

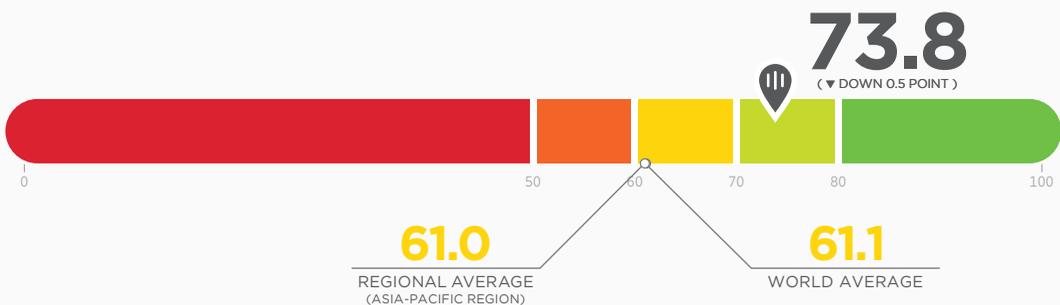
SOUTH KOREA

South Korea's economic freedom score is 73.8, making its economy the 27th freest in the 2018 *Index*. Its overall score has decreased by 0.5 point, with a steep decline for the **government integrity** indicator outweighing an improvement in **investment freedom**. South Korea is ranked 7th among 43 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Despite a high-profile corruption scandal that led to the president's impeachment, the rule of law is fairly well institutionalized, supporting such other pillars of economic freedom as regulatory efficiency and market openness. The new government has departed significantly from prior supply-side-oriented conservative administrations with an ambitious demand-driven economic policy agenda that emphasizes populist spending and "income-led growth" through measures aimed at alleviating debt pressures for households, raising taxes on corporations and the wealthiest, and increasing the minimum wage.



ECONOMIC FREEDOM SCORE

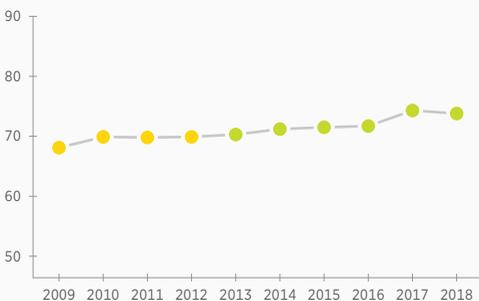


NOTABLE SUCCESSES:
Fiscal Policy, Business Freedom, and Monetary Stability

CONCERNS:
Government Integrity, Labor Freedom, and Judicial Effectiveness

OVERALL SCORE CHANGE SINCE 2014:
+2.6

FREEDOM TREND



QUICK FACTS

POPULATION:
51.2 million

GDP (PPP):
\$1.9 trillion
2.8% growth in 2016
5-year compound annual growth 2.8%
\$37,740 per capita

