

South Korea in 2020

Successful Response to the Coronavirus Crisis; No Progress in Denuclearization of North Korea

ABSTRACT

The two biggest stories of 2020 were South Korea's successful response to the coronavirus crisis and the lack of progress in the denuclearization of North Korea. South Korea was able to contain the spread of the coronavirus mainly due to aggressive tracing and testing. There has been no substantial progress on the denuclearization of North Korea. Macroeconomic performance in 2020 virtually came to a halt amid the pandemic. South Korea's GDP shrank considerably and shows no signs of rebounding.

KEYWORDS: coronavirus crisis, successful response, denuclearization of North Korea, general election, President Moon's leadership

SUCCESSFUL RESPONSE TO THE CORONAVIRUS CRISIS

The coronavirus, known to have originated in Wuhan, China, in December 2019, has spread around the world, with 590 deaths in South Korea and 1,590,000 deaths worldwide as of December 2020. In February, South Korea had up to 900 new infections per day. However, the country was able to contain the spread of new infections, mainly through aggressive tracing and testing. South Koreans were also fairly cooperative with the government's restriction of their privacy and freedom in the process of fighting the pandemic (*New York Times* 2020a).

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South Korea went through several hardships in eventually flattening the curve. In late February, the mysterious Shincheonji Church of Jesus became the epicenter of a coronavirus outbreak. According to the Korea Disease Control and Prevention Agency (KDCA), as of March 7, 63.5% of all confirmed cases were related to Shincheonji (*New York Times* 2020b). In May, Seoul's multicultural hub of Itaewon turned into a new hot spot for coronavirus. The KDCA reported 153 confirmed cases connected to a party held in Itaewon as of May 15, with most of the infected in their twenties. Then, in August, a new cluster of infections emerged from a church and an antigovernment rally in Seoul. With fears of continuous spread of coronavirus and a "twindemic" of the flu and COVID-19, South Korean health authorities remained vigilant ahead of the winter holidays, when tens of millions of people were expected to travel across the country for family gatherings. In October, millions canceled their family gatherings for the Chuseok harvest festival at the government's request.

Despite these three short-term spikes in new infections since February, South Korea has managed to control the pandemic, and its citizens are proud of this success, calling it K-quarantine, after the global musical phenomenon K-pop. Indeed, in contrast to the lackluster performance of advanced Western democracies in tackling the coronavirus crisis, including the US, Canada, and the UK, where coronavirus deaths have been recorded as over 60 per 100,000 people as of August, South Korea has recorded only six deaths per 100,000 people (BBC News 2020a).

NO PROGRESS IN DENUCLEARIZATION OF NORTH KOREA

Despite a series of meetings between US President Donald Trump and North Korean leader Kim Jong-un in 2018 and 2019, there has been no substantial progress on denuclearization. At the same time, in 2020 the Trump administration's negotiation with the North Korean regime was less of a priority during the run-up to the US presidential election in November. But also, inter-Korean relations have been deteriorating, with North Korea halting communication with the South, culminating in the June 16 destruction of the inter-Korean liaison office in the Kaesong Industrial Complex. The bulldozing of this office marked a severe reversal of the inter-Korean progress that had begun in 2018. Kim Jong-un has suspended additional military measures, but there remains a risk of provocations such as the launch of long-range missiles.

To make matters worse, on September 22, an unarmed South Korean civil servant was killed by North Korean armed forces. The man had vanished from his patrol boat and was said to be in North Korean waters when he was shot; soldiers then reportedly burned his body, possibly as an anti-COVID measure. Many South Koreans were shocked and furious. On September 25, however, much to everyone's surprise (in South Korea and around the world), Kim Jong-un issued an apology, saying that he was "very sorry" for the incident. Without this apology, the incident could have escalated into a disaster for any hope of rekindling talks between South Korean President Moon Jae-in and Kim Jong-un (BBC News 2020b).

In response to Kim's apology, Moon simply asked North Korea to reopen communication channels between the military authorities of the two sides; he stopped short of criticizing North Korea for this brutal act. Clearly, Moon was elated by Kim's apology, and his mindset contrasted sharply with the public anger over the killing (*Korea Times* 2020a).

