

## Fifth Nuclear Test

On Sept 9, North Korea conducted its fifth nuclear test on the occasion of its “founding day,” marking the country’s second nuclear test this year.<sup>1</sup> One alarming quality of the latest test is that it came only eight months after the fourth one on Jan 6. This is unusual given that previous tests were spaced apart by two to three years.<sup>2</sup> This suggests that North Korea has increased the pace of its nuclear development program.

According to the US Geological Survey, the fifth test created a tremor similar to a 5.3 earthquake originating from the same area as the fourth test in the Punggye-ri Nuclear Test Site in the North Hamkyeong Province.<sup>3</sup> This site is considered ideal for nuclear tests as it is surrounded by mountains and geologically composed of granite, which can minimize the leakage of radioactive materials.<sup>4</sup>

The North Korean state media announced that it has conducted the first ever “successfully performed” H-bomb test.<sup>5</sup> While analysts remain skeptical, they admit that the force of the blast was the most powerful they have detected thus far. Various estimates suggest the yield at 10~30 kilotons.<sup>6</sup> The yield of the fourth test was estimated at 6 kilotons.<sup>7</sup>

In a series of reactions, President Park Geun-hye accused Kim Jung-un of “fanatic recklessness,” warning that the regime will “suffer increasing isolation and sanctions, which will ultimately lead to self-destruction.”<sup>8</sup> In Prime Minister Shinzo Abe highlighted that North Korea now poses a “different level of threat,” which demands a new, stronger response.<sup>9</sup>

President Obama reiterated that the United States will do everything in its power to protect South Korea from the North’s provocations.<sup>10</sup> In particular, he has emphasized the US commitment to extended deterrence and the so-called “nuclear umbrella.” The administration decided that it will send USS Ronald Reagan, the nuclear-powered supercarrier, to South

Korea next month for the upcoming joint naval exercises in the Yellow and South Seas.<sup>11</sup> Analysts claim that the deployment will serve as a warning to North Korea. One military official stated that “both countries’ militaries will further improve their capabilities to destroy North Korea’s core military facilities in the event of an emergency as the fifth nuclear test made North Korean nuclear threat a reality.”<sup>12</sup>

In the meantime, the Chinese foreign ministry stated that it strongly opposes North Korea’s nuclear test and that it will continue to push for denuclearization of the Korean peninsula through the Six Party Talks. It also urged all sides to refrain from further provocations that could deepen tension in the region.<sup>13</sup>

## Hanjin Shipping

The court initiated the receivership of Hanjin Shipping on Aug 31.<sup>14</sup> Samil Pricewaterhouse and Coopers has been assigned to submit an intermediary report to the court by Oct 7 and a final report by Oct 28 on the receivership process.

The government has also announced an emergency action plan which calls for a joint government-industry response team to coordinate alternate shipping arrangements with Hyundai Shipping being called in to provide support for shipping goods to and from the US and Europe.<sup>15</sup> This is a short term measure. In the mid to long term, Hyundai Shipping will likely acquire Hanjin Shipping and its assets.<sup>16</sup>

Although the government has refrained from bailing out Hanjin, there is criticism over the state’s handling of the receivership.<sup>17</sup> In particular, the critics have pointed to a lack of planning leading up to Aug 31.<sup>18</sup> The government responded to these criticisms by pointing out that Hanjin Group and its shareholders are the ones who should be held responsible. For instance, the Financial Services Commission (FSC) Chairman Lim Jong-ryong blamed Hanjin Shipping for not cooperating with the government. The

company did not file any “stay order” before beginning the receivership process to avoid any arrest of containers.<sup>19</sup> The Hanjin Group has announced that it will provide KRW 100 billion to Hanjin Shipping but the financial support is less than adequate for resolving the crisis<sup>20</sup>

### Special Oversight Hearing on Restructuring

The National Assembly has finally passed the supplementary budget on Sept 2. The three major parties also confirmed that they will prepare for a special oversight hearing on restructuring.

One of the main purposes of the hearing is to investigate whether the government offered financial assistance worth KRW 4.2 trillion to Daewoo Shipbuilding and Marine Engineering. The need for a hearing was raised when the former KDB president

Hong Gi-teak said three months ago in an interview that, “it was the Blue House and the administration who made the decision of assisting Daewoo. KDB, the biggest creditor, had no authority to do this.”<sup>21</sup> Hong will not be taking the witness stand and key documents, such as the Blue House economic affairs meeting minutes and audit reports, have not been submitted.<sup>22</sup>

The Financial Services Commission (FSC) Chairman Lim Jong-ryong testified that the administration was aware of the risk but assistance was necessary to prevent immediate economic damage. He also questioned the accuracy of Hong’s comments.<sup>23</sup>

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