

## Inter-Korean Relations

On July 31, the two Koreas held general-level military talks at the Panmunjom Peace House. The agenda included the demilitarization of the Joint Security Area and establishing peace zones along the DMZ and NLL.<sup>1</sup> The parties were unable to reach an agreement.<sup>2</sup>

The two sides, however, agreed to hold more high-level discussions, including another summit. The next high-level meeting is scheduled to take place on August 13, while the date of the inter-Korean summit still remains unclear.<sup>3</sup>

## Potential Sanctions Violation

Over 9,000 tons of North Korean coal was shipped to South Korea via Russian port of Kholmsk during October 2017.<sup>4</sup> Nine suspected cases are currently under investigation.<sup>5</sup> One state-owned entity called Korea South-East Power Company, which allegedly used North Korea’s coal for thermal power generation, is also under investigation.

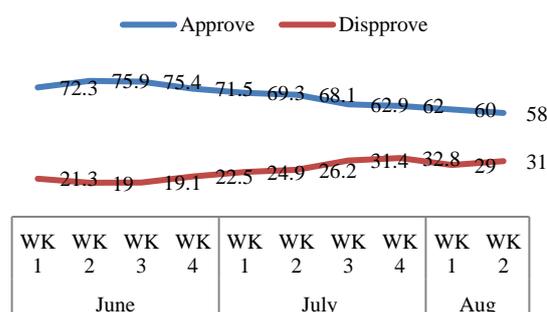
Investigators are looking into the shipment route. If the findings show that South Korea has consumed North Korean coal, it would be a clear violation of UN sanction 2371.<sup>6</sup> The government is under pressure from the opposition parties to expedite the investigation.<sup>7</sup>

## ASEAN Regional Forum

The ASEAN Regional Forum was held during Aug 4~6 in Singapore. South Korean Foreign Minister Kang Kyung-wha, US Secretary of State Mike Pompeo, and the North Korean Foreign Minister Ri Yong-ho also attended the forum. While there was some speculation about the possibility of bilateral meetings, North Korea refused to hold such talks.<sup>8</sup> The ARF statement emphasizes the importance of “complete denuclearization” but experts questions whether this characterization implies verification.<sup>9</sup>

## President Moon’s Approval

The latest data on President Moon’s approval shows that it is at 58%. This is the first time since inauguration that this figure has gone below 60%.<sup>10</sup>



## Dissolution of the Defense Security Command

On Aug 3, President Moon ordered the dismantlement of the Defense Security Command. He has also commissioned a task force to establish a new command structure.<sup>11</sup> Lt. Gen. Nam Young Shin was nominated as the head of the new organization. One key development is the restriction on the intelligence unit’s involvement in politics and surveillance of civilians. The new command will also slash 30% of the former DSC’s 4,200 members and cap the number of military officers in the unit to 70%.<sup>12</sup>

## Fiscal Policy

On Aug 9, Kim Dong-yeon, the Minister of Strategy and Finance (MoSF) and Deputy Prime Minister of Korea, announced that the public expenditure will increase substantially. Minister Kim identified that more than KRW 20 trillion (USD 17.8 billion) would be dedicated to research and development.<sup>13</sup> On Aug 8, the MoSF announced a plan to invest over KRW 7 trillion (USD 6.4 billion) in “regionally specific social overhead capital” following the directive by President Moon Jae-in. Distributed across different districts and regions, the project will support new national sports facilities, welfare facilities, and homeless shelters, among others.<sup>14</sup> On Jul 31, the government announced a 10-year, KRW 1.5 trillion (USD 1.34 billion) public investment in next-

generation semiconductor development. Operated by the Ministry of Trade, Industry and Energy (MOTIE), the project aims to secure the semiconductor **Financial Governance**

The FSS announced on Aug 5 that it will roll out a new set of regulations aimed at financial firms, which would impose lifetime sanctions on executive-level employees guilty of committing a serious crime. The new set of regulations are part of the 177 recommendations made by a task force commissioned to strengthen financial governance in South Korea.<sup>16</sup>

The FSS also expressed that it will begin monitoring stock brokerages more carefully following a string of phantom stock exchanges that have been attributed to human error. The most recent incident occurred on Aug 8, when an individual unloaded stocks of a company that did not exist.<sup>17</sup> On Jul 30, the FSS announced the investigation of lending practices of “savings banks”. 78.1% of low-credit borrowers from savings banks are paying an upward of 20% in annual interest. The FSS will begin investigation of 14 savings banks from September.<sup>18</sup>

