

SOUTH KOREA

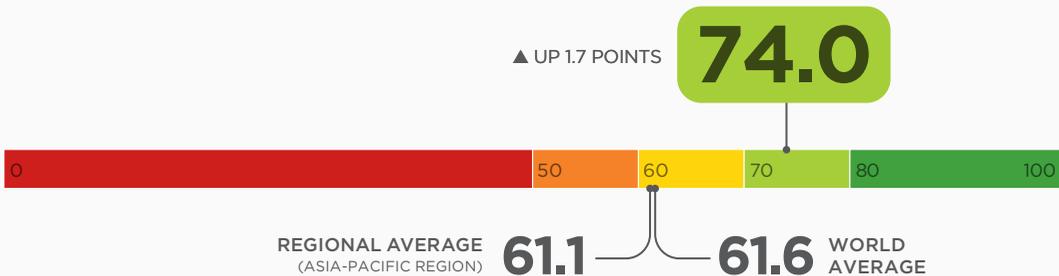
South Korea's economic freedom score is 74.0, making its economy the 25th freest in the 2020 *Index*. Its overall score has increased by 1.7 points due to higher scores in the rule-of-law pillar. South Korea is ranked 7th among 42 countries in the Asia-Pacific region, and its overall score is well above the regional and world averages.

The potential benefits of South Korea's relatively high degree of market openness are undercut by less impressive performance in judicial effectiveness, government integrity, and the management of public spending. South Korea's economy, rated moderately free through most of the history of the *Index*, has advanced to mostly free in the past eight years.

A dynamic private sector with a well-educated labor force and high capacity for innovation has capitalized on openness to global trade and investment. A sound legal framework is in place, but lingering corruption continues to undermine equity and trust in government.

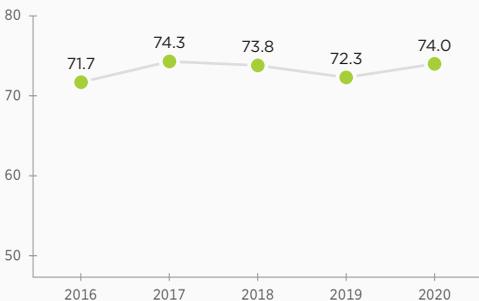


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
51.7 million

GDP (PPP):
\$2.1 trillion
2.7% growth in 2018
5-year compound annual growth 3.0%
\$41,351 per capita

