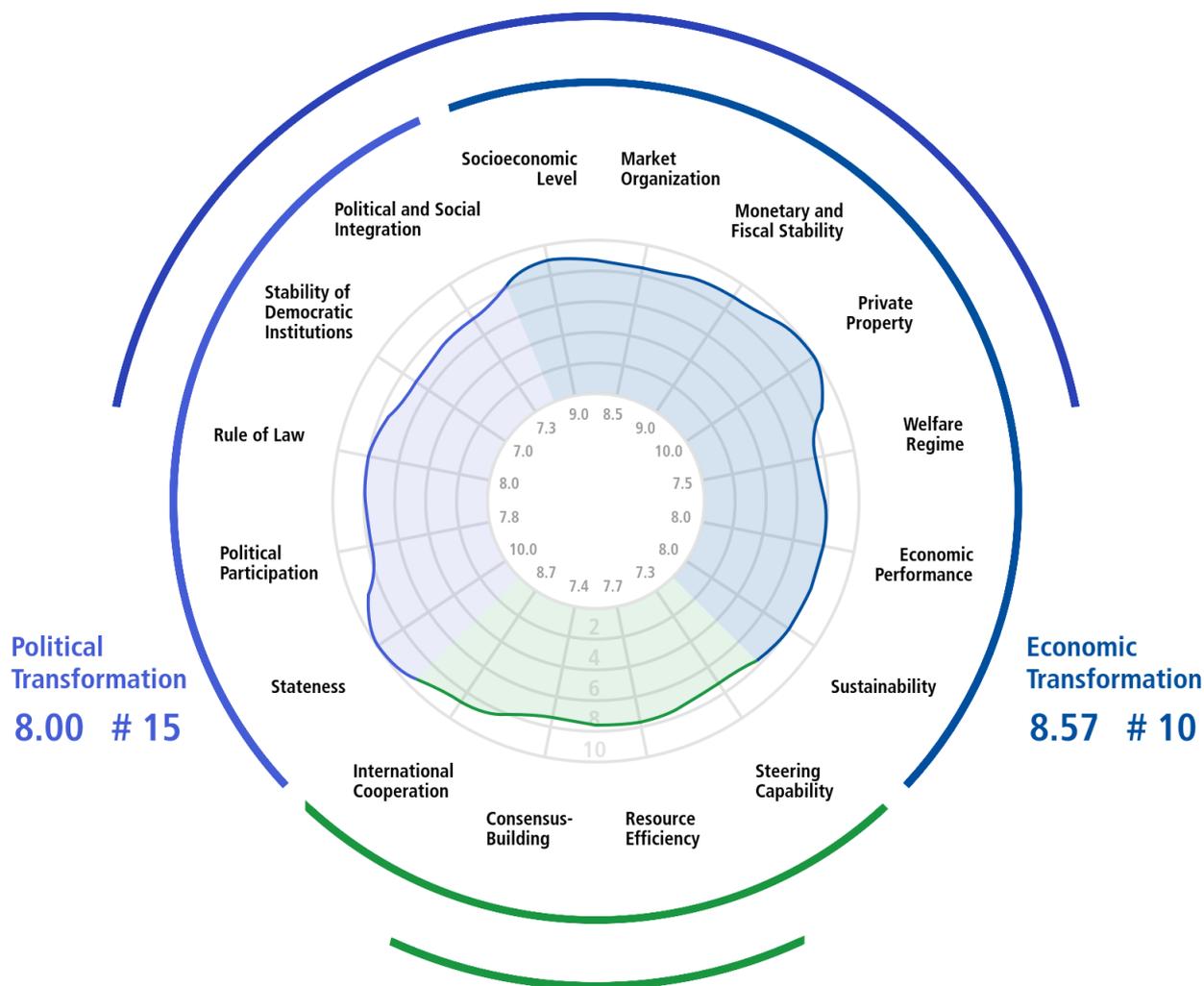


South Korea

Status Index

8.29 # 12

on 1-10 scale out of 137



Political Transformation
8.00 # 15

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on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. 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	0.937	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	0.1	HDI rank of 193	20	Gini Index	32.9
Life expectancy	years	83.4	UN Education Index	0.886	Poverty ³	% 0.2
Urban population	%	81.5	Gender inequality ²	0.038	Aid per capita \$	-

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Beginning in December 2024, South Korea was plunged into a political crisis unprecedented since the start of the democratic transition in 1987. This crisis was still unfolding as of the end of the review period, driven by contradictory developments. On the one hand, there was a sudden declaration of martial law by President Yoon Suk-yeol on December 3, 2024, that lasted about six hours. The declaration followed neither the constitutionally required procedures nor respected the constitution's protection of the parliament, as military commandos were sent to occupy the parliament building. The attempted power grab occurred amid political conflicts between the president and parliament, most notably over the national budget. This blatantly illegal act revealed a disregard for democratic institutions and the constitution by the president and at least some elements of the conservative elites and the military. On the other hand, the failure of the president's attempt to subdue opposition from parliament and civil society put the resilience of Korean democracy on display. The political opposition and civil society quickly mobilized to protect the parliament, enabling the body to veto the president's declaration of martial law. Just six hours after his announcement, President Yoon reversed the declaration. On December 14, a two-thirds majority of the parliament subsequently voted to impeach the president, with support from 12 members of the president's own party. With that decision, Yoon's presidential powers were suspended, and the Constitutional Court was tasked with confirming (or reversing) the impeachment within 180 days. In early April, well after the end of the review period, the court upheld the impeachment, confirming Yoon's ouster and laying the groundwork for new elections. Thus, as the review period closed, the crisis was not over, but the country's institutions and civil society seemed strong enough to fend off power grabs by ruthless members of the political elite and the military.

The political crisis came at a difficult time. Tensions with North Korea have intensified, and the global economic environment is growing more challenging with the beginning of a second Donald Trump presidency in the United States. South Korea depends on the United States for military defense against the North, and as an export-oriented economy, it relies on open markets. Even

before his impeachment, President Yoon had been weakened in the April 2024 parliamentary election, when the opposition expanded its majority in parliament to just shy of the two-thirds majority needed to enact constitutional changes and impeachment decisions, and to overturn presidential vetoes. Unable to implement his agenda or make compromises with the opposition, the president became a lame duck after just two years in office, with his approval ratings hovering around 20%. However, the significant mutual antagonism in Korean politics has less to do with clashing policy proposals and ideologies than with a struggle between two elite groups for power.

Despite these challenges, Korea remains relatively strong economically as the government and companies continue to invest in infrastructure and R&D. Korean companies remain competitive in many economic areas of the green transition and the fourth industrial revolution. They have also benefited from the weakness of the Korean currency and relatively low real interest rates, and from the country's at least partial success in reducing export dependence and strengthening domestic consumption. Socially, Korea is becoming more divided between rich and poor, between old and young, and between genders. In particular, high housing prices are creating an atmosphere in which many fear being left behind.

Internationally, South Korea remains a middle power that plays a productive role in international agreements and at the United Nations, although it has not yet taken a leading role. On the critical issue of climate change, President Yoon, much like his predecessor, has shown little enthusiasm. While the long-term goal of achieving net-zero carbon emissions by 2050 remains intact, the administration's short- to medium-term goals have fallen short of expectations. Notably, the country's development assistance saw its largest increase to date under President Yoon.

History and Characteristics of Transformation

The Republic of Korea has been among the most successful cases of democratization and late economic development since the end of World War II. In 1987, the Korean people overthrew the country's military dictatorship through popular protests. Since then, the country has undergone a gradual and highly successful democratization. Military and conservative elites lost absolute control of the state but remained influential during the transition. Since 1987, Korea has followed an almost textbook gradual transition that saw the first freely elected President Roh Tae-woo (1988 – 1993) followed by President Kim Young-sam (1993 – 1998), who was a former democracy fighter and formed a coalition government with the conservative party. In 1998, President Kim Dae-jung became the first president elected from the opposition Democratic Party. Since then, progressives and conservatives have taken turns governing, signaling a formally successful democratic consolidation. Successful civil struggle for democracy has created a comparatively active public with strong civil society organizations. Unfortunately, political parties have so far failed to evolve into genuine intermediaries between an active civil society and state institutions.

Despite the progress, Korea's history of colonization, war and authoritarian rule continues to haunt South Korean politics and society. The history of authoritarian rule (until 1987), the question of relations with North Korea, and the military alliance with Japan and the United States are crucial dividing lines between the political camps. Crimes committed during the colonial era, massacres before and during the Korean War, and atrocities carried out during the military dictatorship have not been resolved – neither legally nor psychologically. Political elites remain divided between conservatives associated with the colonial era and the military regime on the one hand, and progressives who led the democracy movement on the other. This divide is exacerbated by a presidential system defined by a very powerful president and a first-past-the-post electoral system that creates a winner-takes-all mentality. Consequently, political parties and groups are locked in an antagonistic struggle for power that makes compromise difficult. Classic political divisions between left and right do not characterize the polarization seen in Korea, as the divide is historically entrenched and not based on competing policies or ideologies.

Economically, history again plays a crucial role in both positive and negative ways. Since the beginning of military rule in 1962, South Korea's economic growth has been driven by a planned capitalist economy embedded in a partnership between the state and big business. The Korean developmental state successfully combined economic planning, infant industry protection and export orientation. This strategy made Korea one of the most successful cases of post-World War II economic development. South Korea went from being one of the poorest countries in the world in the 1950s to an OECD and G-20 member state within two generations. Economic liberalization in the 1980s was a transition toward a more market-oriented economy. The state managed the Asian financial crisis of 1997/98 and the global financial crisis of 2007/08 relatively successfully by improving regulatory institutions and establishing a welfare state system. In general, South Korea has been successful in transitioning from a protectionist, planned capitalist economy to an open market economy with comparatively strong institutions. On the other hand, Korea's compressed development under the period of military dictatorship and the economic concentration process that took place during the various economic crises have created an export-dependent economy based on a few large business conglomerates. This bias has hindered the development of competitive markets and led to high domestic price levels. The labor market remains split between a small number of highly paid jobs in large businesses and a majority of lower-paid jobs in small companies and the service sector. Authoritarian rule also delayed the development of the labor movement, which today remains largely based on company unions focused on wage increases while lacking a broader agenda for a more just society.

