

## ANALYSIS OF THE KOREAN GENERAL ELECTION RESULTS: ECONOMIC POLICY PERSPECTIVES

### *Opposition Gains Ground, Ruling Party Loses Some*

The final verdict is that there were no absolute winners and no absolute losers in the parliamentary general elections of 1996. Early pessimistic predictions had it that the ruling party might win no more than 110 of the 253 seats up for popular voting. But while the New Korea Party (NKP) failed to retain its majority in the National Assembly, it won 139 of the 299 parliamentary seats. All the more surprising was the ruling party's upset landslide victory in Seoul over the main opposition National Congress for New Politics (NCNP). Therefore, NKP cannot be dragged about by the opposition.

The National Congress for New Politics (NCNP) won 79 parliamentary seats, far less than its goal of 100, but maintained its position as the main opposition party of in the National Assembly. The NCNP carried the Honam area, the party's political stronghold, but it performed badly in Seoul and the surrounding Kyonggi-do Province, areas in which party leader Kim Dae-jung (DJ) had staked his political future.

Overall, the NCNP was the biggest loser in the elections, failing to send Kim Dae-jung and some other senior party members to the National Assembly. The results were also a warning light to Kim Dae-jung's bid to win Korea's presidential elections next year.

The minor opposition United Liberal Democrats (ULD) increased its presence by winning 50 parliamentary seats. However, Kim Jong-pil's plan to change the current presidential system of government to a parliamentary one through a constitutional revision was thwarted. The Democratic Party (DP) won only 15 seats, falling short of the minimum number of seats (20) needed to form a floor-negotiating bloc in the

National Assembly. Thus the future of the DP is grim. 16 independents were also elected to the National Assembly.

There were two main factors which seem to have led to these election results. First, the first was a general sense of insecurity among the general public, mainly prompted by North Korea's provocative moves in the DMZ just prior to the elections. The ruling party seemed to get a last minute boost from the North Korea maneuvers as it appeared that many voted for the ruling party in order to maintain stability.

The second was the effects of the division among the opposition. In most of the races in Seoul and Kyonggi-do, the margin of victory was at most one or two thousand votes, and in many cases, only four or five hundred votes. If the opposition parties had been united, they probably would have won in a landslide victory.

In addition, voters turned their backs on Kim DJ, who broke his earlier promise to stay in retirement and returned to politics last June.

All of these factors combined to rescue the NKP out of defeat.

### *Characteristics of the 15th General Elections*

The first noticeable characteristic is the landslide victory of the ruling party (NKP) in Seoul and the surrounding regions. In particular, Seoul had been regarded as the stronghold of the opposition camp. But the NKP gained unexpected victories in Seoul, Inchon and its surrounding Kyonggi-do Province, defeating the political heavyweights of the main opposition NCNP in many of the races. The NKP won 27

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parliamentary seats out of the total 47 seats at stake in these areas, far more than its goal of 12. It was the first time that a ruling party to win won a majority or the seats in Seoul.

Second, many political heavyweights were defeated by political newcomers. The number of new lawmakers in the next Assembly, 137, represents a sharp increase from 117 in the previous Assembly. The number of two-term lawmakers decreased from 86 to 43 and that of four-term legislators also declined from 29 to 16. Political heavyweights such as Lee Jong-chan, Chyung Dai-chul, Cho Se-hyung, Park Sil, and Han Kwang-ok of the NCNP, Lee Ki-taek, Kim Won-ki of the Democratic Party, and Kim Yong-tae and Lee Ja-hon in NKP all failed to get elected.

The political newcomers boasted a "clean image," reflecting voters' deep-rooted distrust of the existing political circle, often branded as corrupt. And many voters shared the view that the outcome of parliamentary elections indicated the public's desire for a generational change of politicians as soon as possible. This new generation of politicians was not elected on the basis of outside help or the forceful support of others, but rather on the merits of their own individual campaigns and visions. This generational change witnessed in these general elections will remain a noteworthy issue as the presidential elections swing around next year.

Third, the long-standing regional factionalism basically held true to form in these elections. The nation's three major parties each made landslide showings in their respective strongholds. The NKP took 21 of the 21 seats up for popular vote in Pusan, its stronghold. The NCNP won all but one electoral districts in its stronghold—Kwangju and the Cholla provinces, where 37 seats were up for grab. Also, the ULD took 20 of the 24 seats up for popular vote in Taejon and the Chungchong-do provinces.

