

## **The US-ROK 49<sup>th</sup> Security Committee Meeting**

The U.S. Defense Secretary James Mattis visited Seoul to attend the 49<sup>th</sup> Security Committee Meeting (SCM) on Oct 28. The meeting resulted in a joint statement that included provisions about the deployment of US strategic assets on the Korean Peninsula and transfer of wartime operational control (OPCON). The two sides agreed to expand the rotational deployment of US strategic assets in the region,<sup>1</sup> but the US did not endorse the proposal for Future Combined Forces Command, as part of OPCON transfer.<sup>2</sup> The defense ministers also made clear that there will be no deployment of US tactical nuclear weapons on the Korean Peninsula.

## **ROK-PRC Agreement on THAAD**

On Oct 31, South Korea and China agreed to resolve the THAAD standoff. The agreement results from South Korea-China top nuclear envoy meeting between Lee Do-hoon (Special Representative for Korean Peninsula Peace and Security Affairs) and Kong Xuanyou (Special Representative of the Chinese Government on the Korean Peninsula Affairs). In the agreement, South Korea recognized China's concern regarding THAAD and its position on the THAAD issue, making clear that THAAD deployment does not target a third country and does not pose a threat to China's strategic security interests.<sup>3</sup> But China reiterated its opposition to THAAD deployment in South Korea and took note of South Korea's position. Most importantly, China clarified its opposition to the additional deployment of THAAD, the US-ROK-Japan military alliance, and South Korea's participation in the US Missile Defense system. Interestingly, China's position reflected Foreign Minister Kang Kyung-wha's "Three No" principle,<sup>4</sup> released a day before the ROK-PRC agreement was announced. Presidents Moon and Xi are expected to hold the first PRC-ROK summit during the APEC meeting this month.

The opinion about the agreement appears mixed. Some welcomed the agreement as the beginning of improved relations between China and South Korea. Others expressed concerns that China was the major beneficiary. South Korea's major media outlets pointed out that China did not express any form of regret on THAAD retaliation.<sup>5</sup> It also mentioned that Minister Kang's remarks on the trilateral military

alliance could limit South Korea's ability to defend itself. Meanwhile, progressive newspapers expressed hope that the agreement could help resolve the North Korean issue.<sup>6</sup>

## **North Korea Hacks Daewoo Shipbuilding & Marine Engineering (DSME)**

On Oct 31, the Liberty Korea Party (LKP) announced that North Korea hacked into DSME smuggling approximately 40,000 documents during April 2016. The breach also involved 60 military secrets, including blueprints, construction techniques, weapon systems and other information on Jangbogo-III submarine, Kill Chain, Aegis destroyer Yulgok Yi Yim among others.<sup>7</sup> Various media outlets criticized the government's handling of this issue. Some are calling for strong countermeasures. Leaking of military secrets exposes vulnerability in South Korean national defense.<sup>8</sup> It could also hinder military information sharing between the U.S. and ROK.<sup>9</sup>

## **Bitcoin in Korea**

As the world Bitcoin value continues to surge, the Korean market shows strong interest. 38% of Bitcoin transactions are taking place in Korea, making it one of the most dynamic markets in the world.<sup>10</sup>

The "2030 *jaeteku*" ("2030 financial tech") generation<sup>11</sup> has been very active in these transactions. Kim Dae-Sik, the CEO of Korea's largest Bitcoin exchange called bithump, stated that he expected continued growth given that Korean Bitcoin market shows greater investor confidence.<sup>12</sup>

Korea's largest financial firms have also been watching Bitcoin trends very closely. A survey of 20 analytical reports from such firms identified that the key topics of interest include price fluctuation, Chinese cryptocurrency market trends, and analyses of exchange-traded funds (ETF) for Bitcoin in the United States. The reports generally favour cryptocurrency and view them as good investment opportunities.<sup>13</sup>

## **Fishing Vessel Held in North Korea**

The South Korean fishing vessel, the "391 *Hongjin*," was released on Oct 27 after being held in North

Korea for six days. The Korea Central News Agency (KCNA) released a statement that the fishermen (i.e. seven Koreans and three Vietnamese), as well as their boat, will be returned to South Korea after being detained for crossing into the North Korean maritime territory.<sup>14</sup>

