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## LEVIATHAN FOR SALE: MARITIME POLICE PRIVATIZATION, BUREAUCRATIC CORRUPTION, AND THE SEWOL DISASTER

### Abstract

We argue that the 2014 Sewol ferry disaster in South Korea, in which 304 passengers perished, was a result of the mode and process of privatization of South Korea's maritime police and rescue services. Through the development of a nuanced theory of privatization and use of a novel conceptualization of corruption, coupled with empirical analysis, our study shows that the outcome was symptomatic of a wider trend of systematic bureaucratic rent-seeking. A pro-active private sector ready to capitalize on the opportunity, in conjunction with a permissive political environment, resulted in a reduction of state capacity, with devastating consequences.

### Keywords

bureaucratic corruption, privatization, regulatory mismanagement, ROK

### INTRODUCTION

On April 16, 2014 the Japanese built, Cheonghaejin Marine Company Ltd. operated Sewol ferry capsized and eventually sank, with the loss of 304 lives, the majority of victims being secondary school students. Just over four years later on July 19, 2018, a South Korean court officially recognized the state's own negligence in the tragedy, ordering compensation to the survivors and families of those who had died (Seoul Central District Court). Up to that point, the weight of analysis and blame, in conjunction with legal repercussions, had focused on the mismanagement and negligence of the Cheonghaejin Marine Company.<sup>1</sup> Coeval with the focus on the failure of precautionary measures and post-disaster response of the Sewol sinking, this outcome has spurred a body of scholarly research which seeks explanations as to why many of the functions of policing and rescue were left to the private market, rather than the traditional, publicly sourced apparatus. In short, why the shift towards the privatization of public safety services and what are the consequences thereof? What has been less explored, in both the theoretical and case specific literature is, given privatization, how did the method chosen affect the outcomes in question? Through the lens of the Sewol disaster, this study attempts to shed both empirical and theoretical light on these puzzles.

In this study we contribute two main interrelated hypotheses and supporting empirical evidence. First, we argue that the general trend and shape of privatization, in the context of Korean maritime policing and rescue, is largely a function of systemic regulatory

capture of the bureaucratic decision-making process (i.e. bureaucratic corruption). Second, we argue that among various police/security privatization schemes, contracted (i.e. outsourced) policing is probabilistically the most susceptible to bureaucratic rent-seeking behavior.

Although we are not the first to identify the privatization of state functions as the most significant cause of the Sewol disaster (Ji 2014; Roh 2016; Suh 2014), our argument is unique in that we identify the process of privatization in general as having been significantly influenced by bureaucratic malfeasance (within the larger family of systemic corruption). A number of scholars (see for example, Lee and Park 2015; Park 2018) who focus their analysis upon the deregulation of the maritime industry criticize neoliberal reforms as being the direct cause of the Sewol disaster. While we agree in part with this argument, we posit that rather than blanket privatization being the cause, it was rather the privatization mode chosen (i.e. *incomplete* neo-liberal reforms through contracting out) that ultimately produced the outcome in question. This specific mode of privatization, we argue and empirically demonstrate, opened up rent-seeking opportunities among bureaucrats charged with implementing the process.

Our study is further unique in its arguments that emphasize the legacies of state corporatism as a cause of regulatory capture (see You and Park 2017). State corporatism, which was established in South Korea prior to its move into the democratic camp in 1987, cannot fully explain why the role of the state in sea rescue declined during the democratic period and how a specific form of privatization was selected by the government. What we find of more interest is why and how Korea's state corporatism transformed from a system of government intermediation into a more particularistic and fragmented form of collusion based on personal relationships between bureaucrats and those within the private sector.

Finally, our analysis is novel in that bureaucratic corruption, as a cause, is shifted away from business as the corrupt or "corrupting" source. Although blame upon the private sector in general would *not* be misplaced, and studies that look at business as the core unit of analysis certainly have much to contribute (see for example, Jeon 2017), we find that outcome much less theoretically puzzling, given the profit-motivated structure of the business-oriented sector and potentially bias producing, for reasons discussed in the theoretical section. What we find less well explored and explained and, hence theoretically puzzling, is the pro-active role of bureaucrats who are charged with ensuring public order and safety, and the greater regulatory environment, which, at least in the case evaluated in this article, has unquestionably produced a set of socially sub-optimal processes and consequences.

Our analysis begins with an exploration of the conventional explanations behind the privatization debate both in general and with respect to the more specific issue of policing and public safety. Next, we present our definition and theoretical analysis of political and bureaucratic corruption. Following the theoretical considerations section, we embed our discussion within the case of South Korean maritime police privatization and outcomes, by tracing the set of processes and political machinations, which ultimately increased the probability of the 2014 disaster. This study is then concluded through a summary of our specific findings for the Korean case, and more generalizable theory-based implications and predictions, as well as suggestions for future research.

## LITERATURE REVIEW: PUBLIC GOODS, PRIVATE MEANS

Privatization refers to “relying more on the private sector, both profit and non-profit institutions, to deliver public policy and improve the quality of service and implementation of public programs” (Ewosh 1999, 8). The concept of privatization promotes the theory that the polity should be understood as a “marketplace,” where citizens act as rational economic players seeking to maximize personal interests (Ewosh 1999, 12). Privatization also contends that the market will provide better services than those of a monopolistic state bureaucracy (Verkuil 2007, 7).

The term privatization is often synonymous with “contracting out,” although the former is a much broader concept than the latter. According to Benson (1998), contracting out is, at most, only partial or incomplete privatization. When a government contracts the production of goods or services that were previously produced by a monopolistic bureaucracy out to a private firm, the political arena still maintains control over decisions concerning what will be demanded and produced by the firm under contract. Private citizens, acting as individual buyers in the marketplace, lack such control or influence. For example, in the case of police privatization, complete police privatization would place all decisions regarding buying and selling services for the protection of life and property under private sector control. Whereas, contracting out shifts only the production and delivery of policing services from the state into private hands (Benson 1998, 15).

To clarify the various meanings and modes of privatization, Fixler and Poole (1988) identified three distinct types of privatization: (1) user-financing, (2) contracting out, and (3) service shedding. These categories are predicated upon funding source(s) and service delivery. In the traditional form of non-privatized public services, the government allocates funding via taxes and directs service delivery using government employees. In contrast, in cases of user-financing, the government produces the services but charges individual users based on usage; this scheme privatizes funding but not service delivery. In contracting out, the government only retains responsibility for funding and collecting taxes to provide funds; for service delivery, the government hires a provider in the marketplace. Finally, in cases of service shedding, the most complete form of privatization, the government shifts both the funding mechanism and service delivery into the private sector (Fixler and Poole 1988, 110).

Applying Fixler and Poole’s (1988) criteria, one can conceptually distinguish four different types of police service modes, as Figure 1 illustrates: (1) state policing, (2) user-financed policing, (3) contracted-out policing, and (4) deputized policing. In state policing, public taxes fund police services produced and delivered directly by government employees. In user-financed policing, citizens pay user fees for police services produced and delivered by public officials. In contracted-out policing, private agencies or firms provide police services, but government-collected taxes fund them. Finally, in deputized policing, the government completely withdraws itself from both the source of funding and service delivery by entrusting the private sector with all responsibilities related to policing.

