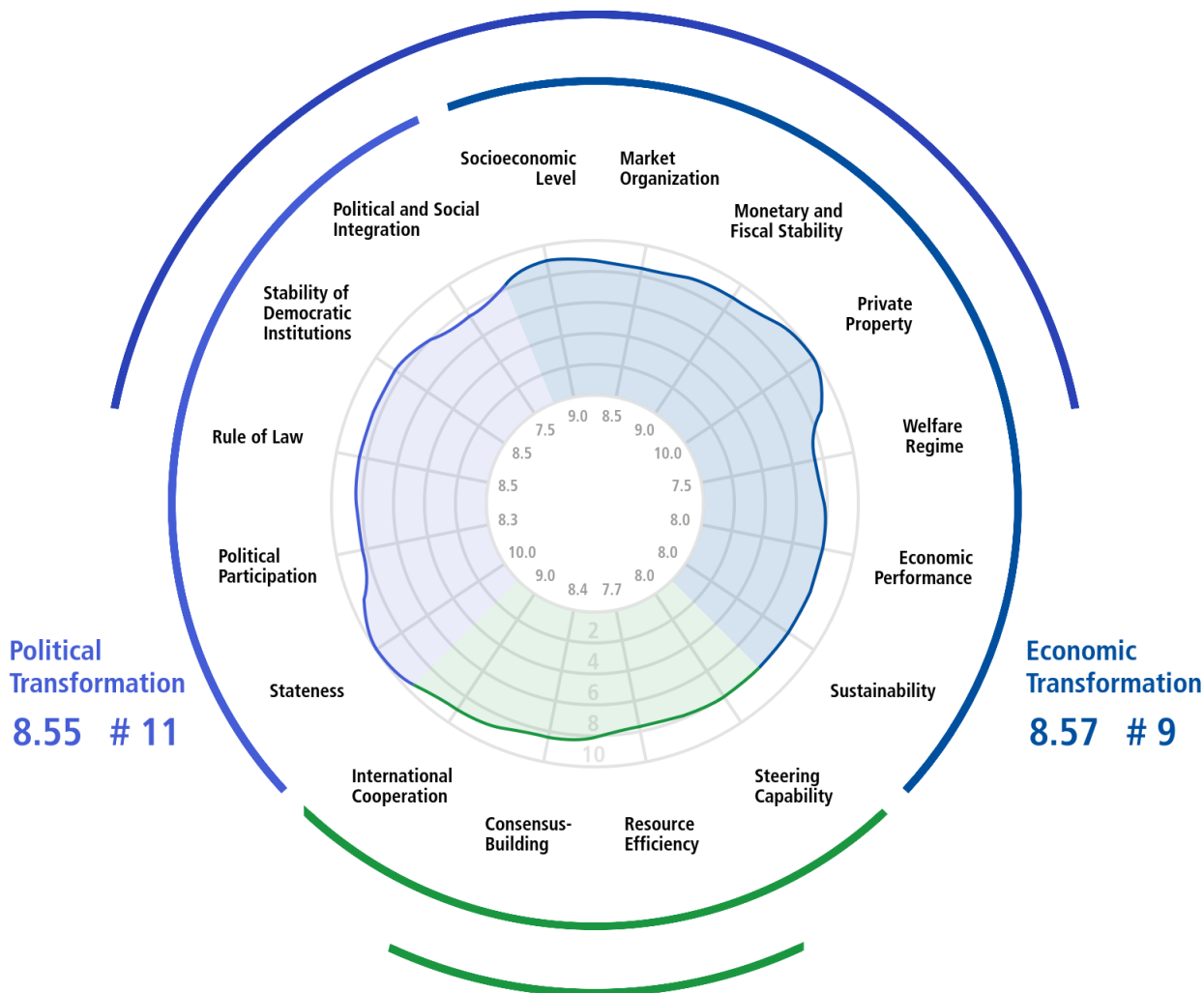


South Korea

Status Index

8.56 # 10

on 1-10 scale out of 137



Political Transformation
8.55 # 11

Economic Transformation
8.57 # 9

Governance Index

6.79 # 10

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. 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	51.6	HDI	0.925	GDP p.c., PPP \$	50070
Pop. growth ¹	% p.a.	-0.2	HDI rank of 189	19	Gini Index	31.4
Life expectancy	years	83.5	UN Education Index	0.876	Poverty ³	0.5
Urban population	%	81.4	Gender inequality ²	0.067	Aid per capita \$	-

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. 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

The period under review was shaped by two major developments. The first half of the review period continued to be dominated by responses to the COVID-19 pandemic, while the presidential election in March 2022 and the subsequent change in government dominated the second half of the review period.

The Republic of Korea (South Korea) performed comparatively well during the COVID-19 pandemic. This relative success can be attributed to a combination of factors. First, South Korea has relatively few ports of entry, making it easier to restrict international travel. Second, quarantine rules were strictly enforced. Third, South Koreans are accustomed to wearing masks, particularly in response to fine dust pollution and the 2015 outbreak of the MERS virus. In general, Koreans are also willing to follow government guidelines, even if the guidelines are not legally binding. Fourth, the health care sector in South Korea is relatively well-developed and universal health insurance ensures that all those who become sick receive treatment. Fifth, although the COVID-19 vaccination campaign began slowly, it ultimately proved highly successful. With an 86% vaccination rate, South Korea now ranks among the highest in the world. Sixth, due to the absence of a complete lockdown and the government's swift adoption of a large stimulus package, the economic consequences of the COVID-19 crisis were relatively small compared to other countries. However, the full social costs of the crisis remain unknown. Since South Korea has a significant portion of irregular, precarious and self-employed workers, the true social costs of the crisis are only likely to emerge in the coming years. In terms of structure, the South Korean economy was well-positioned to meet the surging demand for IT products during the COVID-19 crisis, although its heavy reliance on fossil fuels remains a vulnerability.

Despite South Korea's reliance on fossil fuels, however, the effects of Russia's invasion of Ukraine and the subsequent increase in energy prices on consumers have so far been limited. While overall inflation in South Korea has increased and interest rates have risen, the effects are less severe than in other countries for two main reasons. First, the majority of the gas and oil used in South Korea is sourced from the Middle East and the United States. Only approximately 5% of the gas and 6% of the oil comes from Russia, and all the gas is delivered through flexible LNG

terminals rather than pipelines. In fact, South Korea is a leading player in the transportation and processing of LNG. Second, the energy sector in South Korea is mainly controlled by state-owned companies that have absorbed some of the increase in global market prices, partially shielding consumers. However, a downside to this approach is that energy conservation has been a very low priority for both consumers and the government.

In March 2022, South Korea elected a new conservative president, Yoon Suk-yeol. Yoon gained popularity as a prosecutor when he stood up against former conservative President Park and the more liberal President Moon. As a political outsider, Yoon relies heavily on staff and experts who served under previous administrations, particularly the conservative Lee Myung-bak administration. Politically, President Yoon is strongly conservative and pro-business. He claims to want to reduce state interventions, regulations and the corporate tax rate. He is particularly harsh in his critique of labor unions, and the previous administration's reduction of the maximum weekly working hours and increase in the national minimum wage. At the same time, he represents a generational change in the Conservative Party. The old generation, which retains a strong connection to the country's dictatorship and refuses to acknowledge the historical role of the democracy movement, is gradually retiring.

As his Conservative Party lacks a parliamentary majority, President Yoon will face significant challenges in implementing major reforms. Furthermore, given the constitution's strict limit of a single five-year presidential term, he must navigate negotiations and seek compromises, or rely on winning the 2024 parliamentary elections to advance his agenda. Yoon's domestic reform agenda will undoubtedly encounter strong resistance from the Democratic Party majority in the parliament, yet he has already shifted away from the previous administration's foreign policies. While the Moon administration (unsuccessfully) pursued relations with North Korea, Yoon has adopted a more confrontational stance and pledged to strengthen ties with the United States, South Korea's key ally, as well as with Japan. Particularly in relation to Japan, where relations reached an all-time low under the previous administration, the contentious issue of Japan's colonial occupation of South Korea looms large. In the wake of Russia's invasion of Ukraine, although not a pressing concern for South Korea, both administrations have condemned the attack and, albeit reluctantly at first, supported international sanctions. 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 fall short of expectations. Under the Paris Agreement, the binding, nationally determined contributions commit to a mere 24.4% reduction by 2030 compared to 2017 levels. With over four years left in office, Yoon's concrete political agenda remains ambiguous and awaits clarification.

