

SGI Sustainable Governance
Indicators 2009

South Korea report



Executive summary

Korea is a young democracy. Democratic forces gained victory in 1987, yet conservative circles attached to the preceding military dictatorships remained influential, slowing the democratic transformation of government and state. Only after Kim Dae-jung became president in 1998 could basic democratic reforms be initiated.

President Roh Moo-hyun was elected in December 2002, and a general election was held in April 2004 just in the wake of Roh's impeachment by the National Assembly. The Uri Party won the majority of seats, and Roh was reinstated through a decision of the Constitutional Court in May 2004.

The distinct features of the Roh administration included the implementation of more open, socially and culturally progressive policies. During his administration – and particularly during the period under analysis here – policies on migrant workers' rights, women's rights, environmental protection, and generally the quality of cultural life were improved significantly. As a result, the Korean society is getting more open and tolerant. The country is developing some elements of post-materialist societies, in which economic growth is not the only goal of government policy. Korea even started to improve its profile in developing-world cooperation and foreign aid, an internationally welcomed step as developing countries are expected to profit from Korea's own experience.

Concerning the consolidation of democracy, the Roh government was a major step forward, although many Koreans expected the administration's progressive policies to trigger the conservative backlash which ultimately emerged in the December 2007 presidential elections. The role of civil society in political decision-making improved as Roh tried to distance himself from "traditional" politicians and parties. Standing in the explicit tradition of the democracy movement of the 1980s, Roh welcomed participation by citizens and civil society groups. He also encouraged a critical review of Korean history and an investigation into the atrocities committed by Japanese imperialism and its Korean collaborators before 1945, as well as into the activities of the military governments in Korea between 1961 and 1987.

However, the Roh government failed to repeal the National Security Law, which was used to repress opposition during the authoritarian period. In the wake of serious political conflicts, the governing and opposition parties failed to reach a compromise over the law in 2004. Thus, although the law has been rarely enforced in recent times, it remains valid. In addition, Roh's later years led to tension between the media and the government. A new media policy closing reporters' facilities at ministries and consolidating them into three briefing centers was strongly criticized by media organizations, which called the new rules an anti-democratic measure limiting access to information about national governance. In fact, this measure aimed primarily at changing journalists' longstanding reporting practices, but may also limit reporters' access to government officials.

In the 2002 presidential election, the people were enthusiastic about Roh's promises for political reforms. However, the public's concerns rapidly shifted to more practical and lifestyle issues such as employment, economic growth, socioeconomic disparities, housing and education. The government failed to deal with these issues properly. Poor policy responses to rising housing prices, for example, only exacerbated the problem. The government turned to tax policy in 2005 in a desperate attempt to curb property speculation, but its policy response was widely regarded as late or even as a failure, contributing to Roh's plummeting approval rating.

The government introduced a law protecting irregular workers in 2006, aimed at enhancing job security. However, this law has had the reverse effect of increasing employment instability. Many part-time and day laborers face mass layoffs. At the same time, labor disputes over the law have intensified. The Kim and Roh administrations introduced a tripartite corporatist scheme to resolve labor disputes, but it has not worked well.

The national pension system represents another serious policy problem in a fast-aging society. Critics have noted that under the existing system, the fund will dry up by 2047. Although new pension acts were recently passed and a new basic pension system introduced, the current system does not effectively prevent poverty among the elderly. Many people do not fully trust the public pension system.

Until recently, the issue of social integration has not been salient. However, several groups of immigrants have begun to draw social attention, in particular North Korean refugees and migrant workers, mainly from Southeast and Central Asian countries. This is a fairly new phenomenon to South Koreans, who are broadly unfamiliar with issues of social integration. North Korean refugees face social discrimination. In a recent survey conducted by the

Institute of Unification Studies at Seoul National University, almost two-thirds of respondents said they do not feel friendly toward North Korean refugees. As the migrant population has rapidly increased since the 1990s, now reaching nearly a million individuals, migrants and mixed-race Koreans also began to face social discrimination. Despite this rapid social change, integration policy has not yet fully responded.

Reform of the chaebol, the family-controlled business conglomerates, also failed to meet the government's own standards. The government's attempt to loosen family control over big business, by opening financial markets and strengthening minority shareholder rights, was not successful in practice. Rights held by foreign investors and minority shareholders did improve, but these new players were neither able to break the power of the chaebol families nor to control the chaebol management effectively. The chaebol continue to dominate an oligopolistic Korean economy.

Soon after the victory in the 2004 parliamentary election, the Roh administration and the ruling party lost its stable parliamentary majority through defeats in successive by-elections. After that time, the government lost the ability to implement policies consistently or to achieve its reform objectives. However, changing societal attitudes and opinions also contributed to Roh's declining effectiveness. After 10 years of economically liberal and political progressive presidents, Koreans seemed to revert to a more conservative stance.

Strategic Outlook

The presidential term beginning in early 2008 will be an important test for reform capacity and democracy in Korea. After 10 years of administrations following a politically, culturally and socially progressive and an economically liberal reform path, conservative Lee Myung-bak won the presidential race in December 2007.

In terms of the political system, the most important task will be the institutionalization of party politics. South Korea has a very fluid party system, and the advent of the Internet- and TV-mediated campaigning has worsened the situation.

Achieving more open and proportional representation in the National Assembly is another task. The number of party-list legislators should be greatly increased. Although strict election laws have contributed to clean and fair election

campaigning, these may violate principles of freedom of expression and political participation during election periods. A revision of election laws is thus needed.

Adapting to changes in the external security environments is also very important, primarily with regard to North Korea's nuclear facilities. Although the North Korean nuclear issue remains unresolved, conditions are improving. The United States and North Korea have agreed that Pyongyang will disable its nuclear programs, and that the United States will offer political and economic incentives in return. In addition, the second summit meeting between South and North Korean leaders in October 2007 improved conditions for the nuclear issue's resolution, and promised further progress in inter-Korean relations.

Widening socioeconomic disparities present serious challenges for the new administration. Jobless growth has made it difficult to increase employment in a short period of time. Overcoming social polarization has become one of the top priorities in South Korean society. Though everyone recognizes the seriousness of the problem, coping approaches vary. Conservatives argue that tailored welfare services such as welfare-to-work packages can be a solution to the widening income gap between rich and poor. By contrast, liberals stress the role of the state.

Low fertility is another serious problem looming over the South Korean economy. An aging society will ultimately contribute not only to a slowdown in economic growth but also to a rapid increase in the country's welfare burden. Many people think that radical pension reforms are necessary, but these are politically sensitive issues, with an uncertain prospect.

With the continuing inflow of migrant workers and foreign brides, there are now more than 1 million foreigners in South Korea. As this is an unprecedented social phenomenon in this country, a very cautious but active policy response is needed. Many migrants face discrimination or are treated inappropriately. Learning how to learn to live in harmony in a multiracial society is another important task. North Korean refugees suffer from similar social discrimination. Social integration will thus gain in political and social significance.

Status Index

I. Status of democracy

Electoral process

Fair electoral process

Score: 9

Elections at the national, regional and local levels are held in a free and transparent manner. Though elections continue to be fairly cost-intensive for the political actors involved, the influence of money and financing in campaigns has declined in recent years. Elections in Korea are regulated by the Public Official Election Act. They are managed by the independent National Election Commission, which is widely considered to be an independent guardian of fair elections.

There are no unreasonable restrictions on the processes of voter or party registration. However, the National Security Law prohibits political parties that deny the principle of liberal democracy, or which seek a violent overthrow of the constitutional government. In practice, communist parties are not permitted to register, a situation closely tied to the protracted military confrontation with North Korea.

In 2005, South Korea reduced the age of voting eligibility from 20 to 19 years of age. Though many democracies give the franchise to 18-year-olds, this extension signifies some political development. Parliamentary candidates must be at least 25 years old, and must have support of a party or a number of voters in order to stand for election. However, candidates also must deposit a substantial sum of money to run for office, a restriction which seems to be less justified.

Fair electoral campaign

Score: 7

The country's election laws provide fair opportunity of access to the media. To this end, the Election Broadcasting Debate Commission was established. The commission typically holds at least three TV debates during each election

period, inviting candidates or party representatives which meet certain criteria. The allocation of TV debate time is based on the parliamentary strength of individual political parties. This criterion effectively ensures that all serious contenders are included, but not all candidates or parties. In addition, candidates and parties have access to the regular media and other means of communication in order to conduct their campaigns, but in a regulated way.

For example, presidential candidates can run only 70 newspaper ads, and 30 advertisements each on TV and radio. This measure is aimed at curbing excessive expenditure on campaigns. Although most newspapers tend to have political preferences, the print media as a whole does not blatantly discriminate against one political group in favor of others.

