

ECONOMIC CRIMES IN KOREA

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I. INTRODUCTION

Korea marked its 50th anniversary in 1998 as a free democratic republic. Korea was in ruins after three years of bombing in the Korean War that came to an end with the signing of the armistice agreement in July 1953. Korea, however, has made enormous stride in economic development since that time, particularly from the 1970's until 1997, when Korea turned to the International Monetary Fund (IMF) for a record \$58 billion rescue package. Prior to this, the Korean economy reported an average annual growth rate of 8%, shifting from light industries to heavy industries in the 1970's and into high tech industries in the 1990's. Korea's Gross Domestic Product (GDP) grew 312-fold from \$1.4 billion in 1953 to \$437 billion in 1997, making Korea the 11th largest economy in the world. The per capita income, less than \$70 in 1953, soared to the \$10,000 level in 1996, although it slightly fell to \$9,511 in 1997 and may decline further in 1998 if affected by the IMF program. Exports, a trifling \$22 million in 1947 reached a staggering \$136 billion in 1997. The success story of Korean economy culminated in Korea's joining, in December 1996, the Organization for Economic Cooperation and Development (OECD), the so-called 'rich countries club', as the second Asian nation after Japan.

However the miraculous economic development was accompanied by large-scale economic crimes. Statistics show a growing number of large scale economic

crimes since the 1970's, which should not be punished as mere personal property crimes. Given the complexity and huge amounts involved, such economic crimes create various socio-economic problems, and contributed to jeopardising the domestic financial systems, ultimately prompting Korea to enter the IMF retrenchment program (as the cases illustrate in this paper). It is ironical that large scale economic crimes, that were the natural outgrowth of economic development, in turn were partially responsible for the current financial crisis.

II. ECONOMIC CRIMES IN KOREA

A. Definition of Economic Crime

It is not so easy to define economic crime as generally recognized. In defining the term, there has been discrepancy between legal practitioners' group and legal theorists' group, i.e., law professors and scholars.

In Korea, it is safe to say that the prosecution represents the legal practitioners' group. The prosecution took the initiative in defining economic crime as an act that is punished among acts which are violative of economy-related law's compulsions or prohibitions. In 1962, the Supreme Prosecutor's Office, i.e., the Office of the Prosecutor General, issued a directive (No. 287) categorizing economic crime for the first time in Korean modern history. Here, 26 items which were in violation of criminal law or economy-related laws were named as economic crimes.

In 1977, the Ministry of Justice, setting new standards of crime classification,

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expanded economic crimes to 39 items. In this directive (No. 69) the Ministry of Justice reflected the economic changes of Korea since the 1960's and newly included illegal financing and violation of intellectual property rights as economic crime. In 1988, the Ministry of Justice, through its directive (No. 145), again expanded the category of economic crime to 52 law violations. Under this directive, violations of the Securities Exchange Act, Unfair Competition Prevention Act, Monopoly Regulation and Fair Trade Act and the Act Regarding Real Name Transactions etc., were newly added to economic crimes. According to this directive, in the prosecutorial definition of economic crime (among the 52 economic crimes), only one crime regarding money is in violation of the Criminal Code; the rest are in violation of economy-related laws.

Since 1984 general property crimes such as fraud, embezzlement and breach of trust of the Criminal Code were also added to economic crimes, if the damages exceeded certain amounts, i.e. W500 million (\$625,000). This was possible because on December 1983, a law called "Act on the Aggravated Punishment, etc. of Specific Economic Crimes" was promulgated; the violation of which was also added to economic crime in 1984.

However, this definition of economic crime, from a practitioner's viewpoint, has some problems in establishing economic crime theoretically. Definition is mainly done by the names of crimes, based on the convenience of the investigation authority. This definition narrows the range of economic crime too much by including fraud, embezzlement and breach of trust in a very restrictive way. In reality, however, such property crimes occupy a large portion of economic crime.

From a theoretical viewpoint, economic crime is defined as "an act which violates or endangers social or super-personal economic order or economic systems by breaking trusts which are required in economic life and economic transactions." This definition appears to be supported by many law professors and scholars. Of course, there is also some criticism over this definition. It is argued, for example, that the notion of either "breaking trusts which are required in economic life" or "violation of social or super-personal interests" is so abstract that it is not easy to establish it between offenders and victims. The uncertainty or ambiguity of this definition makes it difficult to adopt it in investigation practice. This ambiguity also makes the range of economic crime too broad.

B. Patterns of Economic Crime

Economic crimes which are committed in Korea could be classified as below:

(i) *Crimes Related to Government Finance*

These crimes are with respect to currency, securities, postage stamps, and include violations of the Tariff Act, Punishment of Tax Evaders Act, Act on Government Monopoly of Tobacco Sales, Salt Control Act, Act on Government Monopoly of Red Ginseng Sales, etc.

(ii) *Crimes Related to National Economy*

These crimes include violations of the Marine Industry Act, Decree on the Preservation of the Marine Resources, Foreign Exchange Management Act, Grain Management Act, Act on Prevention of Draining Domestic Properties, Petroleum Business Act, Foreign Capital Inducement Act, Foreign Capital Control Act, Fertilizer Management Act, Illegal Check

Control Act, Act on Prevention of Selling Specific Foreign Goods, Interest Limitation Act, Price Stabilization and Fair Trade Act, Market Act, Bank Act, Special Banks Act, Measure Act, Act on Stabilizing Demand and Supply of Coal, Mutual Savings Company Act, Energy Use Rationalization Act, Act on Real Name Financial Transactions, etc.

(iii) *Crimes Related to Corporate Management*

These crimes include violations of the Foreign Trade Act, Act on the National Association of Small and Medium Sized Enterprises, Insurance Act, Construction Business Act, Quality Control of Manufactured Goods Act, Trademark Act, Design Patent Act, Utility Model Act, Electricity Business Act, Heavy Vehicles Act, High Pressure Gas Safety Control Act, Securities and Exchange Act, Electric Appliances Safety Control Act, Unfair Competition Prevention Act, Anti-monopoly and Fair Trade Act, Act on External Audit of Corporation, etc.

(iv) *Crimes Related to Consumers and General Public*

These crimes are represented by Fraud, Embezzlement, Breach of Trust, and include violations of National Association of Marine Industries Act, National Association of Agriculture Act, National Association of Mutual Credits Act, Live Stock Feed Control Act, Act on Aggravated Punishment etc. of Special Economic Crimes, etc.

C. Recent Trend of Economic Crime Cases

Please refer to Appendix 1 and 2. Appendix 1 shows the number of economic crime cases by type and year for the period

from 1991 to 1996. The number of total cases of economic crimes including fraud, embezzlement and breach of trust increased 2.7 fold from 118,771 in 1991 to 325,416 in 1996, in line with the general growth of the national economy. It is noteworthy that the number of economic crimes grew even faster than the national economy, which increased 1.8 fold from \$271 billion in 1991 to \$485 billion in 1996, in terms of Gross Domestic Products.

