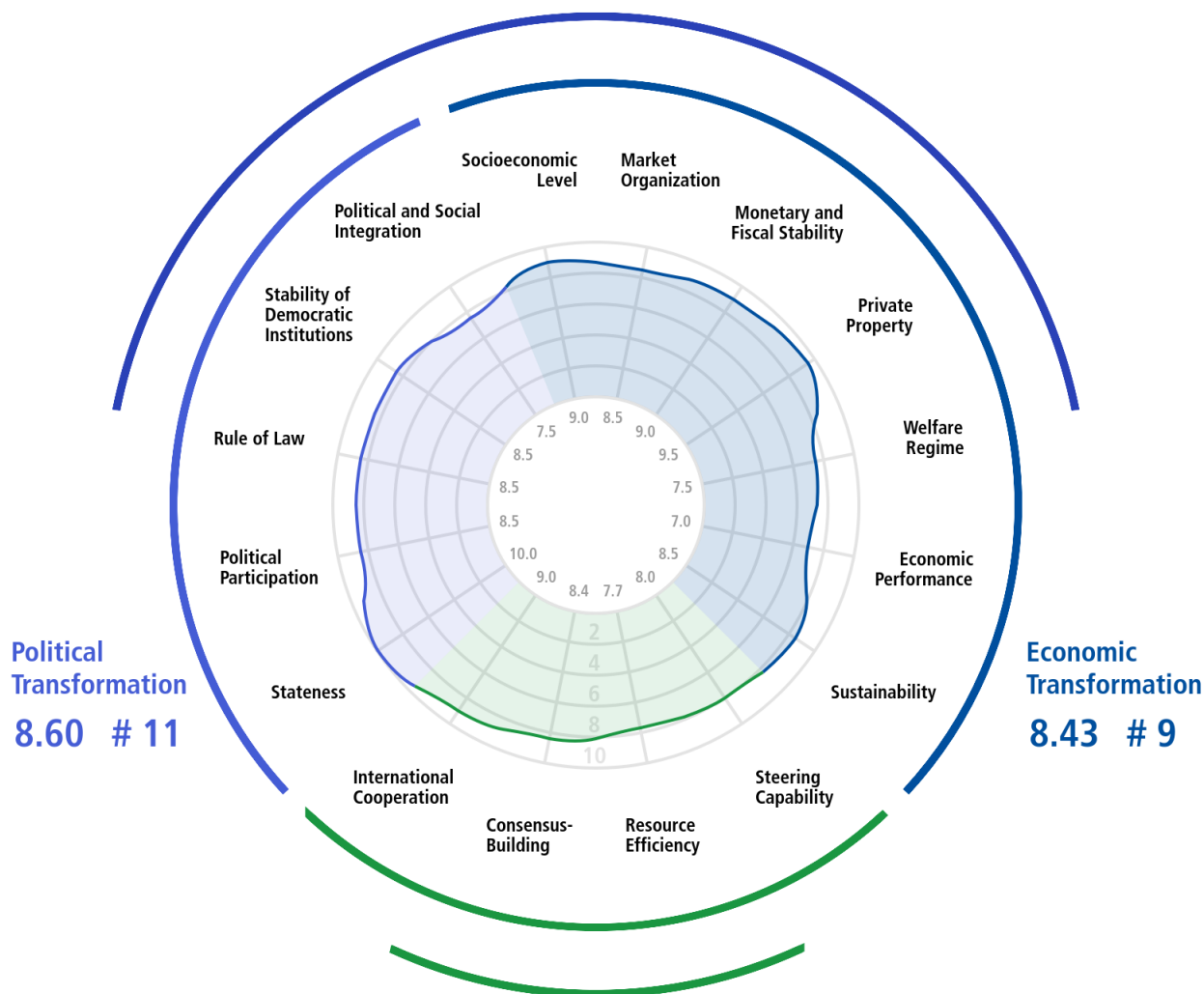


South Korea

Status Index

8.51 # 10

on 1-10 scale out of 137



Political Transformation
8.60 # 11

Economic Transformation
8.43 # 9

Governance Index

6.79 # 10

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	51.8	HDI	0.916	GDP p.c., PPP \$	43124
Pop. growth ¹	% p.a.	0.1	HDI rank of 189	23	Gini Index	31.4
Life expectancy	years	83.2	UN Education Index	0.865	Poverty ³	% 0.2
Urban population	%	81.4	Gender inequality ²	0.064	Aid per capita	\$ -

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

As in all countries in the world, the second half of the observation period from February 2020 to January 2021 was dominated by the coronavirus pandemic and the fight against it. The first year of the observation period was characterized by an administration struggling to deliver on its promises of a fair society, in particular, its inability to control rising prices for housing and improve working conditions for South Korea's large precarious workforce. Instead of delivering on its promises and policy agenda, the government became occupied with political scandals, frequent changes in personnel and a seemingly obscure, but highly controversial reform of the prosecution.

During the coronavirus crisis, Korea fared comparably well with a relatively low number of infections and deaths, as well as a limited decline in economic production. This relative success can be explained by a combination of factors.

First, as Korea has relatively few ports of entry, it is relatively easy to restrict international travel and strictly enforce a general quarantine rule of 14 days with the help of the country's advanced IT infrastructure.

Second, Koreans are used to wearing masks, in particular against fine dust pollution but also the 2015 outbreak of the MERS virus. Korea has substantial domestic production of masks and other medical equipment.

Third, the health sector in Korea is relatively well developed and there is a universal health insurance that allows all those who require it to receive treatment.

Fourth, government officials were mobilized for overtime work to trace infected people. Initially, movement patterns of the sick were even posted on the internet in a pseudonymized version, although this practice was later stopped amid concerns over privacy.

Fifth, while there was no formal lockdown, Koreans are generally willing to follow guidelines set by the government regardless of whether they are legally binding or merely informal. This governance through national mobilization has worked to make the fight against the virus a “national mission” but it also has the downside of widespread social blaming. There is a danger that national mobilization may be used to suppress dissenting voices even after the pandemic is over. One weakness in the Korean response is the low number of doctors, nurses and ICU beds available for COVID-19 patients, which meant that even with very low numbers of infections, the health system became stretched. Korea was also late in acquiring vaccines, which means vaccinations only started in February 2021.

Sixth, as there was never a complete lockdown and the government quickly adopted a large stimulus package, the economic consequences of the crisis were less than in other countries, although its social costs are still unknown. As Korea has a large share of irregular employment, precarious workers and self-employed, the real social costs of the crisis will most likely reveal themselves in 2021. Structurally, the Korean economy was well placed to satisfy a surging demand for IT products during the crisis, although it also has the weaknesses being strongly reliant on fossil fuels.

The government scored a major political victory in parliament in April 2020. However, that victory was overshadowed by a botched electoral reform that was intended to expand democratic representation by increasing the importance of proportional seats, but ultimately further strengthened the major parties over minor ones. Despite its strong majority in parliament, the government has been struggling to implement its promised institutional changes of decentralizing power, improving human rights and strengthening democracy.

International relations are another field where the administration struggled. This administration is the most inward-looking administration in decades, with a strong focus on engagement and a formal peace treaty with North Korea. Initially, Moon’s Northern Policies were successful but symbolic meetings with Chairman Kim Jong-un did not lead to practical improvements. Unfortunately, other international engagements such as the fight against climate change and global poverty have taken a back seat under this administration. While Korea announced ambitious targets for net-zero carbon emissions in 2050, it kept its binding nationally determined contributions at a very unambitious reduction of only 24.4% until 2030, compared to 2017. Bilateral relations, in particular with Japan remained strained over disagreements on how to deal with atrocities committed during the Japanese colonization of Korea.

History and Characteristics of Transformation

South Korea has been very successful in economic development since the 1960s and in democratization since the 1980s. The foundations of successful economic development as well as the causes of many economic, social and political challenges can be found in the authoritarian regimes of President Park Chung-hee (1961 – 1979) and President Chun Doo-hwan (1980 – 1988), both former generals. Socioeconomic modernization facilitated democratic change in the late 1980s and, after decades of struggle against Japanese colonialism and authoritarian rule, South Koreans successfully overthrew the military dictatorship in 1987.

Still, the military-backed political party under General Roh Tae-woo won the presidential race in the first elections, held in December 1987. In the 1993 elections, Kim Young-sam formed a coalition with the ruling party and was the first civilian elected president after three decades of military dominance in politics. During his term (1993 – 1998), democratic reforms continued, including in the area of civil-military relations, electoral politics and the judicial system.

The December 1997 election of former dissident Kim Dae-jung as the first president from the opposition demonstrated that all relevant forces had been integrated into the political system. Kim Dae-jung is given particular credit for managing the successful recovery from the Asian financial crisis (1997 – 1998) and engaging with North Korea as part of his Sunshine Policy.

In 2003, former labor lawyer Roh Moo-hyun became president. Roh tried to deepen democracy by strengthening human rights, improving civil society participation and reforming deeply conservative institutions such as the judiciary and education system. He also continued the process of economic liberalization, in part by negotiating controversial preferential trade agreements with the United States and the European Union. Ultimately, Roh failed to deliver on many his promises and was criticized for presiding over declining growth rates and increasing inequality.

