

# ASAN KOREA PERSPECTIVE

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## Park Geun-hye Convicted of Bribery

On Feb 27, former President Park Geun-hye's was sentenced to 30 years in prison and was charged with 18.5 billion won fine.<sup>1</sup> She was convicted of 18 charges including bribery and abuse of authority.<sup>2</sup>

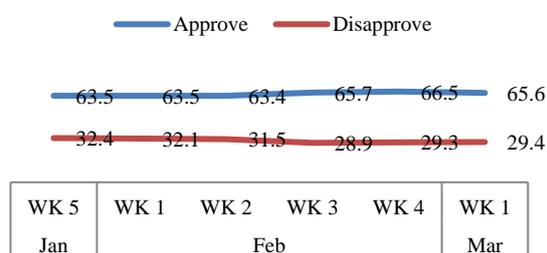
## Summits with North Korea in April and May

President Moon's special envoys visited North Korea from March 5-6. Kim Jong Un stated that he is willing to discuss denuclearization and not conduct additional tests until the summit.<sup>3</sup>

The third Inter-Korean summit is scheduled for the end of April.<sup>4</sup> President Moon also made clear that he has no intention of easing sanctions ahead of the summit and reaffirmed his opposition to nuclear weapons on the Korean Peninsula.<sup>5</sup>

On Mar 9, South Korean national security advisors announced that Kim Jong Un expressed a willingness to meet President Trump and that Trump also agreed to a meeting in May. Although the surprising announcement was welcomed in South Korea, the opinion is split among those who support and oppose these latest developments.<sup>6</sup> On the one hand, some experts point to the past history of talks with North Korea and argue that Pyongyang has never bargained in good faith. Others claim that South Korea and the US should use the opportunity to talk to the North.<sup>7</sup>

## Approval for President Moon<sup>8</sup>



President Moon's approval rating has remained steady at the mid-60s. Even though the administration has recently announced major diplomatic breakthroughs with Pyongyang, the president is facing some challenging conditions in the economy and domestic political environment. First, the Blue House has not

had a good response to the Trump administration's recent decision to raise tariffs on steel and aluminum imports. Secondly, two prominent figures of the ruling Together Democratic Party (TDP), Ahn Hee-jung and Jeong Bong-ju (former Rep), have been accused of sexual misconduct. Mr. Ahn has resigned from his position as the governor of Choongnam province and Mr. Jeong's planned bid for the Seoul mayoral race now appears dubious.

## US Tariff on Steel and Aluminum

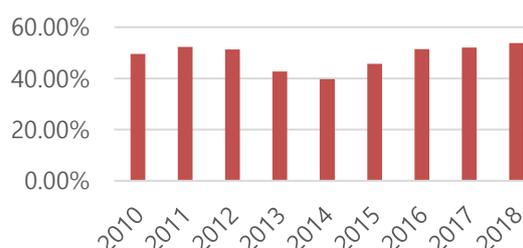
On Mar 8, the Trump administration announced new tariffs on steel (25%) and aluminum (10%). While the second and third order impacts are yet unclear, the stock price for South Korea's largest steel company, POSCO, fell by 3.6% on the day of this announcement.

## South Korean Steel Exports in Perspective



Source: Korean Custom Service

## South Korean Steel Imports from China as a Share of Total Steel Imports (in %)



Source: Korean Custom Service

During 2010~18, South Korean steel exports to the US accounted for approximately 7.2%<sup>9</sup> of all steel exports. Steel to the US also accounted for only 2.6% of South Korea's total exports to the US and 0.3% of South Korea's total exports during the same period. It is also worthwhile noting that 48.8% of steel imports to South Korea came from China.