UNEMPLOYMENT:
3.7%

INFLATION (CPI):
1.0%

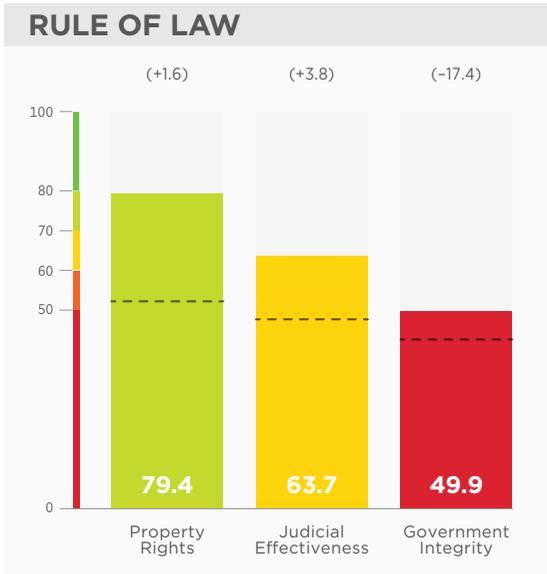
FDI INFLOW:
\$10.8 billion

PUBLIC DEBT:
38.6% of GDP

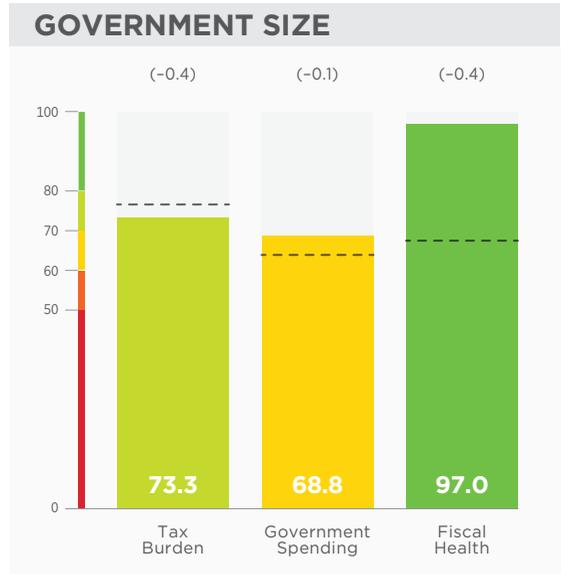
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: In May 2017, Liberal candidate Moon Jae-in became president following the impeachment of Park Geun-hye. Moon promised a resumption of dialogue with and economic benefits to North Korea to reduce tensions on the peninsula, but Pyongyang has treated Moon as badly as it did his conservative predecessors. North Korea rejected Moon's overtures and has test-launched several missiles and conducted a nuclear test in violation of U.N. resolutions. After four decades of rapid economic growth and global integration, South Korea has become a high-tech, industrialized, trillion-dollar economy. President Moon faces daunting challenges, however, such as an aging population, low worker productivity, and the need to implement a structural shift away from overreliance on an export-led growth model.

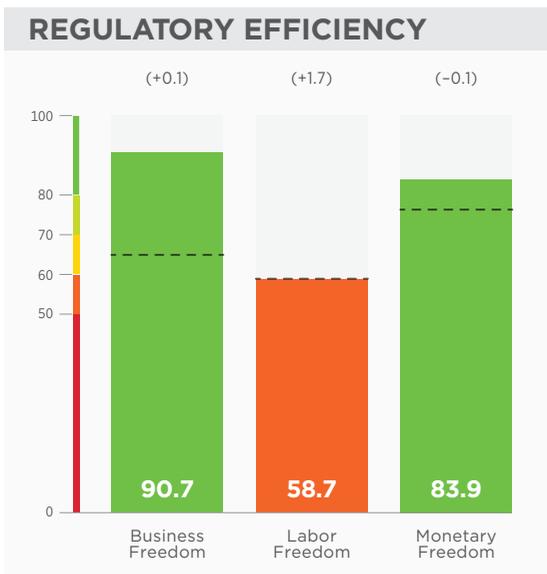
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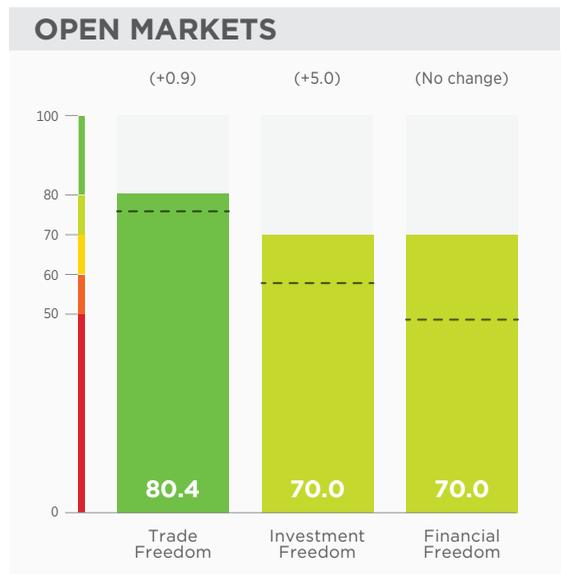
South Korea fully recognizes property rights and has a well-developed body of laws governing the establishment of commercial enterprises. The judiciary is generally regarded as independent and protects private property rights efficiently. Elected officials implement policy without undue interference. Despite government anticorruption efforts, however, bribery, influence peddling, and extortion persist in politics, business, and everyday life.



The top personal income tax rate is 38 percent, the top corporate tax rate is 24.2 percent, and both are subject to a 10 percent surtax. The overall tax burden equals 25.3 percent of total domestic income. Over the past three years, government spending has amounted to 32.3 percent of total output (GDP), and budget surpluses have averaged 0.4 percent of GDP. Public debt is equivalent to 38.6 percent of GDP.



In 2016, South Korea made it easier to start a business by eliminating post-registration procedures. The labor force is dynamic, but regulatory rigidities governing labor hinder labor mobility. Monetary stability has been well maintained. The government subsidizes rice farmers and sets price controls on coal for home heating, diesel and gas, rice, electricity, cable, water and sewer, and telecommunications.



Trade is significant for South Korea's economy; the combined value of exports and imports equals 78 percent of GDP. The average applied tariff rate is 4.8 percent. Nontariff barriers impede some trade. Government openness to foreign investment is above average. The financial sector has become more competitive, although business start-ups still struggle to obtain financing. The banking sector remains largely stable.