In 2007, the conservative Lee Myung-bak, a former CEO of a construction company turned mayor of Seoul, easily won the presidential election by promising a return to high growth rates. After 10 years of progressive rule, a new chapter in South Korea's democratic development was thus opened with the return to a conservative government. During his tenure, Lee was criticized for his top-down approach and restrictions on the press and freedom of expression. While he has been credited with managing the global financial crisis (2007 – 2008) relatively well, he was also criticized for his one-sided support of big business and the controversial Four Rivers project.

In December 2012, the conservative Park Geun-hye, daughter of former president Park Chung-hee, was elected president on a platform of economic democratization and welfare. However, she failed to deliver on her promises. On the contrary, she was criticized for her authoritarian governing style, botched staff appointments and human-rights infringements. After several top-level corruption scandals led to massive street protests, President Park was impeached by the parliament in 2016 and the current President Moon Jae-in was elected as president in May 2017. Both former Presidents Park and Lee currently serve long prison sentences for corruption.

South Korea's transformation from a protectionist and state-directed developmental state to a more open and market-oriented economy is progressing slowly. Both the legacy of the developmental state and the state's close relationship with big business conglomerates (chaebol) remain strong, continuing to shape the South Korean economy. Major steps toward liberalization were undertaken in the 1980s, early 1990s and again after the Asian financial crisis. Policymakers followed a sequence of consecutive steps toward industrialization and world market integration, making strategic planning, government guidance of domestic economic actors and a selective approach to foreign direct investment and imports key elements of a state-led industrialization policy that was implemented from the 1960s onward. A legacy of South Korea's late and "condensed" industrialization remains in the pivotal position of the chaebol that have dominated economic activity ever since the 1970s and that still impair competition.

In its foreign relations, Korea has been highly focused on its main adversary in the North, along with the strong military presence of its main ally, the United States. In the past, Korea has been a very inward-looking country, although over the last two decades it has become increasingly involved in global and regional international institutions such as the United Nations, World Trade Organization (WTO), G-20, OECD, Regional Comprehensive Economic Partnership (RCEP) and the ASEAN+3 Process.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

In South Korea, the state's monopoly on the use of force is not threatened or questioned by domestic actors. According to international law, both South and North Korea are sovereign states and members of the United Nations. Article 3 of the South Korean constitution states that "The territory of the Republic of Korea shall consist of the Korean peninsula and its adjacent islands." In reality, however, the Seoul government accepts North Korea as a sovereign nation.

The vast majority of the South Korean population supports the existence of the Republic of Korea as a nation-state as well as the country's constitution. Minor radical splinter groups continue to pledge allegiance to North Korea.

Korean citizenship is based on the citizenship of parents. Children born in Korea to foreigners do not automatically receive Korean citizenship. Naturalization is possible after five years of residence in South Korea and passing a test on the Korean language and knowledge of Korean culture.

The state is defined solely in secular terms. Religious dogmas have no noteworthy influence on legal order or political institutions. Some religious groups – particularly conservative evangelical groups – seem to punch above their weight, for example in lobbying against new anti-discrimination laws. However, this force is largely political, and does not today reflect systematic influence on institutions and the legal system. For example, while religious groups actively lobbied against the reversal of the 1953 ban on abortions, in April 2019 the Constitutional Court ruled that criminalization of abortion is unconstitutional.

Question
Score

Monopoly on the
use of force

10



State identity

10



No interference of
religious dogmas

10



The administrative structure of the South Korean state is highly differentiated. The state provides all basic public services throughout the country. The administration is efficient. Civil servants are highly qualified, selected through a rigorous entrance exam. South Korea is a centralized state, and local administrative bodies depend significantly on the national level for financial and administrative support, though mayors, governors and local council members are locally elected every five years. Attesting to the strength of the administrative system, there were no relevant COVID-related disruptions of basic public services. Since the beginning of the pandemic, the government has been able to mobilize the public administration to ensure testing, tracing and quarantine enforcement. This has often been achieved by drafting civil servants to work overtime, which might not be a desirable and sustainable strategy in the long run. While Korea was very slow to start its vaccination program, this is not due to problems in the basic administration but in the political failure to assign clear competences when it came to purchasing vaccines.

Basic
administration

10



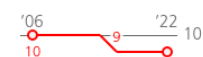
1

2 | Political Participation

Elections at the national, regional and local levels are held in a free and transparent manner. The extent of money-driven politics at election times has declined substantially in recent years. Accusations of and investigations into illicit campaign financing are often used as a means of questioning or undermining the reputation of potential political candidates.

Free and fair
elections

9



1

All electoral affairs are managed in a free and transparent manner by the National Election Commission (NEC), an independent constitutional organ. The controversial National Security Law bans parties that are “pro-North Korean.” In December 2014, the Constitutional Court ruled that the United Progressive Party was to be disbanded, as its pro-North Korean stance violated this law.

The opaque character of South Korean election law concerning allowable support for candidates during the election period, which can last for up to 180 days before an election, represents an electoral gray area. According to some interpretations of Article 93 of the election law, all public expressions of support for candidates or parties are illegal during this period unless one is registered as an official campaigner. This can be seen as a disadvantage for smaller candidates who lack their prominent rivals’ access to traditional media. In general, small parties have a difficult time in gaining coverage in the mainstream media.

Access to media is more generally an issue of concern, as are past scandals that have involved the National Intelligence Service (NIS) seeking to influence the course of electoral campaigns.

In April 2020, South Korea became the first country to hold national elections during the COVID-19 crisis. The elections were widely acknowledged to have been

successfully, fairly and safely administered. Indeed, the 2020 mid-term elections registered the highest voter turnout in 28 years. All voters were required to wear masks and plastic gloves. Their temperature was checked on entering the polling station. Those with high temperatures or infections were required to use special polling booths. Of the population, 26% cast their votes before election day either by post or at early polling stations. The Democratic Party of President Moon and its satellite Platform Party won a decisive victory with 180 of 300 seats. While they received only 33.4% of the popular vote, most seats are decided in first-past-the-poll races in electoral districts, which gave a decisive advantage to established large parties. This was originally an election reform in 2019 aimed at compensating smaller parties for the disadvantage. However, the reform actually worsened the situation because in a legally dubious move, former members of major parties created satellite parties to benefit from the new election system.

Elected rulers have the effective power to govern. There are no domestic veto players that lack a constitutional basis. However, the fact that South Korea and the United States jointly exercise command over the South Korean military through the ROK-U.S. Combined Forces Command during times of war constitutes a partial exception to this sovereignty. Nevertheless, it does not restrict the power of elected leaders in South Korea during peacetime.

The freedoms of association and assembly are guaranteed and in principle respected, but some major problems remain. Groups or parties that are seen as pro-North Korea represent an exception to this. The very loose definition of “pro-North Korea” creates an ongoing risk that it could be misused to quell opposition to government policies.

Labor unions also still face considerable difficulty in organizing. For example, businesses can sue labor unions for compensation for “lost profits” during strikes, and civil servants are also limited in their political freedom. Labor unions are also still legally limited with regard to their freedom to engage in political activities.

The situation has improved under the Moon administration. In 2019, the Supreme Court overturned a lower court ruling that had outlawed the Korean Teachers and Education Workers Union (KTU) on grounds that it allowed fired employees to remain members. The Supreme Court noted that the previous rulings “infringed on labor’s three primary rights.”

Moreover, President Moon is delivering on his promise to ratify the remaining four of the eight basic conventions of the International Labor Organization. In December 2020, the National Assembly passed several major revisions to labor laws – including strengthening protections related to irregular work, industrial accidents, unions (laid off and unemployed workers are guaranteed the right to union membership) and strikes (the ban on strikes at manufacturing facilities has been lifted). This sets the

Effective power to govern

10



Association / assembly rights

7



stage for the Moon administration to ratify outstanding ILO conventions No. 87 (on freedom of association), No. 98 (on the right to organize and collective bargaining), and No. 29 (on the prohibition of forced labor).

Demonstrations in South Korea require prior approval, which can be hard to obtain. In practice, many demonstrations are declared illegal, sometimes due to minor issues such as the obstruction of traffic. The COVID-19 pandemic complicates the issue by bringing new public safety considerations. During certain alert levels, the government has banned public demonstrations and other gatherings (e.g., church services) – citing the need to limit opportunities for contagion. Some, particularly right-wing groups, criticize the government for banning anti-government demonstrations using the pretext of fighting COVID-19 even during periods of low contagion risk. As of January 31, 2021, gatherings of more than 100 people were banned.

The freedoms of expression and freedom of the press as well as the freedom of science and art are constitutionally guaranteed. They are generally respected in practice, but there are many major and minor infringements. With regard to the legal situation, restrictions on the freedom of expression concern activities expressing support for North Korea (real or construed). North Korean TV and radio programs are actively jammed and North Korean newspapers are not permitted to be sold in South Korea. The National Security Law (NSL) is occasionally used to prosecute individuals advocating positions that are seen as favoring the communist North. The NSL has also led to a certain degree of self-censorship on the part of the media and other actors.

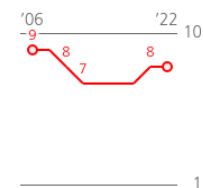
Under the Moon administration, South Korea has shown significant improvement with regard to press and internet freedom. Reporters Without Borders ranked South Korea 42nd in 2020, the highest score among Asian countries. Despite these improvements with regard to media freedom, some issues remain to be addressed. Reporters Without Borders, for example, criticizes the politically linked system by which managers at public broadcasters are appointed. Major media outlets are politically biased – with the largest and longest-running outlets aligned with conservative parties.