Major newspapers clearly tend to favor the conservative party and its candidates, but some other important newspapers, as well as major Internet publications, tend to favor progressive or liberal candidates. Election laws strictly regulate vote-buying and other irregularities which were a regular feature in South Korean elections before the mid-1990s.

However, a major problem with media coverage is the focus on personalities, rather than on political programs or issues. The importance of candidates' character and the frantic quest for scandals often leads to negative campaigning, in which fairness plays little role, and which often leads to victory for someone other than the most qualified candidate. The other major obstacle to electoral fairness is the relatively low levels of party organization and party loyalty, which makes it necessary to hire campaign workers and invest huge amounts in advertisements and campaign events, effectively discriminating against smaller parties. Recent attempts to increase public financing of campaigns have not been sufficient to level the playing field in this respect.

*Inclusive
electoral process*

Score: 10

The electoral process is generally inclusive and there is no observable discrimination with regard to exercising the right to vote. The voter registration procedure is fair and effective. The election law gives responsibility for making a list of eligible voters to the heads of district governments. If errors are found, voters are entitled to appeal to the National Election Commission.

All registered Korean citizens 19 years old or more have the right to vote. However, the country's Constitutional Court ruled in 2007 that it is unconstitutional to prevent Korean citizens living abroad from voting. The election law had to be changed accordingly by the end of 2008. Since 2005, foreign citizens who have resided in Korea for more than three years have been allowed to vote in local elections.

One major distortion in the election system remains the substantial difference in the size of electoral districts. The Constitutional Court ruled in 2001 that the populations of individual electoral districts should not differ by more than 50 percent. This is a major improvement over the previously vast differences, but it is still high by international standards.

Additionally, Korea has one of the world's lowest voter turnout rates for parliamentary elections. Although abstaining from voting could be interpreted as a sign of passive approval, surveys regarding the dissatisfaction of Koreans with their government and with democracy in general seem to support a more pessimistic view.

Access to information

Media freedom

Score: 7

Freedom of opinion and of the press are constitutionally guaranteed. These freedoms are also respected in practice, the major exception again concerning activities in favor of North Korea (real or construed). The National Security Law (NSL) is used from time to time to prosecute persons advocating positions that are seen as favoring the country's northern communist neighbor (and thus undermining the legitimacy of South Korea and its policies). The media's ability to gather information on government activities is also circumscribed by the system of press clubs attached to the various ministries. Media organizations that are too critical of government actions can be excluded from individual press clubs.

Although media independence was largely respected by President Roh Moo-hyun's government (replaced by Lee Myung-bak in early 2008), there were some unsuccessful government attempts to curb the power of the big newspapers, which were very critical of the government and openly supported the conservative opposition party.

In addition, Roh's administration adopted a new media policy in May 2007, closing reporters' facilities at the ministries and consolidating these instead into three briefing centers. The media strongly defied these measures, criticizing them as an anti-democratic measure limiting access to information on national governance. In fact, this measure aimed at changing journalists' longstanding reporting practices, but may wind up limiting reporters' access to government officials as well.

The Korea Broadcasting Commission (KBC) is the principal agency regulating the electronic media. It operates independently of the government. The KBC is tasked with guaranteeing broadcasting freedom, while at the same time implementing regulations preventing broadcasters from misusing their rights.

However, the KBC suffers from many weaknesses and problems in terms of its legal status. In the past, it has played a controversial role in fining broadcasters for “indecent” programs or a failure to “respect the values of the family.”

Media pluralism

Score: 5

The print media is structured in an oligopolistic way. The three major newspapers – Chosun Ilbo, Donga Ilbo, and Joong Ang Ilbo – control around 70 percent of the market. All three newspapers are family owned, and tend to represent a strong conservative ideology. Staff editorial freedom is limited, while the role of these newspapers on public opinion formation is considerable. However, pluralism has increased with the rise of Internet media. Recently some Internet-based publications have successfully challenged the “traditional” big media, extending the subjects and contents covered by the media as a whole.

The three major TV stations – KBS, MBC, and SBS – are politically more balanced in their reporting. KBS is a public TV channel that is independent from the government but relies on government subsidies, as well as on advertisements, for funding. MBC and SBS receive no subsidies and are exclusively financed by advertisements. While they are politically more diverse than the print media, Korean TV stations’ diversity nevertheless falls within a very narrow political and cultural mainstream. They are not particularly good at nurturing a more discursive political process by presenting and discussing many different opinions. Dissent and discussion of different opinions is often seen as negative and “disruptive to harmony.” Korean media programming also centers mainly on domestic issues, lacking substantial coverage of other countries and international events, which further limits the scope of the political discussion.

Foreign ownership of Korean media is not allowed, but foreign channels can be viewed over cable and satellite TV, and foreign newspapers are available.

*Access to
government
information*

Score: 7

The Act on Disclosure of Information by Public Agencies went into effect in January 1998, and was revised in 2004. This act contains legal regulations enabling ordinary citizens to access government information and to request information held by public agencies. The act does not apply to information collected or created by agencies that handle issues of national security.

There are eight categories of discretionary exemptions: secrets as defined in other acts; information that could harm national security, defense, unification or diplomatic relations; information that would substantially harm individuals, property or public safety; information on the prevention and investigation of crime; information on audits, inspections, or similar activities that would substantially hamper the performance of government bodies; personal information about an individual; trade secrets that would substantially harm

commercial or public interests; and information that would harm individuals if disclosed, such as details about real estate speculation or hoarding of goods.

However, this type of information can be released once the passage of time has reduced its sensitivity. Unfortunately, in practice the government has often been reluctant to publish information. The country's Supreme Court ruled in October 2004 that the military could not withhold information on the 1979 coup and the 1980 democratic uprising.

The Ministry of Government Administration is in charge of oversight and planning for the disclosure of information act, and can inspect and review the activities of state agencies. Reviews have found problems with frequent improper denials of requests, the failure of government agencies to publish lists of available documents, and a general disregard and lack of enforcement of the law.

Civil rights

Civil rights protection

Score: 6

Civil rights such as the rights to life, security of person, equal treatment before the law, property ownership, freedom of thought, expression, assembly, association and speech are protected by the constitution and mostly respected. However, South Korea has not signed four of the basic conventions of the International Labor Organization (ILO), including two on the freedom of assembly. Moreover, despite ILO protests, the government has not recognized the Korean Government Employees Union, which was founded in 2001. It is very difficult to call a strike that would be legal under official definitions. In 2006, long-promised reforms of the labor laws aimed at improving labor union rights and independence, due to be implemented in 2007, were again postponed. These reforms would have included the introduction of trade union pluralism at the enterprise level.

The National Security Law (NSL) also allows civil rights to be restricted with respect to pro-North Korean activities. However, restrictions of the freedoms of association and assembly on the basis of the NSL are today marginal, especially when compared to the situation in pre-democratic times.

Non-discrimination

Score: 5

The National Human Rights Commission of Korea (NHRC) was established in 2001 and has a much wider definition of discrimination than is stipulated in Article 11(1) of the constitution. However, the commission has no power to enforce these principles, and although legal protections have improved, discrimination in Korea remains common in practice.

Due to pressure from civil society, the government has become more responsive in protecting groups that face discrimination. The Equal

Employment Act (EEA) formally guarantees equal treatment for men and women in the workplace. The Ministry of Gender Equality and Family was established in 2005, with the aim of enhancing gender equality.

Various policies have been implemented focusing on workplace promotions, sexual harassment, domestic violence, the sex trade and other gender-related issues. One of the more successful policies has been the revision of the family registration law, which used to give legal authority to the male head of a family, and was widely criticized as being biased toward male interests. In general, the policies supporting gender equality have been moderately successful.

Existing law officially bars any discrimination based on sexual orientation, but it nevertheless occurs frequently in workplaces. The NHRC is seeking to revise the anti-bias policy used in the workplace by adding a provision that lets the government impose correction orders or fines on companies that discriminate against gays or lesbians.

North Korean refugees also face social discrimination. In a recent survey conducted by the Institute of Unification Studies in Seoul National University, 63.8 percent of respondents said that they did not feel friendly toward North Korean refugees. Migrant workers too face substantial discrimination, often being treated as second-class human beings by their employers. The government has improved the rights of illegal migrant workers to sue employers for unpaid wages, but in reality their protection remains weak. There have been reports on children of migrant workers or bi-ethnic parents facing discrimination in school.

Rule of law

Legal certainty

Score: 7

Generally speaking, legal regulations are consistent. All in all, government and administration act predictably, on the basis of and in accordance with legal provisions. The Board of Audit and Inspection regularly monitors government officials' activities. The staffing policy, appointments and promotions of senior civil servants are screened by the Civil Service Commission. To enhance transparency, online public tender systems have recently been introduced by the Public Procurement Service and many other governmental bodies, including Seoul's metropolitan government.

