

US-North Korea

On Aug 24, US President Donald Trump canceled US Secretary of State Mike Pompeo's fourth visit to Pyongyang via Twitter.¹ The tweet came shortly after the top North Korean official Kim Yong-Chol sent a secret letter to President Trump. On Aug 28, US Defense Secretary James Mattis also stated that the US will resume joint US-ROK military exercises.²

Experts argue that the cancellation could limit South Korea's ability to deepen economic cooperation with North Korea.³ Others point out that South Korea was uninformed about the cancellation prior to the announcement, which raises questions about coordination between the US and ROK.⁴

Inter-Korean Railway

On Aug 23, the US-led United Nations Command refused to permit South Korean trains from crossing the DMZ.⁵ The plan was to have the South Korean trains check the railway to Kaesong and Shinuiju.

Many observers in South Korea suspect that the recent decision by the UN Command illustrates US preference to have South Korea move more deliberately on various projects involving North Korea.⁶ Other observers also question whether the railway project constitutes UN sanctions violation.⁷

Cabinet Reshuffle

President Moon announced his first cabinet reshuffle on Aug 30.⁸ The newly appointed officials all have extensive experience in the bureaucracy. Missing from the group are politicians and academics.⁹

Former Ministers	Newly Appointed	Ministry
Song Young-moo	Jeong Kyeong-doo	Defense
Kim Young-Joo	Lee Jae-gap	Employment and Labor
Paik Un-gyu	Song Yun-mo	Trade, Industry and Energy
Kim Sang-kon	Yoo Eun-hae	Education

Chung Hyun-back	Jin Sun-mee	Gender Equality and Family
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South Korean Envoys Visit Pyongyang

South Korean envoys visited North Korea on Sept 5. The visiting team included Chung Eui-yong (Blue House's National Security Advisor), Seo Hoon (Chief of the National Intelligence Service), Chon Hae-sung (Vice Minister of Unification), Kim Sang-gyun (Deputy Chief of NIS) and Yun Kun-young (Secretary for State Affairs).¹⁰

The envoys delivered President Moon's letter to the North Korean leader Kim Jong Un. The envoys proposed that North Korea submit a thorough accounting of its nuclear program in exchange for the end of war declaration.¹¹

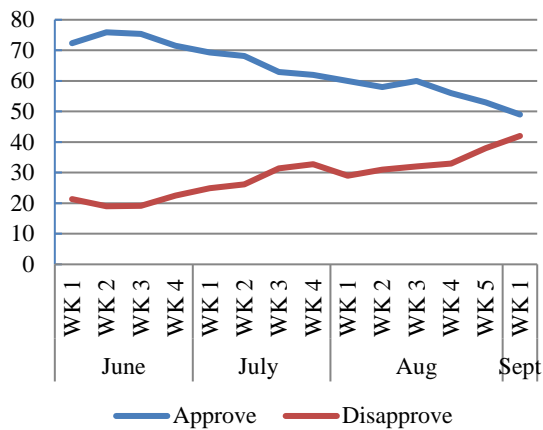
The two sides agreed to 1) proceed with the third inter-Korean summit on Sept 18~20 in Pyongyang; 2) discuss ways to reduce military tension, and; 3) open up the Kaesong liaison office before the upcoming inter-Korean summit.¹² Kim reaffirmed his desire for complete denuclearization of the Korean Peninsula.

The overall assessment of the latest visit is mixed. Some believe that latest visit gave Moon more momentum for the upcoming summit¹³ while others remain skeptical of North Korea's willingness to denuclearize.¹⁴

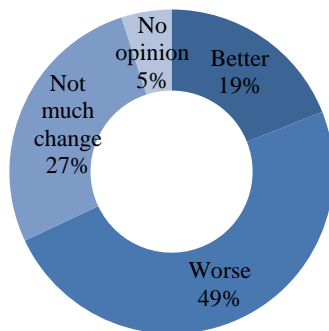
President Moon's Approval

President Moon's approval fell below 50% for the first time since his inauguration.¹⁵ Altogether, President Moon's support declined by 30% over the past 3 months.¹⁶ 41% of those who disapprove of President Moon cited his handling of the economy as the main reason.

President Moon's Approval



Outlook on the Economy¹⁷



2019 Budget

The government announced the budget for 2019 on Aug 28. The total budget is 470.5 trillion won, which is a 9.7% increase from 2018.¹⁸ Notable increases from this year's budget include welfare [by 12.1% (162.2 trillion won)], education [by 10.5% (70.9 trillion won)], defense [by 8.2% (46.7 trillion won)], and employment [by 22.1% (23.5 trillion won)].¹⁹

The review in the National Assembly is expected to be contentious.²⁰ The opposition parties criticized the government for drafting a 'tax addicted budget' while ignoring the potential shock to employment, polarization, and price.²¹ The National Assembly will deliberate and vote on the budget by Dec 2.

Housing Price Surge and Real Estate Measures

To combat the rising price of real estate in Seoul,²² the government announced additional measures including the designation of more speculation zones.

The Ministry of Land, Infrastructure, and Transport blamed the combination of a supply shortage, rise in speculative investments for the Seoul metropolitan area, and neighborhood development planning. In response, the government sought to monitor speculative investment and expand housing supply.²³

Both progressive and conservative observers criticized the government's policy as being either too weak or strong for best addressing the challenges of rising housing price.²⁴

Monetary Policy

On Aug 31, the Bank of Korea (BOK) announced that it would maintain the base interest rate of 1.5% in the short term and forecasted that the domestic economy will continue to grow in line with July's outlook. Despite sluggish growth in employment and continued adjustments in construction, consumption and exports appeared to perform modestly well.²⁵ The Gross Domestic Product (GDP) expanded 0.6% in the second quarter of this year, down from an initial reading of 0.7%.²⁶

Income-Led Growth Special Committee

The Income-Led Growth Special Committee under the Presidential Commission on Policy Planning was launched on Sept 6. The 28-member committee is tasked with the duty to formulate the government's economic policy and present a mid/long-term roadmap. The committee will strive to push ahead with income-led growth policies under three main pillars: increasing household income, reducing national expenditure, and expanding safety nets and welfare policies.²⁷

National Statistics

Kang Shin-wook was appointed as the new Commission of Korea Statistics (KOSTAT) on Aug 28, replacing Hwang Soo Kyeong. The ruling party accused KOSTAT of poor sampling in its earlier report on household income disparity. The recent personnel change was criticized by the opposition as a move by the ruling party and the government to manipulate the national statistics for their political ends.²⁸

KORUS FTA

On Sep 3, the Ministry of Trade, Industry, and Energy released a document on the results of the past negotiations on the amendment of the Korea-US Free Trade Agreement (FTA), which highlighted concessions on the investor-state disputes (ISD) and automobiles.²⁹

On Sep 6, US President Donald Trump stated that he will officially sign the amended FTA during the United Nations General Assembly. This is in light of Bob Woodward's new book *Fear* that shared an account of former White House economic advisor Gary Cohn preventing the formal withdrawal from the FTA by keeping the letter away from the president's desk.³⁰

The amendment would go into effect by early next

year after ratification by the National Assembly.

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