

# ASAN KOREA PERSPECTIVE

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## President Moon at the UN General Assembly

On Sept 23-26, President Moon Jae-in attended the 73<sup>rd</sup> UN General Assembly. There also were meetings on the sideline with the US President Donald Trump and Japanese Prime Minister Shinzo Abe.

In the meeting with President Trump, President Moon discussed North Korea. The two leaders announced the completion of the KORUS FTA and agreed to move forward with the second US-DPRK summit at the earliest possible date.<sup>1</sup>

On Sept 26, President Moon delivered a speech at the UN urging the global community to confide in North Korea's denuclearization efforts. He also emphasized the importance of declaring the end of the war on the Korean Peninsula.<sup>2</sup>

## Inter-Korean Cooperation

The two Koreas began removing landmines on Oct 1 in the Arrowhead Hill, which is also a joint remains excavation site of the Korean War MIA/POW.<sup>3</sup> Removal of landmines within the Panmunjom JSA will take place within 20 days while the removal of landmines in and around Arrowhead Hill will continue until Nov 30.

## Declaration with(out) Declaration

On Oct 4, the South Korean Minister of Foreign Affairs Kang Kyung-wha suggested that the US agree to declare the formal end of the Korean War in return for dismantling the Yongbyon nuclear facility. She highlighted the need for flexibility in the North Korean denuclearization process. Her remarks during the press briefing sparked an intense debate.

One group argues that the US insistence on the declaration of fissile materials could derail the denuclearization process. Critics referred to past negotiations with North Korea, which failed due to US insistence on the verification process.<sup>4</sup> Others argue that once the US agrees to declare the end of the war without verification or a list of nuclear materials, it would become increasingly difficult to account for the scale of North Korea's nuclear arsenals.<sup>5</sup> Others believe that North Korea may attempt to evade the denuclearization process.<sup>6</sup>

## Former President Lee Myung-bak

On Oct 5, the Seoul Central District Court sentenced former President Lee Myung-bak to 15 years in prison for abuse of power and embezzlement. The court has also levied a fine of KRW 13 billion and forfeiture of KRW 8.2 billion.<sup>7</sup> On the controversy surrounding the ownership of DAS company, the court concluded that President Lee is the de facto owner.

The court also sentenced Kim Kichoon, the former advisor to President Park, 1.6 years in jail while the former Minister of Culture, Sports and Tourism Cho Yun-sun received one year in prison and two years under probation.<sup>8</sup>

## Interest Rate

There is growing speculation that the Bank of Korea (BOK) will raise interest rate (currently 1.5%) within this year to offset the US Federal Reserve's rate hike in September.<sup>9</sup> Many observers are concerned that the widening gap in rates between South Korea and the US will lead to capital flight from South Korea. The BoK has been criticized for freezing the interest rate for past 10 months and failing to adequately control market liquidity and surge in housing prices.<sup>10</sup> However, the magnitude of change in the rate is questionable as South Korea is experiencing sluggish employment and growth.<sup>11</sup>

## Real Estate

The government's bold real estate control measures last month raised expectations about a housing price surge. According to the BoK consumer trend survey released on Sept 28, the housing outlook rose to a three-year high of 119.<sup>12</sup> However, the Seoul apartment price has slowed to 0.09% as of Oct 1. Experts predict that the price will stabilize by the end of this year and that the government will take some respite because.<sup>13</sup> Nonetheless, many local residents and municipalities are opposed to the new housing supply measures due to concerns about unfinished development projects, lack of infrastructure, and pockets.<sup>14</sup>

## Economic Indicators

On Oct 2, Finance Minister Kim Dong-yeon warned that employment growth for September could be in

the negative (only 3,000 jobs were added in August). Kim acknowledged that some of Moon's economic policies, such as the minimum wage and shortened working hours, might have an adverse impact on the job market.<sup>15</sup>

According to data released by the National Statistics Office (KOSTAT) on Oct 2, facility investment has decreased for six consecutive months since March. The slowdown in facility investment is attributable to poor investor sentiment as well as the performance of the semiconductor industry. Daily average imports of semiconductor manufacturing machinery dropped to \$32.1 million in August from \$60.1 million in August 2017.

The consumer price index rose to 1.9% in September, the largest increase in a year, because of price hikes for foodstuff and oil.<sup>16</sup>

The consumer sentiment index was 101.7 in September, up 2.5 points from August. The BoK assessed that this rise was due to robust exports, increasing stock prices, and a slowdown in rising non-food prices.<sup>17</sup>

Both the composite leading indicators (99.4) and the coincident index (98.9) remain below 100, suggesting that there may be some contractionary pressures.<sup>18</sup> On Oct 3, Standard & Poor's (S&P) reaffirmed South Korea's credit rating as AA level mainly because of reduced military tensions on the Korean Peninsula and fiscal soundness of the Korean government.<sup>19</sup>

### Investment and Employment in New Industries

On Oct 4, the Presidential Commission on Job Creation announced its decision to support 141 private investment projects by reforming regulations on new industries including future automobiles, semiconductor and displays, internet of things (IoT), energy, and bio-health. The total investment is expected to be worth KRW 124.9 trillion. Some experts also predict that 107,000 new jobs will be created by 2022.<sup>20</sup>

The commission meeting was held at the newly unveiled SK Hynix semiconductor factory in Cheongju, which will employ 2,100 workers within 2 years.<sup>21</sup> There are hopes that this new plant will boost youth employment and help South Korea maintain the pole position in the semiconductor industry.<sup>22</sup>

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10 "더 커진 韓美금리차 ... 비판 커지는 '韓銀 실기론'", *매일경제*, 2018년 9월 27일.

11 "부진한 경기지표에...한은, 금리인상 '딜레마'", *한겨레*, 2018년 9월 27일.

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