International Political Science Review

http://ips.sagepub.com/

Global Forces and Corporate Reforms in South Korea

Xiaoke Zhang

International Political Science Review 2010 31: 59

DOI: 10.1177/0192512109354472

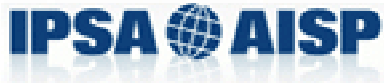
The online version of this article can be found at:

http://ips.sagepub.com/content/31/1/59

Published by:

http://www.sagepublications.com

On behalf of:



International Political Science Association (IPSA)

Additional services and information for *International Political Science Review* can be found at:

Email Alerts: http://ips.sagepub.com/cgi/alerts

Subscriptions: http://ips.sagepub.com/subscriptions

Reprints: http://www.sagepub.com/journalsReprints.nav

Permissions: http://www.sagepub.com/journalsPermissions.nav

Citations: http://ips.sagepub.com/content/31/1/59.refs.html

>> Version of Record - Mar 5, 2010

What is This?

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

International Political Science Review
31(1) 59–76
© The Author(s) 2010
Reprints and permission: http://www.sagepub.co.uk/journalsPermission.nav
DOI: 10.1177/0192512109354472
http://ips.sagepub.com

Global Forces and Corporate Reforms in South Korea

Xiaoke Zhang

Abstract

This article attempts to examine the international forces at work in the transformation of corporate governance in South Korea. In so doing, it provides a corrective to existing analyses that pay inadequate attention to how internationalization shapes domestic decisions about corporate reforms. The article explores the causal impact of four factors – overseas reforms and competition, global market constraints, transnational norms, and internalization of external pressures. It posits that these different forms of internationalization have created powerful forces for sustained corporate reforms in South Korea since the Asian financial crisis of 1997–8. While they have not preordained convergence toward the Anglo-American model of capitalism, they have overwhelmed political resistance and institutional inertia to result in an important shift in the architecture of South Korean corporate governance.

Keywords

Global forces, Corporate governance, Institutional reforms, Chaebols, South Korea

Over the past decade, the architecture of corporate governance has experienced fundamental and sustained changes in South Korea. Scholarly discussions of these changes have been dominated by a focus on domestic political processes. Whether the sources of policy and institutional changes are deemed to be leadership choices, reinforced state powers, widespread public support, or changing business–government relations, there has been a remarkable convergence on domestic factors as the major driving force behind corporate reforms (Haggard, 2000; Lee, 2008; Mo and Moon, 2003). To the extent that attention has been paid to the role of external influences, it has been mainly in terms of market pressures that stemmed from the Asian financial crisis of 1997–8 and the policy demands of the International Monetary Fund (IMF). Cross-country studies (Gourevitch and Shinn, 2005) assert that corporate reforms in South Korea, as in many other Asian economies, are the result of a largely domestic process and that national institutions matter more than what happens internationally. The upshot is that the impact of internationalization, construed more broadly

Corresponding author:
Xiaoke Zhang, School of Politics and International Relations, University of Nottingham, University Park, Nottingham NG7 2RD, United Kingdom
[email: xiaoke.zhang@nottingham.ac.uk]

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

than external shocks and international political pressures, has not been given causal primacy and remains understudied.[1]

The present article seeks to fill this important analytical lacuna and develop an internationalist perspective on the political economy of corporate reforms in South Korea. It argues that while an emphasis on domestic political dynamics is certainly not misplaced, it has been seriously incomplete. In an internationalized world, there are powerful cross-national forces that have exerted a shaping influence on the transformation of South Korean corporate governance. More specifically, the article examines how four factors – overseas reforms and competition, global market constraints, transnational norms, and internalization of external pressures – have created pressures for the reform of corporate institutions and practices in South Korea. Although a single case cannot give definitive answers on the question of whether these forces will always produce institutional changes, the central proposition to be developed here highlights the need to be more explicit about how such factors operate within the domestic policy arena.

South Korean Corporate Governance in Transition

For much of the post-war period, the South Korean corporate structure was dominated by the chaebols or conglomerates that operated under common and centralized ownership, managerial, and financial controls across many diversified industries (Chang, 2003; Fields, 1995). This chaebol-oriented framework of corporate governance entrenched owner-managers, as they were not subject to effective checks and balances within chaebol firms. The entrenchment problem stemmed from the fact that shares owned by minority shareholders of less than 1 percent typically accounted for more than 60 percent of total shares. This wide dispersion of shares among minority shareholders and the associated dilemma of collective action undercut their ability to effectively monitor the behavior of chaebol owners and to challenge their managerial decisions (Chang, 2003: 176–85). Equally, boards of directors were typically dominated by insiders and had hardly any independent directors; they remained ineffective as monitoring and disciplining devices on chaebol owner-managers. The role of institutional investors in corporate governance was feeble, as many were chaebol affiliates and faced legal limits on the share of assets that they could invest.

Internal governance weaknesses were mirrored in the lack of effective external governance mechanisms. Creditor banks failed to develop themselves into effective monitors of the operations of borrowing firms, largely because government intervention did not encourage banks to maintain a sound credit review system. Many non-bank financial institutions, owned and controlled by chaebol firms, exercised little oversight. Furthermore, a market for corporate control was virtually non-existent and disciplinary takeovers were extremely rare in South Korea. Mergers and acquisitions (M&As), while not uncommon, were primarily friendly in nature and exerted no disciplining effect on the management of controlling shareholders. High levels of managerial controls through friendly shareholdings and restrictive regulations on M&As rendered chaebol owners immune from hostile takeovers (Cho, 2003). These corporate governance patterns are perceived to have enabled the chaebols to make excessive investments and recklessly resort to debt financing, contributing to high corporate leveraging and banking sector fragility and foreshadowing the financial crisis of 1997–8 (Campbell and Keys, 2002).

The restructuring of the chaebol-dominated corporate sector became the linchpin of post-crisis economic reforms. The decade-long process of reforms has altered the South Korean corporate landscape in terms of both internal and external governance mechanisms. Legal changes have been introduced to lower the minimum requirements for minority shareholders to exercise their rights, such as the rights to initiate derivative suits against managers for misconduct, demand the

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

dismissal of directors, or seek injunctions against board decisions. Revisions to the Commercial Code and the Securities and Exchange Act (SEA) have established a new cumulative voting rule that has given minority shareholders an opportunity to elect outside directors who can better represent their interests. A securities-related class action bill has allowed minority shareholders to file class actions against chaebol firms (Nam, 2004). These reforms have rendered South Korean shareholders, once powerless, increasingly assertive in annual general meetings, board rooms, and even courts (Kim, Hwa-In 2006).

The mandatory introduction of independent directors has also generated constraining effects on the behavior of controlling shareholders and managers. The 2001 and 2002 amendments to the SEA have required that at least 25 percent of board members of companies listed on the Korea Stock Exchange and KOSDAQ be outside directors. For listed companies with assets worth more than two trillion won, at least 50 percent of board members have been mandated to be independent. The total number of independent directors in listed companies more than doubled during 1998–2006, and the ratio of outside directors to insiders increased significantly from 11.4 percent to 36.8 percent over the same period (Korea Exchange [KRX], 2007). As a result, the traditional role of boards of directors as rubber stamps has changed; they have begun to carry weight in the discussion and formulation of corporate policies and strategies (Joongi Kim, 2006).

