² Ahn is also a leading presidential candidate. Park Jie-won, current leader of PP, has also urged President Park to resign.³³ While Mr. Park has been a fervent supporter of the president's resignation, he has dismissed the possibility of impeachment for three reasons:³⁴ 1) it would be difficult to win more than 200 votes in order to successfully impeach the president as the opposition and non-partisan votes account for only 171 seats in the National Assembly; 2) impeachment would take more than 8 months; 3) if President Park is impeached, current Prime Minister Hwang will serve as the interim leader, which is less than desirable from his point of view.

Corporate Tax Hike

The National Assembly is mulling an increase in corporate tax rate, which currently stands at 22%. The two main opposition parties have been pushing for this reform given their pledge to do so in the last general election. As of Nov 7, seven bills have been referred to the Taxation Committee with top rate set for 32%.³⁵

Part of the controversy around the corporate tax hike is the sharp rise in household income tax revenue, which has increased by over 54% (KRW 30 trillion) this past year. Corporate tax revenue has only increased by 12% (KRW 51 trillion) over the same period.³⁶

The TDP and PP has argued that an increase is necessary because the reduction in corporate tax under the Lee Myung-bak administration has not resulted in more investment nor employment.³⁷ Another concern is the mounting annual average fiscal deficit, now worth approximately KRW 23 trillion.³⁸

The conservative party has been against these proposals but the two opposition parties have used the Choi Soon-sil scandal to state that it is better to collect tax from corporations by imposing legal tax measures rather than using extortion as a form of "quasi tax" on corporations.³⁹

Economic Agendas on Hold

The Intermediate Holding Company Act is facing stiff opposition in the 20th National Assembly. The Fair Trade Commission (FSC) announced on Nov 2 that it will draft the bill by the end of this year; but this statement is being questioned with a recent announcement by the FSC official stating that “the FSC is going to support the bill once it is introduced by an assemblyman, but has no plan to lay out the bill.”⁴⁰

Even if the bill is introduced this year, circumstances are against the odds. Currently, the National Assembly is controlled by the opposition parties, which have opposed the bill calling it a special privilege for Samsung which is the biggest beneficiary of the act.⁴¹ To complicate the matter further, the company is under investigation for involvement in the Choi Soon-sil scandal.⁴²

Finally corporate restructuring has been overshadowed by the scandal. There are questions as to whether Hanjin Shipping received unfair treatment for falling into court receivership. Some have claimed that Hanjin may have entered the court receivership because the company made little or no contribution to the Mir and K-Sports Foundation.⁴³ One thing is certain. The scandal has been a significant distraction for the government with observers calling on the administration to begin implementing the plan which was released last month.⁴⁴

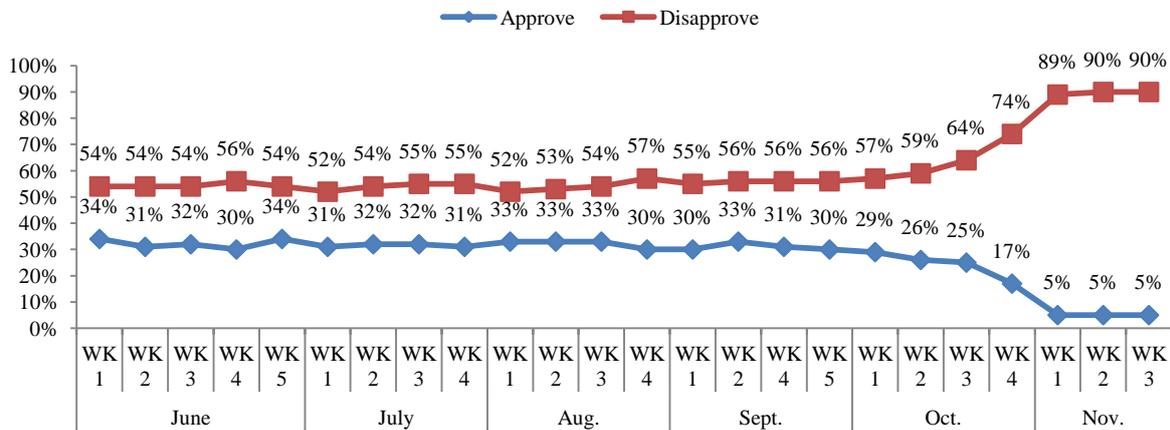
Presidential Candidates Approval Ratings⁴⁵

Candidate	Party	Rating (± from previous month)
Ban Ki-moon	-	21% (-6)
Moon Jae-in	TDP	19% (+1)
Ahn Cheol-soo	PP	10% (+1)
Lee Jae-myung	TDP	8% (+3)
Park Won-soon	TDP	6% (0)
Sohn Hak-kyu	-	6% (-)
Yoo Seong-min	NFP	4% (0)
Kim Moo-sung	NFP	2% (-1)
Other	-	3% (-2)
Don't know/refused	-	22% (-2)

