

Follow up Inter-Korean meetings

The North and South Korean government held two separate meetings on June 26 and 28 to discuss infrastructure development. In particular, the discussion focused on resuming the construction of the Gyeongui (Moonsan~Gaesung) and Donghae (Jejin~Gumkang) railways¹ as well as the Donghae (Gosung~Wonsan) and Gyeongui (Kesong~Pyongyang) highways.²

Suspension of Joint Military Exercises

On June 19, South Korea and the US announced to suspend the Ulchi Freedom Guardian (UFG) joint military exercise. The continuation of other military exercises such as Key Resolve and Foal Eagle would depend on the actions taken by North Korea. On June 23, the two countries also agreed to suspend the Marine Exercise Program (KMEP).³

The US-ROK defense ministerial meeting was held on June 28. US Secretary of Defense James Mattis and ROK's Minister of National Defense Song Young-moo discussed OPCON transfer and suspension of joint military exercises. However, the two sides emphasized that there will be no change to the size of US military stationed in South Korea.

President Moon in Russia

President Moon visited Russia during June 21~23 to meet with President Vladimir Putin. President Moon delivered a 20-minute speech at the lower house of Russia's Federal Assembly, emphasizing economic cooperation between South Korea, North Korea, and Russia.⁴ Both President Moon and President Putin signed a joint statement which affirmed their support for denuclearization and peace on the Korean peninsula.⁵ The two countries also signed MOUs in 12 areas including railroad, energy, and gas.⁶

Reorganization of the National Assembly

The National Assembly has failed to reorganize following the local election on June 13.⁷ There are significant disagreements over the election of the Chairperson for the Standing Committees as well as the assignment of individual members to respective committees.⁸

Managing Debts

The Financial Services Commission (FSC) and Financial Supervisory Service (FSS) announced on June 24 that they would release the new guidelines for a free walkout option applicable to non-monetary financial institutions like savings banks. This permits delays the repayment of outstanding loans in the case of bankruptcy and/or serious illness/injury.⁹

The FSC stated on June 25 that it would begin strict management of household debt, leases and individual business loans. The FSC identified the rise in household debt and real estate leases due to the expansion of internet banks as one of the reasons behind this decision.¹⁰

Fiscal Spending

After securing a clear victory during the last round of provincial elections, the Democratic Party of Korea called for an increase in public expenditures "beyond imagination" for next year's budget. Latest rumor is a minimum of a KRW 30trn (USD 26.94bn) increase for spending on social welfare and job creation. Opposition parties and critics question the impact of expanded public spending.¹¹

On June 25, the Ministry of Trade, Industry and Energy (MOTIE) announced that it will partner with the private sector to scale up investments in hydrogen cars and recharge stations as part of its "2020 Platform for Industrial Innovation". This platform sets out a plan to invest a total of KRW 2.6trn (USD 2.34bn) by 2022. Subsidies for hydrogen buses are to be implemented from 2018, providing 50% tax deductions for companies that participate. MOTIE also projected a multiplier effect of 3,800 new jobs by 2022.¹²

The Chinese Connection

On June 25, the Federation of Korean Industries and the Chinese International Council for the Promotion of Multinational Corporations (CICPMC) opened the "6th Korea-China CEO Roundtable." Held every year since 2012, the Roundtable was canceled the last two years following Korea's decision to deploy THAAD. This year's Roundtable was held in Jeju Island at the request of the CICPMC, citing its interest in the island's initiative to go carbon-free by 2030. The CICPMC observed that the atmosphere of

peace with North Korea as being conducive to introducing the Belt and Road Initiative in the Korean Peninsula.¹³

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