In general, the ability of institutional investors to monitor the management of invested firms has remained relatively weak. This has been partly because there are restrictions on the maximum number of shares that they are allowed to own and partly because many of them, who are owned or controlled by the chaebols, have experienced internal governance problems. Two regulatory developments are likely to mitigate these weaknesses. First, the largest public funds – the National Pension Corporation, the Government Employees Pension Corporation, and the Korea Teachers Pension – have been allowed to invest more of their assets in listed companies (*Korea Herald* [*KH*], December 12 2005: 5). Second, since 2004 the government has been encouraging banks, securities firms, and asset management companies to establish private equity funds, with a view to improving corporate governance as well as promoting capital market growth (*Business Korea* [*BK*], May 2004: 12–13, February 2005: 20–1).

Legal and institutional changes in external governance mechanisms have been made in parallel with internal organizational reforms. Extensive revisions to the Commercial Code and the SEA have instituted a fuller deregulation of the M&A market. The revisions have removed or reduced powerful obstacles to hostile takeovers by abolishing the acquiring companies' obligatory tender offer of shares up to 51 percent of total shares and lifting restrictions on the total amount of shares that companies can own in other companies. While the number of contested takeovers has remained limited, removing barriers to M&As has contributed to the emergence of a corporate control market and served as a strong check on chaebol management (*KH*, December 28 2005: 7, January 1 2007: 8). The development of this market has been further promoted by the effective liberalization of rules governing direct and portfolio investment that opened the way for 100 percent foreign ownership of publicly traded companies, including through hostile takeovers (Bishop, 2003).

Another important structural change in external governance mechanisms has been the strengthened monitoring role of banks. The past decade has seen a steady improvement in the corporate governance of South Korean banks. This has stemmed, in the first place, from the successful efforts of the Financial Supervisory Commission (FSC) to impose international standards with respect to capital adequacy, disclosure, and loan classification. Furthermore, while the government has not altogether avoided the bailout of banks and chaebol firms, it has stood ready to let some of them go bankrupt, reducing the moral hazard behavior on the part of bank managers and providing them with greater incentives to develop an effective credit review system. Finally,

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

substantial foreign entry has introduced a range of market-oriented governance standards that have enhanced shareholder rights, board performance, transparency, and auditing in the banking sector (Choi and Hasan, 2005). Through these changes, banks have been better positioned to exercise prudential oversight and lending discipline and become more active monitors of the managerial decisions and investment activities of borrowing firms (Joongi Kim, 2006: 4–6).

Legal and institutional reforms also appear to have been implemented relatively effectively. In a cross-country survey of perceptions of the enforcement of corporate governance rules by global fund managers and investment analysts (Cheung and Jang, 2006), South Korea ranks third out of nine Asian economies, close behind Singapore and Hong Kong. As a direct result of effective rule enforcement, much has changed in the actual governance practices of South Korean firms. The widely quoted Korean Corporate Governance Index for large listed firms (Black et al., 2006), which is based on evaluation of shareholder rights, board structures and procedures, information disclosure, and ownership parity, jumped from 30.78 (out of a maximum of 100) in 1998 to 69.64 in 2004, suggesting a significant improvement in the overall quality of Korean corporate governance during the post-crisis period.

Important case studies have also provided firm-level analyses that arrive at similar conclusions (Choi and Hasan, 2005; Kim and Kim, 2008). Decade-long legal and institutional reforms have reshaped the pattern of corporate ownership, the process of decision-making, and the structure of power allocation within firms. The internal organization of South Korean firms, more specifically the chaebols, has been transformed, as boards of directors have become more independent, the transparency of corporate management has been enhanced, and minority shareholders have begun to assert themselves. Equally important, regulatory reforms that have strengthened bank-led monitoring mechanisms, M&A procedures, and foreign ownership and directorship have generated growing external discipline on corporate behavior. These changes have represented a significant departure from the chaebol-dominated system that constituted an essential institutional concomitant of South Korea's capitalist development for much of the post-war period.

While changes in the architecture of South Korean corporate governance are fundamental and perhaps irreversible, the process of corporate reform is far from complete. Improvements in the standards of corporate governance have been uneven; there have been variations both across different financial and corporate sectors and within these sectors. More specifically, the banking sector has made more salient progress than the corporate sector as a whole with regard to the development of sound management practices (Choi and Hasan, 2005). Within the manufacturing industry, flagship corporations affiliated with some leading business groups and newly privatized companies are now more effectively governed than many family-run chaebol firms (Kim and Kim, 2008; Min, 2007). As will be argued below, these inter-sector and intra-sector variations in the adoption of best governance standards, as well as the overall pattern of South Korean corporate reforms, are an important function of global market, normative, and structural forces.

Stimulating Corporate Reform

The financial crisis of 1997–8 created a clear sense of national emergency and produced an important political realignment that supported corporate restructuring. In the wake of the crisis, the South Korean government signed agreements with the IMF and the World Bank that tied loan disbursements to specific corporate reforms (Mo and Moon, 2003). The impact of these factors has been remarkable and revealing in itself. Of greater significance for the purposes of this article is the fact that global forces for extensive and sustained institutional changes are broader and more durable than external economic shocks and political influences. These forces have rested with overseas

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

reforms and competition, global market constraints, transnational norms, and internalization of external pressures.

Overseas Reforms and Competition

In the 1980s and 1990s inter-state competition for foreign capital remained tense in East Asia, as in many other regions. The financial crisis of 1997–8 geared up such competition to an unprecedented level, as the crisis-stricken countries desperately needed capital inflows to finance capital account deficits, replenish foreign exchange reserves, and restore stock markets. Inter-state competition for foreign capital, particularly foreign direct investment (FDI), traditionally took the form of fiscal and financial incentives. In recent years, however, incentives-based competition has begun to give way to rules-based competition that has converged on the efforts of governments to provide investor-friendly regulatory and institutional arrangements (UNCTAD, 2003). Central to these arrangements are improvements in corporate governance systems in general and greater information disclosure and better protection of minority shareholders in particular.

This shift toward rules-based competition has derived in part from political pressures exerted by international financial institutions on East Asian countries to improve their corporate practices and adapt to the exigencies of the neoliberal open market economy. Growing rules-based competition has also reflected the policy preferences and market power of international investors, many of whom have stood to benefit from the market-oriented system of corporate governance. While they have continued attaching importance to fiscal and financial incentives, investors have wanted assurances that corporations practice accountability and transparency and that they get a return on their money. A 2002 survey by the McKinsey Consulting Group of over 200 global investors found that global investors in East Asia and other emerging markets would pay a premium of 20 to 25 percent for shares in a company with sound corporate governance, as opposed to a poorly governed company (McKinsey & Co., 2002).

