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Promissory shock, broken future: COVID-19 and state-led speculations in biotechnology and pharmaceutical industries in South Korea

So Hyung Lim

Department of Geography, University of Wisconsin-Milwaukee, Milwaukee, WI, USA

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ABSTRACT

This research examines institutional responses to shocking events, in this case, the COVID-19 pandemic and beyond. I argue that our analysis should consider state-led nationalism in finance and financialization especially when new modes of financial accumulation can be correlated with state projects of crisis management. Also, in dealing with shocking events, which are an inevitable aspect of capitalism, I claim nationalistic deregulations and speculation stimulated by institutional discourse can put ordinary people into permanently unpayable debt and reshape social exclusion. Drawing from interpretative policy analysis, I examine how early COVID-19 management by the Korean government took advantage of sloganeering of upper-K words, initiated by the Korean Wave, as discursive tools in invoking nationalistic sentiments. The institutional nationalism in the upper-case K as prefix is examined in promoting Korean biotechnology and pharmaceutical companies and their stocks. Further, I demonstrate how the accumulation strategies of this nationalistic COVID-19 management regarding bio and pharma industries were already practiced before COVID-19 in Korea, by the regulatory sandbox policy along with the Korean legitimation crisis. This set of practices has eventually accelerated the financialization of everyday life and Othering. I call for a critical lens to analyze the pressing agenda of discursive practices in institutional crisis responses.

1. Introduction

COVID-19 has stirred concerns about human rights and life and death over people, which are realms of the state (Agamben, 2021). However, statehood is framed by capitalism in which ‘shocking events’ tend to recur. Indeed, COVID-19 has shown that crisis management by the state can actually reveal several pre-existing crises. Exploring how shocking events accentuate or transmute pre-existing problems can be a way to understand what evolving COVID-19 measures and economies mean to us.

When the state is leading financialization of a crisis, institutional actors can perform, mediate, and spectacular-ize security and emergency rhetoric both amid and beyond shocks. While being grounded on financial geographic discussions of the state, I claim that the discourse of financial capitalism has yet to be examined in the context of nationalistic financialization by the state. Here I introduce how the Korean government’s surreptitious dealing with biotechnology and pharmaceutical firms during COVID-19 are aligned with ongoing operations and profits in those sectors, and how the Korean state’s crisis management, which is allegedly creative and innovative, has been coupled with obscure opportunities offered to certain sections of finance capital.

Based on the South Korean experience of financialization of pharmaceutical and biotech markets from 2017 to 2020 along with interpretative policy analysis from the early stages of the pandemic to mid-May 2020, I demonstrate how the South Korean state presented and legitimized itself as a competitive and innovative civil service organization operating on behalf of the general public, while at the same time carrying out programs of deregulation and financialization for particular biotechnology and pharmaceutical companies. I consider the role of the South Korean state that promoted nationalism as well as financial deregulation and stock speculation. In doing so, I consider both the financialization of public institutions and financial regimes that are activated and supported by the state and their policies using nationalist language and discourses of vision and hype. I also show how this set of practices has eventually accelerated the financialization of everyday life and engendered individual bankruptcies and the exclusion of unfavorable social groups. By addressing the ethos of nationalism in financial regimes and its speculation effects, this research expands on the work of geographers who have shed light on the wider sociopolitical impacts and issues of statehood in finance and financialization.

E-mail address: lims@uwm.edu.
2. State power in the making of nationalistic speculation

Whereas the notion of financialization has a relatively longer trajectory in academia since the late 1980s, the term ‘state financialization,’ refers to the discourse, logics, instruments, and thereby accumulation in financial and monetary activities of the state (modified from Karwowski, 2019), has recently coined. At the beginning of financial geography as a school of a subdiscipline in the early 1980s (Knox-Hayes & Wojcik, 2020), the financialization of the state did not bring much attention or was pushed back on the priority list. Or, to put it more precisely, the state was ‘phantomized’ in the work of financial geographers who focused on monetary transformations at this time (Thrift & Leyshon, 1994). This is not surprising given that it was the era of heated debate of globalization and ‘the end of the nation state’ political economy (Doucette, 2018). The role of the state in finance and international financial systems with the perspective of geographical into either firm and city levels with activity-centered approaches or money and finance were regarded as one of the most globalized forms of human activities. Up until the mid-2010s with a few exceptions, the tendency of geographical scholarship on financialization was divided into either firm and city levels with activity-centered approaches or international financial systems with the perspective of geographical political economy (Dixon, 2020). The role of the state in finance and financialization remained limited at best or was seen with taken-for-granted boundaries at worst.