History and Characteristics of Transformation

The Republic of Korea (South Korea) has been very successful in economic development since the 1960s and in democratization since the 1980s. The foundations of successful economic development, as well as the causes of many economic, social and political challenges, can be found in the authoritarian regimes of President Park Chung-hee (1961 – 1979) and President Chun Doo-hwan (1980 – 1988), both former generals. Socioeconomic modernization facilitated democratic change in the late 1980s, and, after decades of struggle against Japanese colonialism and authoritarian rule, South Koreans successfully overthrew the military dictatorship in 1987. Nevertheless, the military-backed political party under General Roh Tae-woo won the presidential race in the first elections held in December 1987. In the 1993 elections, Kim Young-sam formed a coalition with the ruling party and was the first civilian elected president after three decades of military dominance in politics. During his term (1993 – 1998), democratic reforms continued, including in the areas of civil-military relations, electoral politics and the judicial system. The election of former dissident Kim Dae-jung as president in December 1997 marked a significant milestone, demonstrating that all relevant forces had been integrated into the political system. Kim Dae-jung is given particular credit for managing the successful recovery from the Asian financial crisis (1997 – 1998) and engaging with North Korea as part of his Sunshine Policy. In 2003, former labor lawyer Roh Moo-hyun became president. Roh tried to deepen democracy by strengthening human rights, improving civil society participation, and reforming deeply conservative institutions such as the judiciary and education system. He also continued the process of economic liberalization, negotiating controversial preferential trade agreements with the United States and the European Union. Ultimately, Roh failed to deliver on many of his promises and was criticized for presiding over declining growth rates and increasing inequality. In 2007, the conservative Lee Myung-bak, a former CEO of a construction company turned mayor of Seoul, easily won the presidential election by promising a return to high growth rates. After 10 years of progressive rule, a new chapter in South Korea's democratic development was opened with the return to a conservative government. During his tenure, Lee was criticized for his top-down approach, and restrictions on the press and freedom of expression. While he has been credited with managing the global financial crisis (2007 – 2008) relatively well, he was also criticized for his one-sided support of big business and the controversial Four Rivers project. In December 2012, the conservative Park Geun-hye, daughter of former President Park Chung-hee, was elected president on a platform of economic democratization and welfare. However, she failed to deliver on her promises. In addition, she was criticized for her authoritarian governing style, botched staff appointments and human rights infringements. After several top-level corruption scandals led to massive street protests, President Park was impeached by the parliament in 2016, and the current president, Moon Jae-in, was elected in May 2017. Both former presidents, Park and Lee, are serving long prison sentences for corruption. President Moon of former President Roh's Democratic Party won the election following Park's impeachment, constituting the second loss of power by the Conservative Party since the election of Kim Dae-jung in 1997. While the Moon administration successfully managed the COVID-19 crisis, the administration will also be remembered for its unsuccessful

engagement policies with North Korea, and the missed opportunities to achieve more comprehensive social and liberal reforms, despite the historic opportunity presented by the Democratic Party's parliamentary majority.

Economically, South Korea's transformation from a protectionist and state-directed developmental state to a more open and market-oriented economy is progressing slowly. Both the legacy of the developmental state and the state's close relationship with big business conglomerates (chaebol) remain strong and continue to shape the South Korean economy. Significant strides toward liberalization were taken in the 1980s, early 1990s and after the Asian financial crisis. Policymakers followed a sequence of measures promoting industrialization and global market integration. This involved strategic planning, government guidance of domestic economic actors, and a selective approach to foreign direct investment and imports, all of which constituted key elements in the state-led industrialization policy implemented from the 1960s onward. A legacy of South Korea's late and "condensed" industrialization persists in the influential position of chaebols, which have dominated economic activity ever since the 1970s and continue to impede competition.

In its foreign relations, South Korea has focused on its main adversary, North Korea, along with the strong military presence of its main ally, the United States. Historically, South Korea has been a rather inward-looking country. However, over the last two decades, it has become increasingly involved in global and regional international institutions, such as the United Nations, World Trade Organization (WTO), G-20, OECD, RCEP and the ASEAN Plus Three process.

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

Transformation Status

I. Political Transformation

1 | Stateness

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

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

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

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

Question
Score

Monopoly on the
use of force

10



State identity

10



No interference of
religious dogmas

10



The administrative structure of the South Korean state is highly differentiated. The state provides all basic public services throughout the country. The administration is efficient. Civil servants are highly qualified and selected through a rigorous entrance exam. South Korea is a centralized state, and local administrative bodies depend significantly on the national level for financial and administrative support, though mayors, governors and local council members are locally elected every five years. Attesting to the strength of the administrative system, there have been no significant COVID-19-related disruptions of basic public services. From the beginning of the pandemic, the government has been able to mobilize the public administration to ensure testing, tracing and quarantine enforcement. This has often been achieved by drafting civil servants to work overtime, which might not be a desirable and sustainable strategy in the long run. After a slow start to the vaccination program due to a failure to assign clear responsibility for vaccine procurement, South Korea rapidly and efficiently rolled out vaccinations, and now has one of the highest vaccination rates (86%) in the world.

Basic
administration

10



1

2 | Political Participation

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

Free and fair
elections

9



1

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

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

Social media is changing this landscape. On the one hand, it is an influential and equalizing means of public communication for all candidates and parties. On the other hand, social media is being used to illicitly interfere in elections. In 2017, the Korean National Intelligence Service (NIS) was found guilty of using social media to support President Park’s election in 2012. In 2018, the Democratic Party (DP) expelled two

of its members for 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.

South Korea's March 2022 presidential and June 2022 local elections are widely acknowledged to have been successfully, fairly and safely administered. That said, the presidential election was not only the tightest election in South Korea's history but was also marred by mudslinging and politically motivated investigations, which skirt the line of "fair" election practices. Regarding parliamentary elections, South Korea's first-past-the-post system decisively advantages large, established parties. Originally, an election reform in 2019 aimed at compensating smaller parties for the disadvantage. However, in practice, the reform worsened the situation because – in a legally dubious move – former members of major parties created satellite parties to benefit from the new election system. Further reform of the electoral system is needed to better align voters' preferences with the allocation of representative seats.

Elected rulers have the effective power to govern. There are no anti-democratic veto powers whatsoever. This also includes the ROKAF, which dominated South Korean politics from 1961 to 1987.

Effective power to govern

10



The freedoms of association and assembly are guaranteed and, in principle, respected, although some 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 if they are deemed to be "pro-North Korea." The very loose definition of pro-North Korea poses a persistent risk that it could be misused to suppress opposition to government policies.

Association / assembly rights

7



Demonstrations in South Korea require prior approval, which can be hard to obtain. In practice, many demonstrations are declared illegal, sometimes due to minor issues such as the obstruction of traffic. The need to contain COVID-19 led to some restrictions, and bans on public demonstrations and other gatherings (e.g., church services) were even imposed during the review period. Several groups, particularly those on the right of the political spectrum, accused the government of using public health as a pretext to ban anti-government demonstrations.

Labor unions continue to face considerable challenges when 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. In 2018

and 2019, respectively, the Korean Government Employees Union (KGEU) and the Korean Teachers and Education Workers Union (KTU) were reinstated after losing their official status for allowing dismissed employees to retain their memberships. In December 2020, the National Assembly passed several major revisions to labor laws. These revisions included strengthening 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). This set the stage for the Moon administration to ratify three of the 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.

Labor unions are likely to lose ground under the pro-business Yoon administration. The Yoon administration took a hard-line approach to the June and November 2022 truck drivers' union strikes, which demanded minimum freight rates, labeling the strikes "illegal." In September 2022, President Yoon and his People Power Party (PPP) came out against a set of bills proposed by progressive lawmakers that would limit the ability of companies to seek strike-related compensation. In December 2022, PPP lawmakers proposed a set of bills that would tighten auditing and accounting requirements for labor unions. Both the more progressive KCTU and conservative FKTU (the two largest umbrella labor unions in South Korea) have criticized Yoon's labor union reform efforts, with FKTU raising concerns that Yoon's tactics signal a "return to politics of force, using the knife of the investigative authorities."

On a more positive note, in 2020, the National Assembly stripped the NIS of its authority to conduct criminal investigations into violations of the National Security Law (effective 2024). In 2022, the incoming Yoon administration also announced that it would decriminalize access to North Korean media. However, it remains to be seen if this will entail a further loosening of the National Security Law.

Overall, South Korea maintained its position as one of the few successful democracies in East Asia. It led the region's rankings in the areas of press freedom and liberal democracy. Indeed, it was the only Asian country ranked in the top 10% of the 2022 V-Dem Liberal Democracy Index, and its liberal democracy score was higher than more than half of OECD members. In general, the frequency of state infringements on political rights declined under the Moon administration. Meanwhile, the Yoon administration has been vocal about its commitment to freedom and liberal democracy, though its treatment of the press has so far raised red flags (see Q2.4 Freedom of expression).

The freedoms of expression, press, science and art are constitutionally guaranteed. They are generally respected in practice, but there are some infringements. Reporters Without Borders, for example, has criticized the politically affiliated process through which managers at public broadcasters are appointed. Major media outlets are politically biased – with the largest and longest-running outlets aligned with conservative parties.