Furthermore, Korea has very problematic anti-defamation laws that punish defamation (even in the case of true statements) with harsh prison terms if they are not seen as being in “the public interest.” Defamation suits are frequently filed as a means of preventing critical questions from journalists or civil society, and of muting political opposition.

Having learned from the MERS outbreak – during which fake news spread rapidly – South Korea has been relatively successful at providing accurate, credible and timely information via the Korea Centers for Disease Control’s Office of Risk Communication. There was little politicization of official COVID-19 information by the media, and Korea Disease Control and Prevention Agency (KCDC) data seems

Freedom of expression

8



1

to be highly regarded as trustworthy, neutral and evidence-based. It remains a concern that laws against fake news and the extensive interpretation of defamation in Korea (which includes truthful statements) limits freedom of the press and poses dangers that reporters will self-censor.

3 | Rule of Law

There is a clear separation of powers with mutual checks and balances. South Korea's constitution grants substantial powers to the executive in general, and the president in particular. Most observers agree that the South Korean presidential system is a paradigmatic example of an "imperial presidency," at least during times when the party of the president has the majority in the unicameral South Korean parliament, as is the case since April 2020.

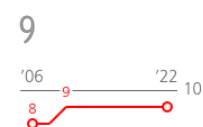
The judiciary is generally able to check the power of the executive, and the Constitutional Court in particular has earned some reputation for its independence. For example, after former President Park was jailed in 2017, her predecessor Lee Myung-bak was sentenced to 15 years in prison for corruption in October 2018.

Emergency measures to combat the COVID-19 pandemic (e.g., personal data collection, banning large gatherings, business closures) are in accordance with various laws enacted by the National Assembly. Moreover, as per South Korean legislation, authority for emergency measures has been vested in different and appropriate authorities. The courts have generally upheld restrictions, including the controversial one of banning political rallies during the pandemic.

The South Korean judiciary is highly professionalized and independent, though not completely free from government pressure. In particular, since its establishment in 1989, the Constitutional Court has become a very effective guardian of the constitution.

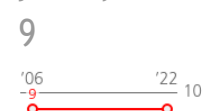
Following the civil law tradition, prosecutors in South Korea are not independent, but are rather civil servants who are hierarchically organized and prone to political influence. Efforts to reform the prosecutor's office dominated the justice sector throughout 2019 – 2020. Two ministers of Justice (Cho Kuk and Choo Mi ae) have pursued and become casualties of this Moon administration priority. Having been chosen expressly to lead this reform, former Minister of Justice Cho was forced to resign after only a few weeks in office after the Supreme Prosecutors Office turned the tables and charged several members of Cho's family with corrupt and illicit activities. His replacement, Minister Choo, sought to bring down Prosecutor General Yoon Seok Youl, who is critical of the prosecutorial reform agenda. Minister Choo is expected to resign since the Seoul Administrative Court accepted in December 2020 Prosecutor General Yoon's request to suspend the Ministry of Justice's decision to suspend him while undergoing investigation of fraud, bribery and other corrupt activities.

Separation of powers



1

Independent judiciary



1

While Prosecutor General Yoon is expected to survive and serve out the remainder of his term (until mid-2021), the general prosecutorial reform set in motion by the National Assembly in January 2020 remains on course as investigative authorities were transferred to the police and a new Corruption Investigation Office, founded to be in charge of investigating and prosecuting high-ranking officials.

The Anti-Corruption & Civil Rights Commission (ACRC) handles whistleblowers' reports, recommends policies and legislation for combating corruption and examines the integrity of public institutions. The Public Service Ethics Act is designed to prevent high-ranking public officials from reaping financial gains related to their duties both during and after their time of public employment. Existing laws and regulations on the issue are generally effective in holding politicians and public servants accountable and in penalizing wrongdoing. Positive institutional changes such as the Kim Young-ran Act have had results and have effectively curbed Korean gift-giving traditions.

As seen during the protests against President Park, the Korean public, civil society organizations and the media are vigilant and ready to protest top-level abuses of power effectively. Courts have also been tough on those involved in corruption scandals, handing down prison sentences to many involved, including ex-Presidents Park and her predecessor, Myung-bak.

Like his predecessors, President Moon has promised to strengthen anti-corruption initiatives. He also said he would not pardon members of the elite involved in corruption scandals, as has been common practice in Korea in the past.

Recently, there have been severe rulings in cases of sexual harassment and assault. In 2019, the South Chungcheong Province governor was convicted for sexual assault; in April 2020, the mayor of Busan resigned after admitting to sexual harassment of a female staff member; and in July 2020, the mayor of Seoul died in an apparent suicide after a former secretary filed charges of sexual harassment against him.

Despite the strong campaign against corruption in the public sector, there has been minimal success in curbing corruption and influence peddling by big business groups. In February 2018, an appellate court reduced the five-year prison sentence handed down to Samsung Electronics Vice Chairman Lee Jae-yong to a suspended sentence of two-and-a-half years. This was seen as extremely lenient when compared to the long jail sentences given to former public officials. In January 2021, following a retrial, Lee Jae-yong was sentenced for an additional two-and-a-half years. Perhaps this signals a concerted effort by the Moon government to tackle chaebol corruption in its final stretch.

Institutionally, the Moon administration shifted the power to prosecute high-ranking public officials from the Prosecutor's Office to a new Corruption Investigation Office (CIO). The CIO started work in January 2021. It is too early to evaluate its impact.

Prosecution of office abuse

8

'06 '22 10



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Basic civil rights are protected by the constitution. Although the courts have been reasonably effective in protecting civil rights and a Human Rights Commission was established in 2001, a number of problems remain. The National Security Law remains in place, outlawing activities that could be interpreted as “benefiting or praising” North Korea. Cruel and inhumane treatment in the military has become a major issue of public discussion in Korea in recent years. On a positive note, the Korean Supreme Court accepted “conscience or religious beliefs” in 2018 and the government is slowly starting to offer a civil-service alternative for conscientious objectors. A moratorium on executions announced in 1998 remains in place, although attempts to completely abolish the death penalty in the parliament and the Constitutional Court have thus far failed.

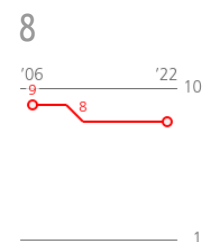
The government has to date failed to pass a comprehensive anti-discrimination law that would protect minorities, and discrimination on the basis of sex, age and sexual orientation remains a problem. For example, LGBTQ+ individuals still do not enjoy the same civil rights as heterosexuals and lack protection from discrimination. Personal data privacy has emerged as a sticky issue in the COVID-19 era. As in many countries, South Korea’s COVID-19 response has raised questions regarding the right balance between personal privacy, freedom and public safety. In the wake of MERS, South Korea amended legislation to allow authorities to access personal data without court approval during outbreaks. This facilitated South Korea’s successful COVID-19 contact tracing system, which relies on personal data from mobile phones, GPS, credit cards and CCTV footage. Initially much of this data was made available to the public, leading to discrimination against those infected and sometimes against whole groups, such as Shincheonji church members and members of the LGBTQ+ community because they were linked to specific clusters of infection. Following criticism, the government limited the quantity of publicized information to maintain the anonymity of those infected. Rights proponents note that it will be crucial for Korea to fully restore and extend civil and political liberties once COVID-19 is adequately contained.

4 | Stability of Democratic Institutions

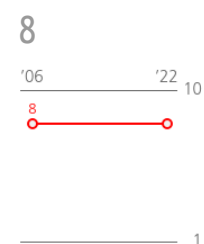
South Korea’s democratic institutions are generally effective, though the impeachment of President Park raised questions as to whether the massive power held by the president undermines the performance of government overall, as policy framing and implementation depend on a strong and capable president. The centralized system meant that Korea could react swiftly in the initial phases of the COVID-19 pandemic. At the same time, the hierarchical structure became problematic in areas, such as vaccination, in which President Moon showed little leadership.

The performance of the parliament is hampered by the National Assembly Advancement Act of 2012. The act requires the consent of three-fifths of lawmakers

Civil rights



Performance of democratic institutions



serving on parliamentary committees before a bill can be brought to a vote in the plenary and limits the power of the assembly speaker to bring a bill to a vote. The legislation was intended to prevent the majority party from unilaterally passing controversial bills using its majority. However, this means that without cooperation between the ruling and main opposition parties, or a significant defection from the opposition bloc, the ruling party is incapable of passing legislation.

Another performance-related problem is the lack of independence accorded to local governments, as they depend on the central government for revenues. The financial independence of provinces and municipalities steadily decreased over the past decade. The central government often uses its leverage to intervene in local affairs. That said, President Moon has committed to boosting the financial independence and administrative authority of local governments, and to achieving balanced national development (Regionally Balanced New Deal).

There is no substantial public support for non-democratic alternatives to the current political system. The military was forced out of politics in the early 1990s and democratic institutions are accepted as legitimate by all relevant actors. However, personal networks and loyalties are sometimes considered to be more important than institutions. Korean governments tend to provide informal guidelines that go beyond formal legal rules. One serious concern is the massive degree to which economic power is concentrated, and the lack of respect that some economic elites show for the law.