Appendix 1 also shows that continued increase in the portion of major economic crime cases among all crime cases. Fraud represents the largest single economic crime accounting for 62% of total economic crime cases in 1996. Appendix 2 shows the number of cases of fraud, embezzlement and breach of trust involving damages of W1 million (\$700) or more for each year from 1991 to 1996. With respect to fraud, embezzlement and breach of trust, the number of cases involving damages of W1 million (\$700) or more grew almost five-fold in 1996 over 1991, with continued increase in these cases from 54% in 1991 to 74% in 1996 for fraud, and from 44% in 1991 to 65% in 1996 for embezzlement. These trends reflect the increasingly complicated economic activities in a rapidly growing economic environment have led to growing dependence on lawsuits for settlement of conflicts.

III. MAJOR CASES OF ECONOMIC CRIMES

A. The Case of Yoolsan Group

This is one of the early cases of economic crime that shocked the public due to the scale of the amount involved, at a time when such economic crimes were a rare occurrence. The Yoolsan Group started business as a single company by the name of Yoolsan Corporation, with a paid-in capital of W1 million (\$1,250) in 1975. However, in three years the Group grew

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into a conglomerate with 14 affiliated companies and a combined capital of W10 billion (\$12.5 million), drawing the attention and admiration of the Korean public.

In March 1979, the Seoul District Prosecutor's Office obtained some information that the Yoolsan Group had been heavily dependent on curb market loans since October 1978 and the scale of total debt had reached W150 billion (\$187.5 million). The prosecution also heard that the Yoolsan Group's extremely shaky financial structure was the result of the group chairman's illegal business activities.

Around the end of March 1979, two Special Investigation Divisions of Seoul District Prosecutor's Office initiated an investigation into the Yoolsan Group. They finally proved that Chairman Shin Sunho of the Yoolsan Group owned about 89% of Group companies' shares worth W8.9 billion (\$11.1 million), purchasing them with the money he had illegally taken out from the Group's affiliated companies. Prosecutors also proved that he also had bought W260 million (\$325,000) worth of real estate under his personal title with the company money he embezzled.

He had also embezzled \$72,000 out of employees' overseas travel expenses and the W160 million (\$200,000) the company had withheld for interest payments. He also defaulted on payment of W22.7 billion (\$27.4 million) worth of cheques. The prosecution arrested Chairman Shin Sunho and indicted him on charges of occupational embezzlement in the Criminal Code and violations of the Foreign Exchange Control Act.

At the same time, the prosecution also arrested and indicted the president of Seoul Bank, Hong Yoonsup, on charges of occupational breach of trust in the

Criminal Code. He had lent W23.6 billion (\$29.5 million) to the Yoolsan Group knowing that it would be impossible to retrieve the loan because of the Yoolsan Group's aggravated financial conditions.

In the trials that followed, defendant Shin Sunho was sentenced to 7 years imprisonment, and the Seoul Bank President, Hong was sentenced to 3 years imprisonment. This case showed how reckless expansion of business could harm the national economy as well as ruining the owner and the business itself.

B. The Case of Bills Fraud by Lee and Jang

On June 2, 1982, the Special Investigation Division of the Supreme Prosecutor's Office indicted defendants Lee Chulhee and his wife, Jang Youngja, and other 29 defendants on fraud charges.

Lee Chulhee once served as deputy director of the Agency for National Security Planning. Jang Youngja used to introduce herself as a relative of the then Korean President Chun Doowhan. This intrepid husband and wife conspired to make a fortune by defrauding owners of large corporations. Lee and Jang approached corporations which were in dire need of working capital, offering to provide them with funds at a very low interest rate. In return for the loans they asked corporations to issue, as security, promissory notes with combined face value twice as much as the money they would lend, deceitfully stating that such a process was required to hide the source of their funds. As soon as Lee and Jang received the promissory notes from corporations, they discounted them in the curb market and took the difference between the loan they made to the companies and the funds they obtained from notes discounting. In this way, Lee and Jang defrauded 6 corporations and swindled W168 billion

(\$210.5 million) in total.

Lee and Jang case has been the biggest fraud case since the foundation of the Republic of Korea. This case dealt a heavy blow on the morality of the newly inaugurated 5th Republic in 1981. Lee Chulhee and Jang Youngja were sentenced to 15 years of imprisonment respectively by the Seoul High Court. Their appeals to the Supreme Court were rejected.

Later Jang Youngja was later released on parole and in 1994, she was again arrested and indicted on charges of defrauding several company owners of W7.7 billion (\$9.6 million). Jang Youngja was sentenced to 4 years imprisonment in February 1994. She was released again on August 15, 1998. This time she was released on suspension of execution of penalty.

C. The Case of Myungsung

On September 2, 1983, the Special Investigation Division of the Supreme Prosecutor's Office indicted Kim Chulho, chairman of the Myungsung Group, who had been arrested on charges of embezzlement and tax evasion, and 37 other defendants.

With the inauguration of the 5th Republic in 1981, the Myungsung (meaning 'Venus' in Korean) Group was rising high in a very short period of time. Within a couple of years, it grew into a conglomerate specializing in the leisure industry including construction of condominiums all over Korea. Chairman Kim Chulho pretended to have a strong connection with a close relative of the then President Chun. He bribed bank officials and conspired with them to embezzle W106.6 billion (\$133.3 million) that depositors had placed with banks. He also evaded various taxes totalling W4.7 billion (\$5.9 million) and bribed high ranking government officials

to rezone the "Green Belt" area into a commercial area for construction of condominiums. Kim Chulho dreamed of making a quick fortune, with almost no money of his own, by selling ownership of a condominium when the real estate business was booming in the early 1980's.

Kim Chulho was sentenced to 15 years imprisonment by the Seoul High Court in April 1984. After 10 years in prison, he was released on parole in March 1993.

D. The Case of Youngdong Scandal

On October 24, 1983, the Special Investigation Division of the Supreme Prosecutor's Office indicted Lee Bokrae, chairwoman of the Youngdong Development Promotion Corporation, and Lee Hunseung, president of Cho Hung Bank, and 28 other defendants on charges of forgery of negotiable instruments, negotiation of forged negotiable instruments, occupational breach of trust, etc.

Youngdong Development Promotion Corporation, which was run by chairwoman Lee Bokrae, had financial difficulties. So she decided to borrow money in an irregular manner, conspiring with her son, who was the president of the same corporation, to bribe bank officials and employees. They bribed the president of the Cho Hung Bank, the branch manager of the Bank's Central Branch and several other bank employees. Then, they attached Cho Hung Bank's forged guarantee to their blank corporate promissory notes and discounted them in the curb market and short-term money market. In this way, they financed W101.9 billion (\$127.4 million).

