

ASAN KOREA PERSPECTIVE

Vol 3 No 23

2018.11.05- 2018.11.18

US-North Korea

North Korea called off the US-North Korea high-level talk which was scheduled for Nov 8. The South Korean government expressed regret over the cancellation but cautioned against second-guessing Pyongyang's intention. Many referred to the timing of this announcement, which coincided with the day of the US midterm election results. Major Korean media outlets highlighted the potential changes in the US North Korean policy.¹ Experts in Seoul argue that while there wouldn't be a major policy shift, the House Democratic majority would ramp up pressure against Trump in the verification process and push for more attention on the human rights issue in North Korea.²

Inter-Korean Relations

The Ministry of Unification earmarked KRW 1.97 trillion in the budget for the Inter-Korean Cooperation Fund in 2019. This includes KRW 188.9 billion for the railway and road projects. Taking into account a separate budget for infrastructure, the total budget for railway and road construction amounts to KRW 352.6 billion, constituting one-third of the inter-Korean cooperation fund. The opposition party argued that this could be a violation of the international sanctions regime.³ In addition, the government set aside KRW 12 trillion⁴ from the budget for Special Accounts for Traffic Facilities, requesting to deposit this money in public funds.⁵ Critics argue that the government is seeking to secure funds for North Korea related projects as public funds could be used for any purpose.⁶

Meanwhile, the two Koreas completed withdrawing 22 firearms and guard posts from the DMZ on Nov 10.⁷ The two Koreas agreed to remove 10 guard posts from both sides of the border, leaving one guard post for each side. The verification process will take place in December. The two sides will discuss the possibility of removing all guard posts along the DMZ. Currently, there are 60 guard posts in the South, and 160 guard posts in the North along the DMZ.

As another friendly gesture, President Moon sent 200 tons of tangerines from Jeju island to North Korea. During the September inter-Korean summit, Kim Jong-un presented 2 tons of pine mushrooms to South Korea. People here believe the tangerines will be

handed out to the elites.⁸ Kim Jong Un ordered the delivery of Jeju tangerines to the youth and workers in Pyongyang on Nov 16.⁹

President Moon in ASEAN, EAS and APEC

During Nov 13-16, President Moon attended the ASEAN, ASEAN+3 and the East Asia Summit (EAS) meetings held in Singapore. During Nov 17~18, he attended the APEC meeting held in Papua New Guinea.¹⁰ President Moon discussed expanding and reinforcing cooperation with ASEAN countries which is the core of Moon's New Southern Policy. In the EAS meeting held on Nov 15, he urged support from the EAS member states on establishing peace on the Korean Peninsula and Northeast Asia.¹¹ Moon also met with the US Vice President Pence, who affirmed that the second Trump-Kim summit will take place next year. The South Korean media drew attention to the fact that while the US press release described discussing sanctions, Blue House spokesperson stated sanctions were not part of the discussion.¹²

President Moon also held summit meetings with the Russian President Putin, and Australian Prime Minister Scott Morrison to discuss enhancing cooperation on regional and global issues.

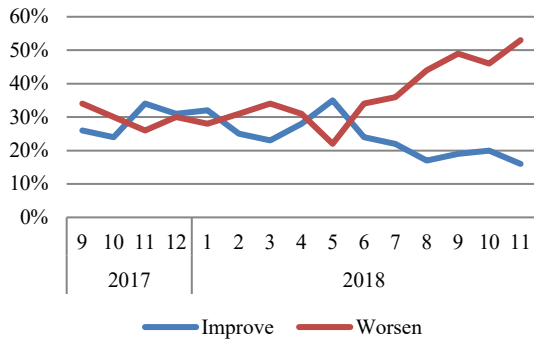
Samsung BioLogics

On Nov 14, South Korea's financial authorities concluded that Samsung BioLogics was involved in an accounting fraud scheme during 2015.¹³ The company's stock trading was suspended and the Financial Services Commission have announced that it will conduct a thorough investigation.

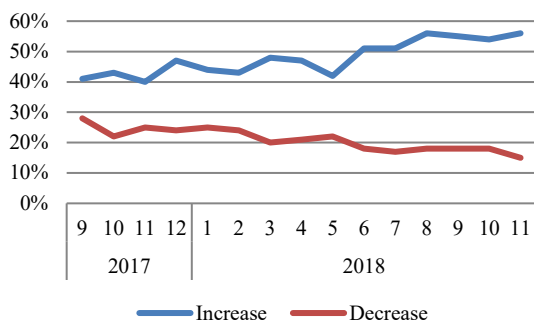
The Securities and Futures Commission (SFC) recommended the immediate removal of Kim Tae-han, CEO of Samsung BioLogics, and fined the company KRW 8 billion. Deloitte Anjin and KPMG, accounting companies that audited Samsung BioLogics were also punished. Samsung BioLogics stated that it would seek administrative litigation.¹⁴

There are concerns that the fraud ruling could have spillover effects on other Korean companies in the bio sector.¹⁵

Economic Outlook¹⁶



Outlook on Unemployment



Korea-Japan Relations

Seoul expressed deep regret over Tokyo's criticism of the recent South Korean Supreme Court ruling on forced labor. The ROK Ministry of Foreign Affairs announced on Nov. 6 that Seoul is seriously worried about the continued provocative remarks by the Japanese leaders about the Korean Court's ruling. Last weekend, Japanese Foreign Minister Taro Kono strongly condemned the ruling and also argued that it went against international law.¹⁷