Yet, recently, the intellectual terrains of geography and the geopolitics of finance and money have been much widened to include the state. Market-friendly and expanding activities of the state led authorities and their policies to be increasingly dependent on financial indicators, services, and instruments. Particularly over the past five years or so, much light has been shed on the role of the state in financing housing, real estate, and urban built development (He et al., 2020; Feng et al., 2021; Lin et al., 2019), institutional products and services in banking, derivatives, and offshore (Lai & Daniels, 2015; Lagina, 2016), and social provisions and public services straightforwardly financed by the state (Dixon, 2020; Karwowski, 2019; Pan et al., 2021). In relation to contemporary international and/or global monetary systems, others have addressed how policy-making and other functions of the state can be situated in larger-scalar financial networks and flows (Töpfer, 2018, and related responses published in Dialogues in Human Geography; Hall, 2021; Johnson & Barnes, 2015).

So the role of institutional agents in finance and financial geographies has been diversely explored, but how state institutions establish and stimulate financial rhetoric and regimes, as well as their operational and guiding logics, have not been directly examined and need to be further discussed (C.F., Dixon, 2020; Johnson & Barnes, 2015; Pirokska, 2021). Additionally, bringing the matter of nationalistic speculation into financial discourse and practices has been overlooked, despite the fact that geographies of speculation have a long history since Harvey (1982) recognized speculation as a motive that finance capital is able to permeate through fictitious capitalism and create the spatio-temporal fix. By stimulating speculative markets, the state can identify new sources and support for businesses through investment money from a myriad of individual ‘Robinhoods.’ Unexplored, emerging modes of the speculation ethos should help shed light on the analysis of state-led financialization.

Thus, I argue that we need more sensitivity to the state legitimization of financial accumulation projects and thereby speculations, including its decline and recurrence. Indeed, heterogeneous paths and mechanisms of institutional interests, motivations, and strategies beyond political agendas that organize populations in ways some flourish and others are left behind have been understudied in financialization studies (Van der Zwan, 2014). Financial knowledge, institutional interests, and policies as well as their inevitable financial outcomes—such as bankruptcies in real estate or stocks—are established and practiced through specific discursive projects. The creation and adoption of financialization logics by the state are not necessarily confined to the state’s prioritization of profit maximization and shareholder value (Dixon, 2020). Instead, rhetoric and justification which does not directly seem to suggest finance, financialization, or investment exist in institutional stories and narratives in a mixture of language, texts, symbols, images along with channels such as advertisements and campaigns.

Drawing this inquiry into analytical threads, I add the sociopolitical characteristics of nationalistic discourse and financial justification made by the state. First, following the intellectual capturing of nationalism from economic nationalism (Crane, 1998) to neoliberal nationalism (Harmes, 2012), including emerging research on financial nationalism (Johnson & Barnes, 2015; Pirokska, 2021), a range of nationalistic discourse on financialization are able to be intertwined, be reformed and flow, and be sweeping in both theoretical conceptualization and empirical contextualization. Second, like logics in nation-building or economic development projects that sought nationalism as a significant indicator for economic growth and success, the advancement of economic wealth and property is regarded as the most crucial in the nationalistic discourse of financialization. Also, like other nationalistic or populist discourses, nationalistic discourse on finance and financialization can create and intensify social inclusion and exclusion, and inequality. Further, being guided by earlier findings on the crisis formulation of capitalist regimes that are “buying time” (Streeck, 2014), nationalistic discourse on financialization can be a political device that delays, blurs, or suspends evaluation on—or opposition against—the government. Hence, this kind of institutional discourse can be functioned as ‘the state project of crisis management’ (He et al., 2020) in addition to a spatial fix of sociopolitical shocking events. Importantly, in this “buying” process and materialization under financialization, existing neoliberal policies and speculations can be (re)produced and mutated by the state authorities and its financial regimes.

