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THE PENINSULA

Korea Has Made Progress in the Fight Against Corruption

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Author: [Randall S. Jones](#)

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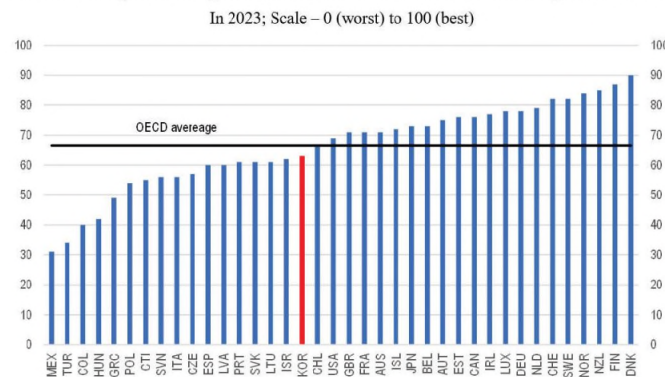


Corruption has a significant negative effect on economic growth through its impact on investment, competition, entrepreneurship, government efficiency and human capital formation. It also has important implications for numerous indicators of economic development, such as environmental quality, personal health and safety, income distribution and social trust. Reducing corruption should be a top priority.

Many studies have highlighted the vital role of civil servants and technocrats in Korea's rapid economic development. For example, Amsden emphasized the effectiveness of the civil service in implementing policies. At the same time, the concentration of economic power strengthened the political influence of business leaders and created close ties with political leaders, resulting in corruption. Indeed, since 2017, two former presidents – Lee Myung-bak and Park Geun-hye – were convicted and sentenced to jail for corruption. The government has failed to follow through on pledges to not grant presidential pardons to business executives convicted of corruption.

While Korea's effective civil service stood out among developing countries, Korea ranks close to the average of OECD countries in the 2023 Corruption Perception Index (Figure 1) that was announced at the end of January. The Index grades 180 countries by their perceived levels of public sector corruption using a number of surveys and assessments. The World Bank's "Control of Corruption" measure also ranks Korea close to the OECD

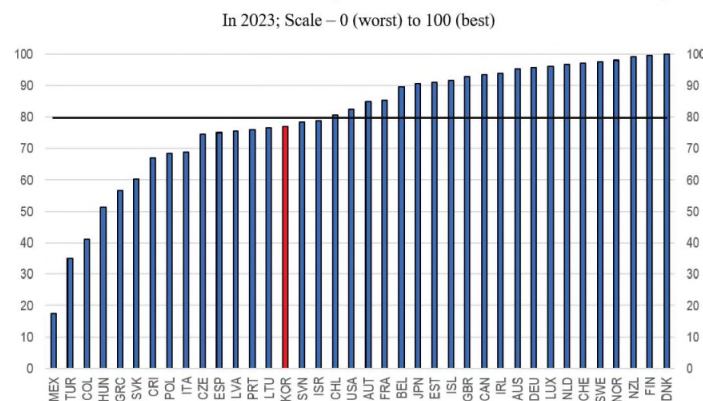
Figure 1. The Corruption Perceptions Index ranks Korea close to the average of OECD countries



Note: Each country's score combines at least three data sources drawn from 13 different corruption surveys and assessments. In the case of Korea, data came from the Bertelsmann Foundation, the Economist Intelligence Unit Country Ratings, Global Insights Country Risk Ratings, IMD World Competitiveness Yearbook, PERC Asia Risk Guide, PRS International Country Risk Guide, Varieties of Democracy Project, World Economic Forum EOS and the World Justice Project Rule of Law Index.

Source: Transparency International, Corruption Perceptions Index, [2016 Corruption Perceptions Index – Explore the... – Transparency.org](#).

Figure 2. Korea is also near the OECD average in the World Bank's Control of Corruption Index



Note: The percentile rank indicates the country's rank among all 180 countries covered by the aggregate indicator. The index is one of six categories in the World Bank's World Governance Indicators. The rating for Korea is constructed from 11 sources.

Source: World Bank, Control of Corruption, [Control of Corruption: Percentile Rank | Data \(worldbank.org\)](#).

Korea has significantly reduced corruption since the mid-2010s

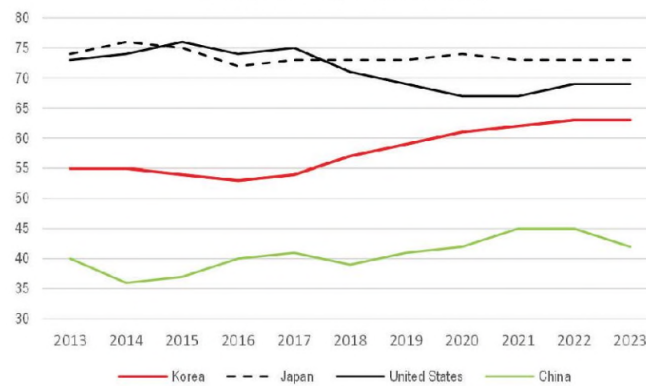
The perception of corruption in Korea has diminished considerably during the past decade. In the Corruption Perception Index, Korea rose from 31st among OECD countries in 2016 to 22nd in 2023, while the rankings for the United States and Japan declined or

remained stable (Figure 3). China also improved significantly, at least until 2021, though from a lower level. The World Bank's Control of Corruption measure also shows a similar trend (Figure 4). By 2022, Korea's ranking was close to that of the United States.