KAI

On Nov. 8, the Korea Aerospace Industries (KAI) signed a KRW 100 billion (US\$90 million) contract with the Indonesian Ministry of Defense to export three additional KT-1B basic trainers and install radars and guns on the T-50i advanced trainers currently operated by the Indonesian Air Force. KT-1B is the export version of KT-1. In 2011, KAI signed a contract with the Indonesian Air Force to provide 16 units of T-50i, which is the export version of T-50. KAI is currently seeking to provide 24 more units of the KUH-1 Surion (Korean utility helicopter) and 16 units of the FA-50 (Korean light attack aircraft).¹⁸

Korea-ASEAN Summit

During the 20th Korea-ASEAN summit on Nov 14 in Singapore, Indonesian President Joko Widodo

proposed inviting Kim Jong Un to the special Korea-ASEAN summit. He said Kim's participation would make the summit more meaningful. In response, President Moon said if the situation on the Korean Peninsula improves, he will actively consider this possibility.¹⁹

New Officials to Lead the Economic Policy

On Nov 9, President Moon replaced the two top economic advisers amid growing skepticism over the country's economy. The Finance Minister Kim Dong-yeon was replaced by Hong Nam-ki, Chief of the Office for Government Policy Coordination. Hong is a veteran bureaucrat who has served in various key positions in the finance ministry since 1986. He also served as a presidential secretary under the Roh Moo-hyun and Park Geun-hye administrations. The Presidential Chief of Staff for Policy Jang Ha-sung was replaced by Kim Soo-hyun, Senior Presidential Secretary for Social Affairs. Kim served as the Vice Minister of Environment and Presidential Secretary for Social Affairs and National Economy during the Roh Moo-hyun administration.²⁰

The reshuffle took place against the backdrop of the continuing rift between Kim Dong-yeon and Jang Ha-sung over how to revitalize the slumping economy. While Kim publicly expressed concern over the negative impact of the increased minimum wage on the economy, Jang insisted on sticking to the President's income-led growth initiative. Meanwhile, the two newly appointed economic officials said they have no plan at this moment to modify the basic direction of the current economic policy, including the controversial income-led growth policy.²¹

- 1 “[사설]美 민주당 하원 장악, 北 ‘비핵화 이벤트’ 더는 안 통한다”, *동아일보*, 2018년 11월 8일.
- 2 “[사설] 미 민주당이 하원 장악한 날, 북·미 회담 연기 우려한다”, *중앙일보*, 2018년 11월 8일.
- 3 “[단독] 통일부, 남북 철도·도로 예산 3526억 비공개로 넣었다”, *중앙일보*, 2018년 11월 8일.
- 4 Remaining 6.4 trillion won from 2018 budget, and 5.4 trillion won secured from 2019 budget.
- 5 “SOC 사업 줄여 남긴 12조, 남북경협 비상금?”, *조선일보*, 2018년 11월 6일.
- 6 “[사설] 남겨서 北 주려고 안 쓸 건설예산 12조 편성, 국민 기만이다”, *조선일보*, 2018년 11월 7일.
- 7 “남북, DMZ내 시범철수 GP 병력·화기 철수...시설파괴 본격화”, *한겨레*, 2018년 11월 10일.
- 8 “10년간 北으로 간 감귤 5만톤...받았다는 北주민 얼마나 될까”, *중앙일보*, 2018년 11월 14일.
- 9 “조선중앙통신 “김정은, 제주굴 청소년·노동자들에 전달 지시””, *한겨레*, 2018년 11월 16일.
- 10 “文대통령, 13일부터 ASEAN·APEC 참석차 5박6일 순방”, *동아일보*, 2018년 11월 5일.

- 11 <https://www1.president.go.kr/articles/4869>
- 12 “미국 “문 대통령·펜스 면담, 남북 협력과 제재 이행도 논의”, *중앙일보*, 2018년 11월 16일
- 13 “증선위 “삼성바이오 고의 분식회계...상폐 논의-검찰고 발”, *한겨레*, 2018년 11월 14일.
- 14 “상장폐지 직면한 삼성바이오로직스 “회계처리 위반 여부 행정소송”, *조선비즈*, 2018년 11월 14일.
- 15 “바이오 업계 “예상 못한 최악의 결정... 해외 신뢰도 큰 타격”, *동아일보*, 2018년 11월 15일.
- 16 Gallup Korea, Date: Nov 6-8; sample size: 1,002; margin of error: ± 3.1 at the 95% confidence level.
- 17 “정부, ‘日 지도자들의 강제징용 판결 자극적 발언 유감’,” *조선일보*, 2018년 11월 6일.
- 18 “한국항공우주산업, 인니에 1000억원 규모 훈련기 수출 계약,” *동아일보*, 2018년 11월 8일.
- 19 “文대통령 “내년 아세안회의에 김정은 초청,” *조선일보*, 2018년 11월 15일.

- 20 “경제부총리 흥남기, 靑정책실장 김수현...文대통령 장차관급 인사,” *조선일보*, 2018년 11월 9일.
- 21 “홍&김 “내년 경제 어렵겠지만 소득주도성장 수정 계획 없다,” *조선일보*, 2018년 11월 12일.

Published by The Asan Institute for Policy Studies
Address 11, Gyeonghuigung 1ga-gil, Jongno-gu, Seoul 110-062, Republic of Korea
Website <http://www.asaninst.org>
Email info@asaninst.org
President/Chairman: Hahm Chaibong
Copyright © 2018

Contributing Staff (in alphabetical order by last name):
 Eileen Block
 Kim Seonkyung

Editor:
 J. James Kim