It is against this backdrop that East Asian countries have engaged in competitive reforms of corporate governance policies and standards in order to energize foreign direct and portfolio investors (Bishop, 2002). They have vied with each other in introducing and instituting stronger regularized procedures in the corporate sector that have emphasized shareholder rights, independent boards, and transparent accounting standards. Through these new commitments to good governance, governments have hoped to persuade leading international credit rating agencies, such as Fitch, Moody's, and Standard and Poor's, to upgrade their ratings of sovereign risks that global investors use as an investment guide (*Far Eastern Economic Review* [*FEER*], March 14 2002: 42; *Wall Street Journal* [*WSJ*], May 20 2004: 6).

Growing rules-based rivalry for foreign capital has created sustained pressures for South Korea to change its regime of corporate governance in line with international standards. Until the mid-1990s, South Korea had been one of the most restrictive in its approach toward foreign investment among the East Asian newly industrializing economies. This changed dramatically with the financial crisis, as the government desperately needed capital inflows to strengthen South Korea's balance-of-payments position and improve the financial conditions of the corporate and banking sectors. While the need to address these urgent problems eased when the worst of the crisis passed, the government saw inward investment as crucial to industrial upgrading, job creation, and export growth (Bishop, 2003; *KH*, April 19 2005: 20). As overseas competition to attract foreign capital through corporate reforms has been heating up, South Korea has adopted a three-pronged strategy.

First, the government has seen corporate governance reforms as necessary, partly because they have served to improve South Korea's international sovereign rating, raise the interest of foreign

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

investors, and increase global confidence in the South Korean capital market. In other words, South Korean policy-makers have tried to signal their country's creditworthiness by realigning corporate practices and institutions with global standards. A strong piece of evidence that policy-makers have believed in the signaling power of corporate governance reforms can be found in government investment promotion strategies and policy speeches. For example, every major official plan to attract and retain foreign investment since the financial crisis of 1997–8 has highlighted continued corporate restructuring as a key strategy (KPMG, 2001; MOCIE, 2005, 2006). In speeches to foreign investors, economic policy elites have frequently cited rapid corporate reforms as one of the primary achievements of the country and a symbol of its firm commitment to foster an investor-friendly business environment (*BK*, July 2003: 16–17; *KH*, 29 January 29 2005: 15, November 19 2005: 11).

Second, South Korean policy-makers have sought to prepare for rules-based competition from regional rivals in East Asia. This meant not only making South Korea more competitive in global markets and South Korean companies more attractive to foreign investors but also emulating Singapore and Hong Kong. Policy elites have seen these two economies as real competitors for high-tech and high-profile international firms, mainly thanks to their policy of improving the operating environment for large multinational companies and the higher quality of their corporate governance as perceived by foreign investors (*BK*, September 2006: 20). They have looked at the examples of the better-governed corporate sectors of Singapore and Hong Kong and realized that market-oriented governance institutions have strengthened, not weakened, Asian business systems. They have become acutely aware of the advantages of sound corporate practices, including greater credibility with investors and more stable financial sources, and aligned South Korea's corporate governance system with that of East Asia's leading international financial hubs.[2]

The third prong has been part of a foreign economic policy strategy of transforming South Korea into a regional business center in Northeast Asia. This grand ambition, unveiled by the Kim Dae-jung government in early 2002, was listed as one of the ten national agendas and pursued with greater vigor under the Roh Moo-hyun administration. Focusing on three main specific sectors, including logistics, industry, and finance, the strategy has ostensibly aimed at turning the country into a knowledge-based, service-oriented economy. However, it has been overlain with the foreign policy imperative of jockeying for regional economic status and foreign capital in competition with other major East Asian economies that have been actively promoting their capital cities as the important financial centers of the region. Reforming the corporate sector to attract direct and portfolio investments has served to a significant extent as a major instrument of South Korea's regional business center strategy (Letta, 2004). The South Korean authorities have linked corporate reforms and capital inflows with their regional ambitions so systematically that improved governance standards and structures have become a linchpin of the strategy (*BK*, August 2003: 14–19, September 2006: 20; *KH*, October 27 2005: 6, June 15 2006: 6).

Global Market Constraints

Sustained efforts to attract direct and portfolio investments have seen foreign participation increase immensely in the past decade. Foreign capital has made significant inroads into the corporate sector and stock market. For instance, foreign-owned shares accounted for more than 50 percent of South Korea's ten largest business groups in early 2004 (*Economic Report* [*ER*], May 2004: 37). The share of foreign investors in the market capitalization of listed companies nearly tripled from 14.6 to 42.1 percent between 1997 and 2004, before declining to 37.3 percent in 2006 (KRX, 2007: 39). Foreign

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

shareholders have tended to hold onto South Korean stocks much longer than local investors and more than 70 percent of them have been institutional investors, such as mutual and pension funds (KRX, 2007: 38). The market share of foreign banks, in terms of total assets, also increased from a mere 4.2 percent in 1997 to more than 22 percent in 2005 (FSC, 2005). By the end of 2005, foreigners owned over 75 percent of four leading banks in South Korea (*KH*, January 4 2006: 6).

The extensive presence of foreign investors has generated strong pressures for policy and institutional changes in the regime of corporate governance; these pressures have taken several forms. In the first place, foreign investors, however self-interested, have been a progressive force in corporate reforms and acted as a powerful catalyst for the diffusion of not only new technology but also professional management styles and efficient organizational structures. Both individual and institutional investors have contributed toward the transfer of internationally acceptable governance practices in South Korea's corporate and financial sectors. Furthermore, the presence of foreign investors and particularly foreign directors has produced strong signaling effects in that it has been taken as a sign of commitment on the part of South Korean firms to adopt best standards and policies. This has allowed these firms to gain enhanced access to domestic and overseas capital markets, which has in turn generated more incentives for them to move toward global governance practices.

Furthermore, foreign investors have pushed for corporate reforms by bringing direct political pressure to bear upon chaebol firms and even policy-makers. As noted earlier, foreign shareholders have tended to be longer-term investors and thus had greater incentives to demand better corporate governance in order to protect their investments. American and British shareholders, who have accounted for nearly half of foreign investors in the stock market (KRX, 2007: 37), have been particularly active in imposing Anglo-Saxon governance standards. Together with foreign investment banks and consulting and accounting firms, they have become a major driving force behind an increasingly strengthened wave of foreign investor activism. They have pressed chaebol firms for improved performance through a host of tactics, ranging from demanding independent directors and restructuring firm voting procedures to changing dividend policies (*BK*, February 2005: 20–1; *WSJ*, March 16 2005: A1). As a result, chaebol firms with significant foreign equity ownerships have had more professional management and better performance than those with little foreign presence (Kim and Kim, 2008; Kim and Min, 2005).

The powerful impact of foreign investors, particularly institutional investors, has derived from their command of enormous financial resources and their ability to orchestrate massive capital flows. South Korean companies that have courted foreign investments or sought to obtain enhanced access to foreign financing have come under pressure to adjust to the expectations of foreign investors. Some of them have been forced to cancel corporate decisions that favored controlling shareholders at the expense of foreign and minority shareholders when foreigners unloaded their stocks or threatened to do so (Ahmadjian and Song, 2004). Such exit threats have also acted as a primary impetus behind sustained government efforts to restructure the chaebol-oriented system. Political elites have been sensitive to the preferences of foreign investors not only because they have supported aggregate economic growth but also because they have been crucial to the strategic plan to turn South Korea into a regional business center. That the Kim Dae-jung government instituted unprecedented corporate reforms in order to make the country attractive to foreign investors is an example of global market constraints on government policy (Tiberghien, 2007: 169–74).