While COVID-19 necessitated emergency measures – such as temporary suspension of personal data privacy and association rights – these have been implemented in accordance with relevant laws and by appropriate, designated authorities. The executive and other branches of government have functioned effectively and within their designated authority. During the coronavirus pandemic, informal guidelines often played a more important role than formal rules as the government issued “recommendations” that were often stricter than the laws.

5 | Political and Social Integration

The party system is arguably the weakest link in South Korean democracy; parties are very unstable. Party organizations are weak with very few dues-paying members and largely without a grassroots connection. Parties are organized around a small number of powerful individuals and function largely as “electoral clubs” in order to bring members into public office, in particular the presidency. They are founded, merged, renamed and dissolved largely at will, leading to a relatively high degree of voter volatility.

Local party offices are forbidden by law, contributing to the fact that parties have only weak grassroots connections. Regional fragmentation is another big problem, which has shaped electoral competition and political representation in South Korea at least since democratization in 1987. In the 2020 parliamentary election, once again the conservative party dominated the southeastern region and the progressive/liberal

Commitment to democratic institutions



1

Party system



1

party of President Moon dominated the southwest and Seoul. However, ideological fragmentation and polarization within the party system is limited. One of the few really distinctive policy areas are policies toward North Korea.

The reform of the election process for parliament passed in late 2019 was intended to strengthen political parties organized around political goals but failed. While the intention to strengthen proportional seats in parliament was laudable, it was introduced in a way that benefited bogus “sister parties” founded by members of established parties only for the purpose of elections.

South Korea has a lively civil society with an average range of interest groups reflecting most social interests. However, some powerful interests have privileged access to the corridors of power. Business is well represented by networks of interlocking and expertly staffed interest groups. Labor unions are traditionally much weaker and lack the same kind of access to the government.

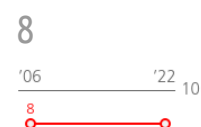
Originally President Moon emphasized the importance of being open and communicative with the public, although the number of his meetings with the public, speeches and press conferences declined during the last two years. There is growing number of civil society organizations (CSOs) with clear-cut political, religious, humanitarian, social or economic agendas. Personal networks link former pro-democracy and human rights activists within civil society and the political system. In fact, the Moon administration has been drawing substantially on CSO staffs for government positions. While this generally strengthened the importance of the civil society, it substantially undermined its ability to criticize the government due to the important role of personal loyalty in Korea.

After overcoming a military dictatorship through a democratic revolution in 1987, South Koreans have been engaged in a long struggle to achieve and deepen democracy. They regard this process as a major historical achievement and a source of pride. General approval of the democratic system is very high, although most parts of Korean society are still very hierarchical and it is often difficult to experience and practice democracy in everyday life.

Approval of specific democratic institutions is much weaker than general support for democratic values. According to the World Value Survey (2017 – 2020), more than 90% of Koreans think that democracy is important or very important and 70% of Koreans think that having a democratic political system is very good or fairly good. However, only 20.7% of South Korean respondents in the same survey had confidence in the parliament, and 24.5% in political parties. On the other hand, confidence in the government, civil service, military and particularly the courts is much higher.

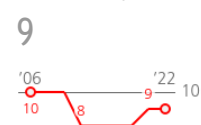
Reflecting the relatively higher levels of trust in government and civil service, according to a Pew Research Center survey, 86% of South Koreans believe that the government is doing a good job dealing with COVID-19 – compared to 55% in Japan and 47% in the U.S.

Interest groups



1

Approval of democracy



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Reflecting the general vibrancy of South Korea’s civil society, there are many voluntary associations engaged in self-help activities. A substantial number of these groups are linked to religious organizations. Such self-help associations complement informal (often school- and university-based or regionally oriented) and often intensively used networks.

Generalized trust among citizens outside these communities is less well developed. According to the 2017 – 2020 World Values Survey, South Korea scores lower than neighboring countries such as China, Japan and Taiwan with respect to interpersonal trust. Only 32.9% said that “most people can be trusted,” while 67.1% agreed with the statement that you “need to be very careful” when it comes to dealing with other people. Another survey – the Korean Academic Multimode Open Survey (KAMOS) - reports declining social trust of all domains (society, people, central government, local government, parliament, the judiciary, businesses, the press, civic groups, religious organizations) from 2016 to 2019.

However, there is some initial evidence that COVID-19 has changed this dynamic. KAMOS results for 2020 indicate that social trust increased significantly of society, people, central government and local government increased significantly. Social trust declined even more rapidly for the judiciary, the press and religious organizations. On one hand, increased trust in the government made it easy to implement social distancing measures; on the other, a low level of interpersonal trust facilitated social shaming.

Social capital

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II. Economic Transformation

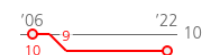
6 | Level of Socioeconomic Development

South Korea is an OECD country with a high level of human development. However, within the OECD, the country’s poverty rate is the second highest, at 17.4%. Absolute poverty remains a problem, in particular, among the elderly, who did not have the opportunity to pay into the pension system that was expanded since the 1990s long enough to receive sufficient benefits.

While social inequality remains in line with other developed countries (Gini index score of 0.295 in 2015), wage inequality is increasing, due to the country’s dual labor market. Of particular concern is the gender wage gap, which is 32.5% in 2019 – the highest such level in the OECD. While unemployment rates are relatively low, the share of irregular workers who earn less and have fewer benefits than regular employees remains high, at about one-third of all employees. Pre-existing inequalities in the labor market were intensified once COVID-19 affected the economy and

Question
ScoreSocioeconomic
barriers

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disproportionately hurt those in the weakest labor-market positions. The government's income-led growth campaign which created a two-digit-percent minimum wage increase from 2018 – 2019 was stalled in 2020 – 2021, after business groups protested that this policy hurt employment and their businesses, especially during the pandemic. Surging house prices over the last two years have also starkly divided society into winners and losers. At the same time, when it comes to access to the health care system, there were few barriers due to universal health insurance in combination with waived fees for COVID-19 treatment.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	1623901.5	1724845.6	1646739.2	1630525.0
GDP growth	%	3.2	2.9	2.0	-1.0
Inflation (CPI)	%	1.9	1.5	0.4	0.5
Unemployment	%	3.7	3.8	3.8	4.1
Foreign direct investment	% of GDP	1.1	0.7	0.6	-
Export growth	%	2.5	4.0	1.7	-2.5
Import growth	%	8.9	1.7	-0.6	-3.8
Current account balance	\$ M	75230.9	77466.5	59676.1	75275.7
Public debt	% of GDP	40.1	40.0	42.1	47.9
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	1.9	2.4	0.0	-
Tax revenue	% of GDP	14.5	15.5	15.2	-
Government consumption	% of GDP	15.4	16.1	17.2	18.2
Public education spending	% of GDP	4.3	4.5	-	-
Public health spending	% of GDP	4.1	4.4	-	-
R&D expenditure	% of GDP	4.3	4.5	-	-
Military expenditure	% of GDP	2.4	2.5	2.7	2.8

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

South Korea's economy has been substantially liberalized over the course of the past three decades. Nevertheless, government intervention in South Korea remains more prevalent than in most advanced economies. Prices can be freely set and the currency is fully convertible. The informal sector is small. The central bank frequently intervenes in the currency market in reaction to market volatility, seeking to maintain a competitive exchange rate. Historically, big business conglomerates (chaebol) have played a dominant role in the South Korean economy. This has meant that market-based competition is limited primarily by the dominance of a few chaebols, oligopolies and cartels. There are few significant formal barriers to the entry or exit of domestic companies, and entry barriers to foreign companies have been significantly lowered since the 1990s. This is not due to formal barriers, as measured by the World Bank report, but instead to the oligopolistic structure of the South Korean market, which makes it difficult for newcomers to enter. Profits can be freely used and transferred by domestic enterprises, but large-scale profits made by foreign enterprises selling domestic assets can create popular backlashes.

Establishing a business in South Korea is relatively easy, as assessed by the World Bank's 2020 Doing Business report. It takes three procedures, eight days, and costs of 14.6% of per capita GNI, placing the country 33rd out of 190 countries in the report's "Starting a Business" sub-index. However, the market share held by foreign products in many South Korean markets still is low.

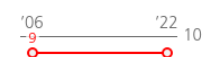
Korea's economy has been chaebol-dominated since the 1960s. There is strong competition between chaebol and the vast small enterprises sector, but it is difficult to create a robust and differentiated sector of medium-sized enterprises – there are too few economic niches for them to develop.

Monopoly regulation in South Korea falls within the jurisdiction of the Korea Fair Trade Commission (KFTC), based on the Monopoly Regulation and Fair Trade Act of 2009. During South Korea's "condensed" industrialization process, the formation of large-scale conglomerates, the chaebol, was actively promoted by the state. Indeed, policies were previously aimed at limiting competition rather than enforcing it. A high degree of market concentration remains today. For example, since the merger of Hyundai and Kia, one South Korean car maker controlled about 82% of the country's domestic car market in 2019. LG and Samsung dominate the market in electronics and South Korea accounts for almost half of mobile phone and internet services. Samsung alone, as the largest conglomerate, accounts for about 13% of the domestic Korean economy, while Samsung Electronics Co. accounts for 20% of its exports.