### **General Motors versus Korea**

On Feb 27, suspicions of mismanagement further aggravated the ongoing crisis involving GM Korea. Assemblyman Ji Sang-wook of the Bareun Party stated that the company is like to have recorded KRW 1.14trn in profits during 2014~16 rather than the KRW 1.97trn deficit during that same period.<sup>10</sup> The Fair Trade Commission stated that it would investigate GM Korea for potential violation of the *Fair Transactions in Subcontracting Act* on the grounds that it knowingly imposed losses on subcontracting companies. Additionally, the Financial Supervisory Service stated that it would begin a special tax investigation and audit GM Korea to further substantiate these claims.<sup>11</sup>

Meanwhile, workers for GM Korea have been asking both the government and GM to shield them from the fallout of financial mismanagement. They have also been lobbying the National Assembly to install legislative safeguards to prevent recurrence of similar events.<sup>12</sup>

### **Amendments to the Labor Standards Act**

Amendments to the *Labor Standards Act* which limits working hours from 68 to 52 hours-a-week is taking a toll on manufacturing. Factory owners have been complaining that legislators went forward with the amendment without knowing how the factories operate. Fewer working hours means that productivity is lowered and fixed cost account for larger share of the total cost. The problem appears especially acute for SMEs.

The Korea Economic Research Institute (KERI) estimated that the amendment will cost approximately KRW 9.4trn. Manufacturing companies are expected to shoulder the greatest share of the burden since 60% of their operating cost is labor, (~KRW 4.4bn).<sup>13</sup> The Korea Federation of Small and Medium Business requested that the government consider changes to the amendment.<sup>14</sup>

### **Kumho Tire**

Korea Development Bank (KDB), currently the majority shareholder in Kumho Tires, announced that it is planning to unload its shares to the Chinese tire firm, Doublestar. This elicited a fervent response from Kumho Tire employees. Yet Kim Jong-ho, Chairman of Kumho Tire, stated on Mar 7 that there was no reason to oppose this move.<sup>15</sup>

### **Kakaobank**

Kakaobank, an internet bank started by the Kakao Corporation, announced that it will increase its volume of publicly listed shares by KRW 500bn – a sign of sustained expansion from the rapid growth it enjoyed since opening in July 2017.<sup>16</sup> The shares will be available on Apr 25. The bank's net worth is expected to grow by KRW 1.3trn.<sup>17</sup>

### **Sungdong Shipbuilding**

Sungdong Shipbuilding & Marine Engineering Co., a Korean shipyard that at its height reached the world's top eight, has been tapped for government-led restructuring. The company received approximately KRW 4trn in government financing over the past eight years, but performance problem has led the government to intervene. The decision signals a change in policy, which often upheld public financing of shipbuilding firms.<sup>18</sup> Sundong's majority shareholder is the Korean EXIM Bank.<sup>19</sup>

## Legislative Bills in South Korea

Name*	Motion	Status**	Purpose	Likelihood to Pass***
Basic Act on the Development of Civil Society in Promoting the Public Interest <sup>20</sup>	2018 Mar 8	Proposed to the 357th National Assembly (Extraordinary Session)	Civil society plays a major role in addressing diverse problems, such as youth unemployment, income inequality, and environmental degradation. This Act expands and institutionalizes support for the cooperation between civil society groups and the government by: (1) stipulating civic participation in basic matters that concern the public interest; (2) establishing three-year plans for coordination between government and civil society; (3) resolving important issues related to public-private partnerships in promoting the public interest; (4) establishing a “Foundation for the Promotion of Public Society” to advance and manage the development of civil society; and (5) creating a fund for civil society development.	N/A
Special Act on the Support of Financial Innovation <sup>21</sup>	2018 Mar 6	Proposed to the 357th National Assembly (Extraordinary Session)	This Act attempts to provide for a financial regulatory sandbox approach to means test new technology in the financial sector. The Financial Services Commission (FSC) through an “Innovative Finance Audit Committee” will screen applications by entities recognized under the Commercial Act of Korea, taking into consideration the innovation of services offered, consumer convenience, and sufficient safeguards for consumer protection. The Committee shall be composed of technical, financial, legal, and consumer protection experts. Firms that qualify for these exemptions shall be liable for any damages caused by negligence and must comply with designations made by the FSC.	Medium to High
Act on the Prevention of Harassment at the Workplace and the Protection of Affected Employees. <sup>22</sup>	2018 Mar 2	Proposed to the 356th National Assembly (Extraordinary Session)	Harassment both in the outside the workplace involves taking advantage of one’s status to infringe on the rights and dignity of another, often resulting in physical and/or psychological duress. In Korea, there is no law that comprehensively addresses workplace harassment. This Act seeks to protect the human rights of employees at the workplace by providing victims with the means of redress concerning any claims made and no penal action is permissible for making such a claim.	Medium to High