Foreign investors have sought changes in the regime of corporate governance not only through exit threats but also through more aggressive tactics. In one highly publicized case, Monaco-based Sovereign Asset Management set out to tighten up the governance structure of SK Corporation,

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

South Korea's top oil refiner, shortly after the investment fund had taken a 15 percent stake in the firm in early 2003. This culminated in Sovereign's audacious attempt to remove the scandal-plagued upper management of SK Corporation in late 2004 (*EIUCR-South Korea*, May 2004: 22–3; *KH*, March 12 2005: 16; *WSJ*, November 16 2004: B2). Carl Icahn, a well-known US corporate raider, caused an even bigger stir in policy and business circles in early 2006 when he, in association with US-based hedge fund Steel Partners II, launched the first foreign-led hostile bid to take over KT&G Corporation, South Korea's biggest tobacco company, after making futile efforts to increase the number of outside directors, force KT&G to spin off non-core businesses, and raise shareholder dividend payments (*KH*, March 7 2006: 7; *WSJ*, February 25 2006: A6).

While the takeover efforts of foreign investors ran aground in these cases, the extent to which they influenced the behavior of corporate managers should not be underestimated. The unsuccessful yet shocking bids by Sovereign and Icahn goaded SK Corporation and KT&G to concede more management controls to independent directors and adopt more shareholder-friendly policies (*KH*, March 9 2005: 14, 12 March 2005: 16, December 15 2006: 7). More generally, aggressive tactics used by foreigners to change management decisions and structures have compelled chaebol firms to move toward sound governance practices. Foreign investors, who are less amenable to manipulation by controlling shareholders, have had little tolerance toward attempts to expropriate minority shareholders and stood ready to take hostile measures against chaebol management. While it might take more than foreign pressures to change the internal organization of the chaebol, increased takeover threats by global investors have forced corporate managers to align their behavior with market norms and expectations, if only for the purpose of fending off unwelcome hostile bids (*BK*, May 2003: 8, April 2006: 28–9; *KH*, February 24 2006: 11; *WSJ*, November 18 2005: A14).

While foreign actors have exerted a shaping influence over the mode of corporate governance across the South Korean economic system, their role has been particularly salient in the banking sector. This is primarily because there have been more foreign equity ownerships and, more importantly, a larger number of foreign directors in banks than in other industrial firms. Foreign investors and directors have thus obtained the crucial organizational leverage to compel South Korean banks to enact effective bank governance reforms. They have pushed for important institutional changes by introducing more advanced management models and expertise, bringing direct pressure to bear upon the board and even resorting to the exit option (Choi and Hasan, 2005). The foreign management of major South Korean banks has significantly changed their banking strategies and lending patterns and improved their performance (Park and Lee, 2005).

Market pressures for corporate reforms have come not only from without but also from within. Post-crisis liberalization measures have greatly eased both inward and outward capital flows. Domestic investors have now obtained significant freedom to seek better investment opportunities and higher returns in foreign capital markets. Increasingly aware that shares in better governed companies tend to outperform those in poorly governed ones, they have attached growing importance to sound corporate governance in their investment decision calculus (Black et al., 2006; *KH*, February 28 2005: 14). Substandard governance practices in many listed companies and the associated corporate malfeasance and stock market volatilities have turned individual investors' attention to foreign markets, leading to the rapid and immense exodus of capital. This has often depressed the businesses of such financial intermediaries as banks and securities houses and forced them to turn increasingly to overseas operations as an alternative source of income.[3] As a result, overseas portfolio investments by retail and institutional investors jumped from US$3.5 billion in 1998 to US$28.4 billion in 2005. These outflows were so significant that they exceeded portfolio inflows and caused frequent capital account deficits (Samsung Economic Research Institute [SERI], 2007).

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

While policy-makers have encouraged South Korean firms to invest abroad in order to increase their technological edge, they have been concerned about huge capital outflows, particularly when such outflows have undermined economic stability. Massive capital exoduses and their devastating effects on financial and stock markets in 1997–8 have remained vividly fresh in their memory. This may explain why the South Korean government refused to scrap a safeguard system designed to prevent capital flight in recent free trade agreement talks with its US counterpart, despite the latter's pressure (*KT*, March 4 2007: 1). Equally, the depressing impact of capital outflows on stock market performance, which politicians have tied in with their electoral fortunes and has increasingly become a proxy for their governing effectiveness, has had direct policy influences. State elites have made preemptive or reactive reforms in order to retain important economic actors at home or entice those who have already left the country to return home. A good example was the introduction of new capital market and corporate reform measures in the wake of unprecedented capital outflows in 2004.[4]

Transnational Norms

The article has so far focused on the impact of overseas reforms and investor demands that have worked through market constraints. Another international factor is more ideational and has worked through the more subjective pressures of transnational norms. One of these norms is the widespread belief in the maximization of shareholder value as a new ideology for corporate governance. Over the past decades, American and British institutional investors and investment bankers have incessantly promoted the virtues of this model. The US and UK governments have often put their weight behind the export of the rhetoric and practice of shareholder capitalism (Useem, 1998).

Increasingly this ideology has become institutionalized in the policy-making rules and procedures of such US-dominated international organizations as the IMF, the World Bank, and the Organization for Economic Co-operation and Development (OECD). In concert with these organizations, powerful non-governmental regulatory bodies, Standard & Poor's and Moody's, have used their moral suasion and market power to change the behavior of state and corporate actors in line with the norms of the shareholder-oriented model (Soederberg, 2003). These changes have led to the widespread acceptance of shareholder-centered principles and the adoption of shareholder-friendly reforms that have moved many emerging market countries in the direction of the Anglo-American model of governance. As growing numbers of both OECD and developing countries have adopted the new rules of shareholder rights, these rules have reached such a critical mass point and become so normatively weighty that they have been accepted as common and legitimate values across national spaces (Detomasi, 2002).

