

**SOUTH KOREA IN 2020-21:
CRISIS MANAGEMENT,
POLITICAL CONTROVERSIES
AND RISING INEQUALITIES**

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Executive Summary

1. The biggest issue and challenge for the Moon administration in 2020 was the COVID-19. The initial success of containing the virus did not last and South Korea (ROK) subsequently went through three waves of COVID-19. The third and most serious wave began in early November 2020 and is still ongoing. Procuring vaccinations in a timely manner remains a major challenge.
2. Inter-Korean relations did not make much progress due to COVID-19. The blow-up of the inter-Korean liaison office and shooting of a South Korean national by North Korea further diminished the prospect of inter-Korean cooperation. With COVID-19 still ravaging and a new US administration in place, it is questionable how much progress Moon can make before he steps down from his position.
3. Korea's relations with the United States, China and Japan took a back seat in 2020 due to COVID-19. The resolution of the defence costs-sharing issue has been handed over to the incoming Biden administration. The new US administration is expected to take a different stance towards North Korea and alliance, which will resolve some existing problems and introduce new complications.
4. Korea's relations with China remained relatively unchanged; despite visits by some high-ranking Chinese officials, the long-promised Xi Jinping's state visit did not materialise. ROK-Japan relations also remained in a stalemate despite some positive signals from President Moon to improve bilateral relations. Mutual distrust makes it exceedingly difficult to improve ROK-Japan relations.
5. Domestic politics went through yet another year of upheaval and controversies. The April 15 National Assembly election was a decisive victory for Moon's ruling party, which is now in firm control of the legislature. Other major political events and issues include the suicide of former Seoul Mayor Park Won-soon over his sexual harassment scandals.

6. The clash between the ministry of justice and the prosecutor's office that began in 2019 intensified in 2020. The prosecutor's office appears to be winning the fight for now; however, with the establishment of a new investigatory body under the president's control, who will prevail in the end is still unknown.
7. Social and economic issues loomed large in the COVID-19 environment. The most serious issue is the rising inequalities due to not only huge job losses for the lower income groups, but also rising asset prices. The inequality problem will come to the fore once the virus subsides and the government must find better ways to tackle the issue other than just passing stimulus packages.
8. The Korean economy contracted only by 2% in 2020, the best performance among all OECD countries. The economy stands to gain considerably in the post-COVID-19 era as there is now a more diverse set of industries that can generate growth for Korea, ranging from the traditional backbone semiconductor industry and shipping to second cell batteries, biosimilar and entertainment.
9. The Korean economy is well positioned than most other advanced economies to reap benefits from the current tech revolution. The question is how to distribute the benefits throughout society. The immediate task is to deal with the low birth rate, an ageing society and declining population which are limiting the growth of the Korean economy.