

The Choi Soon-sil Scandal

Rumors about an “invisible hand” influencing executive decision-making in the Blue House has been confirmed through the surprising revelation of Ms. Choi Sun-sil and her relationship with President Park. The smoking gun was the investigation of the Mir Foundation and K-Sports Foundation. Ms. Choi Soon-sil, a longtime close friend of President Park, is believed to have been meddling in state affairs and using her relationship with the president for personal gains (see *Timeline* and *Key Players*).

The public outrage and ensuing protests have resulted in President Park offering two public apologies. The first apology came on Oct 25 when she admitted that she allowed Ms. Choi to edit her speeches during her presidential campaign in 2012. She also acknowledged that she had shared other documents with Ms. Choi soon after becoming president. In her second apology on Nov 4, she took full responsibility for the scandal and stated that she would cooperate with the investigation. Approximately 100,000 people took to the streets in central Seoul to demand President’s Park’s resignation the day after her second apology.

Approval ratings for President Park and the New Frontier Party (NFP) have plummeted. President Park’s approval rating hit rock bottom at 5%, the lowest rating for any South Korean president. The previous record was held by President Kim Young-sam during the Asian Financial Crisis. Approval rating for the ruling party has also dropped to 18%.

Party Approval Ratings

| | Oct. 25-28 ¹ | Nov. 1-3 ² |
|--------------------|-------------------------|-----------------------|
| NFP | 26% | 18% |
| TDP | 29% | 31% |
| PP | 12% | 13% |
| Justice | 5% | 5% |
| Don’t know/refused | 27% | 33% |

If President Park decides to see through her term, this scandal is likely to further cement her lame duck status. Most members within the NFP have also begun to dissociate themselves from the president. An internal conflict between the pro-Park and anti-Park camps

may even lead to a split within the party, which will have a significant impact on the coming election scheduled to take place in December 2017.

The Fate of the NFP

The NFP appears deeply divided on the issue of changing party leadership. Anti-Park members have asked Lee Jeong-hyun, a prominent pro-Park member and the leader of the party, to resign after the scandal became public. With deteriorating public support, nearly half of 129 members are believed to be demanding Lee’s resignation.³ Kang Seok-ho, the only non pro-Park member within the leadership, has stated that he will resign if Lee does not step down.⁴ The floor leader Jung Jin-seok also stated that he will resign as soon as the next year’s budget is passed and a new cabinet is stabilized.⁵ With some members indicating their desire to leave the party, observers are claiming that a new conservative party is likely to emerge from this ordeal.⁶ However, experts state that there will be no massive defection in the short term as there is no clear front runner to lead the new party should an NFP offshoot materialize.⁷ The key will be how quickly the NFP can reformulate its platform and reinvent itself to become a more legitimate political force for next year’s presidential election.

Impeachment or Resignation?

There are voices calling for the president’s impeachment or resignation. But most party leaders are less than enthusiastic about these prospects given that there a great deal of uncertainty about what would happen next should President Park vacate her position. For now, the installation of an interim party-neutral cabinet is the most likely scenario. But the major parties have yet to agree about what this kind of government would look like. Take for instance, the confirmation fiasco surrounding President Park’s new nominee for the Prime Minister position - Mr. Kim Byung-joon. The NFP has expressed its support for Mr. Kim but the three opposition parties are opposed. The opposition is largely due to President Park’s role in the selection process. They are demanding that the president be removed from the process to formulate a new cabinet.⁸ The opposition parties also agreed to demand the formation of a special prosecution unit

and launch a special investigation into the administrative affairs related to the recent scandal.⁹

There are disagreements, however, among the opposition parties about what to do next. For instance, the TDP has suggested that it will launch a movement calling for President Park's resignation unless she relinquishes her executive power over state affairs.¹⁰ The PP is demanding that President Park leave the NFP and discuss the nomination of a new prime minister with three opposition party leaders.¹¹ The Justice Party urged President Park's resignation and called for an earlier presidential election after forming the interim cabinet.¹²

Dealing with North Korea

In the midst of political chaos in South Korea, it was reported that North Korea would test another *Musudan* missile during the first week of November.¹³ If it does, it would be the 9th test of its kind this year. The two previous tests came last month after North Korea celebrated the 71st anniversary of the founding of the Workers' Party of Korea (WPK) on Oct 10. It is possible that the North may refrain from conducting another test given the political turmoil in the South and the lack of attention it would receive.