Another major restriction is the National Security Law’s (NSL) criminalization of pro-North Korea speech and activity (real or perceived). North Korean TV and radio programs are actively blocked, and North Korean newspapers are not permitted to be sold in South Korea. However, the new Yoon administration announced in 2022 that it would decriminalize access to North Korean media. The NSL has been used to prosecute individuals who advocate for positions that are seen to favor communist North Korea. The NSL has also led to a degree of self-censorship among the media and other actors.

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

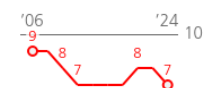
Having learned from the MERS outbreak – during which fake news spread rapidly – South Korea has been relatively successful at providing accurate, credible, and timely information via the Korea Centers for Disease Control’s Office of Risk Communication. There was little politicization of official COVID-19 information by the media, and KCDC data seems highly regarded as trustworthy, neutral, and evidence-based. It remains a concern that laws against fake news and the extensive interpretation of defamation in South Korea, which includes truthful statements, limit press freedoms and encourage self-censorship.

Under the progressive Moon administration, South Korea significantly improved press and internet freedoms. Reporters Without Borders ranked South Korea 43rd out of 180 countries in 2021, the highest score among Asian countries. This was a vast improvement from its all-time low ranking of 69th and 70th during the conservative Lee Myeong-bak and Park Geun-hye administrations.

Some are concerned that Yoon will follow his fellow conservatives (Lee and Park) in rolling back press freedoms. Since his inauguration in May 2022, Yoon has been accused of sidelining “leftist” media outlets, for example, by not affording them equal access to presidential briefings and, in one instance, barring a media outlet (MBC) from the presidential plane. More worryingly, the Yoon administration has used “protection of the national interest” as a justification for retaliating against media outlets. For example, the Yoon administration has accused MBC of disseminating fake news and harming the national interest by reporting that Yoon had been

Freedom of
expression

7



1

overheard using offensive language during an official international event. The International Federation of Journalists has expressed concerns over the presidential office's treatment of MBC, saying that this sets "a dangerous precedent." Violent threats against MBC journalists have ensued. This led to a joint statement by the Korea Broadcasting Journalist Association, National Union of Media Workers, Journalists Association of Korea, Korea Producers and Directors Association, Korea Video Journalist Association, and Korea Broadcasting Engineers and Technicians Association, among other groups. In the statement, they expressed concern that the Yoon administration's "continued attacks to suppress the media" incited "threats of terrorism and murder against a journalist by [the administration's] extremist supporters." The joint statement even likened Yoon's tactics to Russia's "mobilization of regime supporters as a means to tame critical media."

South Korea has open government and freedom of information laws and institutions in place. However, public institutions are not very proactive in providing information.

3 | Rule of Law

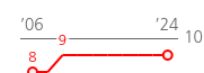
There is a clear separation of powers with mutual checks and balances. South Korea's constitution grants substantial powers to the executive in general and the president in particular. Most observers agree that the South Korean presidential system is a paradigmatic example of an "imperial presidency,"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

The judiciary is generally able to check the power of the executive, and the Constitutional Court in particular has earned some reputation for its independence. However, many experts call for additional reforms to decentralize power away 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.

Throughout his tenure, President Moon took steps to strengthen the rule of law, including by "completely separat[ing] powerful institutions from domestic politics and install[ing] systems to make any such institutions unable to wield omnipotent power." In December 2020, the National Assembly adopted three legislative reforms to this effect. These included a major reform of police law that introduces a local autonomous police system and allows for the establishment of a national investigation office; a revision of the National Intelligence Service Act, which strips the National Intelligence Service of its authority to conduct criminal investigations into violations of the National Security Law; and the introduction of a bill establishing the new Corruption Investigation Office for High-ranking Officials (CIO).

Separation of powers

9



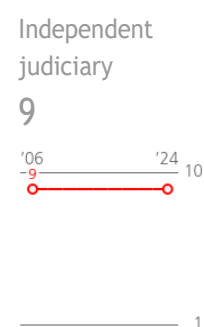
1

The establishment of the CIO was part of Moon’s efforts to check the power of the Supreme Prosecutor’s Office, while also preventing it from interfering in politics. Prosecutors in South Korea lead the investigation of criminal cases and have considerable flexibility in deciding whether to prosecute a suspect or not. Unlike judges, prosecutors are not independent, and there have been cases in which they have used their power to harass political opponents. Typically, prosecutors appear more reluctant to investigate acting government officials (with whom they are politically aligned) than the representatives of previous governments. Under President Yoon – who fought Moon’s prosecutorial reform efforts in his former capacity as prosecutor general – the minister of justice has reinstated investigative powers that were stripped from the Prosecutor’s Office. Meanwhile, the fate of the CIO, which was intended to be independent from the Prosecutor’s Office, remains to be seen.

The South Korean judiciary is highly professionalized and independent, though not completely free from governmental pressure. In particular, since its establishment in 1989, the Constitutional Court has become a very 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, on the other hand, is responsible for reviewing ministerial and government decrees. However, there have been cases in the past where the Supreme Court sought the authority to adjudicate on the constitutionality of acts that had minimal connection to ministerial or government decrees. This has interfered with the Constitutional Court’s authority, which has 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 defending political liberties relating to the security threat posed by North Korea. One development to follow is the Constitutional Court’s review of the constitutionality of the National Security Law, which began in September 2022 in response to 11 petitions lodged by individuals and district courts.

Following the civil law tradition, prosecutors in South Korea are not independent. Instead, prosecutors are civil servants who are hierarchically organized and prone to political influence. Efforts to reform the Prosecutor’s Office dominated the justice sector throughout the Moon regime. Two justice ministers (Cho Kuk and Choo Mi-ae) during the Moon administration unsuccessfully pursued this priority. Having been chosen expressly to lead this reform, former Justice Minister Cho was forced to resign after only a few weeks in office after the Supreme Prosecutor’s Office turned the table and charged several members of Cho’s family with corrupt and illicit activities. His replacement, Minister Choo, resigned after failing to remove Prosecutor General Yoon Suk-yeol from office for fraud, bribery and other corrupt activities.



Moon's key prosecutorial reform successes were to move some investigative authorities to the police, and to establish the new Corruption Investigation Office (CIO) to investigate and prosecute high-ranking officials. The Yoon administration has reversed the former reform, and it is likely to dissolve or weaken the CIO in favor of the Prosecutor's Office.

Several institutions hold politicians and public servants accountable and penalize 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 both during and after their time of public employment. The Kim Young-ran Act has curbed Korean gift-giving traditions. Most recently, the Moon administration shifted the power to prosecute high-ranking public officials from the Prosecutor's Office to the new Corruption Investigation Office (CIO). With the election of former Prosecutor General Yoon as president in 2022, the CIO is likely to be dissolved or weakened in favor of the Prosecutor's Office.

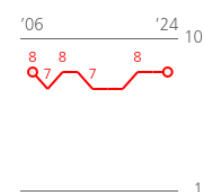
As seen during the protests against President Park, the Korean public, civil society organizations, and the media are vigilant and ready to protest top-level abuses of power effectively. Courts have also been tough on those involved in corruption scandals, handing down prison sentences to many involved, including the former presidents, Park Geun-hye and Lee Myung-bak, and the governor of the South Chungcheong Province (convicted for sexual assault).

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 Vice Chairman Lee Jae-yong. During his first months in office, President Yoon has pardoned former President Lee Myung-bak.

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 0.73 (on a scale of 0-1) on the World Justice Project Rule of Law Index since 2016, it has scored relatively poorly for government corruption (0.67).

Prosecution of
office abuse

8



1

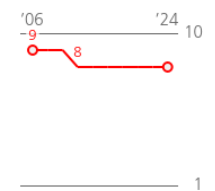
Basic civil rights are protected by the constitution. Courts have been reasonably effective in protecting civil rights, and a Human Rights Commission was established in 2001. The Korean Supreme Court accepted “conscience or religious beliefs” in 2018, and the government is slowly starting to offer a civil-service alternative for conscientious objectors to military service. A moratorium on executions announced in 1998 remains in place, although attempts to completely abolish the death penalty in the parliament and the Constitutional Court have thus far failed. In April 2019, the Constitutional Court strengthened women’s rights, ruling that South Korea’s 65-year ban on abortion was unconstitutional. In October 2021, stronger workplace harassment penalties were adopted, and beginning in 2022 employees will for the first time be able to petition the Labor Relations Commission for relief and damages in gender discrimination and sexual harassment cases.

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 relatively effective performance of the courts in protecting these civil rights, South Korea’s lack of a comprehensive anti-discrimination law remains an obstacle to realizing these constitutional rights. In fact, discrimination remains a major problem in South Korea for groups as diverse as women, migrants, people with disabilities, LGBTQ+ people and North Korean defectors.