In the realm of foreign policy and security, the national division along the 38th parallel since 1945, the lack of a peace treaty with the North, the history of a strong military alliance with the United States and the legacy of Japanese colonialism still dominate South Korea's foreign policy and international role. Reunification with the North remains the main political goal, and the constant threat from the North necessitates substantial military spending. This threat is also exploited politically, particularly by conservative elites who denounce criticism as being communist or pro-North. Substantial limitations on freedom of speech and the draconian National Security Law remain in place almost 30 years after the end of military rule. At the same time, since joining the United Nations in 1991 and the Organization for Economic Cooperation and Development

(OECD) in 1996, and through memberships in all major international organizations such as the World Trade Organization (WTO), the International Monetary Fund (IMF), World Bank, the International Labour Organization (ILO) and the G-20, Korea has emerged as an active member of the international community and a new middle power. Further broadening its engagement with the world, South Korea has also increased its spending on development cooperation and climate aid over the past decade.

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

The state's monopoly on the use of force is not threatened or questioned by domestic actors. One Korea-specific issue is that both Korean states claim the entire peninsula as their territory. Article 3 of the South Korean constitution states, "The territory of the Republic of Korea shall consist of the Korean peninsula and its adjacent islands." In reality, however, South Korea exercises effective control only over the southern half of the peninsula, as it does not control North Korean territory.

The vast majority of South Koreans support the existence of the Republic of Korea as a nation-state, as well as the country's constitution. Small radical splinter groups continue to pledge allegiance to North Korea. Korean citizenship is based on parents' citizenship. Children born in Korea to foreign nationals do not automatically receive Korean citizenship. Naturalization is possible for adults older than 19 after five years of residence in South Korea, and after passing a test of the Korean language and knowledge of Korean culture.

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

Question
Score

Monopoly on the
use of force

10



State identity

10



No interference of
religious dogmas

10



South Korea's administrative structure is highly differentiated. The state provides all basic public services throughout the country. This administrative structure efficiently delivers consistent, high-quality services such as education, public transportation, water and electricity. Civil servants are highly qualified and selected through a rigorous entrance exam. South Korea is a centralized state. 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 four years.

Basic
administration

10



1

2 | Political Participation

Elections at the national, regional and local levels are free and transparent. The prevalence of money-driven politics during elections has declined substantially in recent years. Accusations of illicit campaign financing and investigations into this issue are often used to question or undermine the reputations of potential political candidates.

Free and fair
elections

9



1

All electoral affairs are managed freely and transparently by the National Election Commission (NEC), an independent constitutional organ. The NEC is generally acknowledged to be independent and effective. That said, the 2022 and 2024 elections were marred by mudslinging and politically motivated investigations that have skirted the line of “fair” election practices. In December 2024 and January 2025, President Yoon suggested that NEC systems were vulnerable to hacking and that breaches might have led to the opposition party's landslide victory during the 2024 parliamentary elections. On the night he declared martial law, Yoon also ordered that troops be sent to the NEC's offices to investigate suspected election interference and fraud. The NEC refuted Yoon's claims, noting that judicial authorities had found no evidence of fraud or outside intrusion into the election system. Despite the rebuttal, the NEC's integrity has been significantly undermined by Yoon's accusations and the spread of election fraud claims.

The opaque character of South Korean election law regarding allowable support for candidates during the election period, which can last 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 an individual is registered as an official campaigner. This can be seen as a disadvantage for minor-party candidates who lack the access to traditional media enjoyed by their prominent rivals. In general, small parties have a difficult time gaining coverage in mainstream media.

Social media and artificial intelligence tools are changing this landscape. On the one hand, they offer an influential, equalizing means of public communication for all candidates and parties. On the other hand, social media are being used to interfere illicitly in elections. In 2017, the Korean National Intelligence Service (NIS) was

found guilty of using social media to support President Park Geun-hye's election in 2012. In 2018, the Democratic Party (DP) expelled two of its members for engaging in online opinion-rigging that aimed to benefit Moon Jae-in during the 2017 election. DP insiders were again accused of online opinion-rigging during the 2022 presidential election. In the lead-up to the 2022 presidential election, right-wing YouTube channels were accused of spreading misinformation. Several hundred instances of the dissemination of false information – including the use of AI-generated “deepfakes” – were identified during the 2024 National Assembly elections. To combat this growing and concerning trend, the Public Official Election Act was amended in December 2023 to ban and criminalize election-related deepfake videos, photos and audio in the 90-day campaign period before the day of the election (with penalties of up to seven years in prison and fines of up to \$37,000).

South Korea's first-past-the-post system decisively benefits large, established parties. An electoral reform in 2019 was intended to compensate smaller parties for this disadvantage. However, in practice, the reform worsened the situation because – in a legally dubious move – former members of major parties created satellite parties in order to benefit from the new electoral system. Further electoral reform is needed to better align the allocation of representative seats with voters' preferences. The controversial National Security Law bans parties that are “pro-North Korean.” In December 2014, the Constitutional Court ruled that the United Progressive Party be disbanded because its pro-North Korean stance violated this law.

Elected rulers have the effective power to govern. However, President Yoon's December 2024 attempt to nullify the National Assembly and arrest opposition leaders – allegedly premeditated in collaboration with military and intelligence officials – has raised concerns that elected leaders and the armed forces may exercise veto power to undermine constitutionally guaranteed democratic procedures.

The freedoms of association and assembly are guaranteed and, in principle, respected, though major problems remain. The National Security Law is considered one of the main obstacles to freedom of expression, association and assembly, as it authorizes the National Intelligence Service (NIS) to penalize individuals and ban organizations deemed “pro-North Korea.” The very loose definition of “pro-North Korea” poses a persistent risk that the measure will be misused to suppress opposition to government policies. Indeed, in December 2024, President Yoon raised the specter of North Korean sympathizers within the National Assembly as justification for declaring martial law and attempting to nullify the National Assembly.

Demonstrations in South Korea require prior approval, which can be difficult to obtain. In practice, many demonstrations are declared illegal, sometimes for minor issues such as the prospect of obstructing traffic. In 2023/24, the city of Seoul denied

Effective power to govern



Association / assembly rights



permits sought by the Seoul Queer Culture Festival to hold its annual Pride parade near City Hall and Seoul Plaza, and instead granted permission for an anti-LGBTQ+ Christian concert.

Labor unions continue to face considerable challenges in organizing, including legal constraints on their freedom to engage in political activities. For example, businesses can sue labor unions, seeking compensation for “lost profits” during strikes. Labor unions gained some ground under the Moon administration. Respectively in 2018 and 2019, the Korean Government Employees Union (KGEU) and the Korean Teachers and Education Workers Union (KTU) were reinstated after having previously lost their official status for having allowed dismissed employees to retain their membership. In December 2020, the National Assembly passed several major revisions to labor laws, including stronger protections related to irregular work, industrial accidents, trade unions (dismissed and unemployed workers are guaranteed the right to union membership) and strikes (removing the ban on strikes at manufacturing facilities). The Moon administration also ratified three of Korea’s four 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). The bill ratifying Convention 105 (Abolition of Forced Labor) was withdrawn due to unresolved conflicts with domestic laws regarding prison labor.

The pro-business Yoon administration reversed some of these gains and took a hard-line approach against what it termed “trade union militancy.” President Yoon’s first executive order after taking office directed striking truck drivers to return to work under threat of suspension and criminal charges. President Yoon twice (in 2023 and 2024) vetoed a bill passed by progressive lawmakers to limit companies’ ability to seek compensation from workers engaged in legitimate strikes. Other hard-line measures by the Yoon administration include special investigations of labor unions under the pretext of tightening auditing and accounting practices, raids on labor-union offices and detentions of unionists for allegedly violating the National Security Law. Both the comparatively progressive Korean Confederation of Trade Unions (KCTU) and the conservative Federation of Korean Trade Unions (FKTU), the two largest labor-union umbrella organizations in South Korea, criticized Yoon’s anti-labor stance. The FKTU called Yoon’s tactics a “return to politics of force, using the knife of the investigative authorities.” The administration’s hard-line measures have attracted criticism from international actors such as the International Labour Organization (ILO), the International Trade Union Confederation and CIVICUS Monitor.

CIVICUS Monitor downgraded South Korea’s civic space rating in 2023 and maintained the “narrowed” rating in 2024, referring to the country’s civic space. In doing so, it cited the tightened environment for trade unions described above, restrictions on and investigations of civil society groups working on issues related to North Korea, and concerns about press freedom.

The freedoms of expression, press, science and art are constitutionally guaranteed. They are generally respected in practice, but infringements have increased in frequency in recent years. While South Korea led the region with respect to press freedom under the Moon administration – with a ranking of 43rd out of 180 countries in Reporters Without Borders’ 2022 World Press Freedom Index – it fell to an all-time low of 62nd place in 2024. The Yoon administration was accused of targeting media outlets critical of the administration, including through punitive measures such as withdrawing subsidies (broadcast network TBS), blocking equal access to presidential briefings (broadcaster MBC) and retaliating against journalists through the excessive use of defamation lawsuits (at least 11 cases in less than two years, compared with five cases in five years under Moon, eight cases in four years under the Park administration, and seven cases in five years under the Lee administration). Yoon even established a special investigative prosecutor team that carried out raids on newsrooms and journalists’ homes – tactics that press freedom advocates saw as part of an aggressive and deliberate strategy to silence critical media voices through legal intimidation.

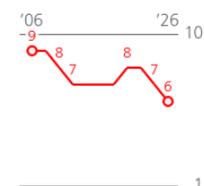
In South Korea, defamation lawsuits are a particularly effective means of stifling political opposition. Anti-defamation laws criminalize and punish defamation, even if it involves true statements, with prison terms of up to seven years when statements or reports are not judged to be in “the public interest.” This pressures journalists and civil society organizations to self-censor and avoid critical reporting.

In recent years, the Yoon administration reduced the membership of the Korea Communications Commission (KCC) from five members (nominated by both the ruling and opposition parties to ensure balance and impartiality) to two members appointed directly by Yoon. The administration also used accusations of bias and lawsuits to pressure a nonpartisan, non-profit fact-checking center run by the Institute for Communication Research at Seoul National University in collaboration with 32 media outlets. The government also established a state-supported “Fake News Report and Counseling Center” at the Korea Press Foundation in what some saw as another attempt to control media narratives.