The normative dominance of the shareholder-oriented model has made state elites in South Korea realize only too clearly that the chaebol-based system of corporate governance has been "heterodox" and antithetical to global ideational trends. They have been willing to go along with these trends, partly because real and potential policy failures associated with heterodoxy are likely to suffer public condemnation.[5] Conformity has thus been a calculated move to win international approval of their approach to governing the economy. On the other hand, South Korean policy-makers moved to comply with the rules of shareholder rights in order to demonstrate that they belong to the group of advanced industrial societies that have espoused the neoliberal credos. For a country that achieved membership of the OECD in 1995 and has since revealed its aspiration to become the ninth member of the Group of Eight, conforming to the norms of key members in these two cohorts has fulfilled an important psychological as well as policy need. The power of conformity to the group norms has been so strong that policy-making elites would take immediate action

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

whenever reports issued by the OECD suggested South Korea was deviating from the principles of the shareholder-oriented model.[6]

Furthermore, the prevailing global ideology of shareholder value has altered the reputational payoffs associated with corporate reforms. Key economic officials are acutely aware that there are costs that would come with being labeled a 'rule violator' in international economic interactions, since this would entail loss of credibility with global investors.[7] Equally important, for the Korean nation, which seems to be much more concerned about its self-esteem than many others, feelings of international embarrassment and shame that the country may suffer at the prospect of violating international norms have acted as a powerful incentive to norm following (Solomon et al., 2002). The desire of political leaders to defend and enhance South Korea's pride in the international arena has explained why they have often acted quickly in response to policy suggestions made by international financial institutions and global private regulatory agencies as to how the country could improve the protection of shareholder rights (*BK*, July 2003: 16; *KH*, January 16 2002: 10, June 19 2006: 5).

While prevailing global ideas and the practices they entail have served as an important source of corporate reforms, these ideas have been introduced into the governance debate and have affected state policy, mainly because they have been consistent with domestic political discourses. President Kim Dae-jung, a long-time and ardent supporter of social justice, adopted the rhetoric of populism aimed at promoting more equitable distribution, greater participatory democracy, and wider ownership of corporate wealth, as part and parcel of his political and economic strategy for reforming South Korean society in the aftermath of the financial crisis of 1997–8. His successor, Roh Moo-hyun, followed through the strategy by further strengthening a new alliance that departed from a collusive state–chaebol nexus and was based on a more populist social contract. The state elites' adoption of populist rhetoric and policy was in part due to the support of the public, who vehemently opposed the chaebols' dominance of the corporate sector and the economy (Mo and Moon, 2003).

The populist and anti-chaebol rhetoric of political leaders established national understandings of the legitimacy of global ideas. The new populist social contract, which was designed partly to reconfigure corporate power structures and to empower minority shareholders in order to rein in the chaebols, dovetailed with the ideology of shareholder value that emphasized the ultimate control of the shareholder class over corporations and therefore legitimized the ideology in policy discourses. This provided normative arguments for promoting the virtues of the shareholder-oriented model and enhancing their relevance in the domestic political arena. In recent years the domestic governance debate among South Korea's policy, academic, and business circles has shifted from being worried about whether the shareholder-oriented norms are legitimate to widespread concern with how these norms can be effectively implanted in South Korean corporate culture and why they have not been consistently applied. It is thus clear that international ideas have interacted with the established political discourses of national policy processes in which these ideas have become embedded.

This interaction has been mediated and facilitated by civil society organizations, prominent among which has been the People's Solidarity for Participatory Democracy (PSPD). The organization, founded in 1994 by practising lawyers, left-wing political theorists, and young social activists, has campaigned to protect the rights of the shareholder class and change corporate power structures by mobilizing minority shareholders to act collectively against chaebol owners. Combining the rhetoric of participatory democracy with the language of corporate governance, the PSPD has actively engaged in a broad range of advocacy efforts, including not only minority shareholder rights but also judicial oversight, redistributive justice, and human rights

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

(Choi and Cho, 2003; Rho, 2004). This has made the PSPD an integral and important part of the larger civil movement to improve socioeconomic equality that includes other influential non-governmental actors, such as the Citizens' Coalition for Economic Justice (CCEJ), which has supporters from all walks of life.

The agenda of the PSPD has made its members more apt to embrace the prevailing global norms of shareholder value. They have often interacted with foreign institutional investors and shareholder activists and sought out foreign ideational resources with which to inform, guide, and underpin their policy agenda. For instance, founders of the PSPD were inspired by the thoughts of Ralph Nader, a prominent American lawyer and shareholder activist, and modeled the structure and missions of the PSPD on those of Public Citizen, a US consumer advocacy organization that Nader founded in 1971 (Rho, 2004: 14–15). The Center for Good Corporate Governance (CGCG), established by leading members of the PSPD to provide foreign investors with consulting services, has ready access to international shareholder advocacy networks and is conversant in global ideas concerning corporate governance. In early 2006 Professor Hasung Jang of Korea University School of Business, a PSPD Executive Board member and a prominent figure in the minority shareholder movement, launched a corporate governance fund in conjunction with the CGCG and a number of US-based equity funds and institutional investors (*KH*, February 28 2006: 6).

Not only have civil society actors actively borrowed corporate governance ideas from abroad, but they have also enhanced the domestic salience of these ideas by virtue of successive highly visible and aggressive campaigns. The PSPD has vigorously pursued a national agenda of championing minority shareholder rights by influencing major corporate decisions at shareholder meetings, winning several unprecedented victories in shareholder derivative suits, launching proxy solicitations and international road shows to publicize its cause, and proposing a series of successful legal reforms (Jang and Kim, 2002; Rho, 2004). More importantly, the PSPD was able, together with other leading civic groups, to feed key inputs into official policies on corporate governance in the Kim Dae-jung and Roh Moo-hyun governments, which relied upon these groups as crucial political allies for pushing through chaebol reforms (Lee, 2008). As the PSPD has become the leading shareholder activist and, arguably, the most influential civic movement in South Korea, the ideas it has espoused have commanded growing public attention in national policy debates.

The populist rhetoric of political leaders and the vigorous campaigns of prominent civil society organizations have interacted to significantly enhance the domestic salience of global norms on corporate governance and produce a strong set of social expectations for government action on the protection of shareholder rights. Shareholder-oriented ideas and practices, which had been little known and nearly non-existent in South Korea until the mid-1990s, have now become popular topics; the indifference of an earlier era has been replaced by growing and widespread public interest. This is reflected in a dramatic increase in domestic news coverage of chaebols' reforms, corporate transparency, shareholder activism, and other related issues in recent years (Kim, 2003: 57). The shift in public attention has also been corroborated by interviews with long-term observers of the politics of corporate reforms, who confirm that significant public discussions and debates and social mobilization for protecting minority shareholders and taming chaebol owners have been on the rise, particularly since the Asian financial crisis of 1997–8.[8]

Internalization of External Pressures

Global forces have also shaped corporate reforms in South Korea by transforming the domestic policy-making process. Three related factors are key in this regard: the ability of systemic forces

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

to affect major political actors' institutional preferences by altering the constraints and opportunities they face, the entry and more active role of new actors in policy debates, and the redistribution of power within domestic politics. These factors have rendered the existing policy-making structure more open to transnational interests and facilitated the development of a political and coalitional basis for restructuring South Korea's system of corporate governance in line with prevailing global norms, in effect internalizing external influences.

Internationalization and associated materialistic and ideational pressures have changed the policy preferences of major political actors – politicians, bureaucrats, and private firms – vis-à-vis corporate governance reforms. Political leaders in the Kim Dae-jung and Roh Moo-hyun governments implemented successful reforms because of their desire to attract global capital, achieve foreign policy strategies, and enhance the country's self-esteem, as discussed at length in the preceding analysis. This does not imply that all politicians have supported reform measures, some of which have harmed the interests of their core industrial constituencies. Conservative members of the main opposition Grand National Party (GNP), who traditionally had close links with the chaebols, often put up strong resistance to corporate reforms. However, global forces have altered the material and reputational payoffs associated with policy choices in such a dramatic and enduring manner that the top political leadership has been generally disposed toward market-oriented reforms of the corporate sector.