Women are still underrepresented in the labor market, comprising only 43% of the labor force, despite having an average education level similar to that of men. The Global Gender Gap Index for 2021 ranks South Korea 102nd out of 156 countries evaluated. The gender pay gap remains the largest in the OECD, and the COVID-19 shock disproportionately affected female workers, as they outnumber men in the service sector and in irregular jobs, the areas most affected by the pandemic. In terms of leadership positions, the proportion of women in managerial positions in state-funded and large private companies was 19.8% in 2019, while 19% of National Assembly seats are held by women, both rates below the global average. Gender equality advocates are concerned that women will lose further ground under the Yoon administration. Yoon’s campaign included appeals to anti-feminist male voters. Yoon denies that there is systemic gender discrimination in South Korea, blames feminism for South Korea’s low birthrate and, in October 2022 (as promised during his campaign), announced the dissolution of the Ministry of Gender Equality and Family. Discrimination against irregular workers, North Korean defectors and ethnic Koreans from other countries (principally China) remains widespread. According to a study by the National Human Rights Commission of Korea, half of North Korean defectors in South Korea have suffered from discrimination. Discrimination against migrants intensified during COVID-19, as migrants were excluded from disaster relief payments and services (e.g., the provision of subsidized masks) that the government extended to all South Korean nationals. These groups are particularly vulnerable to discrimination and abuse in the workplace. Advocates have called on the South Korean government to ratify ILO Convention No. 190 on ending workplace harassment and violence.

Civil rights

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While courts have strengthened some rights for the LGBTQ+ community, the government has failed to take decisive action to reduce systemic discrimination. In April 2022, the Supreme Court overturned the convictions of two men who had been prosecuted under Article 92-6. This decision set a positive precedent for protecting homosexuals serving in the military, while the courts continue to review the overall constitutionality of Article 92-6 of the Military Penal Code, which criminalizes sexual relations between members of the same sex within the armed forces. On the other hand, in January 2022, a Seoul court ruled against a homosexual couple who had sought spousal health insurance benefits.

For the 11th time since 2007, the National Assembly is considering a comprehensive anti-discrimination law that would prohibit discrimination based on gender, disability, medical history, age, origin, ethnicity, race, skin color, physical condition, marital status, sexual orientation and gender identity. Despite widespread public support for such a law and the backing of then-President Moon, the National Assembly Legislation and Judiciary Committee had not completed its review by the original November 2021 deadline. It has extended the review period to May 2024.

4 | Stability of Democratic Institutions

South Korea's democratic institutions are generally effective, though the impeachment of President Park has raised questions whether the massive power held by the president undermines the performance of government overall, as policy framing and implementation depend on a strong and capable president.

For example, during the COVID-19 pandemic, the centralized system meant that South Korea could react swiftly in the initial phases. Regular meetings of the Central Disaster and Safety Countermeasures Headquarters (CDSCHQ) meetings, which brought together representatives of all relevant ministries, and 17 provinces and major cities, were held to ensure a cohesive national approach to combating the spread of COVID-19. These meetings facilitated regular coordination among high-ranking officials from central and local governments, which was crucial for identifying problems, overcoming obstacles and devising solutions. The regular meetings supported a concerted implementation process and the effective allocation of central government resources, enabling rapid local adaptation to changing circumstances when necessary. Attesting to the strength of the system, there were no relevant COVID-19-related basic public service disruptions. Since the beginning of the pandemic, the government has mobilized public administration effectively to ensure testing, tracing and quarantine policies were enforced. While COVID-19 necessitated emergency measures (e.g., the temporary suspension of personal data privacy and association rights), these have been implemented in accordance with relevant laws and by the appropriate, designated authorities. The executive and other branches of government have functioned effectively and within their designated authority.

Performance of democratic institutions

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At the same time, the hierarchical structure became problematic in areas where President Moon showed little leadership, such as the rollout of vaccinations. More recently, concerns have been raised that the Itaewon crowd disaster (during which more than 150 people died) could have been avoided or mitigated if police trained in crowd control had been deployed to Itaewon rather than to an anti-government protest as directed by the Yoon administration.

Executive power is concentrated in the president's hands. 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." The president has the authority to and often does rearrange, merge and abolish ministries according to his or her agenda. For example, President Moon created the Ministry of SMEs and Startups; renamed the Ministry of Science, ICT and Future Planning as the Ministry of Science and ICT; and merged the National Security Agency and the Ministry of Public Administration and Security to form the Ministry of the Interior and Safety. President Yoon dissolved the Ministry of Gender Equality and Family. That said, South Korean staff within bureaucracies are highly trained and competent, which helps ensure a degree of continuity. Conflicts between ministries are frequent but do not substantially affect overall policymaking in high-priority policy areas due to the coordinating role of the president's office. Key issues that hold a high priority for the president can be effectively coordinated among relevant ministries, while areas that are not prioritized by the president tend to exhibit departmentalism and fragmentation.

The performance of the parliament is hampered by the National Assembly Advancement Act of 2012. The act requires the consent of three-fifths of lawmakers serving on parliamentary committees before a bill can be brought to a vote in the plenary and limits the power of the assembly speaker to bring a bill to a vote. The legislation was intended to prevent the majority party from unilaterally passing controversial bills using its majority. However, this means that without cooperation between the ruling and main opposition parties, or a significant defection from the opposition bloc, the ruling party is incapable of passing legislation.

Another performance-related problem is the lack of independence accorded to local governments, as they depend on the central government for revenues. Financial independence ratios of provinces and municipalities steadily decreased over the past decade. The central government often uses its leverage to intervene in local affairs. President Moon committed to, but was ultimately unable to achieve, boosting the financial independence and administrative authority of local governments and fostering balanced national development.

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

While COVID-19 has necessitated emergency measures – such as the temporary suspension of personal data privacy and association rights – these are being implemented in accordance with relevant laws and by the appropriate/designated authorities. The executive and other branches of government are functioning effectively and within their designated authorities.

5 | Political and Social Integration

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

Local party offices are forbidden by law, contributing to the fact that parties have only weak grassroots connections. Regional fragmentation is another big problem, with the ruling party dominating the southeastern region and the opposition party dominating the southwest. On the other hand, ideological fragmentation and polarization is limited in the sense that political positions in most policy fields are flexible and change according to public opinion. One of the few fields characterized by significant ideological polarization is policy toward North Korea.

The reform of the parliamentary election process, which was passed in late 2019, was intended to strengthen parties organized around political goals. While the intention to strengthen proportional representation in parliament was laudable, the reform inadvertently exacerbated the situation because – in a legally dubious move – former members of major parties established satellite parties to exploit the advantages of the new election system. Further reforms are needed to ensure a more accurate reflection of voters’ preferences in the allocation of representative seats.

While ideological polarization is limited, the two major political camps remain unforgiving in their struggle over political power and moral legitimacy. For the Democratic Party, the Conservative Party represents the legacy of military rule. Meanwhile, the Conservative Party suspects the Democratic Party of sympathizing

Commitment to democratic institutions



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Party system



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with North Korea. The two political camps fight tooth and nail over seemingly minor differences, each portraying themselves as the defenders of democracy against the dangerous (if not evil) ideas of the opponent (Kim 2020; Shin 2020). For example, some members of the then-opposition characterized the pandemic disaster relief allowance not only as wasteful but as socialist (Kim and Kim 2020). For its part, the Democratic Party has been keen to discredit the Conservative Party by associating it with its history of military rule and colonial collaboration. As most South Koreans identify themselves as “moderately progressive” (38%) or centrist (32%), both sides seem to believe they can benefit from branding their opponents as extremists (Kim 2020). Given this “us against them” mentality, South Korea’s National Assembly is notorious for political gridlock.

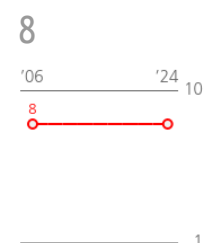
South Korea has a lively civil society with an average range of interest groups reflecting most social interests. There is a growing number of civil society organizations (CSOs) with clear-cut political, religious, humanitarian, social and economic agendas. Personal networks link former pro-democracy and human rights activists within civil society and the political system. The Moon administration drew substantially on CSO staff for government positions. While this generally strengthened the importance of civil society, it also undermined civil society’s ability to criticize the government due to the important role of personal loyalty in South Korea.

Moreover, some powerful interests enjoy privileged access to the corridors of power. Business is well represented by networks of interlocking and expertly staffed interest groups. Labor unions are traditionally much weaker and lack the same kind of access to the government. Under the Park government, major business organizations supported by large conglomerates had significant influence over the formulation of policies. Under the Moon administration, the influence of business groups remained strong, though somewhat balanced by labor union interests. Under the Yoon administration, business interests are again expected to be prioritized.