The slow but continuous opening of the South Korean market to foreign products has increased the variety of products available, although a recent study found that Koreans still pay the OECD's highest prices for a number of important products.

Market
organization

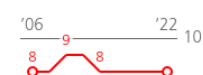
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Competition policy

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Price cartels remain widespread not just in the domestic markets, but also in markets for imported products. The structure of the South Korean market makes it very difficult for new companies to enter; SMEs and even large foreign multinationals have found it difficult to establish themselves in South Korea.

South Korea is an export-oriented economy, strongly integrated in the world economy. It became a member of the GATT in 1967 and is a founding member of the WTO. South Korea has made strong efforts to liberalize its trade and investment regime further since the 1997 financial crisis. South Korea has concluded bilateral preferential trade agreements with the European Union (in 2011) and the United States (in 2012).

The tariff structure in South Korea remains complex, with industrial tariffs levels being fairly low while agricultural tariffs remain high. Non-tariff barriers have been substantially reduced but still exist in some areas, as in the case of standards and certification requirements and as access for foreign-owned companies to specific “sensitive” industry or service sectors is restricted. Retail prices for imported products remain high due to import cartels. Some internet shops exploit this by offering direct imports from U.S. online retailers.

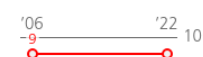
Currently, Korea is suffering from trade conflicts with Japan and China due to retaliations against the deployment of a U.S. missile-defense system (China) and compensation for atrocities committed during Japanese colonialism. Despite these conflicts, conclusion of negotiations for the RCEP gives some hope that trade conflicts in the region can be managed.

The South Korean financial system is highly differentiated and largely follows international standards such as Basel II and the gradual implementation of Basel III, which was deferred by one year to January 1, 2023. Major South Korean banks are still far above the Bank of International Settlements (BIS) capital adequacy ratio, despite a steady rise in lending caused by the COVID-19 outbreak (16% at the end of September 2020). The ratio declined slightly in the second quarter of 2020, as risky loans expanded at a faster pace than total capital, due to economic contraction following the outbreak. The country’s general bank-capital-to-asset ratio was 8% in 2017. The Financial Supervisory Commission (FSC) and the Financial Supervisory Service (FSS) are relatively effective in overseeing banks. No major South Korean bank failed during the global financial crisis. However, the use of the BIS ratio as an international standard failed to prevent a few small bankruptcies among savings banks.

Household debt remained one of the biggest risks in South Korea’s economy, with the ratio of its household debt-to-GDP at 93%, one of the highest among major economies even before COVID-19 hit. From 2008 – 2016, the debt increase rate was eight times faster than the OECD average, driven by slow economic growth, low-interest rates and a deregulation of housing market policy that encouraged borrowing.

Liberalization of foreign trade

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Banking system

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Though the growth of household lending slowed in 2019, due to tightened loan regulations, the demand for loans among leaseholders continued. Several real estate policies issued by the Ministry of Land, Infrastructure and Transport and the Ministry of Finance to reduce the speculation were deemed ineffective. The country's household debt rose at one of the highest rates in the first quarter of 2020, due to the pandemic's fallout, increasing to 97.9% of GDP, the highest among the 39 countries reviewed by the Institute of International Finance (IIF). However, to date, the share of non-performing loans remains low, at 0.65% at the end of September 2020.

The South Korean stock market remains shallow, with few high-quality stocks. Consequently, the stock market largely remains a place for speculation and is thus extremely volatile, with a huge number of transactions indicating a short-term orientation and speculative investor attitude.

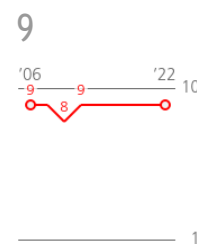
8 | Monetary and fiscal stability

South Korea's central bank (Bank of Korea, BOK) is legally independent, although in practice there is political pressure to support the government's economic policies. Most importantly, some liberal members of parliament are pushing for legal reforms that would add employment stability to the BOK's formal charter. If it gained momentum, this initiative would lead to a broadening of the BOK's mandate for the first time in nearly a decade as globally central banks are asked to tackle a wider range of economic issues the pandemic brought to light.

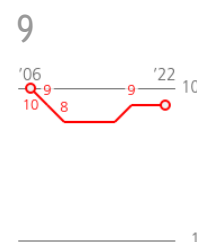
Like other major central banks, the BOK has been undershooting its inflation target of 2%. In 2019, inflation was 0.38%. The central bank follows a managed floating strategy for its exchange-rate policies. It frequently intervenes in currency markets in order to prevent excessive volatility, but also – more controversially – to maintain a competitive exchange rate for exporters. The BOK anticipated that consumer prices would grow 0.3% in 2020, the slowest inflation rate since 1954. The Korean won dropped by 5% in one month in August 2019 during a trade war between the United States and China, bringing the real effective exchange rate for 2019 down to 147 (from 156 in 2018). However, during the pandemic, the country's currency surged to KRW 1,100: \$1.00, reaching a rate potentially harmful to exports, prompting efforts by authorities to bring the level down.

During the COVID-19 crisis, the government provided temporary financial support for economic recovery and investment spending as part of its long-term economic strategy. Therefore, the budget moved from a surplus of 0.37% of GDP in 2019 to a deficit of approximately 3.2% in 2020. The government will continue its expansionist fiscal policy in 2021 to revitalize the economy, which was damaged by the outbreak. According to the finance minister, total spending for 2021 will increase 8.5%, while expected revenue is increasing just 0.3% due to the lost incomes from businesses hit by the crisis. Korea still has one of the lowest tax rates among OECD countries. However, its expected national debt level at 40% of GDP was seen as one of the healthiest fiscal positions among major economies. The government recently raised

Monetary stability



Fiscal stability



the tax rate on the highest bracket of earners (over KRW 1 billion) from 42% to 45%. The government also set new fiscal rules that will take effect from 2025, limiting government debt so that it does not exceed 60% to GDP and the consolidated fiscal balance deficit does not surpass 3% of GDP.

9 | Private Property

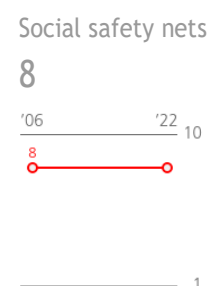
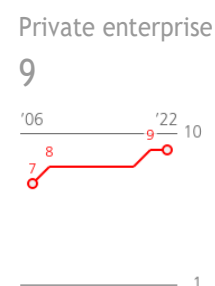
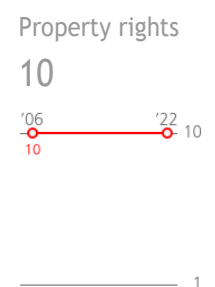
Private property rights are constitutionally protected (Article 23 of the Korean constitution) and respected in practice. Expropriation of property is usually done with proper compensation. However, some experts criticize the country for lacking definitive criteria to define justifiable state limits on property rights and compensation. While the Constitutional Court's decided in favor of compensation, local authorities may seek to adopt additional regulations to avoid paying compensation. There are strict intellectual-property laws, although enforcement can be difficult.

South Korea's market economy is one of the 20 leading economies worldwide. Private enterprises are regarded as the engine of growth in South Korea. In the World Bank's Doing Business reports from 2018 – 2020, South Korea was ranked at 5th place, signaling an excellent institutional framework for private businesses. Public ownership of companies is largely limited to companies providing public utilities or is otherwise seen as essential to the implementation of government policies. As of January 2019, around 339 institutions in all of South Korea had been designated public institutions. The main engine in Korea's private economic sector are large conglomerates, called chaebol. There is also a very large number of small enterprises.

10 | Welfare Regime

Korea is still in the process of expanding its welfare system to meet OECD standards. While a basic public welfare system is in place, there are still quite a few gaps. In particular, elder poverty is a problem as the older generation has not had the opportunity to pay into the public pension system for long enough to receive adequate benefits. Irregular workers, including many elderly, do not have access to the same level of benefits as regular workers. Many are not entitled to or must pay more for unemployment, sickness, pension and health benefits than people working in the formal economy.

Overall, the pandemic illustrated the inadequacy of South Korea's social spending of 12.2% of GDP (the fourth lowest rate in the OECD) in terms of providing stability in times of crisis. In particular, Korea lacks basic social welfare benefits for the large number of self-employed. This became a major problem during the coronavirus pandemic, when many self-employed lost their incomes. To mitigate COVID-related job and income losses, the government has had to distribute several rounds of



Emergency Relief Allowance (ERA) to households. This experience has spurred the government to consider long-term social safety net enhancements. South Korea's Green New Deal recovery package includes plans to expand unemployment insurance and otherwise increase benefits for a larger segment of the population than is currently covered.

