GLOBALIZATION AND THE INSTITUTIONAL PERSISTENCE OF THE DEVELOPMENTAL STATE IN KOREA**

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Abstract: Today's economic crisis in Korea was brought about by a failure to properly respond to globalization, which began in the early 1990s. Confronted with economic difficulties and globalization, the country invested a great deal of efforts to restructure both private and public sectors with relatively effective outcomes. The current process of structural adjustment, however, reveals that a pattern of a developmental state is maintained. The governments restructuring efforts have, in fact, sustained and even reinforced the institutional structure suitable for a strong state in Korea. Such institutional persistence of the strong state was caused by the economic crisis, which resulted from a drastically changed international environment, namely globalization, the domestic political dynamics, and the institutional characteristics embedded in the state apparatus.

INTRODUCTION

The notion of globalization in Korea has emerged to denote a challenge to overcome rather than an opportunity to take advantage of. Today's economic difficulties in Korea, began from the currency crisis of 1997, resulted from a failure to properly respond to the task of globalization that has deepened around the world since the early 1990s.

In the mid-1990s, Korea achieved GDP per capita of $10,000, and became a member of the Organization for Economic Cooperation and Development (OECD). These achievements encouraged the Koreans to believe that their country had joined the ranks of advanced industrialized countries. However, Korea failed to provide appropriate incentives for foreign capital to flow unimpeded across its territorial borders. The consequence of this failure was the foreign exchange crisis of 1997 that resulted in a severe economic condition. Korea is now under the guidance of the International Monetary Fund (IMF) as it was 15 years ago. Korea's economy grew 7% per year since 1960. This growth, however, decreased to-6.5% after the foreign exchange crisis. The unemployment rate, which remained below 2.5% throughout the 1990s, increased to 8% in 1998 (OECD, 1997/8). It is no wonder that most Koreans perceive the economic crisis as the biggest national challenge since the Korean War. In Korea, the current crisis tends to be regarded as a byproduct of globalization. To Koreans, globalization is a new international order that a small country cannot avoid, and seen as a kind of new imperialism (Korean Political Science Association, 1998).

Confronted with economic difficulties and globalization, both private and public sectors are searching for ways to make their changes. Following the IMF's recommendations, the private sector has been undergoing structural adjustments to make both financial and industrial sectors operate according to free market principles. Likewise, the public sector has made efforts towards restructuring using a new model of government, represented by the

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New Public Management (Peters, 1995).

During 1998, 5 out of 33 (or 24.2%) banks closed. Also, 68 out of 378 (or 18%) non-bank financial institutions--including 4 insurance companies adopted restructuring plans (MoFE, 1999: 59). Plans for restructuring 55 major business groups, mostly due to bankruptcies, are now being implemented. Some of the targeted 55 companies are affiliated companies of the five major conglomerates (or Chaebols) (The Financial Times, June 18, 1998). Korea's 5 major industrial sectors, including semiconductors and automobiles, are included in this group. All of the major industrial sectors or companies were included in the so-called "Big Deal" or "Work Out" programs.[1] Measures to increase flexibility in the labor market have also been implemented. This has made the flood of layoffs much easier to handle for the 13,736 workers that were laid off by the end of 1998 (MoFE, 1999: 79).

A drastic restructuring of the government has been accomplished. A reorganization plan in February 1998 merged several administrative agencies, including three ministries. Another government reform bill was prepared by the executive branch and was deliberated in the National Assembly in the spring of 1999. In 1998, 17,000 (11% of the total) public central government employees and 35,000 (12% of the total) local government employees were laid-off.[2] According to the reform bill of March 1999, more than 120 organizational units, including 40 offices or bureaus and 80 divisions (out of the total of 1,603 sub-units of 45 central administrative agencies), would be discarded In 1999. Consequently, this would terminate 14,790 staff jobs, (equaling 10.4% of the central state civil servants) (Dong-A Ilbo, 1999, May 10). By the year 2001, 108 public enterprises at the central level are to be privatized, increasing the workforce reduction to 41,000 people. In 1998, out of local-level public enterprises, 12 were eliminated, which dismissed 8,000 workers (23% of the workforce in that sector). Additionally, state-sponsored quasi-government organizations saw a total of 2,722 employees (24%) laid off as of 1998 (MoFE, 1998: 84).