The national government tries hard to improve legal certainty and cannot be accused of deliberate or systematically unpredictable actions. However, corruption and the abuse of power, especially in local governments, sometimes takes place. For example, staffing on all levels including the national

government is highly influenced by cronyism, even if policy decisions are mostly guided by law.

Furthermore, foreign investors often complain that their investments do not enjoy the necessary legal certainty in Korea, and that they are discriminated against by the Korean government. Some attribute this to the growth of public sentiment against foreign investment in the last two years, and charge that the government too often bends to public opinion. The most prominent example has been the acquisition of Korea Exchange Bank (KEB) by the U.S. investment fund Lone Star.

The government has been accused of utilizing public prosecutions for political reasons, but the systematic political bias of the past is gone. Judges today do not blindly follow the claims of prosecutors. However, the greater independence of judges has not necessarily led to more legal certainty. In 2007, appeals courts commuted prison sentences for two important business leaders because of their importance for the Korean economy.

Judicial review

Score: 8

The South Korean judiciary is highly professionalized and fairly independent, though not wholly free from governmental pressure. State prosecutors in particular are periodically ordered to launch investigations (especially into tax matters) in order to intimidate political foes or other actors.

The Constitutional Court has underlined its independence through a number of landmark rulings, most recently in November 2005 on the constitutionality of the government's plan to build a new administrative city. Rulings by the Constitutional Court are accepted by all political actors. However, judicial review works better at the constitutional court level than on lower levels of the judiciary. The quality of the lower courts has nevertheless improved, and experts point to the judicial reform of the Roh administration as one of its major successes.

Courts have become less willing to rubber stamp claims made by police and prosecutors. Witness reports and court investigations have gained importance. A major judicial reform passed in 2007 introduced a jury system to criminal courts. Later that same year, the Roh administration passed a law that will introduce American-style law schools in Korea in 2009. This will further professionalize the education of lawyers and judges.

Corruption prevention

Score: 5

Pressured by a popular anti-corruption movement, the Korean government enacted an anti-corruption law in June 2001. In May 2003, a general code of conduct for public officials went into force at central and local administrative organs and among education authorities. The Korea Independent Commission Against Corruption (KICAC), established under the Anti-Corruption Act,

handles whistle-blowing reports, recommends policies and legislation for combating corruption and also examines the integrity of public institutions. The Public Service Ethics Act is designed to prevent high-ranking public officials from accruing financial gains related to their duties during and after their time of employment.

While there is thus political will at the highest echelons of the state to root out corruption, much remains to be done in practice. Abuse of officeholders' positions and influence, though not rampant, still exists. Corruption scandals implicating individual politicians sometimes occur. Vigilant civil society organizations regularly conduct surveys of how parliamentarians fulfill their duties. "Blacklisted" candidates face problems in parliamentary elections.

Though far from perfect, the blacklisting system has helped to increase voters' awareness of problems. On the other hand, lawmakers who have been convicted for illegal fundraising and other illicit activities sometimes benefit from presidential amnesties granted every year, as was the case with six serving and former members of parliament in 2005.

Corruption within the bureaucracy is worse on the local level than on the national level. In May 2007 a citizen recall was introduced that allows citizens to recall governors, mayors or local council members who engage in corrupt practices or waste public resources. Politicians are also vulnerable to corruption, as elections and maintaining an elected office are expensive.

Corruption in the private sector is common. In the last couple of years, the government has become more aggressive in prosecuting corrupt managers. The most prominent case has been Hyundai Motors Chairman Chung Mong-koo, who was sentenced to three years in prison in February 2007 for embezzling corporate money and creating a secret fund.

II. Economic and policy-specific performance

| <i>Basic socioeconomic parameters</i> | <i>score</i> | <i>value</i> | <i>year</i> |
|---------------------------------------|--------------|--------------|-------------|
| GDP p.c. | 3.07 | 22098 \$ | 2005 |
| Potential growth | 5.57 | 4.6 % | 2008 |
| Unemployment rate | 9.58 | 3.5 % | 2006 |
| Labor force growth | 4.23 | 2.2 % | 2007-2008 |

| | | | |
|---------------------|------|-------|------|
| Gini coefficient | 6.92 | 0.316 | 1998 |
| Foreign trade | 2.94 | -3.8 | 2005 |
| Inflation rate | 8.09 | 2.5 % | 2007 |
| Real interest rates | 6.65 | 2.8 % | 2007 |

A Economy and employment

Labor market policy

Score: 5

Labor market policies have been successful in reducing general unemployment, but less so in preventing the spread of precarious working conditions and youth unemployment, which are major problems. Compared to other OECD countries, Korea's general unemployment rate is low, but is perceived as a very serious problem, in particular with reference to young people after graduation. Youth unemployment is in the range of 10 percent.

Part-time employees make up 38 percent of all gainfully employed individuals, according to the government. Labor unions put this figure at 50 percent. Hoping to regularize these workers' situation, the government has passed comprehensive labor market reform, including a 2006 irregular worker protection law aimed at enhancing this population's job security. Employers now must give temporary and part-time workers the status of regular workers after they have worked in the same company for more than two years.

However, the additional costs associated regular workers have made small and medium-sized businesses reluctant to comply with the new law. Indeed, the measure has had the reverse effect of increasing employment instability. Seeking a legal loophole, some businesses now try to dismiss non-regular workers and replace them with new temporary workers, in order to bypass the two-year conversion regulation. They also try to let subcontractors run part of their business operations. Consequently, many part-timers and day laborers face mass layoffs.

The government has also been unable to significantly increase the employment rate in Korea, which is well below the OECD average mainly due to the relatively low rate of labor market participation by women. Policies to curb youth unemployment have so far met with a similar lack of success.

Enterprise policy

Score: 6

Enterprise policy has partly achieved the objectives of fostering innovation, entrepreneurship and economic competitiveness, and stimulating private investment. On the one hand, the government has provided tax breaks for investment in R&D. In the newly established special economic zones, investors receive tax holidays. The international competitiveness of Korean corporations has improved in areas such as shipbuilding, cars, and semiconductors. But innovation is impeded by the oligopolistic structure of the Korean market and the dominance of the chaebol, the Korean form of business conglomerate. Small, innovative start-ups and medium-sized enterprises are often choked off or acquired by the dominant business groups.

On the other hand, the government has been less successful in fostering private investment. The country's high overall investment level is partly due to the inclusion of public investment. Korea's GDP is still below the OECD average, and a higher investment rate than in richer countries is not just expected but needed.

The climate for foreign investors in Korea remains difficult – despite strong efforts by the government – due to the oligopolistic structure of the Korean market. Over the last decade, one of the important enterprise policies has been reform of the chaebol. In the 1970s, the authoritarian regime vigorously nurtured the chaebol as the main driving force of industrialization. Formation and growth of these conglomerates was closely related to the actively encouraging role of the state.

But the domination of the national economy by industrial giants caused many problems. Proponents of chaebol reforms have called for more transparent management, improved corporate governance and enhanced checks against the unrestricted power of owners and their families. Some measures have been taken to strengthen shareholder rights and to encourage the development of a culture of responsible corporate governance. The Fair Trade Commission was also separated from Economic Planning Board as an independent vice-ministerial institution. This body is intended to formulate and administer competition policies, and to handle antitrust cases. However, the policies have not yet been successful.

Tax policy

Score: 7

Tax policies in Korea generate sufficient public revenues without impeding the competitiveness of the economy, but they are not designed to achieve a more equitable society. The tax burden in Korea is one of the lowest in the OECD, although it is projected to climb closer to the OECD average in the future. This is a necessary and inevitable development if public goods and services are to be improved. The government has advocated tax increases to finance various welfare programs for people in need, while government spending and the number of civil workers have increased.

Tax revenues are today sufficient to finance government spending, as the relatively small fiscal deficit proves. However, this positive situation is due mainly to the early stage of social security build-up. Today, social security systems have many contributors and few recipients, creating surpluses. In the future, this will change dramatically, as Korea has the lowest fertility rate and one of the fastest-aging populations in the OECD. The majority of government revenues come from a value-added tax that has a regressive effect.

Furthermore, the proportion of indirect taxation in South Korea is higher than other OECD countries. When the government increases taxes, companies simply raise prices in order to pass the burden to consumers. This also happens for direct taxes. The Roh Moo-hyun administration introduced a tax reform plan in 2005, in an attempt to curb property speculation and add a redistributive aspect to the tax system. However, when property tax or composite real estate tax has increased, owners of houses typically make tenants or buyers pay the related taxes.