The Yoon administration’s quest to control the press was starkly illustrated during the president’s December 2024 declaration of martial law. At least one journalist critical of Yoon was allegedly targeted for arrest, and, according to the fire department chief, the minister of public administration and security ordered power and water cut to several media outlets (including Hankyoreh, MBC and Kyunghyang Shinmun). Moreover, the Martial Law Decree stated “all media and publishing [to be] under the control of Martial Law Command.”

Freedom of expression

6



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 when the president's party holds a majority in the unicameral South Korean parliament.

The judiciary can generally check the executive's power, and the Constitutional Court in particular has earned some reputation for independence. However, many experts have called for additional reforms to decentralize power from the "imperial presidency." Notable reform proposals include strengthening the role of the prime minister, introducing a limit of two four-year presidential terms instead of the current single five-year term limit, and/or restricting the constitutional powers of the president.

While President Yoon's December 2024 declaration of martial law (allegedly without proper deliberation by the cabinet or notification to the National Assembly) was a stark example of executive overreach, the National Assembly's rapid repeal of martial law demonstrated an effective separation of powers. On the other hand, the deployment of the armed forces to obstruct the National Assembly from convening to overturn martial law (despite South Korean law explicitly prohibiting the use of armed force against parliament under martial law), as well as various military officers' refusal to stand down their forces until ordered to do so by the president, suggest the need for further calibration of civil-military relations.

The South Korean judiciary is highly professionalized and independent, although it is not entirely free of government pressure. In particular, since its establishment in 1989, the Constitutional Court has become an effective guardian of the constitution.

Under South Korea's version of centralized constitutional review, the Constitutional Court is the only body with the power to declare a legal norm unconstitutional. The Supreme Court reviews ministerial and government decrees. However, the Supreme Court has at times sought authority to adjudicate the constitutionality of acts with minimal connection to ministerial or government decrees. This has interfered with the Constitutional Court's authority and contributed to several legal battles between the Constitutional Court and Supreme Court. On the whole, the Constitutional Court has become an effective guardian of the constitution, although it has been relatively weak on anti-discrimination issues and on defending political liberties related to the security threat posed by North Korea.

As the review period closed, the judiciary was taking on a central role in trying President Yoon and others behind the December 2024 martial law declaration. The trials of former Defense Minister Kim Yong-hyun, former National Police

Separation of powers

8



1

Independent judiciary

9



1

Commissioner Cho Ji-ho and former Seoul Metropolitan Police Commissioner Kim Bong-sik by the Seoul Central District Court – as well as President Yoon’s impeachment trial by the Constitutional Court – began in January 2025 and appeared likely to serve as a test regarding the judiciary’s willingness and ability to hold high-ranking officials accountable. Although it maintains an impartial stance, pro-Yoon groups are questioning the Constitutional Court’s legitimacy, and the appointment of a seventh justice has become a political issue because the candidate was nominated by the opposition-led National Assembly.

Several institutions hold politicians and public servants accountable and penalize wrongdoing. The Korea Independent Commission Against Corruption, established under the Anti-Corruption Act, handles whistleblower reports, recommends policies and legislation to combat 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 public employment. The Kim Young-ran Act has curbed Korean gift-giving traditions.

Traditionally, the Supreme Prosecutor’s Office plays a prominent role in investigating criminal cases involving government officials. However, unlike judges, prosecutors are not independent. They are widely viewed as politically aligned with ruling-party government officials and are seen as using their power to harass political opponents.

The Moon administration reformed the prosecutorial system by moving some investigative powers from the Supreme Prosecutor’s Office (SPO) to the police and the Corruption Investigation Office (CIO, established in 2020). President Yoon fought the weakening of the SPO while he was prosecutor-general, and as president reinstated the SPO’s investigative powers. This has led to a politically polarized investigative system, whereby the SPO is aligned with conservatives (and Yoon in particular) who have used it to investigate members of opposition parties, such as Democratic Party leader (and winner of the June 3, 2025, presidential elections) Lee Jae-myung. By contrast, the CIO is used by the Democratic Party to investigate conservatives, such as the defense minister (for covering up the death of a military recruit) and President Yoon’s wife (for graft and influence peddling). The special joint (CIO, SPO, police) investigation into President Yoon for the alleged unconstitutional declaration of martial law was seen by many as a test of Korea’s investigative authorities.

Despite these high-profile cases, a long tradition of presidential pardons continues to weaken anti-corruption efforts, and influence peddling remains widespread. Even President Moon, despite promising not to pardon members of the elite, pardoned former President Park Geun-hye and effectively pardoned Samsung Electronics Chairman Lee Jae-yong. In his first months in office, President Yoon pardoned former President Lee Myung-bak.

Prosecution of
office abuse

7



1

South Korea's vicious cycle of influence peddling, politically motivated investigations and presidential pardons makes anti-corruption one of the weakest aspects of its rule of law. While South Korea has consistently scored above 0.7 (on a scale of 0 to 1) on the World Justice Project Rule of Law Index since 2016, its score on the government corruption subindex (0.67) is its weakest performance overall.

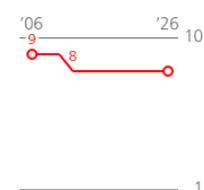
Basic civil rights are protected by the constitution. Courts have been reasonably effective in protecting civil rights, and a Human Rights Commission was established in 2001. In 2018, the Korean Supreme Court accepted “conscience or religious beliefs” as an acceptable justification for conscientious objectors to military service, and the government is slowly beginning to offer a civil service alternative. A moratorium on executions announced in 1998 remains in place, although attempts in parliament and the Constitutional Court to abolish the death penalty have so far failed. Under the Moon administration, women's rights were strengthened, including via the 2019 Constitutional Court ruling that Korea's 65-year ban on abortion was unconstitutional, and through the 2021 – 2022 adoptions of stronger penalties and relief/damages related to gender discrimination and sexual harassment in the workplace. However, the issue of women's rights was sidelined under the Yoon administration, with President Yoon denying that there was systemic gender discrimination in Korea and scrapping government gender quotas.

Despite the constitutional provision that “there shall be no discrimination in political, economic, social or cultural life on account of sex, religion or social status” and the courts' relatively effective performance in protecting these civil rights, South Korea's lack of a comprehensive anti-discrimination law remains an obstacle to realizing these constitutional rights. South Korea has failed to pass a comprehensive anti-discrimination law despite 11 attempts since 2006, and it is one of only two OECD countries without such a law.

Discrimination remains a major problem in South Korea for groups as diverse as women, migrants, people with disabilities, LGBTQ+ people and North Korean defectors. According to a study by the National Human Rights Commission of Korea, half of North Korean defectors in South Korea say they have experienced discrimination. Migrants are particularly vulnerable to discrimination and abuse in the workplace. Advocates have consistently called on the South Korean government to ratify ILO Convention No. 190 on ending workplace harassment and violence. While courts have strengthened some rights for the LGBTQ+ community – including via a Supreme Court ruling in 2022 that set a positive precedent for protecting gay armed-services members – the government has failed to take decisive action to reduce systemic discrimination, as illustrated by a Seoul court ruling (also in 2022) against a same-sex couple who sought spousal health insurance benefits.

Civil rights

8



4 | Stability of Democratic Institutions

South Korea's democratic institutions are generally effective and stable, though some dynamics cause friction between institutions. One significant dynamic is the extensive power vested in the presidency, which enables individual presidents to bypass and undermine democratic norms and processes – as illustrated by President Yoon's December 2024 martial law declaration and 2025 impeachment process. Yoon's declaration sought to override key democratic institutions, including the National Assembly, the National Election Commission and the press. Yoon's subsequent refusal to comply with investigative summonses and arrest orders flouted the constitutionally granted authority of the courts, prosecutors and police. During Yoon's impeachment trial, questions were raised about whether the martial law declaration had followed proper procedures, such as the need to hold a cabinet meeting and notify the National Assembly. Acting President Choi Sang-mok's refusal to appoint Ma Eun-heok as the ninth justice on the Constitutional Court was also viewed as an infringement of the legislature's power to nominate justices to that body.

Another long-standing dynamic in Korea is the alignment between conservative political and military leaders. This alignment facilitated military coups in 1961 and 1979, and very nearly did so in December 2024. While still under investigation as of the time of writing, the December 2024 martial law declaration was allegedly planned in advance by President Yoon and several high-ranking military, police and intelligence officials. Under the command of these high-ranking officials, the armed forces were deployed to prevent the National Assembly from convening to repeal martial law, and additionally tasked with detaining legislators, judges and journalists. Fortunately, a democratic crisis was averted through the efforts of legislators (who reacted quickly and heroically, with some even scaling walls to enter the National Assembly to vote to repeal martial law); some public servants who upheld their responsibility to the public rather than obeying orders from above (for example, some military personnel deployed to block the National Assembly deliberately acted slowly and passively); and citizens (who gathered at the National Assembly building to protest and obstruct military forces). While these collective efforts led to the repeal of martial law within hours, the coup could well have succeeded if citizens and parliamentarians had acted less quickly or if armed forces had obeyed orders more proactively.

Partisan politics in the lead-up to and aftermath of the declaration of martial law also illustrated how political polarization is destabilizing democratic governance in Korea. Political compromises are nearly impossible in the current environment. Thus, with the opposition controlling parliament, the governing party's agendas and budgets were effectively blocked. President Yoon's extreme frustration was cited as a factor in his decision to declare martial law to overcome "anti-state forces" (opposition party members) and a "legislative dictatorship" (the opposition party-led National Assembly).