POOR ECONOMIC PERFORMANCE

Macroeconomic performance virtually came to a halt amid the coronavirus pandemic. The economic shock spurred South Korea's first net job loss in a decade. According to Statistics Korea, South Korea lost 195,000 jobs in March 2020 alone. This was the steepest fall since May 2009, when the country was reeling from the 2008 global financial crisis (*Korea Times* 2020b).

South Korea's 2019 GDP was US\$ 1.6 trillion (Yonhap News 2020a); its 2020 GDP was considerably smaller. In the first quarter it shrank by 1.3%, and in the second quarter by another 3.2% (*Korea Times* 2020c). These sudden large economic slumps were mainly due to a drop in exports and slowing capital investments and consumption amid the global crisis. South Korea's exports (US\$ 458 billion) and imports (US\$ 399 billion) through November were 6.8% and 7.9% lower, respectively, than in 2019 (Korean Ministry of Trade, Industry, and Energy 2020).

According to the Bank of Korea, the country's central bank, manufacturing sectors such as electronic equipment and automobiles—major industry sectors that have contributed to the export-driven economy—struggled with sales and shipments, with a 17% drop in exports in the second quarter compared to the previous year, the largest such drop since the 1970s (*Korea*

Times 2020d). To make matters worse, overseas demand for South Korea's major export items, such as smartphones, declined substantially as the country's major trade partners imposed universal entry bans due to rising fears of coronavirus spread.

Yet, the Korean Ministry of Economy and Finance, despite the unusual economic downturn in the two consecutive quarters, forecast a possible turnaround in the third quarter of 2020, citing China's economic rebound after controlling the spread of coronavirus and South Korea's seemingly taking similar steps (*Korea Times* 2020d). And indeed, GDP grew by 2.1% in the third quarter, marking the first quarterly expansion since the coronavirus pandemic began, as exports of semiconductors and automobiles showed signs of improvement (*Korea Times* 2020c).

Overall, there are growing concerns over declining economic vitality, which could prompt a vicious cycle of sluggish consumption, production, and investment and high unemployment, threatening industrial competitiveness. In October, in fact, the International Monetary Fund projected the South Korean economy to contract by 1.9% in 2020. The slump in the national economy was coupled with aggravation of the country's social indexes, such as overall fertility rate. According to the annual report of the UN Population Fund, released on June 30, South Korea recorded the lowest birth rate (only 1.1 children per woman) among the 201 countries surveyed (Reuters 2020a). In the first five months of 2020, 11% fewer babies were born in the country than in the same period a year earlier (Yonhap News 2020b).

Given the sluggish macroeconomic performance, South Korea's Minimum Wage Commission voted to set the minimum hourly wage for 2021 at KRW 8,720 (US\$ 7.23). Amid the economic disruption of the pandemic crisis, this 1.5% increase would be the smallest since 1988, when the country started setting the annual minimum wage through a representative panel (*Pulse* 2020). During the first three years of the Moon administration, the minimum hourly wage rose sharply after Moon's pledge to increase it to KRW 10,000 (US\$ 8.62) during his term. It rose 16.4% and 10.9% in 2018 and 2019, respectively, but then only by 2.9% in 2020 due to the sluggish economy (*Pulse* 2020). The modest rise for 2021 apparently reflects concerns for an unprecedented economic downturn with the continuous spread of the coronavirus globally.

Housing prices in Seoul have risen continuously since Moon took office in 2017. According to the Korea Appraisal Board, prices of apartments in Seoul

increased more than 50% between May 2017 and July 2020, going from KRW 17.3 million (US\$ 14,800) to KRW 26.8 million (US\$ 22,900) per 3.3 square meters, the fastest pace in the world (KBS News 2020). When Moon won the presidential election in May 2017, one of his main promises was to create a society where hard-working people could afford a home to raise their own family. However, tighter mortgage rules, along with a variety of tax penalties to discourage speculative transactions, have contributed to higher rents and larger down payment requirements, which are hurting those who are supposed to be benefitting from Moon's housing policies (Reuters 2020b). Thus far, the more than 20 policies introduced by the Moon government to cool down housing prices have not worked, and the surge of housing prices has smashed the hopes of house ownership for many young families.

LANDSLIDE VICTORY FOR MOON'S PARTY DURING THE PANDEMIC

On April 15, 2020, South Korea held a general election for the 300 members of the National Assembly. This was the first general election since a reform was introduced in February 2019 altering the allocation of proportional representation (PR) seats to a hybrid of the existing mixed-member majoritarian (MMM) system and a new mixed-member proportional (MMP) system. Under the new rule, of the 47 PR seats, 30 would use MMP, and 17 would continue to use MMM (*Korea Herald* 2019). The reform also lowered the voting age from 19 to 18, increasing the total size of the electorate by over half a million.