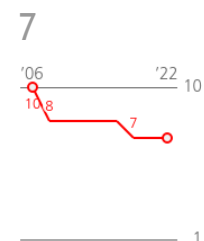
The Korean constitution states that “there shall be no discrimination in political, economic, social or cultural life on account of sex, religion or social status” (Art. 11). Unfortunately, Korea still lacks a comprehensive anti-discrimination law that would enforce these constitutional rights. In fact, discrimination remains a major problem in South Korea, particularly for women, migrants, handicapped persons, LGBTQ+ people and North Korean defectors. Women are still under-represented in the labor market, comprising only 42% of the labor force despite a similar education level to men. In the Global Gender Gap Report 2020, South Korea was ranked 108th out of 153 countries evaluated. The gender pay gap remains the largest in the OECD and COVID-19 shock disproportionately hits female workers, as they outnumber men in the service sector and irregular jobs, the groups most affected by the pandemic. In terms of leadership positions, the proportion of women in managerial positions in state-funded and large private companies was 19.8% in 2019, while 19% of National Assembly seats are held by women, below the global average. Moon' government has promised to improve gender equality. As a start, he appointed six female ministers, which at one-third of the cabinet was a considerably higher share than in any previous Korean cabinet. After several reshuffles, the cabinet had five female ministers at the end of the review period.

Discrimination against irregular workers, North Korean defectors and ethnic Koreans from other countries (principally China) remains widespread. Discrimination against migrants became an issue during COVID-19, as migrants were excluded from disaster relief payments and services (e.g., provision of subsidized masks) that the government provided to all Korean nationals. While courts have strengthened some rights for LGBTQ+ people, the government has failed to take decisive action to reduce discrimination. On a positive note, parliament is currently discussing a new anti-discrimination law after many failed attempts.

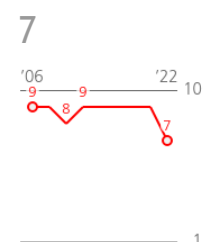
11 | Economic Performance

Korea entered the pandemic with a healthy growth rate of 2% and a current account surplus of \$59.97 billion current in 2019. GDP per capita growth in the same year was 18%, reaching a total of \$43,029. However, Korea's strong dependence on export meant that trade conflicts with China, Japan and the United States, as well as declining prices for IT products, made Korea vulnerable. Its balance of trade in 2019 is the lowest since 2013. The pressing problem was that its potential growth was in decline with low job creation, slowing productivity, and decreasing numbers of youth

Equal opportunity



Output strength



and a declining working-age population. The country enjoys relatively low unemployment rates at 3.78% in 2019. The youth-unemployment rate in 2020 was much higher, at 11.1%. According to the OECD, South Korea performs relatively poorly with regard to several aspects of job quality and labor-market inclusiveness. The employment rate of 65.9% in 2020 was below the OECD average, and the employment rate among women in particular, at just 52.7%, is also comparatively low.

After the pandemic surged domestically in March 2020, exports fell continuously for six straight months until August, followed by a short rebound in September 2020. Despite a deficit in April 2020, the country later posted an account surplus from May to August because exports declined more slowly than imports. A global shift to working from home helped Korean exporters, since prices for some main exports, such as IT products increased, while medical exports surged. Compared to the OECD average unemployment rate, which spiked in April 2020, South Korea's rate was stable. Although the country provided ultra-low interest loans to help SMEs and the self-employed, its infection curbing measures posed a high economic risk to these groups. It was estimated that, in December 2020, about 628,000 jobs had disappeared compared to the previous year. The country's GDP growth in 2020 is estimated to be around -1.1%.

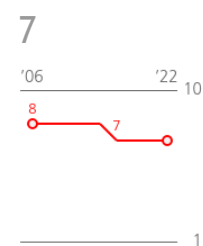
12 | Sustainability

Environmental policies remain insufficient to protect the environment or preserve the sustainability of resources. Considering Korea's level of development and the challenges of local air pollution and global warming, Korea has fallen increasingly short of what would be expected from a rich member of the OECD. While the Moon administration announced carbon neutrality as a goal for 2050, it has been weak in implementing concrete measures and outlining short-term goals. For example, in December 2020, President Moon announced unambitious nationally determined contributions that are obligatory under the Paris Agreement. Korea plans to reduce greenhouse gas emission by just 24.4% by 2030 by comparison to 2017. Consequently, Climate Action Tracker rates South Korea's 2030 target under the Paris Agreement and its existing climate measures as "highly insufficient."

In the 2020 Yale Environmental Performance Index, South Korea's rank has increased to 28th out of 180 countries but continued to rank poorly in the categories of greenhouse gas emissions per capita (158). Problems with fine dust exposure have improved, raising the country to 45th place. In 2019, the share of energy production accounted for by renewables is the lowest in the OECD.

In an effort to restructure its economy as a green economy, the government allocated ₩1.4 trillion to the Green New Deal. However, the Green New Deal is primarily focused on developing and producing "green" products and not on transitioning to a net-zero emissions economy. In general, environmental concerns are subordinated to

Environmental
policy



economic growth efforts. During the coronavirus pandemic, the government weakened several environmental rules such as bans of single-use plastic cups in cafes and further reduced already-low electricity rates.

Education policy is a key priority for the South Korean government, and investments have yielded above-average Program for International Student Assessment (PISA) test results and higher education rates of 69.8% for those aged 25 to 34 in 2019 (the highest rate in the OECD). This is achieved with public expenditure on education on par with the OECD average (5% of GDP), as well as exceptionally high levels of private expenditures. In addition to public schools, Korean parents who can afford it spend large amounts on private “cram schools” to prepare their children for university entrance exams. The inability to pay for such “cram schools” by those in low-income brackets continues to exacerbate socioeconomic gaps.

With about 5% of GDP, Korea has one of the highest expenditures on R&D in the world. During the coronavirus pandemic, additional investments were pledged. The country plans to invest around KRW 5 trillion in R&D projects in 2021, increasing 19% from the already-high ratio to its GDP in 2020, to foster both new growth engine industries and green growth. Under its Digital New Deal, the country tries to boost its strength in information and communications technology and e-government infrastructure and services and create an ecosystem for data, networks and AI technologies. At the same time, with the Green New Deal, the government pledges to focus investment on green industries.

Education policy /
R&D

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Governance

I. Level of Difficulty

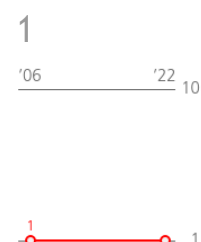
Structural constraints on governance in South Korea are low. The conflict with North Korea is a national security threat, not a structural constraint on effective governance.

In terms of territory, South Korea is a fairly compact nation, with nearly half the population and economic activity concentrated in the greater Seoul area. Living standards are comparable to those in other OECD member states. The average education level is very high, with a tertiary enrollment rate of 93%. Infrastructure is excellent and includes well-developed local public transportation (particularly in Seoul), high-speed bullet trains and major international ports and airports.

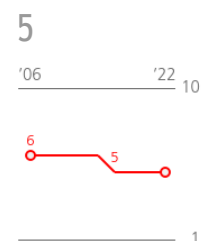
South Korea is not particularly prone to natural disasters or pandemic infections. It responded effectively to the global COVID-19 crisis, as evidenced by its relatively low infection and mortality rates, as well as its economic resilience (i.e., one of the lowest GDP declines in the OECD in 2020). It has however had to employ extraordinary emergency relief allowances to compensate for its lack of automatic stabilizers.

South Korea's civil society is one of the most vibrant in Pacific Asia. South Koreans have actively struggled for democracy for decades and successfully toppled their military dictatorship in 1987. Since that time, civil society organizations (CSOs) have taken an active oversight role in monitoring and assessing the activities of government and companies. In the 2016 to 2017 period, CSOs played an important role in organizing the protests against former President Park that ultimately led to her impeachment. CSOs are diversified and cover the whole range of the society from labor unions to human rights groups and environmental NGOs. Access by CSOs to formal state decision-making processes often depends on their loyalty to the government. CSO staffers have often gone on to government jobs, particularly in administrations led by progressive presidents, such as the current Moon government. Unfortunately, the cooptation of CSOs by governments tends to undermine their independence as personal loyalty often matters more than ideals. Despite successes, the overall level of social trust remains relatively low, and there is a general expectation that it is the government's role to fix problems.

Structural
constraints



Civil society
traditions



Polarization within Korean society and the confrontational nature of politics remain significant problems, although serious violent clashes are rare. Religious or ethnically motivated violent conflicts are rare. There are few violent incidents rooted in social conflicts, particularly given the country's vibrant tradition of demonstrations and labor disputes. Fights between demonstrators and riot police can be vicious, with excesses on both sides. Politics in South Korea tend to be confrontational, but largely non-violent. Previous (mostly symbolic) violent clashes between politicians in parliament have largely disappeared, in particular since the National Assembly Advancement Act in 2012. While divisions in the past fell largely along political lines, conflict based on social cleavages and gender has received more attention in Korea in recent years.

Conflict intensity

2

'06 '22 10



II. Governance Performance

14 | Steering Capability

Strategic priorities are set by the powerful presidential office, although the fact that party organizations are weak and the president only serves a single five-year term makes it difficult to plan beyond the current electoral cycle. South Korea has a very well-trained bureaucracy that ensures continuity but strategic planning is weakened by frequent changes in leadership positions. Ministers and state secretaries are frequently replaced, and inside ministries, staff rotations occur frequently. Thus, ministerial staffs have little opportunity to acquire expert knowledge. Expertise is sourced from external experts at research institutes or universities. Regulatory impact assessments are systematically conducted for all new regulations.

Question
Score

Prioritization

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'06 '22 10



While managing the COVID-19 pandemic overshadowed all other policy objectives in 2020, the Moon administration's COVID-19 response and recovery plan – the Korean New Deal – are largely consistent with its five-year strategy. The New Deal incorporates and reinvigorates key policy priorities such as fostering a more inclusive, innovative, green economy, improving social protections and implementing balanced regional development. Moreover, the New Deal seems to strike an appropriate balance between short-to-medium-term response and recovery and long-term transformation.

