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New Frontier Party National Convention

On August 9, the ruling New Frontier Party (NFP) held a national convention to elect new leaders. President Park Geun-hye opened the meeting with a message focusing on ‘change,’ ‘unity,’ and ‘trust.’¹

Lee Jung-hyun, a pro-Park candidate, was elected to be the new party chairman with 44,421 votes.² This was the first time that a leader from the traditionally liberal Honam area was chosen to lead the conservative party. Joo Ho-young, a member of the anti-Park camp, came in second after receiving 31,946 votes.

Echoing President Park’s sentiments, Lee announced in his victory speech that the distinction between “pro-Park [and] anti-Park camps will no longer exist within the party.” He emphasized that the party must “Do Together, Go Together.”³ Following the national convention, the NFP’s approval rating (34%) reached its highest level since the second week of April.

Party Approval Rating

	Aug. 2-4 ⁴	Aug. 9-11 ⁵ (± from previous week)
NFP	31%	34% (+3)
TDP	23%	24% (+1)
PP	12%	11% (-1)
Justice Party	5%	4% (-1)
Don’t know/Refused	28%	27% (-1)

Source: Gallup Korea Daily Opinion

President Park was assured when four of the five lawmakers elected to the party’s supreme council were members of her faction. The newly elected leaders will serve out their term until August 2018.

THAAD

THAAD continued to be a topic of public controversy in South Korea. Approximately 56% of the Korean public support the deployment of the missile defense system on the Korean Peninsula, but

opposition parties and local residents of Seongju, the location chosen for its THAAD installation, strongly object to this decision. On Aug 1, 16 lawmakers from the People’s Party (PP) were greeted warmly by residents of Seongju as they pledge to fight the government’s decision.⁶

Support for THAAD⁷

Support	Oppose	Don’t know/refused
56%	31%	13%

Source: Gallup Korea Daily Opinion

Six members of the Together Democratic Party (TDP) traveled to China from Aug 8-10 to discuss the THAAD issue with the Chinese elites.⁸ While the visit was overshadowed by the Olympics, the ruling party criticized this move as undermining South Korea’s national security and foreign policy.

Which country is most important for peace on the Korean Peninsula?⁹

The United States	53%
China	33%
Japan	2%
Russia	1%
Other	0%
Don’t know/refused	11%

Source: Gallup Korea Daily Opinion

As China continued to protest against the South Korean government’s THAAD decision, there are hints of deteriorating bilateral relations. The entertainment industry has been a notable target of Chinese boycott as Korean celebrities were prevented from making scheduled appearances in China.¹⁰ Several concerts by Korean artists were also abruptly cancelled. It is reported that the Chinese government ordered various networks to refrain from working on future projects with Korean counterparts until further notice.¹¹ Finally, the sale of Korean cosmetic products has dropped precipitously since the announcement of THAAD.¹²

Supplementary Budget

The National Assembly has pushed the deadline to pass the third supplementary budget worth KRW 11 trillion from Aug 12 to Aug 22. The delay was caused by a number of disagreements among the ruling and opposition parties: the National Assembly probe into the restructuring of the shipping and shipbuilding industries, due process reform, THAAD deployment, investigation of the Sewol ferry disaster, and various legislative reforms on labor, service sector development, and cyber-terrorism.¹³ While the respective party leaders stated that they are likely to pass the new supplementary budget by Aug 22, it is unclear whether the current agreement will stand as the floor moves forward with the 15-day extraordinary parliamentary session to be held as of Aug 16.

Large Investment Bank Development Plan

Financial Services Commission (FSC) announced its plan to develop large investment banks (IBs) by improving the existing comprehensive finance and investment system.¹⁴ The system was introduced in 2013 to nurture investment banks that allow loan financing to businesses for security corporations with

over KRW 3 trillion of equity. The new arrangement introduces three levels of equity: 1) KRW 3 trillion, 2) KRW 4 trillion, and 3) KRW 8 trillion.¹⁵ Each level is accompanied by different regulatory incentives. For instance, IBs with over KRW 4 trillion equity would be allowed to issue a bank bill for recapitalization and provide currency exchange services for clients outside of the financial services industry. Further firms with over KRW 8 trillion equity would be allowed to operate investment management accounts and real estate mortgage trusts. The plan will likely come into effect in 2017 with an aim to nurture large IBs with over KRW 10 trillion equity.

As of today, two out of the five comprehensive finance and investment business entities have met the KRW 4 trillion standard – Mirae Asset Daewoo and NH Investment & Securities. KB–Hyundai Securities is also expected to achieve this threshold once they complete their merger.¹⁶ The remaining two firms can also benefit from the new regulatory arrangement depending on their recapitalization efforts.¹⁷

1 “박 대통령, 새누리당 전당대회 참석 ‘분열 갈등의 정치 끝내야 한다,’” *조선일보*, 2016년 8월 9일; “朴 대통령과 與野 새 지도부가 안보를 위해 해야 할 일,” *조선일보*, 2016년 8월 9일.

2 The final vote count is comprised of 70% election results and 30% public opinion polls.

3 “새누리당 제4차 전당대회...이정현 새 당대표 ‘유능·따뜻 혁신 보수당,’” *동아일보*, 2016년 8월 9일.

4 Date: Aug. 2-4; sample size: 1,002; margin of error: ± 3.1 at the 95% confidence level.

5 Date: Aug. 9-11; sample size: 1,004; margin of error: ± 3.1 at the 95% confidence level.

6 “사드 반대 국민의당 성주행...’성주 군민들 대한민국 국민 대신 십자가 메,’” *중앙일보*, 2016년 8월 1일.

7 Date: Aug. 9-11; sample size: 1,004; margin of error: ± 3.1 at the 95% confidence level.

8 “靑 ‘사드 訪中 철회를’... 더민주 6인은 강행,” *조선일보*, 2016년 8월 8일.

9 Date: Aug. 9-11; sample size: 1,004; margin of error: ± 3.1 at the 95% confidence level.

10 “사드 때문?...중국서 김우빈 수지 팬미팅 취소,” *조선일보*, 2016년 8월 4일.

11 “방송위 부위원장 ‘사드배치 후 방송콘텐츠 중국 진출 난관,’” *경향신문*, 2016년 8월 1일; “中 방송사 ‘한국배우 출연 불가’ 통보... ‘사드 보복 첫 제재?’” *동아일보*, 2016년 8월 3일.

12 “사드 떠오르자...엔터·화장품주 가라앉아,” *경향신문*, 2016년 8월 5일.

13 “野 3당, 추경과 서별관 청문회-사드-세월호-검찰개혁 연계 시사,” *조선일보*, 2016년 8월 3일; “추경 통과 칼자루 쥔 巨野 ‘8대 요구사항 수용하라’ 강공,” *동아일보*, 2016년 8월 4일; “정진석 원내대표 역제안...유일호, 국회 찾아 추경 처리 당부,” *세계일보*, 2016년 8월 5일.

14 “초대형 투자은행 육성을 위한 종합금융투자사업자 제도 개선방안,” 금융위원회, 2016년 8월 2일

15 “별첨. 초대형 투자은행 육성방안,” 금융위원회, 2016년 8월 2일

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17 Ibid.

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