Of the three types of privatized policing modes, user-financed policing is the least privatized form; the demand aspect of policing is privatized and left under the direct control of private citizens, acting as individual buyers. Contracted-out policing is also an incomplete form of privatization because the private sector only controls supply, whereas the

**FIGURE 1 Different Types of Police Provision Modes**

		Funding Source	
		Tax	User Fees
Service Provision	Bureaucrats	I. State Policing	II. User-Financed Policing
	Private Firms	III. Contracted-Out Policing	IV. Deputized Policing

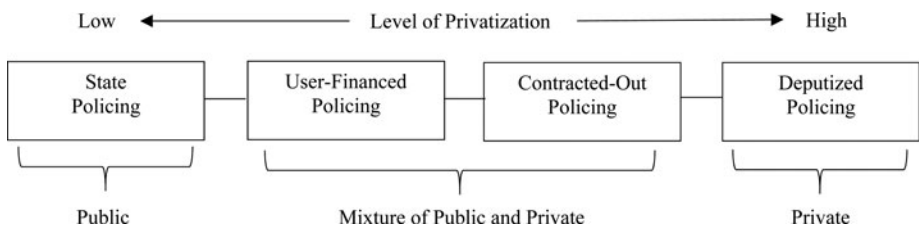
government maintains control over decisions concerning demand. However, compared to user-financed policing, contracted-out policing entails more large-scale privatization, because changes in who produces and delivers police services can lead to important changes in state activities related to the provision of public goods.

Both user-financed policing and contracted-out policing are mixed forms of public and private policing. In contrast, deputized policing is the most complete form of police privatization; both the demand side and the supply side of police services are under private sector control. Figure 2 represents the level of privatization and the public and/or private characteristics of each type of policing schemes.

DEBATES ON POLICE PRIVATIZATION

Because of the police’s unique status as government incarnate, or the street-level embodiment of the state’s supremacy in public safety related activities, privatization of policing has caused heated discourse, especially since, for many, the privatization of police services signifies a worrisome reduction in the distinction between public and private

**FIGURE 2 Levels of Police Privatization and the Distinction between Public and Private Policing**



authority and ostensibly low levels of state capacity (see Sklansky 2006, 89), while for others, it represents a net-positive shift towards market-oriented efficiencies. This section evaluates this theoretical debate with a focus on the weak-state supposition and neoliberal arguments concerned with the privatization calculus. Subsequently, we provide an analysis of the role of bureaucratic corruption in conditioning the decisions over privatization of public goods provision. Finally, we conclude with our observable predictions.

#### *THE WEAK-STATE SUPPOSITION:*

A variety of theoretical approaches attempt to provide answers as to why police privatization occurs. State-centered approaches focus on the spontaneous rather than the intentional or policy-oriented process of privatization; this camp argues that police privatization is a symptom of state failure or a sign of the state's inability to fulfill its responsibility to protect its citizens (Shearing 1992, 406; Bates, Greif, and Singh 2002, 61). Additionally, given the theoretically established and historically well-documented preference for state-based sources for sovereign transactions (see Williams 1975; Thomson 1994; Giddens 1985), we would predict that the state would only outsource such tasks when it has to. In other words, such horizontal contracting occurs under a "logic of capacity" where the state turns to the private market option in order to enhance its capacity on occasions and in environments where its control is most exiguous and/or enigmatic (see Merom 2003; Dunigan 2011; Porteux and Kim 2016).

In the aforementioned supposition, the relationship between public policing and private policing can be imagined as a zero-sum game: private protective services fill the void when the government fails to provide effective protection (Forst and Manning 1999, 19). In this way, the dominance of private policing performed by private agencies indicates varying levels of state failure or a crisis in public confidence (Joh 2006, 358).

Although the weak-state hypothesis has a significant amount of power in explaining both the historical and contemporary existence of non-state actors in the market for security-related services, both out of and under the direct control of states in weak or developing polities, there still exists the puzzle as to why polities which had or have the requisite capacity, would choose the market option.

#### *THE NEO-LIBERAL PERSPECTIVE*

In addressing the questions left unanswered by the weak-state hypothesis, the neo-liberal perspective focuses more on the policy-oriented nature of police privatization. This approach frames police privatization as a response to the neo-liberal trend that has influenced public services since the end of the 1970s. According to the neo-liberal camp, police privatization originates from pressure for more efficient and effective production and provision of police services. In this case, placing police duties under the control of market mechanisms will ostensibly lead to efficiency and effectiveness gains. Thus, police privatization is not a symptom of state failure but a calculated move toward a more advanced form of service production and provision (Mulone 2011, 166). Police privatization thus marks a rational and intentional government effort to fix the problems associated with state monopolies in addition to addressing citizens' dissatisfaction with government services and rising taxes (Forst and Manning 1999, 18).

A second major debate within the neo-liberal approach concerns the advantages and disadvantages of police privatization. Proponents of police privatization argue that privatization leads to the provision of cheaper and more responsive police services (Joh 2006, 359). This group insists the greatest efficiency and lowest cost occur when there is significant competition; the introduction of a competitive drive within law enforcement will result in public functions being performed more economically and efficiently (Ewosh 1999, 12). For these proponents, the true cause of public-sector institutions' substantial inefficiencies is the lack of incentives to minimize costs; in particular, public sector producers cannot claim any profits (Benson 2011, 2, 133). Instead, these producers aim to maximize budgets for the expansion of their bureaucratic organizations and for personal satisfaction, such as increased salary and pension benefits. The consequence of these distorted incentives is a "systemic oversupply" of public goods (Johnston 1992, 41). Overall, proponents of police privatization argue that a government monopoly over police services is subject to corruption and inefficiency, whereas competition between public and private security providers would improve the quality of police services (Mandel 2002, 33).

Opponents of police privatization disagree with the advocates' argument concerning efficiency discussed in the previous paragraph. According to opponents, because of the trade-off between cost and profit when private firms take over, police privatization will produce low-quality police services. Private companies will inevitably opt for lower costs as they are naturally driven to maximize profit. Lower cost models in turn lead to an increased probability of a reduction in service quality for customers or citizens (Benson 1998, 7). Moreover, and contrary to the central claim of privatization proponents, the market option does not necessarily produce lower costs of provision of public goods because "second-rate" performers, rather than qualified ones in terms of capital, credit, and performance, can be selected as a contractor who put their interests ahead of the state, especially when it comes to policing, as demonstrated by analyses conducted by Singer (2003) and Verkuil (2007).

#### *IF ANGELS WERE TO GOVERN: CONTAMINATION OF THE PRIVATIZATION PROCESS*

In addition to evaluating the advantages and disadvantages of police privatization, it is necessary to consider the process of privatization and its effect on privatization outcomes. As with other governmental policies such as economic or social welfare reform plans, privatization policies do not always produce their intended results. Many factors intervene in the implementation of privatization policies. For instance, the privatization process in post-communist countries, conducted as part of a large-scale systemic polity transformation and transition from communism to market-based economies, sheds light on the importance of the actual process of privatization and its potential for unexpected results, such as the appropriation of state assets by state officials or non-state criminal organizations (Hellman 1998; Solnick 1999).