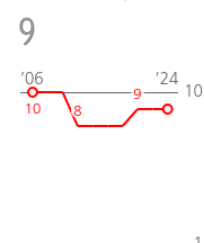
After overcoming a military dictatorship through a democratic revolution in 1987, South Koreans have been engaged in a long struggle to achieve and deepen democracy. They regard this process as a major historical achievement and a source of pride. General approval of the democratic system is very high.

Approval of specific democratic institutions is much weaker than general support for democratic values. According to the World Value Survey (2017 – 2022), more than 70% of South Koreans think that having a democratic political system is very good or fairly good, while 73% of people would participate in civil society movements to protect democracy. However, only 20.7% of South Korean respondents in the same survey had confidence in the parliament and 24.5% in political parties. On the other hand, confidence in the government, civil service, military, police and particularly the courts is much higher (greater than 50%).

Interest groups



Approval of democracy



Reflecting the general vibrancy of South Korea’s civil society, there are many voluntary associations engaged in self-help activities. A substantial number of these groups are linked to religious organizations. 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 that “most people can be trusted,” while 67.1% agreed with the statement that you “need to be very careful” when it comes to dealing with other people. Another survey – the Korean Academic Multimode Open Survey (KAMOS) – reports declining social trust in all domains (society, people, central government, local government, parliament, judiciary, business, press, civil society groups and religious organizations) between 2016 and 2019.

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

Social capital

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II. Economic Transformation

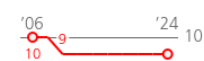
6 | Level of Socioeconomic Development

South Korea is an OECD country with a very high level of human development and an HDI score of 0.925. The Gender Inequality Index was 0.067 in 2021, indicating relatively high gender equality within the non-OECD world. However, compared to the OECD, the poverty rate in South Korea was the fourth highest at 15.3% in 2020, while the gender wage gap was 31.4% in 2021 – the highest in the entire OECD. Absolute poverty remains a problem among 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.

While social inequality remains in line with other developed countries (Gini coefficient of 0.331 in 2020), wage inequality is increasing due to the country’s dual labor market. Although unemployment rates are relatively low, the number of irregular workers, who earn less and have fewer benefits than regular employees,

Question
ScoreSocioeconomic
barriers

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exceeded eight million (four out of 10 employees) in late 2021 – the highest since 2003. Despite President Moon’s announcements of an “income-led growth,” income inequality worsened, reaching its highest level at the end of 2022.

President Yoon Suk-yeol pledged to abandon income-led growth, reduce government interventions and let the private sector take the lead.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	1651422.9	1644312.8	1810955.9	1665245.5
GDP growth	%	2.2	-0.7	4.1	2.6
Inflation (CPI)	%	0.4	0.5	2.5	5.1
Unemployment	%	3.8	3.9	3.6	2.8
Foreign direct investment	% of GDP	0.6	0.5	1.2	1.1
Export growth	%	0.2	-1.7	10.8	3.2
Import growth	%	-1.9	-3.1	10.1	3.7
Current account balance	\$ M	59676.1	75902.2	85228.2	29830.9
Public debt	% of GDP	42.1	48.7	51.3	53.8
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	0.0	-2.0	-0.8	-
Tax revenue	% of GDP	15.2	14.9	16.8	-
Government consumption	% of GDP	17.1	18.0	18.2	18.7
Public education spending	% of GDP	4.7	4.8	-	-
Public health spending	% of GDP	4.8	5.1	-	-
R&D expenditure	% of GDP	4.6	4.8	-	-
Military expenditure	% of GDP	2.7	2.8	2.8	2.7

Sources (as of December 2023): 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. Nevertheless, government intervention in South Korea remains more prevalent than in most advanced economies. Prices can be freely set, and the currency is fully convertible.

The central bank frequently intervenes in the currency market in response to market volatility, aiming to maintain a competitive exchange rate. Historically, big business conglomerates (chaebol) have played a dominant role in the South Korean economy. This has limited market-based competition primarily due to the dominance of a few chaebols, oligopolies and cartels. There are few significant formal barriers to the entry or exit of 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. SMEs and even large foreign multinationals have struggled to gain a foothold in South Korea. Profits can be freely used and transferred by domestic and international investors, but the large-scale profits generated by foreign enterprises through the sale of domestic assets can result in public backlash.

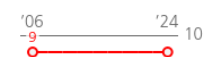
The informal sector is smaller compared to most other countries covered by the BTI, but it is high in an OECD context. According to the International Labor Organization (ILO), informal employment was 26.6% in 2019 – the latest year for which data is available.

Monopoly regulation in South Korea falls within the jurisdiction of the Korea Fair Trade Commission (KFTC), based on the Monopoly Regulation and Fair Trade Act of 2009. 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. In fact, the focus of previous policies was to limit competition rather than enforce it. As a result, a high level of market concentration persists to this day. For instance, following the merger of Hyundai and Kia, a single South Korean carmaker controlled approximately 82% of the country's domestic car market in 2019. LG and Samsung dominate the electronics market, while SK holds almost half of the mobile phone and internet services sector. Samsung, as the largest conglomerate, alone accounts for around 13% of the domestic South Korean economy, and Samsung Electronics Co. accounted for 20% of South Korean exports.

The slow but continuous opening of the South Korean market to foreign products has increased the variety of products available, although a recent study found that South Koreans still pay the highest prices for a number of important products among OECD member countries. Price cartels remain widespread not just in domestic markets but

Market
organization
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Competition policy
8



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also in markets for imported products. In 2022, the KFTC sanctioned AstraZeneca and Alvogen, two pharmaceutical companies, for making an agreement to block the market entry of generic drugs for cancer and prevent potential price reductions of these drugs.

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

The tariff structure of South Korea remains complex, with relatively low industrial tariff levels, while agricultural tariffs remain high. The simple average most favored nation (MFN) applied rate was 13.6% in 2021. Although nontariff barriers have been significantly reduced, they still exist in certain areas, such as standards and certification requirements. 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.

Currently, South Korea is entangled in trade conflicts with China and Japan. These conflicts stem from China’s opposition to the deployment of a U.S. missile defense system and disputes over compensation for atrocities committed during Japan’s colonial rule. Despite these conflicts, the conclusion of negotiations for the Regional Comprehensive Economic Partnership provides hope that trade conflicts in the region can be managed.

The South Korean financial system is highly differentiated and largely follows international standards. The principle international standards are Basel II and Basel III, although the gradual implementation of Basel III was deferred by one year to January 1, 2023.

The Financial Supervisory Commission (FSC) and the Financial Supervisory Service (FSS) are 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. The ratio decreased due to corporate loans increasing and the U.S. dollar strengthening. According to the World Bank, the general bank capital-to-asset ratio for the country was 7.5% in 2020. Notably, no major south Korean bank experienced failure during the global financial crisis. Nonetheless, the utilization of the BIS ratio as an international standard proved ineffective in preventing a few small bankruptcies among savings banks.

Liberalization of
foreign trade

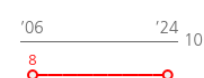
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Banking system

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Household debt remains one of the biggest risks to South Korea's economy, with the ratio of household debt-to-GDP at 104% – one of the highest among major economies. So far, the share of nonperforming loans remains low, at 0.3% as of the end of June 2022. The growth of household lending slowed in 2022 due to rising interest rates and increasing government restrictions on real estate transactions. Several real estate policies introduced by the Land Ministry and the Finance Ministry during the Moon administration to reduce speculation were deemed ineffective. The Yoon administration has vowed to thoroughly revise real estate policy. The new policies will differ from the previous ones in three major aspects, namely by expanding housing supply, easing the burden of real estate tax and deregulating housing-related loans.

The South Korean stock market remains shallow, with few high-quality stocks. Consequently, the stock market 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.

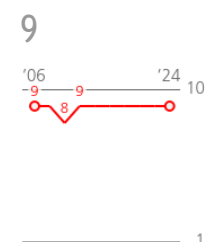
8 | Monetary and fiscal stability

South Korea's central bank (the Bank of Korea, BOK) is legally independent, although in practice there is considerable political pressure to support the government's economic policies. In 2022, South Korea was affected by global inflationary pressures, although – with an inflation rate of 5% – price increases were much lower than in most other countries. The BOK reacted swiftly to the increase in the inflation rate, gradually increasing interest rates to 3.25% at the end of 2022. 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. In 2022, the South Korean won lost substantial value against a strengthening U.S. dollar.