They also settled their corporate bills illegally when the bills were presented to the Cho Hung Bank for payment. When there was not enough balance in

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Youngdong Corporation's accounts, the bribed officials and employees of the Cho Hung Bank shored up balances by fabricating their bank book, as if they had credited managers' cheques issued by other banks. In this way, the president, branch manager and employees of the Cho Hung Bank illegally settled Youngdong Corporation's bill totalling W47.1 billion (\$58.9 million).

This was somewhat of a bank corruption case in that among the 30 indicted, 19 were bank personnel including a bank president and a branch manager. This case shocked the nation particularly in that the bank officials and employees were major accomplices in a significant fraudulent economic crime. Citizen's faith in banks in general was shaken. In the trials that followed, chairwoman Lee Bokrae was sentenced to 15 years imprisonment, the President of Cho Hung Bank, Lee Hungseung to 4 years imprisonment, and the bank branch manager, Go Gunho, to 12 years imprisonment.

The seriousness of these three big economic scandals of the early years of the 1980's prompted the 5th Republic to enact new laws that could deter and punish economic crimes more effectively. Thus, in December 1983, the Act on the Aggravated Punishment, etc., of Specific Economic Crimes was promulgated.

**E. The Case of Hanbo Group
Chairman Chung, Taesoo**

In December 1996, Hanbo Steel Co. Ltd., the flagship of the 14th largest business conglomerate in Korea, defaulted on payment while constructing steel mills at Tangjin, with excessive borrowings from banks and other financial institutions totalling W5.7 trillion (\$7.1 billion).

The demise of the debt-ridden Hanbo Steel worsened the troubles of Korean

banks and other financial institutions and, together with the collapse of Kia Motors with a total debt of W9.3 trillion (\$11.6 billion) in July 1997, played a critical role in triggering the country's financial crisis, forcing Korea to turn to the IMF for a \$58 billion loan in December 1997. Given the negative impact of the Hanbo bankruptcy and the alleged irregularities Chairman Chung conducted in day-to-day management, the Central Investigation Division of the Supreme Prosecutor's Office commenced an investigation into this case and revealed the wrongdoings of Hanbo Group Chairman Chung as summarized below:

- (a) He swindled W107.7 billion (\$134.6 million) by discounting W111.6 billion (\$139.5 million) worth of accommodation bills with various creditors during the period from December 3, 1996 to January 18, 1997.
- (b) He misappropriated a total of W108.9 billion (\$136.1 million) from affiliates of Hanbo Group on 24 occasions from January 1994 to December 1996 to purchase real estates under his name.
- (c) He forced Hanbo Credit Union Co. Ltd., one of Hanbo Group's affiliates, to make loans totalling W43.2 billion (\$54 million) to Hanbo Steel Co. Ltd..
- (d) He failed to honor checks totalling W53.9 billion (\$67.4 million) from July 1995 to January 3, 1997.
- (e) He offered a total of W400 million (\$0.5 million) each to Shin Kwangsik, former president of Korea First Bank and Woo Chanmook, former president of Cho Hung Bank, in July 1996 in return for a huge amount of loans they offered to the company during their terms.
- (f) He offered a total of W700 million (\$0.9 million) to Lee Chulsoo, who was serving as president of Korea First Bank from August 1994 to April

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1996 in return for loans provided by the bank.

- (g) He handed over a total of W450 million (\$0.6 million) to two politicians in the ruling and opposition parties from October 1995 to October 1996 asking them not to take the Hanbo Steel issue to the National Assembly.
- (h) He offered W200 million (\$0.3 million) to Kim Woosuk, who was serving as the Minister of Construction asking construction of road connecting Hanbo's Tangjin mills to the highway passing the mills nearby.

Chung Taesoo was indicted on February 19, 1997 on the above noted criminal charges, sentenced to a 15-year imprisonment on December 16, 1997 and is currently serving his prison term.

Hanbo Chairman Chung, a former tax official, harbored the naive dream of making the world's fifth largest steel company. With only W90 billion (\$112.5 million) in capital, he pushed for the construction of the steel plant allegedly with support from those in power and politics. Initially, it was projected that the steel plant project would cost W2.7 trillion (\$3.375 billion). Hanbo, however, poured in W5.7 trillion (\$7.125 billion) to complete 90% of the project by early 1997 apparently due to unrealistic projections.

Hanbo Chairman Chung's tragic end to the debt-financed expansion strategy taught the lesson that overly aggressive business expansion, beyond financial means, would result in a bankruptcy during a period of business recession. Businesses also realized the need for restructuring aimed at improving financial structure. For this, many business groups have implemented business strategies which are focused on streamlining by

disposing of marginal or unprofitable business lines and non-business purpose real estate. Korean banks realized the importance of credit decisions based on assessment of the creditworthiness of a borrower or the feasibility of a project. Several banks have already implemented stricter credit approval procedures or introduced new risk management techniques to improve asset quality. Mergers among banks were accelerated in one financial reform effort. The scandal is also likely to help sever corrupt and irregular links between politics and business enterprises in the long run, as it resulted in the arrest of several congressmen, two bank presidents and even the second son of former President Y.S. Kim.

The government, for its part, introduced a tighter credit control system for fear that excessive loans to a single conglomerate can threaten the lending bank's survival itself. Effective August 1, 1997, business groups with external debts of over W250 billion (\$280 million) are prohibited from borrowing loans in excess of 45% of a bank's shareholder's equity. The scandal also prompted the government to introduce five corporate reform guidelines for effective implementation of the reform program which include:

- (a) Improvement of corporate transparency:
 - Introduction of combined group financial statements beginning fiscal year 1999.
 - Improvement of accounting practices and full disclosure of financial information.
 - Appointment of outside boards of directors by listed companies at least one in 1998 and 25% of board members by the end of 1999.
 - Strengthening of minor shareholders' rights.
- (b) Eliminate cross-payment guarantees

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- with full clearance by the end of 1999.
- (c) Dramatic improvement of financial structure with lower financial leverage (debt to capital ratio) to below 2:1 by the end of 2000.
 - (d) Streamline focus on core businesses and cooperate with small/medium-sized companies.
 - (e) Strengthen legal liability of major shareholders:
 - Major shareholders must take legal responsibility for corporate failure.
 - Major shareholders should make every effort to improve group company financials even through the contribution of personal assets.
 - Remove the position of group chairman and office of group chairman.
 - Laws have been revised to expedite the bankruptcy proceedings and force companies which have no possibility of reviving to exit from the business quickly.

F. The Case of Forgery and Fraudulent Use of Listed Companies' Promissory Notes

In 1997, the second Special Investigation Division of the Seoul District Prosecutor's Office conducted an investigation after obtaining information that a substantial amount of promissory notes, issued by certain companies listed on the Korea Stock Exchange, were offered to some financial institutions and curb market dealers in downtown Seoul for discounting in September 1997. The prosecution found out that six individuals forged and discounted seven promissory notes of six listed companies with a combined face value of W3,070 million (\$3.8 million), in their attempt to forge and discount W23,380 million (\$29.2 million) worth of promissory notes.