Studies of privatization in more stable political and economic environments have further demonstrated the unintended consequences of the privatization decision. In particular, bureaucrats' responses to privatization policies and their role in the implementation process have received special scholarly interest. With respect to police privatization, some analysts argue that police officials will resist such processes because it threatens

their private and organizational interests. These scholars see police bureaucrats as interest groups that simply want to expand the size and power of their agencies. Because police privatization leads to a reduction in the bureaucracy's size and role, police bureaucrats are expected to resist privatization to defend the power, prestige, and relative size of their organizations (Forst and Manning 1999, 51; Benson 2011, 127, 133; Shearing 1992, 415). This bureaucratic response can in turn result in the failure or incomplete implementation of police privatization policy.

Despite the predictions above, police bureaucrats have frequently displayed different responses to privatization based on their interest in procuring career opportunities after retirement from their government posts, a phenomenon often referred to as “parachute appointments” (*nak'asan* in Korean, *amakudari* in Japanese). The privatization of policing and growth in the private security industry provide valuable opportunities for finding new jobs in the private sector (Verkuil 2007, 5). If public officials can exert their influence on decisions in the process of privatization, such as which private firms receive agreements, especially when they can select contract partners through non-bidding contracts, police bureaucrats have little reason to resist police privatization. They will welcome or even be incentivized to drive police privatization because they can guarantee several personal and organizational interests through police privatization processes, such as receiving bribes from private firms or securing jobs after retirement in private firms to which they provided contracts. They can also obtain and maintain their superiority over the private sector through their authority and control over contracting-out process with private firms. Thus, privatization does not always lead to the enhancement and efficient functioning of pro-market mechanisms but rather can lead to distortions and/or the institutionalization of anti-market behaviors.

Holding the benefits premised by those in favor of free-markets constant, the ever-present potential for market distortions discussed above, needs to be evaluated for a more robust set of explanations and predictions of the privatization process. And, certainly, any factor that can lead to a pollution of the incentive structure on behalf of political decision makers can be considered a market failure, at the very least, in that it can produce less than socially desirable allocations of resources. We argue that these types of market failures should be properly categorized as corruption and, in turn, should be a key consideration in terms of causality with respect to the issue of the privatization calculus.

#### ON DEFINING BUREAUCRATIC CORRUPTION

Bringing the issue of corruption into the causal mix of privatization necessitates a discussion of how we conceptualize it. First, we focus less specifically on “money politics” or “outlier” cases in which individuals abuse power for personal gain, aspects of which are at the heart of oft-cited definitions of corruption (see Kang 2004; Warren 2004; You and Park 2017). While such outlier instances of corruption certainly occur, focusing on illicit bribes or other monetary benefits as a key defining feature fails to capture instances of deviant behavior that is not necessarily, or at least not immediately, monetarily conditioned. Secondly, a focus on the deviant individual or outlier group, and specific characteristics thereof, as the unit of analysis has the potential to bias investigations away from a more exhaustive, and arguably predictive analysis, which looks at the social, economic,

and political milieu, as a potential cause or set of causes. In other words, we need to move away from tautological explanations such as “bad people doing bad things because they are bad people,” to an approach that investigates the ecological/systemic factors which may incentivize otherwise good people to engage in socially sub-optimal behavior.

Furthermore, we leave moralistic and legalistic definitions of corruption aside for the rationale that morality, cultural norms, and legal statutes are far from primordial and certainly vary both spatially and cross-temporally (see Inglehart 2018). As one decidedly relevant example, we argue that, while socially uncontroversial and legal in present day Korea, parachute type appointments for retired bureaucrats ultimately undermines the decision-making process and probabilistically leads to a pollution of the incentive structure built in place to ensure that “ambition counters ambition” (i.e. accountability). In frequently employed conceptualizations of corruption, especially political and bureaucratic corruption, as long as a direct bribe is not involved, such state–business interactions and practices would be *incorrectly* categorized as corrupt-free.

For the reasons summarized above, Carlson and Reed (2018) deviate from traditional definitions of specifically political corruption, and instead conceptualize it as behavior which “perverts” the proper course of democratic politics (11). While Carlson and Reed expand the “within” definition of political corruption, at the same time, they narrow the category in order to more accurately isolate the specific causes of this type of behavior. Although Carlson and Reed’s analysis is primarily concerned with political corruption, they do engage in a discussion of bureaucratic corruption, for which they conceptualize as “perverting the course of the administrative process” (92). For the same rationale, and given the focus of this study on the bureaucratic process and outcomes, we adopt and employ Carlson and Reed’s conceptualization of bureaucratic corruption. Political corruption in turn, of which we found little evidence in our study or in others, is outside the scope of this analysis.

#### OBSERVABLE PREDICTIONS

Based upon the discussion up to this point, we offer our observable predictions, in which we argue that among the three types of police privatization outlined in the first section of this article, and illustrated in Figure 1, contracted-out policing—or police privatization through outsourcing—has the highest probability for corrupt rent-seeking on behalf of police bureaucrats. In this form of privatization, bureaucrats can obtain and wield enormous power over private firms in the process of decisions over which private firms are awarded contracts and maintenance of the contract partnerships. Collusive relationships between the bureaucrats and private firms can easily be formed when each side of bureaucrats and private firms has resources to give and take: the privilege of contracts for the former and bribes and jobs for the latter. In contrast, the transition from state policing to user-financed policing, which is a less complete form of privatization, has less potential for bureaucratic corruption. In user-financed policing, the payer (citizens) and payee (the state police) are quite clear, with the private market being excluded from the entire process, leaving little room bureaucratic rent-seeking. Likewise, the transition from state policing to deputized policing, in which private firms are paid for the provision of services by citizens, not by the government, would also present less potential for bureaucratic corruption because the market mechanism decides every dimension of demand



and supply. Even state policing is less susceptible to bureaucratic corruption than contracted-out policing, not only because legal constraints and government accountability mechanisms function more stably in state policing, but also because the bureaucrats have no partner in private sectors to collude with for their personal and/or organizational interests.

Police bureaucrats' collusive relationships with private firms lead to low competition or yet another form of monopoly. If police officials only negotiate with firms that promise or provide bribes and/or parachute appointments, those firms are awarded contracts without having to compete and enjoy monopolistic benefits in the market of policing services (Benson 1998, 8). Moreover, the cost of the bribe is shifted to the customers of policing services or the taxpayers. Police privatization through outsourcing can promote the manifestation of anti-market elements within the state and society characterized with corruption and inefficiency, rather than leading to the entrenchment of the pro-market systems based on transparency, competitiveness, and efficiency.

The results outlined in this theoretical section are contrary to those anticipated by advocates of police privatization. Accordingly, the remainder of this article will examine the specific case of maritime police privatization in the Korean context as a vehicle for empirically illustrating and verifying our theoretical propositions regarding the relationship between regulatory mismanagement and bureaucratic capture. As we will demonstrate, parachute appoints were an integral component of the overall privatization process.