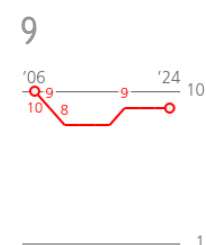
During the COVID-19 crisis, the Moon administration responded by offering temporary financial support for the economy's recovery and investing in long-term economic strategies. The consolidated fiscal balance was nearly balanced in 2021 at -0.02%, with a projected increase in the deficit to 1.8% in 2022. The national debt-to-GDP ratio has been rapidly increasing, albeit from a relatively low level, and reached 54.1% of GDP in 2022. Concurrently, the government established new fiscal regulations, slated to take effect in 2025, that impose limits on government debt (maximum of 60% of GDP) and the consolidated fiscal deficit (maximum of 3% of GDP).

The new Yoon government has announced plans to reduce South Korea's fiscal deficit from 2023 by restricting expansionary policies to improve the country's fiscal soundness. At the same time, it has announced plans to cut corporate and income taxes to incentivize investment.

Monetary stability



Fiscal stability



9 | Private Property

Private property rights are constitutionally protected (Article 23 of the South Korean constitution) and respected in practice. Expropriation of property is usually done with proper compensation. However, some experts criticize the country for lacking definitive criteria that define justifiable state limitations on property rights and compensation. While a Constitutional Court decision may favor compensation, local authorities might attempt to introduce additional regulations to avoid paying the compensation. There are strict intellectual property laws, although enforcement can be difficult. In 2020, South Korea amended intellectual property legislation to tighten enforcement and increase the consequences for violations.

Private enterprises are considered the engine of growth in South Korea. South Korea provides a generally sound framework for private businesses. Public ownership of companies is mostly restricted to necessary public utilities or areas where they are believed to be essential for the implementation of government policies.

Property rights

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Private enterprise

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10 | Welfare Regime

South Korea is still in the process of expanding its welfare system to match the standards of other OECD countries. While basic public welfare systems exist, they still have quite a few gaps. Poverty in older age is a particular problem, as older generations have not paid into the public pension system for long enough. 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.

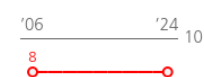
The universal health insurance system is generally well-designed but requires relatively high co-payments for medical treatments.

According to the OECD, South Korea's employment insurance coverage is low, and only half of the workforce has access to an employment insurance benefit in the case of unemployment. This low coverage can be explained by the fact that nonwage or unsalaried workers were not obliged to enroll in an insurance program. Consequently, a considerable share of employees chose not to pay contributions.

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

Social safety nets

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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 that would 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 underrepresented in the labor market, making up only 42.6% of the labor force, despite having a similar education level. In the Global Gender

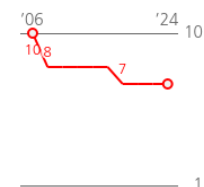
Gap Report 2022, South Korea ranked 99th out of 145 countries evaluated. The gender pay gap remains the largest in the OECD, with women earning 31.4% less than men on average in 2021. Additionally, the COVID-19 shock disproportionately affected female workers, as they outnumber men in the service sector and non-regular jobs – groups that were highly affected by the pandemic. In leadership positions, only 19.8% of women held positions in state-funded and large private companies in 2019. As of 2023, women comprise only 19.1% of National Assembly members, and only three of the 19 ministers in the current cabinet are women. President Yoon Suk-yeol, who won the presidential elections in April 2022, abolished gender quotas for his cabinet and has promised to abolish the Ministry of Gender Equality and Family.

Regarding education, equality of opportunity is significantly impacted by socioeconomic status. Due to a competitive education system, South Koreans heavily invest in private education (e.g., hagwons and cramming schools) to prepare their children. In 2021, 60% of expenditure at the tertiary level in South Korea came from private sources, compared to an average of 30% across the OECD.

Discrimination against irregular workers, including North Korean defectors and ethnic Koreans from other countries (primarily China), remains widespread. Discrimination against foreigners regarding COVID-19 policies continued until the end of 2021, as the government decided not to recognize vaccinations received by foreigners abroad. Although courts have bolstered rights for LGBTQ+ individuals, the government has not taken decisive action to reduce discrimination. An anti-discrimination law, which was proposed in 2020 and inspired hope for change, has yet to be voted on by the National Assembly.

Equal opportunity

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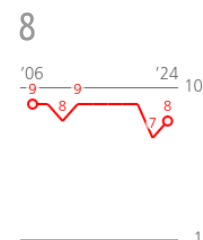
11 | Economic Performance

South Korea is recovering from the COVID-19 pandemic with a 4% increase in GDP in 2021 – the highest rate in 11 years. In the same year, the current account surplus reached \$88.3 billion with exports returning to pre-pandemic levels. GDP per capita also grew by 4.2%, totaling \$46,918. Although South Korea has limited dependence on trade with Russia, it was affected by Russia’s invasion of Ukraine, although to a lesser extent than many other countries. Due to increasing energy and commodity prices, South Korea experienced a trade deficit of \$47.2 billion in 2022, marking the first deficit in 14 years and the highest in the country’s history. Nevertheless, the country’s GDP growth in 2022 was projected to be approximately 2.6%, according to the IMF.

The country continually enjoys low unemployment rates – 2.9% in July 2022. According to the OECD, South Korea performs relatively poorly with regard to several aspects of job quality and the labor market.

Inclusiveness is a key concern in political science. The employment rate of 68.6% in 2022 was below the average for OECD countries. In particular, the employment rate among women was just 59.9%, which is relatively low.

Output strength



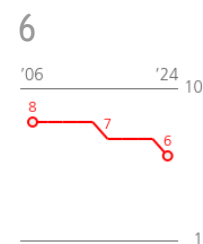
12 | Sustainability

Environmental policies remain insufficient to protect the environment or preserve the sustainability of resources. Considering South Korea’s level of development and the challenges of local air pollution and global warming, South Korea is falling increasingly short of what would be expected from a wealthy member of the OECD. While the Moon administration announced carbon neutrality for 2050, concrete measures and short-term goals are weak. In particular, there are few incentives for consumers and industries to promote energy conservation.

In 2021, South Korea revised its 2030 target and announced plans to reduce greenhouse gas emissions by just 40% by 2030 over 2018 levels (KEIA). The Climate Action Tracker rates South Korea’s 2030 target under the Paris Agreement and its existing climate measures as “highly insufficient.” In the 2022 Yale Environmental Performance Index, South Korea ranked 63rd out of 180 countries overall, having previously been ranked 28th in 2020. The country continues to rank poorly for greenhouse gas emissions per capita, with greenhouse gas emissions increasing by 4.2% compared to the previous year.

In 2020, the share of renewable energy in overall energy production was the lowest in the OECD.

Environmental policy

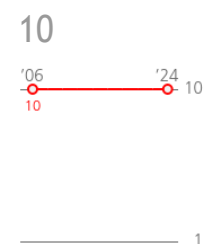


The new president, Yoon, has committed to formulating a science-technology- and data-based NDC, as well as a feasible plan for achieving carbon neutrality by 2050 (KEIA). To achieve this, he plans to invest in nuclear and renewable energy, and maintain the target of reducing greenhouse emissions by 40% by 2030.

Education policy is a key priority for the South Korean government, and investments have yielded above-average Program for International Student Assessment (PISA) test results and higher educational attainment rates of 69% for those aged 25 to 34 in 2021 – the highest rate in the OECD. This is achieved with public expenditure on education on par with the OECD average (5% of GDP) combined with exceptionally high levels of private expenditure. 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 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 R&D in the world. The Ministry of Science and ICT announced that it would invest KRW 24.7 trillion into R&D in 2023 for the development of core technologies, the achievement of carbon neutrality and digital transformation.

Education policy /
R&D



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Governance

I. Level of Difficulty

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

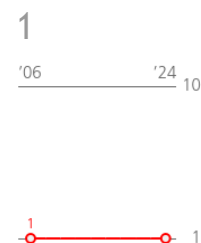
In terms of territory, South Korea is a fairly compact nation, with nearly half the population and economic activity concentrated in the greater Seoul area. Living standards are comparable to those in other OECD member states. The average education level is very high, with a tertiary enrollment rate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

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

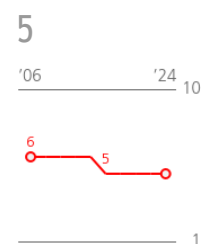
South Korea's civil society is one of the most vibrant in Pacific Asia. South Koreans have actively struggled for democracy for decades and successfully toppled their military dictatorship in 1987. Since that time, civil society organizations (CSOs) have taken an active oversight role in monitoring and assessing the activities of government and companies. In the period from 2016 to 2017, CSOs played an important role in organizing the protests against former President Park that ultimately led to her impeachment.

The CSO landscape is diverse and covers a wide range of issues, 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 built up 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.

Structural constraints



Civil society traditions



CSO staffers have often gone on to government jobs, particularly within administrations led by progressive presidents, such as the Moon government. Unfortunately, the co-optation of CSOs by governments tends to undermine their independence, as personal loyalty often matters more than ideology. For example, the People's Solidarity for Participatory Democracy lost some of its credibility when it suppressed internal criticism of former key members who had become members of the government, such as former Justice Minister Cho Kuk.