Budgetary policy

Score: 8

Korea is known for very conservative fiscal policies, with balanced budgets or even surpluses. In 2006, the consolidated government fiscal surplus was 0.3 percent. However, this surplus was mainly due to the effects of the social security system's early stages, in which there are many contributors and few benefit recipients. When adjusted for these effects, the budget balance showed a slight deficit in 2006, which is still much better than the OECD average.

The government debt level is relatively low at roughly one-third of GDP, or less than half of the OECD average. Despite Korea's good performance, there are concerns about these budgetary policies' long-term sustainability. There is no doubt that taxes and social security contributions will have to increase due

to the fast-aging population, and to mitigate the social costs of increasing integration into the world market. In its “Vision 2030” plan, the Ministry of Planning and Budget projects that welfare spending will increase by 9.8 percent every year until 2030, which will bring Korea close to the current OECD average.

Moreover, the government’s financial burden will greatly increase as a result of the population’s rapid aging, and the potential costs of economic integration with North Korea. In 2007, the government announced that it may need to issue national bonds to provide funds for national projects, such as basic old-age pension services, measures related to the Korea-United States free trade agreement and the second phase of the national balanced-development plan. Given that possible unification may incur costs as well, this burden would be simply passed on to the next generations without maintaining finances in a sound way.

B Social affairs

Health policy

Score: 8

The national health care system was launched in 1977, with medical insurance for employees and their dependents in companies having more than 500 employees. In 1989, the national health insurance system was extended to the whole nation. This is a mandatory social insurance system, funded through the contributions of the insured and government subsidies.

The system is comprehensive but shallow, because it has many payment exclusions and high co-payments. General levels of health spending are among the lowest in the OECD, and are much lower than would be expected given the country’s level of development and level of health achieved.

Despite the universal insurance system, many health expenses are still covered individually. Out-of-pocket payments are much higher than in other OECD countries, accounting for 44 percent of health spending, while public health insurance contributions amount to only 33 percent of all health expenditure.

High co-payments might be efficient in the sense that they keep health costs low, but they also prevent access to health services for the poor even when they are insured. The Medical Aid Program, which supports low income patients, covers only 3.5 percent of the population.

The provision of health services is mostly market based. Patients can freely choose their doctors and even choose between Western and traditional

treatment. The downside is that doctors and hospitals have incentives to increase consumption by their patients, thus driving up health costs.

For example, hospitals keep patients longer than necessary (the so-called hotel effect). Prevention and health promotion as a cost-effective means of health service is arguably the weakest point of the Korean health system. Preventive checkups are often not covered by the health insurance. There are few public campaigns for healthy individual behavior such as smoking cessation.

Social cohesion

Score: 6

Social policy effectively prevents extreme poverty, but has failed to limit socioeconomic disparities. South Korea has historically been one of the most successful countries in reducing poverty. Absolute poverty, in the sense of lacking basic needs, still exists but is within OECD standards.

However, Korea is becoming an increasingly unequal country, with the gap between poor and rich widening. Today, Korea's Gini coefficient indicates inequality above the OECD average. Many Koreans can be considered relatively poor, having less than half of the median income. This does not necessarily lead to social exclusion, however. Korea remains an often surprisingly traditional society in which families, friends, and peer groups take care of the socially underprivileged.

However, this "private welfare system" also underscores a social hierarchy that leads to dissatisfaction. The widening income gap creates major dissatisfaction among Koreans that have been brought up in a poorer, but more egalitarian society, in which economic wealth was more equally distributed. Thus, it is not surprising that Koreans' level of life satisfaction is very low, as surveys show.

By improving the social security system, the government has made major steps toward mitigating the deterioration of social cohesion. Until the Asian financial crisis of 1997 – 1998, a public social security system was practically nonexistent: Protection was provided only through family support.

As traditional families are eroding, the government has stepped in; since the crisis, social security spending has increased from 9 percent to 15 percent of government revenues. However, unemployment insurance and programs of livelihood protection remain weak and are not able to cover even the most basic needs. The unemployed thus have to accept jobs even if the conditions are much worse than in their previous job.

This trend towards irregular employment has led to increasing levels of precarious working and living conditions that contribute to the low level of life

satisfaction and the high levels of suicide and divorce. Social inequality is widely criticized by a public that claims the issue has not been efficiently addressed by the government. On the other hand, the notion that economic growth will solve all social problems remains strong, even though this is disproved by the empirical evidence.

Family policy

Score: 5

To date, Korea has been unable to address discrimination against women in the workplace, or to enable them to combine children and work effectively. Spending on family benefits such as maternity care, early care and education support is the lowest among OECD countries.

Nonetheless, the share of women in the workforce has greatly increased in past years, reaching 53 percent in 2006. In addition, some family support policies have been introduced. The government has created public nurseries, but the facilities do not yet provide enough space to meet demand. Some companies set up their own nursery facilities, in return for some tax relief. The government also provides tax refunds for the cost of preschool child caring.

However, family policy enabling parenting to be combined with employment is still young, as traditional “Confucian family values” identifying women’s roles as mothers and housewives remain strong. As a result, Korea’s fertility rate is the lowest in the OECD. Further, there are very few women in leading positions in Korea, giving few career role models for girls.

The country’s work culture, which includes long hours and after-work drinking, is not particularly family-friendly. In contrast to most other OECD countries, the priority of family policies in Korea is to increase fertility, rather than to increase women’s labor market participation or social equality. In 2006, the Korean government introduced a “master plan” aimed at increasing fertility, expanding childcare support eligibility to families earning below 130 percent of the average urban worker household income in 2009. This would cover about 80 percent of all children up to five years old. Out-of-school care is planned for all elementary schools by 2010, up from 20 percent in 2006.

Since 2006, the unemployment insurance system has paid for a maternity leave of 90 days. From 2008 on, parents will be entitled to leave of one year for children up to three years old, and their leave payment will increase by 20 percent.

Pension policy

Score: 5

Old age remains a major poverty risk in Korea. The private-sector pension system was introduced only in 1988 and expanded in 1999. Thus, many of today's elderly are not yet covered by the system. The system's early state of development, with many new contributors and relatively few eligible recipients, also explains the relatively low expenditure. This will dramatically change when the first generation of contributors retires. Currently only 55 percent of the workforce contributes to the system, because many employers fail to register employees for the pension system, and because underreporting of income by the self-employed is widespread.

Currently the pension system is fiscally sustainable, but the future challenges from the changing dependency ratio are substantial. It is estimated that, in 2050, there will be two people under 64 years old for every one person over 64. New pension acts, allowing employers to create private investment-backed saving plans, have recently been passed as a reaction to the fast-aging population. Employees may choose to invest their retirement benefits through outside financial institutions or insurance companies. In addition, a new basic old-age pension plan was introduced, covering senior citizens over 65.

Starting in 2008, this covers about 60 percent of the elderly, depending on recipients' personal wealth. Though this is a step in the right direction, the current plans still do not effectively prevent poverty caused by old age. Intergenerational equity cannot be assessed at this point due to the system's relative immaturity, and the low number of benefit recipients.

C Security and integration policy

Security policy

External security

Score: 8

Since the Korean War, North Korea has represented a constant military threat. External security policy has thus been a top policy priority. Strong military ties with the United States have remained important. With the end of the Cold War, and growing signs of rapprochement with North Korea, demands for more efficient military expenditures have increased. Uncertainties have been aggravated by the unstable political and economic situation in North Korea, and by U.S. foreign policies towards the North.

In this security environment, it is not a surprise that Korea has the second-highest share of military spending in the OECD, after Turkey. Korea has a

universal draft system for male adults, with an active troop size of 690,000 individuals. The military is well trained and equipped with modern U.S.-designed weapons. It is supplemented by a U.S. force contingent of about 30,000 troops. Since its exclusion from politics, the military has enjoyed strong support by the population, but U.S. troop presence in South Korea faces increasing opposition from a minority of the public.

However, many of the pending issues have recently been resolved, including repositioning of U.S. bases, change of wartime operational command and a revision of the Status of Forces Agreement (SOFA).

Since 2000, the Korean government has been engaged in an attempt to resolve the cold war situation in Korea – similar to German Chancellor Willy Brandt’s “Ostpolitik.” However, Korean foreign policies are heavily restrained by strong anti-communist groups in the country and by U.S. foreign policies that have branded North Korea as part of the “axis of evil.” During 2006, United States opposition to dialog with North Korea considerably weakened, which might give South Korean diplomacy more leeway.

Internal security

Score: 8

Korea is a relatively safe country, with a homicide and incarceration rate close to the OECD average. The budgetary share of spending on internal security is one of the highest in the OECD, but this is mainly an effect of the below-average overall budget size. Illegal drug consumption rates are among the lowest in the OECD, and gun control is very strict, thus eliminating major reasons for organized and armed crime.

