

North Korean Vessel

On June 15, a vessel with four North Koreans on board landed in the port of Samchuk. The locals reported the incident to the Korean Coast Guard. The incident raised serious questions about South Korea's lax maritime security.

Minister of Defense Jeong Gyeong-doo and Prime Minister Lee Nak-yeon issued a public apology for failing to detect the North Korean vessel crossing the NLL and vowed to investigate the event. The public also turned to the Blue House for an explanation. The Korean Coast Guard notified the Blue House, Ministry of Defense and other relevant government authorities shortly after the vessel was reported.¹ However, the critics question whether the Blue House tried to downplay the significance of the incident.²

The New Prosecutor General

On June 17, President Moon named Yoon Seok-yeol as the New Prosecutor General.³ Local media outlets also reported that the President is planning to nominate Cho Guk, Senior Presidential Secretary for Civil Affairs, as the new Minister of Justice.⁴ Experts argue that the new lineup would be another indication that President Moon is committed to reforming the South Korean judiciary. The Blue House neither confirmed nor denied these speculations. Observers speculate that another cabinet reshuffle may occur in mid-July.

Xi-Kim Summit

On June 20, Chinese President Xi Jinping visited Pyongyang for a summit meeting with Kim Jong-un.⁵ This was the Chinese leader's first visit to North Korea in 14 years. The two leaders discussed denuclearization and economic cooperation. During the meeting, President Xi expressed his willingness to play an active role in maintaining peace on the Korean Peninsula while Kim stated that Pyongyang will continue to engage in dialogues with the US.

Prince Mohammad bin Salman in Korea

The Saudi Arabian Prince bin Salman met with President Moon during June 26-27. The two sides discussed cooperation on Saudi Vision 2030 and signed an MOU in 10 different areas including petrochemistry, automobile industry, defense, and the

hydrogen economy.⁶

On June 26, Prince bin Salman also met privately with the heads of South Korea's five conglomerates. The five heads include Samsung Vice Chairman Lee Jaeyong, Hyundai Motor Group Executive Vice Chairman Chung Eui-sun, SK Group Chairman Chey Tae-won, LG Group Chairman Koo Kwang-mo and Lotte Group Chairman Shin Dong-bin. This meeting was separate from the official luncheon hosted by President Moon. During this private meeting, the crown prince reportedly asked the five conglomerate heads to expand their cooperation and investment in Saudi Vision 2030. Samsung Vice Chairman Lee also held a private meeting with the crown prince after the four heads left the venue. Analysts say that Saudi's strong commitment to new businesses including the IT sector would be a great opportunity for South Korean businesses.⁷

G20: Moon-Xi Summit

President Moon met with President Xi during the G20 meeting in Osaka. The two heads of state discussed the outcome of the Xi-Kim summit. During the meeting, Xi stated that South Korea should make its own decision regarding national security, free from external pressure.⁸ By "external pressure," Xi was referring to the US. President Moon faces the difficult task of maintaining the US-ROK alliance while cooperating with China as tensions between the two great powers continue to escalate.

In the meantime, North Korea warned South Korea about meddling in the US-North Korea relations.⁹ Pyongyang's recent shift to improve relations with China and alienate South Korea could further jeopardize Moon's role as a mediator.

Trump in North Korea

On June 29-30, President Trump visited South Korea. He held a summit meeting with President Moon Jae-in and visited Camp Bonifas and Osan airbase. He also met with South Korean business leaders and urged them to invest more in the US. Local media sources reported that the CEOs were relieved that President Trump did not mention Huawei.¹⁰

The highlight of President Trump's visit was his surprise meeting with the North Korean leader Kim

Jong-un in the DMZ. The meeting between the two men was four months after the Hanoi summit. The meeting also featured the first time that a sitting US President crossed the demarcation line. It was also the first time that the three heads of state – Moon, Trump, and Kim – met at the DMZ after the end of the Korean War. President Trump and Kim Jong-un held a meeting at the Freedom House which lasted 53 minutes.¹¹ President Moon did not attend this meeting.

Observers in Korea agree that President Trump’s meeting with Kim Jong-un at the DMZ was a historic moment which could lead to talks after the Hanoi breakdown. However, the two sides still remain divided on the issue of denuclearization. Critics argue that the meeting was possible because of mutual interests.¹² President Trump needed an event to highlight his diplomatic success back home while Kim could also win favor from his people.

South Korean media outlets reported that President Moon played a ‘supporting role’ in this surprise event. However, there is quite a bit of concern that South Korea may be excluded from future talks related to the Korean Peninsula.¹³

Japan

On June 19, Seoul proposed that companies from Japan and South Korea establish a joint fund to compensate South Korean victims of forced labor under Japan’s colonial rule. Tokyo, however, turned down the offer less than an hour after the proposal was announced. South Korea’s First Vice Minister of Foreign Affairs Cho Sei-young visited Japan during June 16~17 to discuss this proposal. Japanese Foreign Minister Taro Kono rejected the proposal saying that “it cannot rectify situations that violate the legal foundations of Korean-Japan relations.” Tokyo claims that the issue of compensation was completely and finally settled under the 1965 deal.¹⁴

Against this backdrop, the two sides were unable to schedule a summit meeting on the sidelines of G20 in Osaka. A senior Blue House official told reporters that “we are ready to meet, but Japan does not appear to be ready.”¹⁵

Economic Outlook

On June 18, Fitch and Goldman Sachs both lowered South Korea’s growth outlook for 2019. Fitch cut the country’s growth estimate to 2.0 percent from its previous forecast of 2.5 percent. It cited sharp increases in the minimum wage as taking a toll on investment. Goldman Sachs also slashed its growth outlook from 2.3 to 2.1 percent, citing prolonged US-China trade disputes and the country’s sluggish export.¹⁶

Institution	Previous Estimation	Revised Estimation
Fitch	2.5%	2.0%
Moody’s	2.3%	2.1%
S&P	2.5%	2.4%
Goldman Sachs	2.3%	2.1%
Nomura	2.4%	1.8%
Bank of Korea	2.6%	2.5%

Personnel Change on Economic Policy

On June 21, President Moon replaced his two top economic advisers amid growing skepticism over the country’s economy. The Presidential Chief of Staff for Policy Kim Soo-hyun was replaced by Kim Sang-Jo, chairman of the Korea Fair Trade Commission (KFTC). Kim Sang-jo was an economics professor at Hansung University and is known for his decade-long efforts to promote chaebol reform.

The Senior Presidential Secretary for Economic Affairs Yoon Jong-won was also replaced by Lee Hyeon, the First Vice Minister of Economy and Finance. Lee is a veteran bureaucrat who spent his career at the Ministry of Economy and Finance. Lee also served as a secretary for job planning at the presidential office under the current administration.¹⁷

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