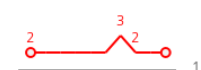
Despite successes, the overall level of social trust remains relatively low, and there is a general perception that it is the government's role to fix problems.

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

Conflict intensity

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'06 '24 10



II. Governance Performance

14 | Steering Capability

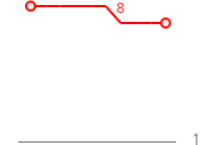
Strategic planning remains an important priority in South Korean governance. Priorities are set by the powerful Presidential Office through five-year strategic plans, which list “key policy tasks.” However, due to the weakness of party organizations and the single five-year presidential term limit, it is difficult for governments to plan beyond the electoral cycle. South Korea has a very well-trained bureaucracy that ensures continuity, but strategic planning is weakened by the frequent changes in leadership positions. Ministers and state secretaries are frequently replaced, and inside ministries, staff rotations occur frequently. Thus, ministerial staff have little opportunity to acquire expert knowledge. Expertise is sourced from external experts at research institutes or universities. Regulatory impact assessments are systematically conducted for all new regulations.

Question
Score

Prioritization

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'06 '24 10



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

Given the dynamics of presidential agenda-setting and single-term presidencies, medium- and long-term national agendas – while well-developed and articulated via 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 and green economy) had only 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 are likely to be abandoned by the new Yoon administration.

With its centralized governance system and competent bureaucracy, South Korea mobilizes resources to meet short-term objectives relatively well. For example, the central government was able to mobilize all state institutions and consistently implement policies in order to respond to and contain COVID-19.

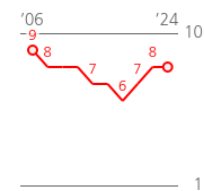
The government's ability to engage in policy learning is generally high, but institutional learning is far more limited. Non-governmental academic experts have considerable influence on government decision-making. In addition to their participation on the presidential advisory committee, scholars are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

The process of appointing experts remains highly politicized, and, in the past, experts have often been chosen because of their political inclination rather than their academic 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.

Pandemic management is one area in which the government has demonstrated its capacity for institutional learning and innovation. The government learned from its failures in handling MERS by updating and/or adopting various policies and mechanisms. Measures such as strengthening the role of the Korea Centers for Disease Control, fast-tracking approval for emergency medical supplies, and enhancing communication and transparency of information have helped South Korea respond far more effectively to COVID-19 than during the MERS outbreak. Thus, initially, the learning curve was less steep for the South Korean government than for others.

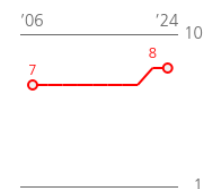
Implementation

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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 is one of the lowest in the OECD, employing only 10% of all employees in 2020 (the latest data available). General government disbursements total 38% of GDP, again one of the lowest such rates in the OECD. Government debt levels are also relatively low compared to the OECD average, although they increased to an all-time high due to the COVID-19 response and relief measures. Since 2020, the previous progressive Moon and the current conservative Yoon administrations have taken steps to cap national debt (to 60% of GDP) and the fiscal deficit (to 2% to 3% of GDP).

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

One weakness may be South Korea's over-centralized, top-down fiscal system. Despite making balanced regional development one of his policy priorities, President Moon failed to decentralize state power so as to help local municipalities and provinces operate more autonomously. President Yoon has also pledged to support the development and authority of local governments, but it remains to be seen whether he can make headway on this perennially sticky issue.

Policy coordination in South Korea takes place in a hierarchical and centralized manner. Power is concentrated in the central government and particularly in the president's office. The president's Office (the Blue House) ensures that important policies are implemented. Provincial governments, although having their own functions to some extent, basically serve as an intermediary between the central and municipal governments. Local governments depend heavily on the central government for funding and guidance. Their main function is to implement centrally determined policies and programs, as directed and guided by central government ministries and agencies. The high degree of centralization allows for largely coherent policy implementation. Within the government, the Finance Ministry has budget planning authority and is clearly dominant, able to block initiatives by the line ministries.

Conflicts between ministries are frequent but do not 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

Efficient use of assets

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Policy coordination

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ministers, and frequently reshuffles the cabinet. High turnover limits ministers' independence, as they are unable to develop their own voice to pursue their own or institutional policy ideas. President Moon reshuffled his cabinet four times in as many years.

High-priority issues for the president can be effectively coordinated among relevant ministries, while departmentalism and fragmentation characterize areas not prioritized by the president.

For example, South Korea's COVID-19 response and recovery efforts were a key presidential priority and were consequently well-coordinated. Regular meetings of the Central Disaster and Safety Countermeasures Headquarters (CDSCHQ) – which brought together representatives of all relevant ministries, and 17 provinces and major cities – were held to ensure a cohesive national approach to combating the spread of the virus. The meetings facilitated coordination between high-ranking officials from both central and local government, and were vital to identifying problems, overcoming obstacles and devising solutions. The regular meetings facilitated a concerted implementation process, the effective allocation of resources by the central government and rapid local adaptation when necessary.

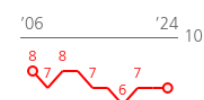
Corruption remains a major problem in South Korea, although anti-corruption institutions have improved substantially over time. Rules requiring audits of state spending and party financing, access to information and officeholder accountability are in place, but these have not been fully successful in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

As seen in the protests against former President Park, the Korean public, civil society organizations and the media are vigilant and ready to engage in effective protest of top-level abuses of power. Courts have also been tough on those involved in corruption scandals, even handing down long prison sentences to former presidents. While courts tend to hand down harsh sentences against former public officials, they tend to be much more lenient when it comes to corruption in the private sector. President Moon promised to strengthen anti-corruption initiatives and said he would not pardon members of the elite involved in corruption scandals, as had previously been common practice in South Korea. Reneging on this promise, Moon pardoned former President Park Geun-hye and effectively pardoned Samsung Electronics Vice Chairman Lee Jae-yong. During his first months in office, President Yoon pardoned former President Lee Myung-bak.

Several institutions hold politicians and public servants accountable and penalize 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

Anti-corruption policy

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institutions. The Public Service Ethics Act is designed to prevent high-ranking public officials from reaping financial gains related to their duties both during and after their period of 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 huge impact on changing the culture. The commission's independence is guaranteed by law, although the standing members of the commission are all appointed by the president. Most ACRC members are drawn from the legal profession, which could limit its ability to proactively and independently serve as an ombuds office across a wide range of areas. 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 via the deliberation of the Foreign Investment Committee. The FIO has the authority to request cooperation from the relevant administrative agencies and recommend the implementation of new policies to improve the foreign investment promotion system. It can also carry out other tasks to assist foreign companies in resolving their grievances. Most recently, the Moon administration created the Corruption Investigation Office for High-Ranking Officials.

Despite the strong campaign against corruption in the public sector, the government has achieved minimal success in curbing corruption and influence-peddling by big business groups. One serious concern is the massive degree to which economic power is concentrated and the lack of respect that some economic elites show for the law. Courts are much more lenient toward businessmen than toward public officials.

While South Korea has consistently scored 0.73 (on a scale of 0 to 1) on the World Justice Project Rule of Law Index since 2016, its government corruption score (0.67) is among its lowest component scores.

16 | Consensus-Building

South Korea experienced a successful democratic revolution in 1987, and its population has shown a willingness to defend its democracy when it faces threats. All major political actors in South Korea subscribe to the goal of maintaining a constitutional democracy, although some authoritarian practices can be observed within specific political organizations. In general, society adheres to a hierarchical structure. Moreover, while South Koreans demonstrate an instrumental commitment to democracy, many democratic values and norms are not deeply ingrained in South Korean culture. According to a PEW survey in 2019, 44% of South Koreans were dissatisfied with democracy in the country, and 49% disagreed with the statement “the state is run for the benefit of all the people.”

Consensus on goals

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All major political actors support a market economy, and South Korea is one of the few countries in which a market economy is explicitly protected by the constitution. Article 119 of the 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.”

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

South Korea’s political leadership is relatively effective in curbing ethnic, social and regional conflicts, although it has been less successful in actively reducing cleavages. Regional cleavages remain substantial, as the southeastern provinces tend to vote conservative and the southwestern provinces vote liberal. Recent elections also show increasing generational, gender and socioeconomic divides. Increasing social inequality may exacerbate conflicts in the future. In the past, leaders have counted on and promised economic growth as the main route to solving social conflicts. As this solution becomes increasingly difficult in a maturing economy, it is expected that social conflicts will increase. COVID-19 exacerbated this dynamic, with irregular workers and low-income groups experiencing higher rates of job and income loss than regular employees and high-income groups. While the progressive Moon administration made progress in strengthening the social security net, the conservative Yoon administration has already taken steps to roll back some of those gains.