Experts agree that the outcome of the Korea's restructuring efforts has been relatively satisfactory. For example, in March of 1999, OECD's Korean economic survey team reported a positive evaluation of the restructuring efforts in Korea. In particular, efforts to restructure the financial sector have been regarded as a success. Although the restructuring of the industrial sector still has a long way to go, the prevalent view is one of optimism. Experts at OECD are expecting a 0.5 % growth rate in Korea's 1999 GDP, and a 4.0% growth in late 2000, given current indicators.[3]

The relatively effective restructuring credits the autonomy and capability of the Korean state. The Korean state, which enjoyed a high degree of autonomy and policy capability, was very effective in achieving rapid industrialization (Evans, 1992).

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1) Seoul in the semiconductor industry, the LG and the Hyundai are to merge. Train, oil refinement, chemical, and aircraft industries will open to foreign investment, limiting the proportion of domestic capital to 50%. The power generator industry and the ship engine industry of the Hyundai and the Samsung will be taken over by the Korean Heavy Industry and the refinement industry of the Hanhwa will be given to the Hyundai. In the auto industry, the Kia is to consolidate with the Hyundai (MoFE, 1999; 71 ~ 77).

2) A total of 23 training agencies for public officers reduced their workforce down to 497 employees by the elimination of 10 agencies. A total of 145 advisory committees, constituting 45% of the total advisory committees, were eliminated.

3) The OECD (*The Chosun-Ilbo*, March 18,1999) and the Wharton Economic Research Institute (*The Hankyore Shinmoon*, March 30, 1999) made predictions that the growth rate of GDP will reach 0.6% by the end of 1999, 4.8% in 2001, and 5.6% after 2001 in Korea. The IMF has raised its forecast for Korea's GDP growth rate for 1999 to 2.0% from an earlier 1.0% (*The Dong-A Ilbo*, April 21, 1999). The Korea Development Institute, the premier public think-tank, predicted more optimistically that the nation's GDP would grow by 4.3% in 1999 (*The Korea Economic Weekly*, May 3, 1999).

The state is again playing a key role in managing the new task of structural adjustment. Interestingly enough, the current process of restructuring reveals that previous pattern of a "developmental state" is still evident. As OECD experts argue, a restructuring of the private sector in Korea is not based on market principles but is being led by the state (The Chosun-Ilbo, 1999, March 18). In early December of 1998, the leaders of the government, the corporate and financial sectors made a final decision about the "Big Deal" and "Work Out" programs between the 5 major industries. It was the President who presided over this meeting (MoFE, 1999: 71). This is akin to what has happened since the 1960s to accelerate economic growth. At previous joint meetings, President's have made important decisions with heads of conglomerates, such as establishing export promotion measures (Jung, 1982). As for the labor market, a tripartite system named the Labor-Employer-Government Committee has made basic decisions since January of 1998. This is Korea's first attempt to adopt a tripartite system that includes labor in the economic policymaking process. This system, however, is not fundamentally different from previous arrangements since the state still plays the leading role.

Structural adjustment of the public sector has been based on a top-down approach. The bills for administrative reorganization of February 1998 and March 1999 were prepared in a non-transparent fashion by core executives. What deserves attention is the fact that these efforts of government restructuring have reinforced the institutional characteristics of the Korean state. The institutional structure for a developmental state has been strengthened and made responsive to globalization.

INSTITUTIONAL STRUCTURE OF THE KOREAN STATE

One of the important characteristics of the Korean model of governing has been the mechanism by which the President can effectively wield his power over administrative agencies (Jung, 1997). Based on this presidential power, administrative agencies have managed with a minimal transaction cost. This contributes to the "corporate coherence" between administrative agencies (Evans, 1992). Another important institutional aspect of Korean governance has been the role of the intermediate organizations that are well developed in each policy area, enabling central agencies to effectively implement their policies (Jung, 1997).

Institutional Presidency

The effective control of the president over administrative agencies was made possible by the following institutional arrangements: The president operates the levers of control over administrative agencies through the apparatus of the institutional presidency, which includes the presidential secretariat of the Blue House, and the "central comprehensive agencies."

First, the presidential secretariat of the Blue House consists of more than ten offices of senior secretaries who control various agencies, which exist according to policy field. They include the Senior Secretary's Offices of Foreign Affairs and Security, Political Affairs, Economic Affairs, Civil Affairs, and Social Welfare Affairs. There is no cabinet ministry or agency, outside the jurisdiction of the secretariat. In fact, these secretaries form the inner cabinet, which provides the President control over each cabinet ministry.

