

South Korean Seongnamgate: Will There be a Sequel?

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*The author continues to follow a [serious scandal](#) in South Korea that could affect the outcome of the March 2022 presidential election, as one of the potential figures in the case is **Lee Jae-myung**, the ruling Democratic presidential candidate.*

The fact is that a previously unknown firm, Hwacheon Daeyu, and its seven affiliates made more than 1,000 times their investment as part of a project to develop and build up the Daejang-dong residential area in Seongnam City. Lee Jae-myung was the mayor of Seongnam at the time. **Yoo Dong-gyu**, former acting president of Seongnam Development Corp, was arrested on October 21 on charges of breach of trust for the project and receiving 350 million won (\$298,000) in [kickbacks](#). The loss estimate of the city made by the subsequent corporation management says 179.3 billion won (\$151.5 million). This amount far exceeds the 65.1 billion won in damages that the [prosecution charges](#) against Yoo.

The firm also hired and paid astronomical sums to individuals associated with Lee. For example, **Former Supreme Court Justice Kwon Soon-il**, who acquitted Lee in July 2020 for violating the Election Law, was paid 15 million won (\$12,600) monthly.

There is no direct evidence against Lee yet, but conservatives claim he was the actual owner of the company. In addition, in their opinion, the investigation is being let down, and they argue as follows.

First, lawyer **Nam Wook**, who returned from the US after the Foreign Ministry threatened to revoke his passport, was not arrested. Upon his return, he was questioned and stated that he was removed from the project in the early stages. He shifted the blame to other key figures, including Yoo and Kim Man-bae, the owner of Hwacheon Daeyu. Nam also claimed to have heard his partners discussing raising 35 billion won to pay seven influential people 5 billion won each in bribes. However, only two people were given the money, and he prepared the money at Kim’s request. But after two days of questioning, Nam was released,

defying widespread expectations that prosecutors would seek a formal [warrant for his arrest](#). Meanwhile, it is believed that it was Nam who removed a clause from the contract that would have ensured an equitable distribution of additional profits between the city firm and the private developers and allowed Kim's firm to [get so rich](#). The court only issued arrest warrants for Nam Wook and Kim Man-bae on November 4, charging them with breach of trust and bribery.

Second, the search of the Seongnam Mayor office did not take place until October 21, more than 20 days after the investigation began. Prior to that, searches took place in less significant locations, giving the theoretical possibility of [destroying evidence](#). It was widely expected that cross-examinations would be conducted among suspects to verify contradictory allegations, but none have been conducted so far. Instead, investigators focused on finding details related to creating the profit-sharing system that paid significant dividends to Hwacheon Daeyu.

Third, it was revealed that Prosecutor general nominee Kim Oh-soo worked as a lawyer in Seongnam City before his appointment. And the prosecutor in charge of investigating the scandal was forced to return to his former post at another district attorney's office after he called for an [additional investigation](#).

On November 4, the ROK media reported that law enforcement authorities discovered that just minutes before investigators searched Yoo Dong-gyu's home on October 29 he had been on the phone with Jeong Jin-sang, the current deputy chief of the secretariat of the Democratic Party's election committee. Investigators suspect that the two may have shared confidential information about the [scandal in the run-up](#) to the searches.

Jeong admitted that he spoke to Yoo that day but denied any wrongdoing and criticized law enforcement for allegedly leaking details of the investigation to the media amid the presidential race.

As the scandal continues to escalate, Lee's approval level is declining. In a Korean Public Opinion Institute poll that pitted Lee against various conservative presidential candidates, the Democratic candidate lost. In November, the gap between Lee and Yoon Seok-yeol, who was the only conservative candidate, was nearly 10 percent.

According to a different poll, 45.9% of respondents are convinced that Lee Jae-myung is directly involved in the corruption scandal. 17.2% believe he is responsible for it, even if he did not receive a direct benefit. 14.3% believe that the scandal results from a sharp rise in property prices and has nothing to do with Lee. 16.8% shift the blame for what happened to the [previous administration](#).

A Gallup Korea poll also showed that 65% of South Koreans support an independent legal investigation into the corruption scandal. In comparison, 55% suspect that Lee Jae-myung played a role in the project.

However, 14 days after President Moon ordered a swift and thorough investigation into the scandal, Moon and Lee met. Congratulating Lee Jae-myung on his nomination as the ruling party's presidential candidate, the head of state urged him to develop a relevant political program and run a fair campaign. Lee Jae-myung said he is a member of the "team" of the incumbent president, thus urging Moon Jae-in's supporters to vote for him in future elections.

According to an editorial in the conservative Korea Herald, the incumbent president, a ruling party member, has no reason not to meet with a presidential candidate from the same party, even if the president and candidate are from different factions. However, the meeting has a strong symbolic meaning. None of the candidates who met with the presidents before have been under suspicion of corruption.

The Blue House and Democratic Party have warned the public not to take any notice of this informal closed-door meeting. Still, the incumbent president is obliged to remain neutral in any election, and Moon recently suspended all meetings with ruling party lawmakers.

In this context, it is suspected that the parties have struck a deal – Moon will protect Lee from the scandal in exchange for Lee guaranteeing Moon’s protection from possible litigation after he retires. In this context, the conservative media view the investigation’s position that Lee was not pursuing his private interests. The scheme in question, which provided the city only a fixed profit, allowing speculators to make huge super-profits, was a political decision. Meanwhile, “few would believe that Yoo alone designed and executed the profit distribution scheme unilaterally without [prior consultation](#) with the mayor.” In such matters, the city administration always has the last word. On the other hand, there is still no direct evidence against Lee, although if the same logic applied to Park Geun-hye is applied to him, he should go to jail because “collusion” or “silent request” need not be confirmed by facts.

The opposition is counting on the special prosecutor’s investigation, similar to the one used to gather evidence in the Park Geun-hye and Choi Soon-sil case. But such a decision has to go through the Parliament, where the Democrats still have a majority. So the author will continue to monitor how this politically-motivated case develops.

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