#### THE PRIVATIZATION DECISION

The Korean Coast Guard (KCG) was founded in 1953 following the Korean War's cease fire agreement. At first, its main responsibility was to protect marine resources from illegal fishing and to maintain public security on the coast by carrying out crime prevention and investigation. However, with the implementation of the Law on Sea Rescue and Salvage (*Sunan'guhoböp*) in 1961, the KCG also started to undertake the duties named in that law (Park, Jung, and Ha, 2011, 155). The Office of the Coast Guard was moved from the jurisdiction of the National Police Agency (NPA) to the supervision of the Ministry of Maritime and Fishery in 1996. Then, it moved under the supervision of the Ministry of National Territory and the Ocean in 2008, and later it re-joined the Ministry of Maritime and Fishery in 2013 (Korean National Police Agency 2006, 502; Park, Jung, and Ha, 2011, 154; Roh 2014, 35).

In South Korea, affairs of crime control, social order, and security have long and unsurprisingly been considered the responsibilities of the public police forces. Nevertheless, because of the specific characteristics of the maritime police and its mission, this policing sector is particularly susceptible to pressures for privatization. Compared to the ground police, the maritime police require more intensive capital investments and highly specialized training. This capital-intensive nature incentivizes the government to privatize the maritime police to lighten its budgetary burden. Among many duties conducted by the maritime police in South Korea, the function of sea rescue and salvage was the first to fall prey to privatization. Unlike the maintenance of order and security at sea, which is fraught with significant and sensitive meaning in a country beset by national division and military confrontation, sea rescue and salvage can be simply interpreted as affairs governed by the economic logics of efficiency and cost reduction.

For private actors, such as private firms selling the service of sea rescue and salvage, the privatization of maritime policing opens up a highly profitable niche market. [Table 1](#) illustrates the increasing number of sea accidents that require sea rescue and salvage since the 2000s. For example, the number of salvage operations was 526 in 2002 and reached 2,775 in 2016. Similarly, the number of sea rescues was 4,739 in 2002 and increased to 20,047 in 2016. Thus, the market for sea rescue and salvage has grown significantly for private firms during this period.

[Table 2](#) demonstrates how private firms increased their market share in the business of sea salvage during the late 2000s. The number of wrecked ships towed by private agents was 38 in 2007 and has been consistently over 100 every year since 2009. The proportion of wrecked ships that were towed by private agents has further increased during this period, from 5.7 percent in 2007 to 35.0 percent in 2014. [Table 3](#) illustrates the role of sea rescue conducted by the KCG also declined during this period. The proportion of ships rescued by the KCG decreased from 88.4 percent in 2008 to 58 percent in 2017. The proportion of lives rescued by it also reduced from 89.2 percent to 52.7 percent during the same period. In short, public-side motivations for reducing government expenditures have met the private-market's natural motivation for increased profit.

The history of revisions of the Law on Sea Rescue and Salvage shows how the government's approach to the duties of maritime policing has changed over time to emphasize privatization. The law was first enacted on November 1, 1961 for the "protection of life and property by rapid and effective management of sea rescue and salvage" and has undergone eleven revisions. The last whole revision was on February 22, 2012, while the last partial revision was on May 1, 2018 (The Korean Ministry of Government Legislation).

The 1961 enacted law dictates who should undertake the responsibility of leading sea rescue and salvage. In particular, it articulated that maritime police officials who first

**TABLE 1** Sea Accidents and the Conduct of Sea Rescue and Salvage (Unit: Number)

Year	Sea Accidents		Salvage and Sea Rescue	
	Ship	People	Salvage	Rescue
2002	665	4,880	526	4,739
2003	728	5,656	622	5,526
2004	784	5,401	682	5,246
2005	798	4,684	691	4,464
2006	845	4,873	794	4,769
2007	978	5,530	909	5,460
2008	767	4,976	735	4,927
2009	1,921	11,037	1,875	10,940
2010	1,627	9,997	1,569	9,844
2011	1,750	9,503	1,680	9,418
2012	1,632	11,302	1,570	11,217
2013	1,052	7,963	1,014	7,896
2014	1,418	11,180	1,351	10,695
2015	2,740	18,835	2,639	18,723
2016	2,839	20,145	2,775	20,047

*Date From:* Korean Coast Guard (2012), 73; Korean Coast Guard (2014a), 45; Korean Coast Guard (2017), 2.

TABLE 2 The Towing of Wrecked Ships (Unit: Number (%))

Year	The Coast Guard	Private Agents
2007	603 (90.9)	38 (5.7)
2008	470 (81.3)	74 (12.8)
2009	740 (75.7)	127 (12.9)
2010	552 (73.6)	106 (14.1)
2011	473 (76.5)	105 (16.9)
2012	440 (66.8)	153 (23.2)
2013	257 (58.6)	103 (23.5)
2014	285 (56.4)	177 (35.0)

Date From: Korean Coast Guard (2012), 91; Korean Coast Guard (2013), 93; Korean Coast Guard (2014b), 111; Korean Coast Guard (2015), 111.

became aware of the sea accident should conducting lifesaving and salvage operations. It also provided the police with authority to draft civilians, mobilize materials, and utilize land and buildings to fulfill these duties. Those drafted were required to follow executive police orders to ensure successful rescue and salvage. The revision of 1966 transferred the right to lead sea rescue and salvage operations from police chiefs to the maritime police chiefs. The revision of 2012 transferred the authority to command and control of rescue and salvage to the newly created Central Head Office of Rescue in the headquarters of the KCG.

The law also prescribes the duties of people when they are rescued by the KCG. Rescued individuals were required to pay for any services provided by the government after the rescue, such as provision of food, clothes, and shelter. However, payment for the rescue itself was not required; they had no obligation to pay the government for any costs incurred during the rescue. Furthermore, if those rescued could not afford payment, they were exempted and the government undertook the financial burden. In other words, costs for the lifesaving itself were paid via taxes while those for the services after rescue were paid by service receivers via user-fees.

In addition to the above, the most critical change in the duties of maritime police took place with the revision of the law in 2012 which created the Korean Association of Sea Rescue and Salvage (*Han'guk'aeyanggujohyŏpoe*). With this revision and the creation of the association, the KCG was able to establish a legal and institutional basis for the privatization of maritime policing. The following section describes in more detail both the causes and consequences of this revision.

