

Summits with North Korea

Latest media reports indicate that the CIA director Mike Pompeo met with Kim Jong Un in Pyongyang over the Easter weekend. In a meeting with Prime Minister Abe on April 17, President Trump stated that the two Koreas are discussing the possibility of formally declaring the end of the Korean War. The Blue House responded that it was hoping to end all hostilities between the two Koreas during the summit on April 27.¹ Chung Eui-yong and John Bolton also held a meeting to discuss the possibility of a trilateral summit involving the US and the two Koreas after the bilateral summits in April and June.²

In general, the South Korean public supports the signing of a peace treaty with North Korea. According to a public poll, 78.7% of South Koreans are in favor of a peace treaty while 14.5% are opposed.³ The conservatives have warned against shifting the framing of the North Korean issue from denuclearization to peace agreement. There is also some concern about the possibility that North Korea may request the withdrawal of the US Forces Korea (USFK).⁴

North Korea Announcement

On April 21, North Korea announced that it would halt all nuclear and missile tests as well as stop operations at the Punggye-ri nuclear test site. Kim Jong Un stated that the country has completed all nuclear and missile development. Many critics have pointed out that this is a declaration that North Korea is a nuclear state. Kim added also that his primary focus will be on economic development.⁵

The response in South Korea is split along party lines. The progressives (i.e. TDP, Democratic Peace Party and Justice Party) have stated that the announcement is a significant move ahead of the inter-Korean summit. The conservatives (i.e. LKP and Bareun), on the other hand, have argued that the announcement does not indicate a significant break from the past.⁶ Critics have observed that the North Korean talking

point is shifting away from "denuclearization" and more towards "suspension" and "peace."⁷

Druking

A power blogger nicknamed "Druking" allegedly meddled with public opinion during the 2017 presidential election. Druking is alleged to have managed an online organization called 'Kyunginsun' to encourage his members to post comments supporting then-candidate Moon Jae-in on various websites.⁸ The organization also appears to have been behind an attempt to boost negative public sentiment towards Ahn Cheol-soo when he surpassed Moon Jae-in in the polls. Ahn claims he raised this issue during the election, but no investigation has taken place.

Kim Kyung-soo, a member of the Together Democratic Party (TDP), is also under investigation for a possible connection to Druking. Although Kim denies any direct involvement, the investigators have confirmed that there is evidence that the two sides exchanged numerous messages with one another.⁹ The Liberty Korea Party (LKP) and Bareun Mirae Party criticized the TDP and called for a special investigation into the case. The Blue House issued a formal statement that it hoped for a full and fair investigation.¹⁰ President Moon's support remains high at 70%.¹¹

Samsung Securities

On April 6, Samsung Securities mistakenly paid out KRW 112 trillion worth of cash dividends instead of the planned KRW 2.8 billion.¹² Samsung's explanation is human error but this incident has resulted in an 11% drop in Samsung Securities share value.¹³ The public has expressed outrage over the incident and the South Korean financial regulators have launched a special investigation as of April 9. People in South Korea believe the incident is tantamount to market manipulation and are petitioning for a ban on all short sales of Samsung Securities stock.

Household Debt

The Financial Services Commission (FSC) stated on April 16 that it will reduce the amount of long-term fixed rate mortgages (i.e. conforming loans) by as much as KRW 1 trillion (USD 933mn). The government will also impose a KRW 900mn (USD 839,700) limit on long-term mortgages while low-interest housing loans will have a ceiling of KRW 500mn (USD 466,500).¹⁴ The recently announced change is part of a broader effort to address the vulnerabilities in the Korean economy associated with the ballooning national household debt (~KRW 1,450.9 trillion). There are signs of a promising turnaround as the FSC's own data revealed that South Korea's household debt increased by KRW 108.4 trillion in 2017, which is KRW 31 trillion lower than in 2016.¹⁵

The FSC also made additional announcements about short-term credit, which will take effect as of Q2. Second tier financial institutions such as savings banks and credit card companies are likely to be impacted as the announcement includes applying the debt-service ratio valuation standards for the non-banking sector.

