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ASEAN Regional Forum

The ASEAN Regional Forum (ARF) took place in Vientiane, Laos, from July 24 to 26, hosting 27 member states including South Korea, Japan, China, and the United States. The final statement was released the day after the meeting concluded, due to protracted debates concerning the THAAD deployment and the South China Sea ruling.¹

To North Korea's dismay and failed attempt at revision, the statement unequivocally criticized its nuclear program: "The Ministers shared concern over current developments in the Korean Peninsula, including the nuclear test on 6 January 2016, rocket launch on 7 February 2016 and ballistic missile launch on 9 July 2016, by the Democratic People's Republic of Korea (DPRK) which are in violation of the United Nations Security Council resolutions."² The statement urged North Korea to "comply" with all UNSC resolutions.³

Despite lengthy discussions on the THAAD deployment and the South China Sea ruling, neither was mentioned in the final statement. China reportedly demanded a reflection of its opposition to the THAAD decision, against which South Korea, Japan, and the United States protested.⁴ South Korean Foreign Minister Yun Byung-se argued that a mention of the THAAD debate could dilute the international community's ongoing efforts to pressure North Korea.⁵ Analysts claim that the exclusion of both controversial topics from the statement signifies a "compromise" reached between China and the United States.⁶

Controversy over THAAD

The South Korean government's decision on THAAD continues to be the center of national controversy. Kim Jong-in, interim leader of the Together Democratic Party (TDP), questioned the decision to send Prime Minister Hwang Kyo-ahn to Seongju. The Prime Minister was met with impassioned protesters who threw eggs and water

bottles at him when he tried to explain the government's position. They also surrounded his transport for more than six hours. Kim demanded that President Park overhaul the cabinet and offer a public apology.⁷

Park Jie-won from the People's Party (PP) also demanded that the government revoke the THAAD decision. To that aim, the People's Party also organized an 'outside' filibuster on July 21. 22 members of the party, including Park, spoke for 12 hours. The filibuster was broadcasted live on Youtube.⁸

President Park stated during her meeting with the National Security Council (NSC) on April 21 that "the decision [to deploy THAAD] was made because it was the best option to protect our country and our citizens." She also acknowledged her critics but urged them to "propose a better idea [other than THAAD], if they have any, to protect our citizens against North Korea's missile threat."⁹

In an attempt to mediate growing health concerns for Seongju residents, the Korean government requested the US military to grant a group of South Korean reporters access to the THAAD facility in Guam. The US military reluctantly agreed to allow the reporters to measure the amount of electromagnetic waves emitting from the X-band radar. This was the first time that the US has granted foreign media permission to access its THAAD system.¹⁰ Measurements showed that the amount of electromagnetic waves was between 0.0003-0.0007 watts per square meter, which was only 0.007% of the legally permissible exposure limit in South Korea.¹¹

Regardless of the statistics, the South Korean public continues to stage demonstrations in Seongju and Seoul.¹² The leader of the New Frontier Party (NFP), Chung Jin-suk, hinted the possibility of holding a hearing to help ease public concerns.¹³

North Korea responded to South Korea's THAAD

announcement with three ballistic missile tests on July 19. The three missiles, believed to be 2 short-range Scud missiles and 1 mid-range Nodong missile, traveled between 500-600 km before falling into the East Sea. Their distance covers almost all of South Korea, including Seongju.¹⁴

Supplementary Budget

The Park administration's third supplementary budget worth KRW 11 trillion was submitted to the National Assembly on July 26. The proposed spending sets aside KRW1.9 trillion for restructuring, KRW1.9 trillion for job creation and economic stabilization, KRW2.3 trillion for revitalizing local economies, and KRW3.7 trillion for local government solvency. The administration expects to create 68 thousand more jobs and increase annual economic growth by 0.2% to 0.3% points.¹⁵

By most measures, the latest proposed supplementary spending does not impact the overall government accounts because it is financed by surpluses from the 2015-16 budget.¹⁶ Critics, however, question the impact that the proposed stimulus can have on the economy.¹⁷ Kim Jong-in (TDP), for instance, stated that "it's doubtful that this kind of supplementary budget would lead to economic growth."¹⁸

While most observers think the National Assembly will ultimately go along with the government's proposal, a prolonged debate will likely delay the implementation of the latest budget.¹⁹ The administration is urging the Assembly to reach an agreement by August 15. The National Frontier Party (NFP) has agreed to meet with the two opposition parties on Aug 12 to find a way forward. Both the TDP and the PP have signaled a desire to discuss the matter of free childcare and restructuring support for Daewoo Shipbuilding and Marines.²⁰

Nevertheless, given the discrepancies in the three major parties' approaches, the government's deadline is not likely to be met. The NFP, for instance, demands a hearing with both KDB and KEXIM regarding the usage of restructuring funds. The TDP and the PP, on the other hand, demand that the hearing also include the Blue House officials as a precondition to passing the supplementary budget.²¹

Restructuring

Hanjin Shipping's voluntary workout has been extended until Sep. 4. The creditors have asked the

company to increase its liquidity by KRW 1.2 trillion. So far, Hanjin has proposed to lower its charter fee and extend the maturity of its loans (KRW500 billion). It is also planning to obtain some financial assistance from the Hanjin group (KRW400 billion).²² However, this still leaves the company short by KRW 300 billion. So far, the creditors have refused to increase financial assistance for Hanjin. This means that the company will have to come up with its own source of capital; otherwise, it will face court receivership.²³

The NFP Leadership

Primary election for the NFP leadership will be held on Aug 9. So far, five assemblymen announced their candidacy for the post. Three are considered to be pro-Park administration (i.e. Lee Jung-hyun, Lee Joo-young, and Han Seon-kyo). The other three candidates are either neutral or opposed to the administration.²⁴ The anti-Park front appears to mobilize behind a single candidate as Chung Byung-kuk and Kim Yong-tae agreed to form a united front on Aug 29.²⁵ Kim has since declared that he is no longer in contention for the party leadership. Meanwhile Chung aims to join forces with Joo Ho-young, who claims that he is neutral.²⁶

Large Investment Bank Development Plan

Financial Services Commission (FSC) has delayed the announcement on the plan to develop large investment banks till August.²⁷ The delay comes as banks question the equity capital standard requirement for being considered a "large" investment bank. As the law stands, only Mirae Asset Daewoo meets the KRW5 trillion standard. Most Korean investment banks that do not meet this standard are complaining that the government plan gives Mirae an unfair advantage over smaller banks. Some observers also point out that by global standards, KRW5 trillion is too small to be considered "large," and has called for a comprehensive deregulation or long-term nurturing regardless of size.²⁸

Meanwhile, many mid-sized banks are looking to increase their capital by issuing stocks or merging with other smaller firms to become "large." Shinhan Financial Group, for instance, is looking to issue stocks worth over KRW500 billion to raise its equity from KRW2.5 trillion to KRW3 trillion.²⁹

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