The investigation revealed that the suspects swindled W326 millions (\$0.4

million) by discounting only two of the seven forged promissory notes, and then conspired to forge and sell national and public bonds (realizing that promissory notes were no longer sellable since November 1997 when Korea was placed under the IMF program). It was also revealed that the suspects attempted to forge 17 promissory notes of nine large companies with a combined face value of W23,380 million (\$29.2 million). Subsequent to the findings three individuals were indicted with physical detention and one was placed on the wanted list. This case also revealed that new IMF-type economic crimes appear to be looming near.

G. The Case of Smuggling Advanced Technology for Semiconductor Chips

In late January 1998, the Suwon District Prosecutor's Office obtained information that KSTC (Korea Semiconductor Technology Company), established by former researchers of Samsung Electronics Co. Ltd., had been smuggling advanced technology for semiconductor chips into a foreign country. Judging that this would be a very critical crime which could weaken the international competitiveness of Korean semiconductor chips, which is one of Korea's strategic export items, the Suwon District Prosecution immediately initiated an investigation into this case.

After months of full-scale investigation, the prosecution proved that the former researchers of Samsung Electronics Co. Ltd. and LG Semiconductor Co. Ltd. had established what they claimed to be semiconductor venture firms, KSTC and DESTEC (Dream of Engineer's Technology) for illicit purposes that they then lured present and former researchers of Samsung and LG to steal memory chip manufacturing technology from their companies. Finally they sold the smuggled

technology with respect to 64M DRAM and 256M DRAM to NTC (Nan Ya Technology Company) of Taiwan, which allegedly promised officials of the two venture firms kickbacks and research jobs in its laboratory at huge salaries. The prosecution also found that the smuggled technology included about 800 items stolen from Samsung and about 40 items stolen from LG which were critical to the whole manufacturing process including design, fabrication and inspection of 64M DRAM. The value of stolen technologies was estimated at W70 billion (\$50 million) in terms of research and development expenses, while the two semiconductor manufacturers claimed that the value of the possible loss from the illegal outflow of the chip manufacturing technology would amount to W1,250 billion (\$900 million).

On February 28, 1998, the Suwon District Prosecutor's Office prosecuted 20 defendants (including Kim Hyungik, a principal offender and managing director of KSTC) on charges of violating the Act on the Aggravated Punishment of Specific Economic Crimes with respect to breach of trust, occupational breach of trust, theft and for breach of the Unfair Competition Prevention Act.

In the trial that followed, the Suwon District Court sentenced from four to two and a half years' actual imprisonment the five principal defendants including Kim Hyungik, and from three to two years' suspended sentence to the rest of the fifteen defendants. This case represented the biggest industrial espionage case attracting the attention of the government and the public. This case also prompted the Prosecutor's Office to recommend legislation of the so-called Industrial Espionage Act in order to prevent recurrence of similar intellectual property theft cases in Korea.

H. The Case of Dongsuh Securities Co. Ltd.

In February 1998, the Special Investigation Division of the Seoul District Prosecutor's Office initiated an investigation into the case of Dongsuh Securities Co. Ltd., which became insolvent due to illegal financial support of its affiliated construction company which was suffering financial crisis.

Dongsuh Securities Co. Ltd., an affiliate of Kukdong Group, provided W144.2 billion (\$180.2 million) worth of financial support to Kukje Construction Co. Ltd., another affiliate of Kukdong Group, during the period of June to December 1997. This was without collateral, even though they were cognizant of the fact that the financially troubled company would not be able to honor its obligation to Dongsuh when they became due. Certain officials and employees of Kukje Construction Co. Ltd. illegally set aside W10.5 billion (\$13.1 million) in a slush fund and embezzled W4.5 billion (\$5.6 million) for personal use, which gave rise to the financial difficulties of the construction company.

As this was the first case where a Korean financial institution defaulted on payment, it led to the withdrawal of more than W300 billion (\$375 million) by the depositors of the securities firm, creating a ripple effect on the national economy and society. By providing financial support totalling W144.2 billion (\$180.1 million) to its affiliate, Dongsuh Securities Co. Ltd. violated the Securities Exchange Act Article 54 and the Standing Rule on Financial Soundness of Securities Companies Article 25. Both prohibit securities companies from extending loans and credit to their affiliates and individuals identified as having a "special relationship" with the lender. The company also failed in its due diligence by extending credit to the near-bankrupt construction company

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without collateral.

The prosecution conducted an investigation into this case in February 1998 based on the outcome of the Securities Supervisory Board's special examination of Dongsuh Securities Co. Ltd.. In May 1998, Kim Yongsan (age 76), Chairman of Kukdong Group, and Kim Kwangjong (61), Representative Director of Dongsuh Securities Co. Ltd., were indicted without detention on charges of violating the Act on the Aggravated Punishment of Specific Economic Crimes with respect to breach of trust and the Securities Exchange Law. Kim Sejung (42), Representative Director of Kukje Construction Co., and Yoo Chongwhan (55), Managing Director of Kukje Construction Co. Ltd., were indicted with physical detention on charges of violating the Act on the Aggravated Punishment of Specific Economic Crimes with respect to embezzlement.

I. The Case of False Financial Statements Produced by Shinwa Group

In Early 1998, the Seoul District Prosecutor's Office initiated a probe of the allegation that a couple of Shinwa Group affiliates produced false financial statements to make their status appear better than it actually was. The two core companies of the seven Shinwa Group affiliates produced false financial statements since 1995 in an attempt to gain easy access to bank borrowings, and to prevent a fall in share prices of the two listed companies. The debt ratio of the group affiliates including the two companies rose considerably since 1994 due to loose management. Taehung Leather Co. Ltd. for example, by means of window dressing, increased sales for the first half of 1997 from W27.9 billion (\$34.9 million) to W30.7 billion (\$38.4 million); converting the bottomline result from the net loss of W400 million (\$0.5 million) to net profit of

W8.8 billion (\$11 million) and decreased the amount of total liabilities as of 6/30/97 from W75.7 billion (\$94.6 million) to W64.2 billion (\$80.3 million).

In addition, Shinwa Co. Ltd., another core group company, cheated stock investors by announcing that it concluded a big sales contract. In fact, the new high-tech "car location tracking system" did not sell well and had uncertain business prospects. Based on the credit the company obtained as a result of false financial and business information, the company borrowed W157.2 billion (\$196.5 million) from financial institutions by discounting fake commercial bills.

On February 15, 1998, Lee Eunjo, Shinwa Group Chairman, was indicted with physical detention, and Huh Pilju, Finance Director of Shinwa Co. and Chung, Sukhun, Finance Director of Taehung Leather Co., Ltd. were indicted without physical detention. Charges filed on these three suspects included violation of the Act on the Aggravated Punishment of Specific Economic Crimes with respect to fraud and breach of trust, the Commercial Code, the Act on External Audit of Limited Liabilities Companies, and the Securities Exchange Act.

