

## North Korea Conducts ICBM Test

On July 28, North Korea test launched Hwasong-14. Hwasong-14 is considered to be an ICBM with a maximum altitude of 3700 km and maximum range of 10,000 km. The range covers the U.S. mainland. It was the first time North Korea launched a long-range missile in Jagang-Do, a province close to the Chinese border. The timing was also unusual given that the launch occurred well into the evening hours. According to South Korean media reports,<sup>1</sup> Pyongyang intended to test the ROK-U.S. missile defense system and its military readiness. Shortly after the launch, Moon ordered the NSC to “review the multitude of strong and practical measures that could be felt by the North Korean regime.”<sup>2</sup>

## ROK Response and THAAD

Hours before the North Korean missile test, the South Korean government announced its plan to conduct the regular environmental impact assessment on the entire 700,000m<sup>2</sup> where THAAD would be deployed. After the missile launch, however, the government reversed its decision and called for the rapid deployment of the remaining four launchers.<sup>3</sup> The government stated that the deployment is temporary and that the final decision would depend on the environmental review.

Moon’s decision was met with harsh criticism from the opposition parties. The Liberty Korea Party and the Bareun Party denounced the government's decision to deploy THAAD on a “temporary” basis. The People’s Party also stated that the ruling party must “hold a firm ground on matters of security.”<sup>4</sup>

With each successive test, President Moon is finding himself in an increasingly difficult position.<sup>5</sup> After a relatively successful summit with President Trump, the Blue House explored the possibility of holding talks with North Korea. There was some hope within Korea that the new approach may bring about changes in Pyongyang's attitude. But North Korea appears to be less interested in engaging with South Korea than in developing its nuclear arsenal.

## Tax Hike on the Rich

During the national fiscal strategy meeting in July, the leader of the Democratic Party (Choo Mi-ae) proposed increasing taxes on the conglomerates and the super rich. Some argue that the selective tax increase could increase social tension<sup>6</sup> while others claim that the government's tax on the rich is unfair.<sup>7</sup>

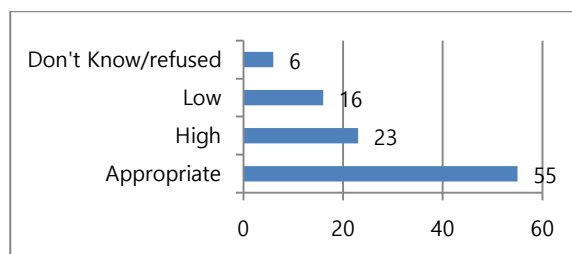
The Liberty Korea Party (LKP), on the other hand, proposed reducing cigarette taxes. The People’s Party and Bareun Party condemned the Democratic Party for its “populist” policy.<sup>8</sup>

The Korean government is expected to reach a final decision on the 2017 tax law by the end of next month.

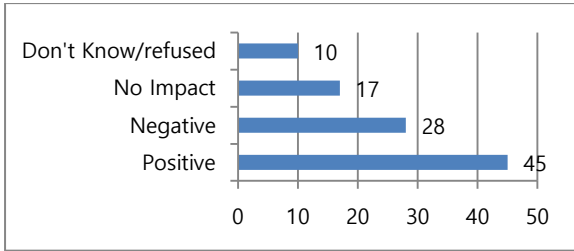
## Minimum Wage Hike

The government announced that the new minimum wage is KRW 7,530 (+16.4%). This is the largest increase since 2000<sup>9</sup> and the move is seen as part of a larger plan to increase the minimum wage to KRW10,000 by 2020. The Korea Federation of the Small and Medium Enterprises (SMEs) stated that the new policy will raise labor costs among SMEs by KRW 15.2 trillion.<sup>10</sup> The administration announced that it will spend KRW 3 trillion to subsidize the SMEs.<sup>11</sup> The public appears to favor the wage hike with most people seemingly expecting a positive impact on the economy.

