

ASAN KOREA PERSPECTIVE

Inter-Korean Meeting

The second inter-Korean high-level meeting was held on Aug 13 during which the two sides agreed to examine and actively implement the Panmunjom Declaration. In a joint press release, the two Koreas stated it would hold the third inter-Korean summit in September.¹

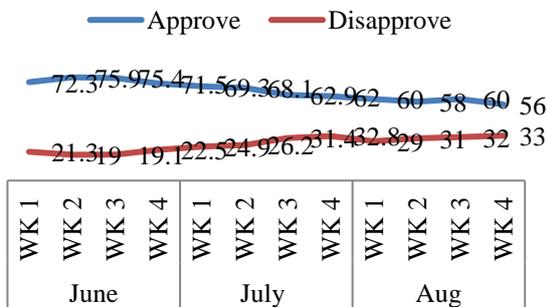
The President's Independence Day Address

On Aug 15 marking the Korean Independence, President Moon addressed the nation emphasizing the importance of the end of the war declaration, peace treaty, and complete denuclearization.² As part of his message, he also announced the importance of inter-Korean economic cooperation. In particular, he proposed creating an East Asian Railroad Community that could potentially expand into an energy and economic community.

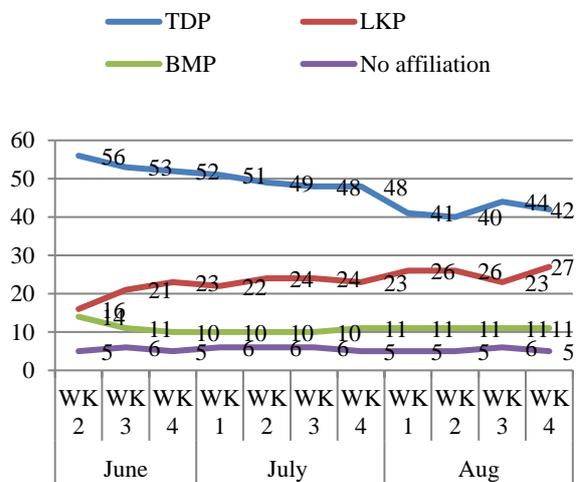
President Moon's Approval

President Moon's support rating fell to 56% amid stagnant employment and increasing dissatisfaction over his income-led growth policy.³ The approval rating for his political party (TDP) is also declining.⁴

Approval for President Moon



Approval for Political Parties



Kaesong Liaison Office

In keeping with the Panmunjom Declaration, the two Koreas agreed to open an inter-Korean liaison office on Aug 17. But this plan was postponed given US concerns about potential sanctions violations. The South Korean government has already sent around 80 tons of petroleum and diesel to operate electricity generators for the liaison office.⁵ The Blue House stated that this does not constitute sanctions violation.⁶ There is still an ongoing dialogue between the US and South Korea about the liaison office. The UN Security Council issued exemptions for supplies needed in restoring military communication lines and repairing facilities for the family reunion.

Separated Families

Two meetings of separated families were held during Aug 20-22 and Aug 24-26 in Kumgang Mount facility in North Korea.⁷ The last reunion event was held in 2015.

Inter-Korean Relations

The Korean South-East Power Company, which is

under investigation over a potential violation of UNSC sanction by importing North Korean coal, received a presidential citation.⁸ The Liberty Korea Party (LKP) questioned whether the South-East Power Company is entitled to receive such an award.

The Ministry of Defense announced that it would remove the phrase which describes the North Korean regime and military as an enemy in its 2018 defense white paper to be published at the end of this year.⁹

The National Assembly Special Activities Fund

On Aug 16, the National Assembly announced that it would abolish most of the special activity funds.¹⁰ Only special activity funds allotted for diplomacy, security and trade will be maintained. This announcement comes amid public outcry about the National Assembly's use of special activities funds, which currently amounts to KRW 62 billion.¹¹

Government's Economic Policy

The "income-led growth" policy of the Moon Administration has been duly criticized for its poor performance. Government statistics rated the income difference among highest and lowest 20% income earners at 5.23 times, making this the largest difference since 2008. The government identified an aging population and sluggish growth as causes for the growing income gap. Others interpreted these statistics as the failure of its minimum wage policy.¹² President Moon confirmed his faith in the fundamentals of the current economic policy and stated that reducing income disparity and unemployment will continue.¹³