Occurrence of similar cases would be less likely in the future as one of the five major guidelines of the Corporate Reform Program has improved managerial transparency through disclosure of detailed financial information based on international accounting standards.

J. The Case of Irregularities Relating to Real Estate Trust Business (Kyungsung Scandal)

In June 1998, the Special Investment Division of the Seoul District Prosecutor's Office conducted an investigation into the case of Kyungsung Scandal with respect to

irregular real estate trust business. This case involves irregular financial support by certain officials and employees of Korea Real Estate Trust Co. Ltd., in collusion with landowners, subcontractors and politicians. Such irregularities placed the real estate trust company in financial difficulties.

During the period from January 1996 to February 1998 the Korea Real Estate Trust Co. Ltd., in relation to the development project of land owned by Kyung Sung Co. Ltd., committed irregularities by extending credits to Kyung Sung Co. Ltd. and Kyung Sung Construction Co. Ltd.. These irregularities include issuance of payment guarantees totalling W36.4 billion (\$45.5 million), payment of W15.6 billion (\$19.5 million) in advance without obtaining collateral and extension of loans totalling W20.4 billion (\$25.5 million) based on insufficient securities collateral worth only W6.8 billion (\$8.5 million).

Lee Jaekil (55), Kyung Sung Group Chairman, and Lee Jaekook (54), former president of Korea Real Estate Trust Co. Ltd., were indicated with physical detention on charge of violating the Act on the Aggravated Punishment of Specific Economic Crimes with respect to breach of trust. With investigation still going on as of July 16, 1998, as many as 25 suspects were indicted; 17 suspects with physical detention and 8 suspects without detention. Included in the 17 arrestees was Chung Daechul, Vice President of the ruling party, National Congress for New Politics, who was placed under arrest on September 2, 1998 on the charge of taking W30 million (\$37,500) in bribes from certain officials and employees of Kyung Sung Co. Ltd..

IV. MAJOR CONTROL STRUCTURES FOR ECONOMIC CRIMES

A. Legislation

(i) *Criminal Code (Act)*

Traditional personal property crimes in the Criminal Code such as fraud, embezzlement and breach of trust of more than a certain extent, could constitute economic crimes. Fraud, embezzlement, occupational embezzlement, breach of trust, occupational breach of trust, forgery of currency and securities are punished by the Criminal Code promulgated on September 18, 1953. The penalty for fraud is imprisonment for not more than ten years, or fine not exceeding W20 million (\$14,200 at current exchange rate of \$1:W1,400). The penalties for embezzlement and breach of trust are imprisonment for not more than five years or by fine not exceeding W15 million (\$10,700), respectively. The penalties of occupational embezzlement and occupational breach of trust is imprisonment for not more than ten years or by fine not exceeding W30 million (\$21,400).

(ii) *Act on the Aggravated Punishment of Specific Economic Crimes*

Stunned by the enormous damage to the national economy caused by the three big economic crimes in the early 1980's, the 5th Republic, in order to deter recurrence of economic crimes, promulgated on December 31, 1983, the Act on the Aggravated Punishment of Specific Crimes (hereafter referred to as the Act). The major provisions of this Act against economic crimes are as follows.

First, the Act expands the range of economic crime according to the amount of profits which have been acquired by fraud, embezzlement and breach of trust (traditionally personal property crimes). In

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cases when the illegal profits acquired through those crime exceed W500 million (\$625,000 at then prevailing exchange rate of \$1:W800), offenders are not punished by the Criminal Code but by this Act.

One of the most important means of deterrence of this Act is the aggravated punishment. In cases of fraud, embezzlement and breach of trust when the amount of profit obtained by those crime exceeds W500 million (now \$357,000) or more, offenders shall be punished by imprisonment for life or not less than five years. There is no fine penalty. It is clear that so long as a case of fraud, embezzlement and breach of trust falls within this Act, it is an economic crime.

Second, this Act also expands the offenders of economic crime. Traditionally, according to the Criminal Code, the subject of bribery used to be public officials or mediators. However, the Act expands the subject of bribery to officials or employees of a financial institution. Any person who promises or gives a bribe to them is also punishable by this Act.

Third, any money or other benefits that officials or employees of a financial institution have illegally gained in violation of this Act shall be confiscated. In addition, anyone who is convicted of property crimes under this Act, and officials or employees of a financial institution who are convicted of bribery under this Act, may not be employed by a related company for a certain period of time.

Since its promulgation, this Act has played a major role in deterring, detecting and punishing economic crimes. Together with Real Name Financial System Order of 1993, this Act is one of the most important pieces of legislation to suppress economic crime.

(iii) *Real Name Financial Transaction System*

In connection with the suppression of economic crime in Korea, another major step was taken in 1993. On August 12, former President, Kim Youngsam, issued a Presidential Financial and Economic Emergency Order on Real Name Financial Transactions and the Protection of Confidentiality. This Emergency Order shocked the nation by its serious effect on the national economy, as well as household economies.

By this Emergency Order, a Real Name Financial Transaction Order System has been effectuated. The causes of implementating this Real Name System are traced back to the case of Lee and Jang bank bills fraud in 1982. In the wake of this case, the Chun Doowhan administration enacted and promulgated the Act Regarding Real Name Financial Transactions in December 1982. However, implementation of the core of this Act, i.e. compulsory real name financial transactions, had been delayed until the Emergency Order of 1993.

The essentials of effective Real Name Financial Transactions are as follows:

- (a) Financial Institutions shall carry on Financial Transactions with their customers under the real names of customers. Here, "Real Name" shall mean names designated by Presidential Decree such as names appearing in resident registration books and tax registration certificates.
- (b) Regarding Financial Assets held in accounts created before the effective date of the Order, Financial Institutions shall, at the time of the first transaction after the effective date, verify whether such Financial Assets are held under the real names of account holders.
- (c) For Existing Financial Assets which

have not been verified pursuant to the above, or which have been identified to be under non-real names as a result of such verification, financial institutions shall not allow any payment, refunding, repayment, repurchase, etc.

- (d) Obligation to convert existing non-real name assets to real name assets within two month from the effective date of the Order.
- (e) Penalty for breach of real name conversion Obligation:
 - (1) Penalty rate ranging from 10% to 60% of the asset value depending on the period from the effective date of the Order (e.g., 10% up to 1 year, 20% from 1 to 2 years, 40% from 3 to 4 years, 50% from 4 to 5 years, and 60% over 5 years).
 - (2) 90% of income tax to be imposed on the interest income and dividend income to be earned on non-real name assets.
- (f) Default Fine: Officials or employees of a financial institution who violate the provisions of real name financial transactions shall be subject to a default fine of not more than W5 million (\$3,570).