Table 1. Debt, Banking v Nonbanking Sector in KRW trillions,

	Banking Sector	Nonbanking Sector
2014	519.6	505.4
2015	563.7	574.2
2016	617.4	652.4
2017	660.6	709.4

Source: Bank of Korea

The FSC will raise the rent-to-interest rate by 17.4%, making additional lending conditionality more stringent.¹⁶

Legislative Bills in South Korea

Name*	Motion	Status**	Purpose	Likelihood to Pass***
Act on Employment Support for the Unemployed ²¹	2018 Apr 17	Deliberation of Competent Committee(s), 2018 Apr 18	This act proposes employment support programs for unemployed or low-income (defined as less than 60% of the standard median income), short-term employees who may be restricted from receiving employment insurance. The individuals who participate in this program shall receive an employment promotion allowance over an implementation period of six months. The program involves job counseling, vocational training, and start-up support.	N/A

Budget

Finance Minister Kim Dong-yeon called for an expedited approval of the supplementary budget in order to sustain the government's policy on youth employment, SMEs, and growth in innovation.¹⁷ Minister Kim further explained that revisions to minimum wage have not had as much impact due to higher than expected inflationary pressures.¹⁸

Worker Rights and Korean Air

The Bareun Party submitted a proposal for amendments to the *Act on Aviation Business* following another corporate scandal involving Korean Air and workplace labor rights. The proposed amendment seeks to prevent executives who violate aviation safety law to assume another executive position for five years after being sentenced. The proposed amendment has been proposed on the rationale that this type of restriction should apply to airline industry if similar penalties are also applied to the financial sector.¹⁹

Korean Statistical Service and the National Human Rights Commission of Korea confirmed on Apr 20 that they will collaborate to produce an annual statistical review of human rights in South Korea. The first review will mirror studies conducted by the Office of the UN High Commissioner for Human Rights (OHCHR). One of the more contentious quantifications is expected to be "discrimination" due to its broad scope (e.g., discriminatory hiring practices based on educational pedigree or discrimination at the workplace).²⁰

Act on the Protection of Online Businesses, Financial Institutions, and Users ²²	2018 Apr 13	Proposed to the 359th National Assembly (Extraordinary Session)	Korea's peer-to-peer (P2P) lending system provides investors with opportunities to invest in loans through an online platform. The benefits include (1) the use of big data solutions in finance, (2) more investment opportunities, and (3) greater financial inclusion for those who are restricted from brick-and-mortar financial institutions. Much of this activity takes place through the Korea P2P Financial Association with approximately KRW 1.5trn (USD 1.4bn), which currently lends to over 58 companies. As P2P debt financing grows, the need for P2P lending management and protection becomes more important. While the FSC released guidelines on such lending, they remain outdated in relation to the state of technological advancement and there is no administrative guidance. This Act seeks to create new financial regulation which caters directly to the P2P finance rather than attempting to apply existing financial regulation to it.	Medium
Act on the Promotion of Earthquake Resistance in Existing Structures ²³	2018 Apr 12	Deliberation of Competent Committee(s), 2018 Apr 13	This act seeks to provide support necessary to improve the earthquake resistance of existing buildings through diagnosis and repair.	Medium
Act on a Hydrogen Economy ²⁴	2018 Apr 10	Deliberation of Competent Committee(s), 2018 Apr 11	This act supports the hydrogen industry by increasing hydrogen fuel electric vehicles, fuel cell power generation facilities, and preemptively implementing the transition to a hydrogen economy society through related technology development and business operations.	Medium

Significant Updates in Status of Legislative Bills

Name*	Motion	Status**	AKP Issue
Act on the Regulation of Hate Speech	2018 Feb 13	Withdrawn (2018 Feb 28)	Vol. 3 No. 4
Act on Consumer Class Action	2018 Jan 19	Withdrawn (2018 Jan 31)	Vol. 3 No. 2
Act on the National Assembly Research Institute for the Future	2017 Nov 23	Promulgated (2017 Dec 12)	Vol. 2 No. 25

