

## ***Samsung’s Political Connections***

Samsung is the top selling brand of products sold from South Korea. The company’s ventures stretch across dozens of different business units involved in numerous markets including electronics, home appliances, semiconductors, buildings, pharmaceuticals, insurance, credit cards, and many more. Taken together, the Samsung conglomerate represents the country’s largest exporter. In 2017, the same year that the company was recovering from a recall over faulty batteries in its Galaxy Note 7 phones, the company became embroiled in a larger scandal concerning its influence over the South Korean government.

Lee Jae-yong is the third-generation leader of Samsung since its founding by his grandfather in 1938. In 2017, Lee was arrested on charges of bribing then-president Park Geun-hye. Prosecutors alleged that Lee and other executives offered to pay bribes of ₩43.3 billion (approximately \$38 million at the time) in the form of donations to organizations run by Choi Soon-sil. Choi was a close confidante of president Park and had a strong influence on her. Prosecutors alleged that \$26 million worth of bribes was embezzled from Samsung corporate funds and, in exchange for bribes, Choi would pressure Park to help sway government support for a merger of two units of the Samsung group. This was an \$8 billion merger between Samsung C&T Corporation, which owned a controlling stake in Samsung Electronics, and Cheil Industries, another business in the Samsung group. The merger was approved and helped Lee to maintain control over the larger Samsung conglomerate, despite his family holding only a small fraction of company shares.

Lee was found guilty of bribery, embezzlement, illegally transferring assets overseas, concealing criminal proceeds, and perjury. He was sentenced to five years in prison. Park was later impeached and sentenced to 24 years in prison on convictions for bribery, coercion, and abuse of power. Choi was found guilty of bribery, abuse of power, and interfering in government business. She was sentenced to 20 years in prison and ordered to pay a fine of ₩18 billion (approximately \$17 million at the time).

Judge Lee Jin-dong, presiding over Lee Jae-yong’s case, stated, “At the heart of this case is the collusion between political power and economic power.” Kang Won-taek, political scientist at Seoul National University, said in response to the sentencing of Park, “I hope that this trial will provide a good opportunity to sever the lingering legacy of collusion between political power and big business.”

In February 2018, Lee was released after less than a year in prison. Many criticized his early release as a sign that family-run



conglomerates remain too powerful, while others welcomed Lee's release, noting that he only served as a scapegoat for anti-conglomerate sentiment. Kim Kyong-man, an executive at the Korea Federation of Small and Medium Business, said, "In a time of worsening business environments, incarcerating businessmen for a long time does tremendous damage not only to their companies but also to the national economy." Jun Sung-in, an economist at Hongik University in Seoul, stated, "This is a critical setback for the country... This case once again shows why the South Korean judiciary does not have the people's trust when it comes to cases involving chaebol [family conglomerate] chieftains."

**Concept:** Corruption

**Ethical Insight:**

The year 2017 was a tough one for Samsung, at least in terms of ethics. While the company was recovering from a recall over faulty batteries in its Galaxy Note 7 phones, the company became embroiled in a corruption scandal concerning its influence over the South Korean government. Samsung's third-generation leader, Lee Jae-yong was found guilty of bribing then-president of South Korea Park Geun-hye. In exchange for bribes, the government supported an \$8 billion merger between two units of the Samsung group that helped Lee maintain control over the conglomerate. The bribes constituted classic corruption and illustrated an ethically troubled relationship between South Korea's leading company and its governing officials.

**Discussion Questions:**

1. Corruption is the abuse of power or position for personal gain. In what ways was corruption manifested in this case? Explain.
2. Who do you think should be held most accountable for corruption in this case: Lee Jae-yong, Park Geun-hye, or Choi Soon-sil? Why? Did the fault in this case lie more with the Samsung officials who arranged for the bribes or the government officials who were happy to accept them?
3. Given the size and importance of the Samsung conglomerate to South Korea's economy, do you think it is ethically permissible for the government to give the company special treatment? Why or why not?
4. Regarding the early release of Lee Jae-yong from prison, do you agree with Kim Kyong-man's statement or with Jun Sung-in's statement? Was early release a good idea or a bad one? Why?
5. Family-run conglomerates have a history of ties to the South Korean government. What harms are potentially produced by allowing these companies to maintain influence over the government? How might companies and the government ward off future instances of corruption?

6. Some people believe that some countries' cultures embrace corruption and that other nations should just accept the supposed local norms. Do you agree with the factual premise that some countries' cultures embrace corruption? If so, do you agree with the further assertion that other nations should be accepting of such corruption? Why or why not?
7. Have you seen other examples of corruption in the news lately? What happened? What were the consequences of corruption? Explain.

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Samsung, corruption, and you

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