

# South Korea 2012



**Total: 69.62**

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## Quick facts

Population:	48.86 million
Population growth:	0.2 %
Unemployment rate:	3.4 %
GDP:	1574 billion \$
GDP growth rate:	3.6 %
GDP per capita:	32100 \$

## Political Freedom

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### Free and Fair Elections : 9.29

Elections in South Korea are generally free and fair. The electoral process has constantly improved since 2002 and, although contesting in an election is rather costly, the influence of money-politics has declined in recent years. The president, who can only serve one term, is elected every five years. The members of the National Assembly are elected for four-year terms. Political pluralism and participation are strong in South Korea; several political parties contest in elections and there is also a great variety of active NGOs.

### Absence of Unconstitutional Veto Players : 8.33

There are no veto players who lack a constitutional mandate in the South Korean political system. Civilian control over the army has successfully been established. Other influential groups do not carry much weight in politics. However, government transparency remains comparatively low which, in part, may be contributed to widespread corruption.

### Freedom of Press : 6.8

Media are mostly free and unrestricted in South Korea. There are several privately owned newspapers that operate freely. However, the National Security Law (NSL) subject all actions

perceived as favouring North Korea and questioning the legitimacy of the South Korean state to punishment. This leads to a certain degree of self-censorship so as to avoid prosecution. Nevertheless, the press in South Korea is significantly freer than in other countries in the region.

## Rule of Law

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### **Independence of the Judiciary : 4.59**

The South Korean judiciary is fairly independent. The process of justice appointment is formally transparent and adequately covered by public media. The Constitutional Court itself has underlined its independence through a number of cases where it ruled against the government. However, the independence of the courts is sometimes questioned, as state prosecutors are occasionally ordered to launch investigations (particularly into tax matters) aimed at intimidating political rivals or other dissidents.

### **Corruption : 5.4**

Despite the overall health of the political system, bribery, influence peddling and extortion have not been eradicated from South Korean politics, business and everyday life. A recent corruption scandal involved the current president's brother and several of his political aides, all accused of accepting graft for political favours. South Korea was ranked 43 out of 183 countries surveyed in Transparency International's 2011 Corruption Perceptions Index.

### **Protection of Human Rights : 7.79**

In general, human rights are protected in South Korea. However, there are laws limiting them, such as the above-mentioned NSL which enables the authorities to prosecute South Koreans reading North Korean publications, listening to North Korean broadcasts or visiting North Korea. South Korea retains the death penalty, but no executions have been carried out since 1997. The South Korean Constitution provides for freedom of religion; however, Buddhist groups have accused the current administration of religious bias. Academic freedom is unrestricted, with the exception of limits on statements of support for the North Korean regime or communism in accordance with the NSL. South Korea respects freedom of assembly; yet the law requires that police be informed in advance of all demonstrations and that assemblies not undermine public order. Human rights groups, social welfare organisations and other NGOs are active and operate without governmental interference for the most part. Nevertheless, the country's few ethnic minorities are still vulnerable to legal and societal discrimination. Although gender equality is guaranteed by law, women face discrimination in practice, with men enjoying more social privileges and better employment opportunities.

## Economic Freedom

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## **Security of Property Rights : 6.5**

Private property is well protected under South Korean law and expropriation is unlikely. The courts can be slow in deciding on contractual matters, though. The protection of intellectual property rights, on the other hand, is deficient. Piracy of copyrighted materials is not uncommon.

## **Size of Government: Expenditures, Taxes, and Enterprises : 6.85**

Government spending has increased to 33.1% of the GDP, whereas public debt stands at 33% of the domestic output.

South Korea has a top income tax rate of 35% and a top corporate tax rate of 22%. Other taxes include value added tax and property tax. The introduction of a simplified tax payment mechanism has benefited companies, with several taxes merged and residents now able to pay labour taxes and contributions jointly and online. Overall tax revenue represents about 25.6% of the GDP.

## **Regulation of Credit, Labour, and Business : 6.86**

South Korea's financial sector is in the process of undergoing reforms aimed at improving transparency and efficiency, and ending state-directed lending. As a result, the financial sector is becoming more competitive. The restructuring of the banking system during the past decade has resulted in weak institutions being merged or shut down. Foreign banks own majority stakes in some large commercial banks, but there are restrictions imposed on foreign ownership. The government has to some extent retreated from private banks, but still keeps some ownership positions.

South Korean laws regulate the starting, running and closure of a business fairly well. Starting a business has been made easier with the introduction of StartBiz Online, a system that offers online incorporation, and can be done in only seven days and five procedures. A business license can be obtained in 12 procedures and 30 days. Closing a business is a straight-forward process.

However, labour regulations are inflexible. The non-salary cost of a worker is moderate, and firing procedures are complicated. Work hour regulations are inflexible.

## **Freedom to Trade Internationally : 7.21**

On its path to further trade liberalisation, South Korea has negotiated free trade agreements with the United States, the European Union, ASEAN, Chile, Peru and Singapore during the last couple of years.

Meanwhile, some obstacles to foreign trade, such as prohibitive tariffs, import and export restrictions, complicated regulations and adjustment tariffs and taxes remain.