The second group of apparatus of the institutional presidency includes the central comprehensive agencies, which are in charge of the critical executive functions within the government. They include the economic planning and budgeting of the Economic Planning Board (EPB) (from 1961 to 1994) and Ministry Finance and Economy (MoFE since 1995) the organization and personnel management of Ministry of Government Adminis-

tration (MoGA); the legal affairs of Ministry of Legislation (MoL); the audits and inspections of the Board of Audit and Inspection (BoAI); and the intergovernmental management of the Ministry of Home Affairs (MoHA). They effectively control the line agencies through networks of their counterparts within the ministry, i.e., the Planning and Budget Officer, the Administrative Management Officer, the General Services Division, the Legal Affairs Officer, and the Inspector General. Of the central comprehensive agencies, the EPB (or MoFE since 1995) possesses power control other ministries, including both line and staff agencies, via the rights of budget formulation and evaluation. In addition, the EPB or MoFE minister was considered first in power among ministers, having held the Deputy Premiership until 1998.

Based on these two groups of apparatus of the institutional presidency, Korean presidents have controlled the executive branch effectively. Considerable differences between Korea and Japan in institutional arrangements exist, despite many similarities. Although central agencies in both Korea and Japan retain considerable control in creating policy, the power of the Korean president and Japanese prime minister as chief administrators over these institutions reveal a degree of difference. The power of the Korean president over administrative agencies is much greater compared to that of the Japanese Prime Minister.[4)]

The basis of a strong presidency and its effective control of bureaucratic apparatus in Korea lies in its historical institutionalization. Except for the period between 1960 and 1961 during which Korea had a parliamentary system, Korea has adopted a presidential system since its establishment. Moreover, continuous authoritarian regimes until the early 1990s have reinforced the concentration of power in the President.

Corporatist Intermediate Organizations

Another institutional feature supporting the strong state in Korea is the role of intermediate organizations that is under influence of the central administrative agencies. Korean central administrative agencies control a number of quasi-(non-) governmental organizations (or qua(n)gos). The estimated number of these organizations was 552 in 1997. The number of those employed in these intermediate organizations was about 384, 000 persons during the same year. This is equal to two-thirds of the total number of administrative employees (578,000). Their total expenditure was estimated at 131,000 billion won for the same year; higher than the total budget for the central administrative agencies. These quasi, non-governmental organizations are not formally acknowledged as government agencies. In fact, they perform state functions in a broad sense.

This feature is also very similar to what is found in Japan. In 1996, the total number of intermediate organizations under the Japanese central government was 922. Including local public enterprises into this figure, the number goes beyond 10,000. Indeed, both Korea and Japan have been able to act as strong states, despite the fact that they have "small governments" in terms of their budget and staff size, and by using well-developed intermediate organizations efficiently.[5)] However, there is a difference between the two countries in the way in which they mediate between state and society. Compared with its Korean counterparts, Japanese

4) The administrative agencies in both Korea and Japan reveal differences in the degree of internal coherence. The Japanese Prime Minister and his cabinet cannot integrate administrative agencies as much effectively as the Korean President and his core executive can. Since the early 1980s, the goal of the Japanese government has been to strengthen the core executive (Jung & Kim, 1997).

5) The Korean and Japanese states enjoyed high degrees of policy capabilities by exerting administrative regulation - e.g., "administrative guidance" - as well as effectively using well developed intermediate organizations (Muramatsu, 1994; Jung et al., 1998).

intermediate organizations are more autonomous and neutral in its intermediary role.

Government's internal corporate coherence, based on a strong institutional presidency and a solid relationship with the social sector, which is aided by intermediate organizations, constitutes the major institutional structure that contributes to the state's autonomy and policy capability.

Recent Changes in the Institutional Structure

Recently, however, the strong "stateness" of Korea has been challenged by the country's ongoing transition to democracy and by institutional changes in the state apparatus as well. First of all, the dominance of the strong presidency over the bureaucratic apparatus, which contributes effectively to the state's strength, has been limited. This is partly due to the political democratization which resulted in a weakening of the authoritarian control of the president. Another cause is the overlap in administrative agencies and functions, brought on by the increase in the number of central administrative agencies. For example, during the 1980s, the Ministry of Labor and Ministry of the Environment were established. In the 1990s, the Ministry of Information and Communication, Ministry of Maritime Affairs and Fisheries, and Small and Medium Business Administration were established. Such an establishment of new central agencies resulted in a weakened ability of the core executive to coordinate policy between the administrative agencies.[6] Some bureaucratic politics administrative agencies have increased. Consequently, corporate coherence among administrative agencies that depend on a strong presidency has actually weakened over these past years.

Intermediate organizations also are not operating in the same way. They have secured a certain degree of autonomy from government by electing their own executives without intervention by the government agencies. Moreover, many non-profit organizations formed during the past 10 years. They are less dependent on government subsidies and the monopolistic regulatory power provided by the government, and, hence, are less subject to the intervention exercised by the government than the usual qua(n)gos. These non-profit organizations have become politically active in economic justice, civil rights, environmental protection. As these kinds of organizations emerge, the usual intermediate organizations cannot continue to secure, monopolistic support from the government. Again, all of these factors have led to diminished authority and autonomy of the state.

