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New Minister of Justice

On Dec 5, President Moon named Choo Mi-ae, a former head of the ruling Together Democratic Party (TDP) as the new Minister of Justice.¹ The appointment comes 50 days after the controversial former Minister of Justice Cho Guk resigned from his post. Choo is a five-term lawmaker and has led the ruling TDP party from 2016 to 2018. Observers believe that Choo's appointment indicates the president's strong willingness to move forward with the prosecution reform.

North Korea

On Dec 3, North Korea warned the United States that it would send a "Christmas gift." Four days later, North Korea conducted a rocket engine test in Tongchang-ri.² Analysts claim that the test may have been a solid-fuel rocket engine test.

President Moon had a 30-minute phone conversation with US President Donald Trump to discuss North Korea.³ This was the first conversation between the two heads of state in 7 months. The two leaders agreed to monitor the situation closely and maintain current diplomatic efforts on denuclearization.

Meanwhile, the Ministry of Unification's budget related to transforming the DMZ into a peace zone increased two-fold to KRW 26 billion.⁴ The budget for inter-Korean cooperation, including infrastructure development, increased 9 percent to KRW 1.2 trillion. The budget related to improving human rights in North Korea fell 59.5 percent.

Budget for 2020

On Dec 10, the National Assembly passed a revised budget for 2020. The revised budget stands at a record-high KRW 512.2 trillion, which is a 9.1 percent increase from this year's budget.⁵ The budget for Social Overhead Capital (SOC) and social welfare (inc. healthcare) increased by 17.6 percent and 12.1 percent, respectively. The government is expected to issue bonds worth KRW 60 trillion in order to finance the growing budget deficit. Some critics argue that the budget is being used to drum up support for the ruling party in next year's general election. It is worth noting that the revised budget passed the National Assembly with the exclusion of the main opposition LKP.⁶

South Korea Arms Purchase

According to a report by the Defense Acquisition Program Administration, South Korea spent around KRW 46 trillion in purchasing weapons abroad from 2006 to 2018. Weapons purchased from the US accounted for 78 percent or 36 trillion won,⁷ while Germany (4.1trillion), UK (1.4 trillion), and Israel (1.3 trillion) followed suit. Some lawmakers voiced concern about overdependence on the US.

US-ROK

During a joint committee meeting of the Status of Forces Agreement (SOFA), the US formally returned four army bases (i.e., Camp Market, Camp Long, Camp Eagle) to South Korea.⁸ The two sides agreed that the delayed process is not suitable for bilateral relations and that they will continue the discussion about clean-up costs related to the decontamination of these sites. Some experts claim that South Korea could propose to cover the clean-up costs to offset the burden-sharing currently being negotiated between the two countries.

On Dec 12, South Korean media outlets reported that the US House of Representatives passed a National Defense Authorization Act barring the Department of Defense from reducing the current level of US troops stationed in South Korea.⁹ The US currently maintains 28,500 troops in South Korea.

China

On Dec 4, Chinese State Councilor and Foreign Minister Wang Yi visited Seoul for talks with his South Korean counterpart Kang Kyung-wha. At the meeting, Minister Wang implicitly criticized the United States by saying that "unilateralism" is the biggest threat to peace and stability. He also accused Washington of interfering in China's internal affairs (i.e., Hong Kong), saying that China "opposes the practice of the big and strong bullying the small and weak, and rejects the practice of imposing one's will on others and interfering in others' internal affairs."¹⁰ During their talks, Minister Wang also demanded that South Korea deal with the Terminal High Altitude Area Defense (THAAD) issue.¹¹ Minister Wang also mentioned the THAAD issue in his meeting with Lee

Hae-chan, leader of the ruling Democratic Party, by stressing the importance of handling the “sensitive” issues affecting bilateral relations. Regarding the Chinese Belt and Road Initiative (BRI), Wang told Lee that Beijing is committed to the alignment of its BRI with Seoul’s visions. In response, Lee said that his party is willing to do more to elevate bilateral relations.¹²

Meanwhile, at a forum hosted by the Federation of Korean Industries (FKI) on Dec 12, Chinese Ambassador to South Korea Qiu Guohong said that Chinese President Xi Jinping is seriously considering a visit to Seoul in the first half of next year.¹³

Deflation

According to the data released by the Bank of Korea (BoK) on Dec 3, the country’s GDP in the third quarter of this year increased by 0.4 percent compared to the previous quarter. The GDP deflator, which shows the overall price level, dropped by 1.6 percent year on year. This is the fourth consecutive quarter of decline and the lowest since the second quarter of 1999, heightening concerns about deflation.¹⁴ At a press conference in Seoul on Dec 3, Shaun Roache, chief economist of Standard & Poor’s (S&P), warned that deflation is one of the major threats to the South Korean economy.¹⁵

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3 "한미정상 30분간 통화..." 최근 한반도 상황 엄중 인식 공유," *중앙일보*, 2019년 12월 8일.

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KOSPI

According to the data released by the Korea Exchange (KRX) on Dec 4, foreign investors sold KRW 5 trillion of local stocks during twenty straight sessions between Nov 7 and Dec 4. Analysts attributed foreign investors’ stock sell-offs to uncertainties surrounding trade negotiations between the United States and China, the two largest trading partners of South Korea.¹⁶

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10 "中왕이, 강경화와 회담서 美 비판... '세계 평화의 가장 큰 위협은 일방주의'," *조선일보*, 2019년 12월 4일.

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