Political leaders' interests in restructuring the chaebols in line with market-oriented standards and practices have also stemmed from their desire to invoke international rules to further their own particular goals in domestic policy debates. Kim Dae-jung and his associates proactively used global corporate governance standards sanctified by the World Bank and the OECD to justify their chaebol reform agenda and call into question the legitimacy of the chaebol-centered system (Solomon et al., 2002). By the same token, Roh Moo-hyun structured and enacted his corporate reforms around internationally acceptable norms and thereby put pressure on big business groups and conservative politicians to go along with his efforts to implement both a more populist social contract and a neoliberal reform agenda. Through this pathway state elites have been able to pursue their policy interests by using global rules as powerful moral resources to strengthen their positions and appealing to international obligations to overcome political resistance.

The second key actor in the corporate reform process has been the elite economic bureaucracy. Its policy priority historically focused on economic modernization and industrial growth. It pursued these goals by nurturing the chaebols as national champions, managing market competition through the control of new entrants, and developing a stable and chaebol-based corporate structure. Since the financial crisis of 1997–8, bureaucratic elites have switched development strategies toward the overhaul of corporate decision-making structures and the adoption of market-oriented governance policies. Their intense engagement with international financial institutions, growing sensitivity to the preferences of global investors, and acute recognition of a new dominant international set of beliefs regarding the impact of sound corporate governance on competitiveness have rendered them more willing to embrace and even spearhead corporate reforms (Pirie, 2008; Tiberghien, 2007). While long-run economic growth has remained a primary policy goal, the strategies with which to pursue that goal have become more market-centered and more oriented toward shareholders and investors.

This statement may run the risk of exaggerating the unitary nature of the economic bureaucracy and its preferences vis-à-vis corporate reforms. There are certainly some state economic agencies that have been more skeptical of the benefits of chaebol reforms than others. Growth-oriented bureaucrats from the Ministry of Commerce, Industry and Energy (MOCIE) have often expressed

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

reservations about regulatory changes that have strengthened the rights of minority shareholders and oriented corporate finance toward capital markets. This is partly because of their symbiotic relations with big business and therefore their sensitivity to the preferences of the chaebols and partly because of their genuine concerns over the impact of corporate reforms on the long-term growth of South Korean firms.[9] Nevertheless, as indicated above, systemic forces have not only made policy elites realize the importance of restructuring the chaebols but also left them with little choice but to press on with neoliberal policies. In general, more liberally inclined voices within the economic bureaucracy have tended to outweigh those advocating a more considered approach toward corporate reforms.

Finally, the chaebols have been weighty players in the process of corporate reform. While big business was relatively defenceless in the wake of the financial crisis of 1997–8, against the backdrop of strong popular sentiment against the chaebols, they have continued exerting influence over economic policy. Conventional analyses (Chang, 2003; Kim, 2003) have contended that the chaebols have constituted the single most important obstacle to corporate reforms. While largely true, these analyses have painted the big business sector as monolithic and paid inadequate attention to divergent preferences within the sector. In recent years, some leading chaebol firms have responded positively to the government mandates for regulatory changes and even taken the lead in the governance reforms. For instance, POSCO (the steel manufacturer), Samsung Electronics, and LG Group have moved, sometimes voluntarily, to introduce an independent director system, enhance decision-making transparency, or reconfigure themselves into a holding company form (*FEER*, September 11 2003: 44; *KH*, March 13 2004: 20, February 28 2005: 14, December 15 2006: 7; Kim and Kim, 2008).

Changing attitudes and strategies on the part of chaebol firms are an important function of global market pressures. This was particularly true in the first few years of the financial crisis, when many of them were severely financially strapped and desperately needed foreign financing to stay afloat. Recently, big chaebol companies have sought transnational listing on major overseas capital markets, as much to raise capital at lower cost as to enhance their international media coverage, visibility, and reputation. Of all firms from emerging market countries listed on the London and New York exchanges, in terms of market capitalization South Korean firms came second in London in 2001 and third in New York in 2002 (Lavelle, 2004: 72–3). Getting listed on the UK and US stock markets has been a compelling way for South Korean firms to meet the relatively stringent standards of corporate governance because it has required them to signal their shareholder orientation.

Not only have global forces strengthened the interests of politicians, bureaucrats, and private business in corporate reforms, but they have also contributed to new actors becoming more active and powerful in domestic policy debates. Foreign investors, who never wielded any influence on financial and regulatory policies, have now become an increasingly important player to be reckoned with. In their efforts to press for corporate governance reforms, foreign investors have often found political allies in civil society. Non-governmental groups, which were largely excluded from the policy-making process for much of the post-war period, have gained direct entree into the center of economic policy. These groups, led by the PSPD and CCEJ, have played a pivotal role in thrusting chaebol reforms onto the government agenda and sustaining the momentum of such reforms (*BK*, November 2005: 16–17).

Systemic imperatives for market reforms and corporate restructuring have also changed the balance of power over financial and regulatory policies within the government. The economic ministries that traditionally derived their bureaucratic power from the provision and management of growth-oriented policies have seen their position decline in the continued process of state elites

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

enacting and implementing neoliberal policies. On the other hand, the FSC, which was established in the wake of the financial crisis to take over most regulatory responsibilities from the Ministry of Finance and Economy (MOFE) and the Bank of Korea (the central bank), has been endowed with enormous authority to restructure the corporate and financial sectors. The FSC, together with the Fair Trade Commission (FTC), which have acted as the most powerful check on the chaebols and become pivotal to the success of corporate reforms, have enhanced their status within the hierarchy of state economic agencies.

Many reform-minded state and civil society actors have been operating simultaneously in the national and international spheres of policy arenas. Key policy-makers who have led the FSC, the FTC, and the MOFE and leaders of civil society groups are prominent diplomats and academics who have spent many years working for international organizations or teaching at Western (mainly North American) universities. These state and societal elites have not only encountered global ideas about the importance of improved governance policies and practices, thanks to their foreign work experience, but also readily embraced these ideas, as a function of their shared world views. At the same time they have been fully immersed in domestic policy debates in which they have used their newly gained political influence to press for normative claims for the market-based mechanism of corporate governance and sought out the foreign institutional and ideational resources needed to achieve their policy objectives.

It is clear from the above that the traditionally close policy network dominated by bureaucratic and business elites has experienced some fundamental changes in the past decade. The network has become increasingly open, largely because the emergence of new policy preferences, organizational structures, and political actors has required the accommodation of diverse interests in policy choices. The growing openness of the domestic policy-making structure has facilitated the infiltration of global ideas, norms, and actors into the process of corporate reform. While it may be true that powerful external players, such as the IMF, the World Bank, and the OECD, have played an important role in putting reforms on the agenda, it is debatable whether the reforms could have been enacted so smoothly without major domestic political actors and policy networks becoming more susceptible to foreign ideas and influences.