CHANGES IN INTERNATIONAL AND DOMESTIC ENVIRONMENTS

In addition to the recent changes in the institutional structure of the state apparatus, Korea now faces changes in international and domestic environments. One is the change in international order in the name of globalization and the resulted domestic economic crisis. Another is change in domestic politics, i.e. democratic transition, which enabled the opposition party to take power after 30 years of authoritarian rule.

Globalization

It was during Kim Young-sam's (YS Kim) Administration (1993～1997) that Koreans became interested in globalization for the first time. The YS Kim Administration coined the slogan of "Segyehwa", meaning globalization in Korean, in order to emphasize the necessity of Korea's response to changes in the international environment. However, the actions taken by the YS Kim Administration was limited to manipulation of rhetoric, rather than actualizing any practical or appropriate changes.

6) Decline of Brazil's developmental state by the mushrooming state apparatus, which increasingly lacked internal coordination, see Weyland (1998).

Such a slogan was utilized merely as symbolic politics to give people the impression that their government was doing its best to promote Korea's status in the international arena.

It was after the foreign exchange crisis in late 1997 that Koreans paid more serious attention to globalization. Eventually, its negative impact on the domestic economy and the nation's response to it became a serious concern for all Koreans. During this time, international reports of Korea's global competitiveness ratings frequently incensed Koreans by giving Korea a low score. For example, the Harvard Institute of International Development issued a report for international competitiveness stating that Korea ranked 20 among the 49 countries. It is understandable that the so-called "small and open countries" such as Singapore, Hong Kong, Luxembourg, and Switzerland were ranked well above Korea. However, Korea was even lower than the other Asian NICs like Taiwan, Malaysia, and Thailand in its competitiveness. Tellingly, inefficiency in the government sector was pointed out as being one of the major reasons for this low ranking. The decline in the ratings that occurred in the 1990s surprised Koreans, considering the fact that national competitiveness, which they believe contributed to the rapid industrialization in the past decades, was highly touted internationally during the 1980s (Deyo, 1987; Amsden, 1989; Haggard, 1990).

Recent reports about international competitiveness are determined according to indicators whose standards are based on neo-liberal values. The main reason for Korea's low marks lies in its low degree of market openness and market-based activities. The important point is that the estimates of national competitiveness and the actual growth rate of the economy for each country show a significant correlation to each other (Hu and Sachs, 1996). In other words, the index used in the recent estimations can directly shows the actual competitiveness in practice. This implies that the Korean model of governing, which had been previously considered as supportive for rapid industrialization, was no longer appropriate in the new international environment (Jung, 1998).

The consensus over this issue in Korea is that restructuring the public sector as well as finance, corporate, and labor sectors, is required. In particular, a new governance model such as "the New Public Management," developed in the Anglo-American countries, has been strongly recommended to secure a market-oriented government.

Domestic Political Situation

The most significant change in Korean politics occurred with the formation of a new political coalition of two opposition parties and the subsequent transition to power right after the currency crisis in Korea. President Kim Dae-jung (DJ Kim) and the National Congress for New Politics (NCNP), inaugurated in February of 1998, owed his electoral victory to the reformist groups that have led the process of democratization during the past few decades, as well as the almost unconditional support from his home province. As a result, President DJ Kim and his political colleagues have the political obligation to pursue additional democratization efforts, which they themselves supported when they were in the opposition party, criticizing the conservative government party and suggesting reforms. This expectation is reflected in a statement by a political advisor for President DJ Kim: "This is a time for Korea to move toward democratic transition and democratic consolidation" (Choi, 1998).

However, the electoral victory of President DJ Kim and his NCNP was also made possible by the political coalition with another opposition party leader, namely Kim Jong-pil (JP Kim) and his United Liberal Democrats (ULD), whose political views are quite conservative. Because of the coalition, DJ Kim's Administration (inaugurated in

February 1998) actually consisted of two parties of NCNP and ULD. President DJ Kim had to allocate as many as five cabinet positions in addition to the Premiership to the ULD. This was quite different from the previous governments, when the president could appoint all cabinet members by himself. This new mode of forming the government might also have created a new mode of governing in Korea. The most important change to be expected might be the disintegration among the administrative agencies that were coordinated by strong presidential leadership and core executives.