CPTPP

The government announced on Aug 16 that it would complete its deliberation of joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) by October of this year. Six ministries (i.e. Ministry of Strategy and Finance; Ministry of Economy and Finance; Ministry of Trade, Industry, and Energy; Ministry of Foreign Affairs; Ministry of Agriculture, Food, and Rural Affairs; and Ministry of Oceans and Fisheries) have been named to participate in this process. The government has been pushing for "pre-emptive participation" as a strategy to defend its export position amid rising protectionism.¹⁴

Fiscal Policy

The Minister of Strategy and Finance Kim Dong-yeon announced on Aug 16 that the government would increase public investment by at least 7.8%. The government targeted budgetary increases in R&D and social overhead capital in order to stimulate the

economy and promote corporate competitiveness.¹⁵ The government projects that the fiscal stimulus would be financed through rising tax revenues over the next five years (i.e. KRW 60 trillion (USD 53.9 billion)). The projection follows a trend of increasing tax revenues by KRW 19.6 trillion (USD 17.1 billion) in 2016 and KRW 14.3 trillion (USD 12.8 billion) in 2017. The first half of 2018 alone rendered an increase in tax revenues by KRW 19.3 trillion (USD 17.3 billion).¹⁶

Corporate Domestic Investment

The Hanhwa Group announced that it would invest KRW 22 trillion (USD 19.5 billion) into the domestic economy over the next five years. Hanwha targets four sectors: solar panel technology (KRW 9 trillion (USD 8 billion)), petrochemical (KRW 5 trillion (USD 4.4 billion)), travel (KRW 4 trillion (USD 3.5 billion)), and defense (KRW 4 trillion (USD 3.5 billion)). Hanhwa is the sixth major Korean conglomerate to have declared an investment aimed at stimulating domestic growth and job creation following LG, Hyundai Auto, SK, Shinsegae, and Samsung.¹⁷

1 "[전문] 남북고위급회담 공동보도문 "남북정상회담, 9월 평양서 개최"", *동아일보*, 2018년 8월 13일.

2 "[전문] 文 대통령 "평화가 경제다... 동아시아철도 공동체 제안"", *중앙일보*, 2018년 8월 15일.

3 "문 대통령 국정 지지도 56%", *한겨레*, 2018년 8월 24일.

4 Gallup Korea, Date: Aug 21-23; sample size: 1,001; margin of error: ±3.1 at the 95% confidence level.

5 "[단독] 유엔이 반입 금지한 정유...정부, 개성에 80t 보냈다", *중앙일보*, 2018년 8월 22일.

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7 "65년 그리움 ... 금강산 가는 101세 할아버지", *중앙일보*, 2018년 8월 20일; "태풍 속 이산가족 2차 상봉단 "오늘 만납니다"", *경향신문*, 2018년 8월 23일.

8 "[단독] 남동발전, 北 석탄 반입 수사중 대통령상 받아 논란", *조선일보*, 2018년 8월 22일.

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10 "국회 "외교·안보·통상 등 최소영역 외 모든 국회 특활비 즉각 폐지"", *동아일보*, 2018년 8월 16일.

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12 "양극화 10년 만에 최악 ... 소득주도성장 역주행", *중앙일보*, 2018년 8월 24일.

- 13 "[전문]문재인 정부가 민주당 정부'...文대통령 민주당 전대 축사", *동아일보*, 2018년 8월 25일.
- 14 "정부, 'CPTPP 가입' 절차 속도...10월 결론낼듯", *한겨레*, 2018년 8월 16일.
- 15 "김동연 '내년 적극적 재정정책 추진...복지 부담 수준 공론화 필요'", *경향비즈*, 2018년 8월 16일.
- 16 "김동연 '5년간 추가 세수 60조...보수적 추계 반성'", *한겨레*, 2018년 8월 16일.
- 17 "한화 5년간 22조 투자, 3만5000명 채용한다", *조선일보*, 2018년 8월 13일.

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