

ASAN KOREA PERSPECTIVE

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Presidential Election

With the Presidential election scheduled for May 9, Moon Jae-in (TDP) is the clear frontrunner with Ahn Hee-jung (TDP) in distant second. South Gyeongsang Province Governor Hong Jun-pyo is emerging as a strong candidate for the conservative side.

Presidential Candidate Approval Ratings

Candidate	Party	Mar 14-16 ¹	Mar 21-23 ²
Moon Jae-in	TDP	33%	31%
Ahn Hee-jung	TDP	18%	17%
Ahn Cheol-soo	PP	10%	10%
Lee Jae-myung	TDP	8%	8%
Hong Jun-pyo	FKP	2%	6%
Other	-	12%	8%
Don't know/refused	-	18%	19%

Each party is scheduled to name their candidate by mid-April.

Primaries

Candidates	Date of final nomination
Together Democratic Party (TDP)	
Moon Jae-in	Apr 8 ³
Ahn Hee-jung	
Lee Jae-myung	
Choi Sung	
Freedom Korea Party (FKP)	
Hong Jun-pyo	Mar 31 ⁴
Lee In-jae	
Kim Jin-tae	
Kim Gwan-yong	
People's Party (PP)	
Ahn Cheol-soo	Apr 4 ⁵
Sohn Hak-kyu	
Park Joo-sun	
Righteous Party (RP)	
Yoo Seong-min	Mar 28 ⁶
Nam Kyung-pil	

Dealing with North Korea

Missile test

On Mar 22, North Korea conducted its third missile test of the year. The projectile was launched from Wonsan heading towards the East Sea.⁷ The missile exploded soon after launch.⁸ Many suspect that the test was a response to the ROK-US joint military exercise and the deployment of THAAD on the Korean Peninsula.⁹ Military officials are closely monitoring the situation given that the North could

conduct more tests leading up to April 15, Kim Il-sung's birthday.¹⁰

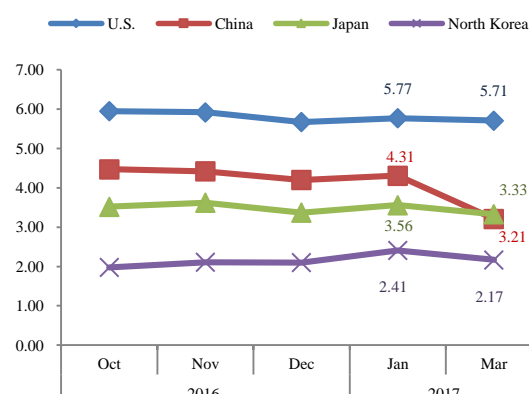
U.S. Secretary of State Rex Tillerson's visit

On Mar 17, U.S. Secretary of State Rex Tillerson visited South Korea during his tour of Asia. He visited the Demilitarized Zone (DMZ)¹¹ before meeting with the interim President Hwang Kyo-ahn and Foreign Minister Yun Byung-se. During the meetings, he reaffirmed the importance of the ROK-U.S. alliance¹² and warned North Korea that "the U.S. policy of strategic patience... is over."¹³ He also made clear that "all options are on the table," including military one in dealing with the North.¹⁴

THAAD

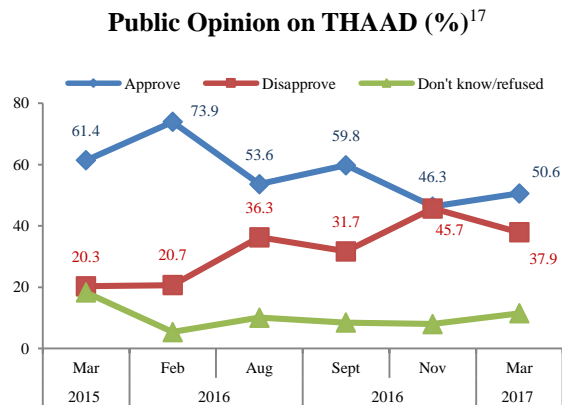
According to a recent public opinion survey by the Asan Institute for Policy Studies, the deployment of THAAD on the Korean Peninsula is changing how Koreans see their country's relationship with the United States and China.¹⁵ Most notably, China's favorability among Koreans took a dive during February and March. On a scale of 0 to 10 (0=least favorable, 10=most favorable), China's favorability rating dropped from 4.31 in January to 3.21 in early March. China's rating is now below to that of Japan (3.33).