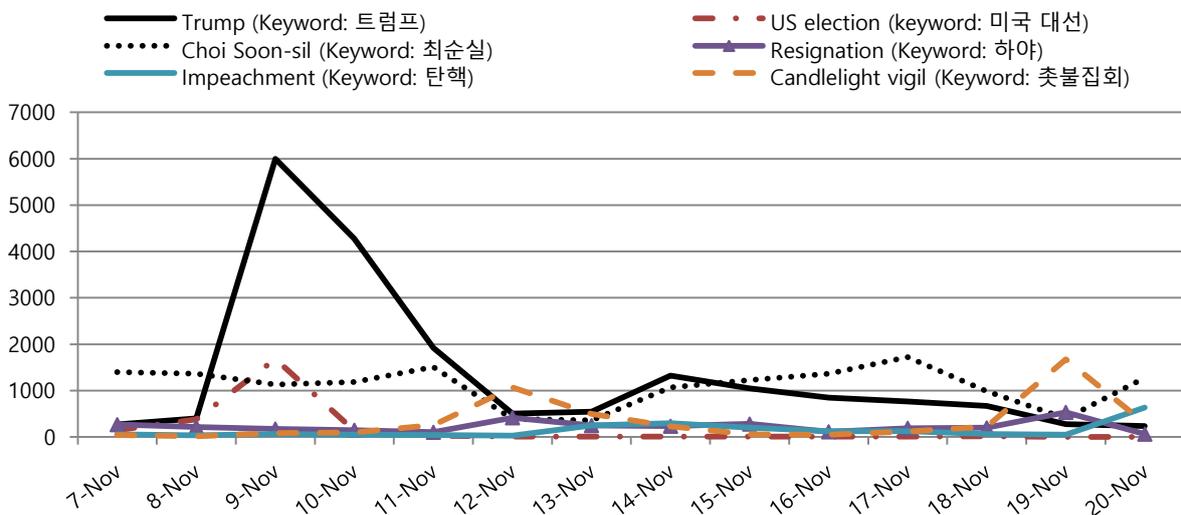
Presidential Candidates Approval Ratings (Moon vs. Ban vs. Ahn)⁴⁶

Candidate	Rating
Moon Jae-in	33%
Ban Ki-moon	32%
Ahn Cheol-soo	17%
Don't know/refused	17%

President Park's Approval Rating



Daily Media Coverage (# of articles that contained the following keywords in their titles)