#### DESCENT FROM HEAVEN: POLICING THROUGH COLLUSIVE ASSOCIATION

The privatization of maritime police in South Korea has proceeded in a secret and collusive manner and has even precipitated a change in the Korean vernacular, with the emergence of the portmanteau term, *haefia*, which is a combination of *hae* (sea) and *mafia*. *Haefia* in turn had been inspired by the popular use of *gwanfia*, which is a compound of *mafia* and *gwanryo* (bureaucrats). Both terms refer to the collusive relations between bureaucrats and private companies linked through informal ties. Generally, retired bureaucrats who have found new jobs in private companies take crucial roles in forming and maintaining these informal ties (Jo 2014, 32). *Haefia* implies that

TABLE 3 The State of Sea Rescues (Unit: Number (%))

Year	Total		Coast Guard		Private Rescue Party		Fishing Boat		Arrival in the Port through its own efforts		Navy, Passenger Ship, etc.	
	Ship	Life	Ship	Life	Ship	Life	Ship	Life	Ship	Life	Ship	Life
2008	735 (100)	4,927 (100)	650 (88.4)	4,398 (89.2)	64 (8.7)	327 (6.6)	2 (0.2)	42 (0.8)	17 (2.3)	131 (2.6)	2 (0.2)	29 (0.5)
2009	1,875 (100)	10,940 (100)	1,184 (63.1)	6,413 (58.6)	139 (7.4)	533 (4.8)	110 (5.8)	647 (5.9)	364 (19.4)	3,035 (27.7)	78 (4.1)	312 (2.8)
2010	1,569 (100)	9,844 (100)	1,140 (72.6)	5,831 (59.2)	98 (6.2)	495 (5.0)	75 (4.7)	463 (4.7)	206 (13.1)	2,692 (27.3)	50 (3.1)	363 (3.6)
2011	1,680 (100)	9,418 (100)	1,167 (69.4)	6,534 (69.3)	111 (6.6)	325 (3.4)	109 (6.4)	477 (5.0)	202 (12.0)	1,807 (19.1)	91 (5.4)	275 (2.9)
2012	1,570 (100)	11,217 (100)	1,008 (64.2)	6,500 (57.9)	155 (9.8)	421 (3.7)	97 (6.1)	893 (7.9)	208 (13.2)	2,932 (26.1)	102 (6.4)	471 (4.1)
2013	1,052 (100)	7,963 (100)	780 (74.1)	6,225 (78.1)	67 (6.3)	324 (4.0)	84 (7.9)	448 (5.6)	82 (7.7)	686 (8.6)	39 (3.7)	280 (3.5)
2014	1,418 (100)	11,180 (100)	949 (66.9)	7,173 (64.1)	55 (3.8)	335 (2.9)	129 (9.0)	794 (7.1)	183 (12.9)	1,718 (15.3)	102 (7.1)	1,160 (10.3)
2015	2,740 (100)	18,835 (100)	2,073 (75.6)	13,377 (71.0)	167 (6.0)	826 (4.3)	167 (6.0)	924 (4.9)	234 (8.5)	3,122 (16.5)	99 (3.6)	586 (3.1)
2016	2,839 (100)	20,145 (100)	1,732 (61.0)	10,785 (53.5)	323 (11.3)	1,329 (6.5)	265 (9.3)	1,531 (7.5)	432 (15.2)	5,964 (29.6)	87 (3.0)	536 (2.6)
2017	3,160 (100)	17,336 (100)	1,833 (58.0)	9,142 (52.7)	416 (13.1)	1,835 (10.5)	342 (10.8)	1,979 (11.4)	459 (14.5)	3,609 (20.8)	110 (3.4)	771 (4.4)

Source: Korean Coast Guard (2010), 50; Korean Coast Guard (2011), 76; Korean Coast Guard (2012), 75; Korean Coast Guard (2013), 77; Korean Coast Guard (2018a), 14.

*haeyang-gwanryo* (maritime bureaucrats) and private companies in the maritime industry collude to secure their goals. The former provides privileges and special favors to the latter and receive gifts, bribes, and future jobs in return.

Although there is little verifiable evidence of gifts and bribes in the case of Korea's maritime police (You and Park 2017, 97), there is substantial, official empirical evidence of parachute appointments for which we argue has been a critical component of the privatization calculus and process. This trend continues despite statutes in place which, in theory, should limit such employment in firms closely relevant to the former bureaucrat's area of responsibility for a period of three years following retirement. If special permission is received from public service ethics committees however, such restrictions are waived (Article 17 of the Public Service Ethics Act, National Law Information Centre ([www.law.go.kr](http://www.law.go.kr))).<sup>2</sup> Of particular note, between January 2008 and August 2017, the number of high-ranking government officials (rank 4 and above out of 10) reached 1,947 with a permission rate of 91 percent, which is certainly a suspicious signal that the permission process is a nominal procedure at best (Hankook Kyongjae, October 10, 2017, A6). When we look at the employment of maritime bureaucrats (officials of the ministry of Oceans and Fisheries, including the KCG), during the period from March 23, 2013 to August 11, 2016, among 57 high-ranking officials above rank 4 who retired during the period, 53 (93 percent) of the officials were re-employed by the organizations related with the affairs of the ministry, including private companies (Seoul Kyongjae, August 11, 2016).

The parachute appointments at the level of entire police organizations have also been significant. Between January 2016 and August 2018, among 116 high-ranking police officers above chief superintendent (*kyöngjöng*), who applied for special permission from public service ethics committees, 94 (81 percent) high-ranking police officers were re-employed by big companies, large law-firms, security service companies, and so on, to which it is restricted to be reemployed after their retirement (News1, October 4, 2018).

Contrary to the assumption that bureaucrats tend to be resistant to privatization, the KCG actively supported revision of the then existing statutes. The KCG's report to the National Assembly claimed that support from and cooperation with private companies through the association was crucial to successful sea rescue and salvage because the coast guard was much too burdened with other various duties, such as preserving security at sea and protecting the maritime environment and resources (Hankyoreh Shinmun, May 17, 2014). In addition to the report, maritime police bureaucrats at times addressed the National Assembly directly. For example, on October 18, 2011, the Deputy General Manager of the Coast Guard, Yim Chang-su, participated in the committee of the National Assembly charged with considering the revised law on sea rescue and salvage. To persuade lawmakers to pass the revision, he argued for the necessity of forming networks between government and private companies and claimed that utilizing private firms that possessed the necessary equipment for sea rescue and salvage would be more efficient than having the KCG maintain redundant equipment and capabilities (Hankyoreh Shinmun, May 15, 2014).

The revised Law on Sea Rescue and Salvage, which was eventually passed in 2012, created the Korean Association of Sea Rescue and Salvage. Article 26(1) and Article 27 stipulated the various purposes and duties of the association, including fulfillment

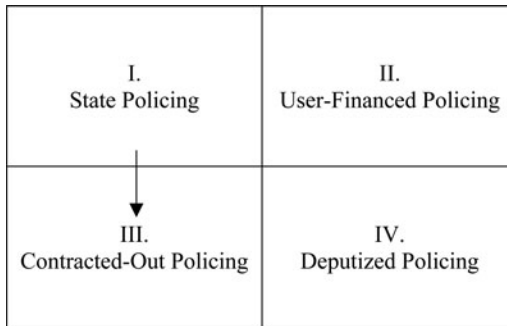
of duties entrusted by government for rescue and salvage (The Korean Ministry of Government Legislation). The fact that rescue and salvage are among the duties assigned to the association by the law is particularly significant in the context of privatization of the maritime police. In fact, the law permits the KCG to outsource its duties of rescue and salvage to private firms and agencies linked with the association. With the passage of the law and the creation of the association, the KCG took its legal and practical steps toward contracted-out policing.

