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 abstained.

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 investigators.

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 investigation.

The team will investigate various activities involving Choi, including (but not limited to) the following:

- 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. 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, 2014.

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.

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.” Members of the opposition parties have now begun to discuss the possibility of impeachment.

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 transition. More protests are scheduled to take place during weekends and expectations are that these protests will continue to grow in size.

<table>
<thead>
<tr>
<th>DATE</th>
<th>SIZES OF PROTESTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct. 29</td>
<td>20,000 according to organizers (12,000 according to police)</td>
</tr>
<tr>
<td>Nov. 5</td>
<td>200,000 according to organizers (45,000 according to police)</td>
</tr>
<tr>
<td>Nov. 12</td>
<td>1,000,000 according to organizers (260,000 according to police)</td>
</tr>
<tr>
<td>Nov. 19</td>
<td>960,000 nationwide according to organizers (270,000 nationwide according to police)</td>
</tr>
</tbody>
</table>

Party Approval Ratings

<table>
<thead>
<tr>
<th>PARTY</th>
<th>Nov. 8-10</th>
<th>Nov. 15-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>NFP</td>
<td>17%</td>
<td>15%</td>
</tr>
<tr>
<td>TDP</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>PP</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>Justice</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Don’t know/refused</td>
<td>32%</td>
<td>32%</td>
</tr>
</tbody>
</table>

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.”

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 Kazakhstan and talked on the phone with US President-elect Donald Trump. 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). 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 month.

Party positions on President Park

<table>
<thead>
<tr>
<th>PARTY</th>
<th>POSITIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>NFP</td>
<td>· Divisions between the pro-Park and anti-Park camps have intensified</td>
</tr>
<tr>
<td></td>
<td>· The anti-Park camp has asked for the pro-Park leadership to resign so they can break up the NFP and reinvent the party</td>
</tr>
<tr>
<td></td>
<td>· Despite calls for his resignation, Lee Jung-hyun, current NFP leader and a member of the pro-Park camp, has refused</td>
</tr>
<tr>
<td></td>
<td>· Kim Moo-sung, former NFP leader, and Oh Se-hoon, former mayor of Seoul, both criticized President Park and asked her to leave the party</td>
</tr>
<tr>
<td></td>
<td>· Kim Moo-sung, along with others, have also called for the president’s impeachment</td>
</tr>
<tr>
<td>TDP</td>
<td>· 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 resignation</td>
</tr>
<tr>
<td></td>
<td>· On Nov 14, Choo Mi-ae invited President Park to a bilateral talk to discuss ways to manage the current crisis. 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. Faced with staunch opposition, Choo withdrew from the scheduled meeting.</td>
</tr>
</tbody>
</table>
|       | · 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
The resignation of President Park until the day she announces her unconditional resignation.29

- 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 Park.31
- 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 Ratings

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

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

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moon Jae-in</td>
<td>33%</td>
</tr>
<tr>
<td>Ban Ki-moon</td>
<td>32%</td>
</tr>
<tr>
<td>Ahn Cheol-soo</td>
<td>17%</td>
</tr>
<tr>
<td>Don’t know/refused</td>
<td>17%</td>
</tr>
</tbody>
</table>

President Park’s Approval Rating

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

- Trump (Keyword: 트럼프)
- Choi Soon-sil (Keyword: 최순실)
- Resignation (Keyword: 하야)
- Impeachment (Keyword: 탄핵)
- US election (keyword: 미국 대선)
- Candlelight vigil (Keyword: 촛불집회)
최순실
중간금융지주

2016년 11월 13일.

20 30 days for preparation, 70 days of investigation, and an additional 30 days of extension if requested.

3 3.1

4 “최순실 특검” 허위

5 4

6 “‘최순실 특검’ 혐의...수사 기간 120일, 수사팀 60명 규모,” 중앙일보, 2016년 11월 14일.

7 3.1

8 유영하, “상상...추미애”, 동아일보, 2016년 11월 21일.

9 정치권, 탄핵 급물살,” 경향신문, 2016년 11월 20일.

10 “경향신문, 2016년 11월 17일.

11 “‘최순실 특검’ 혐의...수사 기간 120일, 수사팀 60명 규모,” 중앙일보, 2016년 11월 14일.

12 3.1

13 4

14 3.1

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 “문재인...특검...파업...아이’youth”, 동아일보, 2016년 11월 15일.

18 “박 대통령, 카라스탄 대통령과 정상회담,” 중앙일보, 2016년 11월 10일.

19 “박 대통령...한미동맹 강화...트럼프 ‘한국과 100% 함께,’” 경향신문, 2016년 11월 10일.

20 “군사정보보호협정 가세...’ 교황부에서의...’,” 중앙일보, 2016년 11월 14일.


22 “세누리 비주류...지도부 사퇴하고 당 해체...재정당,” 한겨레, 2016년 11월 9일.

23 “변호사...탄핵을...예기...’ ”, 한겨레, 2016년 11월 7일.

24 “박 대통령 모두 내려나야... 세누리...” 외부의...’ ”, 한겨레, 2016년 11월 13일.

25 “또...국민의당 정의당...당사자 소송심...아이...” 외부의...’ ”, 조선일보, 2016년 11월 12일.

26 “대...국민의당 당...” 외부의...’ ”, 조선일보, 2016년 11월 14일.

27 “박정의, ‘ 대통령판임...기대하고 염두...’...대통령...의...’ ”, 조선일보, 2016년 11월 14일.

28 “최순실...법...’...” 외부의...’ ”, 조선일보, 2016년 11월 14일.

29 “문재인...기자회견...연신...법에...’...” 외부의...’ ”, 중앙일보, 2016년 11월 15일.

30 “‘최순실...법...’...” 외부의...’ ”, 중앙일보, 2016년 11월 10일.

31 “국민의당 정의당...’...” 외부의...’ ”, 중앙일보, 2016년 11월 13일.

32 “안철수...’...” 외부의...’ ”, 중앙일보, 2016년 11월 13일.

33 “국민의당 박지환...’...” 외부의...’ ”, 경향신문, 2016년 11월 13일.

34 “박지환...법에...’...” 외부의...’ ”, 경향신문, 2016년 11월 13일.

35 “최순실...법에...’...” 외부의...’ ”, 경향신문, 2016년 11월 13일.

36 “통...’...” 외부의...’ ”, 동아일보, 2016년 11월 15일.

37 “법에...’...” 외부의...’ ”, 동아일보, 2016년 11월 20일.

38 Ibid.

39 “최순실...법에...’...” 외부의...’ ”, 동아일보, 2016년 11월 15일.

40 “’...’...” 외부의...’ ”, 동아일보, 2016년 11월 15일.

41 “중앙...’...” 외부의...’ ”, 동아일보, 2016년 11월 15일.
에 애타는 삼성…국회선 논의조차 ‘깜깜’,“ 아시아투데이, 2016년 11월 16일.
41 “중간금융지주에 애타는 삼성…국회선 논의조차 ‘깜깜’,“ 아시아투데이, 2016년 11월 16일.
42 “최순실비트 ‘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.
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