Performance of democratic institutions

7

'06 '26 10

8 7

1

1

The impeachment process following President Yoon’s failed martial law declaration has been similarly polarized. Opposition party members called for Yoon not only to be impeached on the grounds of an unconstitutional declaration of martial law, but also for him to be criminally charged with insurrection (a charge that can be punished by imprisonment or even death). Members of Yoon’s ruling party sought to block impeachment at every turn. Initially, the entire ruling party refused even to vote on impeachment; once the parliament finally voted to impeach President Yoon, members of the ruling party sought to obstruct due process by refusing to appoint National Assembly-nominated judges to the Constitutional Court, and by physically blocking Yoon’s arrest. As the review period closed, questions remained as to whether prosecutors and judges would remain neutral and uphold democratic norms during Yoon’s impeachment and criminal trials and in the cases brought against his alleged conspirators (the former defense minister, the former national police commissioner and the former Seoul police commissioner).

A long-standing problem is that parliament’s performance is hampered by the 2012 National Assembly Advancement Act. The act requires the consent of three-fifths of lawmakers on parliamentary committees before a bill can be brought to a vote in the plenary. It also limits the assembly speaker’s power 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, without cooperation between the ruling and main opposition parties or a significant defection from the opposition bloc, it means that the ruling party cannot pass legislation.

Another performance-related problem is local governments’ lack of independence, because they depend on the central government for revenue. Financial independence ratios for provinces and municipalities have steadily decreased over the past decade. The central government often uses its financial leverage to intervene in local affairs.

There is no substantial public support for non-democratic alternatives to the current political system. For the most part, all relevant actors accept democratic institutions as legitimate. However, personal networks and loyalties are sometimes considered more important than institutions. For example, some military leaders are closely aligned with and loyal to political leaders, as evidenced by military collusion with President Yoon to impose martial law in December 2024 and the Presidential Security Service’s obstruction of the court-ordered arrest of President Yoon.

While democratic “institutions” are widely accepted as legitimate, the legitimacy of individuals serving in those institutions is often questioned along partisan lines. For example, President Yoon and the ruling People’s Power Party characterized the National Assembly as a “legislative dictatorship” because it was dominated by the opposition Democratic Party – a party they often accuse of being “communist” and “pro-North Korea.” Progressive parties (and the general public) have long regarded the Supreme Prosecutor’s Office as serving the interests of conservative elites and abusing its authority to retaliate against political opponents – not just politicians and government officials but also progressive artists and journalists.

Commitment to democratic institutions

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5 | Political and Social Integration

The party system is arguably the weakest link in South Korean democracy; parties are highly unstable. Party organizations are weak, with few dues-paying members and little grassroots connection. Parties are organized around a small number of powerful individuals and function largely as “electoral clubs” to bring members into public office, particularly the presidency. They are founded, merged, renamed and dissolved largely at will, leading to a relatively high degree of voter volatility.

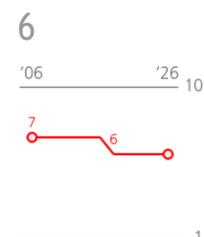
Parties are prohibited by law from maintaining local offices, which leaves organizations with weak grassroots connections. Regional fragmentation is another problem, with the People Power Party dominating the southeast and the Democratic Party dominating the southwest. On the other hand, ideological fragmentation and polarization are limited, as political positions in most policy fields are flexible and change with public opinion. One of the few fields characterized by significant ideological polarization is policy toward North Korea.

The late-2019 reform of the parliamentary election process was intended to strengthen parties organized around political goals. Although the aim of strengthening proportional representation in parliament was laudable, the reform inadvertently worsened the situation because – in a legally dubious move – former members of major parties formed satellite parties to exploit the new electoral system’s advantages. Further reforms are needed to ensure the allocation of representative seats more accurately reflects voters’ preferences.

Political polarization and conflict are intensifying as the two major political camps seek power through moral and ideological arguments. For the Democratic Party, the conservative People Power Party represents the legacy of authoritarian military rule and colonial collaboration. Meanwhile, the People Power Party accuses the Democratic Party of being “communist” and of sympathizing with North Korea. The two sides fight tooth and nail over seemingly minor differences, each portraying itself as the defender of democracy against the opponent’s dangerous (if not evil) ideas. As most South Koreans identify as centrists, both sides seem to believe they can benefit from branding their opponents as extremists. Hardliners, particularly within the People Power Party, have increasingly sought to manipulate social media to create false narratives about their political opponents. Given this “us against them” mentality, South Korea’s National Assembly is notorious for political gridlock.

Despite this deepening polarization, the ideological differences between the two parties are not clear-cut. Democratic Party leader Lee Jae-myung recently said his party espouses “centrist-conservative” values rather than progressive ones, signaling a move toward the center-right on the ideological spectrum. His remarks reflect the current political climate in which progressive social forces, such as labor and environmental groups, are not properly represented in the party system.

Party system



South Korea has a lively civil society with an average range of interest groups reflecting most social interests. There is a growing number of civil society organizations (CSOs) with clear-cut political, religious, humanitarian, social and economic agendas. Personal networks link former pro-democracy and human rights activists within civil society and the political system, particularly during progressive administrations. The business sector is well represented by networks of interlocking and expertly staffed interest groups, and tends to enjoy privileged access to the corridors of power, particularly (but not only) during conservative administrations. On the other hand, labor unions tend to be disadvantaged (at best) and marginalized (at worst), as illustrated by the harassment they faced under the Yoon administration (see “Association / assembly rights”).

In line with the increasing levels of political polarization in Korea (see “Party system”), conflicts between societal interest groups are intensifying beyond the realm of healthy discourse and competition, toward hard-line, zero-sum positions. For example, hard-line interest groups organize and manipulate social media in order to disseminate fake news. Recent examples include an opinion poll commissioned by the right wing that inflated approval ratings for President Yoon (in an attempt to downplay and deflate support for his impeachment) and a deepfake video of President Yoon admitting to incompetence and corruption (created and released to disadvantage the conservative party in the 2024 parliamentary elections).

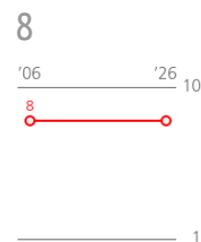
Christian groups are expanding their political influence. In October 2024, Christian church groups jointly held a rally to protest the expansion of LGBTQ+ rights and to pass an anti-discrimination law. More than 1 million people attended. The evangelical right also actively mobilized citizens to protest Yoon’s impeachment.

Despite hard-liners’ attempts to polarize society, South Korean citizens have shown themselves capable of cooperative, collective efforts. During the 2016/17 candlelight protests to impeach President Park and the 2024/25 protests to impeach President Yoon, people from diverse backgrounds banded together – with the common cause of defending Korea’s hard-won democracy serving to bridge generational and political divides. These efforts have been likened to modern agoras, through which citizens were able to express shared values and demands.

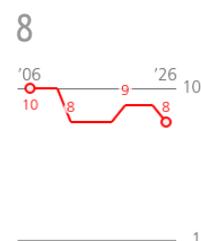
South Koreans have been engaged in a long struggle to achieve and deepen democracy ever since their overthrow of a military dictatorship in a democratic revolution in 1987. They regard this process as a major historical achievement and a source of pride. Public support for democracy is very strong.

However, approval of specific democratic institutions is much weaker than general support for democratic values. According to the World Values Survey (2017 – 2022), more than 70% of South Koreans think having a democratic political system is very good or fairly good, while 73% said they would participate in civil society movements to protect democracy. However, only 20.7% of South Korean

Interest groups



Approval of democracy

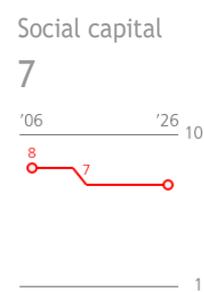


respondents in the same survey had confidence in parliament, and 24.5% expressed confidence in political parties. By contrast, levels of trust in the government, civil service, military, police and particularly the courts were much higher (greater than 50%). Approval rates – particularly for the military – are likely to decline in the aftermath of the December 2024 martial law declaration. As early as January 2025, a poll found that a majority of Koreans believed that presidential powers should be limited.

Reflecting the vibrancy of South Korea’s civil society, many voluntary associations engage in self-help activities. A substantial number are linked to religious organizations. School-based and regional networks are also strong in South Korea.

Generalized trust among citizens outside these communities is less well developed. According to the World Values Survey (2017 – 2022), South Korea scores lower than neighboring countries such as China, Japan and Taiwan with respect to interpersonal trust. Only 32.9% said “most people can be trusted,” while 67.1% agreed with the statement “you need to be very careful” when dealing with other people. Another survey – the Korean Academic Multimode Open Survey (KAMOS) – reported declining social trust in all domains (society, people, central government, local government, parliament, judiciary, business, press, civil society groups and religious organizations) from 2016 to 2019.

These trends are exacerbated by political parties and interest groups that use manipulative means such as fake news and biased polls to advance their positions.

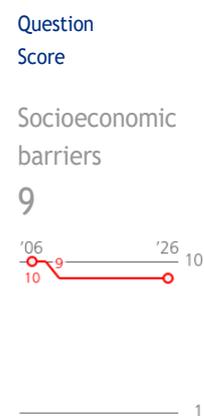


II. Economic Transformation

6 | Level of Socioeconomic Development

South Korea is an OECD country with a very high level of human development and a Human Development Index score of 0.929 in 2022. Its Gender Inequality Index score was 0.062 in 2022, indicating a relatively high level of gender equality compared to the non-OECD world. The poverty rate in South Korea remains the seventh-highest in the OECD at 14.9% in 2023, and the gender wage gap was 29.3% in 2023 – the highest among OECD countries.

Absolute poverty remains a problem among members of the older generation who did not have the opportunity to contribute to the pension system for a sufficient length of time. The pension system has been expanded since the 1990s. Among people 65 and older, 40.4% live under conditions of poverty, the highest such rate among OECD countries as of 2023.



While overall social inequality remains in line with other developed countries (Gini coefficient of 0.324 in 2022), wage inequality is increasing because of the country's dual labor market of regular and irregular employees. Beginning in 2022, Yoon Seok-yeol's administration emphasized that it would improve the dual structure of the labor market, but it ultimately did not implement any policy seeking to address the problem.