The Moon administration's tenure has shown slight improvements with regard to policy implementation, although implementation has in fact fallen far short of President Moon's ambitious goals. Moon developed a relatively detailed list of 100 policy goals that he wanted to implement during his term in office. However, since his party gained the parliamentary majority in April 2020, the implementation of these goals has been slow. In particular, the government spends significant political capital on a few seemingly esoteric issues, such as reform of the judiciary. At the same time, the administration abandoned a few signature goals such as a further gradual increase in the minimum wage or constitutional reform to decentralize state power.

These failures are not merely political; they have an institutional component as well. In South Korea's presidential system, power is concentrated in the office of the president. However, the presidential term is also limited to a single five-year term, which means that Korean presidents can become lame ducks even after completing only half of their term. While President Moon has so far avoided the lame duck situation due to his party's majority in parliament, it is possible that the struggle over his succession will lead to a split in his ruling coalition in 2021.

When it comes to the measures taken in response to the coronavirus pandemic, the Korean governance system has shown strength. The central government is able to mobilize all state institutions and consistently implement policies in areas where the president sets strategic priorities, such as tracking and tracing infections, as well as enforcing social distancing rules. At the same time, Korea's weakness became obvious in areas where the president failed to provide leadership, such as in the case of the vaccination campaign that was scheduled to start only at the end of February 2021.

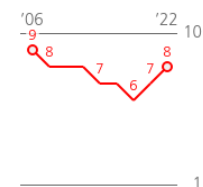
The government's ability to engage in policy learning is generally high, but institutional learning is far more limited. Non-governmental academic experts have considerable influence on government decision-making. In addition to their participation on the presidential advisory committee, scholars are often nominated for top government positions, although their tenure seems to be relatively short.

The process of appointing experts remains highly politicized, and in the past experts have often been chosen because of their political inclination rather than their academic expertise. The Moon government does not give sufficient attention to criticisms of policy failures stemming from experts with a different political perspective, which makes the process of policy consultation less effective. The short-lived tenures of two ministers of Justice (Cho Kuk and Choo Mi ae) and their contentious relationships with the Prosecutor's Office illustrate the limitations of the echo-chamber approach.

Pandemic management is one area in which the government has demonstrated its capacity for institutional learning and innovation. The government learned from its

Implementation

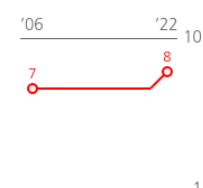
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Policy learning

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failures handling MERS by updating and/or adopting various policies and mechanisms. Measures such as strengthening the role of the Korea Centers for Disease Control, fast-tracking approval for emergency medical supplies, and enhancing communication and transparency of information have helped Korea to respond far more effectively to COVID-19 than it did during the MERS outbreak. Thus, at the beginning of the pandemic, the learning curve was less steep for the Korean government than for other governments. Later however, the government failed to secure the timely delivery of vaccines. In fact, for some time the government was a bit too self-confident in its ability to contain the pandemic and believed that Korea would not need an early vaccination campaign.

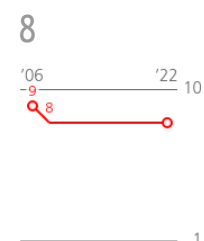
15 | Resource Efficiency

Korea has an efficient but relatively small public sector. Public employment is one of the lowest in the OECD, employing only 7.7% of all employees in 2017 (the latest data available as of the time of writing). General government disbursements total 32% of GDP, again one of the lowest such rates in the OECD. Government debt levels are also relatively low, although debt to some extent is hidden in public companies. While national government spending seems efficient, local governments have been criticized for wasteful spending on expensive construction projects and welfare programs. In addition, local administrations tend to be understaffed. President Moon has promised to strengthen the public sector by increasing public employment and by decentralizing state power so as to help local municipalities and provinces operate more autonomously. This is part of the government's balanced regional development plan.

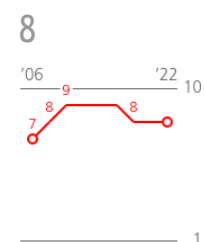
South Korea's relatively healthy public balance sheet enabled it to finance a robust COVID-19 recovery package. The government approved four supplementary budgets for this purpose in 2020. It is also financing a long-term New Deal recovery plan, which includes significant investment in economic infrastructure to spur much-needed economic innovation and transformation. However, the pandemic also revealed the government's limits in terms of expanding the public sector, as the government backtracked from a plan to increase the number of doctors through a public program amid protest from medical students.

Policy coordination in Korea takes place in a hierarchical and centralized manner. Power is concentrated in the central government and particularly in the president's office. The president's office (the Blue House) ensures that important policies are implemented. Provincial governments, although having their own functions to some extent, basically serve as an intermediary between the central and municipal governments. Local governments depend heavily on the central government for funding and guidance. Their main function is to implement centrally determined policies and programs as directed and guided by central government ministries and

Efficient use of assets



Policy coordination



agencies. The high degree of centralization allows for largely coherent implementation of policies. Within the government, the finance ministry has budget planning authority and is clearly dominant, able to block initiatives by the line ministries.

Conflicts between ministries are frequent but do not substantially affect overall policymaking for high priority policy areas, due to the coordinating role of the president's office. The fragmentation of government activities in policy areas that are not prioritized by the president is a frequent subject of criticism, and ministries often fail to coordinate activities in these fields. Ministers in South Korea depend almost solely on the support of the president. The president has the authority to appoint and dismiss ministers and frequently reshuffles the cabinet. This high degree of turnover limits ministers' independence, as they are unable to develop their own voice to pursue their own or institutional policy ideas. President Moon has reshuffled his cabinet four times in as many years.

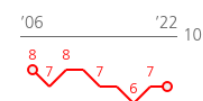
South Korea's COVID-19 response and recovery efforts have been well-coordinated. The Central Disaster and Safety Countermeasures Headquarters (CDSCHQ)'s meetings, where all relevant ministries and 17 provinces and major cities gather, have been held regularly, to maintain a united national effort in dealing with the spread of the coronavirus. This meeting allows regular coordination among the highest-level officials and between the central and local governments, which is crucial for identifying problems, blockages and solutions together. The regular meetings support the concerted implementation process and effective allocation of resources from the central government, as well as rapid local adaptation to changing circumstances when needed.

Corruption remains a major problem in Korea, although anti-corruption institutions have improved substantially over time. Rules requiring audits of state spending and party financing, access to information and officeholder accountability are in place, but these have not been fully successful in eradicating corruption. Parachute appointments (*nakhasan*) are still common among retired bureaucrats, who frequently land jobs in the same industries they were previously charged with regulating. While laws exist to limit this practice, if bureaucrats obtain special permission from public service ethics committees, they can get around such restrictions.

As seen in the protests against former President Park, the Korean public, civil society organizations and the media are vigilant and ready to engage in effective protest of top-level abuses of power. Courts have also been tough on those involved in corruption scandals, handing down long prison sentences to President Moon's two predecessors and many others involved. While courts tend to hand down harsh sentences against former public officials, they tend to be much more lenient when it comes to corruption in the private sector. President Moon promised to strengthen anti-corruption initiatives and said he would not pardon members of the elite involved in corruption scandals, as had previously been common practice in Korea.

Anti-corruption
policy

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Institutionally, the Moon administration shifted the power to prosecute high-ranking public officials from the Prosecutor's Office to a new Corruption Investigation Office (CIO). The shift in competences was controversial as it came amid investigation of the Prosecutor's Office into members of the Moon administration that led to the dismissal of Minister of Justice Cho Kuk. As the CIO only started work in January 2021, it is too early to say if it will be able to be more independent than its predecessor in investigating not just former government officials, but also current ones.

16 | Consensus-Building

South Koreans had a successful democratic revolution in 1987 and are ready to defend this achievement when they see their democracy at risk. All major political actors in South Korea subscribe to the goal of maintaining a constitutional democracy, although some authoritarian practices can be witnessed within individual political organizations. In general, the society is organized in a hierarchical way, and while South Koreans are instrumentally committed to democracy, many democratic values and norms are not intrinsically internalized into South Korean culture. According to a PEW survey in 2019, 44% of Koreans were dissatisfied with Korean democracy and 49% disagreed with the statement "the state is run for the benefit of all the people."

All major political actors support a market economy, and South Korea is one of the few countries in which a market economy is explicitly protected by the constitution. Article 119 of the Korean constitution states "The economic order of the Republic of Korea shall be based on respect for the freedom and creative initiative of enterprises and individuals in economic affairs."

There is no visible activity by or any indication of anti-democratic veto actors in South Korea. During the protests against and impeachment of President Park, individual protesters called for a military intervention, but despite a long tradition of military rule (1961 – 1987), there are no signs that the military has any ambitions or ability to reenter politics.