The domestic politics has led to quite a different mode of governing from the previous ones. The Prime Minister is no longer one of the president's agents, whose duty was to simply carry out ceremonial and nominal responsibilities. Now, he appoints the Minister of Administrative Coordination, who remains under his control and presides at the Vice-Ministers' Meeting, one of the important institutions for core executive decision-making. Moreover, the nomination of the Minister of Finance and Economy is now made according to the preferences of the Prime Minister, as well as that of the Minister of Science and Technology, the Minister of Health and Welfare, and the Minister of Maritime Affairs and Fisheries. Additionally, the Office of Public Information (OoPI), whose head is in charge of the government speaker, is under the control of the Prime Minister. Although Prime Minister JP Kim and the ULD is the smallest party claiming only 54 out of the 299 seats in the National Assembly, the ULD is now in a position to exert a final "casting vote." The central administrative agencies could be divided into two parts. One part consists of the President and the Ministers appointed by the President. The other part consists of the Prime Minister and the Ministers recommended by the Prime Minister. This implies that whatever integrity or coherence existed in past governments might be seriously undermined.

GOVERNMENT RESTRUCTURING

The DJ Kim Administration was launched in February of 1998 due to the internal and external conditions discussed. Then President-elect DJ Kim and his NCNP had to overcome the challenges caused by the foreign exchange crisis and economic difficulties, which were partly due to globalization. Additionally, DJ Kim and his NCNP's coalition with JP Kim and his ULD effectively weakened presidential leadership and policy capability in administrative agencies. It was through the restructuring of the government that DJ Kim and his NCNP attempted to effectively resolve the problems created by all these constraints.

The DJ Kim Administration has conducted two major government reforms. The first reform plan was prepared by the Government Transferring Committee in January and February of 1998, and implemented right after the inauguration of the new administration. The second reform plan was prepared and initiated by the Planning and Budget Commission (PBC) at the end of March 1999, and was pending in the National Assembly in April 1999. The purpose of these two reform initiatives is to reinforce the strong institutional presidency in order to provide the president with strong policy capability.

As previously mentioned, the purpose of government reform, as presented by the DJ Kim Administration, is to consolidate democracy and to revitalize the free market economy. Democratic consolidation was one of DJ Kim's presidential campaign promises made to his long-standing reformist supporters. To fulfill this promise, government restructuring would have to focus on making the governance system more decentralized and more pluralistic, thereby disassociating itself from Korea's past history of excessive centralized government power and authority that centered on the "regal presidency." Vitalization of the free market economy includes adopting the principle of compe-

tition in public administration. In order to realize this goal, the Anglo-American model of New Public Management should be the exemplar for Korea's government reform. However, the publicly stated purpose of government reform differs from actual reform efforts initiated by DJ Kim's Administration.

Reorganization of the Blue House

In order to meet the reformists' expectations for democratization, the DJ Kim Administration needs, first of all, to reorganize the Blue Office, the Presidential Secretariat. At the time of his inauguration, DJ Kim emphasized the role of the Office of the President as merely an institution for the President, rather than a ruling "Inner Cabinet" over the Cabinet or administrative agencies. In fact, he reduced the number of Senior Secretary's Offices from 11 to 6 by merging the Senior Secretary's Office for Administrative Affairs with that of Political Affairs, and the Senior Secretary's Office for Agriculture, Forestry, Ocean and Fisheries with that of Economic Affairs. He also merged the Senior Secretary's Office for Education and Culture with that of Social Development. Finally, the rank of Senior Secretaries was demoted from the ministerial to the vice-ministerial level. As a result, the total number of employees working at the Presidential Office was 380 persons, 111 less than that of the YS Kim Administration.

Despite the changes, the functions of the Senior Secretaries of the Blue House are maintained. Each Senior Secretary exercises direct control over central administrative agencies of the relevant policy area. What is different now is that each Senior Secretary and his staff have more work to do, since all functions and duties remain, despite the reduction in the number of personnel. In March 1999, President Kim started a reorganization initiative by expanding the Blue House, hiring 19 additional staff members, including one Senior Secretary.

The reform bill of March 1999 proposed that the Office of Public Information (OoPI) be upgraded to ministry-level. The explanation for this reorganization scheme offered by the DJ Kim Administration is that the government needs more effective internal and external public relations in order to improve its global competitiveness. However, the main political reason is to transfer public information apparatus from the control of the Prime Minister to that of the President. The Korean government operated its public relations by a ministry-level public information agency, with the exception of the short-lived Second Republic. In general, the weaker the legitimacy of the regime, the higher the status of the central public information agencies. The major tasks of the agency had been monitoring, inspecting and regulating the local mass media under the guidance of the Senior Secretary of the Blue House. As an opposition party leader and presidential election candidate, DJ Kim promised that he would sharply reduce the functions of and downgrade the status of the Ministry of Public Information (MoPI). When DJ Kim Administration began in 1998, the MoPI was downgraded to OoPI, as one of the Prime Minister's director general-level offices. The head of the OoPI was appointed by the recommendation of Prime Minister, and has acted as the Prime Minister's right-hand man. This has resulted in depriving the Senior Secretary for Public Information, the spokesman for the Blue House, of bureaucratic apparatus for public relations. After one year of inconvenience, the Blue House has undertaken a new task to restore the public relations apparatus by proposing a re-establishment of the Ministry of Public Information, which is subject to the control of the President, for the reform bill of March 1999.