Although unemployment rates are relatively low, the number of irregular workers, who earn less and have fewer benefits than regular employees, has been rising, exceeding 8.4 million (38.2% of the labor force) in 2024, while the number of regular workers decreased. In 2024, four in 10 workers in their 20s held irregular positions, the highest such proportion yet recorded.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	1818432.1	1673916.5	1712792.9	-
GDP growth	%	4.3	2.6	1.4	-
Inflation (CPI)	%	2.5	5.1	3.6	2.3
Unemployment	%	3.6	2.9	2.7	2.6
Foreign direct investment	% of GDP	1.2	1.5	1.1	-
Export growth	%	11.1	3.4	3.1	-
Import growth	%	10.1	3.5	3.1	-
Current account balance	\$ M	85228.2	25828.6	32821.7	99042.9
Public debt	% of GDP	48.0	49.8	50.5	49.8
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-0.8	-1.9	-1.1	-
Tax revenue	% of GDP	16.7	18.4	15.7	-
Government consumption	% of GDP	18.2	18.8	18.9	-
Public education spending	% of GDP	4.9	5.8	-	-
Public health spending	% of GDP	5.4	5.9	6.1	-
R&D expenditure	% of GDP	4.9	5.2	-	-
Military expenditure	% of GDP	2.8	2.8	2.8	-

Sources (as of December 2025): 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 past three decades. Prices can be freely set, and the country's currency is fully convertible. Nevertheless, government intervention in South Korea remains more prevalent than in most advanced economies. The central bank frequently intervenes in the currency market in response to volatility and to maintain a competitive exchange rate. Historically, large conglomerates (chaebol) have played a dominant role in South Korea's economy. This structure has limited market-based competition, primarily because of the dominance of a few chaebols, oligopolies and cartels. There are few significant formal barriers to entry or exit for domestic companies, and barriers to entry for foreign companies have been significantly reduced since the 1990s. However, the oligopolistic structure of the South Korean market makes it challenging for newcomers to establish themselves. Small and medium-sized enterprises (SMEs) and even large foreign multinationals have struggled to gain a foothold in South Korea. Profits can be used and transferred freely by domestic and international investors, but large-scale profits generated by foreign enterprises through the sale of domestic assets can trigger public backlash.

The informal sector is smaller than in most other countries covered by the BTI, but is high in an OECD context. According to the International Labour Organization (ILO), informal employment accounted for 26.6% of all employment in 2019 – the latest year for which data were available as of the time of writing.

Monopoly regulation in South Korea falls under the jurisdiction of the Korea Fair Trade Commission (KFTC) pursuant to the Monopoly Regulation and Fair Trade Act of 2009. The KFTC is an independent ministerial-level central administrative organization under the authority of the prime minister.

During South Korea's "condensed" industrialization process, the state actively promoted the formation of large-scale conglomerates known as chaebol. The focus of earlier policies was thus to limit competition rather than encourage it. As a result, a high level of market concentration persists. For instance, following the Hyundai-Kia merger, the combined company controlled 91.5% of the country's domestic car market in 2023. LG and Samsung dominate the electronics market, while SK holds almost half of the mobile phone and internet services sector. In 2023, the combined sales of South Korea's four biggest conglomerates – Samsung, SK, Hyundai and LG – were equivalent to 40.8% of GDP.

The slow but steady opening of the South Korean market to foreign products has increased the variety of goods available, although the trade openness indicator fell to 87.9% in 2023, from 96.5% in 2022. This was lower than the global average of 95%. A recent Bank of Korea study found that South Koreans still pay the highest prices among OECD member countries for a number of necessities. Price cartels remain

Market
organization

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Competition policy

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widespread not only in domestic markets but also in markets for imported products. In 2023, the KFTC imposed a KRW 40 billion fine on 32 companies in the vaccine sector for bid rigging related to contracts for the National Immunization Program.

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

South Korea's tariff structure remains complex. For example, industrial tariffs are relatively low, while agricultural tariffs remain high. According to the WTO, South Korea had the world's highest average tariff rate on food products. The simple average most-favored-nation (MFN) applied rate in 2023 was 13.4% overall and 57% for agricultural products. Although non-tariff barriers have been significantly reduced, they persist in certain areas such as standards and certification requirements. At the end of 2023, the government passed a flexible tariff plan governing key raw materials with the aim of supporting industrial competitiveness. Access to specific "sensitive" industries and service sectors is restricted for foreign-owned companies. Imported products continue to have high retail prices due to import cartels. To exploit this arbitrage, some online shops offer direct imports from U.S. retailers.

In 2023, South Korea and Japan agreed to resume talks to resolve trade disputes after a four-year hiatus, and restored each other to their respective trade whitelists. Following disputes with China after the deployment of a U.S. missile defense system in South Korea, Seoul has been pursuing greater diversification of its trading partners. In 2024, for the first time, the share of South Korea's exports going to the U.S. was greater than that going to China, at 19.3% and 18.8%, respectively. However, due to U.S.-China trade disputes and the re-election of President Donald Trump, observers feared that South Korea might face increased tariffs.

The South Korean financial system is highly differentiated and largely follows international standards. The principal international standards are Basel II and Basel III. Implementation of Basel III was finalized in 2023.

The Financial Supervisory Commission (FSC) and the Financial Supervisory Service (FSS) serve as the supervisory authorities for banks and financial markets in South Korea. The FSC is a government agency in charge of rulemaking and licensing, while the FSS is in charge of supervision, consumer protection and other oversight activities delegated by the FSC. The FSS is a special, legislated body staffed not by civil servants but by private sector employees.

Major South Korean banks remain well above the Bank of International Settlements (BIS) capital adequacy ratio (CAR). However, the sector's CAR ratio has decreased as corporate lending increased and the Korean won depreciated further, especially after the turmoil following the declaration of martial law. According to the World

Liberalization of foreign trade



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Banking system



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Bank, the general bank capital-to-asset ratio for the country was 6% in 2022. Notably, no major South Korean bank failed during the global financial crisis. Nonetheless, using the BIS ratio as an international standard proved ineffective in preventing a few small bankruptcies among savings banks.

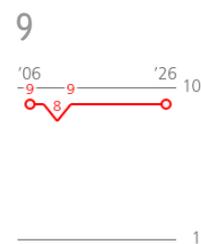
Household debt remains one of the biggest risks to South Korea's economy. Although the sum of all such debt fell below 100% of GDP in 2024 to 98.9%, that remained one of the highest such levels among major economies. The share of non-performing loans in all loans remains low, at 0.4% as of the end of September 2024. Household lending grew in 2024 despite rising interest rates and housing prices. The Yoon administration's plan to revise real estate policy differed significantly from that of his predecessor, President Moon Jae-in, with a focus on deregulation and an expansion of the housing supply. Key changes included abolishment of the plan to raise declared real estate values and an effort to lower the tax base for the comprehensive real estate holding tax, aiming to stabilize the housing market and improve affordability. However, as the review period closed, President Yoon was facing impeachment, making implementation of these policies uncertain.

The South Korean stock market remains shallow, with few high-quality stocks. It experienced significant losses after the martial law uproar. Consequently, it largely remains a place for speculation and is extremely volatile. The large number of transactions reflects a short-term focus and speculative mindset among investors.

8 | Monetary and fiscal stability

South Korea's central bank, the Bank of Korea (BOK), is legally independent, although in practice it faces considerable political pressure to support the government's economic policies. In 2023, South Korea was affected by global inflationary pressures, although with an inflation rate of 3.6%, price increases were much lower than in most other countries. Inflation volatility is also relatively low. At the end of 2024, the BOK decided to reduce its key interest rate from 3.25% to 3% to boost the economy and exports. The central bank follows a managed floating strategy for its exchange rate policies. It frequently intervenes in currency markets to prevent excessive volatility but also – more controversially – to maintain a competitive exchange rate for exporters. During the review period, the South Korean won lost substantial value against a strengthening U.S. dollar, reaching 1,478 KRW per USD 1 in January 2024, up from 1,230 KRW just two years earlier. After the martial law turmoil, the won reached its lowest value against the U.S. dollar since the 2008 global financial crisis.

Monetary stability



Under President Yoon, the focus of fiscal policy shifted from supporting economic recovery during the pandemic to normalization in 2023. As part of the president's vision of private sector-led economic growth, the Yoon administration lowered the maximum corporate tax rate from 25% to 24% to incentivize investment. The consolidated fiscal balance recorded a 1% deficit, with the deficit projected to shrink further to just 0.6% of GDP in 2024. The national debt-to-GDP ratio reached 51.5% in 2023, but remains relatively low compared with other advanced economies. South Korea has a high level of household debt, ranking fifth globally on this measure after Switzerland, Australia, Canada and the Netherlands. The government announced in 2022 a plan to establish new fiscal regulations that would impose limits on government debt (setting a maximum of 60% of GDP) and the consolidated fiscal deficit (maximum of 3% of GDP), but the bill has not yet been passed.

9 | Private Property

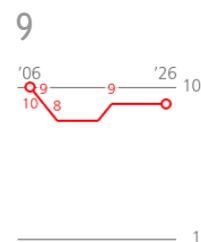
Private property rights are constitutionally protected (Article 23 of the South Korean constitution) and respected in practice. Expropriation is typically accompanied by proper compensation. However, some experts criticize the country for lacking clear criteria defining justifiable state limits on property rights and compensation. Although a Constitutional Court decision may favor compensation, local authorities might attempt to introduce additional regulations to avoid paying it. Intellectual property laws are strict, although enforcement can be difficult. In 2020, South Korea amended intellectual property legislation to tighten enforcement and increase penalties for violations.

Private enterprise is considered the engine of growth in South Korea. The country offers a generally sound framework for private business. Public ownership of companies is largely limited to essential public utilities and to areas in which such ownership is deemed necessary for implementing government policies.

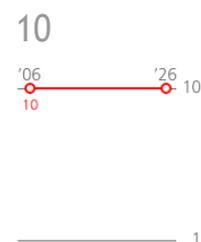
10 | Welfare Regime

South Korea continues to expand its welfare system to match the standards of other OECD countries. Basic public welfare systems exist, but significant gaps remain. Poverty in older age is a particular problem, as older generations have not paid into the public pension system long enough to receive sufficient benefits. In 2023, the country had the OECD's highest poverty rate among people ages 65 or older. The 2022 OECD Economic Survey of Korea states that the National Pension Service (NPS) paid an average pension of only one-third of the minimum wage.