- 1 “196명이 찬성한 ‘최순실 특검,’” *조선일보*, 2016년 11월 18일.
- 2 “특검 ‘수사과정 브리핑’ 보장...의혹 실제 릴레이 공개 예고,” *동아일보*, 2016년 11월 18일
- 3 20 days for preparation, 70 days of investigation, and an additional 30 days of extension if requested. “‘최순실 특검’ 내 달 초 가동...박대통령 우병우도 수사대상,” *한겨레*, 2016년 11월 14일.
- 4 “여야, ‘최순실 특검법’ 합의...수사 기간 120일, 수사팀 60명 규모,” *중앙일보*, 2016년 11월 14일.
- 5 “여야 합의 ‘박근혜 특검법’ 수사대상엔 ‘박근혜’와 ‘7시간’ 없어...청와대 압수수색 못해,” *경향신문*, 2016년 11월 16일.
- 6 “사라진 ‘세월호 7시간’도 수사 가능...탄핵 근거’ 제시할까,” *경향신문*, 2016년 11월 17일.
- 7 “檢, 최순실·안종범·정호성 기소... 박 대통령도 ‘공모 관계’ 있다,” *조선일보*, 2016년 11월 20일.
- 8 “유영하 ‘상상·추측으로 만든 환상의 집,’” *동아일보*, 2016년 11월 21일.
- 9 “정치권, 탄핵 급물살,” *경향신문*, 2016년 11월 20일.
- 10 “촛불 행진 85만명, 1987 민주화 항쟁 이후 최대 규모,” *경향신문*, 2016년 11월 12일.
- 11 “10대부터 60대까지 ‘최순실 촛불’ 커다,” *조선일보*, 2016년 10월 31일.
- 12 “주최측은 ‘20만명’ 경찰은 ‘4만5000명,’” *조선일보*, 2016년 11월 6일.
- 13 “與 비주류 ‘100만 집회’에 비상회의 ...김무성 ‘저도 국민도 속았다, 탄핵을,’” *조선일보*, 2016년 11월 13일.
- 14 “바람에도 촛불은 꺼지지 않았다...전국 96만 모여,” *한겨레*, 2016년 11월 20일.
- 15 Gallup Korea, date: Nov. 8-10; sample size: 1,003; margin of error: ± 3.1 at the 95% confidence level.
- 16 Gallup Korea, date: Nov. 15-17; sample size: 1,007; margin of error: ± 3.1 at the 95% confidence level.
- 17 “유영하 박대통령 변호인 ‘내일 조사 어렵다...여자로서 사생활 고려해 달라,’” *동아일보*, 2016년 11월 15일.
- 18 “박 대통령, 카자흐스탄 대통령과 정상회담,” *중앙일보*, 2016년 11월 10일.
- 19 “박 대통령 ‘한미동맹 강화’...트럼프 ‘한국과 100% 함께,’” *경향신문*, 2016년 11월 10일.
- 20 “군사정보보호협정 가서명...후폭풍 계속될 듯,” *중앙일보*, 2016년 11월 14일.
- 21 “청와대 ‘박 대통령, 한중일 정상회의 참석할 것,’” *한겨레*, 2016년 11월 18일.
- 22 “새누리 비주류 ‘지도부 사퇴하고 당 해체...재창당,’” *한겨레*, 2016년 11월 9일.
- 23 “헌법정신은 탄핵이지만...’금기어 쏟아낸 비박’...위기의 새누리,” *한겨레*, 2016년 11월 7일.
- 24 “‘박대통령 모두 내려놔야 새누리서도 탄핵 당 해체론,’” *한겨레*, 2016년 11월 13일.
- 25 “더민주 국민의당 정의당 ‘대통령 퇴진’ 촛불집회 참석...야권 대권주자도 총집결,” *조선일보*, 2016년 11월 12일.
- 26 “靑, 추미애 제안 영수회담 수용... ‘내일 양자 회담,’” *조선일보*, 2016년 11월 14일.
- 27 “박지원, ‘대통령이 영수회담 기다리고 있는데 갖다가 밥 넣어준 꼴...추미애가 야당 분열 노리는 청와대의 뒷에 빠졌다’ 맹비난,” *조선일보*, 2016년 11월 14일.
- 28 “‘추미애 백기’...15일 ‘박·추’ 양자회담 철회,” *중앙일보*, 2016년 11월 14일.
- 29 “문재인 기자회견에 野 인사들 ‘환영’...박지원은 ‘실현 방향 모호’ 지적도,” *동아일보*, 2016년 11월 15일.
- 30 “‘박대통령 퇴진’ 국민의당 당론,” *한겨레*, 2016년 11월 10일.
- 31 “국민의당 정의당, ‘로드맵’ 제시하며 박 대통령 퇴진 총력전,” *한겨레*, 2016년 11월 13일.
- 32 “안철수 ‘내년 상반기엔 새 리더십 나와야,’” *한겨레*, 2016년 11월 16일.
- 33 “국민의당 박지원 ‘질서있는 퇴진 결단이 없다면 민심의 바다로 가겠다,’” *경향신문*, 2016년 11월 13일.
- 34 “박지원이 말하는 탄핵안 발의 안하는 이유 3가지는?” *중앙일보*, 2016년 11월 14일.
- 35 “최순실 ‘밀고’ 트럼프 ‘끌고’...韓 법인세율 어디로 가나,” *조선일보*, 2016년 11월 15일.
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- 37 “법인세·기업소득환류·아동수당·공익법인...’굵직한 세법 ‘1차 논의,’” *조선일보*, 2016년 11월 20일.
- 38 Ibid.
- 39 “최순실 ‘밀고’ 트럼프 ‘끌고’...韓 법인세율 어디로 가나,나로 *조선일보*, 2016년 11월 15일; 5년 3조원 싸움...여야 법인세 전쟁 시작됐다,” *서울경제*, 2016년 11월 16일.
- 40 “‘중간금융지주사 도입’급물살...삼성 지배구조 개편에 대비,” *아시아투데이*, 2016년 11월 3일; “중간금융지주

에 애타는 삼성...국회선 논의조차 ‘깜깜’,” *아시아투데이*, 2016년 11월 16일.

41 “중간금융지주에 애타는 삼성...국회선 논의조차 ‘깜깜’,” *아시아투데이*, 2016년 11월 16일.

42 “‘최순실게이트’로 중간금융지주사제 도입 좌초 위기,” *중소기업신문*, 2016년 11월 10일.

43 “한진해운 공중분해의 재구성, ” *경향신문*, 2016년 11월 9일.

44 “최순실에 밀린 구조조정,” *동아일보*, 2016년 11월 9일.

45 Gallup Korea, date: Nov. 8-10; sample size: 1,003; margin of error: ± 3.1 at the 95% confidence level.

46 Gallup Korea, date: Nov. 8-10; sample size: 1,003; margin of error: ± 3.1 at the 95% confidence level.

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