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Coronavirus Now Poised for Outsized Impact in South Korea

South Korea now has the most cases outside of China, and the government is ramping up efforts to respond.



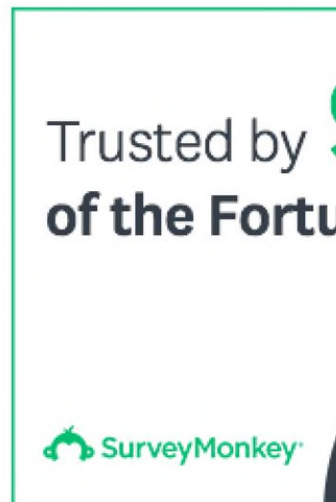
By [Kyle Ferrier](#)

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Credit: [Cheong Wa Dae](#)

In estimating the potential impact of the novel coronavirus (COVID-19), experts have generally envisioned two distinct scenarios: one in which the disease and its repercussions are contained early on, and the more serious case where the virus continues to spread alongside economic contagion. For a short period in mid-February South Korea appeared to be headed down the first path, but it seems as if the country is now firmly travelling down the second.



The number of COVID-19 cases in South Korea has recently ballooned. At the start of last week, South Korea had 29 cases, which has since jumped to [1,766 cases and 13 deaths](#) as of Thursday. At the center of the outbreak is [a church in Daegu that has garnered international](#)

[attention](#), not least because of its eccentric leader and secretive nature. Regardless, the individual from the church who is linked to many of these new cases was a South Korean citizen who had no record of traveling overseas or interacting with a known coronavirus patient. [Yet the individual was still able to spread the disease](#) from attending large worship services of over 1,000 people. This case has heaped on to [already growing fears](#) about regular social interaction, which are likely to ensure South Korea's economic struggles from the disease so far will be exacerbated in the weeks to come.

Disruptions to major South Korean manufacturers were initially framed as temporary setbacks, but production delays have dragged on as the virus has spread at home. Earlier this month Hyundai Motors was forced to [temporarily suspend operations](#) at its Ulsan complex without key parts from China. Most of the production at the plant has since been restarted, though the death of a worker from COVID-19 at one of Hyundai's South Korean-based suppliers has [caused additional delays](#) on some production lines. Six workers from the plant are also in self-quarantine. Samsung Electronics shifted much of its China-based smartphone production to Vietnam in recent years, giving it [somewhat of a leg up](#) on its competitors who are more exposed to the virus risk in China, such as Apple and Huawei. However, [1,500 employees](#) are now in quarantine after a COVID-19 case was discovered at a Samsung phone complex in Gumi. Although Samsung has stated the complex represented a small piece of its phone manufacturing business, other of its major facilities are still at risk. Samsung – one of the world's largest semiconductor companies –

makes [all of its DRAM chips and 70 percent of its NAND chips](#) in South Korea.

Perhaps more concerning are initial indications of dropping consumer confidence and expected consumption. While disruption to supply chains stemming from COVID-19 is certainly detrimental, falling demand would have a much more widespread impact on the South Korean economy. Earlier this week, the [Bank of Korea's Composite Consumer Sentiment Index \(CCSI\)](#) tracked a decrease from 104.2 in January to 96.9 in February – where numbers above 100 indicate a positive consumer outlook and below 100 a negative view. The 7.3 point drop is [the largest fall since June 2015](#), when the Middle East Respiratory Syndrome (MERS) hit South Korea. The latest CCSI figures, however, were from a survey taken between February 10 and 17 – before the COVID-19 cases took off in South Korea. If taken today, the numbers would likely reflect even more pessimistic views. Further, expecting the effect on demand to be more drastic than during the severe acute respiratory syndrome (SARS) and MERS outbreaks, [South Korea's oil refineries have already begun cutting back on production](#).

Although the writing is on the wall for South Korea, there is still plenty of room for the government to combat the disease and ultimately limit its fallout. The case of the church-goer in Daegu particularly highlights how quickly the disease can get out of hand, but the Moon administration has gone to great lengths to try to get out ahead of it. On Sunday, President Moon Jae-in [raised the alert level to its highest point for the first time in 10 years](#). As of Thursday, [nearly 65,000 South Koreans have been tested](#) for COVID-19, with [plans for more tests](#) supported by [drive-through stations](#). To

limit the financial implications of the virus, the government has [furthered its efforts to help those most affected](#), particularly retailers and the tourism industry, as well as Daegu and the surrounding province. Private citizens are also lending a hand. Moon recently praised [digital maps developed by students](#) that are helping to provide real-time information to the public about where the disease has spread.

However, Moon's approach to containing the virus is not popular with everyone. The [opposition party is attempting to paint Moon as incompetent](#) in the lead up to the National Assembly election in mid-April. They point to Moon's decision not to block Chinese citizens from entering the country, not providing enough surgical masks, and the ongoing sluggishness of the economy. At least some of the general public agrees with these criticisms. A public petition on the Blue House website [calling for a ban on Chinese visitors](#) was supported by over 760,000 people. Another petition stating that [Moon should be impeached](#) over his handling of the coronavirus has so far been endorsed by nearly 1.2 million people. This is not the first time a petition calling for Moon's removal from office has been raised, but [only one](#) (in the spring of 2019 regarding North Korea policy) had met the 200,000 signature threshold required to receive an official response – and that too just barely.

There are, of course, challenges ahead for the Moon government other than the political opposition. South Korea has been far more effective in testing for COVID-19 than many other countries, which may actually be contributing to the higher case numbers. But experts say there is also a [shortage of hospital beds](#) – highlighted by the current situation in

Daegu – which could get worse if more people become infected. Additionally, more and more countries are issuing travel [advisories](#) for South Korea and [airlines are reducing flights](#). Further precautions taken by other countries to slow the growth of the virus will disproportionately hit South Korea as it has the largest number of reported cases outside of China and is heavily dependent on the global economy.

The coming weeks are not likely to be easy for South Korea, but will be crucial in determining how COVID-19 ultimately impacts the country. Whatever happens, the damage has already proven itself to be significant, though the extent of additional costs can still be shaped.

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