\*Unofficial translations      \*\*As of 2018 March 11

\*\*\*Likelihood to pass based on news and analytical coverage by major outlets

N/A	LOW	MEDIUM	HIGH
Insufficient coverage to make an assessment	Coverage generally tends to be negative	Coverage generally tends to be split between negative, affirmative, or neutral	Coverage generally tends to be in the affirmative

1 “[전문] 검찰, 박근혜 ‘징역 30년’에 벌금 1185억 구형”, *한겨레*, 2018년 2월 27일.

2 “박근혜, 최순실과 공모·수뢰” 벌금 구형액 똑같이 1185억”, *중앙일보*, 2018년 2월 28일.

- 3 “핵은 흥정 대상 아니라던 北 “비핵화 논의” 180도 선회 왜”, *중앙일보*, 2018년 3월 7일.
- 4 “정상회담 왜 4월일까...남북이 속도전 돌입한 까닭은”, *중앙일보*, 2018년 3월 7일.
- 5 “<속보>문 대통령 “정상회담 위해 北 제재 완화 계획 없어””, *조선일보*, 2018년 3월 7일.
- 6 “[사설] 한국민은 북핵 인질에서 벗어나는 건가, 또 속는 건가”, *조선일보*, 2018년 3월 7일.
- 7 “[사설] 벌써 한미훈련 겁데기 만들고 국방장관은 北 비위 맞추나”, *조선일보*, 2018년 3월 9일.
- 8 Realmeter, Date: Mar 5-7 ;sample size: 1,502; margin of error:  $\pm 2.5$  at the 95% confidence level.
- 9 Sum of 2010-2018 export value divided by # of year
- 10 “지상옥 “한국GM, 미국에 있었다면 1조원 수익 났다”, *중앙일보*, 2018년 2월 28일.
- 11 “한국GM 세무조사·회계감리 추진”, *동아일보*, 2017년 2월 28일.
- 12 “한국GM 내달 2조3000억 마련 ‘발등의 불’”, *동아일보*, 2018년 3월 7일
- 13 “일할 사람 없는데 납기 어떻게 맞추나”...생사 기로에 선 中企”, *매일경제*, 2018년 2월 27일.
- 14 “산업기반 무너지지 않게 법 시행전 세심한 조정 필요”, *매일경제*, 2018년 2월 27일.
- 15 “금호타이어회장 “해외매각 반대할 이유 없다””, *동아일보*, 2018년 3월 8일.
- 16 “카뱅, 5천억원 또 증자...자본여력 확충 꾀걸음”, *한겨레*, 2018년 3월 8일.
- 17 “카카오뱅크, 5천억 추가 유상증자...자본금 1조3천억으로 늘어”, *경향신문*, 2018년 3월 8일.
- 18 “[NEWS&VIEW] 10년 세월 ‘밀빠진 도크에 돈 붓기’”, *조선일보*, 2018년 3월 9일.
- 19 “성동·STX조선의 운명, 수주 잔량이 갈랐다”, *중앙일보*, 2018년 3월 8일.
- 20 “공익증진을 위한 시민사회발전 기본법안”, 정부이법지원센터. Available at: [http://www.lawmaking.go.kr/lmSts/nsmLmSts/out/2012390/detailRP].
- 21 “금융혁신지원 특별법안”, 정부이법지원센터. Available at: [http://www.lawmaking.go.kr/lmSts/nsmLmSts/out/2012338/detailRP].
- 22 “직장 내 괴롭힘 예방 및 피해근로자 보호에 관한 법률안”, 정부이법지원센터. Available at: [http://www.lawmaking.go.kr/lmSts/nsmLmSts/out/2012272/detailRP].

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