

## Leak at the South Korean Embassy in the US

On May 22, an unnamed diplomat from the South Korean embassy in the US shared the transcripts of the telephone conversation between President Moon and US President Trump with Khang Hyo-shang, a lawmaker from the Liberty Korea Party. Altogether, three staff members from the embassy are accused of being involved in the incident. The diplomat who disclosed the information to Khang was dismissed from his post.<sup>1</sup> On May 29, President Moon issued a public apology for the incident. Critics also argue that Foreign Minister Kang Kyung-wha and South Korean ambassador to the US Cho Yoon-je should also be held responsible.<sup>2</sup>

## Supplementary Budget

On May 20, President Moon urged the National Assembly to pass the supplementary budget amounting to KRW 6.7 trillion.<sup>3</sup> The supplementary budget which includes spending for economic growth and disaster preparation/relief was introduced in April. However, prolonged political stalemate in the National Assembly is preventing the bill from moving forward. The TDP proposed that June 3<sup>rd</sup> be the date to bring the National Assembly back online.<sup>4</sup> It is unclear whether the supplementary budget can pass even if the parties do decide to reconvene the National Assembly.

## Ulchi-Taegeuk Exercise

South Korea conducted the new Ulchi-Taegeuk (UT) exercise during May 27~30.<sup>5</sup> The exercise combines emergency response management (Ulchi) with command-post wartime preparation (Taegeuk). The UT exercise is a de facto replacement for the joint Ulchi Freedom Guardian (UFG) exercise. Both the US and South Korea agreed to end the UFG as of this year. North Korean media condemned UT and urged South Korea to end “provocative actions”.<sup>6</sup>

## Shangri-La Dialogue

This year’s Shangri-La Dialogue began on May 31 in Singapore. Many defense and security challenges including the North Korean nuclear issue will be

Korea Development Institute (KDI) has also cut its growth outlook for South Korea this year to the same level of 2.4 percent. The agency cited a slowdown in

discussed during the summit. South Korean Defense Minister Chung Kyung-doo, US acting Secretary of Defense Patrick Shanahan, and Minister of National Defence for China, General Wei Fenghe, and Japan’s Defense Minister Iwaya Takeshi will attend the meeting.<sup>7</sup> A ROK-US-Japan trilateral defense ministers meeting is expected to take place. There is also a defense ministerial meeting planned for South Korea and China. No bilateral meeting has been scheduled between South Korea and Japan as relations remain at an all-time low.

## On North Korea

On May 31, South Korean major media outlets reported that the North Korean leader purged high-level officials responsible for the Hanoi Summit.<sup>8</sup> Kim Hyok-chol, North Korean Special Representative for the US was executed, and Special envoy Kim Yong-Chol was allegedly sentenced to forced labor. The Blue House has yet to confirm the report.

## Japan

On May 20, Tokyo called for Seoul to establish a mediation committee to help resolve the dispute over forced labor. In response, the South Korean Ministry of Foreign Affairs stated that it will prudently consider Tokyo’s request. It is stipulated in the 1965 bilateral pact that if a dispute arises between the two countries over the pact, the two sides should first try to diplomatically resolve the dispute; if this fails, the two sides are authorized to refer this matter to a mediation committee, which will include a third party representative. If Seoul does not accept this request, the Japanese government may file a complaint with the International Court of Justice (ICJ).<sup>9</sup>

## Economic Outlook

The Organization for Economic Cooperation and Development (OECD) has lowered its growth outlook for South Korea in 2019 from 2.6 percent to 2.4 percent. “[T]he 29% increase in the minimum wage over 2018-19 has held back job gains, particularly for low-skilled workers. Employment growth in 2018 dropped to 0.4%, the lowest since 2009,” said its quarterly economic outlook report.

the export-oriented economy as the main reason for the downgraded outlook.<sup>10</sup>

## Household Income

According to Statistics Korea (KOSTAT), the average monthly household income of the bottom 20 percent bracket was KRW 1.25 million in the first quarter of 2019, down 2.5 percent from a year earlier. This marks the fifth consecutive quarterly decline. Analysts blame the rapid increase in the minimum wage and rise in unemployment. Labor earnings plunged 14.5 percent year-on-year. Meanwhile, those in the top 20 percent earned KRW 9.93 million during the same period, down 2.2 percent from a year earlier. This marks the first time that the labor earnings dropped since the fourth quarter of 2015.

This is because this top group received less bonus compared to a year earlier amid a slowdown in the country's economy, according to an official of KOSTAT.<sup>11</sup>

## Base Rate

The Monetary Policy Board of the Bank of Korea decided on May 31 to maintain the Base Interest Rate unchanged at 1.75 percent, amid sluggish exports and escalating US-China trade dispute.<sup>12</sup>

- 1 “외교부, 강효상에 '한·미정상 통화유출' 외교관 파면 중징계,” *중앙일보*, 2019년 5월 30일.
- 2 “한미정상 통화 유출...강경화 책임론에 해당축,” *매일경제*, 2019년 5월 29일.
- 3 “문 대통령, 국회 추경예산 처리 6번째 요청,” *한겨레*, 2019년 5월 20일.
- 4 ““국회정상화 6월3일 목표”...민주당, 한국당 압박 나선 배경은,” *동아일보*, 2019년 5월 30일.
- 5 “27일부터 나흘간 을지태극연습 실시...UFG 역사속

으로,” *조선일보*, 2019년 5월 24일.

6 “北매체, ‘을지태극연습’ 개시 보도...“도발적 훈련 강행”,” *동아일보*, 2019년 5월 28일.

7 ““판’ 커진 아시아안보회의...한미일 국방장관에 북핵수석도 참석,” *연합뉴스*, 2019년 5월 31일.

8 ““김영철은 노역형, 김혁철은 총살”,” *조선일보*, 2019년 5월 31일.

9 “일본, ‘강제징용 배상 판결’ 한국에 중재위 설치 요구,” *한겨레*, 2019년 5월 20일.

10 “OECD이여 KDI도 경제성장률 낮춰 잡아-2.6% → 2.4%...잠재성장률 밀돌아 경고등,” *매일경제*, 2019년 5월 27일.

11 “하위 20% 소득, 5분기째 감소 ‘역대 최장’...‘최저 임금 쇼크 지속 여파’,” *조선비즈*, 2019년 5월 23일.

12 “기준금리 1.75% 동결...이주열, ‘인하’ 소수의견에 ‘시그널 아냐’(종합2보),” *연합뉴스*, 2019년 5월 31일.

**Published by** The Asan Institute for Policy Studies

**Address** 11, Gyeonghuigung 1ga-gil, Jongno-gu, Seoul 110-062, Republic of Korea

**Website** <http://www.asaninst.org>

**Email** [info@asaninst.org](mailto:info@asaninst.org)

**President/Chairman:** Hahm Chaibong

**Copyright** © 2019

**Contributing Staff** (in alphabetical order by last name):

Hong Sanghwa

Kim Seonkyung

**Editor:**

J. James Kim