

ASAN KOREA PERSPECTIVE

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Dealing with North Korea

Kim Jong-un's annual New Year's address stressed North Korea's resolve to complete its nuclear weapons development.¹ The South Korean Ministry of Defense (MOD) announced that it is paying close attention to the North's activities. Furthermore, the MOD announced that if North Korea conducts an ICBM test, they are likely to use a mobile launcher.² The MOD also released the 2016 Defense White Papers, which concluded that North Korea possesses 50kg of plutonium -- enough to create 10 nuclear warheads.³

On Jan 4, Minister of Unification Hong Yong-pyo briefed acting-president Hwang Kyo-ahn on the ROK's North Korea policy for 2017. The briefing included the following information:⁴

- Objective: Establish a foundation that can bring about North Korea's denuclearization and peaceful unification of the two Koreas.
- Main points of emphasis: 1) implementing a comprehensive approach to convince North Korea to make the right choices and undertake reform; 2) strengthening the current sanctions regime and improving its effectiveness; 3) seeking opportunities to engage in dialogue with the North that can bring about peace and denuclearization on the Korean Peninsula; 4) increasing cooperation and interactions between the two Koreas; 5) healing the wounds of national division and searching for a humanitarian solution; 6) improving the human rights situation of North Korean citizens; 7) implementing a policy to better incorporate North Korean defectors into the Korean society; 8) securing universal understanding of peaceful unification among Koreans through dialogue between the government and the public; 9) increasing education about unification in preparation for the future; and 10) expanding international cooperation to bring about peaceful unification.

Dealing with China

On Jan 9, 10 Chinese aircrafts including 6 H-6 bombers capable of carrying nuclear warheads⁵ entered the Korea Air Defense Identification Zone (KADIZ) near Ieo Island, located south of Jeju.

Chinese aircrafts have entered KADIZ in the past but this is the first time in a while that a group of aircrafts have done so in such a provocative manner.⁶ In response, the Korean Air Force immediately dispatched 10 F-15Ks and KF-16s⁷ while maintaining emergency contact with the Chinese counterpart.⁸

Government officials and experts in Korea are now trying to figure out the Chinese intention behind the incident. Some have argued that the incident is aimed at the U.S. and Japan for the territorial disputes in the South China Sea⁹ while others have argued that it was a retaliation and warning aimed at Korea for agreeing to deployment of the THAAD battery,¹⁰ the MOD appears to agree more with the latter assessment.¹¹

National Security chief Kim Kwan-jin stated that South Korea and the United States will continue with the THAAD deployment regardless of opposition from Beijing.¹²

Korea-Japan Relationship

Tension is brewing over the comfort women issue as South Korean activists decided to install a statue of peace in front of the Japanese Consulate in Busan. On Jan 9, Japan's ambassador and consul-general in Busan were ordered to return home as an expression of opposition. In addition, Tokyo unilaterally halted the ongoing bilateral currency swap negotiation and postponed all executive level economic meeting. With bilateral relationship worsening, the 2015 agreement on comfort women has been elevated as an election year issue. Prominent candidates are suggesting to repeal, renegotiate, and/or review the agreement.¹³ Foreign Affairs Minister Yoon Byung-se stated on Jan 13, that "the government is not against the statue, but called for collective wisdom on decisions regarding its location." The problem is complicated by the fact that the government has no jurisdiction over this matter.¹⁴

Samsung and Corruption

Samsung Electronics Vice Chairman Lee Jae-yong is likely to face charges for bribery, embezzlement, and perjury by the special investigation unit led by Special Prosecutor (SP) Park Young-soo. The SP confirmed that they will charge Lee with bribery of KRW 43 billion.

The SP also confirmed that they have sufficient evidence to prove shared interest between Choi and Park. The South Korean court will decide whether to issue the warrant by Jan 18. If Lee is convicted, President Park will be one step closer to impeachment.¹⁵ If Lee is also shown to have used corporate funds to support Choi, he may also be indicted for malpractice or embezzlement.

Samsung denies the charges and argues that the merger was agreed with the understanding that the company should not be pressured by foreign speculators like Elliott Management.¹⁶ At the time of the merger, the national sentiment was generally unfavorable against Elliott.¹⁷

The SP also confirmed that the Danish authorities will complete their review of Chung Yoo-ra's extradition by the end of next week.¹⁸

Expedited and Market Friendly Restructuring

In the official plan for 2017, the Financial Services Commission (FSC) Chairman Yim Jong-yong highlighted the importance of expedited and market friendly restructuring.¹⁹ Accordingly, the FSC is introducing "the pre-packaged plan," which mixes the benefits of court receivership and workout thereby allowing the court to restructure the company's debt while creditors are permitted to provide financial assistance to firms.²⁰ The court receivership makes debt restructuring much faster than workout but freezes the firm's debts and assets, prohibiting creditors from making additional loans. The court and FSC met on Jan 6 to discuss the details of the new system.²¹

There are questions, however, about the usefulness of these changes with many observers seeing the relative benefits of improving the "voluntary restructuring negotiation" process instead. Vice PM Yoo Ilho implied that the construction industry is also subject to restructuring in addition to shipping, shipbuilding, steel and petrochemicals.²²