The reform bill of March 1999 includes a plan to change the status of the tripartite committee of labor, employer, and government from a presidential advisory body to a legal entity. If the bill is passed through the National Assembly, the committee will

be entitled to require the government to submit documents and Cabinet members to appear before it to offer views. Also, the committee can consult on the principles and direction of public sector reform. However, politicians will be barred from participating in the committee. Consequently, it will contribute to further transfer of economic policymaking power to the President and core executive from the legislative.

Civil Service Reform and the Civil Service Commission

Since the founding of the Republic, Korea has institutionalized the 'career civil service system.' Only the brightest in Korea have passed the Higher Civil Service Examination. For every 50 applicants taking the examination, only one applicant passed. After being appointed to R-V level, a civil servant is permanently employed until he reaches the R-I level Assistant Minister, the highest post to which a generalist can be appointed.

The reform bill of March 1999 poses a great challenge to the traditional system of the career civil service. The bill suggests recruiting employees for about 200 high level positions (R-I, R-II, and R-III), constituting 30% of the total number of positions available, on a contractual basis that is open to everyone. After categorizing the R-I, R-II, and R-III positions (ranks appointed to director general) according to their job description, these positions are to be recruited by open competition from both inside and outside the government. This measure may pose a substantial challenge to the job security of higher-level civil servants, who will face pressure to compete. Such a "performance-based personnel management" will motivate the officials to improve their attitude toward their jobs. This proposal is in compliance with the 'de-bureaucratization' advocated by the 'New Public Management.'

On the other hand, open and contract-based personnel management is expected to enhance the president's power over career bureaucrats. This personnel system will be carried out in the following three ways. First, professionals from the private sector will be given the right to hold higher-level government positions by the contract-based open competition. A second possibility is that members of the government party will hold most of the positions. A third possibility is that the existing career civil servants will remain eligible for the recruiting process. All three options will strengthen the president's power over bureaucrats.

In order to implement such a performance-based personnel administration system, a 'Civil Service Commission' will be established. The provision for this institution was included in the reform bill of February 1998. However, the Grand National Party (presently, the opposition party) and the co-ruling ULD opposed the bill because of concerns for excessive presidential power. As a result, the bill was dismissed by the National Assembly.

Reorganization of the Economic Policy Apparatus

From early 1961 to 1994, the Economic Planning Board (EPB) was the most effective central comprehensive agency to take on the responsibility of both economic planning and policy coordination among administrative agencies. One of the institutional resources for the EPB's policy capacity was that its minister held a Deputy Premiership, one level higher than other ministers. In addition, EPB provided guidelines for budget preparation for all administrative agencies, reviewed their budget plans, and even supervised their budget implementation. Since the early 1980s, however, the necessity for long-term economic development planning including 'the five year economic development plans' had waned. But policy coordination between agencies was still necessary.

As democratization proceeded, however, the pre-

vious top-down approach by the Blue House or EPB was regarded as undesirable compared to a collective decision-making approach between central agencies. Yielding to public opinion in favor of the consensus approach, the government reorganization in December 1994 combined EPB with the Ministry of Finance (MoF) to form the Ministry of Finance and Economy (MoFE). Although downsized by the merger, MoFE still held all former functions of EPB and MoF. In the past, EPB was more involved with economic policy planning on a long-term basis, while MoF was mainly responsible for implementing policy including detailed, specific regulations of financial institutions. As a new organization, MoFE turned toward policy implementation, centered on short-term objectives and tasks. This is because its minister and bureaucrats found more 'patronage potential' in the process of policy implementation than in policy planning. It was MoFE that dominated economic policymaking and coordination during the period from late 1994 to late 1997. This is why the MoFE officials were severely blamed when the foreign exchange crisis occurred.

