

# ASAN KOREA PERSPECTIVE

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## The China Connection

North Korean leader Kim Jong Un visited China during Mar 25~28. Kim and Xi Jinping discussed the North Korean nuclear issue and the upcoming US-North Korea Summit. China emphasized denuclearization of the Korean Peninsula and China-DPRK relations while North Korea emphasized phased denuclearization.<sup>1</sup> It was the first time in seven years that the North Korean leader visited China.

On Mar 29, the Chinese State Councilor Yang Jiechi visited Seoul to brief President Moon on the outcome of the Kim-Xi meeting.<sup>2</sup> Experts agree that Kim's visit could further complicate the effort to denuclearize North Korea.<sup>3</sup> For instance, there were reports suggesting that North Korea agreed to return to the Six-Party Talks.<sup>4</sup> Many observers expect President Xi to play a more important role in the two upcoming summits.

## Key Resolve and Foal Eagle<sup>5</sup>

Year	Date	Name	ROK	US
2014	02/24-03/06	Key Resolve	10,000	5,200
	02/24-03/18	Foal Eagle	10,000	7,500
2015	03/02-03/24	Foal Eagle	200,000	3,700
	03/02-03/13	Key Resolve	10,000	8,600
2016	03/07-04/30	Foal Eagle	290,000	15,000
	03/07-04/30	Key Resolve	300,000	17,000
2017	03/01-04/30	Foal Eagle	290,000	10,000
	03/13-03/24	Key Resolve	10,000	12,800
2018	04/01-(1month)	Foal Eagle	290,000	11,500
	04/23-(2 weeks)	Key Resolve	290,000	12,200

designated for this project.<sup>13</sup>

The ROK-US joint military drills (i.e. Key Resolve and Foal Eagle) began on April 1. This year's military exercise will not include the deployment of strategic assets. But there are just as many ROK troops participating in the exercise.<sup>6</sup>

## Constitutional reform

On Mar 26, President Moon tabled the Constitutional amendment proposal. According to one recent poll, 55% of South Koreans favored the president's decision to propose the amendment (opposed: 24%). The poll also suggested that 47% of Koreans favored referendum during the local election in June.<sup>7</sup>

On April 4, representatives from the TDP, LKP, and BP gathered and discussed the constitutional reform, but they failed to reach an agreement.<sup>8</sup> President Moon may attempt to broker a deal at the National Assembly. But the Blue House denied any such effort.<sup>9</sup>

## Ex-President Park Geun-hye

South Korea's former president Park Geun-hye was sentenced to 24 years in prison and KRW 18 billion in fines.<sup>10</sup> Park was convicted of bribery and abuse of power. Among 18 charges leveled against her, she was found guilty of 16. Ms. Park was not present during her trial. For the first time in Korean history, the trial was broadcasted live on television.

## Fiscal Policy Update

On Mar 26, the Ministry of Strategy and Finance released the national balance of accounts for the 2017 fiscal year. The latest announcement indicates that the central government has a balance surplus of KRW 24trn (USD 22.3bn). The national debt also increased by KRW 33.8trn (USD 31.4bn) from 2016 and stands at KRW 660.7trn (USD 614.5bn), accounting for 38.6% of GDP.<sup>11</sup>

The Moon administration also announced a five-year roadmap for urban revitalization, which has a budget of KRW 10trn (USD 9.3bn). The stated objective is to revitalize aging urban infrastructure and create environments that could attract young entrepreneurs and create jobs for the youth.<sup>12</sup> As of today, there are 250 locations around the country that have been

## Bank of Korea

Lee Ju-yeol began his second term as the Bank of Korea (BOK) Governor. In his inaugural speech on Apr 2, Lee stated that the BOK would be using its policy levers in coordination with the government's macroeconomic policy, namely in job creation. While details have yet to be released, Lee stated that the BOK has two objectives: (1) economic growth and (2) stabilized inflation.<sup>14</sup> Many observers expect a gradual rise in the official interest rate in the coming months.<sup>15</sup>

On Mar 27, the Financial Supervisory Commission

reported that corporate liabilities grew by 18.9% or KRW 13.4trn (USD 12.5bn) over a month, a large portion of which were initial public offerings on KOSDAQ. This has been interpreted as Korean businesses trying to pool assets ahead of a possible rise in the BOK's official rate.<sup>16</sup>

On May 29, the BOK also released its Financial Stability Report which revealed that 3,216 highly indebted companies in Korea have reached 100% interest coverage ratio. 365 of those companies have not been profitable for seven years.<sup>17</sup>