The association's first president was Shin Jung-Taek, the owner of Saeun Steel Industry. In 2014, Choi Sang-Hwan (director of the Guard and Security Department of the Coast Guard), Kim Yong-Hwan (the former Commissioner-General of the Southern Provincial Coast Guard Office), and Kim Yun-Sang (the owner of Undine, a private rescue and salvage firm) served as vice-presidents of the association (Hankyoreh Shinmun, April 24, 2014). The location of the association symbolically illustrates the collusive relationship between maritime police bureaucrats and private entities affiliated with the association, with it being housed on the second floor of the civil affairs office building attached to the KCG headquarters (Hankyoreh Shinmun, May 15, 2014).

The collusive relationship between the association and maritime police bureaucrats is further illustrated by its membership. Roughly 70 organizations and institutions in the maritime and fishery fields, including six ship-building companies, seven marine transportation companies, and the Korean Association of Ship Owners, have been affiliated with the association (Hankyoreh Shinmun, January 23, 2013). These affiliated entities, however, were in fact the subjects of investigation by the KCG in the case of accidents at sea (Hankyoreh Shinmun, May 14, 2014). For this reason, the association has been characterized as representing the interests of ship owners and other related businesses and protecting their interests by providing jobs to retired high-ranking officials of the KCG (Media Chungcheong, April 28, 2014). As of 2014, the association employed six former officials of the maritime police above the rank of police inspector (Kyunghyang Shinmun, April 30, 2014). Considering the very short history of the association (originally formed in 2013), this is not an insignificant number. The annual salaries of these officials ranged from 18 million to 60 million won (Hankook Ilbo, May 13, 2014).

The KCG has given the association, at least at face value, full support. The commissioner-general, Kim Suk-Gyoon, ordered active support for the association's recruitment of members and securing of financial resources. In 2014, among the total number of maritime police officers, about 2,300 (25 percent) were enrolled in the association and paid membership fees (Hankook Ilbo, May 13, 2014). Maritime police officers constituted 23 percent (10,000 people) of the association's members. The maritime police officers' annual membership fees (30,000 won) were automatically deducted from their salaries. In January 2014, the KCG sent official documents to all the field offices outlining plans to increase the association's membership and to accomplish target goals. The association has also received subsidies from government. In its first year of existence, the association received 59 million won from the Ministry of National Security Administration (Munhwa Ilbo, May 12, 2014; Hankyoreh Shinmun, May 14, 2014).

In short, the KCG has been transformed from state policing to contracted-out policing in terms of duties of rescue and salvage as [Figure 3](#) illustrates. This result was led by maritime police bureaucrats' desire for the personal gains that were expected to come from outsourcing of these police duties to their collusive partners in the private sector.

**FIGURE 3 Route of Maritime Police Privatization in South Korea**

## THE DECLINE OF STATE CAPACITY

*THE CAPACITY OF THE KCG AND THE SINKING OF THE SEWOL*

The privatization of the maritime police through their contracting out has negatively affected the KCG's budget and related capacity for sea rescue and salvage duties. As these duties were shifted to the private sector, the budget of the KCG for the maintenance of equipment for sea rescue declined. The plan for purchasing equipment for rescues along the coast was allocated 5.4 billion won in 2011. However, the budget decreased to 4.4 billion won in 2012 and further decreased to 2.3 billion won in 2013. It slightly increased to 3.6 billion won in 2014 (Korean Coast Guard 2018b, 358).

The maritime police should possess equipment for rescue and salvage, such as rapid response boats and hovercrafts, for the successful fulfillment of the duties of engaging with accidents and disasters at sea. Budget cuts, however, have left the KCG with sometimes severely limited capacity. Illustrating the reduced capacity, in 2013, among 329 maritime mini-police stations throughout the peninsula, 111 (33.7 percent) of them lacked the necessary equipment for coastal rescue (Park and Choi 2014, 38).

Notwithstanding these dismal statistics, the poor response to the sinking of the Sewol to date has most dramatically demonstrated the significant decline in the capacity of the KCG. The disastrous sea accident happened on April 16, 2014, near Jindo Island, Chŏnnam Province, culminating in the aforementioned loss of lives (Kim and Kim 2014, 106). The accident illustrated how the KCG was inadequately prepared for coping with sea accidents and carrying out rescue operations. Quick responses to the accident by the KCG were severely restricted. Private ships for voluntary rescue first undertook the task of going to the site of the accident, while the dispatch of KCG ships, which should have been patrolling near the site, was completed much later. Further, the two mini-police stations near the accident were unable to rescue victims due to a lack of equipment (Park and Choi 2014, 38). As a rule, a mid-sized KCG ship should patrol in the zone of the sea route of a passenger ship such as Sewol. However, on the day of the accident, all mid-sized ships were mobilized for a crackdown on illegal fishery by Chinese ships. A small size KCG ship, the 123-Chung, was deployed to the site which had only nine maritime police agents aboard trained for rescue, and no satellite communication equipment (Haeyanghankook, August 2014, 111).<sup>3</sup>

The on-going transition from state policing to contracted-out policing significantly aggravated the unpreparedness and poor handling of the KCG in the management of sea accidents. Most of all, the confusing process of selecting a private company as a contract partner that could undertake the duties of rescue and salvage prevented rapid and efficient fulfillment of these tasks. And, in the backdrop of the selection of a private contractor, there existed a collusive relationship between maritime police bureaucrats and private rescue companies linked via the Korean Association of Sea Rescue and Salvage.

The custom that has existed in the field of sea rescue was to give priority for rescue to the first arriving firm(s). Immediately after the Sewol incident, freelance divers gathered at the area to make individual contracts with the company that had arrived first. However, Undine, which arrived at the accident area one day later than other firms, exercised near exclusive rights for rescue and salvage under the patronage of coast guard officials (Kookmin Ilbo, May 17, 2014; Hankook Ilbo, May 13, 2014). Private divers who arrived at the accident area to participate in the rescue were ordered by the coast guard to register at the Korean Association of Sea Rescue and Salvage. Hundreds of freelance divers were unable to participate in the rescue job and had to leave the area. As a result, the coast guard delayed the process of rescue, which in fact was exclusively conducted by Undine (Hankyoreh Shinmun, May 14, 2014). The chief director of Undine, Kim Yun-Sang, was the vice-president of the association and also undertook the position of salvage team leader of the association (Media Chungcheong, April 28, 2014).

The various privileges offered to Undine by the KCG, which contributed to the delay in lifesaving efforts, were revealed by investigations conducted by the National Assembly, the Board of Auditing and Inspection, and the Prosecutors' Office. First, the KCG hindered operations of other government institutions for the rescue to secure Undine's interest. The Ministry of Defence submitted a document to the National Assembly, which could be interpreted as evidence that the KCG interrupted the participation of South Korea's Navy (ROKN) forces in the rescue in order to give the priority of rescue to Undine (KBS, May 19, 2014). Right after the accident, the ROKN ordered its most highly trained special operation groups, the Ship Salvage Unit (SSU) and the Underwater Demolition Team (UDT), to be ready to dive for the rescue. However, the KCG controlled the accident area and stopped the operation of the navy's special forces, including 19 special diving agents for search and rescue. The ROKN announced that they did not initiate rescue operations in order to respect the rule of no interference of jurisdiction between the ROKN and the KCG. These activities of the KCG were suspected to be an effort to secure Undine's privileged interest (Hankyoreh Shinmun, May 2, 2014; Hankook Ilbo, May 13, 2014; KBS, May 19 2014).