Perhaps a more important factor that has facilitated the internalization of external pressures is the changing pattern of political coalitions in the past decade. The major opponents of corporate reforms – conservative politicians, growth-oriented bureaucrats, and chaebol firms – have been discredited for their roles in the Asian crisis of 1997–8. While generally unhappy with many reform measures, GNP politicians were worried that continued resistance to prevailing global norms would bring about reputational consequences that would cast doubt on their approach to the economy and potentially the legitimacy of their governance. MOCIE bureaucrats have been confronted with examples of apparently successful corporate governance reforms in such East Asian business and financial centers as Singapore and Hong Kong. Many of them ceased to reject policy and regulatory changes when they realized that the market-oriented system of governance may offer an alternative route toward the achievement of sustained productivity growth and economic stability (*KH*, March 4 2003: 1, 2; Tiberghien, 2007: 156–79). As the above analysis indicates, the large corporate sector has not remained cohesive with regard to its preferences toward corporate reforms.

While the anti-reform coalition has been weakened, an alliance for corporate reform has emerged as a dominant political force in domestic policy arenas. The alliance has been primarily underpinned by a high degree of convergence in policy interests between reform-minded state leaders, liberally inclined economic officials, and vigorous shareholder activists. While they may

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

have different views and understandings of broad economic issues, they have all emphasized corporate reforms as an important way to promote minority shareholder rights and break the grip of the chaebols on the economy. Policy demands from external actors have been incorporated into the program of chaebol reforms because of the alliance's open embrace of the market-based model of corporate governance.

Conclusions

This article has sought to examine the global forces at work in the transformation of South Korean corporate governance. In so doing, it has provided a corrective to existing analyses that have paid inadequate attention to how internationalization has shaped domestic decisions about corporate reforms. The integrated impact of four international factors – overseas reforms and competition, global market constraints, transnational norms, and internalization of external pressures – has been investigated in detail. These forces have overwhelmed political resistance and institutional inertia to result in an important shift in the decision-making and power structure of South Korean firms. The article has thus drawn direct causal linkages between these forces and the strategies and coalitions of actors in the domestic politics of legal and regulatory reforms in the system of corporate governance.

Global forces, while transforming the pattern of South Korean corporate governance in a market-oriented direction, have not preordained convergence toward the Anglo-American model of corporate finance and governance. The chaebols have not easily relinquished the old system that provided them with prerogatives and have attempted to manipulate corporate reforms in such a way that the impact of such reforms on their interests and power could be minimized. This is clearly revealed in a corruption scandal at Samsung Group in late 2007 that implicated its chairman in a massive scheme of bribery and illegal transactions. Furthermore, as the traditional mode of corporate governance delivered efficiency in the past, there has been resistance to the full-scale adoption of market-liberal rules and norms (Haggard et al., 2003). Finally, external pressures have strengthened the dominant position of the chaebol as the only viable market agent for enhancing the competitiveness of the South Korean economy and are therefore likely to reinforce existing patterns of corporate organization as they have been transforming them.

The ongoing global economic crisis and unprecedented financial and corporate failures in the United States and Britain in particular have discredited the Anglo-American model of corporate governance and called the normative superiority of internationally acceptable governance standards into question. This is likely to strengthen the power of the anti-reform forces in South Korean policy processes and undermine the political underpinnings for further corporate reforms. At present, the reforms do not appear to have lost momentum, as evidenced by the successful efforts of the Lee Myung-bak government to push through legal changes in the thick of the economic crises in late 2008 and early 2009 that stand to make the South Korean system of corporate governance even more market-oriented (Jeong, 2009). However, the prospects for further corporate reforms have been clouded by recent attempts made by business interests and their political allies to weaken mandatory disclosure requirements and push for anti-takeover devices. The lessons of the post-Asian crisis reform period indicate that the future direction for corporate governance reforms in South Korea is contingent upon global market developments and the resulting realignments of power between various political actors and coalitions.

While the analytical underpinnings of the convergence argument are by no means clear, the empirical findings of this article carry important implications for a better understanding of the

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

politics of institutional change in an internationalized world. Analyses of the domestic impact of global forces should include not only direct political pressures and market constraints but also transnational norms, inter-state competition, and changing policy preferences of major domestic actors in response to external challenges and opportunities. Not only can these different forms of globalization influence domestic policy debates and processes, but they also may combine to produce powerful pressures for sustained institutional transformations, such as corporate reforms. This suggests that theoretical works on the changing patterns of national capitalisms should examine more explicitly how global forces have altered the national configuration of interests and power and incorporate the second image reversed in explanations of the political dynamics of regulatory and institutional changes.

Acknowledgments

The author thanks Andrew Baker, Gongpil Choi, Stijn Classens, Joon-Ho Hahm, Justin O'Brian, three anonymous reviewers, and the editors of *International Political Science Review* for their helpful advice. He is also grateful for financial support from the UK Economic and Social Research Council.

Notes

1. A few exceptions that pay close attention to the policy influence of foreign investors include Ahmadjian and Song (2004) and Tiberghien (2007).
2. Author interviews with a former deputy minister of the Ministry of Finance and Economy, Seoul, January 31 2007, and with a former FSC vice-chairman, Seoul, February 6 2007.
3. Rapid capital outflows also reflected, among other things, low domestic interest rates and the lackluster performance of the real estate market.
4. See Note 2.
5. Author interviews with a former policy advisor to the South Korean president, London, March 15 2006, and with a former FSC vice-chairman, Seoul, February 6 2007.
6. In August 2001 and again in June 2006, for instance, OECD reports that found South Korea's system of corporate governance wanting in terms of the protection of minority shareholder rights and the transparency of corporate decision-making processes prompted the government to take more effective remedial measures (*BK*, August 2001: 15–16; *KH*, June 19 2006: 5).
7. See Note 2.
8. Author interviews with academics and policy analysts from the Korea Institute of Finance, the Bank of Korea, and Seoul National University, March–April 2005, and from the Korea Institute of Finance, the Korea Institute for International Economy Policy, and Yonsei University, February 2007.
9. See Note 2.

References

Ahmadjian, Christina L. and Song, Jaeyong (2004). "Corporate Governance Reform in Japan and South Korea," Working Paper Series, New York: Center on Japanese Economy and Business, Columbia University.

Bishop, Bernie (2002). "Investment and Corporate Governance in East Asia," Feature Service, Washington, DC: Center for International Private Enterprise.

Bishop, Bernie (2003). "Will East Asia Follow Korea's Lead in Liberalising Foreign Direct Investment Policy?" in O. Yul Kwon, Sung-Hee Jwa, and Kyung-Tae Lee (eds), *Korea's New Economic Strategy in the Globalisation Era*. Cheltenham: Edward Elgar.

Black, Bernard S., Jang, Hasung, and Kim, Woochan (2006). "Does Corporate Governance Predict Firms' Market Values?" *Journal of Law, Economics and Organisation* 22(2): 366–413.