It is crucial to point out that the potential of this argument is by no means confined to rational designs and approaches on elites and financiers since institutional processes of financialization often lack coherence or uniformity even among policymakers in the same room at the same time as explained in Krippner (2011). Especially considering a lifetime of debt of ordinary people from speculation bubbles that eventually popped, examining how temporal discourse works as actual speculations and then as a perpetrator in the making of risk-taking investors and consumer interests is pivotal in exploring the discursive power of the state. Nationalistic representations and state-sponsored visions have a high possibility of cultivating sentiments of mass speculation and risk-taking. Hence, institutional narratives are able to normalize financial practices that turn individuals into investors and speculators, that become embedded in daily lives, and that intensify the inherently fragile nature of financialization of every day (Van der Zwan, 2014). By coinciding with state-led speculation with the focus on the government authorities that work as decision-makers and enforcers, regulators, and facilitators of financial rules and norms, this paper interrogates the permutation of financialization of everyday life.

3. Examining nationalistic visions and speculations by the South Korean state

Financialization carried out by the South Korean state—that has been regarded as ‘developmental’ by many intellectuals—arises from the pertinent demands of state accumulation projects in combination with exportism and neoliberalism (Jessop & Sum, 2006; Lim & Sziarto, 2020). Since independence, the Korean state has carried out many political-economic projects with family-owned conglomerates (chaebols) to gain rapid economic growth. Yet, since the 1997 Asian financial crisis and the global financial crisis in the 2000s, the South Korean economy has been transformed by finance-driven capitalism with an increasing proportion of leasing, real estate, and financial services such as stocks and credit (Jang, 2019). Also, the South Korean state has actively created bubbles in the stock and real estate markets by loosening consumer credit control (Choi, 2015). In looking for a link between state-led nationalism and speculation, I examine how the Korean state makes fictitious capital with promissory imaginaries of national interests and
thereby personal prosperity on two interrelated economic projects: K-bio and the regulatory sandbox.

First, this research looks at the Korean Wave as a resource and means for finance capitalism. The capital “K” has been traditionally placed in front of Korean products after the global recognition and success of K-pop, K-dramas, and K-movies (Joo, 2011). Under the circumstance of COVID-19, other groups of “K” words like “K-bio” and “K-quarantine” have been widely used in a variety of statements, handouts, and headlines by the Korean government, in order to further capitalize on the relative success of South Korea in containing the coronavirus and infection. Here, I define K-bio as South Korean biotechnology, bioengineering, pharmaceutical, and other industries that aim at exporting those bio- and pharma-related products and technologies.

The term was not initiated by the pandemic. Korean bio and pharmaceutical firms had used words such as K-bio and K-pharma, but those words were not widely noticed among the Korean public, as K-bio showed little growth or clear decline in the stock market compared to other fields (Woo, 2019). Indeed, the bio and pharma industries by South Korean companies were not internationally recognized before the coronavirus pandemic. According to Scientific American, a well-known science magazine that has published worldwide rankings and statistics in biotechnology every year, the biotechnology sector in South Korea entered top 15 in world rankings in 2009 but had fallen to 26th among 30 countries by 2016 (Scientific American Custom Media, 2015, 2016, 2017, 2018). From the very beginning of the pandemic, however, the Korean government initiated and actively promoted use of the word K-bio with enormous public funding and exemptive, deregulatory favors. In this way, the slogan of the K-associated words has not just made South Koreans proud nor simply created another version of cultural nationalism; it has demonstrated institutional processes and decision outcomes using as a deregulation technique in Korea, its influences have been widened to every sphere of life as well as to the Korean and international political economies. Since the Moon administration started using this mechanism in 2019, the total number of authorized firms using it during the past three years is 7.5 times more than those being confirmed by the U.K. authorities where the regulatory sandbox was first employed (Regulation Information Portal, 2021; Financial Conduct Authority, 2019, 2020b, 2021). In South Korea, 476 companies have been authorized to use the regulatory sandbox from 2019 until May 2021, while there have been 64 authorized U.K. firms in the same period. Also, Korean bio and pharma companies, authorized and financialized by the regulatory sandbox, have caused speculations in bio and pharma stocks with the inevitable debts.

To all outward appearances, K-bio and the regulatory sandbox imply positive ideas with a combination of ‘innovation’ and ‘creativity’. But both are heavily related to state-led financialization for crisis management. In terms of K-bio, nationalistic ideologies enabled the Moon government to maintain its legitimacy amid the urgent matter of COVID-19. Also, the exporting discourse that was explicitly promoted by the state was possible because other countries suddenly faced the COVID-19 crisis and had to absorb substantial amounts of pandemic products.