South Korea’s civil society is one of the most vibrant in the Asia-Pacific region. Civil society organizations (CSOs) and engaged citizens are active in monitoring and holding accountable the public and private sectors. The 2016/2017 candlelight protests, which ultimately led to the impeachment of former President Park Geun-hye, as well as the 2019 protests both for and against former Minister of Justice Cho Guk, revealed a high level of political information and interest among the South Korean public. In particular, many young people and students participated in these protests. Younger people are responsible for most of the more than one million petitions that have been filed with the Blue House since the presidential petition system was launched in 2017. The South Korean public, civil society organizations and media are vigilant and ready to effectively protest high-level abuses of power. The #MeToo movement has also brought many abuse-of-power cases to light.

Anti-democratic actors

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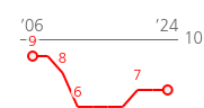
Cleavage / conflict management

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Public consultation

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Civil society participation strengthened under President Moon. The previous conservative governments under presidents Lee and Park were known for their top-down approach, and civil society groups largely lost their ability to influence the government. In contrast, President Moon emphasized transparency, communication with citizens and civil society participation. He held frequent discussions with civil society groups and senior business leaders; introduced a petition system in which the government is required to address the topic of a petition that at least 200,000 citizens have signed; and held deliberative democratic consultations to provide input into 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 utilized the expertise of civil society groups. He adopted a more accommodating stance on labor unions and was able to bring the Korean Confederation of Trade Unions (the more hard-line of the two umbrella trade unions) back to the tripartite dialogue table for the first time since the KCTU's withdrawal in 1999. Unfortunately, the co-optation of some civil society groups has negatively affected these groups' ability to offer a critical perspective on policies and act as a check on the government.

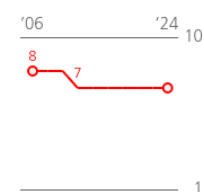
Some fear that the pro-business Yoon administration will revert to more selective consultation practices favoring big business over labor and other stakeholder groups. Yoon has already taken a harder line against labor unions and NGOs, citing the need for greater financial transparency and responsibility by such entities.

The media is a weak link in South Korea's civil society and underperforms in its role as a facilitator of public debate. Part of the problem is the country's strong commercialism and associated weakness in the area of political journalism. Newspapers and TV rely heavily on advertising revenues. Most prominent TV stations produce a mix of infotainment and quality information about government policies. Another problem is that the major newspapers lean to the political right, although alternatives exist. In general, political reporting tends to be framed in the context of personalized power politics, diverting attention away from important policy issues.

The history of colonialism, war and dictatorship continues to cast a shadow over South Korea, impacting 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 to 1949; and the authoritarian legacies of the Park Chung-hee (1961 – 1979) and Chun Doo-hwan eras (1980 – 1988), particularly the 1980 Gwangju Massacre. 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 paint government policies and officials with which they disagree as “red” (socialist). Progressive manipulation portrays their opposition as collaborators of the

Reconciliation

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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 it difficult for a broader societal reckoning with these historical issues.

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

17 | International Cooperation

As one of the most advanced industrialized countries globally, South Korea no longer receives official development assistance (ODA) or technical assistance in the area of development cooperation. Instead, it has emerged as a donor country and has begun to develop its own capacities as a provider of technical assistance. That said, South Korea works hard to implement international standards in most areas, and best practice approaches in other countries are systematically studied and applied.

South Korea is generally considered to be 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.

South Korea rarely plays a leading role in international cooperation. Nevertheless, South Korea does play a 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, although it has been slow to increase its spending in line with the DAC goal of 0.7% of GNI. Furthermore, South Korea is committed to the Sustainable Development Goals (SDGs) and has signed the Paris Agreement on reducing greenhouse gas emissions. However, South Korea cannot be considered a leader in these fields, as its national sustainability and emissions-reduction goals are underwhelming. For example, while the European Union has promised to reduce greenhouse gas emissions to 40% below 1990 levels, South Korea has only pledged to reduce emissions to 40% below business-as-usual projections, which would represent an increase of 81% compared to 1990.

Effective use of support

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Credibility

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With its Digital, Green and Human New Deals policy, the Moon administration began to take a more proactive role in international cooperation. At a summit in 2021, President Moon and President Biden agreed on a U.S.-South Korea technology partnership. In 2020, South Korea pledged to achieve carbon neutrality by 2050, while it scaled up its NDC target at COP26 in 2021. In line with President Moon's inclusive, human-centered vision for South Korean society, the administration finally pushed through three key ILO conventions, for which labor rights activists have been advocating for decades. Moreover, South Korea pledged to substantially increase its contributions to global health initiatives such as GAVI and the Global Fund.

The Yoon administration has indicated that the South Korean government will fulfill its responsibilities with regard to global issues, such as pandemics, climate change and development assistance (ODA), befitting the country's growing stature on the international stage.

During the review period, South Korea's relationship with its immediate neighbors North Korea, Japan and China worsened. While relations with North Korea initially improved, no lasting improvements were achieved, and relations came to a standstill following the unsuccessful U.S.-North Korea meeting in Vietnam in February 2019. Relations with Japan further deteriorated amid disagreements on how to deal with atrocities committed during Japan's occupation of Korea. In October 2018, South Korea's Supreme Court ordered two Japanese companies to pay compensation for forcing Koreans to work. Japan retaliated against these rulings by restricting certain exports to Korea. These conflicts came on top of territorial disputes and a dispute about Japan's use of sex slaves during World War 2. There are initial signs that relations with Japan will improve under the Yoon administration.

Tensions with China, which had eased during the Moon administration, have recently deteriorated as the Yoon administration has aligned more closely with the United States. South Korea is also contributing to the regional arms race, for example, by upgrading its blue-water navy, which comprises three battle groups led by Dokdo-class helicopter carriers. Furthermore, South Korea has emerged as a major arms exporter. In 2020, for the first time, South Korea entered the top 10 of the SIPRI list with a 143% increase in arms exports for the period from 2015 to 2019 compared to the period from 2010 to 2014.

In 2021, South Korea signed the Regional Comprehensive Economic Partnership (RCEP) with Japan, China, ASEAN, New Zealand and Australia. This trade agreement promises not only to facilitate trade in the region but also to introduce conflict resolution mechanisms. With the Yoon administration prioritizing security, South Korea's relations with the United States and northeast Asia are likely to overshadow its cooperation with Southeast Asia.

Regional cooperation

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Strategic Outlook

The short-term challenge for the relatively new Yoon administration is to govern with a parliament firmly in the hands of the opposition, at least until the next parliamentary election in April 2024. Even then, it seems doubtful that President Yoon's Conservative Party will regain a majority, considering his declining popularity. As a political outsider, he might theoretically be well placed to negotiate compromises with the opposition. However, he has so far preferred to brand himself as a strong leader, pushing through radical market reforms and taking a tough stance against protests, particularly from labor unions, as well as maintaining a hard line on North Korea. It is unlikely that he will be able to garner the support of the opposition Democratic Party for such radical changes. The recent raids on labor union offices – based on individual members' contacts with North Korea – are also cause for concern, as the government may attempt to exploit North Korean connections as a pretext for silencing political opposition under the draconian National Security Law.

So far, the effects of Russia's invasion of Ukraine on South Korea have been limited, although, in the medium term, South Korea will be affected by rising global energy prices. With a low share of renewable energy, South Korea is heavily dependent on imported fossil (and nuclear) fuels. State-owned energy companies are currently able to absorb some of the price increases by subsidizing energy, but this will become more expensive and challenging if energy prices remain high. Thus, the expansion of renewable energy, storage capacity and initiatives for energy saving will be among the most important economic challenges. The housing market, with sky-high real estate prices and massive household debts due to mortgages, poses another major threat to economic stability, particularly amid rising interest rates.

Achieving a formal peace treaty or, at least, improving relations with North Korea remains a key challenge for South Korean diplomacy. Unlike President Moon, who unsuccessfully attempted to engage North Korea, President Yoon is considered a hard-liner on North Korea. Therefore, it is unlikely that there will be any major steps toward improved relations under the current administration. On the contrary, Yoon wants the United States to redeploy nuclear weapons to the peninsula and even suggested that South Korea should consider building its own nuclear weapons. While these remarks were seen critically in the United States, it is expected that relations with the United States will improve, as President Yoon is seen as a supporter of a strong U.S. military presence in South Korea. Improvements are also expected in relations with Japan, as Yoon is expected to have fewer expectations concerning reparations for Japanese atrocities committed during Japan's colonial occupation of Korea. President Yoon will likely have a broader approach to foreign policies than his predecessors, extending beyond what is useful for North-South relations. Thus, we might see more international initiatives when it comes to important global challenges, such as climate change, development cooperation and international security.