In the past, internal security institutions were overgrown, because of the military confrontation with North Korea and the fact that authoritarian leaders used them to control pro-democracy forces. After democratization, a main task of internal security policy was the reorganization of these institutions to adapt to a new political environment. Their efficiency and effectiveness were also considered. Because of this background the police force is efficiently organized throughout the country, and quite effective in combating organized crime. Korea has a centralized police organization that concentrates power at the national level.

However, the Roh administration acted to strengthen the police forces at the local government level, for tasks such as traffic and public safety. A new law on this issue was passed in November 2005, and is being tested in a number of local authorities.

The police established its own intelligence bureau when the Roh administration moved some domestic intelligence responsibilities from the National Intelligence Service (NIS) to the police.

Even after these reforms, the NIS remains a universal spy agency, with domestic and foreign spying capabilities, although domestic spying is limited to alleged violations of the Military Secrecy Protection Law, the National Security Law, and the investigation of crimes related to the missions of NIS staff. Although the NIS has no police powers, and is not able to arrest people, it seems that the concentration of security services in just two centralized agencies is potentially dangerous.

*New security
policy*

Score: 8

In order to adapt to new security risks and a new security environment, Korean security forces have implemented defense reforms modernizing a land forces-centered strategy with more high-tech and state-of-art equipment. Korean forces are numerous, well trained, and equipped with modern U.S.-built weapons. The forces include units for special operations and anti-terrorist missions.

However, the country has neither the military capacity nor the political will for independent military action or power projection. Korea is part of the U.S.-led “coalition of the willing” and war on terror; it provided the third-largest contingent in the Iraq occupation forces, and a smaller contingent in Afghanistan which was withdrawn at the end of 2007.

To date, Korea has not experienced any terrorist attacks related to its close alliance with the United States, and there are few indications that terrorists are targeting Korea. However, 23 Korean citizens in Afghanistan were kidnapped in August 2007.

There is little domestic threat from international criminal organizations, as the Korean peninsula is neither a major destination nor a transit country for drugs. In recent years, Korea has become a major destination for trafficking of women, mostly from Russia, Central Asia and Southeast Asia.

Korean foreign aid remains low at 0.1 percent of GDP in 2005 (up from 0.06 percent in 2004), which can be explained by Korea’s relatively recent economic development. Though limited, South Korea has begun military exchanges with China, another measure aimed at adapting to the new security environment. The government actively participates in international efforts combating terrorism and internationally organized crimes, and has sent peacekeeping troops to various U.N. missions.

Integration policy

Score: 4

Until recently, the issue of social integration has not been salient. However, the migrant population has rapidly increased since the 1990s, and has now reached nearly a million people. Most are migrant workers from other Asian countries,

but international marriages have also increased. Despite this rapid social change, integration policy has not yet fully responded. Social discrimination against migrants and mixed-race Koreans exists. The largest obstacle is not restrictive immigration laws, but the challenge of integrating into an ethnically relatively homogeneous country, with a closed society whose language is very difficult.

However, civil society and the media have started to pay more attention to integration issues, and to wage nationwide campaigns for social integration. The government recently began cultural, educational and social programs aimed at integrating migrants.

A small step was made in 2006 by granting foreign residents who have lived in Korea for more than three years the right to vote in local elections. A Commission for the Development of Policies for Foreigners, headed by the prime minister, was established and a number of policies proposed. New programs aimed at supporting foreign-born spouses have been implemented, and administrative procedures have been simplified, in particular for political refugees.

The government has also sought ways to ease the situation of the several hundred thousand foreigners without proper papers, who often live under severe and exploitative conditions. Access to health services, schooling for their children, fair pay and working conditions for this population have been a particular focus. Several NGOs serve as advocates for these “illegal” foreigners, in particular in health and legal matters.

Migrants from North Korea do not face problems of citizenship and language, but the two Koreas have become culturally so different that North Koreans find it hard to blend in. On arrival they are often treated with suspicion by the authorities due to the fear that they might be spies, and are forced to go through a “re-education program.”

D Sustainability

Environmental policy

Score: 5

Environmental policies in Korea have to date been insufficient to protect and preserve the sustainability of natural resources and the quality of the environment. The challenges are huge. Uncontrolled urbanization, waste of resources, and air and noise pollution are serious problems, particularly in the metropolitan areas. Korea has the highest population density in the OECD, and

half of the population produces more than half of the country's GDP in the greater Seoul metropolitan area alone. The government, which established the Ministry of Environment in 1994, has failed to slow down urbanization by making rural areas more attractive.

Environmental issues often cause conflicts between civil society and industry, and between environmentalists and the government. Only recently have there been some localized efforts to improve urban recreation areas, such as the renaturalization of a river area in Seoul in 2005 through the demolition of an elevated highway. The Seoul metropolitan government has also improved public transportation in hopes of slowing down the growth of traffic.

Korea has been successful in decoupling economic growth and pollution growth by imposing higher environmental standards. Attempts to increase energy efficiency and the production of CO₂ have been progressing more slowly, however. Energy efficiency and the energy mix are among the worst in the OECD. In other areas, such as water and waste management, there has been considerable progress, and environmental policies can be generally summarized as progressing, albeit from a very low initial level. Some very active environmental NGOs have started to lobby for more green policies, and have helped raise the public's environmental consciousness.

Research and innovation policy

Score: 8

South Korea's innovation performance is mixed in international comparison. The current level of research and development (R&D) spending ranks South Korea sixth among OECD member countries. Growth in public R&D spending and the share of science and technology degrees granted are both extraordinarily high.

Korea has secured a place in the middle ranks internationally in terms of high-tech employment and triadic patents (patents filed the key markets of the United States, Japan and Europe), although a large gap between Korea and the top countries remains. Still, this midfield position can be considered a huge success given that Korea only recently joined the OECD. Before the 1970s, Korea's heavy industry sector was tiny, and the country had no electronics or automobile industry to speak of until the 1980s. The shift from industrialization through learning and fast adaptation to original research and innovation is progressing slowly

In 2006, the government launched the "Brain Korea 21 Initiative," providing 20,000 graduate students and postgraduate researchers with scholarships. The goal is to improve the quality of graduate schools in Korea and establish 10

research-oriented universities by the year 2012. The government has also invested in high-tech broadband Internet infrastructure in order to facilitate information technology development. The Korean government is trying very hard to close the gap with the most advanced countries, and emancipate itself from the import of technology. However, these policies are not always effective. For example, an ambitious project to build 14 technology parks designed as academic and industrial research clusters turned out to be a waste of taxpayers' money.

Education policy

Score: 7

Educational levels are high in international comparison. Korea was among the top-ranked countries in the OECD's recent Program for International Student Assessment (PISA) study. More than 90 percent of each age cohort in recent years has graduated from high school. More than 3 percent of men, and more than 1 percent of women, go on to obtain a PhD. Because education is held in such high esteem, the public pays close attention to education policy.

Despite the good PISA results, the Korean education system's high cost to families is a major concern. Government spending on education is very low compared to other OECD countries. The very results stem from the willingness of parents to invest huge amounts of money in their children's education, in the form of private schools and tutoring lessons taken by the vast majority of students. This favors children from well-off families, so good schools tend to be concentrated in expensive neighborhoods. Teaching methods focusing on discipline and memorization are often criticized as outdated. Initiative and creativity as prerequisites for innovation and progress are not actively promoted, and are sometimes even discouraged.

In 2005, the Roh administration passed a new private school law aimed at curbing corruption and improving the quality of private education. It requires private schools to have elected board members who are teachers and parents. In addition, the government has worked to reduce regional differences in the quality of schools and to improve the educational opportunities of the less well-off through income subsidies and other means. A lack of public funds has undermined efforts to improve schools in poorer and rural areas, however.

The development of high-quality universities and world class research capabilities has been one of the government's top priorities. The quality of universities varies greatly, however. Public universities that educate about 10 percent of students, as well as a few prestigious private universities, provide excellent training, but the majority of private universities remain below

international standards. Consequently, well-off students and those who can secure a scholarship usually go abroad for graduate school, mostly to the United States. The high cost of private university tuition is another concern. Government guarantees for student loans and long-term, low-interest loans for underprivileged students remain insufficient.