Country Favorability Rating (0-10)¹⁶



According to the authors of the latest brief, deteriorating perception of China among South Korean public was the result of Chinese retaliation against South Korean businesses for the deployment of THAAD on the Korean Peninsula. More South

Koreans now favor (and fewer oppose) the THAAD deployment compared to November 2016.



Corporate Governance Restructuring

South Korea's conglomerates are rushing to simplify their governance structure as the National Assembly moves to revise the existing law on corporate governance. Under the new bill, all shareholders will be required to purchase their shares at fair market value. In short, if the conglomerates want to maintain control of the operating firm, it is best to form a holding company to sidestep this requirement.¹⁸ Hyundai Motors Groups is expected to have either Hyundai Motors or Hyundai Mobis be its holding company.¹⁹ SK has already named an intermediary last October. Hyundai Heavy industries announced that Hyundai Robotics will be its holding firm.²⁰

Samsung Electronics was also encouraged to make similar moves after the merger of Samsung C&T and Cheil Industries but it has refrained from doing so. While Samsung is likely to make this change sooner or later, change in the immediate future is likely to be difficult given the ongoing investigation of Samsung Group's Vice Chairman Lee JY and his involvement in a bribery scandal.²¹

Daewoo Shipbuilding & Marine Engineering (DSME) Restructuring

In addition to the KRW 4.2 trillion that the government has committed approximately two years ago, KRW 2.9 trillion has been set aside to keep DSME afloat.²² The latest announcement was justified by government estimates which showed that letting DSME fail would cost KRW 59 trillion for the South Korean economy.²³ The long-term strategy is to reduce the firm's size to KRW 6.2 trillion by the end of 2021, which is manageable for an eventual merger with another firm and thereby cushion the blow on the national economy.²⁴ Many critics, however, have blamed the government for breaking its promise to not bailout failing companies. The latest assistance requires creditors to agree on adjusting DSME's debt.²⁵ If the company fails to win major creditor support, the firm will have to rely on a mix of court receivership and

workout.²⁶

Park Geun-hye before Prosecution Service

Former President Park Geun-hye appeared at the Prosecutor's Office on March 21 for questioning and interrogation. Media reports indicate that her meeting with the prosecutors lasted nearly 22 hours.²⁷ At this moment, the prosecutors have one of several options: 1) file for an arrest warrant, 2) indict without arrest, 3) or hold more sessions for questioning.²⁸ The prosecutors are likely to make their move quickly to minimize the impact of Park's investigation on the coming election.²⁹

Party Approval Ratings

Date	Mar 14-16 ³⁰	Mar 21-23 ³¹
TDP	46%	42%
FKP	12%	13%
PP	12%	13%
RP	4%	4%
JP	5%	5%
Don't know/refused	21%	23%

1 Gallup Korea, date: Mar 14-16; sample size 1,004; margin of error: ±3.1 at the 95% confidence level.

2 Gallup Korea, date: Mar 21-23; sample size 1,007; margin of error: ±3.1 at the 95% confidence level.

3 “민주당 경선, 22일(오늘) 첫 투표 시작...투표 방법은?” *동아일보*, 2017년 3월 22일.

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14 Ibid.

15 For more information on Korean public opinion about ROK-U.S. and ROK-China relations, see “Changing Tides: THAAD and Shifting Korean Public Opinion toward the United States and China,” (Kim Jiyoung, John J. Lee, and Kang Chungku, Asan Issue Brief 2017).

16 Asan's regular survey.

17 Asan's regular and special survey. Contact authors for more

information if necessary.

18 "삼성전자, 지주사 전환 당분간 보류," *매일경제*, 2017년 3월 24일.

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24 Ibid.

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29 Ibid.

30 Gallup Korea, date: Mar 14-16; sample size 1,004; margin of error: ± 3.1 at the 95% confidence level.

31 Gallup Korea, date: Mar 21-23; sample size 1,007; margin of error: ± 3.1 at the 95% confidence level.

The Asan Institute for Policy Studies is an independent, non-partisan think tank with the mandate to undertake policy-relevant research to foster domestic, regional, and international environments conducive to peace and stability on the Korean Peninsula, as well as Korean reunification

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