## Legislative Bills in South Korea

Name*	Motion	Status**	Purpose	Likelihood to Pass***
Act on the Establishment and Operation of a National Earthquake Disaster Research Institute <sup>18</sup>	2018 Apr 3	Proposed to the 359th National Assembly (Extraordinary Session)	This Act seeks to establish a public research institution dedicated to the examination of earthquake relief, geological risks and policy recommendation. The proposed National Earthquake Disaster Research Institute would be located in Gyeongbuk province. <sup>19</sup>	Medium
Act on the Support for the National Unification Council <sup>20</sup>	2018 Mar 29	Proposed to the 358th National Assembly (Extraordinary Session)	This Act proposes a support scheme for the National Unification Council so that it may continue its work. Support measures include free access to state-owned and public property, tax exemptions, and closer coordination with the Ministry of Unification.	N/A
Special Act on the Restriction of Forced Eviction <sup>21</sup>	2018 Mar 28	Proposed to the 358th National Assembly (Extraordinary Session)	This Act proposes to check violations of human rights that arise from forced evictions as a result of re-development. The Act protects individuals from forced eviction by attaching penalties to incidents of insult, assault, intimidation, etc. The Act also creates services such as providing housing information, public rental housing, and other counseling services.	Medium to High

\*Unofficial translations      \*\*As of 2018 Apr 08

\*\*\*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 "북중, 김정은 방중 정상회담 결과 동시발표...내용엔 다소 차이", *연합뉴스*, 2018년 3월 28일.

2 "양제츠 방한 "북·중 만남, 남북정상회담에 도움"", *한겨레*, 2018년 3월 29일.

3 "김정은, 시진핑 만나 '북핵 판' 흔들다", *조선일보*, 2018년 3월 28일.

4 "김정은, 6자회담 복귀 뜻...북미대화 결렬 보험", *동아일보*, 2018년 4월 5일.

5 Reports from local media outlets (Yonhap news, Hankyoreh, Joongang ilbo, VoaKorea, SBS News, Joongang ilbo) [For information on military drills in 2018 is available at: "오늘 韓美 연합훈련 시작...정상회담 국면 '로키'로 진행", *조선일보*, 2018년 4월 1일.]

- 6 “한미연합 독수리 훈련 시작... 올해는 장면 공개 안한다”, *조선일보*, 2018년 4월 2일.
- 7 24% of those surveyed stated that the time of referendum should be within this year after the local elections, while 15% responded that the referendum should take place after next year. Gallup Korea, Date: Mar 27-29; sample size: 1,004; margin of error:  $\pm 3.1$  at the 95% confidence level.
- 8 “김성태 ‘개헌 협상’ “여야 원내대표와 청와대 회동” 제안”, *경향신문*, 2018년 4월 4일.
- 9 “文 대통령, 국회 보낸 서한에서 “국민투표법 개정으로 개헌의 길 열어달라””, *중앙일보*, 2018년 4월 6일.
- 10 “[속보] 박근혜, 1심 선고서 징역 24년·벌금180억”, *중앙일보*, 2018년 4월 6일.
- 11 기획재정부. “2017회계연도 국가결산 결과”, 보도자료, 2018년 3월 26일. Available at: [[http://www.mosf.go.kr/nw/nes/detailNesDtaView.do?searchBbsId=MOSFBBS\\_00000000028&menuNo=4010100&searchNttId=MOSF\\_00000000016414](http://www.mosf.go.kr/nw/nes/detailNesDtaView.do?searchBbsId=MOSFBBS_00000000028&menuNo=4010100&searchNttId=MOSF_00000000016414)]. “경기회복에 세수 호황...작년 나랏빚 증가세 7년만에 최저”, *한겨레*, 2018년 3월 26일.
- 12 “도시재생 본격 시동...한국판 ‘스페인 포블레노우’ 250곳 조성한다”, *중앙일보*, 2018년 3월 27일.
- 13 “도시재생 로드맵 ‘시세 50% 이하 청년창업공간 지원’”, *경향신문*, 2018년 3월 27일.
- 14 “이주열 ‘새로운 통화정책 운영체계·수단 검토’”, *한겨레*, 2018년 4월 2일.
- 15 “이주열 ‘금리인상 천천히... 일자리 정책 돈 풀것’”, *동아일보*, 2018년 4월 3일.
- 16 “2월 회사채 발행 대폭 증가...美금리인상 전에 자금조달”, *연합뉴스*, 2018년 3월 27일.
- 17 “좀비 기업 만성화...7곳 중 한 곳은 3년 연속 돈 벌어 이자도 못 갚아”, *중앙일보*, 2018년 3월 29일.
- 18 “국립지진방재연구원의 설치 및 운영에 관한 법률안”, 정부이법지원센터. Available at: [<http://www.lawmaking.go.kr/lmSts/nsmLmSts/out/2012852/detailRP>].
- 19 “‘일 터지면 그때뿐’...포항 지진 5개월째 관련법 통과는 뒷전”, *중앙일보*, 2018년 4월 4일.
- 20 “민족통일협의회 지원에 관한 법률안”, 정부이법지원센터. Available at: [<http://www.lawmaking.go.kr/lmSts/nsmLmSts/out/2012738/detailRP>].
- 21 “강제퇴거 제한에 관한 특별법안”, 정부이법지원센터. Available at: [<http://www.lawmaking.go.kr/lmSts/nsmLmSts/out/2012721/detailRP>].

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