The spokesman for the Ministry of Unification expressed relief during a press conference that the crew and ship were allowed to return free of injury. In responding to a question, he stated that the government was aware that the 391 Hongjin had gone missing, it was not aware that it had been seized by North Korea until the KCNA notice. He explained that North Korea did not communicate the ship's detention.<sup>15</sup>

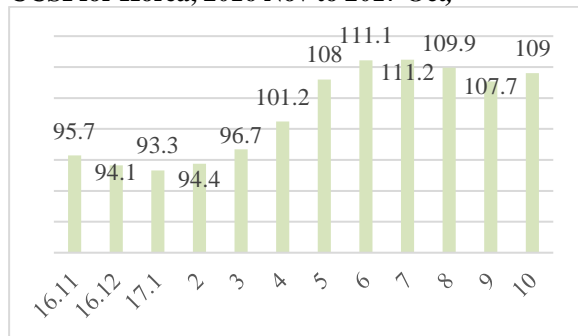
Similar incidence occurred in 2009 and 2010 when the ship's crew was detained for 30 days.

Vessel Name	Year	Days Detained
391 Hongjin	2017	6 days
55 Daeseungho	2010	30 days
800 Yeonanho	2009	30 days

### Consumer Sentiment in Q3

The Bank of Korea (BoK) released the latest Composite Consumer Sentiment Index (CCSI) rating on Oct 27. Geopolitical risks (i.e. North Korean provocations and the "THAAD Retribution") depressed CCSI for the earlier part of 2017. But this figure has improved during the second half of 2017.<sup>16</sup>

### CCSI for Korea, 2016 Nov to 2017 Oct



Source: Bank of Korea

The two contributing factors appear to be the significant rise in economic expectations and confidence about current conditions.<sup>17</sup>

1 “한미 SCM, 미 전략무기 상시 아닌 ‘순환배치 확대’ 합의”, *경향신문*, 2017년 10월 28일.

2 “한미 “조건 성숙돼야 저작권 전환”... 미래연합회 승인 불발”, *동아일보*, 2017년 10월 30일.

3한중 관계 개선 관련 양국간 협의 결과, *외교부*, 2017년 10월 31일. <http://www.mofa.go.kr/news/pressinformation/index.jsp?m>

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4 “中 “한국이 적극적이라 사드 선심”... 3不 이행도 요구”, *조선일보*, 2017년 11월 2일.

5 “[사설] 미래 主權 양보한 사드 합의, 폭력적 보복 재발한다”, *조선일보*, 2017년 11월 1일; “[사설]미완의 韓中 관계 복원, ‘사드 사태’ 교훈 잊지 말아야”, *동아일보*, 2017년 11월 1일.

6 “[한겨레 사설] 한-중 ‘사드 해빙’, 한반도 평화 정착의 발판 되길”, *한겨레*, 2017년 10월 31일; “[사설] 한중관계 정상화를 넘어 동북아 평화의 길로”, *경향신문*, 2017년 10월 31일.

7 “北, 대우조선 해킹해 이지스함 잠수함 설계도 빼내겠다”...군사기밀 60여건 유출”, *조선일보*, 2017년 10월 31일.

8 “[단독] 이지스함-잠수함 설계도, 北해커에 털렸다”, *동아일보*, 2017년 10월 31일.

9 “[사설] 핵심전력 北에 해킹당한 해군, 그렇게 태평해도 되나”, *동아일보*, 2017년 10월 31일.

10 “[핀테크 & 재테크] 복잡한 가상화폐 투자 따라하기” MK News, 2017년 10월 20일.

11 Moniker for Korean financial market prosumers in their 20s and 30s.

12 “비트코인, 9일만에 600만→700만원 대 안착...시가총액 100조” *동아일보*, 2017년 10월 23일.

13 “증권가, 가상화폐에 ‘주목’...월가는 경고하는데 호평 일색” *ChosunBiz*, 2017년 11월 1일.

14 “北 “동해 침범한 南어선... 인도주의적 차원 남측 돌려보낼 것” *조선일보*, 2017년 10월 27일.

15 “통일부 “우리 어선 승환 다행...오후에 동해에서 인수” *연합뉴스*, 2017년 10월 27일.

16 “소비도 깨어 나나...소비 심리 3개월만에 반등, 주택 가격 전망 두 달 연속 상승” *중앙일보*, 2017년 10월 27일.

17 “10월 소비자심리지수 109.2...전월比 1.5포인트 상승” MK News, 2017년 10월 27일.

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**Published by** The Asan Institute for Policy Studies  
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