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Management Index

I. Executive Capacity

*Cabinet
composition*

| <i>President</i> | <i>Parties</i> | <i>Mandates (%)</i> | <i>Presidential election</i> | <i>Duration</i> |
|------------------|-----------------|---------------------|------------------------------|-----------------|
| Roh Moo Hyun | Uri Party (Uri) | 50.8 | 12/02 | 04/04- 04/08 |

A Steering capability: preparing and formulating policies

Strategic capacity

*Strategic
planning
Score: 8*

Strategic planning plays a large part in government decision-making. Strategic planning committees are established under the president and within the ministries. Currently, there are 13 presidential committees. Each presidential committee holds more than 10 plenary sessions a year, and subcommittees hold meetings as the need arises. In addition, the committees hold public hearings and symposiums. Furthermore, the Office of the President (also called the Blue House, similar to the White House in the United States) plays an important role in strategic planning, and serves a personal advisory role to the president.

Commission presidents and selected expert members meet once a week under the chairmanship of the incumbent national president. Cabinet members also participate in these meetings. These commissions have taken an important role in the formulation of medium-term government strategy. Government policies stand on three legs: The presidential office is in charge of long-term trends and strategies, the commissions are in charge of long- and medium-term strategies and planning, and the cabinet and ministries observe short-term changes and are in charge of policy implementation.

*Scientific advice**Score: 7*

Non-governmental academic experts have considerable influence on government decision-making. Currently there are a total of 403 commissions operating with legal mandate. Almost all ministries organize advisory committees consisting of professionals and academic experts.

During the Roh administration's first years, the influence of experts was even stronger than usual, and the president established a great number of commissions, such as the Government Innovation and Decentralization commission in 2003, and the Truth and Reconciliation Commission in 2005. The Tripartite Commission on labor issues includes not just government officials and representatives from employees' and employers' organizations, but also academic experts.

However, over the course of the period of this analysis, the government was criticized for shifting decision-making to informal commissions. Some of the advice from academic experts met considerable resistance, or was simply not successful. Consequently, the bureaucracy regained importance.

Nevertheless, academic experts retain a role in government decision-making functions, and quite a few have joined the administration. For example, university professor Ahn Kyong-whan took over as president of the National Human Rights Commission in 2006.

Inter-ministerial coordination*GO expertise**Score: 8*

The Office of the President has the expertise to evaluate important draft bills, both substantially and politically. Strategic priorities are more important than budgetary constraints. There is an Assistant Minister of Policy Analysis and Evaluation in the Office of the Prime Minister (PMO), but in the Korean presidential system the role of the PMO is limited. Sectoral policy expertise can be found in the presidential office, or Blue House. This office has divisions corresponding with the tasks of ministries, and having the power and the expertise to evaluate draft bills.

However, political considerations and lobbying by interest groups also play a role in the president's evaluation of bills. Government research institutes such as the Korean Institute for Public Administration (KIPA) assist the presidential office. The Institute for Foreign Affairs and National Security is affiliated with Ministry of Foreign Affairs, and the Korea Institute of Public Finance is affiliated with Ministry of Finance and Economy.

These institutions are regularly consulted on policy issues, including in the evaluation of important draft bills. In addition, the presidential office tends to seek advice and consultation from advisory committees, which usually

| | |
|---|---|
| <i>GO gatekeeping</i> <i>Score: 9</i> | <p>consist of experts outside the government, when drafting important bills.</p> <p>The president is very powerful in the Korean constitutional system. He (or the prime minister, if the president cannot attend) presides over regular cabinet meetings. In these meetings, ministers return most items on the basis of policy considerations.</p> <p>Extensive policy coordination takes place between the offices of the president, the prime minister and the ministries. In this process, the prime minister is in a relatively strong position. Because of this close cooperation, it is rare for the president to reject a ministry proposal. However, de jure and de facto, the president can return any item envisaged for the cabinet meeting.</p> |
| <i>Line ministries</i> <i>Score: 9</i> | <p>In Korea's hierarchical political system, the line ministries must involve the corresponding division in the Office of the President in the preparation of policy proposals. In December 2006, the Korean government introduced the "On-Nara BPS," an online system designed to standardize the process of handling administrative affairs and to record and manage administrative operations.</p> <p>This system makes it possible to monitor in real time the degree to which major government policies or the president's orders have been enforced. The Public Service Evaluation Committee regularly monitors whether a government agency fulfils its duties according to its action plan for performance management. In addition, ministries often send a temporary or permanent liaison to the presidential office.</p> |
| <i>Cabinet committees</i> <i>Score: 7</i> | <p>Issues of political or strategic importance are reviewed and scheduled by committees such as the National Security Council, typically composed of several ministers. The president presides and the prime minister also participates. When an important issue is raised, ministerial or cabinet committees are often formed on an ad hoc basis.</p> <p>Most experts believe that coordination between the ministries is too weak, and often informal. In the hierarchical Korean system, all ministries are oriented toward the presidential office rather than toward other ministries or the cabinet. The cabinet plays a relatively small role in political decision-making.</p> |
| <i>Senior ministry officials</i> <i>Score: 9</i> | <p>Much minor government business is handled by public servants and junior ministers without involvement of the cabinet. Cabinet members can raise such issues, but rarely, if ever, do so. Public servants, led by the Secretariat of the Prime Minister, are responsible, in consultation with the ministries, for drawing up government agendas. Senior ministry officials prepare policies in coordination with the presidential office. The cabinet is mainly a body for</p> |

information exchange and strategic discussion, while all strategic plans and decisions are made instead in the presidential office.

*Line ministry
civil servants
Score: 5*

There is some coordination between the civil servants of various ministries, but much of this cooperation is informal. Ministries compete on the basis of their policies for presidential office support and approval. There is a clear hierarchy among the ministries, with civil servants in important bodies such as the Ministry of Planning and Budget or the Finance Ministry looking down on counterparts in the Labor Ministry or the Environmental Ministry.

Accordingly, the lack of cooperation between ministries is significant. Normally, they prepare drafts for cabinet meetings independently. Therefore, conflicts among ministries are not uncommon. The president can ask the ministries to cooperate in the formulation and implementation of government policies. But it is not easy for officials to cross the long-standing lines between the ministries.

Regulatory impact assessments

*RIA application
Score: 8*

Regulatory impact assessment (RIA) has been required by law for all new regulations since 2005, and is also mandatory if older regulations are strengthened. In order to use resources efficiently, new regulations are divided into significant and non-significant categories. Significant regulation receives a comprehensive assessment, while non-significant measures face a simplified process.

Some regulations in Korea have a sunset clause that makes their review necessary during the duration period. The Regulatory Reform Commission (RRC) established under the Roh administration intensively reviews existing regulations and recommends changes. Environmental impact assessment (EIA) is a good example of this process. Before a development project launches, its likely environmental and ecological impact must be reviewed by the Ministry of Environment.

While EIA is applied to the implementation phases of a project, strategic environment assessment is applied to the planning phase. Officials in charge of a development project should have consultation meetings with officials from the environment ministry to discuss the project's possible environmental impact.

*Needs analysis
Score: 8*

RIAs in Korea mention the purpose and need for a regulation, but the overall number of regulations that initially fail the RIA is around 20 percent. Despite this low failure rate, RIAs have improved the quality of draft regulations, because ministries now know that no law can pass without an RIA. Since

2005, there have been constant efforts by the government and scholars to improve RIA methods.

The depth of the RIA process varies across the public service. In April 2004, a distinction between important and less important regulatory policies was introduced. Important policies are evaluated systematically and regularly by the RRC. Other policies are evaluated by the ministries themselves, with the results reported to the RRC. In an effort to ensure transparency and accountability, regulatory reform and its progress can be monitored at the RRC's Web site. The results of all evaluations are subject to a comprehensive assessment by the RRC at the end of each year.

Alternative options

Score: 8

RIAs effectively analyze alternative options in many instances. The ministry that drafts the regulations must consider practical regulatory alternatives even in the initial stages, as one criteria of the RIA review asks whether an alternative to regulation is possible, and whether the proposal overlaps with existing regulations.

On the basis of its evaluations and assessments, the RRC can put forward recommendations and enforce them. For example, bundled regulations that affect many ministries, laws and ordinances have been selected and improved, with a focus on regulatory compliance costs and time. With respect to the private sector too, progress has been palpable.

Societal consultation

Mobilizing public support

Score: 5

The Roh administration put great effort into consulting with economic and social actors, but in the 2005 period, it was not successful in winning acceptance. Most societal groups and most Koreans saw the Roh administration as a failure, although the reasons for this harsh assessment vary. The administration met resistance from big business from the beginning, although the chaebol profited from administration policies, such as the free trade agreement, that were clearly in the interest of the export-oriented business conglomerates.

Roh's policies were initially influenced and supported by labor unions and progressive NGOs. However, he failed to satisfy their wishes in issues such as the abolishment of the National Security Law, the improvement of labor rights and control of real estate speculation. Following 2005, Roh's agenda shifted, focusing more on opening markets (in the context of the free trade area negotiations) and financial liberalization (specifically, the financial hub initiative).