UNEMPLOYMENT:
3.8%

INFLATION (CPI):
1.5%

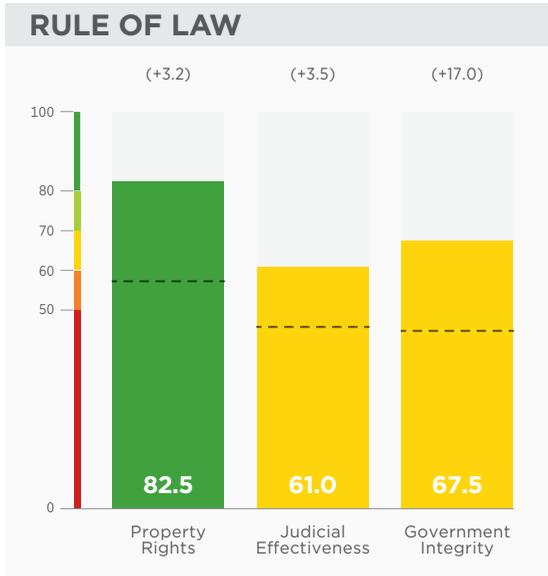
FDI INFLOW:
\$14.5 billion

PUBLIC DEBT:
40.7% of GDP

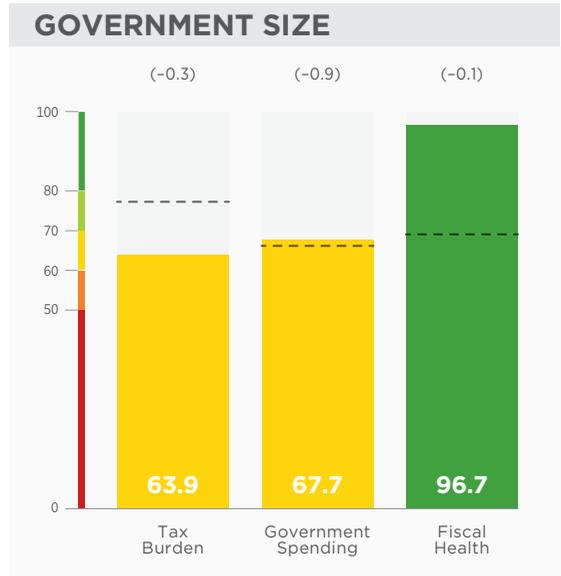
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Since his election in 2017, progressive President Moon Jae-in has sought to reduce tensions and improve relations with North Korea by offering economic benefits that include massive infrastructure projects. All economic activity with Pyongyang, however, is constrained by international sanctions, and North Korea subsequently dismissed Seoul's diplomatic endeavors, even rejecting humanitarian assistance. After decades of rapid economic growth and global integration, South Korea has become a high-tech, industrialized, \$2 trillion economy led by such sectors as electronics, telecommunications, automobile production, chemicals, shipbuilding, and steel. Nevertheless, President Moon faces daunting challenges that include an aging population, low worker productivity, and the need to implement a structural shift away from overreliance on an export-led growth model.

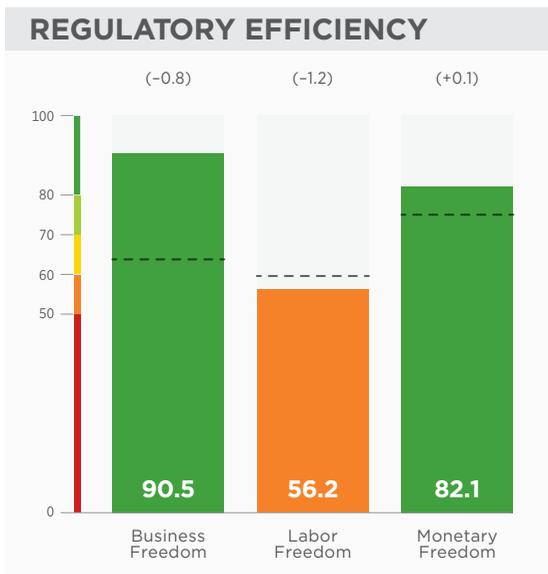
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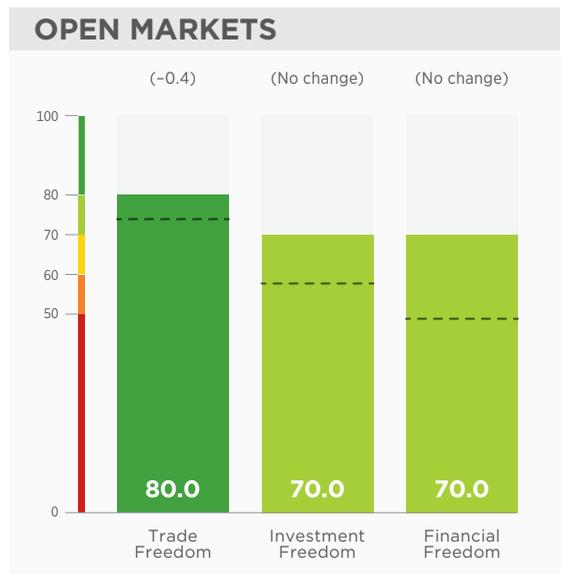
Property rights and interests are enforced, and a reliable system for registering mortgages and liens is managed by the courts. The judiciary is generally considered to be independent, and efforts are being made to ensure that the judicial process is fairer and more reliable. Despite government anticorruption efforts, bribery, influence peddling, nepotism, and extortion persist in politics, business, and everyday life.



The top personal income tax rate is 42 percent, and the top corporate tax rate is 25 percent. Both rates are subject to a 10 percent surtax. The overall tax burden equals 26.9 percent of total domestic income. Government spending has amounted to 32.8 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 2.3 percent of GDP. Public debt is equivalent to 40.7 percent of GDP.



The government has sought input from businesses regarding new and existing regulations because of concern that Korea's complicated regulatory framework is becoming outmoded. Rigid labor regulations sometimes cause employers to make decisions they otherwise would not make that are not good for either employers or employees. The government increased green subsidies and expanded subsidies for electric vehicles in 2019.



The total value of exports and imports of goods and services equals 83.0 percent of GDP. The average applied tariff rate is 5.0 percent, and 422 nontariff measures are in force. The overall investment regime has become more transparent. Certain tax incentives for foreign investments have been abolished, effective from January 2019. The financial sector has undergone consolidation, and transparency and efficiency have been improved.