



38th parallel

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DISCUSSION & REVIEW QUESTIONS:

- At the beginning of the video, Professor Hanson reminds us that, "...at the time it [the Korean War] was fought... everyone recognized it as a world-shaping conflict..." Why do you think that this was the case? Why do you think that so many people in the West felt it imperative that the U.S. become involved in the conflict?
- Later, Professor Hanson asks, "Was fighting the Korean War and restoring the South—without uniting the entire peninsula—worth the huge cost in blood and treasure?" What exactly is Professor Hanson referring to when mentioning 'blood and treasure?' How would you answer Professor Hanson's question? Explain.
- As part of answering the his question from above, Professor Hanson points out that, "South Korea is a model global citizen and a strong ally of the U.S.—and stands in sharp contrast to the communist regime in the North that has starved and murdered millions of its own people and caused untold mischief in the world community." Considering how well the southern portion of Korea turned out and how awful the northern portion of Korea turned out, do you think that the U.S. should have continued attempting to liberate the entire country from communism or do you think that the U.S. was right to cut it's losses and save what it could? Explain.
- Professor Hanson states, "The Korean War was an incomplete American victory in its failure to liberate North Korea and unite the peninsula, but a victory nonetheless. And not just from a military perspective, but from a moral one as well." What do you think Professor Hanson means by a 'moral' victory as well? Do you consider the outcome of the Korean War to be a victory? Why or why not?
- Late in the video, Professor Hanson explains that, "...the Korean War reawakened the United States to the dangers of disarmament and isolationism and led to the bipartisan foreign policy of containment of global communism that in 1989 finally led to the collapse of the Soviet Union, and with it victory in the Cold War." Considering this to be the case, why do you think that the Obama Administration is ignoring the lessons learned during the Korean conflict and continues to shrink and dismantle America's military in all areas? Considering the drastic differences in how North Korea and South Korea turned out, why do you think that anyone would support communism over democracy as political ideology?

EXTEND THE LEARNING:

CASE STUDY: The chaebols

INSTRUCTIONS: Read the article “The chaebols: The rise of South Korea’s mighty conglomerates,” then answer the questions that follow.

- What conditions must exist for an organization to be considered a ‘true chaebol?’ What did General Chung-Hee feel was necessary for a strong nation? How did South Koreans view their increasing wealth, in terms of nationalism?
- In the video, Professor Hanson points out that, “The natural dividend of saving the South was the evolution of today’s democratic and prosperous South Korea that has given its 50 million citizens undreamed of freedom and affluence—and has blessed the world with topflight products from the likes of Hyundai, Kia, LG and Samsung.” How do you think the outcome of the Korean War affected the conditions to allow the chaebols to originate and operate?
- What other lessons do you think should be learned from the Korean War?



QUIZ

WHY DID AMERICA FIGHT THE KOREAN WAR?

1. How did the Korean War end?

- a. A clear defeat and surrender.
- b. With a tense armistice.
- c. A complete failure.
- d. It didn't.

2. Fighting the Korean War and restoring the South—without uniting the entire peninsula—was worth the huge cost in blood and treasure.

- a. True
- b. False

3. North Korea _____.

- a. is as democratic and prosperous as South Korea.
- b. controls the entire Korean peninsula.
- c. has starved and murdered millions of its own people.
- d. None of the above.

4. 35,000 American lives were lost in the Korean War to _____.

- a. gain control of their oil reserves.
- b. return South Korea to Japan.
- c. create an alliance with China.
- d. keep at least half the Korean people free.

5. The American effort to save South Korea sent what message to communist China and the Soviet Union?

- a. The free world would not tolerate communist military take-overs of free nations.
- b. Chinese immigrants would be barred entry to the United States.
- c. They were too powerful for American troops.
- d. Europe would be occupying South Korea.



QUIZ - ANSWER KEY

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<http://www.cnet.com/news/the-chaebols-the-rise-of-south-koreas-mighty-conglomerates/>

The chaebols: The rise of South Korea's mighty conglomerates

They are cornerstones of the economic, political and social landscape: Part one of a series looks at how these conglomerates -- like Samsung, LG and Hyundai -- saved South Korea from crushing poverty and defined a country's role on the global stage.

[Tech Industry](#)

April 6, 2015 9:15 PM PDT



by [Cho Mu-hyun](#)



Samsung's headquarters in the Gangnam district of Seoul, South Korea [Image by Duesride, CC BY-SA 3.0](#)

There was a joke in South Korea back in the 1990s. It went like this:

What would employees of the mighty Korean conglomerates -- the so-called chaebols -- do if they were accidentally confronted by a fearsome bear while strolling through the forest?

[Hyundai](#) employees would club the bear to death without hesitation. [Daewoo](#) would call its Chairman Kim Woo-jung and await his command. Samsung would hold a meeting -- with the bear still in front of them -- to discuss how to proceed. LG would wait for Samsung's response, and then do the same.

