

Korea Chair Monitor

June 27 –July 10, 2013

The Korea Chair team takes a biweekly look back at events of interest in Washington, Seoul, and the region.

INTER-KOREAN RELATIONS

Kaesong Talks Struggle to Gain Traction

On July 7, North and South Korea agreed “in principle” to normalize Kaesong operations in addition to allowing 59 South Korean business owners to inspect manufacturing facilities with the help of engineers on July 10. ROK firms were also able to retrieve finished products and raw materials from the complex. The July 7 agreement is separate from talks held on July 10, where ROK officials insisted on safeguards to prevent another shutdown in the future. Divergent interests proved to be insurmountable as the second round of talks concluded without an agreement. The two sides were only able to confirm Monday, July 15 as the next date for negotiations.

ROK-CHINA RELATIONS

Park Wraps Up her Trip to China

After her summit with President Xi Jinping and a state dinner on Thursday, June 27, President Park met with Premier Li Keqiang and Zhang Dejiang the next day and was hosted by President Xi for a lunch meeting. On Saturday, she met with State Councilor Liu Yandong and gave a speech to students at Tsinghua University. She departed later that day to Xian, where she visited South Korean companies and Chinese heritage sites before returning home to Seoul on Sunday, June 30.

ROK Hails Progress in Korea-China FTA Talks

The sixth Round of Korea-China FTA negotiations were held July 2–July 4. In a July 11 press release, the ROK Ministry of Trade, Industry and Energy hailed the progress made as the two sides almost reached an agreement on a modality for the level of market opening for products and agreed also to include competition, transparency, e-commerce, environment, and economic cooperation in the FTA.

ROK Navy Chief Visits China

The ROK Navy’s chief of naval operations, Admiral Choi Yun-hee began a four-day visit on July 9 to China and will meet his counterpart Adm. Wu Shengli, Vice Adm. Tian Zhong, and Defense Minister Chang Wanquan to discuss ways to avoid maritime clashes in the Yellow Sea and to expand naval cooperation.



ROK Free Trade Agreement with Colombia

Pictured above, street dancers in the city of Cartagena, home to a major trading port. On July 8 in Seoul, Trade Minister Yoon Sang-jik met with his counterpart Sergio Diaz-Granados Guida, Colombia’s trade minister, to discuss the implementation of a free trade agreement between South Korea and Colombia. The agreement was signed in February 2013 and is being readied by the Foreign Ministries of both countries to be signed by their legislatures. Colombia is the third-largest South America nation to sign a free trade agreement with South Korea after Chile and Peru. Photo credit: Roubicek’s flicker photostream, used under creative commons license.



Plans to purchase pandas from China in time for Park’s visit to Beijing fell through because of the high costs, but instead South Korea received two rare ibises from China to protect the endangered species. Photo credit: Fortherock’s flicker photostream, used under a creative commons license.

U.S.-ROK RELATIONS

U.S. Homeland Security Secretary Napolitano Visits Seoul

Janet Napolitano, secretary of homeland security, visited Seoul on July 5 to sign an agreement to expand the Global Supply Chain Security Initiative with Foreign Minister Yun Byung-se, which includes enforcing the air cargo security and developing new technologies for the supply chain, and to discuss creating business-friendly environment with Deputy Prime Minister Hyun Oh-seok. In addition, Foreign Minister Yun Byung-se asked Secretary Napolitano's support for increasing the number of U.S. professional visas allocation, after discussing Korea's success with the Visa Waiver Program.

NORTH KOREA

DPRK Deputy UN Ambassador

On July 3, Jang Il-hun arrived in New York to fill the post of North Korea's deputy UN ambassador. Jang previously served as manager of the DPRK Foreign Ministry's International Organizations Division. Former deputy ambassador Han Song-ryol's abrupt departure from his post on June 27 signaled a temporary shutdown of the United States' New York channel to the DPRK.

North Korean Delegations Visit Beijing and Moscow

Vice Foreign Minister Kim Gye-gwan paid a week-long visit to Moscow that ended on July 9, but prior to that he stopped at Beijing for some talks. Kim Song-nam, the vice director of the Workers' Party Central Committee went to Beijing on July 2.

