

## The 7<sup>th</sup> Workers' Party Congress

The 7<sup>th</sup> Workers' Party Congress concluded on May 9. The four-day event was marked by Kim Jong-un's title being elevated to the Chairman of the Korean Workers' Party (KWP). His previous title was the First Secretary of the KWP.

Although 120 foreign journalists were invited to Pyongyang for this event, coverage was limited due to constrained access.<sup>1</sup> The reporting, albeit hampered, indicates that Kim reaffirmed his policy of *byungjin*<sup>2</sup> and announced North Korea's five-year economic plan with a special emphasis on addressing North Korea's electric power shortage problem.<sup>3</sup> Eight North Korean officials who also attended the 6<sup>th</sup> Workers' Party Congress in October 1980 made appearances: Kim Yong-nam (President of the Presidium of the Supreme People's Assembly, age 88), Kim Ki-nam (Party Secretary of Publicity and Information, age 87), Park Pong-ju (Premier, age 77), Choi Yong-rim (Former-Premier, age 88), Oh Keuk-ryul (Vice Chairman of National Defense Commission, age 85), Ju Kyu-chang (Former Director of KWP Machine-Building Industry Department, age 88), Yang Hyung-seop (Vice Chairman of the Presidium of Supreme People's Assembly, age 91), and Tae Jong-su (Chief Secretary of the South Hamgyong KWP Committee, age 80).<sup>4</sup> In total, 3,467 members attended the event which was reported to have cost the North Korean government approximately USD \$200 million.<sup>5</sup>

The Standing Committee of the Party's Politburo now consists of five members: Kim Jong-un, Kim Yong-nam, Hwang Pyong-so, Park Pong-ju, and Choe Ryong-hae, among whom the last two are newly elected.<sup>6</sup>

In response to the event, the Blue House stated that "if North Korea continues to develop nuclear weapons, it will fail to undergo economic development or improve the lives of its citizens. Rather, it will face stronger sanctions and more isolation."<sup>7</sup>

## South Korean Approach to Foreign Policy

Overall Foreign Policy Objective	
New Frontier Party (NFP) <sup>8</sup>	Pursue diplomacy based on national interest; promote unification and peace on the Korean Peninsula
Together Democratic Party (TDP) <sup>9</sup>	Maintain strong ROK-US alliance; deepen cooperative relations with neighbors; overcome national division and bring peace on the Korean Peninsula and in East Asia
People's Party (PP) <sup>10</sup>	Promote self-reliant national defense and denuclearization to guarantee peace on the Korean Peninsula
National Security	
NFP	Improve military capability and increase self-defense; ROK-US alliance as a key to maintaining peace on the Korean Peninsula
TDP	Transform ROK-US alliance into a forward-looking relationship; induce denuclearization in North Korea; strengthen national defense/military readiness
PP	National security as a prerequisite for strong economy and diplomacy; strengthen indigenous military capability
Diplomacy	
NFP	Balanced diplomacy with peaceful intentions; strengthen relations with allies and friendly neighbors; assume more responsibility as a member of the global community
TDP	Pursue peaceful diplomacy to reduce tension on the Korean Peninsula; pursue peaceful diplomacy by cooperating with the international community to uphold human rights, democracy, and anti-terrorism
PP	Cooperative diplomacy with the goal of expanding trade relations; contribute towards peaceful development by promoting human rights, democratic values, and anti-terrorism

With the 7<sup>th</sup> Party Congress in the backdrop, there is growing interest in the foreign policy positions of three major parties in the National Assembly. On North Korea, for instance, the three parties seem to hold divergent views: the TDP and the PP both favor engagement with North Korea while the NFP supports President Park's hardline approach.

Meanwhile, floor leaders of the three parties held a meeting to organize the 20<sup>th</sup> Assembly, which will hold its first session on May 30. They agreed to maintain the 18 standing committees and to elect the speaker and committee chairs by June 7 and 9, respectively. However, they have not yet reached an agreement on the committee chair assignments. Traditionally, the largest party holds the speakership and the opposition leads the judiciary committee. The problem is that the TDP is both the opposition and the largest party. Absent any changes until June 7, the next speaker is likely to come from the TDP.<sup>11</sup> The NFP is arguing that it should lead the judiciary committee if the TDP takes the speakership. The PP supports the NFP's position.<sup>12</sup>

### Party Approval Rating

	May. 10-12 <sup>13</sup> (± from previous week)	May 17-19 <sup>14</sup> (± from previous week)
NFP	31% (-1)	29% (-2)
TDP	24% (+2)	26% (+2)
PP	21% (+3)	21% (-)
Justice Party	6% (-)	6% (-)
Don't know/Refused	18% (-4)	18% (-)