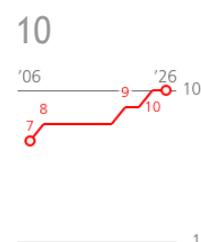
Fiscal stability



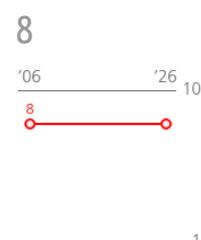
Property rights



Private enterprise



Social safety nets



The universal health insurance system is generally well-designed, but requires relatively high copayments for medical treatments. In 2023, the health insurance coverage rate was 64.9% – a decrease of 0.8 percentage points from the previous year – far below the OECD average for 2022 of 75.5%.

According to the OECD, South Korea’s employment insurance coverage rate is also low, and only half of the workforce has access to an employment insurance benefit in case of unemployment. This low level of coverage is due to the fact that non-wage or unsalaried workers are not required to enroll in an insurance program. Consequently, a considerable share of employees choose not to pay contributions.

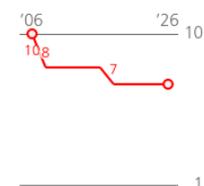
Irregular workers do not have access to the same level of benefits as regular workers. Many are either not entitled to or must pay more for unemployment, sickness, pension and health care benefits. In particular, South Korea lacks basic social welfare benefits for the large number of self-employed people. The Moon administration planned to expand employment insurance coverage to all working people, including the self-employed, through the Universal Employment Insurance system by 2025. However, as of January 2025, mandatory employment insurance had been expanded only to some groups, such as platform workers and agency workers.

The South Korean constitution states that “there shall be no discrimination in political, economic, social or cultural life on account of sex, religion, or social status” (Article 11). Unfortunately, South Korea still lacks a comprehensive anti-discrimination law to enforce these constitutional rights. In fact, discrimination remains a major problem in South Korea, particularly for women, migrants, people with disabilities, LGBTQ+ people and North Korean defectors. Women are still under-represented in the labor market, making up only 43.5% of the labor force in 2023, despite having average education levels similar to those of men. In the Global Gender Gap Report 2023, South Korea ranked 105th out of 145 countries evaluated. The gender pay gap remains the largest in the OECD, with women earning 31% less than men on average in 2023. Women held only 19.8% of leadership positions in state-funded and large private companies in 2019. As of 2024, women made up only 20% of National Assembly members, and only three of the 19 ministers in President Yoon’s cabinet were women. Yoon promised to abolish the Ministry of Gender Equality and Family, and had left the minister’s post vacant as of February 2024.

In education, equality of opportunity is significantly affected by socioeconomic status. Because the education system is so competitive, South Koreans invest heavily in private education services such as hagwons and cramming schools to prepare their children. A study by the BOK found that even when students have the same academic potential, rates of enrollment in top universities vary significantly by parental income. Students from the highest income quintile are 1.5 times more likely to enroll in such institutions than those from the next quintile, and 5.4 times more likely than those from the lowest quintile.

Equal opportunity

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Discrimination against irregular workers, including North Korean defectors and ethnic Koreans from other countries (primarily China), remains widespread. Although courts have bolstered LGBTQ+ rights, the government has not taken decisive action to reduce discrimination. An anti-discrimination law again failed to win legislative passage in 2023.

11 | Economic Performance

South Korea's GDP growth rate slowed to 1.4% in 2023, but increased again slightly to 2.2% in 2024. In 2023, growth was affected by global inflationary pressures, although – with an inflation rate of 3.6% – price increases were much lower than in most other countries. However, the weakened won and rising import costs, particularly for petroleum products, are fueling inflationary pressures, potentially worsening stagflation risks and dampening private consumption.

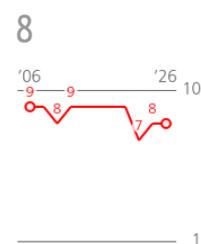
The current-account surplus fell below COVID-19 pandemic levels, to \$25.8 billion in 2022 and \$35.5 billion in 2023. GDP per capita also grew by 1.3% in 2023, totaling \$54,033. Although South Korea has limited dependence on trade with Russia and Israel, it was affected by Russia's invasion of Ukraine – albeit to a lesser extent than many other countries – and by tensions between Israel and Iran, which raised concerns about oil prices. South Korea's trade balance recovered in 2024, showing a current-account surplus of \$45.3 billion.

Despite a global decline in foreign direct investment (FDI) because of geopolitical uncertainties, South Korea experienced a surge in FDI in 2023 and 2024, especially in the semiconductor and bio-health industries. This is expected to strengthen domestic supply chains in cutting-edge industries and improve economic security.

Unemployment rates have been consistently low, for example reaching 2.6% in July 2023. According to the OECD, South Korea performs relatively poorly in several areas related to job quality and the labor market.

The employment rate in 2023 was 69.2%, slightly below the average for OECD countries. In particular, the employment rate among women was 61.4%, which is relatively low.

Output strength



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12 | Sustainability

Environmental policies remain insufficient to protect the environment or preserve resource sustainability. Considering South Korea's level of development and the challenges of local air pollution and global warming, the country is falling increasingly short of what would be expected from a wealthy member of the OECD.

Although the Moon administration announced a phaseout of nuclear power, the Yoon administration revitalized the nuclear-power program. Despite South Korea being a very energy-intensive economy, there are few incentives in place to promote energy conservation among consumers and industries.

In 2021, South Korea revised its 2030 target and announced plans to reduce greenhouse gas emissions by just 40% by 2030 as compared to 2018 levels (KEIA). In 2023, in the 10th Basic Energy Plan for Electricity Supply and Demand, the new government announced that the state would seek to achieve a power-generation mix of 32.4% nuclear, 19.7% coal, 22.9% liquefied natural gas (LNG), and 21.6% new and renewable energy by 2030. Renewable energy accounted for only 9.64% of the power-generation mix in 2023, much lower than the OECD average of 33.49%. In 2023, the Climate Action Tracker rated South Korea's 2030 target under the Paris Agreement and its existing climate policies and measures as "highly insufficient." The country continues to rank poorly on greenhouse gas emissions per capita, with emissions having decreased only slightly since peaking in 2018, from 11.73 tCO₂ per capita to 10.64.

In January 2025, the Ministry of Environment announced key policies to be implemented that year. These included expanding participation in the emissions trading system to institutional investors (e.g., banks, insurance companies and fund managers) under the Act on the Allocation and Trading of Greenhouse Gas Emission Permits. Additionally, KRW 1.5 trillion will be provided to SMEs specializing in climate and environmental technologies and in promoting GHG reductions. Regulations on chemical substances have been aligned with international standards. Subsidies for the purchase of electric vehicles have been expanded to include young people and households with multiple children. Finally, according to the Regulations on the Operation of the Carbon Neutrality Point System, reward categories for the carbon neutrality point system have been expanded to include bicycle use and zero food waste practices. A public sector biogas production target system has been implemented.

Environmental
policy

6



Education policy is a key priority for the South Korean government, and investments have yielded above-average Programme for International Student Assessment (PISA) test results and higher education attainment rates. According to the OECD, 77% of women aged 25-34 and 63% of their male peers had a tertiary qualification in 2023 – the highest such figure in the OECD. This is achieved with public education spending on par with the OECD average (5% of GDP), combined with exceptionally high levels of private spending. In addition to public schools, South Korean parents who can afford it spend large amounts on private “cram schools” to prepare their children for university entrance exams. The inability of lower-income households to pay for such private education services continues to exacerbate socioeconomic gaps.

With R&D expenditure accounting for about 5% of GDP, South Korea has one of the highest levels of spending on research and development in the world. However, while the Ministry of Science and ICT announced that it would invest KRW 24.7 trillion in R&D in 2023 with a focus on the development of core technologies, the achievement of carbon neutrality and digital transformation, it subsequently announced a 14.7% cut in the R&D budget in 2024. For 2025, the Ministry of Science and ICT planned to raise the R&D budget to the same level it was in 2023.

Education policy /
R&D

10

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Governance

I. Level of Difficulty

South Korea faces few structural constraints on governance. The conflict with North Korea is a national security threat, not a structural constraint on effective governance.

In terms of land area, South Korea is a relatively compact nation, with nearly half of the country's population and economic activity concentrated in the greater Seoul area. Living standards are comparable to those in other OECD member states. The average level of education 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 trains, and major international ports and airports.

South Korea's civil society is one of the most vibrant in Pacific Asia. South Koreans actively struggled for democracy for decades and toppled the military dictatorship in 1987. Since that time, civil society organizations (CSOs) have taken an active oversight role in monitoring and assessing the activities of the government and companies. In December 2024, civil society groups quickly mobilized to protest the declaration of martial law by President Yoon and to defend Korean democracy. In 2016 and 2017 and 2024 and 2025, CSOs and a broad cross-section of citizens played an important role in protests demanding the impeachments of Presidents Park and Yoon, respectively.

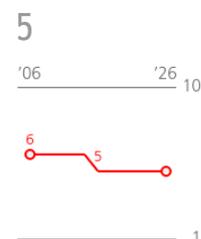
The CSO landscape is diverse and covers a wide range of issues, with organizations ranging from labor unions to human rights groups to environmental NGOs. Some of the largest NGOs – such as the Korean Federation for Environmental Movements, the Citizen Coalition for Economic Justice and the People's Solidarity for Participatory Democracy – have developed considerable expertise in specialized fields, including environmental policies, electoral reform, corporate reform, welfare policies and human rights. They provide policy proposals and are supported by a large group of academics and professionals. They also provide a pool of experts for the government, particularly within progressive administrations.

Despite the breadth and depth of civil society organizations, the overall level of social trust has been declining in Korea – likely affected by increasing political polarization and the prevalence of social media-driven echo chambers. Between 2019 and 2022, the Asian Barometer Survey recorded significant decreases in the share of people expressing trust in neighbors (from 82% to 70%), acquaintances (49% to 30%) and

Structural constraints



Civil society traditions



strangers (24% to 6%). As in many communal societies, social capital is embedded within in-group dynamics; thus, family, school and church networks are relatively strong.