SOUTH KOREAN ECONOMICS AND POLITICS

Parks' Budget Plan to Boost Science and Technology

On July 8, the government announced a plan to markedly increase investment in science and technology research, especially in basic science, agriculture, and medical technology. It sets 92.4 trillion won throughout a five-year budget, more than a 30 percent increase from that of the previous Lee administration.

The National Assembly Extraordinary Session

The June extraordinary session of the National Assembly closed on July 2. Nearly 100 bills were passed on the final day of the session. Many of the bills were an attempt to achieve the "economic democratization" that both parties have pledged. These include a revision to the Antimonopoly and Fair Trade Act, which bans big corporations from granting unfair advantages to subsidiaries in contracts. The National Assembly also passed a bill that allows the National Tax Service (NTS) to refer to financial transaction records provided by the Korea Financial Intelligence Unit (FIU). This legislation aims to bring a number of companies from the underground economy to light under the tax net.



U.S. Department of Homeland Security Secretary Napolitano shakes hands with ROK Foreign Minister Yun Byung-se on Friday, July 5. Minister Yun and Secretary Napolitano discussed the accomplishment of Korea's Visa Waiver Program (VWP) with the U.S. and its future. The VWP allows foreign citizens to travel to the U.S. for 90 days without a visa. South Korea adopted this program in 2009 and now is among the top 10 VWP countries. Photo credit: [ROK Ministry of Foreign Affairs](#).



The minimum wage will rise to KRW5,210 in 2014

On July 5, after tough discussion between labor and business, the minimum hourly wage of South Korea was set to rise 7.2% to KRW5,210 in 2014. The minimum wage in 2013 is set at KRW4,860, a 6.1% increase from 2012. Pictured above, Korean factory workers labor in an LG facility. Photo credit: LG Electronics' flicker photostream, used under creative commons license.

ROK DEFENSE ACQUISITION PROGRAM

Halt Jet Fighters Acquisition Bidding

It was announced on July 5 that the Defense Acquisition Program Administration (DAPA) had temporarily suspended its plan to buy 60 new jet fighters because none of the bids met its KRW8.3 trillion won (US\$7.21 billion) budget limit, halting the initial plan to conclude the deal this month. DAPA's spokesman Baek Yoon-hyeong told reporters they had 55 rounds of price biddings with three contenders from June 18 to July 5, but the parties were unable to overcome price differences. DAPA firmly stated they could not increase their budget limit. Spokesman Baek said restarting the bidding process would also require reselecting the models of jet fighters. It is, therefore, unclear whether the "next-generation jet fighters" deal will be closed by the end of this year. The DAPA will announce on July 17 its decision about whether to continue with additional bids or restart the process entirely.

REGIONAL RELATIONS

ASEAN Regional Forum (ARF)

A series of sideline meetings took place during the July 2013 ARF meeting in Brunei. There was a trilateral U.S.-ROK-Japan talk among John Kerry, Yun Byung-se, and Fumio Kishida on July 1, as well as the first bilateral meeting between Yun and Kishida that day. Foreign Minister Yun also met with his Chinese counterpart Wang Yi on June 30. North Korean foreign minister Pak Ui-chun met on the sideline with Chinese foreign minister Wang Yi and shook hands with both Yun and Kishida.



On July 10, after the Supreme Court of Korea (pictured above) overruled the Seoul High Court's 2012 decision, the Seoul High Court ruled in favor of the collective lawsuit filed by four Koreans against a Japanese firm. Its ruling ordered Nippon Steel Corp to compensate for the plaintiffs' forced labor during the colonial period. This marks the first time such a ruling has been made in Korea and goes against earlier rulings in Japanese courts. Photo credit: sunxez's flickr photostream, used under a creative commons license.

Looking Ahead

Our Friday morning look at events to watch in the weeks ahead.

- **July 12** | Admiral Choi Yun-hee will be given an unprecedented look at Chinese submarines stationed in the North Sea Fleet in Qingdao, China.
- **July 18–28** | North Korean women's national football team will be in South Korea to participate in the East Asian Cup Tournament.
- **August 19–23** | The third Rason International Trade Exhibition will take place at the Rason Exhibition Hall in North Korea. Chinese companies have consistently represented the majority of the participants.
- **Upcoming** | The seventh round of Korea-China FTA negotiations will be held in China. The date has not yet been determined.

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