Moreover, the KCG even violated legal statutes to protect Undine's privilege. The Prosecutors' Office indicted three high-ranking police officials of the KCG: Choi Sang-Hwan, the Deputy General Manager; Park Jong-Chul, the director of the Search and Rescue Department; and Na Ho-sung, the Chief of Disaster Provision (Hankyoreh Shinmun, October 7, 2014). Choi was prosecuted for delaying the rescue for 30 hours and ordering illegal actions. He further ordered Undine's barge, the Libero (1100t), to join the rescue effort.<sup>4</sup> However, the use of the barge was illegal because the law prohibited the sailing of any ships that did not pass security investigation. At that time, Undine's Libero was still under construction at the shipyard and did not pass the security test (Munhwa Ilbo, October 6, 2014). This violation of law for providing privilege to



Undine caused a significant delay of rescue. Before the arrival of *Libero*, other larger barge ships near the accident site were already available for a quick rescue (Sisa-In, April 6, 2015). Hyundai Boryong (2200t) was the first barge that arrived at the site for fulfilling the rescue and salvage. Despite that, Choi did not commit the ship to the work and let the ship go back in order to provide Undine, which arrived at the site 30 hours later than Hyundai Boryong, with the exclusive right for rescue and salvage (Hankyoreh Shinmun, October 7, 2014).<sup>5</sup>

According to the law on Sea Rescue and Salvage, the KCG is able to coercively draft human resources and mobilize equipment of private companies for the sea rescue. When the Sewol accident happened, there existed 39 rescue and salvage companies in the country. The KCG exercised the order for engaging in rescue operations to Undine, whose main staff for rescue was off duty after a salvage operation in Oman. Many other private companies were excluded from the duties of rescue (Hankook Ilbo, May 13, 2014). This decision caused significant discontent and suspicion regarding the fairness of coast guard among private firms and divers. Before the Sewol accident, the coast guard had selected 12 main ship wreckage rescue companies for the effective utilization of human and material resources for emergency situations: one from Seoul, seven from Busan, two from Incheon, one from Ulsan, and one from Kyongnam. However, Undine was not on the list of the “Response Manual for the Large-Scale Accident in the Coast,” prepared by the KCG (Kyunghyang Shinmun, May 19, 2014).

The various privileges of Undine given by the KCG in the rescue of Sewol illustrate that the process of contracting out the maritime police duties to private firms was non-transparent and thus unpredictable, as it was dominated by personal and collusive relations rather than coherent policies prepared for sea emergencies. The investigation by the Prosecutor’s Office revealed that Choi first met Kim, the chief director of Undine, in 2009 and received various bribes and gifts from him since 2011. Their collusive connection was consolidated after Choi took the leading role of building the Association of Sea Rescue and Salvage and held the position of vice president of the association. Kim also occupied the post of vice president of the association (Seoul Shinmun, October 7, 2014; Hankook Ilbo, October 7, 2014).

#### *COSTS OF PRIVATIZATION*

The most significant cost of maritime police privatization was the loss of life resulting from the sinking of the Sewol. The KCG first saved the lives of crewmembers, including the ship’s captain, and then rescued only those passengers who jumped or were swept into the sea before the sinking of the ship. The KCG in turn failed to rescue a single life of anyone who had stayed in the interior of the ship.

The KCG in practice withdrew themselves from the duties of active rescue. During the rescue after the complete sinking of the ship, officials of the KCG openly announced that “private companies are superior to the maritime police in terms of their rescue abilities” (Hankyoreh Shinmun, May 15, 2014). The spokesperson of the Governmental Headquarters for Accident Counterplan (Pomjongbusagodaech’aekponbu), Go Myong-Suk, officially announced that private companies had a more specialized ability in the field of submerged ship search and rescue operations (Hankyoreh Shinmun, April 24, 2014).

However, the specialized ability of Undine in lifesaving was in doubt. Undine introduced itself as a company whose business specialized on the construction of deep-sea

structures (e.g., undersea pipelines), the building of plants near the coast, and the salvage of sunken ships. It does not specify lifesaving as its business specialty (Kyunghyang Shinmun, April 30, 2014). In fact, according to the list of past business details, Undine had no record of conducting human rescue at sea. It was known that Undine hired freelancer divers for a short-term contract as it had no professional divers specializing in saving human lives (Hankyoreh Shinmun, April 24, 2014). For the rescue of the passengers of Sewol, Undine recruited freelancer divers with the help of the KCG (Dong-A Ilbo, May 12, 2014).

The price of collusive privatization of police was not restricted to the ineffective management of rescue services. It also increased the financial burden on the government for fulfillment of these duties. The owner company of Sewol, Cheonghaejin Haeun, should pay the cost of the salvage operation. However, the government should pay the cost for human rescue; Undine requested payment for the human rescue to the government. Undine, which had undertaken the duty of rescue near single-handedly under the patronage of the KCG, demanded substantial compensation for its work.

The total cost requested by Undine for the rescue operation reached over 8 billion won (Asia Today, October 24, 2014). It was a severely inflated charge. According to its request for the payment, daily wages of staff members were calculated as 820 thousand won; those at the chief's level were 1.32 million won; and those at the director's level were between 1.7 and 2.0 million won (Hankyoreh Shinmun, October 6, 2014). Undine also requested 1.5 billion won from the government as the cost for using its barge ship *Liberio* for 87 days (Seoul Shinmun, October 7, 2014). The value of *Liberio*, which had been still under construction in the shipyard at the time of incident, was only 2.1 billion won (Hankyoreh Shinmun, October 6, 2014).

The excessive payments led to the criticism that the government was paying a large sum of compensation to a company to which it already provides enormous subsidies. Before the Sewol accident, Undine already had received state subsidies: 57.6 million won in 2012 and 234 million won in 2013. The government also held 29.92 percent of stocks of Undine (Kyunghyang Shinmun, April 30, 2014). The Park Geun-Hye administration further gave 2 billion won to Undine in the name of a special fund for establishing a "creative economy" (Media Oneul, May 13, 2015). In other words, the Korean government pays public funds to a private company for conducting public duties that are promoted by the government through subsidies and investment. The poor performance of public duties and seeking after profit from a private company to which a great amount of taxes and public money are given in the forms of subsidies and investment are far from the logic of efficiency claimed by proponents of privatization.

After the tragic incident and the abysmal management of rescue conducted by the maritime police, the government announced the dismantlement of the KCG for restructuring the system of disaster management. Investigation and information functions were taken over by the Korean National Police Agency (KNPA): the responsibilities of rescue at sea and maritime policing were transferred to the newly established Ministry of National Security (Roh 2014, 28). However, there was no visible and systemic change for the transparent and predictable roles of private entities in the duties of rescue and salvage replacing collusive relations between maritime police bureaucrats and private firms. The role, legal status, and authority of the Korean Association of Rescue and Salvage, which had paved the route for maritime police privatization, were seemingly

uninfluenced by the series of revision of the Law on Sea Rescue and Salvage. The partial revision of the law in January 2016 even intensified the association's roles by defining the duties of managing private sea rescue workers who support search, rescue, and salvage as its jurisdiction (National Law Information Centre). The KCG was dismantled in November 2014. However, the duties of maritime policing were under the control of other government agencies and the process of maritime police privatization has still been underway. The revival of the KCG in July 2017 by the new government also signifies that the Sewol disaster may not have led to any consequential change in South Korea, in terms of disaster management.