Consensus on goals



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Anti-democratic actors



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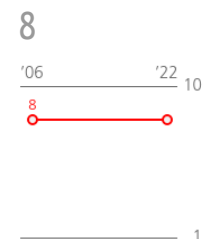
South Korea's political leadership is relatively effective in curbing ethnic, social and regional conflicts, although it has been less successful in actively reducing cleavages. Regional cleavages remain substantial, as the southeastern provinces tend to vote conservative and the southwestern provinces vote liberal. Recent elections also show an increasing generational divide, as a majority of the younger generation (in their 20s and 30s) voted for the liberal opposition party, while those in their 50s and 60s supported conservative candidates. Increasing social inequality may in the future exacerbate conflicts. In the past, leaders have counted on and promised economic growth as the main route to solve social conflicts. As this solution becomes increasingly difficult in a maturing economy, it is expected that social conflicts will increase. COVID-19 emphasized and exacerbated this dynamic – irregular workers and low-income groups experienced higher rates of job and income loss than regular employees and high-income groups. President Moon has reinforced his electoral promise to strengthen the social security net, but to date there have been no more than piecemeal improvements.

Civil society participation has improved substantially under President Moon. Previous conservative governments under Presidents Lee and Park were known for their top-down approach, and civil society groups largely lost their ability to influence the government. President Moon emphasizes transparency, communication with citizens and civil society participation. In fact, he has appointed many former civil society activists to government positions and frequently utilizes the expertise of civil society groups. He has also taken a more accommodating stance on labor unions and was able to bring the (more hard-line) Korean Confederation of Trade Unions (KCTU) back to the tripartite dialogue table for the first time since KCTU's withdrawal in 1999. Unfortunately, the cooptation of some civil society groups has negatively affected these groups' important ability to offer a critical perspective on policies and act as a check on the government.

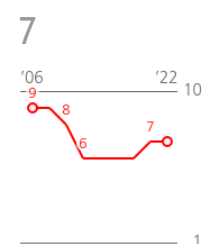
The history of colonialism and dictatorship continues to haunt South Korea, both in terms of domestic affairs and bilateral relations (especially with Japan). Still many issues related to collaboration with Japan during colonial times, the period before and during the Korean War including the Jeju Massacre of 1948 to 1949, and the authoritarian Park Chung-hee (1961–1979) and Chun Doo-hwan eras (1980–1988) and their legacy (particularly the 1980 Gwangju Massacre) remain unresolved. In contrast to the conservative governments, President Moon has again emphasized the history of the democracy movement, and commemorations of the Kwangju and Jeju massacres are again important occasions.

The crimes committed by the Japanese during the colonial times and particularly the unresolved issue of forced labor and Korean sex slaves weighed down bilateral relations. The prospects of investigating and punishing the massive human rights violations in North Korea after a possible reunification is another major challenge for which South Korea must prepare. The weakest aspect is the continued unwillingness of the Korean government to address the issue of alleged Korean war crimes committed during the Vietnam War.

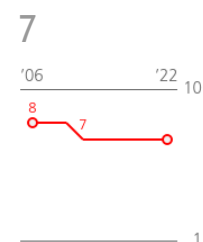
Cleavage /
conflict
management



Civil society
participation



Reconciliation



17 | International Cooperation

South Korea is well integrated into most major international organizations and is a member of the OECD and the G-20. Advice by international organizations plays an important role, and South Koreans pay particular attention to international rankings. The country works hard to implement international standards in most areas. Best practice approaches in other countries are systematically studied and applied to Korea.

As one of the most advanced industrialized nations in the world, South Korea no longer receives official development assistance (ODA) or technical assistance in the area of development cooperation. Instead, it has emerged as a donor country and has begun to develop own capacities as provider of technical assistance. During the coronavirus pandemic, Korea was eager to share its knowledge about its relatively successful pandemic containment measures with its international partners. Korean public health authorities have participated regularly in international task forces and meetings. Government health authorities have published various handbooks, including All About Korea's Response to COVID-19, which comprehensively outlines its whole-government response measures, with the aim of contributing to global knowledge and resource-pooling to combat the pandemic. As of September 2020, South Korea was providing \$100 million in COVID-related development assistance to more than 100 countries.

South Korea is generally considered to be a credible partner by the global community, although it seldomly demonstrates initiative in advancing international cooperation. It is a member of the United Nations, the WTO, the IMF, the World Bank, the G-20 and many more of the most important international organizations. Under the Moon administration, foreign policies were focused on engagement with North Korea which was initially successful but suffered severe setbacks in 2019 and 2020. Currently, contacts with North Korea are at their lowest level for many years. Unfortunately, Korea's general engagement with the world has suffered from its focus on North Korea. The Moon administration is clearly the most inward-looking Korean government in decades. While development cooperation was massively expanded under his conservative predecessors, spending stalled under the Moon administration. When it comes to the fight against climate change, South Korea is also less engaged than its status allows. While South Korea announced its first legally binding nationally determined contributions under the Paris Agreement, the goals are far from sufficient.

On a positive note, President Moon is taking steps to ratify the remaining ILO conventions that Korea has not yet adopted and has committed to a target of zero carbon emissions by 2050. South Korea's relatively successful COVID-19 response and subsequent COVID-19 diplomacy (i.e., sharing lessons learned and best practices with the international community) have also contributed to international credibility.

Effective use of support

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Credibility

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During the review period, South Korea's relationships with its immediate neighbors, North Korea, Japan and China, have worsened. While initially relations with North Korea improved, no lasting advances were achieved and relations came to a standstill after the failed U.S.-North Korea meeting in Vietnam in February 2019. Relations with Japan further deteriorated amid clashes over how to deal with atrocities committed during Japan's occupation of Korea. In October 2018, the Korean Supreme Court ordered two Japanese companies to pay compensation for Korean forced labor. Japan retaliated against the rulings by introducing restrictions on certain exports to Korea. These conflicts came on top of territorial disputes and quarrels over Japan's use of sex slaves during World War II.

Tensions with China due to the U.S.-provided THAAD missile-defense system have subsided, but relations are far from being normalized. South Korea is also contributing to the arms race in the region, for example, by upgrading its blue-water navy based on three battle groups led by Dokdo-class helicopter carriers. Korea has also emerged as a major arms exporter and in 2020 for the first time became a member of the top 10 on the Stockholm International Peace Research Institute's list, with an increase of 143% in arms exports for the period of 2015 – 2019 compared to 2010 – 2014.

On a positive note, Korea has signed the Regional Comprehensive Economic Partnership (RCEP) with Japan, China, ASEAN, New Zealand and Australia. This trade agreement is promising not just in terms of facilitating trade in the region, but also for introducing mechanisms for conflict resolutions. Korea also initiated a New Southern Policy to improve relations with Southeast Asian countries.

Regional cooperation

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Strategic Outlook

The short-term challenges ahead involve overcoming the COVID-19 pandemic. Korea needs to improve intensive care capacity, implement a vaccination program, and ensure the welfare of those hit hardest by the social and economic consequences of the pandemic. While Korea was relatively successful in preventing the spread of the virus, it was slow in securing vaccines, which means the country did not start vaccinating vulnerable groups until February 2021. The mid-term challenge in 2021 will involve a successful exit out of crisis mode. The broader challenge ahead is how to re-introduce pluralistic political debate on the post-pandemic future direction of the country. There are concerns that the government might use its crisis mode to strengthen its candidate's position in the April 2021 Seoul mayoral election and in presidential elections in March 2022. In another scenario, President Moon could be entering a long lame duck period as he cannot be re-elected and potential successors within his party might defect amid increasingly un-favorable approval rates for the Moon administration.

Politically, the key challenge for the Moon administration is to deliver on the promises of a fair society with an increasing quality of life for all. Despite its strong majority in parliament, the Moon administration has failed to bring about important institutional changes when it comes to political decentralization, abolishing unstable working conditions, affordable housing, corporate governance reform and the expansion of political freedoms. The housing crisis in particular will be difficult to tackle because the necessary policies to protect tenants and allow affordable and secure rental contracts are opposed by a strong interest group of real estate owners that fear a collapse of the real estate bubble. When it comes to welfare benefits, the key challenge is to transform the increasing number of targeted benefits into a more comprehensive system that supports the unemployed and socioeconomically disadvantaged.

Beyond recovering from the crisis, the key economic challenges are the implementation of the Green New Deal, the decarbonization of the economy and the reduction of export dependency. While the income-led growth campaign and the Green New Deal mark important steps forward, the challenge is to translate them into real institutional changes that go beyond the green industrial policies of the past. As China is catching up technologically, Korea needs to become more innovative and establish itself more solidly as a producer of superior quality and design. The trade war between China and the United States as well as Korea's own economic conflicts with all three countries has not helped, as the country is not just dependent on all three markets for exports but needs technology imports from Japan while final assembly has been outsourced to China.

A formal peace treaty and improving relations with the North remain a key challenge for Korea's diplomacy. A lot will depend on the new U.S. President Biden. If he returned to the hard-line course of his democratic predecessor, it would limit Korea's options. For Korea, it would be preferable if President Biden were to take advantage of former President Trump's initiative and continue engagement. Unfortunately, it seems that the Korean government has very little influence on this decision. More generally, when it comes to international relations, the current government

has still not found its own vision for Korea's role in the world. Key challenges include broadening Korea's engagement in the world by strengthening its involvement with international organizations and taking a more active stance in tackling the most pressing global problems of climate change, poverty and – more immediately – a fair distribution of COVID-19 vaccines. Korea will also need to repair its relations with Japan while ensuring that the atrocities of the colonial period are investigated and victims are compensated.