Religiously or ethnically motivated violent conflicts are rare. Given the country's vibrant tradition of demonstrations and labor disputes, clashes between demonstrators and riot police can be fierce, with excesses on both sides. Political polarization is an increasing problem, with both political camps (and their hard-line supporters) using manipulative tactics such as biased polls and fake news – as well as retaliatory investigations – to demonize and punish opponents. While political conflict remains largely non-violent, recent years have seen troubling incidents, such as a politically motivated knife attack on opposition party leader Lee Jae-myung and online death threats against a journalist for critical reporting on President Yoon.

Moreover, the Yoon administration's December 2024 imposition of martial law brought the country dangerously close to the kind of violent conflict most people had thought was a relic of Korea's authoritarian past. Yoon and his allies in the military, intelligence and police deployed armed forces to obstruct the National Assembly – allegedly instructing troops to use force and guns, if necessary, to stop legislators from voting to repeal martial law. The martial law leaders also deployed armed forces to arrest certain legislators, judges and journalists. Images of unarmed parliamentarians and citizens confronting armed troops were a chilling reminder of the brutal military suppression during the Park and Chun dictatorships. Some citizens said they feared the events would escalate into another Gwangju Massacre. Confrontation between pro- and anti-Yoon groups has escalated and is likely to persist well after the impeachment verdict is issued.

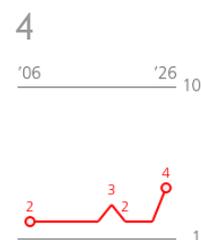
II. Governance Performance

14 | Steering Capability

Strategic planning remains a priority in South Korean governance. The powerful Presidential Office sets priorities through five-year strategic plans that list “key policy tasks.” The Yoon administration's top priorities included rescinding the previous administration's nuclear-power phaseout, supporting private sector-led growth, pursuing fiscal consolidation, elevating the standing of K-content (entertainment content produced in South Korea), and engaging and empowering youth.

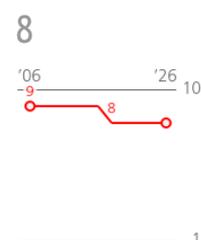
Because of weak party organizations and the five-year, single-term presidential limit, it is difficult for governments to plan beyond the electoral cycle. South Korea has a well-trained bureaucracy that ensures continuity, but strategic planning is

Conflict intensity



Question Score

Prioritization



undermined by frequent leadership changes. Ministers and state secretaries are often replaced, and within ministries, staff rotations are common. As a result, ministerial staff have little opportunity to develop expertise. Expertise is sourced externally from experts at research institutes or universities. Regulatory impact assessments are systematically conducted for all new regulations.

In South Korea's presidential system, power is concentrated in the Office of the President. However, the presidency is limited to a single five-year term, so South Korean presidents risk becoming lame ducks after only half their term.

Given the dynamics of presidential agenda-setting and single-term presidencies, medium- and long-term national agendas – while well developed and articulated through five-year plans – tend to be only partially implemented and frequently changed. Thus, the Moon administration's New Deal (which aimed to foster a more inclusive, green economy) had just gained momentum when it was replaced by Yoon's more pro-business agenda. Prosecutorial reform, the comprehensive anti-discrimination law and pro-labor reforms are further examples of policy tasks championed by the Moon administration that were abandoned by the Yoon administration.

The Yoon administration faced its own uphill battles in passing legislation and budgets, particularly after the opposition party's landslide parliamentary victory in 2024. Additionally, the Yoon administration initiated various reforms without deliberation or consultation with affected parties, causing massive confusion and backlash. For example, a government policy to increase medical school enrollment figures by 2,000 led to a residents' strike and the collective withdrawal of medical students across the country.

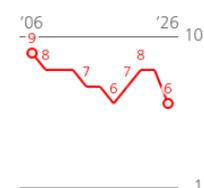
With its centralized governance system and competent bureaucracy, South Korea is relatively effective at mobilizing resources to meet short-term objectives. For example, the central government mobilized all state institutions and consistently implemented policies to respond to and contain COVID-19.

The government's capacity for policy learning is generally robust, but institutional learning is far more limited. Non-governmental academic experts have considerable influence on government decision-making. In addition to serving on presidential advisory committees, scholars are often nominated for top government positions, although their tenures tend 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 inclinations rather than their academic or professional expertise. The short-lived tenures of two justice ministers (Cho Kuk and Choo Mi-ae) appointed by President Moon illustrated the limitations of the echo-chamber approach. Similarly, President Yoon (a former prosecutor-general) has been criticized for appointing many fellow prosecutors to high-level positions.

Implementation

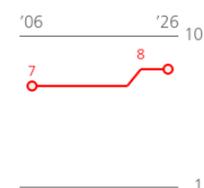
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Policy learning

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15 | Resource Efficiency

South Korea has an efficient but relatively small public sector. Public employment figures are among the lowest in the OECD, with the public sector accounting for less than 9% of all employees in 2021 (the latest available data). General government spending (38% of GDP in 2021) and general government gross debt (51.5% in 2023) are among the lowest such figures in the OECD. By contrast, South Korea's public investment rate was 5.1% of GDP in 2021, among the highest such rates in the OECD; the OECD average was 3.4%.

The Enforcement Decree of the National Public Finance Law provides the legal basis for monitoring long-term fiscal sustainability and systematically managing fiscal risk. In recent years, South Korea has taken steps to enhance transparency and citizen participation in the budget process.

One weakness may be South Korea's overcentralized, top-down fiscal system. Despite prioritizing balanced regional development in their policy agendas, both the Moon and Yoon administrations made little headway on this perennial issue.

Another weakness is the president's wide discretionary power to appoint about 10,000 government employees (only the posts of prime minister and head of the Board of Audit and Inspection require legislative confirmation). Yoon's top-level appointments have included so many former prosecutors that some referred to his administration as "Yoon's Republic of Prosecutors."

Policy coordination in South Korea is hierarchical and centralized. Power is concentrated in the central government, especially in the president's office. The president's office ensures that important policies are implemented. Although provincial governments have some functions of their own, they primarily serve as intermediaries 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 by central government ministries and agencies. Within the government, the Finance Ministry has budget-planning authority, is clearly dominant and can block initiatives by line ministries.

The high degree of centralization allows for largely coherent policymaking. Conflicts between ministries are frequent but do not 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. The high rate of turnover limits

Efficient use of assets

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Policy coordination

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ministers' independence, as they are unable to develop their own voice to pursue personal or institutional policy ideas. This dynamic extends into civic life, as the president appoints heads of national universities and various commissions (relating to communication, civil rights, human rights and trade, for example). Thus, at best, policy is formulated within an echo chamber of the president's making. At worst, government officials are figureheads acting at the behest of the president. A stark illustration of the relative impotence of the cabinet is that President Yoon may have bypassed or strong-armed cabinet members during the constitutionally mandated consultation before declaring martial law in December 2024.

Corruption remains a major problem in South Korea, although anti-corruption institutions have improved substantially over time. Several institutions are tasked with holding politicians and public servants accountable and penalizing wrongdoing. The Korea Independent Commission Against Corruption, established under the Anti-Corruption Act, 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 during and after public employment. The South Korean parliament does not have an ombudsman office, but the Ombuds Office of the Anti-Corruption and Civil Rights Commission of Korea (ACRC) may be seen as a functional equivalent to a parliamentary ombuds office. The Improper Solicitation and Graft Act, which was initiated by the ACRC, has had a significant impact on changing the culture. The commission's independence is guaranteed by law, although all standing members are appointed by the president. Because most ACRC members are drawn from the legal profession, the commission's ability to serve proactively and independently as an ombuds office across a wide range of areas could be limited. People can petition the government directly without approaching the parliament or the ombudsman. The Foreign Investment Ombudsman (FIO) system hears complaints from foreign companies operating in South Korea. The FIO is commissioned by the president on the recommendation of the minister of trade, industry and energy, following deliberation by the Foreign Investment Committee. The FIO can request cooperation from relevant administrative agencies and recommend new policies to improve the foreign investment promotion system. It can also carry out other tasks to assist foreign companies in resolving their grievances. Rules requiring audits of state spending and party financing, mandating public access to information, and providing for officeholder accountability are in place, but these have not been fully successful in eradicating corruption.

A new agency to hold high-ranking officials accountable for abuse of power – the Corruption Investigation Office (CIO) – was established in 2021. While some decry the overlapping mandates of the CIO and the Supreme Prosecutor's Office (SPO), others see the CIO as a much-needed alternative to the SPO, which is seen as aligned with the conservative camp. In recent years, the SPO has focused its abuse-of-power investigations on progressive officials such as Lee Jae-myung (leader of the

Anti-corruption
policy

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Democratic Party) and Cho Kuk (a former justice minister under President Moon and former leader of a smaller progressive party), while the CIO has investigated President Yoon's wife. After the failed declaration of martial law, the CIO was tasked with investigating the president himself, as well as his former defense minister.

While courts often impose harsh sentences on former public officials, they are much more lenient toward corruption in the private sector. Presidential pardons for members of the elite sentenced for corruption are also common. President Moon pardoned former President Park Geun-hye and effectively pardoned Samsung Electronics Chairman Lee Jae-yong. During his first months in office, President Yoon pardoned former President Lee Myung-bak.

16 | Consensus-Building

South Korea experienced a successful democratic revolution in 1987, and its population has shown a willingness to defend democracy when it is seen as threatened – most recently by protesting and overturning President Yoon's December 2024 martial law declaration in six short hours. All major political actors in South Korea support maintaining a constitutional democracy. According to a 2023 Gallup poll, 58% of South Koreans agree that democracy is the best system of governance despite its flaws. However, perhaps reflecting the democratic backsliding in Korea documented by the V-Dem Democracy Index (also in 2023), only 34% of Koreans polled by Gallup said they believed their country was ruled by the will of the people.

All major political actors support a market economy, and South Korea is among the few countries where such an economy is explicitly protected by the constitution. Article 119 of the South 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."

The December 2024 imposition of martial law, albeit short-lived, was a reminder that even established democracies must remain vigilant against anti-democratic veto actors. In this case, the veto actors were President Yoon and a cohort of military, police and intelligence officials. Through the Martial Law Decree, Yoon and his allies sought to override – and nearly succeeded in overriding – key democratic institutions, including the National Assembly, the National Election Commission and the press. While various other actors were collectively able to avert a democratic crisis – for example, legislators who reacted quickly and heroically (some even scaled walls to enter the National Assembly) to vote to repeal martial law; troops on the ground who showed restraint in their interactions with citizens and legislators; and citizens who gathered at the National Assembly building to protest and obstruct the armed forces – the military coup could well have succeeded if citizens and legislators had acted less quickly or if the armed forces had obeyed orders (to block legislators by force) more proactively.