One catalyst for Korea's improved performance was the Anti-Corruption and Bribery Prohibition Act that took effect in 2016. It set rules on gifts of money, goods and services to public officials (including those at state-owned enterprises and government institutions), private school employees and journalists. Gift-giving is an important aspect of Korean culture to show respect and gratitude and build relationships, including in the workplace. The law initially covered more over 40,000 organizations and about 9% of the Korean workforce. Those subject to the law could not receive meals worth more than KRW 30,000 (USD 26 at the 2016 exchange rate), gifts over KRW 50,000, and cash gifts above KRW 100,000 at private events, including wedding ceremonies and funerals. The Constitutional Court upheld the law despite complaints that it would hurt certain economic sectors.

Figure 3. The Corruption Perceptions Index shows improvement in Korea since the mid-2010s

In 2023; Scale – 0 (worst) to 100 (best)

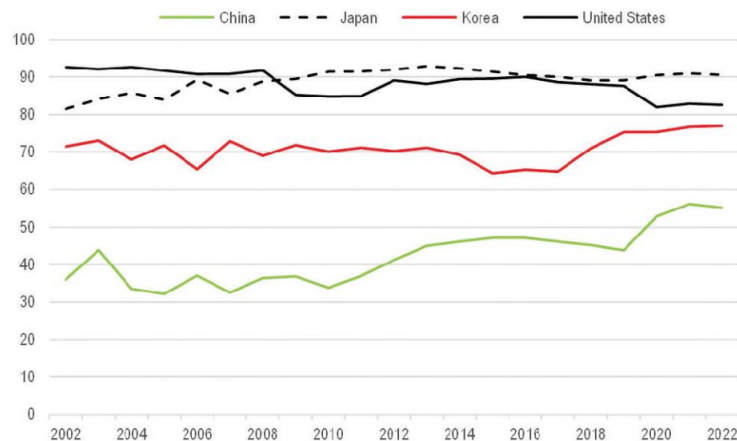


Note: See the note to Figure 1.

Source: Transparency International, Corruption Perceptions Index, [2016 Corruption Perceptions Index – Explore the... – Transparency.org](#).

Figure 4. Korea also improved in the World Bank's Control of Corruption Index

In 2023; Scale – 0 (worst) to 100 (best)



Note: See note to Figure 2.

Source: World Bank, *Control of Corruption*, [Control of Corruption: Percentile Rank | Data \(worldbank.org\)](https://data.worldbank.org/CI).

The creation of the Anti-Corruption and Civil Rights Commission (ACRC) in 2008 has also had a positive impact. In particular, it has strengthened the whistle-blower protection and reward system. Korea expanded protections to private-sector whistleblowers in 2011, allowing them to report violations by the private sector, such as infringements on the health and safety of the public, environmental issues, consumer interests and fair competition. When whistle-blowing results in increased revenue or recovery of funds, the whistle-blower can be rewarded with up to KRW 3 billion (USD 2.25 million). In 2019, the protection of whistleblowers was enhanced by severely punishing retaliatory measures, such as dismissal. The number of reports on corruption and public interest infringement that received monetary rewards increased steadily, from 12 in 2011 to 408 in 2019.

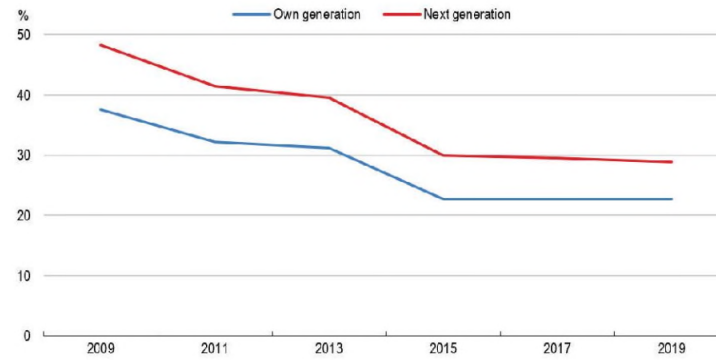
Another major step was the establishment of the Corruption Investigation Office for High-Ranking Officials (“CIO”) in 2021. It investigates corruption allegations involving current and former senior officials, including presidents, prime ministers, legislators, prosecutors and judges, as well as their family members (including spouses, parents, children and grandchildren). The CIO can investigate a range of misconduct, including bribery, embezzlement, abuse of authority, perjury and breach of trust.

The Act on the Prevention of Conflict of Interest Related to Duties of Public Servants took effect in 2022 to prohibit public officials from seeking personal gains and to secure fairness in their performance of public duties. The law directly affects around 2 million persons, including civil servants, officials, lawmakers and executives at state-run companies. Pervasive real estate speculation is a key corruption concern in Korea. In particular, cases of insider trading in real estate among public officials have provoked public anger. The 2022 Act requires officials to declare within two weeks if they or their family members possess real estate located in real estate development zones.

Conclusion

Further progress in combatting corruption would provide major benefits to Korea. For example, it may help reduce the “Korea discount” – the relatively low price-to-earnings ratio of Korean firms – which is sometimes attributed to the opaque practices of the large business groups. Reducing corruption would also promote inclusion and an increased sense of fairness. Indeed, the government has found that the share of the population that believes that the possibility of social mobility has declined (Figure 5). President Yoon Seok-yeol, who served as Korea’s prosecutor general from 2019-21, is well-placed to lead policies against corruption.

Figure 5. Hopes of upward social mobility in Korea have declined



Note: Answers to a government survey that asked if individuals see a high possibility of social mobility for their own generation and the following generation.

Source: Statistics Korea, 2019 Social Survey

Randall S. Jones is a Non-Resident Distinguished Fellow at the Korea Economic Institute of America. The views expressed here are the author's alone.

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