

ASAN KOREA PERSPECTIVE

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National Budget

On Dec 8, the National Assembly passed the budget for 2019 with only two-thirds of the total legislative members voting (yea: 168; nay: 129; abstain:15).¹ The remaining one-third of the National Assembly strongly objected to the budget drafted by the two largest parties. The new budget totaled KRW 469.57 trillion, which is KRW 930 billion lower than the originally proposed amount. The reduction was noticeable in the areas of youth employment and inter-Korean cooperation. The budget for birth rate, re-employment, and Social Overhead Capital (SOC) increased, however.² Comprehensive real estate tax remained at 3.2%.

New Ministry Appointments

President Moon nominated 16 new appointees to various ministries on Dec 14.³ The recent announcement appears to be an attempt to strengthen President Moon's hand as he is approaching the midpoint of his term.⁴

New Nominees

Ministry	Position	Name
Ministry of Economy & Finance	1st Vice Minister	Lee Ho Seung
Ministry of Economy & Finance	2nd Vice Minister	Koo Yun-cheol
Ministry of Land, Infrastructure and Transport	1st Vice Minister	Park Sun ho
Ministry of SMEs and Startups	Vice Minister	Kim Hakdo
Ministry of Personnel Management	Minister	Hwang So Jong
Ministry of Science and ICT	1st Vice Minister	Mun Mi-ock
Ministry of Interior and Safety	Vice Minister	Yoon Jong in
Ministry of Culture, Sports and Tourism	1st Vice Minister	Kim Yong-sam

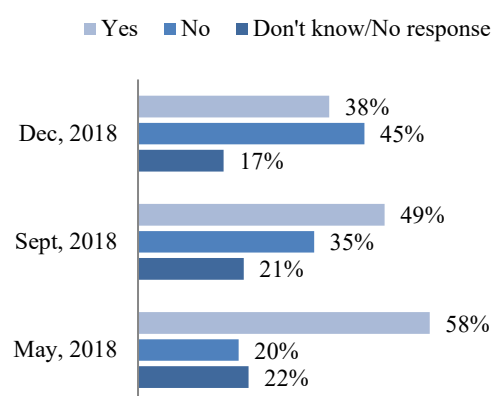
Ratification of the Revised KORUS FTA

On Dec 7, the National Assembly ratified the new KORUS FTA (yea: 180; nay: 5; abstain: 19).⁵ The ratification will enter into force after 60 days. The revised KORUS FTA extends tariffs on South Korean pick-up trucks until 2041.⁶ It also lifted the cap on American auto exports to South Korea from 25,000 to 50,000 vehicles. Other revisions include measures prohibiting duplicative litigation on Investor-State Dispute Settlement (ISDS) and improving transparency of anti-dumping and countervailing duties.

Special Measures Agreement

On Dec 7, the Trump administration called on South Korea to pay \$1.2 billion, which is significantly larger than \$830 million.⁷ President Moon stated that the US demand is unacceptable. Due to the large gap in demand from both sides, the two sides have been unable to reach an agreement.⁸ If the two sides fail to reach an agreement by early next year, non-personnel costs related to US troop basing in South Korea may not be serviced on time.

Do you believe North Korea will follow through the agreement?⁹



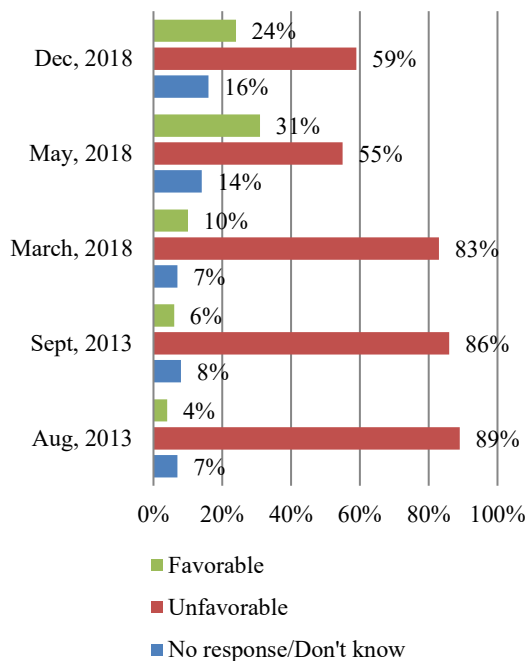
Inter-Korean Relations

The highly anticipated visit by Kim Jong Un to South Korea is not expected to happen until next year.¹⁰ South Korea has also completed the inspection of the Gyeong-ui railway line. The groundbreaking ceremony for the railway and road is expected to occur

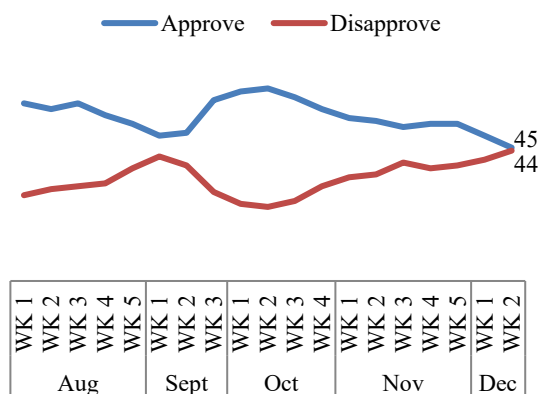
on Dec 26. On Dec 12, the two sides completed the removal of several guard posts from the DMZ.¹¹

Meanwhile, the public support for President Moon and the ruling party appears to be waning due to a poorly performing economy.