However, the ruling party's victory in Seoul shows that voters are beginning to express the

view that the long-held regional factionalism, a major phenomena which characterized past parliamentary elections, should be eliminated.

### *Future Trend in Politics*

The strong showing of the ruling NKP in spite of earlier predictions that the opposition camp would win a landslide victory reflected voters' positive evaluation of the Kim Young Sam Administration's anti-corruption drive. Therefore the ruling party will most likely continue to push for reform amidst stability, and will examine ways to enhance the public welfare. While the ruling party came 11 parliamentary seats short of holding a majority, it is expected that the party will be able to draw enough independents into its fold to control the National Assembly.

However, there is the possibility that the intra-party struggle within the NKP over who will be their presidential candidate will cause the clique made up of former Democratic Justice Party members centering around Kim Yoon-whan to bolt from the NKP and form a coalition with the Taegu-Kyongsang-do (TK) faction of the United Liberal Democrats.

Since the region-based influence of the two Kims (Dae-jung and Jong-pil) has weakened in comparison to before the elections, it is predicted that the opposition will undergo some internal changes. It will most likely concentrate its efforts on internal restructuring, bringing some newer faces to the forefront, and focus its attacks on illegal campaigning activities by the ruling party.

### *The Effects of the Parliamentary Elections on the Economy*

The results of the parliamentary elections are unlikely to have much of an impact on the

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government's future economic policies. Most economists predict that the future political situation will remain stable and not influence the government's economic policies greatly, given the ruling party's gaining of a near-majority of seats in the elections. Thus the government won't change macroeconomic policies which focus on stability amid low inflation and concentrate on attaining an economic soft-landing.

At the meeting of economic ministers after the general elections on April 12, Deputy Prime Minister and Minister of Finance and Economy Rha Woong-bae said the government will not change the course of its macroeconomic policies, placing top priority on attaining an economic soft-landing or sustainable growth amid price stability, and will try to improve upon the high-cost, low-efficiency industrial structure, widely seen as the weakest points in the Korean economy.

In addition, the Government will most likely implement various reforms having a political impact within this year to minimize their effect on the presidential elections next year. The government will soon announce that it will decrease the insolvency rate of drafts for interest rates downward and reform the trust business. It is also preparing to revise the Labor Act to allow the establishment of more than one union in a work place and intervention by third parties in labor affairs, in an effort to provide more flexibility in the labor market.

In addition the government will make efforts to stabilize land prices by ensuring the real-name financial and real-estate transaction systems take root more firmly. The government will also come up with a comprehensive plan for the expansion of social overhead capital by the end of June this year to ease bottlenecks in transportation and the strong of goods. Funds for this will be raised by privatizing governmental firms.

In regard to its *Chaebol* policy, the government will try to prevent arbitrary management by the owners by strengthening the ability of small share-


holders to monitor the majority owners, enhancing the public notice system, and reforming the auditing account system.

But the Government's economic reform drive could be braked, as there are several possible ambushes lurking in the background. First, the money spent on elections, estimated to reach 4-5 hundred billion won, could inflate prices. Therefore price stability, which is closely linked to imports, could be hard to maintain to the balance of payments.

The second is the letdown after the general elections. To boost its economic performance during the 1st Quarter in light of the general elections, the Government issued a large amount of advance orders for government projects. Now that the elections are over, the letdown in activity could possibly lead to a recession.

However, there are signs that economic stability will be maintained. Interest rates have been recently moving downward, and even if the won continues to appreciate, the exchange rate is only expected to reach 760 won/dollar by the end of the year.

In addition, investment sentiments are reviving, as was evidenced in stock prices. The Korean Stock Price Index (KOSPI) rose to over 900 points after the general elections, after having slumbered in the mid-800s for months, and is expected to rise to over 1,000 points in May. Firms are also planning to actively pursue investments within the year which were delayed by the elections.

In conclusion we expect the economy to get back on the right path, free from the excessive influence of politics. The government's economic policies should be based on strict market principles and focus on ways to help strengthen the business sector's international competitiveness. In addition to deregulation, the small and medium-sized businesses are calling upon the Government to step up its efforts to ensure fair competition between large and small companies. 

(Hong-Jin Park)

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