In most policy areas, interested parties are fully informed of proposed

measures and are consulted at various stages of the policy-making process. Consultation with trade unions, business and civil society organizations is today a standard approach. However, because the latter organizations are divided ideologically, acceptance of government policies is normally not high.

Policy communication

Coherent communication

Score: 7

The government ordinarily speaks with a unified voice, as a result of prior coordination between ministries. Some important policies are announced by the president or his spokesperson, after consultation with ministries concerned. However, contradictory statements do occur, especially on the part of ministers.

B Resource efficiency: implementing policies

Legislative efficiency

Veto players

| | <i>Total</i> | <i>Share</i> |
|--|--------------|--------------|
| Bills envisaged in the government's work program | 651 | |
| Government-sponsored bills adopted | 459 | 70.51 % |
| Second chamber vetos | - | - % |
| Head of state vetos | 0 | 0 % |
| Court vetos | 46 | 10.02 % |

Effective implementation

Government efficiency

Score: 7

The Roh administration was severely criticized by the conservative newspapers as well as by progressive civil-society organizations. Constitutionally, the powerful president does not need to react to such critique when pursuing his policies. Yet Roh wanted to listen to the opposition and to civil society. Therefore, his policies often appeared hesitant and unassertive. In fact, his economic and labor market policies, his trial-and-error policies combating rampant real estate speculation, and his social and gender policies, for example, were quite successful by most standards.

A law passed in 2006 obliges employers to convert irregular jobs into regular ones. There were some protests, yet enterprises with more than 500 employees began implementing it on schedule in July 2007. The law stipulates precise implementation dates according to firm size. In 2006, real

estate prices in some parts of Seoul rose by close to 30 percent.

Subsequently, 2007 real estate prices fell in some areas where speculation had formerly been rampant. Furthermore, the government's successful anti-speculation policies managed to prevent a sharp adjustment process in real estate markets in the wake of the U.S. subprime mortgage crisis.

However, the government failed in crucial reforms such as the abolishment of the National Security Law or the improvement of labor rights, because it was not able to secure political support in the National Assembly. The proposed relocation of the capital city is an example of failure due to veto by the Constitutional Court.

Ministerial compliance

Score: 10

In the Korean presidential system, ministers do not have independent political bases. Ministers (including the prime minister) are responsible to the president, who has the prerogative to appoint and relieve ministers of their positions.

A minister's service is dependent on satisfying the president in terms of implementing the government's program. Ministerial tenures are relatively short, usually less than 2 years, and reshuffles often occur. Ministers are not always ruling-party members.

However, there are organizational meetings between ruling-party leaders and ministers to coordinate government programs. By means of these meetings, the ruling party can monitor whether a minister is properly implementing government programs.

Monitoring line ministries

Score: 9

The Office of the President closely and effectively monitors the activities of line ministers. The prime minister's office also monitors ministerial activities. The president regularly presides over cabinet meetings, holding discussions of the policy agenda and checking in on policy progress and ministerial performance. The prime minister's influence in monitoring line ministers varies according to the officeholder's relationship with the president. Prime Minister Lee Hae-chan (2004 – 2006) wielded considerable power, because President Roh personally trusted him.

However, if a line minister builds such a relationship with the president, the prime minister's ability to monitor the minister may be weakened. Since line ministries do not have the ability to pursue their sectoral interest independently, powerful ministries seek rather to influence the president and his advisers in order to pursue their own agenda.

One example of this strategy was the influence gained by the Financial Ministry over the president's economic policies following 2005, while the first two years of the Roh administration were more strongly influenced by

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|---|--|
| | <p>economic advisers close to labor unions and progressive NGOs.</p> |
| <i>Monitoring agencies</i> <i>Score: 9</i> | <p>A large number of government agencies – more than 572 in January 2005 – have some degree of autonomy from government. These agencies support government policies in their respective areas of responsibility, and remain accountable to ministers. The ministers regularly assess the agencies' efficiency and task compliance.</p> <p>Since the end of 2005, the performance of 213 agencies has been included in the Government Innovation Index. Generally speaking, the ministers effectively monitor the activities of the executive agencies. However, failures of oversight have sometimes been revealed as a result of parliamentary inspection or the occurrence of a scandal, and often result in the resignation of the minister.</p> |
| <i>Task funding</i> <i>Score: 5</i> | <p>Korea is an extremely centralized country, so regional governments have very few powers and functions, and lack responsibility for services such as education and policing. Even their few functions are typically funded by transfers from the central government. Local governments' own tax authority is limited to property taxes.</p> <p>At least 84 percent of the country's local governments receive more than half of their funds from the central government. The only exception with sufficient independently derived funds is the Seoul city government. Although the Roh administration had plans for a decentralization push, and for giving local governments more tax authority, there were few changes during the period of this analysis. A new real-estate tax had been earmarked largely for the local governments, although this had not yet been finalized.</p> |
| <i>Constitutional discretion</i> <i>Score: 5</i> | <p>Despite the development of autonomous local and regional governments, a lack of adequate independent revenue sources makes them vulnerable to demands from the central government. Though the central government cannot breach local governments' constitutional scope of discretion, it has an apparently superior practical power.</p> |
| <i>National standards</i> <i>Score: 6</i> | <p>The central government monitors sub-national governments closely, but it is less effective in ensuring an equal level of public services across regions, at least for those services for which quality depends on regional tax revenues. Local governments' personnel and budget policies are supervised by the Ministry of Government Administration and Home Affairs (MOGAHA). Personnel systems, including classification, recruitment, promotion and remuneration, are identical to those of the central government.</p> <p>Local governments' main function is to implement central government policies uniformly throughout Korea. MOGAHA dispatches deputy CEOs to</p> |

all local governments to monitor this implementation. The central government also has to approve all changes in local governments (on the provincial level). Supervision of local governments is tight and works reasonably well, with a long history of centralization – until 1995, the central government appointed all local government representatives.

Yet despite the tight control, most subnational governments in rural areas lack adequate resources to fund public services and operate on a much lower professional level than the central government. Thus, in practice, public services diverge substantially, particularly between rural areas and cities.

C International cooperation: incorporating reform impulses

Domestic adaptability

*Domestic
adaptability
Score: 7*

The Korean government is usually fast to react to criticism by international organizations, and tries hard to adopt international standards. However, since Korea started from a much lower level than other OECD countries, many changes are still needed. Good examples of past adoption of international standards include the improved fiscal transparency regulations and the implementation of regulatory impact assessments into the bill-drafting process.

Since the Asian financial crisis in 1997, widespread bureaucratic reforms have taken place. Policymakers have tried hard to transform developmental state-style structures into a neoliberal model. These changes have included the reduction in the number of government officials, the outsourcing of some functions, rearrangement of organizational roles and privatization. In addition, globalization and the passage of free trade agreements have also sparked governmental adaptation.

External adaptability

*International
coordination
activities
Score: 8*

Korea has been an active participant a large number of international conventions, forums and activities, with defense, economic development and, more recently, the environment as areas of particular interest. In January 2007, Ban Ki-moon, a former foreign minister of Korea, became U.N. general secretary.

Since Ban's nomination for the position, the Korean government has worked hard to improve its profile in international organizations and provide

leadership in international reform efforts. For example, Korea assumed the presidency of the Leading Group for Innovative Sources of Development Financing in March 2007.

Humanitarian food aid in North Korea and a joint project with Japan, China and the United States to resolve the problem of “yellow dust storms” from China are further examples of international coordination. Currently, the government participates actively in international reform initiatives in areas such as ecological conservation, youth exchange, economic aid and e-government.

*Exporting
reforms*

Score: 5

The Roh Moo-hyun government initiated some important international projects, such as the six-party talks aimed at resolving the North Korean nuclear issue. It also tried to spread its own reform priorities at the regional level, especially to other Southeast Asian countries. However, the government did not make sufficient efforts to spread its own reform priorities or play a mature role as a reform initiator in the international community.

There have been some efforts to present Korea’s economic development since the 1960s as a role model for developing countries, using Korea’s growing official development assistance as an incentive. For example, the Korean government’s development agency (KOICA) gives grants to students from developing countries in order to study in Korea.

D Institutional learning: structures of self-monitoring and -reform

Organizational reform capacity

Self-monitoring

Score: 8

Awareness of institutional reform issues in the Roh administration was high. The administration included many young and reform-minded people who believed that institutional reform was crucial to policy change. This was the logical result of a generational and political change in Korean politics. The generation of politicians who were active in the democracy movement naturally planned to change the institutions built during the transformation process from military dictatorship to democracy after 1987.

Within the Roh government, a number of institutions formed part of a monitoring system. The latest monitoring system is the Government Innovation Index. The Center for Government Innovation first developed and now monitors this system. This index regularly measured the levels of innovation and efficiency achieved by official and semi-official institutions. It also served to develop new strategies for the public sector.