Public Perception of Kim Jong Un



President Moon's Approval Rate

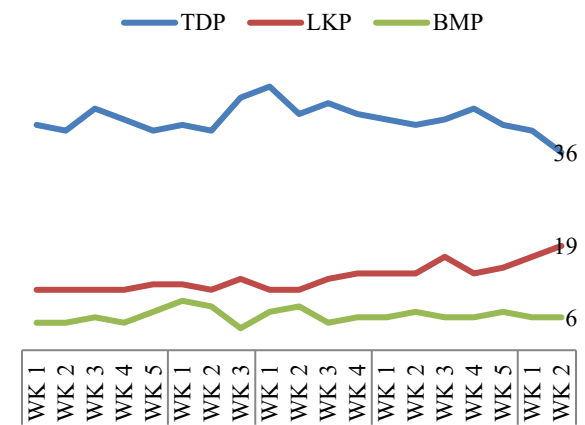


Reorganization of the Ministry of Foreign Affairs

The Ministry of Foreign Affairs has decided to establish a new division that handles China-related matters. If the plan is confirmed, the new division is expected to be operational in 2019. The decision was taken in light of the growing significance of China to the South Korean economy and the need to strengthen cooperation with Beijing. At the moment, China-

related issues are handled by the Northeast Asian Affairs Division which also manages relations with Japan. Under the new organization, the Northeast Asian Affairs Division I, which currently handles Japan-related matters, is likely to be merged with a division that deals with Australia and India related matters. A diplomatic source in Tokyo said that the plan shows Seoul's shift in its diplomatic priorities from Japan to China.¹²

Political Party Approval Rate



Samsung BioLogics

The Korea Exchange (KRX) decided on Dec 10 to resume trading of Samsung BioLogics, citing the company's financial stability and continuity of business. The company's stock trading was suspended in the wake of an accounting fraud scandal.¹³ On Dec 13 prosecutors raided the company's headquarter as well as its accounting firms Deloitte Anjin and Samjong KPMG to collect evidence related to the scandal.¹⁴

Dokdo Defense Exercise

On Dec 13, the South Korean military began its regular two-day maritime exercise designed to defend the Dokdo islands. The scale of this drill was similar to previous years. Japan's Ministry of Foreign Affairs expressed deep regret over the exercise stating that it is unacceptable in light of Tokyo's claim on the islands.¹⁵

1 "야3당 반발 속 2019년도 예산안 통과", *한겨레*, 2018년 12월 8일.

2 "일자리 600억-남북경협 1000억 삭감... 공무원 증원 3000명 줄여", *동아일보*, 2018년 12월 7일.

3 "文대통령, 차관급 16명 인사 단행...靑참모 3인도 전진 배치", *조선일보*, 2018년 12월 14일.

4 "기재부 1차관에 이호승...文, 차관급 16명 인사 교

체”, *중앙일보*, 2018년 12월 14일.

5 “한미 FTA 개정 비준동의안, 국회 통과”, *조선일보*, 2018년 12월 7일.

6 “한미FTA 개정안 국회 비준...내년 초 발효 눈앞”, *동아일보 Bizn*, 2018년 12월 8일.

7 “트럼프 “한국 방위비 분담 2배로” ... 내일 협상 앞두고 압박”, *중앙일보*, 2018년 12월 9일.

8 “한미방위비협정 연내타결 불발..."입장차 커", *조선일보*, 2018년 12월 14일.

9 All poll results in this issue are taken from Gallup Korea, Date: Dec 11-13; sample size: 1,000; margin of error: ± 3.1 at the 95% confidence level.

10 “靑 “김정은 서울 답방, 올해는 쉽지 않아””, *동아일보*, 2018년 12월 10일.

11 “남북, GP 완전파괴 검증완료...적대관계 해소 또 하나의 이정표”, *동아일보*, 2018년 12월 13일.

12 “[단독] 文정부 외교중심 대이동 ... 日 빼고 ‘중중국’ 만든다,” *중앙일보*, 2018년 12월 11일.

13 “삼성바이오 오늘부터 주식거래 재개,” *중앙일보*, 2018년 12월 11일.

14 “검찰, 삼성바이오로직스 본·사회계 법인 4곳 등 압수수색,” *한겨레*, 2018년 12월 13일.

15 “하반기 軍독도방어훈련 종료...해병대 상륙은 실시안해,” *연합뉴스*, 2018년 12월 14일.

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