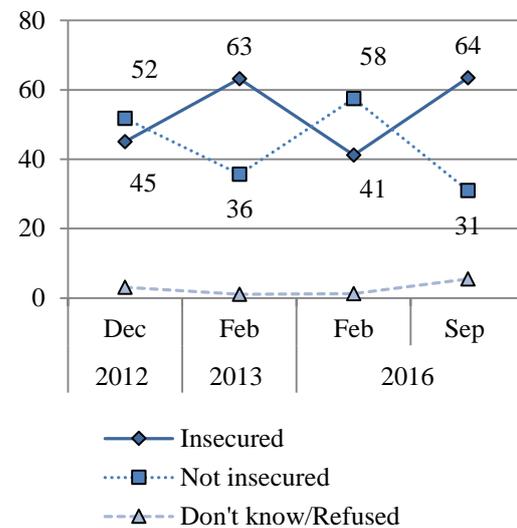
Meanwhile, the United States dispatched an anti-ballistic missile detection radar system known as SBX (Sea-based X-Band Radar) to the Korean Peninsula in late September. The radar was dispatched to monitor a possible long-range missile launch by the North. The radar recently returned to its base in Hawaii after a month of work. In response, South Korea's Ministry of Defense stated that it could not comment on an operation conducted by the United States.¹⁴

Threat Perception

Has the Korean public's perception about the North Korean threat changed as a result of the recent round of provocations? The Asan Institute for Policy Studies' survey shows that the Korean public's threat perception has remained largely stable depending on the type of provocation. For instance, approximately 41-45% of the respondents stated that they felt insecure if North Korea engaged in a long range missile test. 60~63%, however, stated that they felt more insecure after a nuclear test.¹⁵ This suggests that after controlling for the type of provocation, the South Korean public opinion about the North Korean

threat has reached a ceiling. This is not surprising given that the type of provocation has remained similar over time.

Perceptions of North Korean Threats¹⁶ (%)



Restructuring Shipbuilding and Shipping Industry

The Ministry of Strategy and Finance released its final restructuring plan for the shipbuilding and shipping industry. The government is expected to order over 250 vessels by 2020 worth KRW 11 trillion, help the companies restructure their business, and provide assistance for displaced workers.¹⁷ The government also agreed to invest KRW 1.7 trillion by 2017 to stabilize the regional economy where the shipbuilding industries are located.¹⁸ For the shipping industry, the government is offering financial assistance (KRW 6.5 trillion) to help businesses acquire ships at competitive prices.¹⁹ The recent announcement has led many critics to point out that the content overlaps with the three companies' voluntary restructuring plan announced last June.²⁰

The most controversial part of the restructuring plan is whether to sell or break up Daewoo Shipbuilding & Marine Engineering (DSME). The government was silent on the details about this issue. Given that the creditors will play a critical role in the restructuring effort until 2018, DSME is expected to remain in the market for the time being.²¹ The move is seen as kicking the can down the road for the next administration which is due to arrive in 2018.²²

Timeline

July 18: *Chosun Ilbo* reports that Mr. Woo Byung-woo, who served as Presidential Senior Secretary for Civil Affairs at the time, abused his position of power for his family's economic benefit.²³ Other media outlets report that he also used his position to benefit his son, who received a lightened military service duty and an internship at the National Assembly. Mr. Woo is also alleged to have embezzled funds from a real-estate company run by his family and lied about his net worth.

July 25: Mr. Lee Seok-soo, an independent special presidential investigator, begins investigation into Mr. Woo Byung-woo²⁴. It later became known that he also carried out an investigation into Mr. Ahn Jong-beom's involvement with Mir Foundation and K-Sports Foundation.

July 26: *TV Chosun* reports that Mr. Ahn Jong-beom, a former Blue House Senior Secretary to the President for Economic Affairs, helped establish the Mir Foundation by forcing major corporations to make significant monetary contributions of around KRW 50 billion.²⁵ More reports surface that Mr. Ahn helped establish K-Sports Foundation by collecting KRW 38 billion from major corporations. Mr. Ahn denied these allegations.

August 17: MBC reports that Mr. Lee Seok-soo leaked the details of the ongoing investigation into a *Chosun Ilbo* reporter

August 19: The Blue House accuses Mr. Lee Seok-soo of committing a serious crime and for "shaking the country's foundation"²⁶

August 29: Mr. Lee Seok-soo offers his resignation after his office was raided by prosecutors for allegedly leaking classified information²⁷

September 20: *Hankyoreh* reports that Ms. Choi Soon-sil appointed Mr. Jeong Dong-chun as chairman of K-Sports Foundation²⁸