Many spin-offs of the joke still exist today, and it shows how deeply the chaebols are embedded in the South Korean consciousness. Though Daewoo Group -- most famous for its line of [cars](#) -- is now defunct, the other conglomerates are still very much living, breathing parts of the world's [13th-largest national GDP](#). Chaebols are quite numerous, but the largest -- dubbed the "Big Four" by the South Korean press -- are Hyundai Motor Company, SK Group and perennial rivals, Samsung and LG.

The chaebols were instrumental in pulling South Korea out of its poverty-stricken state after the Korean War. In doing so, many became global players and household names along the way. Who hasn't heard of a Samsung Galaxy smartphone? Or purchased a washing machine from LG? Or watched Hyundai cars drive down the road? For companies that are so deeply rooted in Korean culture, their influence is felt around the world.

Despite their mostly different, but sometimes overlapping business interests, the chaebols all share in the belief that it will be their strides in information technology that will determine whether they wither away like Daewoo, or become institutions that will last "hundreds of years," as they like to say.

Public opinion of the chaebols has swayed in the past, depending heavily on the changes in the political, social and economic atmosphere -- but it's impossible to deny that these conglomerates have played a key role in the development of today's South Korea.

Money clans

The word chaebol translates to "money faction" or "wealth clan," but a chaebol is more than a company. In South Korean culture, chaebols are dynasties. The chaebols are responsible for such an extreme portion of the South Korean economy that their chairmen are celebrities.

Key managerial posts within a chaebol are almost always given to the relatives of the chairman, the patriarch. LG Electronics' current CEO, Koo Bon-joon, is the younger brother of its parent LG Group's chairman, Koo Bon-moo.

Not only must a conglomerate be family-owned to be considered a true chaebol, the conglomerate must have businesses in at least two disparate areas: for example, Samsung Group, South Korea's largest chaebol, is known for its flagship subsidiary, Samsung Electronics -- manufacturer of TVs and the Galaxy S6 smartphone -- but it also owns subsidiaries that run a luxury hotel, build crude oil tankers and sell life insurance.

Another important factor is the complicated cross-shareholding of the component companies within the chaebol. At its peak in 1999 and prior to increased government regulation, the cross-ownership of subsidiaries within chaebols was at [43 percent, according to the Fair Trade Commission \[Korean\]](#). Loans between unrelated companies within a chaebol were also guaranteed -- done to protect ownership and maintain control by the ruling family.

"It is very difficult to find similar counterparts abroad to South Korea's chaebols today," said Park Sang-in, professor at Seoul University's Graduate School of Public Administration. "In English-speaking countries, there really are no business groups, but singular companies that own its subsidiaries 100 percent. In Europe, conglomerates are never as big as the chaebols and ownership and management is usually strictly divided.

"On the other hand, the chaebol is comprised of multiple companies with robust internal transactions, all controlled by a single, near all-powerful chairman that act as both manager and the de facto owner of the entire enterprise."

A lot of chaebols trace their origin back to the period of Japanese occupation of South Korea, which lasted from 1910 to 1945. Others, like the heavy-industries-focused Doosan Group, trace it back further, to the country's last dynasty. But these narratives conveniently surfaced after the chaebols became true titans of industry.

The word chaebols, as well as their formation, is widely believed to have been influenced by Japan's zaibatsu -- the two words are even spelled the same in Chinese. Like the chaebols, zaibatsu were family-owned conglomerates, however, "family" to them meant those who you form close bonds with, rather than strictly referring to blood relations. The zaibatsu disbanded after World War II, and their successors today are loose federations of companies, rather than centralized conglomerates like the chaebols.

Wealth and power to the nation

In 1953 the South Korean national [GDP per capita stood at a mere \\$67 \[Korean\]](#). The US GDP per capita for the same year [stood at an unadjusted \\$2,449](#). After the political turmoil that followed Japanese occupation and the Korean War, the country was in dire poverty. The threat of North Korea was real -- espionage on both sides of the aisle was commonplace, and the South Korean government of the time was either unable or unwilling to help its people recover.

And then came Gen. Park Chung-hee, the controversial landmark leader of South Korea, who staged a coup, and through a military junta became the president in 1963. Following official recognition of his regime by the US, Park decided that for South Korea to become a strong nation, it needed a strong economy.

Like the corporate trusts of the US in the late 19th and early 20th centuries, a relationship between the government and the private sector was formed that still defines South Korean politics and economy today. Park coaxed, wheedled, intimidated, manipulated and outright threatened the companies for cooperation. But the president also offered incentives -- government and foreign loans, relaxed regulations and tax cuts.

"South Korea can be defined as a 'developmental-state,' where the government actively intervened and worked closely with companies," said Cho Dong-keun, a professor at the department of economics of Myongji University. "In some ways, it was necessary, because the market was imperfect. And the chaebols were born."

The Federation of Korean Industries was formed by the chaebols in 1963 to promote their interest and support Park's drive. It acted as the voice of the chaebols, and its mission was to foster coordination among them. Though influence has somewhat declined, the chairman of the Federation was at one point referred to as the "Prime Minister of Economy" by the press and wielded considerable political power.

