

SOUTH KOREA IN 2013

CHOO Jaewoo

EAI Background Brief No. 886

Date of Publication: 15 January 2014

Executive Summary

1. In 2013 South Korean President Park Geun-hye enjoyed high approval rating of 60% on average, possibly due to her diplomatic success with the United States and China and her non-involvement in political issues that could undermine her leadership. The Korean public had also supported her firm North Korean policy.
2. Corruption is entrenched in Korean domestic politics. In 2013, corruption cases of state-run electricity companies, a negative legacy of the previous government, led to the shutdown of nuclear reactors that are responsible for 30% of the electricity generated in Korea.
3. The year-long probe into Korea's National Intelligence Service's (NIS) smearing of opposition candidates during the 2012 presidential campaign ended with reform measures adopted by the National Assembly on January 1, 2014.
4. President Park had to renege on her promise to provide 'universal welfare program' due to the economic slowdown. Korea's much-hyped household debt relief program, a key policy pledge of Park, launched on March 30, 2013 with far less money than planned was the latest sign that the leader was struggling with her pension programs.
5. To kick-start the economy, the government had unveiled diverse measures including an extra budget of 17.3 trillion won (US\$15.9 billion). The central bank also made the first rate cut in seven months in May 2013 in a bid to support the government's stimulus drive.
6. After peaking at 4.2% in February 2013, South Korea's jobless rate trended down to three percent in July to nearly full employment level. The unemployment rate stood at three percent in August, down 0.1 percentage

point from a month earlier. The rate was the same as that of 2012, the lowest in 2013.

7. The litmus test to Park's trust politik towards North Korea came at the reopening of Kaesong Industrial Complex that had been shut down since April 2012. North Korea's subsequent return to negotiations and the reopening of Kaesong were widely seen as a vindication of Park's "trustpolitik" doctrine.
8. Park's meeting with President Obama in May was highly regarded as a potential turning point for the future of the Korean peninsula as it took place amid strained inter-Korean relations. Park's trip was followed by a trip to China in June.
9. Relations with the North are likely to worsen with mounting speculation of Pyongyang's possible fourth nuclear test. A hard line policy towards the North and zero toleration of any provocations are expected to prevail.