One of the main purposes of this reform was to increase the representation of smaller parties in the National Assembly, and so to get minorities' voices heard. However, in response to the new rule, the major opposition Liberty Korea Party (now called the People's Power Party) created a satellite party (the Future Korea Party) to make the best use of the number of PR seats it could gain (*Yonhap News* 2019). The ruling Democratic Party followed suit by creating its own satellite party, the Platform Party. In both cases, the two main parties fielded candidates only for constituency seats, while their satellite parties only stood for PR seats, so that the satellite parties would gain a maximum number of seats. The smaller parties that were supposed to be benefiting from the electoral reform, such as the Justice Party, did not create a satellite party because it offered them no advantage.

Amid concerns over the coronavirus crisis, 66% of the eligible population cast a ballot, the most in any South Korean general election since 1992. Mainly due to the perception of Moon's successful handling of the coronavirus crisis (*New York Times* 2020c), his ruling Democratic Party and its satellite Platform Party won by a landslide, taking 60% of the seats in the National Assembly (180 out of 300). The major opposition Liberty Korea Party and its satellite Future Korea Party suffered a crushing defeat, securing only 103 legislative seats. When a new session began at the end of May, given all the newly elected members of the National Assembly, the ruling party could have used its powerful position to restore partnership with the opposition parties (*Korea Times* 2020f). Instead, it used unilateral voting to seize the chair of all 17 standing committees, a move unprecedented in the political history of South Korea (Yonhap News 2020c). Other opposition parties, including the Liberty Korea Party, boycotted the voting.

CHALLENGES FOR MOON'S LEADERSHIP

Compared to his predecessors, Moon has enjoyed high public approval ratings. In fact, of all the presidents since South Korea's democratization in 1987, Moon is the only one who recorded more positive than negative assessments in the third year in office (*Sisa Week* 2019). In particular, positive views of the Moon administration's handling of the coronavirus crisis not only handed the ruling party a landslide victory in the general election but also helped Moon record a 71% approval rating in May (Gallup Korea 2020), the highest ever for a president of democratic South Korea in their third year in office.

In evaluating Moon's leadership, an optimistic view is that his strong public mandate is a reward for his administration's performance in crisis management, a level of bureaucratic competency unmatched by previous administrations. In fact, Park and Chung (forthcoming) argue that the KDCA's effective response to the coronavirus crisis helped extend Moon's political life.

However, even this view cautions that Moon's policies on the economy and North Korea have so far failed to produce positive results. A more critical view is that Moon's high approval ratings are due to circumstances beyond the quality of his leadership (Hahm and Heo 2020). In this latter view, neither his economic nor his North Korea policies (which have been ineffective) nor his leadership qualities (which are not more impressive than his

predecessors') has contributed to his strong public support. Instead, Moon has been lucky in two ways. First, due to repeated corruption scandals involving two former conservative presidents, Lee Myung-bak and Park Geun-hye, the opposition conservative forces lost public confidence, leaving no political alternative. Second, despite the lack of tangible outcomes from several summits between Moon and Kim Jong-un and between Trump and Kim, Moon, who has attempted to resolve the nuclear issue through direct or indirect engagement with North Korea, has benefited from the meetings themselves.

The question is, where will Moon's leadership go after the 2020 general election? While there are strong recommendations to prioritize and focus on economic vitalization and job creation, acting as "president for all the people" rather than taking an ideological stance over social issues (*Munwha Ilbo* 2020), there is growing public dissatisfaction with Moon's political leadership. In particular, facing several socially divisive issues, including sexual harassment scandals involving former Seoul Mayor Park Won-soon and former Busan Mayor Oh Keo-don, who represent left-wing political groups, Moon has failed to communicate with the public and made no effort to bring the whole society together. Not surprisingly, eight months after the general election, Moon's public approval ratings dropped below 40%, and public opinion swung toward a negative assessment of his leadership performance (Realmeter 2020). In summary, despite his party's landslide victory in the general election in April, Moon has continued to fail to build a political partnership with opposition parties to make joint efforts to revive the economy amid the coronavirus crisis.

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