

Samsung Vice Chairman Indicted for Bribery and Embezzlement

By Hannah Porter, J.D. Candidate 2018 | March 13, 2017

On [February 28, 2017](#), Vice Chairman Lee Jae-yong and four other senior executives of Samsung were indicted on corruption charges following a 90-day investigation by a special prosecutor.

Samsung has a major presence in the South Korean economy, with its electronics products making up [one-fifth of the country's exports](#). Samsung, along with companies such as Hyundai and LG, is part of a small group of family-controlled companies that generate a significant percentage of the country's gross domestic product, and are referred to as "chaebol." [The word chaebol](#) comes from the characters for "rich" and "clan." Following the Korean War, the Korean government directed funding towards businesses that were supposed to help rebuild the country. This arguably created a wealth imbalance that is still present today, and has resulted in growing public dissatisfaction with ongoing scandals from chaebol leadership. Over half of the nation's top grossing chaebol have leaders previously convicted of white-collar crimes.

The current scandal relates to Samsung's alleged payments to Choi Soon-sil for government support of their 2015 merger. Choi was President Park Geun-hye's secret confidante prior to Park's impeachment in December. Lee has been accused of promising \$38 million in bribes to Choi to leverage her connections with Park's administration for political favors for Samsung. He has also been accused of perjury for denying these bribes.

In the past, chaebol leaders have received only light punishments but the current National Assembly has been trying to move toward allowing [punitive damages](#), like the United States does, for white-collar crimes. For example, during the Volkswagen recall, the Korean government could only fine the company \$867,000 per model that violated the clean-air law, regardless of how many individual cars were sold, while in the United States civil penalties up to \$37,500 per noncompliant vehicle could have been imposed. After a new law was passed in South Korea in 2015, they would now be able to impose fines up to \$8.7 million total, which is still less than the \$14.7 billion that Volkswagen agreed to pay in the United States, but ten times higher than what could have previously been imposed in South Korea.

Lee's indictment follows a difficult period for Samsung, as the company recently had to deal with a global recall of the Galaxy Note 7 phones which were catching on fire. In South Korea, indictment automatically follows formal arrest unless evidence comes out that conclusively proves the person's innocence. Samsung has said, however, that it will try to clear Lee's name at trial.