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

Campbell, Terry L. and Keys, Phyllis Y. (2002). "Corporate Governance in Korea," *Journal of Corporate Finance* 8(2): 373–91.

Chang, Sea-Jin, 2003, *Financial Crisis and Transformation of South Korean Business Groups*, Cambridge: Cambridge University Press.

Cheung, Stephen Y.L. and Jang, Hasung (2006). "Scorecard on Corporate Governance in East Asia," Working Paper No. 13, Waterloo, Canada: Center for International Governance Innovation.

Cho, Myeong-Hyeon (2003). "Reform of Corporate Governance," in Stephan Haggard, Wonhyuk Lim, and Euysung Kim (eds), *Economic Crisis and Corporate Restructuring in Korea*. Cambridge: Cambridge University Press.

Choi, Sungho and Hasan, Iftekhar (2005). "Ownership, Governance, and Bank Performance: Korean Experience," *Financial Markets, Institutions and Instruments* 14(4): 215–42.

Choi, Woon-Youl and Cho, Sung Hoon (2003). "Shareholder Activism in Orea," *Pacific-Basin Finance Journal* 11(3): 349–63.

Detomasi, David (2002). "International Institutions and the Case for Corporate Governance," *Global Governance* 8(4): 421–42.

Fields, Karl J. (1995). *Enterprise and the State in Korea and Taiwan*. Ithaca, NY: Cornell University Press.

Financial Supervisory Commission (FSC) (2005). *Market Shares of Foreign Banks in the South Korean Banking Industry*. Seoul: FSC.

Gourevitch, Peter A. and Shinn, James (2005). *Political Power and Corporate Control*. Princeton, NJ: Princeton University Press.

Haggard, Stephan (2000). *The Political Economy of the Asian Financial Crisis*. Washington, DC: Institute for International Economics.

Haggard, Stephan, Lim, Wonhyuk, and Kim, Euysung (eds) (2003). *Economic Crisis and Corporate Restructuring in Korea*. Cambridge: Cambridge University Press.

Jang, Hasung and Kim, Joongi (2002). "Nascent Stages of Corporate Governance in an Emerging Market," *Corporate Governance* 10(2): 94–105.

Jeong, Young-Cheol K. (2009). "Impending Amendments to Korean Corporate Laws in 2009," *Asian Journal of Comparative Law* 4(1): 1–34.

Kim, Byung-Kook (2003). "The Politics of Chaebol Reform," in Stephan Haggard, Wonhyuk Lim, and Euysung Kim (eds), *Economic Crisis and Corporate Restructuring in Korea*. Cambridge: Cambridge University Press.

Kim, Dongjae and Min, Bryan (2005). "Changes in Corporate Governance and Management Performance through Foreign Direct Investment," in *Asian Corporate Governance Case Studies Series*. Seoul: Hills Governance Center, Yonsei University.

Kim, E. Han and Kim, Woochan (2008). "Changes in Korean Corporate Governance: A Response to Crisis," *Journal of Applied Corporate Finance* 20(1): 47–58.

Kim, Hwa-In (2006). "Directors' Duties and Liabilities in Corporate Control and Restructuring Transactions," Oxford University Comparative Law Forum 2, URL: http://ouclf.iuscomp.org/articles/kim.shtml.

Kim, Joongi (2006). "The Next Stage of Reforms: Korean Corporate Governance in the Post-Asian Financial Crisis Era," *Asian Journal of Comparative Law* 1(1): 1–23.

Korea Exchange (KRX) (2007). *Fact Book*. Seoul: KRX.

KPMG (2001). *Foreign Direct Investment in Korea*. Seoul: KPMG Consulting.

Lavelle, Kathryn C. (2004). *The Politics of Equity Finance in Emerging Markets*. Oxford: Oxford University Press.

Lee, Sook Jong (2008). "The Politics of Chaebol Reform in Korea," *Journal of Contemporary Asia* 38(3): 439–52.

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014

Letta, Corrado G.M. (2004). *Aspiring to Be the Hub of East Asia*. Seoul: The Sejong Institute.

McKinsey & Co. (2002). *Global Investor Opinion Survey*.

Min, Byung S. (2007). "Changing Pattern of CorporateGovernance and Financing in the Korean Chaebols," Economic Papers 26(3): 211-230.

Ministry of Commerce, Industry, and Energy (MOCIE) (2005). *Fostering Pro-investment Environment in Korea*. Seoul: MOCIE.

Ministry of Commerce, Industry, and Energy (MOCIE) (2006). *FDI Vision 2015 and Implementation Strategy*. Seoul: MOCIE.

Mo, Jongryn and Moon, Chung-In (2003). "Business–Government Relations under Kim Dae-Jung," in Stephan Haggard, Wonhyuk Lim, and Euysung Kim (eds), *Economic Crisis and Corporate Restructuring in Korea*. Cambridge: Cambridge University Press.

Nam, Il Chong (2004). "Corporate Governance in the Republic of Korea and Its Implications for Firm Performance," Discussion Paper No. 10, Tokyo: Asian Development Bank Institute.

Park, Hyun-Soo and Lee, Young-Joo (2005). *The Effect of the Rising Proportion of Foreign Banks on the Financial Market*. Seoul: Samsung Economic Research Institute.

Pirie, Iain (2008). *The Korean Developmental State*. London: Routledge.

Rho, Han-Kyun (2004). "From Civil Society Organisation to Shareholder Activist," Working Paper No. 15, Brunel University Brunel Research in Enterprise, Innovation, Sustainability and Ethics.

Samsung Economic Research Institute (SERI) (2007). *Korea Economic Trends* 11(13). Seoul: SERI.

Soederberg, Susanne (2003). "The Promotion of Anglo-American Corporate Governance in the South," *Third World Quarterly* 24(1): 7–28.

Solomon, Jill, Solomon, Aris, and Park, Chang-Young (2002). "A Conceptual Framework for Corporate Governance Reform in Korea," *Corporate Governance* 10(1): 29–46.

Tiberghien, Yves (2007). *Entrepreneurial States*. Ithaca, NY: Cornell University Press.

United Nations Conference on Trade and Development (UNCTAD) (2003). *World Investment Report 2003*. New York: UNCTAD.

Useem, Michael (1998). "Corporate Leadership in a Globalising Equity Market," *Academy of Management Executive* 12(4): 43–59.

Biographical Note

Xiaoke Zhang is Associate Professor in Political Economy and Asian Studies in the School of Politics and International Relations at the University of Nottingham. His major research interests are in comparative and international political economy, with a focus on the Asia-Pacific region. He is the author of *The Changing Politics of Finance in Korea and Thailand* (Routledge/RIPE Studies in Global Political Economy, 2002) and the co-editor of *International Financial Governance under Stress* (Cambridge University Press, 2003). His research articles have appeared in the *Journal of Public Policy*, *Review of International Political Economy*, *Studies in Comparative International Development*, *Pacific Affairs*, and many other refereed international journals. He is currently finishing a monograph on the political economy of capital market reforms in Southeast Asia.

Downloaded from ips.sagepub.com at International Political Science Association on April 11, 2014