MoFE was undoubtedly the first and foremost target of government reform in February of 1998. The reform committee members concluded that the policy failure of MoFE was generated by the merger of EPB and MoF, which made it impossible for each to 'check and balance' the other. They proposed establishment of a Planning and Budget Commission (PBC) for creating economic and financial policies and guidelines for budget preparation of each administrative agency, all of which previously used to be performed by MoFE. Additionally, government reform tasks have been entrusted to PBC. Since the DJ Kim Administration was launched, PBC has planned and presided over most major economic policy and restructuring activities in both the public and private sectors.

One year after PBC was formed, it proposed another reform bill of March, 1999, which suggested that PBC itself would be reorganized into the Ministry of Planning and Budget (MoPB). While the PBC is a kind of staff organization for the President, MoPB would be made into a 'Ministry' whose head, a Minister, would become a Cabinet member, hence be able to propose bills by itself. Furthermore, MoPB would absorb the Budget Administration in charge of budget review and implementation of all agencies that now belongs to MoFE. This implies the resurrection of the former EPB. The explanation, offered by the DJ Kim Administration for forming MoPB, is that they are expecting a reduction of transaction costs in the budgeting process by consolidating budget-related functions.

In addition to this administrative rationale, however, there are political reasons for this move as well. By forming MoPB, a new EPB, President DJ Kim and his NCNP can secure more authority in policymaking, at the expense of Prime Minister JP Kim and his co-ruling party, the ULD. The President and NCNP, more than ever before, want more complete authority over the formation of economic policy and the actual budgeting process. This is to be accomplished by transferring partial authority over budgeting from MoFE whose Minister is appointed by the Prime Minister - to MoPB, whose head is to be appointed by the President. Another major function of MoFE is the supervision of financial institutions, which is critical for credit control for industries. This is to be transferred to the Financial Supervisory Commission and its sub-agency in charge of implementation, the Financial Supervisory Center. This is an outgrowth of the same political calculation by President DJ Kim.

The formation of MoPB can be explained also by the bureaucratic politics of the former EPB officials in PBC and MoF. Including the PBC chairman, the Budget Administrator, and even the Senior Secretary for Economic Affairs in the Blue House, the former officials of EPB have now been dispersed

among several economic agencies. However, they have sought to resurrect EPB from the start of forming PBC in February of 1998.

It is no wonder that ULD and MoFE have mounted an immense opposition. However, public opinion has shown firm support for the government reform initiatives of the DJ Kim Administration. This support has been based on the assumption that centralized and coherent agencies for economic policy planning and coordination would be required to overcome the international challenge of globalization and the resultant economic crisis. MoFE was deprived of its Deputy Primership due to the 1998 restructuring. Moreover, once functions, such as budgeting and financial regulation, are transferred to MoPB and the Financial Supervisory Commission, MoFE, once the most influential agency, would be downgraded as one of several economic agencies involved with tax policy.

Besides the reorganization of the "central comprehensive agencies," the reform bill of March 1999 proposes merging departments with similar policy concerns. For example, the Ministry of Commerce, Industry & Energy, the Ministry of Information & Communication, and the Ministry of Science & Technology are to be merged to form a Ministry of Industry & Technology. The Ministry of Agriculture & Forestry is to merge with the Ministry of Maritime Affairs & Fisheries to form a Ministry of Agriculture, Forestry & Fisheries. The Ministry of Labor is to consolidate with the Ministry of Health & Welfare to form a Ministry of Labor & Welfare.

Likewise, the purpose of government reorganization is to both make policy coordination more effective and to downsize government by combining related agencies. However, the political calculation to enhance the policy capability of the President and PBC (or MoPB in the future) adds to the administrative rationale. Now, the Prime Minister and ULD appoint the Minister of Science & Technology, the Minister of Maritime Affairs & Fisheries, and the Minister of Health & Welfare. Naturally, the reform bill of 1999 was met with strenuous objections from both ULD and departments affected by the reform; these bills were discarded in the process of making a 'president's bill for reorganization.' If these reform bills had been adopted, the power of the President to coordinate policy would have probably been reminiscent of authoritarian regimes during the 1960s, 1970s and early 1980s, which maximized the capacity of the state.

Reforming the Qua(n)gos

The intermediate organizations in Korea can be categorized into two types of organizations. One is the 'quasi-government organizations' (quagos), which are considered formal public institutions. A variety of public enterprises and publicly funded institutions fall into this category. The other is the 'quasi-non-government organization' (quangos). The quangos are officially 'private' organizations, yet they carry out some government functions. They developed remarkably in Korea and have been under the dominant control of government agencies. Both quagos and quangos are two targets of the DJ Kim Administration's reform. Plans to reform quagos include privatizing some public enterprises, thereby reducing personnel, cutting the budget, and scaling back the size of the organization. Despite these downsizing schemes, there has been no reform bill designed to provide more autonomy to quagos yet.