Minor revisions have been made on the Real Name Financial Transaction System Act on several occasions since December 1997 to avoid inconveniences in the day-to-day financial transactions, to remove public concern on possible audit by tax authorities on their financial transactions, and to induce non-real name funds into certain industries.

The contribution of the Real Name Financial Transaction System Act to the detection of economic crimes has been enormous. If it had not been for the real name system, the prosecution of the former Presidents Roh Taewoo, Chun Doowhan and the likes in November 1995 would not

have been possible.

B. Investigative Structure

(i) Prosecutor

The prosecutor is the supreme investigative authority under the Constitution and the Criminal Procedure Act in Korea. As long as investigations of crimes are concerned, both judicial police and special judicial police are under the control and supervision of a prosecutor. The prosecution of a case is the sole responsibility of a prosecutor.

The prosecution is comprised of three offices with different hierarchies: District Prosecutor's Offices, High Prosecutor's Offices and the Supreme Prosecutor's Office. Most District Prosecutor's Offices which have jurisdiction over provinces or special cities have, respectively, several Criminal Investigation Divisions and one Special Investigation Division.

Criminal Investigation Divisions are mainly responsible for general criminal cases. One division among them is exclusively assigned to take charge of economic crimes. Prosecutors belonging to the economic division are appointed exclusively responsible for one specific area of economic crime under the supervision of a division-chief prosecutor. They carry out investigations in the specific area assigned to them.

The Special Investigation Division is designated to independently investigate major crimes which are deemed inappropriate for judicial police to control. Generally speaking, it is difficult for judicial police to handle some kinds of economic crime requiring specialized knowledge and techniques, such as analysis of account documents and tracing of bank transactions in investigation. Thus, economic crime is one of the items which the prosecutors of the Special

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Investigation Division willingly handle in Korea.

National confidence in the prosecution system is very high in Korea. This confidence tends to impose a remarkable burden on the prosecution in some important cases. Whenever large scale economic crimes or scandals are brought to public attention, the public tend to ask the prosecution to investigate and disclose the entire picture of the case or scandal within a short period of time. When a case or scandal is related to a high-ranking official or is viewed to be extremely important, the Central Investigation Division of the Supreme Prosecutor's Office tends to investigate the case or scandal directly.

For certain economic offenses, investigation team personnel must have specialized knowledge in order to effectively review and analyze relevant evidence. Therefore, Korea's prosecution frequently carries out investigations into a given case with the cooperation of the related expert organizations. For instance, in the event of tax crimes, bank loan-related crimes, securities-related crimes etc., the experts of the Tax Office, the Office of Bank Supervision, or the Securities Supervisory Board are temporarily assigned to the prosecution investigation team in order to help the prosecutors' investigation.

Occasionally, the prosecution does not investigate a given case until the related authorities inspect that case in advance. In many cases, this method has proved to be very effective. In most economic crimes, the decisive clue is not easily available because the critical evidence is already concealed or destroyed. This is why such investigations will fail to reveal the entire picture unless they are conducted in a very sophisticated manner.

(ii) *Judicial Police*

Among the police force, judicial police are assigned to investigation of crimes. The judicial police that are under the control and supervision of a prosecutor are comprised of police administrative officials, superintendents, captains, lieutenants, and patrolmen.

The Korean National Police also play an important role in enforcing the economy-related laws. In Korea, the police initiate the investigation of most criminal cases including economic crimes. However, since prosecutors have the authority to supervise and instruct the police investigation under the Criminal Procedure Act, the police should report important cases to prosecutors and conduct investigation under instruction of the prosecutor.

(iii) *Special Judicial Police*

The Chief Prosecutor of the District Prosecutor's Office may appoint special judicial police officials among public officials when investigations involve such areas as forestry, marine affairs, monopolies, taxes, customs, military investigation organization and other special matters. The customs office did not have the authority to investigate economic crimes until 1990. In August 1990, the legislature vested that office with the authority to investigate customs-related crimes within the area of each customs office.

**V. PROBLEMS IN SUPRESSING
ECONOMIC CRIMES**

**A. Difficulty in Initiating
Investigation**

Unlike other criminals, offenders of economic crimes generally have strong influence on those in power and politics. The influence they buy brings them more money and in turn, greater funds for further influence, which brings more

money to them. This vicious circle makes it very difficult for investigators to detect and carry out investigations into economic crimes.

For example, in the case of the Hanbo Group Chairman, Chung Taesoo, Chung bribed the then-ruling party's Congressmen, Hong Ingil (W1 billion, or \$1.25 million), Hwang Byungtae (W200 million, or \$250,000), Chung Jaechal (W200 million), and then- opposition party Congressman, Kwon Rogap (W200 million), and then-Minister of Construction Kim Woosuk (W200 million). Other cases introduced in this paper show similar patterns.

B. Unfair Punishment System under Criminal Code

(i) Method of Aggravating Penalties

While working as a prosecutor for more than twenty years, I have noticed critical problems with the way aggravated penalties are imposed on concurrent crimes, and felt the strong need to rectify the system. Under the Criminal Code, when concurrent crimes are adjudicated at the same time, aggravated punishment shall be imposed as follows:

- (a) In the event that the punishment specified for the most severe crime is the death penalty or imprisonment for life or imprisonment without prison labor for life, the punishment available for the most severe crime shall be imposed.
- (b) In the event that punishments specified for each crime are the same kind, other than the death penalty or imprisonment for life or imprisonment with prison labor for life, the maximum term or maximum amount for the most severe crime shall be increased for one half there of, but shall not exceed the total maximum term or maximum amount

of punishments specified for each crime. Besides, the Criminal Code also stipulates that the term of imprisonment shall be from one month to fifteen years: provided, that it may be extended twenty-five years in case of aggravation of punishment.

These legal provisions, I believe, indirectly serve to favor violations of crimes, including economic crimes, rather than deterring or suppressing them.

Let me take some examples. There is no death penalty for economic crimes. Therefore, life imprisonment is the maximum penalty for economic crimes. Suppose an offender committed three independent economic crimes which call for legal penalty of life imprisonment, the maximum penalty for the offender will be just one, not three, life imprisonment terms. Economic crime offenders tend to hire the best lawyers their illegally earned money can buy. Again, suppose that a judge in charge wants to mitigate the punishment for some reason, using their's discretionary mitigation authority under the Criminal Code, a life imprisonment term could be mitigated to imprisonment for not less than seven years.

Suppose again that an offender committed more than two independent frauds and the maximum penalty for each fraud is ten years imprisonment. The aggravated maximum punishment in this case will be 15 years imprisonment, whether he or she committed two independent frauds or one hundred independent fraud crimes. Again the maximum limit of the penalty system allows an offender to benefit from committing more crimes if he or she is determined to make a fortune out of economic crime.