The case of the regulatory sandbox can be understood within a crisis of and rationalization legitimation in Korea in 2016. Neoliberal reform policies in public health in South Korea started since the 2000s (Lim & Sziarto, 2020), but it was in 2010 that the field of biotechnology emerged, when Samsung announced the bio industry as one of the most profitable areas (Song, 2014). Since then, every Korean government has implemented and intensified pro-business policies including deregulation, which particularly favored large bio and pharma companies including Samsung Biologics. However, the Moon administration was exceptional in offering preferential treatments for the Korean Big Pharma and Bio because the former President Park Geun-hye was outspoken in favoring Samsung and was jailed for bribery from Samsung along with corruption with other big enterprises (Constitutional Court of Korea, 2017). This led to a legitimacy crisis, so the Moon administration’s official preference for deregulation had to proceed under the banner of fostering young and small-sized firms such as start-ups.

As outlined in the sections below, the role of nationalism was stretched out from classic capitalist regimes to a political tool to as-sauge nationwide struggle and opposition to the state by the shocks. Utilizing financialization methods, the Korean government has delayed not only institutional accountability to monitor financial markets but has also blurred people’s reckoning and evaluation of the new office into an indefinite future. Further, this mode of nationalism has complicated a range of the capital accumulation projects by the state. Both were utilized by the state to evoke nationalistic support and speculations, and finally made political vulnerabilities such as Othering and bankruptcies. The interpretation into financialization behind the “K” theme and the regulatory sandbox in the realm of biomedical and pharmaceutical businesses in South Korea will be the center of two case sections.

4. Methods

This paper critically examines the rapid pandemic response and emergency policy of the South Korean government, especially when many countries were suffering in the early stage of COVID-19. This response correlates with the 2016 legitimacy shock managed by the same Moon government through financialization of bio and pharma. For this, I employ an interpretative and contextual study design by demonstrating institutional processes and decision outcomes using assemblage thinking as the key methodology (Yanow, 2000; Baker & McGuirk, 2017) I examine an array of institutional documents and press outlets by multiple authorities of the Moon administration both right before and after COVID-19. Regarding Korean governmental documents,
there have been two main health authorities to control the coronavirus outbreak in South Korea: The Korea Centers for Disease Control and Prevention (KCDC) and the Central Disease Control Headquarters (CDCH). I obtained all their documentation and records from January 20, 2020, to May 15, 2020, via official websites, where most of the data were publicly available. Documents included daily briefings, interviews, press conferences, urgent or short announcements, promotional posters, photographs, etc. (approximately 100 documents, adding up to about 400–500 pages). The first round of coding led me to identify the “K” themes as emerging in importance, such as K-bio, K-disinfection, and K-surveillance. I next filtered the data to include all texts and images including the nationalistic theme of K-bio. This selected data-set included 32 documents (still spanning all document types). Then, I examined texts and discourses to identify the meanings and their changes, by looking into multiple public figures and events related to the “K” discourse and bio and pharma stocks. In doing so, speeches of President Moon, press conferences, video clips, advertisements, and web posters and banners by other Korean institutions such as Cheongwadæ (a.k.a., the Korean presidential residence), the Ministry of Foreign Affairs (MOFA), the Ministry of Health and Welfare (MOHW), the Ministry of Small and Medium-sized Enterprises and Startups (MSS), the Korea Customs Service, and the Korea Stock Exchange are used in interpreting the sloganeering of K-bio. Regarding the relationship between the regulatory sandbox and bio and pharma stocks in Korea before COVID-19, I used secondary data—both scholarly and popular—including statements from civil society groups for the interpretative analysis.

Following this section, two empirical sections address the politics of COVID-19 shown in testing policies and advertisements in South Korea. The Korean government has advertised and celebrated certain aspects that it wanted to show, including the excellence and ingenuity of diagnostic kits developed by Korean firms. However, there have been several medical and political issues that the Korean government was hesitant to talk about or tried to hide from the public, which this paper aims to bring to light as the other side of nationalism.

5. “K-bio”: A state-sanctioned vision amid COVID-19

5.1. Corona reputations?

One of the successful “K” stories in getting ahead of the COVID-19 curve was the Korean health authorities’ aggressive and early approach in developing working diagnostic kits and tests. From the very beginning, the Korea Centers for Disease Control and Prevention (KCDC) authorized the emergency use of four types of coronavirus testing kits from four companies, while many more kit firms were authorized later. KCDC ran about 15,000 to 25,000 tests per day (Ministry of Health and Welfare, 2020). In this way, KCDC offered the coronavirus test to over 520,000 people per million in about two months from the start of the coronavirus crisis. As of April 15, 2020, this represented the highest testing rate in the world (Ministry of Health and Welfare, 2020). It was around this time when the word “K-bio” dramatically emerged in Korea.