## CONCLUSION

In terms of theoretical implications, this paper has ultimately sought to contribute to a more robust understanding of some of the generalizable features and causes and consequences of bureaucratic corruption. We first argue, following Carlson and Reed (2018) that oft-cited definitions of corruption which focus on the legality, morality, or outlier instances of corruption run the risk of failing to appropriately identify, and then explain systemic practices that can have disastrous outcomes (often in the form of scandals) as demonstrated by the Sewol tragedy. Although the physical and mechanical sciences often garner the majority of funding and attention from public and private sources for welfare enhancing research and development, the disaster in question was not due to engineering or technical inadequacies, which were both sufficient to prevent the disaster in the first-place and unquestionably resolve it ex-post. The fact that the tragedy was technologically avoidable, yet still occurred, exemplifies the critical need for more consequential social science research on the various puzzles that continue to limit social advancement. Despite corruption (bureaucratic corruption included) not being a blanket net-negative (see Kang 2004), when it is in fact a social "bad", its effect can be tremendously damaging, thus necessitating more of our intellectual energy and resources to explore ways to engineer around it.

Furthermore, although studies that center their analysis on the business side of the equation are absolutely invaluable to the broader understanding of corruption, we argue that, at the very least, equal attention should be placed on the broader environment that shapes the incentive structure of the agents involved in any given transaction. Given that the private market often survives upon the attainment of profit, as it arguably should be, we ought not be surprised when private business interests seek to capture political and/or bureaucratic decision-makers, who can often determine their success and/or survival. Whether private entities are able to do so or not, then, can logically be interpreted as a failure or success of government policy and regulatory enforcement. One such failure that opened up the environment to socially-sub-optimal outcomes was, in the case of South Korea, a regulatory environment that was unable (or unwilling) to ensure that the ambitions of the bureaucracy were *properly* misaligned with the ambitions of private-business interests—resulting in the contamination of the bureaucratic decision-making process and system.

An additional key theoretical implication of our analysis is concerned with the issue of privatization of once publicly provided services. Specifically, we argue that the level and extent of corruption as a result of privatization, is a function of the mode of privatization

chosen. We identified three general typologies of police privatization, including user-financed policing, contracting-out policing, and deputized policing. It is the second of these, contracted-out policing, which we argue is the most susceptible to bureaucratic malfeasance as it is an incomplete form of privatization whereby both the decision over what and where to privatize, coupled with the decision over contract providers, and lastly, publicly-based service funding, is subject to significant room for both public and private rent-seeking.

With respect to practical implications concerned with corruption in the case of South Korea, as noted in the previous section, despite various changes having occurred as a result of the disaster, such changes have centered most prominently upon penalizing organizational or individual transgressions (i.e. the “bad apples”). A public policy interpretation might argue that those actions were merely addressing the immediate causes of the tragedy, as opposed to the root genesis. To be sure, both immediate and root causes must be addressed, but without significant alteration of the bureaucratic incentive structure and empowerment of the electoral checks and balances the probability of similar outcomes in the future have arguably *not* been significantly reduced.

Among a number of key areas that require more study is the role of regime type in the regulation game. Although a proper theoretical and empirical evaluation of democracy and regime type is outside the scope of this article, we surmise that South Korea’s emergence as a democracy created a situation in which elections have become increasingly competitive, which in turn has created incentives for instrumental politicians to cut budgets, which in kind cultivated a situation in which bureaucrats were given the green light for mass privatization. Indeed, the push towards budget reductions has been a main feature since Korea’s move into the democratic camp in 1987, and especially since Korea voted in office Kim Young Sam in 1993, Korea’s first civilian president since Park Chung-Hee’s 1961 coup d’état, with total budget increase rate being cut down from 18.2 percent in his first year, to 13.4 percent in his last (1997) (Economy Planning Board 1993, 89; Ministry of Finance and Economy 1997, 147). Other presidents, such as Lee Myong-Bak and the recently impeached Park Geun-Hye, have also stressed the importance of budget reductions and scaling back the size of the state (Seoul Shinmun, November 3, 2017). If not the ultimate cause of mass-wide privatization, at the very least such a permissive regulatory system coupled with a political atmosphere more concerned with myopic electoral success conditioned the decision-making calculus. Determining with any precision how much causal effect this had on the outcome in question, however, is left for future research.

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## CONFLICTS OF INTEREST

The authors declare none.

## NOTES

1. The Ministry of Oceans and Fisheries had provided Cheonghaejin with monopolistic control of the ferry route between Incheon and Jeju. Cheonghaejin had enjoyed the privilege for 20 years since 1995 when the Sewol disaster occurred in 2014 (Dong-A Ilbo, 23 April, 2014). You Byeong-Un, the owner of Cheonghaejin, was a member of the finance committee of the then ruling Minju party and was awarded official commendation from the party for his contributions in 1992 (Dong-A Ilbo, 25 April 2014). Undine Marine Industries Co. formed special relations with the KCG. On the date of Sewol disaster the KCG urged Cheonghaejin to make a contract with Undine for the salvage. The KCG and Undine worked together for the search when the sinking of Cheonan happened in 2010 (Segae Ilbo, 1 May 2014).

2. As You and Park (2017) indicated, the 2001 revision of the Act prohibited high-level officials' post-retirement appointments not only in profit-oriented business associations but also NPOs. However, it permitted an exception for those organizations that carry out the tasks delegated by central or local governments. Due to this exception, many retired bureaucrats were provided with numerous jobs opportunities (pp. 109–110). This exception clause was repealed in the 2015 revision of the presidential decree for the Act, after the Sewol disaster ([www.law.go.kr](http://www.law.go.kr)).

3. In 2018, the Seoul Central District Court declared that the government was guilty for failing to save the lives of the victims of the Sewol-ho accident (2015Gahap560627).

4. Moreover, the KCG even violated legal statutes to protect Undine's privilege. The Prosecutors' Office indicted three high-ranking police officials of the KCG: the Deputy General Manager, the director of the Search and Rescue Department; and the Chief of Disaster Provision (Hankyoreh Shinmun, October 7, 2014). They were prosecuted for delaying the rescue for 30 hours and ordering illegal actions. Among those three maritime police officers, the Chief of Disaster Provision was given a guilty verdict by the Seoul High Court in 2017 (2016NO3443).

5. When the accident happened, seven barge ships equivalent to Undine's Libero in terms of capacity were available near the site within two to three hours distance. However, the KCG did not utilize those ships, nor did they employ the services of other available vessels in the immediate area. Undine's rescue job was moreover frequently suspended due to limited capacity of those ships for operating diving equipment. Undine's Libero in turn arrived at the site 30 hours after Hyundai's Boryong (Hankyoreh Shinmun, October 7, 2014).

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