In the case of quangos, reform bills encouraging them to move away from state corporatism and move towards "liberal corporatism" or "pluralistic association" have almost been non-existent. The major factors in making quangos operate by way of state corporatism are the subsidiary and the many other special privileges, including the regulatory power granted by the state. In order to abolish this monopolistic status of the quangos and make them more pluralistic, a bill to prohibit multiple entries into one policy area should be dismissed. A movement to amend an act in this direction has not yet

been initiated.

The reform bill of March 1999 proposes a British style 'agencification' for a substantial portion of policy implementation functions. Considering the existing government control over qua(n)gos, it is likely, however, these future "agencies" will develop into another kind of qua(n)gos to be placed under the strict control of the government agencies.

CONCLUSION

Recent changes in the international environment globalization - are affecting the domestic governance in Korea. In the long term, the scope of the state's influence over the private sector may be reduced due to deepening of globalization. In the short term, however, globalization is sustaining and even reinforcing the institutional structure suitable for a strong state in Korea. In the name of "restructuring," strong state intervention is being made in the fields of finance, industry, and labor. Efforts to restructure the government sector are also being initiated from above by the core executive. The schemes to restructure both the public and private sectors are not very different from the "reform from above" of Korea's past days of rapid industrialization.

The inclination toward the pro-market state, based on New Public Management, is being manifested in government reform efforts. From the perspective of institutional change in governance, however, Korea's current government reform efforts are reinforcing the institutional apparatus required for top-down control over administrative agencies as exerted by the president and the central comprehensive agencies. Also, there is an absence of provisions to make any significant change in the mechanism by which the state wields its corporatist control over the qua(n)gos, who function as an intermediary between the state and society.

With such reorganization efforts, President DJ Kim and his political staff have been able to effectively control the administrative agencies, in spite of the limited political capacity generated by their coalition with the Prime Minister and ULD. This effective control over the administrative apparatus in turn has enabled them to coordinate and make policy decisions efficiently. They also have taken advantage of the intermediate organizations to sustain a corporatist control mechanism in policy implementation. Such an institutional persistency has preserved the autonomy and policy capability of the Korean state.

The strong institutional structure of Korea's developmental state has been maintained and even reinforced by the following: First, the economic debacle resulting from a drastically changed international environment, namely globalization, has led the Korean people to prefer a strong state. Along with the democratic transition since the late 1980s, the decentralization of state apparatus and management has made considerable progress. While experiencing the economic crisis since 1997, however, Koreans have implicitly agreed that, in order to be more responsive to the economic crisis and globalization, they need to restructure both the state and society with the President's strong and able leadership. The establishment of the PBC as a core reform agent of the DJ Kim Administration was supported by the public's nostalgia for the former EPB. Many people remember fondly the EPB's very powerful role during Korea's period of rapid industrialization.

Second, the institutional characteristics embedded in the state apparatus also have had consequential effects. The tradition of the top-down approach in government reform eventually creates favorable conditions for the central comprehensive agencies to sustain their powerful status. The establishment of the PBC and the attempts at upgrading it to the MoPB are the result of persistent cohesion of former EPB officials, also. The resurrection scheme of the former EPB (named MoPB) would not be possible without the sophisticated bureaucratic

politics of the former EPB officials, in the face of the oppositions from both the coalition ULD and the opposition GNP.

Such an institutional persistence of the Korean state apparatus has not been constrained by the adoption of the New Public Management. On the one hand, the model reflects a strong orientation toward a "pro-market state." On the other hand, however, it runs the risk of centralizing political power in the core executive (Garvey, 1993). By applying this model for reforming the Korean government, it is very likely that the core executive will maintain its dominance over the policymaking process, hence, supporting the "regal presidency" (Jung, 1997).

POSTSCRIPT

In May 3rd of 1999, the National Assembly passed the government reorganization bill after a month of deliberation. The lawmakers of the opposition GNP tried to block a passage of the bill in the plenary sitting at the House, denouncing the reform bill as an "evil law" (The Korea Herald, 1999, May 4). Despite aggressive protests from opposition legislators (including a bruising scuffle), the ruling coalition rammed the controversial reform bill through the National Assembly. Surrounded by colleague ruling party lawmakers blocking the approach of the opposition party members, the National Assembly Speaker banged the gable and announced the passage of the bill, using a portable microphone. Floor leaders from the three parties held five rounds of negotiation meetings for a month to bridge differences over the bill, but failed to reach a compromise. Such controversial law- making behavior patterns in the National Assembly have been repeated since its establishment in 1948, despite changes of the political party in power.

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