## What do you think of the wage increase rate?(%)<sup>12</sup>



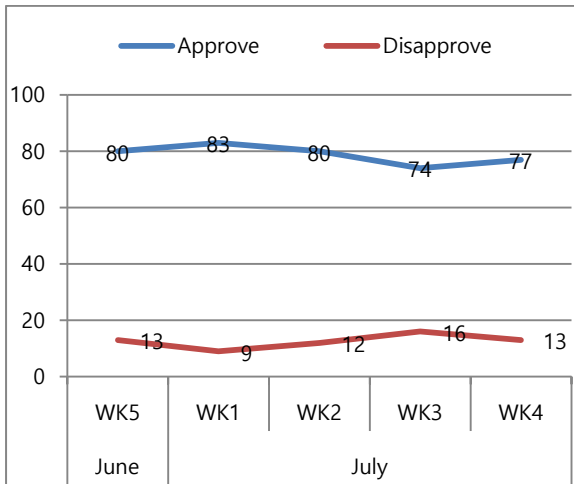
**What kind of economic impact would the increase have? (%)<sup>13</sup>**



**Special Prosecution on the Blacklist**

In the latest saga against the Park administration, the court sentenced Kim Gi-chun to three years of imprisonment and former-Minister Cho Yun-sun to one year of imprisonment and two years of parole. Cho was found guilty of perjury while Kim was guilty of creating a blacklist against various artists and intellectuals who were critical of President Park.<sup>14</sup> The court reasoned that former-President Park may have been briefed about the blacklist but that she was not likely to have directed or ordered the creation of such list.<sup>15</sup>

**President Moon's Approval Rating (%)<sup>16</sup>**



- 1 “北中 국경 인근에서 발사 韓美 공격 어려운 점 노려..언제 어디서든 기습발사 능력 과시,” *조선일보* 2017년 7월 29일.
- 2 “[속보] 文 대통령 “北미사일, 동북아 안보구도에 변화 가능성...독자적 대북 제재 검토하길,” *조선일보*, 2017년 7월 29일.
- 3 “15시간 만에 뒤바뀐 사드 배치의 운명,” *중앙일보*, 2017년 7월 29일.
- 4 “여야, 사드 ‘임시 배치’ 두고 입장 엇갈려...정국뇌관 될까,” *동아일보*, 2017년 7월 30일.
- 5 “[한겨레 사설] 한밤 ‘미사일 도발’로 위기 높인 북한의

- 무모함,” *한겨레*, 2017년 7월 28일.
- 6 “[사설] ‘부자 증세’라 쓰고 ‘명예 과세’로 읽으라는 건가,” *중앙일보*, 2017년 7월 25일.
  - 7 “[사설] 선심, 낭비, 헛돈 줄인 뒤 국민에게 세금 더 내라고 하라,” *조선일보*, 2017년 7월 22일.
  - 8 “여야, ‘부자증세·담뱃값 인하’ 신경전 가열,” *연합뉴스*, 2017년 7월 28일.
  - 9 “최저임금 최대인상’ 경제실험 시작됐다,” *조선일보*, 2017년 7월 17일
  - 10 “최저임금 대폭 인상에 한숨만 나오는 중소기업계,” *한겨레*, 2017년 7월 16일
  - 11 “[사설]최고 인상한 최저임금, 중기·소상공인 고통 외면할 건가,” *동아일보*, 2017년 7월 17일; “[사설] 파격 인상된 최저임금 부작용 최소화할 방안 강구해야,” *한국일보*, 2017년 7월 16일; “문재인 대통령 ‘최저임금 1만원 인상, 1년 해보고 속도결정,’” *동아일보*, 2017년 7월 20일.
  - 12 Gallup Korea. Date: July 18-20; sample size 1,012; margin of error: +3.1 at the 95% confidence level.
  - 13 Ibid.
  - 14 “김기춘 징역 3년 조윤선 집유 석방,” *동아일보*, 2017년 7월 28일; “법원 ‘특정 문화·예술인 지원 배제한 건 권력 남용,’” *한국일보*, 2017년 7월 28일; “[블랙리스트 1심 판결] 법원, 블랙리스트 실제 인정 ‘헌법정신과 법률 위배,’” *경향신문*, 2017년 7월 27일.
  - 15 “朴 前대통령, 블랙리스트 공범 아니다 판결에도... 18개 혐의 중 하나여서 전체 재판엔 큰 영향 없을 듯,” *조선일보*, 2017년 7월 28일.
  - 16 Gallup Korea. Date: July 18-20; sample size 1,012; margin of error: ±3.1 at the 95% confidence level; Gallup Korea. Date: July 25-27; sample size 1,008; margin of error: ±3.1 at the 95% confidence level.

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