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Moon on Liberation Day

On Aug 15, President Moon delivered a speech to commemorate South Korea's 74th Liberation Day. In his speech, he mentioned three objectives: free trade, peace and prosperity, and peace economy.¹ He dialed down the strong rhetoric against Japan, saying that Korea was open to cooperation with Tokyo. Prime Minister Abe remained silent while North Korea condemned Moon's speech.

North Korea

On Aug 16, North Korea fired two shots of new strategic surface-to-surface ballistic missiles. It flew 230km with an altitude of 30km before falling into the East Sea. It's the fourth missile launch in August alone and eighth provocation since May. North Korea claimed that the missiles are a response to President Moon's speech on Liberation Day.

Meanwhile, US Special Representative for North Korea, Steve Biegun visited Seoul during Aug 20~22. Biegun met with South Korea's Special Representative Lee Do-hoon, Unification Minister Kim Yeon-chul, and Deputy Director of NSC Kim Hyeon-Jong to discuss resuming US-North Korea working level talks.²

Cho Kuk

Cho Kuk, former presidential secretary of civil affairs who was nominated to be the next Minister of Justice, is entangled in a controversy over numerous allegations including corruption and fraud.³ This incidence has sparked outrage, especially among the youth in their 20~30s. University students are organizing candlelight vigils calling on Cho to withdraw his nomination. The opposition parties also urged Cho to resign, and the Justice Party demanded an explanation. Cho stated that he would not step down and dismissed the allegations regarding his daughter.

The public dismay over Cho Kuk's appointment has put considerable pressure on President Moon and the progressives worry that the mood could take a serious turn if Moon chooses to press ahead with the appointment.

Korea-Japan Relations

On Aug 12, South Korea announced that it will remove Japan from the 'whitelist' of trusted trade partners. South Korea's Trade, Industry, and Energy Minister Sung Yun-mo stated that Japan will be downgraded to a newly established category in its export control system.⁴ The new measure will tighten control on 1,735 strategic products and come into effect in September. The South Korean government also demanded that the Japanese government disclose information on the radiation-contaminated water at the Fukushima plant.⁵

Korea-Japan Foreign Minister met in Beijing on Aug 21. South Korea's Foreign Minister Kang Kyung-wha and her Japanese counterpart Taro Kono met to discuss bilateral relations and export control, but the discussion ended without yielding much diplomatic breakthrough.⁶

On Aug 22, South Korea announced the termination of GSOMIA (the General Security of Military Information Agreement), an intelligence-sharing agreement between South Korea and Japan.⁷ Kim You-geun, Deputy Director of the National Security Council, pointed out that Japan's earlier decision to remove South Korea from its "whitelist" caused a "grave change" in the environment of bilateral security cooperation, which made it difficult to continue with the pact. The Blue House stated that the country would continue to cooperate through TISA, a trilateral information sharing arrangement between the US, South Korea, and Japan.

South Korea's Liberty Korea Party strongly opposed the Blue House decision on GSOMIA, but the US and Japan expressed deep concern over South Korea's move to terminate the security pact.

Employment

According to data released by Statistics Korea on Aug 14, the total number of employed persons increased to 27,383 thousand in July, up 299 thousand from a year ago. This was the highest gain in 1.5 years. The number of unemployed also increased to 1.097 million in July, which is 58 thousand (+5.6 percent) increase year-on-year. This marks the highest gain for July since 1999. The unemployment rate is at 3.9 percent, which went up 0.2% point from last year.⁸

Economy

On Aug 21, Deputy Prime Minister and Finance Minister Hong Nam-Ki stated that the government will spend KRW 4.7 trillion next year to support the development of the country's future industries, such as 5G network and bio-health. More specifically, the government plans to invest KRW 3 trillion in the so-called 'Big 3' sectors: semiconductor, bio-health, and future car. The remaining KRW 1.7 trillion will go into the so-called 'DNA' sectors, which stands for data, network (5G), and AI.⁹

Growth Outlook

On Aug 15, Goldman Sachs lowered South Korea's growth outlook for this year from 2.2 percent to 1.9 percent. Goldman also expects the Bank of Korea to cut the benchmark interest rate by 25 basis points this year – most likely in October.¹⁰ Finance Minister Hong Nam-Ki also confirmed that South Korea might not achieve its 2.4~2.5 percent growth target this year.¹¹

Korea-UK FTA

On Aug 22, South Korea and the UK have formally completed a free trade agreement. The FTA allows businesses from both countries to continue enjoying the benefits under the existing Korea-EU FTA after Britain leaves the European Union (EU).¹²

Export

According to the Korea Customs Service, the country's exports during the first 20 days of August totaled USD 24.9 billion, down 13.3 percent from a year ago. Exports of semiconductors and petroleum products dropped by 29.9 percent and 20.7 percent, respectively. The country's export to China and Japan dropped by 20.0 percent and 13.1 percent, respectively. Outbound shipments to the EU and the U.S. also fell by 9.8 percent and 8.7 percent, respectively.¹³

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13 “수출, 9개월 연속 마이너스 확실,” *헤럴드경제*, 2019년 8월 21일.

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