The term K-bio became prominent in February especially through institutional outlets of public-private partnership (PPP) meetings related to coronavirus (Fig. 1). The fact that the government passed emergency use approval for the testing kit firms was known and represented as the main reason that South Korea mitigated the spread of COVID-19 in a relatively short period of time. These kinds of reports by both domestic and international news signified the very moment that the idea of a K-bio developers and it would support and foster “K-testing kits” in terms of staffing, consulting, funding for R&D and exports, etc. (Ministry of Small and Medium-sized Enterprises and Start-ups, 2020b). According to its minister, Park Young-sun, this PPP was necessary “in order to utilize the K-decontamination image that is currently under the global spotlight” and “to add the image of the Korean Wave to Korean small and medium-sized firms in the present situation, considering that several Korean Waves such as BTS (South Korean band), Parasite (South Korean movie), etc. are setting the world on fire, so to speak (Ministry of Small and Medium-sized Enterprises and Startups, 2020a, n.p.).” She also highlighted that this partnership would contribute to making world-renowned diagnostic techniques and overcoming the COVID-19 crisis.

What this series of episodes implies is that the South Korean government had emphasized blueprints and propaganda even at the very beginning stage of COVID-19, when these was still time to focus more on mitigating the pandemic and overcoming related crises. More importantly, the Korean state was keen to work with K-bio’s exports (Fig. 2) and to circulate reports of profits from K-bio. Stocks of bio-related Korean companies started to skyrocket in the market from mid-February 2020, right after several international press outlets made reference to the Korean kits (Yang, 2020). At the same time, even far before the PPP announcement, the Korean government had aggressively advertised how Korean diagnostic kits were accurate and effective in detecting the COVID-19 virus and how South Korea got ahead of the rest of the world with these kits, referring to it as “corona diplomacy” (Cheongwadæ, 2020). Up until May, progress reports and briefs on testing kit exports have regularly been released not by health authorities but by the Ministry of Foreign Affairs (MOFA) and the Korea Customs

![Fig. 1. A meeting between President Moon Jae-in and test kit developers. Behind President Moon in the middle, the sign says “K-bio will be together with us for overcoming COVID-19.” (Source: Cho (2020), Copyright 2020 by SBS News).](http://www.yonhapnews.co.kr)

![Fig. 2. CEOs in a Korean testing kit company celebrating their kit exporting to the U.S. Federal Emergency Management Agency (FEMA) under the banner that appreciates the U.S. President Trump for allowing the export. (Photo source: Yonhap News Agency (2020), Copyright 2020 by Yonhap News Agency).](http://www.yonhapnews.co.kr)
Service. It should be noted that these briefs were frequently released right before the stock market opens.

This debatable corona diplomacy conflicts with government claims to thoroughgoing ‘accuracy,’ ‘openness,’ and ‘transparency,’ which functioned as another set of logics to boost the national reputation. Government institutions have often covered how Korean test kits were being exported to other countries, which raises the profile of K-bio both domestically and overseas, shining up the image of both the Korean government and biotech firms. Further, several times media spectacles by the government came with ‘mistakes.’ As one example, a presidential spokesperson issued a brief in mid-March that MOFA exported K-diagnostic kits to the United Arab Emirates (UAE) with urgency, adding that the UAE expressed sincere appreciation to South Korea. From a bio firm, however, it turned out what was actually shipped was containers of cover kits, which are also known as collection kits, rather than the finished product (Park, 2020). The UAE already had its own reagents and testers and there was no need for them to import the full product.

In another instance, MOFA on March 27 announced with fanfare that three out of the five types of Korean test kits had won approval for “emergency use” from the U.S. Food and Drug Administration (FDA) (Ministry of Foreign Affairs, 2020b), but it proved to be false. Once a few journalists exposed that the FDA did not approve any of the Korean kits, MOFA made a statement of correction (Ministry of Foreign Affairs, 2020c) that what was meant by the word emergency use was “provisional,” which counts as unofficial by the federal government of the U.S., not “preliminary.” Also, MOFA refused to reveal the names of the three companies that received the provisional use approval due to “the possible stock fluctuation of testing kit firms” (stated by a MOFA official who was interviewed by Yoon, 2020). But this nondisclosure made the five kits firms not only obscured but confused—none of them was informed of anything by the government. As of mid-April, the FDA had not authorized any of the made-in-Korea diagnostic kits, while thirty-three U.S. testing kits were granted emergency use authorization (Kim, 2020).