2017 Presidential Election in South Korea

Presidential election in South Korea may as well be under way with a number of candidates having announced their candidacy for the Blue House. So far, the names include Moon Jae-in (former TDP leader), Park Won-soon (Mayor of Seoul),²³ Lee Jae-myung (Mayor of Seongnam),²⁴ Nam Kyung-pil (Governor of Gyeonggi Province),²⁵ Yoo Seong-min (member of NRCP),²⁶ Ahn Hee-jung (Governor of Chungcheongnam-do Province),²⁷ and Shim Sang-jung (Justice Party leader).²⁸ Ban Ki-moon (former UN Secretary General), Ahn Cheol-soo (former PP leader), and Lee In-je (former NFP leader) are also expected make their announcements shortly.²⁹

Presidential Candidate Approval Ratings³⁰

Candidate	Party	Rating (± from previous month)
Moon Jae-in	TDP	31% (+11)
Ban Ki-moon	-	20% (-)
Lee Jae-myung	TDP	12% (-6)
Ahn Cheol-soo	PP	7% (-1)
Ahn Hee-jung	TDP	6% (+1)
Hwang Kyo-ahn	NFP	5% (+5)
Yoo Seong-min	NRCP	3% (-)
Sohn Hak-kyu	-	2% (-1)
Other	-	2% (-4)
Don't know/refused	-	13% (-4)

Moon vs. Ban vs. Ahn³¹

Moon Jae-in	44%
Ban Ki-moon	30%
Ahn Cheol-soo	14%
Don't know/refused	12%

Moon vs. Ban³²

Moon Jae-in	53%
Ban Ki-moon	37%
Don't know/refused	10%

According to Gallup Korea, Moon is the clear front runner for the moment. However, there are a number of factors that could alter this projection, one of which is Ban's party affiliation. According to a recent public opinion survey, 25.8% of Koreans stated that Ban should not affiliate himself with any of the existing parties while 16% said he should run as a candidate for the NRCP. 10.5% answered that Ban should run under the NFP ticket while 6.3% suggested that he should line up under the PP.³³ Another important factor is the possibility of the voting age limit being lowered from 19 to 18. The TDP, NRCP, PP, and the Justice Party have all shown support while the NFP has been hesitant.³⁴ Given the number of high school seniors that participated in the recent candlelight vigils, lowering the age limit could impact the overall turnout and election result.

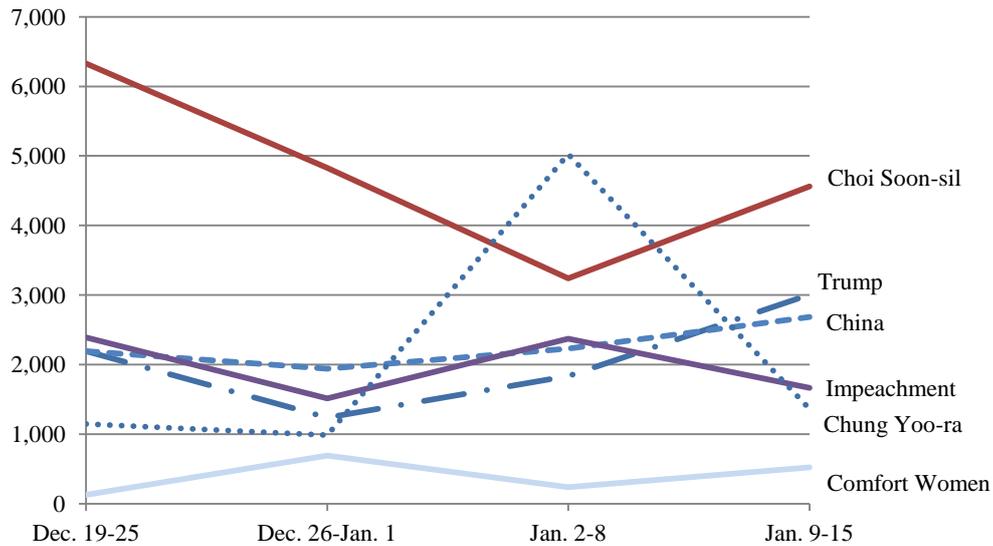
Will you vote in the upcoming election?³⁵

Age	'Definitely' + 'Most likely'
20s	92.2%
30s	92.7%
40s	91.9%
50s	82.3%
60 and older	84.1%

Party Approval Ratings

	Jan. 4-5 ³⁶	Jan. 10-12 ³⁷
NFP	12%	12%
TDP	40%	41%
PP	12%	10%
Justice	4%	4%
NRCP	6%	7%
Don't know/refused	26%	27%

Daily Media Coverage (# of articles that contained the following keywords in their titles)