Samsung and LG were already flourishing, both among the top ten companies in South Korea even before Park's regime took charge, and the pair didn't always welcome the government's initiatives. For example, Samsung founder Lee Byung-chull and Park disliked each other: Lee, who was older than Park (seniority being very important in Korean culture), thought of the president as an upstart, uneducated thug. President Park, on the other hand, thought of Lee as a man born with a silver spoon in his mouth.

During Park's five-year plans -- rolling periods of government-outlined economic development -- the government sometimes took successful subsidiaries away from the chaebols: On Park's orders, Samsung would cede a bank, a fertilizer manufacturer and a broadcaster, much to its dismay.

The government policy would also bring in new blood -- most famously Hyundai, which began as an unimpressive, middling construction firm, but became a powerful chaebol during Park's presidency. Hyundai's famed founder Chung Ju-yung, a peasant's son and an elementary school dropout, had a do-or-die spirit that Park felt was needed in South Korea. The charismatic Chung clinched projects and showed feats that were considered impossible. With Park's support, Hyundai built the 400km-long Gyeongbu Expressway that connected the capital city Seoul to South Korea's southern city in less than two and a half years.

When the chaebols began to look overseas in the '70s, Hyundai built a shipyard without ever having made a ship before. Daewoo, a relatively small trading company in the '60s, came into power in the '70s thanks to its founder Kim Woo-jung's father being a mentor to President Park. Given first rights to purchase debt-ridden public companies -- another benefit offered to the chaebols by Park -- Daewoo transformed itself into a mega-conglomerate.

Lacking a traditional entertainment industry, the chairmen and founders of the chaebols became celebrities and heroes for a still-developing country. Gossip ran amok on what the chairmen did or didn't do. Self-aggrandizement and publicity were mixed with real achievements, and the diverse personalities and business philosophies of the chairmen trickled down to their employees. Hyundai employees became known for their "shoot first, think later" approach to business; their motto was if it doesn't work, make it work. Samsung developed a reputation for reviewing every possible option before making a choice. The two chaebols are considered polar opposites, even today.

Park's strategy won wide support from the people. Many looked at South Korea's increasing wealth with pride, and working for the chaebols meant contributing to the national cause. This was the grand narrative of the chaebols. Their success was South Korea's success. The sentiment has since waned, but the story still has a strong thread nonetheless. [In 1996, the country's GDP per capita hit \\$10,315.](#)

Global Transformation

The biggest instigation for change was the Asian Financial Crisis in 1997, which was a wake-up call for the chaebols and the South Korean economy. The precise cause of the crisis is still controversial: the foreign press blamed the chaebols for expanding into unrelated businesses without a proper rationale, and their cross-subsidizing structure that prevented them from ending unprofitable businesses. They also blamed Korean banks for providing unchecked loans to chaebols -- [considered "too big to fail." \[Korean\]](#) The local press, following very different logic, blamed foreign financial institutions for withdrawing their "speculative" investments too quickly. Both blamed opening up of the capital market without proper regulation.

The won, South Korea's currency, depreciated -- [the exchange rate doubling in 1997 \[Korean\]](#) -- and the mighty Daewoo chaebol fell. At the depression's worst, 3,500 companies were declaring bankruptcy every month. Chaebols that were expanding overseas or into non-related businesses made up most of these numbers.

The government proceeded to liquidate unprofitable companies. It initiated what is known as the "Big Deal" in South Korea, and ordered chaebols to sell their non-core businesses to other chaebols. The chaebols initially refused, but following continued pressure, finally agreed. LG had to sell its semiconductor business and Samsung sold its automobile business. The crisis cooled down when the disaster spread to other nations, and US lowered its interest rate.

Even before the crisis, the chaebols themselves were calling for change: despite their size, profitability was extremely low compared with their counterparts in the US and Europe. The chaebols proceeded to decrease their expenses, and sold off unrelated businesses. Both voluntarily and forcibly, the chaebols began to focus on related core businesses -- which some had vocally opposed in the '80s and '90s -- which would work to

the advantage of Samsung and Hyundai. At the same time, each company within a chaebol was given more autonomy.

"The Asian Financial Crisis was a sort of stress-test for the chaebols," said Myongji University's Cho. "Out of the 30 top chaebols, 16 went bankrupt. Those who thoughtlessly diversified their businesses collapsed."

The chaebols themselves felt confident in their own technology and know-how when it came to manufacturing. What they needed now was great design, branding and marketing. Most of their corporate identities were renovated. Samsung and LG made strategic investments into manufacturing TVs, handsets and home appliances before their Japanese or US counterparts. Hyundai branded its cars as luxury vehicles. Thanks to the government's continuing support, SK began to develop the fastest broadband in the world.

The chaebols still enjoy the support of many people, who believe they led South Korea out of another financial crisis.