There were many more occasions reported in which the government press was proven wrong, and the government glossed over the issues when the press or public health activists addressed non-transparency or identified incorrect facts, data, or quotes used in government announcements or press conferences (Kim, Y.-H., 2021). Methods to examine in what ways the misinformation by the government was produced are beyond the scope of this paper. The point here is that these gaffes and their pattern, and that of the information publicized, reveal a logic of nationalistic speculation. On a daily basis, the government authorities made announcements about the Korean state’s transparency, openness, and speed, as well as its global reputation and competitiveness by stopping the spread of the coronavirus. But the information that the government has provided has been highly selective. Frequently missing from K-bio were the statistical accuracy of each testing kit made in Korea; names of the kits that have been available; the amount of export and supply; and even the names of countries that received K-disinfection supplies. All of the non-transparency was justified with the excuse, “the diplomatic protocol” (Ministry of Foreign Affairs, 2020a; 2020c).

Refusing to disclose the accuracy of the five testing kits hampers the enhancement and development of K-kits and the work of the medical industry. More importantly, for the majority of South Koreans who have suffered most from the pandemic—those most vulnerable to physical and mental illness, unemployment, domestic violence, to name a few—with the promotion of “K-bio” and the ‘Moon-rocket’ in their stock rises might not be the most important issues. The government’s domination over national media and efforts to make spectacles show how the COVID-19 spatiation can be employed and practiced by institutional efforts.

5.2. Doctors’ double-sacrifice for the nation

During COVID-19, the world has seen heroic stories and images of medical workers, and so too has South Korea. Much appreciation was shown in hashtag campaigns, commentaries, images, and donations, and government officials including President Moon expressing gratitude to those doctors and nurses who work on the frontlines. But when the reputation of K-bio was challenged, the government slammed the hero (in)s as if they were to blame.

On March 18, a 16-year-old teenager passed away with symptoms of the COVID-19 virus (headaches and pneumonia) after testing negative several times with one of the Korean kits. Right before his death, he was tested for COVID-19 eight times total, and the last DNA test on his body showed a possible positive test (Kwak, 2020), which implies the inaccuracy of the testing kit. This event led to a slugfest between the two major health authorities, i.e., KCDC and the Central Disease Control Headquarters (CDCH) versus the Yeungnam University Hospital where the patient had been hospitalized.

The KCDC Director announced at a press briefing that “[w]e will not depend on the final outcome” and ordered the closure of the hospital raising the possibility of its contamination (Korea Centers for Disease Control and Prevention, 2020b). Further, KCDC ordered the hospital not to test the teenager’s dead body or figure out if the cause of death was the coronavirus. The hospital and doctors nationwide expressed strong objection to using the word “contamination” for the hospital and condemned the health authorities’ denial to know the truth. In many statements and press interviews, the health staff at the Yeungnam University Hospital objected that the government had denounced the sincere effort of hospital workers without any proof and that this would devastate the hospital and medical communities (Paik, 2020). As might have been expected, the hospital had to face many difficult phone calls from patients demanding refunds right after KCDC’s announcement.

There might be several reasons for the health authorities to deny an additional test, and to blame the death on sanitation conditions at the hospital. First, it was a month ahead of the April Parliamentary elections. The ruling party had seen popular support soar since the pandemic outbreak, so politicians might not have wanted to risk losing votes with the autopsy right before the election. Also, the high school student was out to purchase a mask, and started to have a headache, on the very same day; he died within seven days after showing symptoms. Revealed widely, this story of such a young person’s rapid decline might add to the panic. But more importantly, if the testing kit was proven to be inaccurate, this would not only add to public panic but impact exports of K-testing kits and other COVID-19 tools. Also this death occurred just as news of the K-Bio’s success stories raised awareness and stock prices of Korean bio industry and pharmaceutical companies were skyrocketing.

In sum, the Korean government had to openly discuss the death, but wanted to control the narrative; blaming the hospital short-circuited wide public inquiry. This issue faded from public awareness without any clear-cut resolution. KCDC additionally announced that what was contaminated was the room where the patient was lodged, not the entire hospital (Korea Centers for Disease Control and Prevention, 2020c), but this announcement made the situation even more illogical and unsustainable. If this statement was correct, KCDC should have tested all of the hospital workers and closed the hospital for two weeks. But after this announcement, both KCDC and the hospital kept silent as if nothing had happened.