September 23: The Blue House accepts Mr. Lee Seok-soo's resignation²⁹

September 26: *Hankyoreh* reports that Ms. Chung Yoo-ra, the daughter of Ms. Choi Soon-sil, was receiving preferential treatment at Ewha Womans University and that she was now in Germany preparing for the 2020 Tokyo Olympics.³⁰ It later became known that funds from foundations like K-Sports had been funding Ms. Chung's training in Germany

October 19: Professors at Ewha Womans University hold a rally, joining the thousands of Ewha students, asking for the university president Choi Kyung-hee to resign. She complies.³¹ It was also around this time when Ms. Chung Yoo-ra's post on her SNS account was publicized by the press. In her post, she wrote "If you do not have enough talent, blame your parents. Stop criticizing my parents for having money. Having money is also a talent."³²

October 30: Mr. Woo Byung-woo leaves his position in the Blue House³³

October 25: President Park apologizes to the public for letting a "close friend" advise her on speeches during her presidential campaign. She also admits that she shared documents with her friend after she entered the Blue House³⁴

October 28: Mr. Lee Seung-cheol admits that Mr. Ahn Chong-beom pressured him to collect contributions from major corporations for the establishment of Mir Foundation and K-Sports Foundation³⁵

October 30: Ms. Choi Soon-sil returns to South Korea

October 31: Ms. Choi Soon-sil is arrested without warrant

November 2: Mr. Ahn Jong-beom is arrested

November 3: President Park issues a second public apology in two weeks. She states that "everything was her fault" and that she is willing to cooperate with any investigation³⁶

November 3: Arrest warrant issued for Ms. Choi Soon-sil

November 5: Around 100,000 South Koreans demonstrate in the streets of central Seoul asking for President

Park’s resignation³⁷

November 6: Mr. Woo Byung-woo is summoned by prosecutors³⁸

Key Players

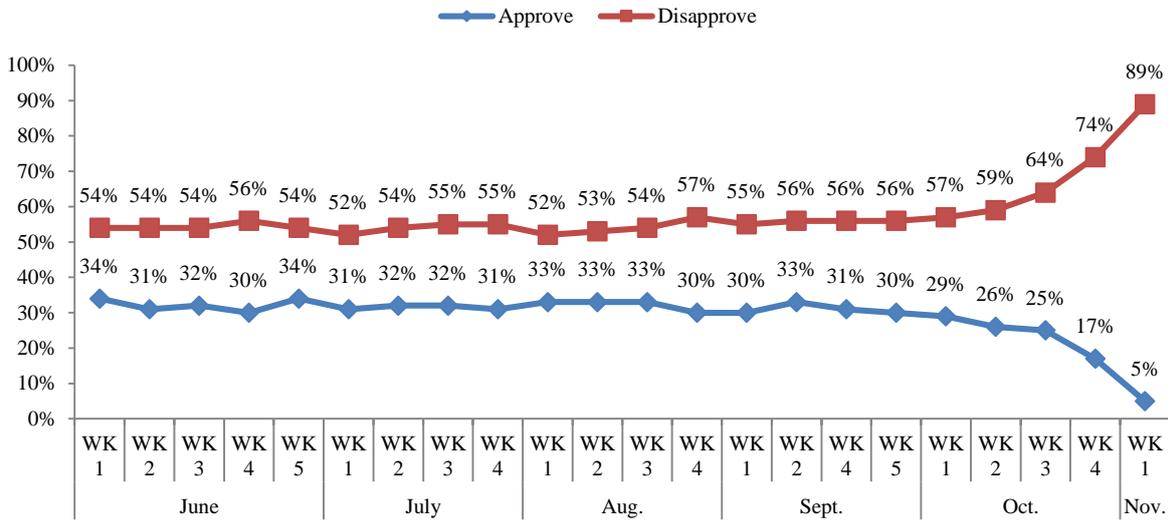
| NAME | WHY? |
|----------------|---|
| Choi Soon-sil | <ul style="list-style-type: none"> ● Personal confidant of President Park Geun-hye, daughter of Choi Tae-min, ex-wife of Chung Yoon-hoe, and mother of Chung Yoo-ra ● Accused of meddling in state affairs, and engaging in corruption, fraud, embezzlement. She is also accused of forcing Ewha University to give her daughter preferential treatment as well as using funds from K-Sports Foundation for private use, including providing her daughter with expensive training facilities in Germany ● Arrested without warrant on October 31 (arrest warrant was issued on November 3) |
| Chung Yoo-ra | <ul style="list-style-type: none"> ● Daughter of Choi Soon-sil and Chung Yoon-hoe ● Dressage rider and a gold medalist at the 2014 Asian Games ● Accused of receiving preferential treatment at Ewha Womans University ● Became the target of public anger when her SNS post in 2014 became known. In her post, she wrote “If you do not have enough talent, blame your parents. Stop criticizing my parents for having money. Having money is also a talent.” |
| Ahn Jong-beom | <ul style="list-style-type: none"> ● Former Blue House Senior Secretary to the President for Economic Affairs ● Arrested and accused of forcing corporations to make monetary contributions to Mir Foundation and K-Sports Foundation |
| Woo Byung-woo | <ul style="list-style-type: none"> ● Former Presidential Senior Secretary for Civil Affairs ● Known as the “King of Presidential Secretaries” ● The youngest ever to be appointed Presidential Senior Secretary for Civil Affairs ● Currently being investigated by the state prosecution’s special investigation team for abuse of authority and embezzlement |
| Lee Seok-soo | <ul style="list-style-type: none"> ● Former special presidential investigator ● Launched a special investigation of Mr. Woo Byung-woo. (It later became known that he also investigated Mr. Ahn Jong-beom’s involvement in the establishments of Mir Foundation and K-Sports Foundation) ● Allegedly leaked the investigation results to the media ● Currently being investigated by the state prosecution’s special investigation team for leaking classified information |
| Chung Yoon-hoe | <ul style="list-style-type: none"> ● Former aide of National Assemblywomen Park Geun-hye (1998-2004). ● Ex-husband of Choi Soon-sil and father of Chung Yoo-ra. ● Made headlines in 2014 when he was rumored to be the ‘invisible hand’ controlling and influencing President Park. |
| Choi Tae-min | <ul style="list-style-type: none"> ● The father of Choi Soon-sil, a cult leader, and a mentor of President Park Geun-hye ● Founded the religious group <i>Yongsae-gyo</i> (‘Church of Eternity’) in the early 1970s. ● Became an invaluable friend and mentor of President Park in the mid-1970s. When President Park’s mother, First Lady Yuk Young-soo, was assassinated in 1974 by a North Korean spy, Choi approached President Park claiming that he was a psychic messenger of God and that he could communicate with her mother. With President Park’s complete trust, Choi used his newfound to improve his social and |

