

Report: “Varieties of Informal Relation-based Networks in East Asia – Similarities and Fundamental Differences of *Yongo* (연고) and *Guanxi* (關係)”

This report is written by Danny Jeon, researcher at Hanns-Seidel-Foundation Korea. The report is based on the conference papers and Prof. Sven Horak’s presentation.

The conference, “Varieties of Informal Relation-based Networks in East Asia – Similarities and Fundamental Differences of *Yongo* (연고) and *Guanxi* (關係)” took place on Thursday, 17 July, 2014 at Asan Institute Building, Seoul, South Korea. It was hosted by the Asan Institute for Policy Studies, an independent think tank that has a mandate to pursue policy research for peace and stability on the Korean Peninsula. Founded by Dr. Chung Mong-Joon as a non-partisan institute, it also focuses on the issues of successful Korean reunification.

The roundtable was attended by several professors from Yonsei University and Korea University, and the roundtable was moderated by Dr. Bong Young-Shik, a senior research fellow at Asan Institute. The roundtable officially started after a short introduction of Prof Hoark, the main speaker of the roundtable, by Dr. Bong

Prof. Sven Horak is an Assistant Professor at the Peter J. Tobin College of Business, St. John’s University. Before his post as an assistant professor, he was Post-doctoral Fellow of the Research Training Group 1613 Risk. He received Ph. D in Economics from the University of Duisburg-Essen, Mercator School of Management, and his main focuses are on the informal network structures in East Asia and its influence on decision making behavior. His presentation was mainly consisted of four parts: current academic standings on the informal relations based networks in Asia, theoretical backgrounds of informal-network studies, the definition and origin of Korea’s informal connection, *Yongo*, and the comparison between *Yongo* and China’s informal connection, *Guanxi*.

Beginning his presentation, Prof. Horak stated that there are generally lacking understandings and studies about informal relations-based networks in East Asia that plays a crucial role in determining the social structure, businesses, and decision making. While China’s informal connection based network, *Guanxi*, dominates the field of the study, Korea’s and Japan’s equivalent, *Yongo*, has always been marginalized. Prof. Horak stated that while similarities between *Guanxi* and *Yongo* exist, they are clearly a two different phenomenon with numerous differences. He further added that his intention on researching these informal relations based networks in Asia is to do a comparative study, encompassing several nations.

Then, he established the theoretical backgrounds on explaining the basis of informal relations-based networks in East Asia. Prof. Horak used Darkheim (1993) theory that informal-relations based networks and clan-based relationship diminishes to a formal contract-based relationship as the society develops industrially and economically. He then used Peng (2000) argument, which categorizes the informal relations as two types: cultural and institutional. Peng argues that informal relations in East Asia are usually institutional, diminishing as society move towards industrialized economy and formal contracts. Prof. Horak argued against Darkheim and Peng, as informal relations like *Yongo* is still prevalent in Korea’s well developed economy, transforming

into different forms to cope with rapidly institutionalizing society. Thus, Prof. Horak argues that informal connections and networks like *Yongo* have its cultural roots, which does not easily disappear in the system.

After establishing that *Yongo* is a culturally driven phenomenon, Prof. Horak defined *Yongo* as three parts: *Hakyon* (alumni connection), *Hyeolyon* (family connection), and *Jiyon* (regional connection). Made out of these three components, *Yongo* is a very exclusive chain of networking that is highly stratified hierarchy, which demands high level of loyalty. While the term *Yongo* and *Inmaek*, a social network built over time in life, have generally a neutral connotation, *Yeonjul*, the act of gaining or accomplishing something by taking advantage of *Yongo*, has a negative connotation. *Yeonjul* is apparent in all over Korea's society, ranging from politics to businesses, and it becomes problematic as some individuals are preferred over other more qualified individuals just because those individuals have informal connections, *Yongo*. While *Yongo* provides Korean society with a thick and rich social capital, it can also lead corruption, unequal opportunities, and inefficiency. To explain the cultural characteristics of *Yongo*, Prof. Horak stated that Confucian values, which emphasize strong family values, loyalty, and age hierarchy, have strong influences in shaping the characteristics of *Yongo*. He added that these *Yongo* problems are surfacing due to Korea's globalization that is causing a clash between characteristics with *Yongo* and those of global trends.

At the end of the presentation, Prof. Horak gave a thorough comparison between *Guanxi* and *Yongo*. While *Guanxi* is open to everyone and has homogeneous characteristics, *Yongo* is pre-defined by birth that is highly exclusive. Prof. Horak further added that *Guanxi* is solely created out of reciprocity that has relatively mild trust, while *Yongo* is created out of relationship that surpasses reciprocity with extremely high loyalty. Prof. Horak concluded his presentation that *Guanxi* is institutionally structured that diminishes over time, and that *Yongo* is culturally structured, transforming into different forms appropriate for the changing society.

Question and answer session followed the presentation. Several professors and audiences argued against Prof. Horak that some of the characteristics of *Yongo* are not something that is unique to Korea alone. Strong alumni connections, regional connection, nepotism, and cronyism are prevalent in various parts of the world. Dr. Bong also raised a question that asked Prof. Horak for clarification on *Guanxi*, "If *Guanxi* is based on reciprocity, mutual agreement, and openness to others, what differences are there between the formal contracts and *Guanxi*?" Prof. Horak responded that there are many ways to look at classification of networking, and *Guanxi* is different from that of formal contracts, as it is done through personal relations rather than that of business relations.

More audiences questioned about the possible connection of *Yongo* to Korean and Chinese Diaspora and even about the presence of *Yongo* in current Korean politics. Prof. Lew Seok-Choon of Yonsei University argued that some of the characteristics of *Yongo* listed by Prof. Horak is misleading, as *Yongo* does not always lead to strong loyalty to those who are in the group. More audiences casted some doubts about Prof. Horak's statement that illustrates strong connection between Confucian values and *Yongo*. Instead, audiences argued that *Yongo* has more of traditional Korean characteristics than those of Confucian values.

The overall roundtable lasted about two hours, and Prof. Horak concluded the roundtable by describing it as "very interesting and lively debate that was quite enjoyable."