As the April elections approached, the decrease in the daily number of newly confirmed cases enabled more self-promotion by the Korean government. At least, the number of new patients seemed to be dwindling, until several doctors posted comments on their social media regarding a change in the national guidelines for COVID-19 diagnostic testing. Until March 1, according to the 6th revised guidelines, “individuals with a medical opinion by a doctor” could receive the test for free (Korea Centers for Disease Control and Prevention, 2020b). This advisory was because a person can be asymptomatic but still carry the
viruses. However, as of March 2, under the 7th guidelines, KCDC changed the related clause to “individuals with a medical opinion by a doctor such as showing pneumonia for unknown reasons” (Korea Centers for Disease Control and Prevention, 2020a). Thus, if a person did not have pneumonia, but still wanted to get the COVID-19 test, s/he had to pay for it up front, which was approximately 130 dollars. What this change meant for doctors was a severe narrowing of the numbers of people eligible for free testing. In response, several doctors and physicians problematized the revision in their social media channels. The government then slammed the doctors as spreading “fake news” and dealt with them as conspiracy theorists. Several regulatory officers expressed strong discomfort with the doctors and warned penalties against invalid infodemics and allegations in the future (Korea Centers for Disease Control and Prevention, 2020d). Nonetheless, this statement revealed that the government can adjust a number of diagnostic tests and confirmed cases (i.e., confirmed cases dwindle in numbers if COVID-19 testing decreases), and that could be used to show the effectiveness of K-testing kits in selling them.

6. The regulatory sandbox: A state-sanctioned vision beyond COVID-19

6.1. Corona exceptions?

The Korean state used “K-bio” propaganda, and this nationalistic promotion not only made the Korean bio and pharma products look good both hypothetically and in practice but also brought more profit. It is now easy to understand the extraordinary rise in prices of Korean testing kits in selling them. The government then slammed the doctors as spreading “fake news” and dealt with them as conspiracy theorists. Several regulatory officers expressed strong discomfort with the doctors and warned penalties against invalid infodemics and allegations in the future (Korea Centers for Disease Control and Prevention, 2020d). Nonetheless, this statement revealed that the government can adjust a number of diagnostic tests and confirmed cases (i.e., confirmed cases dwindle in numbers if COVID-19 testing decreases), and that could be used to show the effectiveness of K-testing kits in selling them.

6.2. Deregulations and stock bubbles before the COVID-19 shock

From the beginning of his term, President Moon emphasized developing original and novel technology in bio industries, lowering barriers to entry of starting bio businesses, and the risk-return tradeoff (Moon, 2017). For the Moon administration “the future of biotechnology is the future of Korea,” as being hinted in its investment slogan of “D.N.A.+ BIG3” (Data, Network, Artificial Intelligence, bio health, system semiconductors, and future cars) (Cheongwadae, 2019). This plan included pushing bio-related stocks on the Korea Securities Dealers Automated Quotation (KOSDAQ). By relaxing many rules and using deregulation such as the regulatory sandbox and its subclause that allowed firms to be named an ‘empirical regulatory exception’ seven of the top ten businesses became bio businesses by 2019.

Biopharma stocks sharply rose as soon as Moon Jae-in started in office; his administration contributed to this rise through deregulatory policies under the banner of ‘innovativeness’ (서울경제, 2020). Whenever new or revised deregulatory policies were announced, not only bio stocks that would benefit from the policies but also bio-related subsidiaries of conglomerates like Samsung Biologics and Samsung Bioepis quickly soared (무성의료 운동본부, 2019).

This bio bubble benefited at least those who purchased stocks and shares if blockbuster drugs were actually produced by these listed companies. However, the bio and pharma businesses that were included in the empirical regulatory exception policy made little progress in this effort. None of the companies listed in the stock market seemed to succeed in producing the promised ‘innovative’ technologies, as none of them has obtained authorization for their new medicine or technology production. Many of the emerging companies overstated their potential and future values to be enrolled in KOSDAQ, for none of them were selling actually existing treatments or products.