### Government and Samsung Electronics

On Aug 6, Minister Kim Dong-yeon met with JY Lee (Samsung Electronics) to discuss the matter of job creation, deregulation, and innovation-led economic

- 1 “남북, 판문점서 장성급회담 시작...유해공동발굴 등 논의”, *조선일보*, 2018년 7월 31일.
- 2 “남북 'DMZ 평화지대화' 큰틀 견해 일치...北 “생산적 회담””, *연합뉴스*, 2018년 7월 31일.
- 3 “靑 “가을 남북정상회담 장소, 평양에만 국한되진 않아”(종합)”, *연합뉴스*, 2018년 8월 10일.
- 4 “국내 반입 북한 석탄을 둘러싼 3 가지 의문점”, *중앙일보*, 2018년 8월 6일.
- 5 “북한산 의심 석탄수입 사례 9 건 드러나”, *한겨레*, 2018년 8월 6일.
- 6 “北석탄, 러시아산으로 국내 유입...유엔 제재 위반 논란”, *동아일보*, 2018년 7월 21일.
- 7 “김관영 “북한산 석탄 목인 함구설, 靑 진상 밝혀야””, *중앙일보*, 2018년 8월 2일. “한국당, 北석탄 반입 논란 총공세 “국정조사하자””, *중앙일보*, 2018년 8월 9일. “靑, 북한산 석탄 불법 반입 확인에 “입장 없다””, *동아일보*, 2018년 8월 10일
- 8 “북한은 왜 미국과 양자회담을 하지 않았을까”, *경향신문*, 2018년 8월 5일.
- 9 “국제무대에서 빠지는 북핵 'COVID'... 한국은 지켜만 봤다”, *조선일보*, 2018년 8월 7일.
- 10 “리얼미터 “文대통령 지지율 58%, 취임 후 최저치 기록””, *조선일보*, 2018년 8월 9일.
- 11 “文대통령 “기무사 해체, 새 사령부 창설”...새 기무사령관에 남영신”, *조선일보*, 2018년 8월 3일. “기무사 새 명칭 ‘군사안보지원사령부’...창설준비단 출범”, *중앙일보*, 2018년 8월 6일.
- 12 “기무사 새 이름 군사안보지원사령부 ... 내달 출범”, *중앙일보*, 2018년 8월 7일.
- 13 “김동연 ‘R&D에 내년 20조 투자... 건설예산 더 쏜다””, *조선일보*, 2018년 8월 10일.
- 14 “체육센터·마을숲 등 ‘지역밀착형 생활SOC’에 7조 이상 투자”, *경향신문*, 2018년 8월 8일.
- 15 “산업부 1조5000억 투자 ‘차세대 지능형반도체 기술개발사업’ 추진”, *경향비즈*, 2018년 7월 30일.
- 16 “금감원 “중대법규 위반자 금융권 취업금지”, *동아일보*, 2018년 8월 6일.

technology needed to advance the “fourth industrial revolution.”<sup>15</sup>

growth. During the closed-door discussion, Lee indicated that deregulation was critical to incentivize innovation and efficiency. The biotech industry was specifically mentioned as one area of interest to Samsung. Minister Kim mentioned the need for strengthening corporate governance, fair trade, and youth job creation.<sup>19</sup>

On Aug 8, Samsung Electronics announced that it will move forward with the three-year plan to invest KRW 180 trillion (USD 161 billion) on 40,000 new jobs. The spillover benefit is expected to create an additional 700,000 jobs in the manufacturing sector.<sup>20</sup>

### Minimum Wage

On Aug 3, the Minimum Wage Council reached the decision to raise the minimum wage to KRW 8,350 (USD 7.4). The Ministry of Employment and Labor will implement the wage increase at the start of 2019. Despite appeals by the Korea Employers Federation and Korea Federation of Small and Medium Business, there will be no graduated scheme according to the industry.<sup>21</sup>

17 “유진투자증권도 지난 5월 ‘유령주식’ 거래”, *동아일보*, 2018년 8월 9일.

18 “삼성 ‘바이오산업을 제2 반도체로... 일자리 많이 만들것’”, *동아일보*, 2018년 8월 7일.

20 “삼성, 3년간 180조 투자...이중 국내에 130조 투입”, *중앙일보*, 2018년 8월 8일.

21 “내년 최저임금 8350원 확정...재심의 안 한다”, *중앙일보*, 2018년 8월 3일.

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