

“The Potential for Early Political Risks in the Park Administration”, *The Peninsula*, 31 January 2013

The Lee Myung-Bak administration took office in February 2008. By the end of June 2008, people were on the streets in protest, including more than 80,000 in a single night's candlelight vigil; the entire cabinet had offered its resignation; and Lee Myung-Bak's approval ratings had fallen below 20 percent. Could the same occur to the Park Geun-Hye administration in 2013?

Park Geun Hye will be inaugurated as South Korea's eleventh, and first female president on 25 February 2013. However, the initial euphoria of a first female president has subsided. Public attention rapidly turned towards the selection of the presidential transition committee and its alleged lack of transparency; key ministerial appointments; and the the substantial changes to government administration that will be put into place.

A less obvious current of commentary is also beginning to gain traction. The incoming Park administration faces a substantial fiscal policy challenge in the financing of its election promises – a challenge that could ultimately become its greatest political risk.

While differing in details, the election promises of each candidate in the December 2012 presidential election focused on achieving 'economic democratization'. Essentially addressing four often quoted international comparisons:

- South Korea ranks at the lower end of Organization for Economic Development and Cooperation (OECD) welfare expenditure.
- Income polarization is the second widest among OECD member states.
- Female participation in the workforce remains amongst the lowest in the OECD and the gender pay gap is the highest among OECD countries.
- Small and Medium-sized Enterprises (SMEs) face major growth constraints with a significantly smaller percentage of mid-sized firms – the growth stage after SMEs - compared to other advanced economies.

The Park administration will inherit an economy that is emerging from the global financial crisis in a better position than most other advanced economies. However, the challenges cannot be underestimated. Financing election promises will be difficult.

Average GDP growth throughout the Lee Myung-Bak administration was substantially lower than during the Kim Dae-Jung and Roh Moo-Hyun administrations, while 2012 has seen the largest gap between national growth and International Monetary Fund (IMF) estimates of global average growth since the 1997-98 Asian Financial Crisis. As leading forecasters trim economic

growth forecasts for 2013, concerns that South Korea has entered a low-growth stage of development similar to other advanced economies have come to the fore.

In addition, the government must consider the external environment; the economic impact of rapprochement and/or change in North Korea; and the increasing challenges of a rapidly aging population. This does not bode well for an incoming administration facing a substantial fiscal policy challenge to finance election promises.

Could the failure to achieve 'economic democratization' transform into social protest? There is an inherent degree of political risk regardless of the administration's ability to finance its election promises.

Firstly, Park Geun-Hye received 51.6 percent compared to 48.0 percent for the main opposition's Moon Jae-In, with a voter turnout of 75.8 percent. In Seoul, Park gained 48.18 compared to Moon's 51.42 percent, while across the nation results favored Park in the conservative south-east and favored Moon in the left-leaning south-west. There remains a lasting and potentially fragmentary divide.

Secondly, the election demonstrated an increasing generational divide between older conservative voters and younger liberal voters. Older voters view Park in terms of stability and security, while younger voters view her in the context of a ruling elite that profited under authoritarian rule. In terms of demographics, social protest will more likely breakout amidst the latter group.

Finally, while Park Geun-Hye's victory shows that she was able to overcome attempts to associate her with the authoritarian rule of her father, the connection remains a galvanizing factor for both the center-left and far-left of South Korean politics.

However, contrasts with the Lee administration need to be assessed carefully. Both sides of politics are keen to avoid a repeat of the June 2008 protests, which resulted in strained relations with the United States and are thought to have cost the economy as much as USD2.5 billion. In addition, the incoming administration will have a significantly longer honeymoon period.

The 1 January 2013 revised government budget frontloads 70 percent of its expenditure to the first half of the year and focuses on welfare. This both serves as a stimulus to the economy and provides a degree of breathing space to the incoming administration.

In early 2008, the new opposition retained a degree of coordination and influence after 10 years of progressive rule. In 2013, after five years of conservative rule the main opposition Democratic United Party (DUP) is disorganized with rival factions apportioning blame for defeat and

younger factions seeking to increase their influence within the party. Public anger does not transform into public protest easily. It requires coordination, momentum and luck.

In 2008, the incoming administration appeared elitist and distant. In contrast, Park has a record of skillfully responding to the public's mood. The incoming administration appears to have already begun to moderate public expectations by reiterating the significance of external challenges to the economy; highlighting the substantial administrative changes underway; and clarifying high profile and popular, but fiscally problematic election promises.

This may be enough to avoid a repeat of the candlelight vigils that plagued the Lee Myung-Bak administration.

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