| | |
|--|---|
| | <p>economic status.</p> <ul style="list-style-type: none"> ● Once described by former US Ambassador to Korea Alexander Vershbow as a “Korean Rasputin” in a diplomatic wire by the US Embassy in South Korea (document was published by Wikileaks in 2007). ● Died in 1994 but passed his influence over President Park to his fifth daughter, Choi Soon-sil. |
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Media Coverage (# of Articles)

| | North Korea (Keyword: 북한) | China (keyword: 중국) | THAAD (Keyword: 사드) | Choi Soon-sil (Keyword: 최순실) | Resignation (Keyword: 하야) | Impeachment (Keyword: 탄핵) |
|----------------|------------------------------|------------------------|------------------------|---------------------------------|------------------------------|------------------------------|
| Oct. 3-9 | 890 | 1,922 | 490 | 188 | - | - |
| Oct. 10-16 | 1,046 | 3,558 | 438 | 432 | - | - |
| Oct. 17-23 | 1,130 | 2,955 | 222 | 2,698 | - | - |
| Oct. 24-30 | 607 | 2,661 | 64 | 16,654 | 1,276 | 819 |
| Oct. 31-Nov. 6 | 465 | 2,632 | 201 | 17,140 | 1,961 | 426 |

President Park’s Approval Rating³⁹



- 1 Gallup Korea, Date: Oct. 25-28; sample size: 1,033; margin of error: ±3.0 at the 95% confidence level.
- 2 Gallup Korea, Date: Nov. 1-3; sample size: 1,005; margin of error: ±3.1 at the 95% confidence level.
- 3 “친박계 몰락은 시간문제...새누리 의원 절반이 등돌료,” *한국일보*, 2016년 11월 2일
- 4 “[박근혜·최순실 게이트] 벼랑 끝 이정현, 버티기 왜?,” *경향신문*, 2016년 11월 6일.
- 5 “與 ‘黨 책임’ 고개 숙여놓고...의총선 ‘지도부 사퇴’ 난장판,” *동아일보*, 2016년 11월 5일.
- 6 “새누리 기반 붕괴 위기감...내분격화에 지지층 이탈,” *한겨레*, 2016년 11월 6일.
- 7 “계속 버티는 이정현...당 안팎 ‘친박, 물러날 타이밍조차 놓쳐,’” *조선일보*, 2016년 11월 7일.
- 8 “총리 임명 주도권 치킨게임...미로에 빠진 거국중립내각,” *한국일보*, 2016년 11월 2일.
- 9 “[최순실 국정농단] 야 3당, 국조·별도특검 합의,” *경향신문*, 2016년 11월 1일.
- 10 “민주당 12일부터 장외투쟁 돌입...청 대응보며 수위 높일 것,” *한겨레*, 2016년 11월 6일.
- 11 “문재인 신중론 vs 안철수 하야론...대선전략 따라 갈렸다,” *중앙일보*, 2016년 11월 4일.
- 12 “野도 탄핵·하야 부담... 2선 후퇴→ 조기 대선론 솔솔,” *한국일보*, 2016년 11월 6일.
- 13 “폭스뉴스 ‘북한, 24-72시간 내 미사일 발사,’” *조선일보*, 2016년 11월 2일.
- 14 “미 해군 X-밴드 레이더 북한 해역 주변 배치,” *중앙일보*, 2016년 11월 1일.
- 15 See Jeong. 2013. “Public’s security insensitivity, or changed security perceptions?”, EAI Opinion Review 2013-03. Seoul: The East Asia Institute. <https://www.files.ethz.ch/isn/165588/2013051414481793.pdf>.