*Institutional reform**Score: 6*

The Roh government tried various institutional arrangements with mixed results. For example, many special committees were established, directly responsible to the president, aimed at improving the efficiency of policy-making and minimizing bureaucratic delays and complacency. However, this did not necessarily improve strategic capacity. In fact, many institutional reform attempts failed. The Korean president's powerful position and his single five-year term present severe obstacles to the government's strategic capacity. There have been discussions for years on switching from the presidential system to a cabinet system, and Roh supported this reform, but the opposition Grand National Party (GNP) rejected this proposal. Alternative proposals to allow the reelection of the president, in order to avoid the "lame duck" phenomenon, also led nowhere.

Smaller changes in government decision-making procedures were more successful. Increasing the scope of formal and informal interactions with civil society represented an important change during the Roh administration. The inclusion of civil society groups improved the government's strategic capacity, because these contacts provided information that made it easier to anticipate potential support or resistance.

II. Executive accountability

E Citizens: evaluative and participatory competencies

Knowledge of government policy and political attitudes

*Policy knowledge**Score: 6*

According to an opinion survey in November 2006, the public's interest in government policy had increased as compared to 2004 and 2005. A majority of citizens consider themselves to be well informed about government policy-making, especially in the fields of education and culture (63.5 percent), economy (62.2 percent), and social and welfare policy (53.3 percent). For environmental and gender policies the results were somewhat lower (45.3 percent). Citizens obtained information on policy through television (59.1 percent), newspapers (21.5 percent), on the Internet (18.1 percent) and radio (1.15 percent). Fifty percent of respondents thought they were well informed by the government on its policies.

F Parliament: information and control resources

Structures and resources of parliament, committees, parliamentary parties and deputies

| | |
|--|-----|
| Number of deputies | 299 |
| Number of parliamentary committees | 19 |
| Average number of committee members | 20 |
| Average number of subcommittee members | - |
| Pro-government committee chairs appointed | 11 |
| Deputy expert staff size | 3 |
| Total parliamentary group expert support staff | 67 |
| Total parliamentary expert support staff | 333 |

Obtaining documents
Score: 8

Since 1987, parliamentary committees have had the power to request any government document. The government and administrative agencies are required to report or submit documents to parliament within 10 days in response to a demand from parliamentary committees. If there is a special reason, the government can delay the report or submission of documents after reporting to the committee chairperson.

In practice, committees can obtain whatever government documents they require, except those which contain confidential commercial information or cover certain aspects of national security. However, the number of state secrets in Korea remains very high, a leftover from the times of military dictatorship, and this is difficult to change. If ministers cite the protection of state secrets or the potential violation of privacy in rejecting a parliamentary committee's request, members of parliament have the right to file a legal complaint against the government in order to receive the documents.

Summoning ministers
Score: 10

Article 61 of Korea's constitution gives parliament the right to summon and question cabinet members and any other government official, giving the parliament quite strong oversight power. Parliamentary committees often summon ministers to committee meetings. Ministers are obliged to answer questions when receiving such a summons.

Summoning experts
Score: 10

According to the National Assembly Act, a committee may summon experts and professionals when it needs to hear professional opinions. This kind of public hearing occurs quite often, especially when an issue causes public debate or is complicated enough that legislators need expert advice.

Task area coincidence
Score: 9

The task areas of parliamentary committees and ministries mostly coincide. However, the parliament is not fully capable of monitoring ministries. While legislators are able to monitor ministers and the ministries' political leadership, they have problems monitoring the bureaucracy. Ministers in Korea have a weak position within their ministry due to their relatively short tenure, and the strong position and lifetime employment characteristic of the career bureaucracy.

Audit office
Score: 5

The Board of Audit and Inspection (BAI) is a constitutional agency, organizationally responsible to Korea's president but retaining an independent status. It regularly reports the results of its examinations both to the president and to the National Assembly. There is ongoing controversy over whether the BAI should instead become a parliamentary body. Despite considerable consensus over this proposal, this could only be done through a revision of the constitution, which would require a popular referendum.

Ombuds office
Score: 1

The Korean parliament does not have an ombuds office, although a proposal to introduce such an office has been considered. The Ombudsman of Korea, which handles complaints about administrative agencies and is tasked with enhancing administrative institutions, is responsible to the president. Citizens can petition parliament when they have concerns or issues that need to be publicly raised. However, it is questionable whether this procedure works effectively.

G Intermediary organizations: professional and advisory capacities

Media, parties and interest associations

Media reporting
Score: 7

Korea's main TV and radio stations produce extensive information on government policies, but the mass media's quality of reporting and diversity of opinion concerning the government varies. On the main TV programs, reporting tends to be superficial, although the government goes to considerable lengths to improve the quality of information provided, sending ministers and even the prime minister to participate in talk shows.

Publicly funded radio programming includes considerably more and typically better discussions on political issues. Scholars are often interviewed on radio

and TV programs, and a strong effort has been made to improve programming quality. However, political programming often reflects the broader shortcomings of Korean politics, with a highly personalized focus. The print media, with few exceptions, tend to have a strong bias. This was particularly evident against the Roh government.

Fragmentation

Parliamentary election results as of 4/14/2004

| <i>Name of party</i> | <i>Acronym</i> | <i>% of votes</i> | <i>% of mandates</i> |
|----------------------------|----------------|-------------------|----------------------|
| Uri Party | Uri | 42.1 | 50.84 |
| Grand National Party | GNP | 36.8 | 40.47 |
| Democratic Labour Party | DLP | 4.1 | 3.34 |
| Millenium Democratic Party | MDP | 8.5 | 3.01 |
| United Liberal Democrats | ULD | 2.8 | 1.34 |
| Indepedents (3) | | 4.1 | 1.00 |
| Others | | 1.6 | 0 |

Party competence Score: 2

The electoral programs of all parties appear coherent and plausible on paper. However, with rare exceptions, they are in fact meager and overly general. In any case, because of the personality-oriented character of parties and elections, electoral programs do not play an important role. It is seen as more important to elect the right person to office, with the political agenda being secondary.

Parties and candidates are hard to distinguish on the basis of political objectives and programs. Party loyalty is low and switching parties to gain personal advantage is common. Parties form around powerful individuals. They are frequently renamed or dissolved, and often merge with other parties.

In August 2007, the then-ruling Uri Party merged with some splinter groups and was renamed as the United New Democratic Party (UNDP), following President Roh Moo-hyun's departure from the party earlier that year. The Grand National Party (GNP) is the oldest major party in Korea. It was founded in 1997.

Association

Compared to the party system, Korea's civil society is strong, and able to

*competence**Score: 5*

organize interests in focused policy fields. Naturally, association competence varies greatly. The government has considerable difficulties in harmonizing the often contradictory expectations of interest associations. Employer's organizations and labor unions are often accused of proposing policies that solely benefit their own interests, and do not take the common good into account. Interest associations' influence has grown in recent years, but few have issued "reasonable" policy proposals or alternatives. The creation of association-affiliated think-tanks is a quite recent development. Leading business associations and employers' associations have taken a lead in this regard, creating think-tanks that issue policy proposals and network with professionals and scholars. Trade unions and social interest groups do not yet produce a considerable amount of their own policy alternatives.

*Association
relevance**Score: 7*

There is some tradition of integrating interest associations into the political process, particularly in the case of employer's organizations and labor unions. The most prominent is the Tripartite Commission (TPC) founded in 1998 after the Asian financial crisis. This includes members drawn from employer's organizations and labor unions, along with government officials. With a two-thirds majority, the TPC can suggest policies to the government, and was an important instrument for the successful implementation of market-based liberal reforms after the crisis. However, interest associations' capacity to produce policy alternatives remains limited. Although the government tries to consult with concerned parties on issues and new policies, generally few interest association proposals are considered relevant by the government.

However, the Roh administration included civil society groups in the political decision-making process like never before in Korea. Roh was elected as an underdog with the support of NGOs and citizens mobilized over the Internet. Under his administration, NGOs received more funding, and their input was valued, but their impact increased only slowly. Many NGOs complained that the administration remained closed and even secretive.

For example, many of the negotiations on the U.S.-Korea free trade agreement were held in secret, arguably to avoid public protests. The growing power of NGOs is welcomed, but has sometimes been seen as an obstacle to political goals desired by the administration but which are publicly unpopular. Despite the growing influence of civil society associations, government research institutes such as the Korea Development Institute (KDI) remain dominant in advising the government on important policies.

This country report is part of the Sustainable Governance Indicators 2009 project, which assesses and compares the reform capacities of the OECD member states.

More on the SGI 2009 at www.sgi-network.org

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