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(ii) *Problem with "Definite Imprisonment Term" System*

Another problem related to the Criminal Code is the unreasonableness in imposing penalty terms under the "definite imprisonment term" system. Allow me to take another example. W100 million (\$71,400 at current exchange rate of \$1:W1,400) is a lot of money for most ordinary Koreans. They may have to save for ten or twenty years to make that much money. However, an offender who defrauded W100 million (\$71,400) or less, generally, is sentenced to only one year or less imprisonment with prison labor. This lenient sentence, in many cases, motivate average offenders to serve a one year term in prison rather than reimbursing W100 million to the victim, to be released on a suspension of execution of penalty, etc. Based on the above "one year term per W100 million" rule, 15 years of imprisonment would be sentenced to those who defrauded W1,500 million (\$1.71 million).

While I believe that even one year imprisonment is not enough for W100 million, in the Hanbo Group case Chung Taesoo was sentenced to a 15-year imprisonment for various charges including fraud of W107.7 billion (\$134.6 million at then prevailing exchange rate of \$1:W800). If "one year term per W100 million" rule is to be applied, Chung Taesoo's maximum imprisonment term should be 1,070 years. Also, the scope of the fraud money involved in the case was big enough to warrant a life imprisonment term under the Act on the Aggravated Punishment of Specific Economic Crimes. Nevertheless, Chung Taesoo was sentenced to only a 15 year term under the Act, raising the value of Chung Taesoo's one year service in prison to as high as W7,180 million (\$9.0 million). Here again, the more money an offender swindles, the more advantages, not disadvantages he or she

gets. The issue of such unfair punishment under the Criminal Code has never been raised in Korea before.

C. Too Generous Sentences

Keeping in mind what is presented above, court sentences should be severe enough to deter offenders from committing crimes or repeating crimes. This is particularly true for economic crimes, considering the astronomical amount of damages inflicted upon individuals, societies, and the national economy. However, there has been a tendency in Korea that sentences have been too generous to deter crimes. Especially in most economic crime cases, defendants have the best lawyers helping them to reduce sentences. Furthermore, defendants get more and more favorable sentences as they appeal to the High Courts and the Supreme Court.

D. Problems with Execution of Punishment

As I have presented, it is not easy for the prosecution to investigate and to prosecute economic offenders, to have them sentenced to actual imprisonment. It is true that effectiveness of criminal punishment comes from strict execution of punishment as sentenced. From time to time, however, some of the convicted offenders of economic crimes or related crimes have been released either on parole or suspension of execution of punishment or amnesty.

This has been seen rather frequently in cases where politicians or high ranking government officials were involved. For example, in the Hanbo Group case, Congressman Chung Jaechul, who had been sentenced to 3 years imprisonment with 4 years suspension of execution of sentence, was rehabilitated on August 15, 1998. Congressman Kwon Rogap, who had been sentenced to 5 years imprisonment,

was released on special amnesty on the same day. Also Congressman Hong Ingil was released on suspension of execution of 6 years imprisonment on January 15, 1998, although he was arrested again on August 25, 1998 on a charge of accepting bribes of W4,500 million (\$5.625 million at then prevailing exchange rate of \$1:W800) from a conglomerate called Chunggu. Frequent use of the early release of prisoners discourages not only the prosecution but also most law-abiding public and weakens enforcement of the laws.

E. Fugitive Offenders

Unlike other offenders, those of economic crimes have tended to flee easily to foreign countries with huge amounts of money illegally taken. Prior to the partial revision of the Criminal Procedure Code on December 29, 1995, fugitive offenders could enjoy two things. First, they were able to escape justice. Second, the limitations period for prosecution proceeds towards expiration during their stay in foreign countries. However, under the amended Criminal Procedure Code, a fugitive can no longer enjoy the second advantage, because the limitations period shall be suspended during the period of his or her stay out of the country. For Korean offenders of economic crimes, Japan and the United States have been the most popular hiding places.

F. Other Problems

There are some other problems that have been generally recognized by other prosecutors, researchers, law professors and scholars in Korea as obstacles to effective suppression of economic crimes. These problems include: lack of specialized knowledge in economic crimes on the part of general investigators and judicial police; difficulties in collecting evidence and maintaining prosecution in trial ; and loopholes in the local law that easily allow offenders of economic crime to start

business again by using somebody else's name.

VI. EFFECTIVE COUNTERMEASURES AGAINST ECONOMIC CRIME

A. Continued Efforts to Remain Independent of Political Influences.

The foremost thing to overcome difficulties in initiating investigation into economic crimes is to protect the prosecutor's office from political influence. It is true that, notwithstanding the high credibility of the prosecutor's office in Korea, the prosecution has occasionally been criticized for being influenced by politics. Ironically, these criticisms come mainly from the politicians according to their political interests at stake.

The Korean prosecution has achieved remarkable progress in terms of independence. The prosecution investigated and indicted two former Korean Presidents with arrests in November 1995. The prosecution also arrested and prosecuted then ruling President Kim Youngsam's son, Hyunchul, with charges of tax evasion and accepting money in connection with a mediation in 1997.

The second most important thing is to provide specialized training to investigators and to consolidate related investigative forces. Investigators should be given an opportunity to learn general knowledge in accounting, economics, foreign trade, business administration, economic law, and so on. They must be equipped with the ability to collect and analyze all of the proof and information needed to investigate economic crimes. Presently in Korea, the Institute of Research and Training for Legal Affairs under the Ministry of Justice has been

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providing both prosecutors and general investigators with training programs in the economic crime area.

To effectively suppress these economic crimes, it is necessary to consolidate various organizations and task forces. By doing so, investigators are able to actively cope with changes in criminal trends and also build up their specialized techniques of investigation. Principal District Prosecutor's Offices in Korea have special task forces exclusively responsible for tax crimes, tariff crimes, and infringements of intellectual property. Those task forces are composed of prosecutors, judicial police, and expert personnel of the related organizations.

In addition, integration of judicial police, apart from administrative police, with the Prosecutor's Office should be considered to maximize the deterrence of crimes in general.

B. Revision of Punishment System in the Criminal Code

In order to effectively suppress and deter criminal offenses, as well as economic crimes, we need to revise the current systems with regard to aggravation of punishment and definite term of imprisonment. Therefore, I strongly recommend revision of the Korean Criminal Code as follows:

- (i) The aggravation of punishment on concurrent crimes should be revised so as to add all the penalties arithmetically, whenever independent crimes are committed. For an example, if an offender committed one fraud, the maximum penalty would be less than 10 years imprisonment as the Criminal Code prescribes. If an offender committed two fraud crimes, the maximum aggravated penalty would be 20 years

imprisonment. If ten fraud crimes were committed, the maximum aggravated penalty would be 100 years imprisonment, and so on. Under the system, I believe that only few offenders would dare to commit as many crimes as current opportunities allow.