- 1 “북한 김정은, 1일 낮 12시 30분 육성 신년사 발표,” *경향신문*, 2017년 1월 1일.
- 2 “국방부 ‘북한, 이동식발사대서 ICBM 쓸 가능성,’” *조선일보*, 2017년 1월 10일.
- 3 “북한 핵탄두 10개 만들 능력 갖춰,” *중앙일보*, 2017년 1월 12일.
- 4 “통일부 ‘북한 비핵화 위한 변화에 집중할 것’... 새해 남북 교류경협 어려울 듯,” *중앙일보*, 2017년 1월 4일.
- 5 “방공구역 침범 군용기, 알고보니 핵탄재 가능 ‘중국판 B-52,’” *중앙일보*, 2017년 1월 11일.
- 6 “중국 ‘사드 배치 경고’ 하늘에서 무력시위,” *경향신문*, 2017년 1월 10일.
- 7 “線 넘은 중국... 대한해협 하늘에 韓中日 군용기 50대 뒤엉켰다,” *조선일보*, 2017년 1월 11일.
- 8 “중국 폭격기, 한국방공식별구역 침범... K-15K KF-16 긴급 발진,” *중앙일보*, 2017년 1월 9일.
- 9 “線 넘은 중국... 대한해협 하늘에 韓中日 군용기 50대 뒤엉켰다,” *조선일보*, 2017년 1월 11일.
- 10 “방공구역 침범 군용기, 알고보니 핵탄재 가능 ‘중국판 B-52,’” *중앙일보*, 2017년 1월 11일; “중국 군용기 10대 방공구역 침범,” *중앙일보*, 2017년 1월 10일.
- 11 “한민구 국방장관 ‘中 침범, 사드 반발 조치일 수 있다,’” *중앙일보*, 2017년 1월 12일.
- 12 “김관진 ‘중국 상관없이 사드 추진,’” *경향신문*, 2017년 1월 11일.
- 13 “韓日 위안부 합의... 文 ‘새 협상 필요 潘 ‘재협상 가능,’” *조선일보*, 2017년 1월 9일.
- 14 “여가부 ‘소녀상 설치와 철거, 정부가 개입하기 어렵다,’” *세계일보*, 2017년 1월 13일.
- 15 “[특검 ‘피의자 이재용’ 소환] 이재용 ‘구속’될 경우 박 대통령의 ‘파면 사유’ 명확해져,” *경향신문*, 2017년 1월 12일.
- 16 Ibid.
- 17 “특검 ‘최순실에 준 돈 합병 성사 뇌물’... 삼성 “강요에 의한 피해자,” *동아일보*, 2017년 1월 13일.

- 18 특검 ‘덴마크 검찰, 다음 주 말까지 정유라 조사 완료’,” *중앙일보*, 2017년 1월 13일.
- 19 “금융위, ‘워크아웃+법정관리’ 新구조조정 방안 추진,” *조선일보*, 2017년 1월 5일.
- 20 “[2017 업무보고]워크아웃-법정관리 장점 결합한 ‘프리패키지드 플랜’ 도입,” *아시아투데이*, 2017년 1월 5일.
- 21 “금융위-법원, 기업구조조정 첫 회의,” *내일신문*, 2017년 1월 6일.
- 22 “당국, 현대건설 감리 착수...건설업 구조조정 촉발하나,” *매일경제*, 2017년 1월 6일.
- 23 “박원순 서울시장 사실상 대선 출마 선언 ‘시대적 요구 따르기로 결심,’” *경향신문*, 2017년 1월 2일.
- 24 “이재명 성남시장, 15일 광주서 대선 출마,” *한겨레*, 2017년 1월 6일.
- 25 “남경필 경지지사 25일 대선후보 출마 선언,” *경향신문*, 2017년 1월 11일.
- 26 “유승민 1월 25일 대선후보 출마 선언,” *경향신문*, 2017년 1월 11일.
- 27 “안희정, 22일 대선출마 공식 선언,” *중앙일보*, 2017년 1월 6일.
- 28 “심상정 대선출마 뜻...18일께 공식선언,” *한겨레*, 2017년 1월 9일.
- 29 “이인제, ‘다음 주 결심 밝히겠다’ 대선 출마 선언...반기문에 경쟁 제안,” *중앙일보*, 2017년 1월 11일.
- 30 Gallup Korea, date: Jan. 10-12; sample size 1,007; margin of error: ± 3.1 at the 95% confidence level.
- 31 Gallup Korea, date: Jan. 10-12; sample size 1,007; margin of error: ± 3.1 at the 95% confidence level.
- 32 Gallup Korea, date: Jan. 10-12; sample size 1,007; margin of error: ± 3.1 at the 95% confidence level.
- 33 ResearchPlus, date: Dec. 28-29, 2016; sample size 1,006; margin of error: $\pm 3.1\%$ at the 95% confidence level.
- 34 “대선 앞 다시 불붙는 ‘18살 투표권,’” *한겨레*, 2017년 1월 3일.
- 35 “‘투표하겠다’ 92%, 대선 열쇠 쥐 20대,” *중앙일보*, 2017년 1월 3일.
- 36 Gallup Korea, date: Jan. 4-5; sample size 1,004; margin of error: ± 3.1 at the 95% confidence level.
- 37 Gallup Korea, date: Jan. 10-12; sample size 1,007; margin of error: ± 3.1 at the 95% confidence level.

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