- 16 Survey dates: Dec 12~14 2012; Feb 16~18 2013; Feb 10~12 2016; Sep 21~23 2016.
- 17 "161031-조선산업 경쟁력 강화방안," *관계부처 합동*, 2016년 10월 31일.
- 18 "조선밀집지역 경제활성화 방안," *관계부처 합동*, 2016년 10월 31일.
- 19 "정부, 공공선박 11조 규모 발주...해운선사에 6.5조 금융지원," 2016년 10월 31일.
- 20 "시농만 한 조선 구조조정...1년을 날렸다," *중앙일보*, 2016년 11월 1일; "조선 빅 3 유지 -2만명 감원...알맹이 빠진 경쟁력 강화案," *동아일보*, 2016년 11월 1일.
- 21 "조선 빅 3 유지 -2만명 감원...알맹이 빠진 경쟁력 강화案," *동아일보*, 2016년 11월 1일.
- 22 "[취재일기] 흑시나 했더니... '맹탕' 조선업 구조조정," *중앙일보*, 2016년 11월 2일; "시농만 한 조선 구조조정...1년을 날렸다," *중앙일보*, 2016년 11월 1일.
- 23 "우병우 민정수석의 妻家 부동산... 넥슨, 5년전 1326억원에 사줬다," *조선일보*, 2016년 7월 18일.
- 24 "특별감찰관, 우병우 수석 감찰 착수," *중앙일보*, 2016년 7월 25일.
- 25 "청와대 안중범 수석, '문화재단 미르' 500억 모금 지원," *TV조선*, 2016년 7월 26일.
- 26 "이석수 특감 중대 위법"... 誹의 정면반격," *동아일보*, 2016년 8월 20일.
- 27 "우병우 보란듯 사표 낸 이석수," *동아일보*, 2016년 8월 30일.
- 28 "K스포츠 이사장은 최순실 단골 마사지 센터장," *한겨레*, 2016년 9월 20일.
- 29 "이석수 특별감찰관 사표 수리," *조선일보*, 2016년 9월 24일.
- 30 "최순실 도넨은 개입... '승마하는 딸' 고비마다 특혜 논란," *한겨레*, 2016년 9월 26일.
- 31 "최순실 딸 특혜 의혹' 최경희 이화여대 총장 전격 사퇴," *조선일보*, 2016년 10월 19일.
- 32 "비선실세 의혹' 최순실 딸 SNS에 '돈도 실력...니네 부모를 원망해'," *경향일보*, 2016년 10월 19일.
- 33 "우병우-안중범-3인방 교체... 차대통령, 최측근 참모들 사표 수리," *동아일보*, 2016년 10월 31일.
- 34 "대통령 '최씨 일부 연설 도움, 국민께 사과'...야당 '일방적 변명, 내각총사퇴·특검 도입'," *중앙일보*, 2016년 10월 26일.
- 35 "檢, 안중범 내일 오후2시 피의자 소환...최순실 구속영장도 내일 청구할 듯," *조선일보*, 2016년 11월 2일.
- 36 "모든 잘못 제 책임...특검수사도 받겠다," *중앙일보*, 2016년 11월 5일.
- 37 "전기초, 야광봉, 핫팩...10만명 촛불집회 이모저모," *경향신문*, 2016년 11월 5일.
- 38 "사과는커녕, 쏘아보고, '들어갑시다'... 기세등등 우병우," *조선일보*, 2016년 11월 7일.
- 39 Gallup Korea, Date: Nov. 1-3; sample size: 1,018; margin of error: ± 3.1 at the 95% confidence level.

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