*Unofficial translations **As of the date of publication

***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 "'트럼프 특사' 폼페이오 만난 김정은...성큼 다가선 '중전선언'", *한겨레*, 2018년 4월 18일.
- 2 "존 볼턴 신임 국가안보보좌관 만나고 온 정의용 국가안보실장", The Blue House website, [Available at: <http://www1.president.go.kr/articles/3006>]
- 3 Realmeter, Date: April 18; sample size: 501; margin of error: $\pm 4.4\%$ at the 95% confidence level.
- 4 "[사설] 북·미 비밀회담은 청신호, 더욱 어깨 무거워진 정부", *중앙일보*, 2018년 4월 19일.
- 5 "北 '핵실험·ICBM 발사중단할 것'...풍계리 핵실험장 폐기", *중앙일보*, 2018년 4월 21일.
- 6 "여야, 北 핵실험 중단 선언에 '온도차'...한국당 "김정은 위장쇼"", *중앙일보*, 2018년 4월 21일.
- 7 "한국당, 북한 '핵실험 중단' 선언에 "큰 의미 없다..."위장쇼' 가능성 높아"", *동아일보*, 2018년 4월 21일.
- 8 "드루킹, 대선 한달전 "반격의 때... 댓글기계 있다고 들었다"", *동아일보*, 2018년 4월 20일.
- 9 "대선 기사 인터넷 주소...김경수, 드루킹에 문자", *중앙일보*, 2018년 4월 20일.
- 10 "청와대 "드루킹 사건, 검·경이 전모 밝힐 것"", *한겨레*, 2018년 4월 18일.
- 11 Korea Gallup, Date: April 17-19; sample size: 1,003; margin of error: $\pm 3.1\%$ at the 95% confidence level.
- 12 "'삼성증권 사태' 파장 확산..."증권업계 전면조사 '공매도 금지' 靑청원 쇄도", *중앙일보*, 2018년 4월 8일.
- 13 "추미애 '삼성증권 참사, 공매도 아닌 유가증권 주가조작 사건...관리시스템 '구멍'", *동아일보*, 2018년 4월 9일.
- 14 "주금공 적격대출 매년 1조씩 축소...2금융권 대출도 조인다", *중앙일보*, 2018년 4월 16일.
- 15 "기사본문 한국경제 금리인상 대비 가계부채 관리 강화...대출 급증 금융사는 '집중관리'", *한국경제*, 2018년 4월 16일.
- 16 "7월부터 보험·저축은행·카드 대출도 조인다", *중앙일보*, 2018년 4월 17일.
- 17 "김동연 '고용쇼크, 최저임금 인상 영향으로 보기 어려워'", *조선비즈*, 2018년 4월 16일.
- 18 "김동연, '2~3월 고용부진, 최저임금 영향 아냐'", *중앙일보*, 2018년 4월 16일.
- 19 "'갑질' 임원 경영복귀 막는다...'조현아·조현민법'", *중앙일보*, 2018년 4월 19일.
- 20 "국가인권통계 마련된다", *경향신문*, 2018년 4월 20일.
- 21 "실업자 취업지원 등에 관한 법률안", 정부이법지원센터. Available at: [<http://www.lawmaking.go.kr/lmSts/nsmLmSts/out/2013085/detailRP>].
- 22 "온라인투자연계금융업 및 이용자 보호에 관한 법률안", 정부이법지원센터. Available at: [<http://www.lawmaking.go.kr/lmSts/nsmLmSts/out/2013052/detailRP>].
- 23 "기존건축물의 내진개수 촉진에 관한 법률안", 정부이법지원센터. Available at: [<http://www.lawmaking.go.kr/lmSts/nsmLmSts/out/2013031/detailRP>].
- 24 "수소경제법안", 정부이법지원센터. Available at: [<http://www.lawmaking.go.kr/lmSts/nsmLmSts/out/2012992/detailRP>].

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