Source: Gallup Korea Daily Opinion

### Restructuring

The government and the Bank of Korea (BoK) have yet to reach an agreement on the financial arrangement involving the restructuring of troubled sectors. The government and the BoK appear to agree, in principle, that the troubled banks (i.e. Export-Import Bank of Korea and Korea Development Bank) must be financed through both direct and indirect means. But while the BoK prefers creating a recapitalization fund which will be backed by government guarantee,<sup>15</sup> the government believes that such guarantees will require time until the 20th National Assembly can act. It is unclear, however, exactly when the Assembly can or will act, given the split among the three major parties which hold different positions on this issue. In addition, there appears to be a lack of consensus regarding the BoK's direct financing option with the BoK officials voicing concern over the risk exposure problem.<sup>16</sup>

As the government and the BoK work through their differences to find a solution to this problem, some

companies are seeking ways to preemptively restructure their businesses. Doosan has been off-loading many of its non-core assets since August 2014 to amass over KRW 3.6 trillion, and announced its latest sale of HRSR to GE Power for KRW 300 billion on May 10.<sup>17</sup>

The government is also mulling over the need to restructure certain overseas development operations among state-owned companies, such as the Korea National Oil Corporation (KNOC) and Korea Gas Corporation (KOGAS). The Ministry of Trade, Industry and Energy (MOTIE) commissioned a study on this issue and held a public hearing on May 20.

The commissioned report suggests four options: 1) merge KNOC and KOGAS, 2) move the overseas development operation from KNOC to KOGAS, 3) sell KNOC's overseas development operations to domestic companies, or 4) build a daughter company specialized in operating overseas asset.<sup>18</sup> Privatization is considered to be an ideal but unrealistic option due to the lack of experience in the private sector on overseas development.<sup>19</sup> The authorities appear to be leaning towards off-loading the overseas development operation to KOGAS.<sup>20</sup>

### President Park in Tehran

President Park visited Iran on May 1-3 as the first South Korean president to do so since the two countries established diplomatic relations in 1962. In addition to adopting a Joint Statement on the Comprehensive Partnership, which reaffirmed South Korea and Iran's commitment to nuclear non-proliferation and denuclearization, President Park also landed 30 economic cooperation projects worth USD \$37.1 billion.<sup>21</sup>

Although some supporters claimed that President Park's visit to Iran could be a way to pressure North Korea,<sup>22</sup> others expressed caution about the signal this visit may send to other Gulf nations, such as Saudi Arabia. This concern, in part, explains Prime Minister Hwang Kyo-ahn's visit to Saudi Arabia on May 19.<sup>23</sup>

### Approval Ratings for Potential Presidential Candidates<sup>24</sup>

Name	Party	Approval %
Ahn Cheol-soo	PP	20%
Moon Jae-in	TDP	18%
Oh Se-hoon	NFP	9%
Park Won-soon	TDP	6%
Kim Moo-sung	NFP	5%
Yoo Seong-min	Independent	3%
Lee Jae-myung	TDP	2%
Shim Sang-jung	Justice	1%
Other	-	4%
Don't know/refused	-	33%

Source: Gallup Korea Daily Opinion

### Policy on North Korea by Major Party in South Korea

	NFP	TDP	PP
<b>Overall Approach</b>	Flexible North Korea policy based on national consensus, democratic values and open economy	Peaceful coexistence	Strong self-reliant national defense coupled with diplomatic engagement with North Korea; promote peaceful unification
<b>North Korean Nuclear Threat</b>	Deal firmly with obstacles to peace (i.e. nuclear weapons)	Remove nuclear weapons and arms build-up on the Korean Peninsula; establish a Special Zone of Peace and Cooperation in the West Sea; and begin multilateral security dialogue	Develop indigenous missile defense capability; rely on ROK-US alliance for extended deterrence; abandon THAAD as it is not suitable given Korea's size/geography, cost, and geopolitics
<b>Inter-Korean Relations</b>	Help North Korea open up and embrace unification	Honor the July 4 Joint Communiqué, the Inter-Korean Basic Agreement, June 15 South-North Joint Declaration, and October 4 Inter-Korean Summit Agreement; restore and institutionalize mechanisms of cooperation; expand Kaesong Industrial Complex (KIC) and other SEZs	Establish hotline between Pyongyang and Seoul; resume Six-Party Talks or begin Four-Party Talks (ROK, DPRK, US, and China); resume KIC and compensate the producers who have suffered loss from the closure; strengthen SEZs in the East/West Seas, China's northeastern provinces, and Russia's maritime province to energize South Korean economy and promote peace; honor the July 4 Joint Communiqué, the Inter-Korean Basic Agreement, June 15 South-North Joint Declaration, and October 4 Inter-Korean Summit Agreement
<b>Other</b>	Help North Korea become a responsible member of the international community	Expand cooperation with China and Russia; begin a new era of development on the Korean Peninsula and Eurasia	Fully utilize ROK-US alliance for extended deterrence against DPRK threat; invest in high-tech "smart military power"; prepare for eventual OPCON transfer

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