Further, whenever clinical tests—especially human trials known as Phase III—failed to pass the final authorization by the FDA, the price of related Korean bio stocks and shares collapsed, and many firms were wiped out. As of January 2020, the companies listed on the Korean Stock Exchange (KRX) by the regulatory sandbox policy numbered 61; only six of them ran a surplus (Lee, 2020). From August 2019 to May 2020, only three of them succeeded in developing new medicines. More than six companies failed in Phase III either from the South Korea Ministry of Food and Drug Safety or the FDA, and announced they were giving up on clinical trials. The biggest issue of the bio and pharma stock boom was because bio and pharma companies will hold the patent licenses (Médecins Sans Frontières, 2020). Instead of transferring the patent profits into public property, what the Korean administration has done was vice versa: the government has been highly encouraging for applications for licensing. The Minister for Science, Technology and Innovation was transferring the technology and production of COVID-19 reagents that had been developed by governmental institutions into private bio firms ‘on a consignment basis’ (ibid).
that it turned out to be a bubble and an enormous amount of money disappeared. More than 19 trillion won (i.e., 15.5 billion dollars) have been missing from investments to 73 bio and pharma firms authorized by the KRX during 2019 (사회진보연대, 2020).1

One would think such a loss would call for further investigation into the government and its financial regulation processes. There are several allegations that government Ministers and officials have been involved in wire fraud in bio and pharma stocks such as within the SillaJen scandal. SillaJen was a venture firm based on a few doctors developing a new cancer medicine. Once the company went public in KOSDAQ with help of the regulatory sandbox system, its stock skyrocketed and it ranked top in the KRX. Then its stock took a direct hit from the FDA’s non-approval of the human trials, and the company’s stock plunged; about 30,000 people took heavy losses (금융 피해자연대, 2020). Four trillion won (3.2 billion dollars) vanished, and several individual investors committed suicide, but the governmental investigation has barely progressed. The Minister of Justice has dismantled the prosecution team looking for the missing money. According to victims and their lawyers, senior officials including former and current Ministers of Justice; a former Minister of Health and Welfare, members of the National Assembly; the Financial Supervisory Service and the Financial Services Commission; and even the President’s doctor are under suspicion (금융 피해자연대, 2020). The investigation by the prosecution recently resumed, but the truth and the missing money cannot be unearthed without cooperation with the Moon administration.

The SillaJen scandal is only one of the multiple examples of biopharmaceutical wrongdoing and poor investigation under the current government. In the meantime, while the government’s exceptional positions in the bio and pharma businesses made thousands of people broke, the government utilized the events of the COVID-19 outbreak as an ongoing chance to intensify speculation in bio and pharma stocks and shares. Unless the Korean state’s favoring and deregulations of biopharma speculation took a fundamental rethinking and thorough investigation, approximately 37 billion dollars of public funding a year (금융 피해자연대, 2020) would be solely benefitting certain bio and pharma firms, not the public. Thus K-bio and the Korean government’s promotion of the biotech and pharmaceutical industries is benefiting some Koreans, especially corporations with story stock and some individuals within the state apparatus, but as is typical in the financialization of everyday life, many ordinary people are saddled with unpayable debt while being guided to becoming risk-taking subjects.

7. Conclusion: Post-corona or speculation-as-usual

In this study, I explored the steadfast deregulation and financialization efforts by the Korean government amid the shocking event of COVID-19, along with the persistence of the state in financial capitalism beyond the shock. The South Korean state’s well-promoted nationalistic images of utmost urgency, efficiency, and transparency combined with shock strategies have paved the way for both state and corporate financialization efforts and super-profits beyond national scales. The institutional exceptions and nationalistic sentiment—as well as speculations—practiced by the Korean state in bio and pharma markets have not only simplified the effectiveness and durability of biotech products but have muddied complex terrains of scientific debates regarding accountability of publicly funded vaccines, treatments, and other technologies. This study presents the sociopolitical significance of political-economic structures seeking financial paths and products, as well as the rise of state financialization that encourages nationalistic commodification.

Altogether, they show a clear sign of needing further investigation. Heroic stories, self-deifying or flattering publicity, blaming, and growing melodramas during shocking events signal an urgent need to examine their nudging effect and untold intention. A more discursive, imaginary, legal, and somewhat subtle form of state-led financialization needs to be further explored in addition to the material realities of finance and money. It might be hard to interpret what financial motivations the state has and on what it is based, such as state-firm relations or lobbying. Nevertheless, what we clearly know is that the state has a different scalar and dimensional power—like diplomatic resources and legislation—and can have broad, deep impacts on political economy. If institutional agencies and policymakers obtain any outcomes that inadvertently turned into stimulating financialization processes and effects, their actions and regimes should be investigated.

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Declaration of competing interest

None.

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