Consensus on goals



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Anti-democratic actors



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A further test of Korea's ability to contain anti-democratic veto actors will be the investigations and trials of President Yoon and his collaborators. As the review period closed, responsibility was shifting to the police, prosecutors and judges to demonstrate their capacity to hold these powerful actors to account fairly and neutrally (free of political bias).

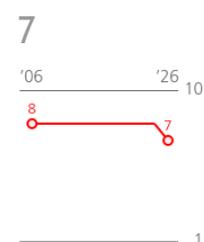
South Korea's political leadership is relatively effective in managing ethnic, social and regional conflicts (i.e., southeastern provinces tend to vote conservative and southwestern provinces vote liberal) to prevent violence. However, it is less successful in actively reducing cleavages. On the contrary, the two major political camps have fueled polarization and conflict in their attempts to gain political power. The progressive camp focuses on the conservatives' legacy of authoritarianism, military suppression and colonial collaboration. The conservative camp accuses progressives of being "communist" and of sympathizing with North Korea. The two sides fight tooth and nail over seemingly minor differences, each portraying itself as the defender of democracy. In recent years, hard-liners have been using deepfake videos and other media manipulation tools to depict their opponents as incompetent, corrupt, dangerous and evil.

The declaration of martial law revealed deep-seated cleavages between these two forces, and political leaders were quick to exploit the chasms to their advantage. Criticizing each other as "illiberal" and "anti-democratic," conservative and progressive forces alike continue to polarize the public and intensify social conflicts.

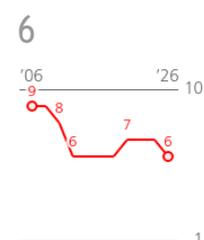
South Korea's civil society is among the most vibrant in the Asia-Pacific region. Civil society organizations (CSOs) and engaged citizens are active in monitoring the public and private sectors and holding them accountable. The 2016/17 protests against President Park, for example, illustrate a high level of political information and interest among the South Korean public.

However, the political leadership tends to be internally focused and less inclusive than it could be when consulting with and addressing the policy priorities of civil society. The conservative Lee and Park administrations were known for their top-down approach, and civil society groups largely lost their ability to influence the government. Civil society participation strengthened under President Moon, who emphasized transparency, communication with citizens and participation by civil society. He held frequent discussions with civil society groups and senior business leaders; introduced a presidential petition system requiring the government to address the topic of any petition signed by at least 200,000 citizens; and held deliberative democratic consultations to provide input on controversial policies in areas such as nuclear energy and university admissions. President Moon also appointed many former civil society activists to government positions and frequently drew on the expertise of civil society groups. The pro-business Yoon administration has reverted to more selective consultation practices, favoring big business over labor and other stakeholder groups. The Open Government Partnership's 2024 review of South

Cleavage /
conflict
management



Public
consultation



Korea's open government commitments found that the Yoon administration had rolled back public consultation channels such as participatory budgeting and a long-standing government-civil society consultation body.

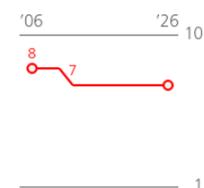
The history of colonialism, war and dictatorship continues to cast a shadow over South Korea, affecting domestic affairs and bilateral relations (especially with Japan). Nevertheless, numerous historical issues remain unresolved and, in some cases, politically manipulated. These include collaboration with Japan during the colonial period; events before and during the Korean War, such as the Jeju Massacre of 1948/49; and the authoritarian legacies of the Park Chung-hee (1961 – 1979) and Chun Doo-hwan (1980 – 1988) eras, particularly the Gwangju Massacre of 1980. The two major political camps use these issues to try to gain political and moral legitimacy. Conservative manipulation stokes Cold War fears of the communist enemy and paints government policies and officials they oppose as “red” (socialist). Progressive manipulation portrays their opposition as collaborators with the Japanese colonialists and/or military dictators. Both sides position themselves as moral defenders of democracy, fighting against the dangerous (if not evil) ideas of their opponents. This makes a broader societal reckoning with these historical issues difficult.

The crimes committed by the Japanese during colonial times, particularly the unresolved issue of forced labor and Korean sex slaves, weigh on bilateral relations. The prospect 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 unwillingness of the South Korean government to address alleged war crimes by Koreans committed during the Vietnam War remains problematic.

17 | International Cooperation

As one of the world's most advanced industrialized countries, 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 build its own capacity to provide technical assistance. South Korea strives to implement international standards in most areas, and best practices from other countries are systematically studied and applied.

Reconciliation
7



Effective use of support



South Korea is generally considered a credible partner by the global community. 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. In 2021, Korea ratified three ILO conventions, meaning it has now ratified nine of 10 fundamental ILO conventions.

South Korea rarely plays a leading role in international cooperation, but does play an active role in international organizations. For example, it contributes actively to U.N. peacekeeping missions and is a growing contributor to development cooperation. South Korea joined the OECD Development Assistance Committee (DAC) in 2009. Like other donors, South Korea has been slow to increase its ODA spending in line with the U.N. goal of 0.7% of gross national income. Nevertheless, in 2024, ODA spending increased by 31% compared with 2023. This also puts South Korea ahead of its own schedule of doubling ODA by 2030.

Furthermore, South Korea is committed to the Sustainable Development Goals (SDGs) and has signed the Paris Agreement to reduce greenhouse gas emissions. However, South Korea cannot be considered a leader in these fields, because its own national sustainability and emissions-reduction goals are underwhelming. The 2021 Framework Act on Low Carbon, Green Growth enshrines the goal of carbon neutrality by 2050 in the country's legal framework, but the road map to reach this point remains unclear. In 2023, the Yoon administration published the blueprint for achieving carbon neutrality and green growth. It maintained the target of a 40% reduction by 2030, but it weakened industry's contribution while increasing contributions from controversial offsetting measures. Both this target and the steps being taken to reach it have been considered highly insufficient by observers such as Climate Action Tracker.

Following the inauguration of President Yoon, South Korea's relationships with China and North Korea in particular worsened, while relations with Japan and the broader Association of Southeast Asian Nations (ASEAN) arguably improved. Relations with the North deteriorated significantly, particularly regarding propaganda exchanges. North Korea also escalated tensions by sending troops to fight for Russia against Ukrainian forces in the Kursk region. On the other hand, conflicts over Japanese crimes during its colonial occupation of Korea have played a smaller role in the two countries' relations, and diplomatic ties have improved. In 2024, the ASEAN-Republic of Korea Comprehensive Strategic Partnership was signed. South Korea is also an important member of ASEAN+3 and the Regional Comprehensive Economic Partnership (RCEP).

At the same time, as regional tensions intensify, South Korea has contributed to the arms race. The country has maintained its position as the globe's 10th-largest arms exporter, according to the Stockholm International Peace Research Institute (SIPRI). East Asia still lacks a comprehensive peace and security architecture that could prevent conflicts from escalating.

Credibility

8



Regional cooperation

8



Strategic Outlook

As the review period closed, the most pressing short-term challenge for South Korea was the ongoing impeachment process. If the Constitutional Court upholds the impeachment as expected, there will be a presidential election in summer 2025. Most likely, the Democratic Party (DP) would win the election, creating a strong majority for a newly elected president at least until the next parliamentary election in 2028. However, this is not guaranteed, as the DP lacks a popular candidate. In any case, the opposition should use the time until then to prepare constitutional reform to restrain excessive presidential powers or even to switch to a cabinet system. If the Constitutional Court overrules the impeachment motion, President Yoon will be reinstated, and the confrontation between him and the opposition will most likely intensify. At present, it is difficult to imagine which political forces could push the president to embrace the necessary compromises with the opposition parties controlling the parliament.

Further legislative gridlock would leave South Korea in a difficult position amid multiple challenges, including the threat from North Korea, the global economic context and the green transition. Worsening relations with North Korea remain the biggest security challenge. Relations with North Korea also have strong political ramifications. Provocations such as missile tests and direct North Korean military support for Russia are clear signs that the regime in the North believes a confrontational approach with the South is benefiting it. Within South Korea, provocations from the regime in the North could be used as an excuse to crack down on the Democratic Party or progressive activists, or even to stage a second attempt to declare martial law. Regardless of who is president at the end of 2025, it is important, though unlikely, that the frozen conflict with the North ultimately be transformed into a peace treaty or at least a formal end-of-war agreement. As South Korea relies on U.S. troops to defend itself against the North, it is also vulnerable to pressure from the United States to make economic concessions, or at least to purchase more U.S.-made weapons. At the same time, Korea is well aware of its strategic importance to the United States in that country's global rivalry with China.

Economically, South Korea faces major challenges as China's economy continues to struggle, and as the United States becomes more protectionist under President Donald Trump. Korean companies will have to globalize their production while investing less domestically. The country needs to reduce its dependence on exports and expand its markets, particularly in Southeast Asia, by fostering cooperation in the region. In the longer run, much will depend on how South Korea increases stagnant labor-market participation rates, particularly among women. Labor migration might help compensate for this, but both approaches remain somewhat at odds with a prevailing conservative culture that favors ethnic homogeneity and the traditional family. To reduce social tensions and smooth the transition to a more service-oriented economy, South Korea also needs to strengthen its social welfare system and support lifelong learning.

While Korean companies are producing many of the products needed for the green transition, and are leading in the areas of EVs, batteries and hydrogen-related technologies, Korea itself remains a laggard in the green transition. Its domestic renewable energy share is the lowest in the OECD, and environmental concerns play little role in elections. While Korea supports international climate agreements and hosts the Green Climate Fund (GCF), the world's largest dedicated climate fund, it has to date shown little leadership in advancing international agreements tackling climate change. Given its role as the 11th-largest emitter of CO₂ globally, Korea needs to become more active both in reducing domestic emissions and in supporting countries in the Global South through the GCF and other financing mechanisms.