- (ii) In addition, the present system of definite imprisonment term should be revised for effective deterrence of economic crimes of an astronomical scale and, ultimately, for guarantee of the people's constitutional right of equality before the law. Specifically, imprisonment terms in the case of economic crimes should increase in proportion to the amount of damages that an offender had inflicted on a victim. Suppose \$100,000 damage is approximate to one-year imprisonment. If a swindler defrauded \$100,000, the maximum term of imprisonment would be one year. If a swindler defrauded \$1 million, the maximum term of imprisonment would be 10 years. If any person were to swindle \$134 million, like defendant Chung in the Hanbo case, he or she would have to serve 1,340 years of imprisonment.

C. Establishing of Sentencing Guidelines

The Constitution of Korea provides that judges shall rule independently according to their conscience and in conformity with the Constitution and Acts. However, this provision does not necessarily mean approval of different sentences on similar cases by the same judge, or quite different sentences on similar cases by different judges. In order to avoid such unfairness and inconsistencies, something like the U.S. Sentencing Guidelines needs to be established.

D. Restraint on Frequent Use of Parole, Amnesty, etc.

If execution of punishment were shaken, it would shake the law and order which are the foundation of a country. Therefore, release of convicts based on parole, suspension of execution of punishment or amnesty should be exercised in a fair and impartial manner or, if possible, should be avoided.

E. Better International Cooperation Regarding Extradition

I am confident that no lawyers in the world are against extradition. All lawyers would agree that no country should give a sanctuary or safe haven to criminals. To make a prosperous world without crime, it is urgent for all countries in the world to share the consensus that crimes, like poverty and disease, are common enemies of mankind.

In connection with extradition, one good way is to conclude extradition treaties with as many countries as possible. Concluding regional extradition treaties seems to be a better solution. However, entering into treaties is a time consuming process. Korea has tried to conclude extradition treaties with the United States and Japan for several years. Korea, was only successful in concluding an extradition treaty with the United States this year, with its enforcement is still reserved, pending ratification of the treaty by the two countries.

Considering the time consuming process of extradition, not to mention urgent need for it, it would be beneficial for every country to incorporate the principle of reciprocity with respect to extradition in its domestic law. This would enable better cooperation in providing extradition between countries that have no extradition treaty.

VII. CONCLUSION

I believe the proposition “where there is a society, there is law” very well symbolizes relations between people and law. If I were allowed, it could be paraphrased as “where there is a society (or people), there is crime.” There always exist law and crime in the society we live in.

As I have presented so far, Korea has seen a lot of large scale economic crimes that have not only inflicted enormous damage on the national economy, but also discouraged and even frustrated ordinary citizens. However, the prosecutor’s office in Korea, with assistance from judicial police and other economy-related special judicial police, has been successful in coping with those economic crimes.

So long as man has a desire to make a fortune daring to break laws, it will be hard to make a prosperous society without crime. However, if we were better prepared to suppress economic crimes, we could deter economic crimes to a considerable degree and make better countries to live in. In this sense, the role of law enforcement officers is crucial to building such good systems. Their important role can not be emphasized too greatly.

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APPENDIX I

**MAJOR ECONOMIC CRIME CASES
VIOLATIONS OF MAJOR ECONOMY-RELATED LAWS**

Violation of	Year	1991	1992	1993	1994	1995	1996
Construction Business Act		-	-	-	996	1,372	933
Measure Act		784	1,004	343	39	3	-
High-Pressure Gas Safety Control Act		51	-	-	58	78	170
Quality Control of Manufactured Goods Act		274	281	302	118	4	-
Customs Duties Act		336	243	998	374	556	439
Enforcement Decree of the State Properties Act		-	-	-	55	86	73
Act on Distribution and Price Stabilization of Agricultural and Fishery Products		-	-	-	77	16	31
Agricultures Cooperatives Act		-	-	-	118	10	16
Act on Government Monopoly of Tobacco Sales		190	163	216	358	882	843
Price Stabilization and Fare Trade Act		21	-	-	-	-	-
Unfair Competition Prevention Act		203	249	336	624	668	373
Illegal Cheque Control Act		36,328	48,760	55,834	85,957	104,940	84,166
Trademark Act		-	472	1,023	-	-	-
Mutual Savings Company Act		-	-	-	33	28	29
Petroleum Business Act		-	-	-	75	71	102
Fisheries Act		1,910	1,802	2,191	2,667	2,708	2,203
Decree on the Preservation of Marine Resources		-	-	-	1,158	1,577	1,499
Utility Model Act		-	-	-	144	157	148
Grain Management Act		63	-	-	-	-	-
Energy Use Rationalization Act		166	133	291	220	130	208
Foreign Exchange Control Act		606	935	682	1,547	664	421
Crimes with regard to Securities, Posts, Stamps		576	905	1,168	1,634	1,817	1,841
Design Act		-	-	-	222	233	204
Electric Appliances Safety Control Act		171	460	379	358	284	153
Punishment of Tax Evaders Act		9	71	292	961	380	603
Heavy Vehicles Act		-	4,891	6,908	935	15	8
Securities and Exchange Act		-	-	-	31	45	41
Crimes with regard to Currency		56	82	114	37	10	18
Act on Aggravated Punishment, etc. of Specific Economic Crimes		9,849	11,272	15,852	653	697	725
Patent Act		-	-	-	50	41	60
Fraud		51,100	72,640	97,854	132,537	170,613	200,879
Embezzlement		13,346	16,789	19,120	21,976	23,836	24,194
Breach of Trust		2,732	3,200	4,009	4,829	4,693	5,036
Total		118,771	164,352	207,912	258,841	316,614	325,416
% of Total Crime Cases		9.6	13.2	15.3	18.8	22.6	21.8

* Source: "Analysis of Crimes" published by Korea's Supreme Prosecutor's Office

RESOURCE MATERIAL SERIES No. 55

APPENDIX II

NUMBER OF CASES OF FRAUD, EMBEZZLEMENT, BREACH OF TRUST INVOLVING DAMAGES OF W1 MILLION (\$700) OR MORE

Name \ Year	1991	1992	1993	1994	1995	1996
Fraud	27,517 (53.8)	40,369 (55.6)	57,566 (58.8)	96,792 (72.8)	130,023 (76.3)	149,741 (74.4)
Embezzlement	5,844 (43.8)	7,860 (46.8)	9,454 (49.4)	13,759 (62.3)	15,496 (65.0)	15,755 (64.8)
Breach of Trust	1,277 (46.7)	1,519 (47.5)	2,024 (50.5)	3,158 (64.4)	3,268 (67.4)	3,179 (63.7)
Total	34,638	49,748	69,044	113,709	148,698	168,764
% of Total Crimes	2.8	4.0	5.	8.3	10.6	11.3

* Numbers in parentheses represent the percentage of cases involving damages of W1 million (\$700) or more, to total cases for each type.

**Source: "White Paper on Crime" published by the Institute of Research and Training for Legal Affairs, Ministry of Justice.