

→ **SOUTH KOREA'S ELECTION: ALL CHANGE
OR MORE OF THE SAME?**

Dr Edward Howell and Brandon Bae

16 March 2022



AGENDA

- Dr Charles Gurdon – Managing Director, Menas Associates
- Dr Edward Howell - New College, University of Oxford
- Charles Butcher - Head of International M&A, Eversheds Sutherland Asia
- Brandon Bae - Senior Associate, Eversheds Sutherland Asia, Hong Kong
- Q&A

Housekeeping

- If you have a question, please use the chat function at the bottom of the screen
- A link to the slides and podcast will be emailed to all registrants tomorrow afternoon
- To encourage people to attend — rather than just register for the webinar — there is a small fee
- Our next webinar on 20 April will be on the recent changes in Germany
- Please contact us if you have any questions about today's topic or anything else



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Dr. Charles Gurdon,
Managing Director

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Report on Tanzania's Mining Sector

Changes in Tanzania's Mining Policy: How it relates to investment in the mining sector and licence regime

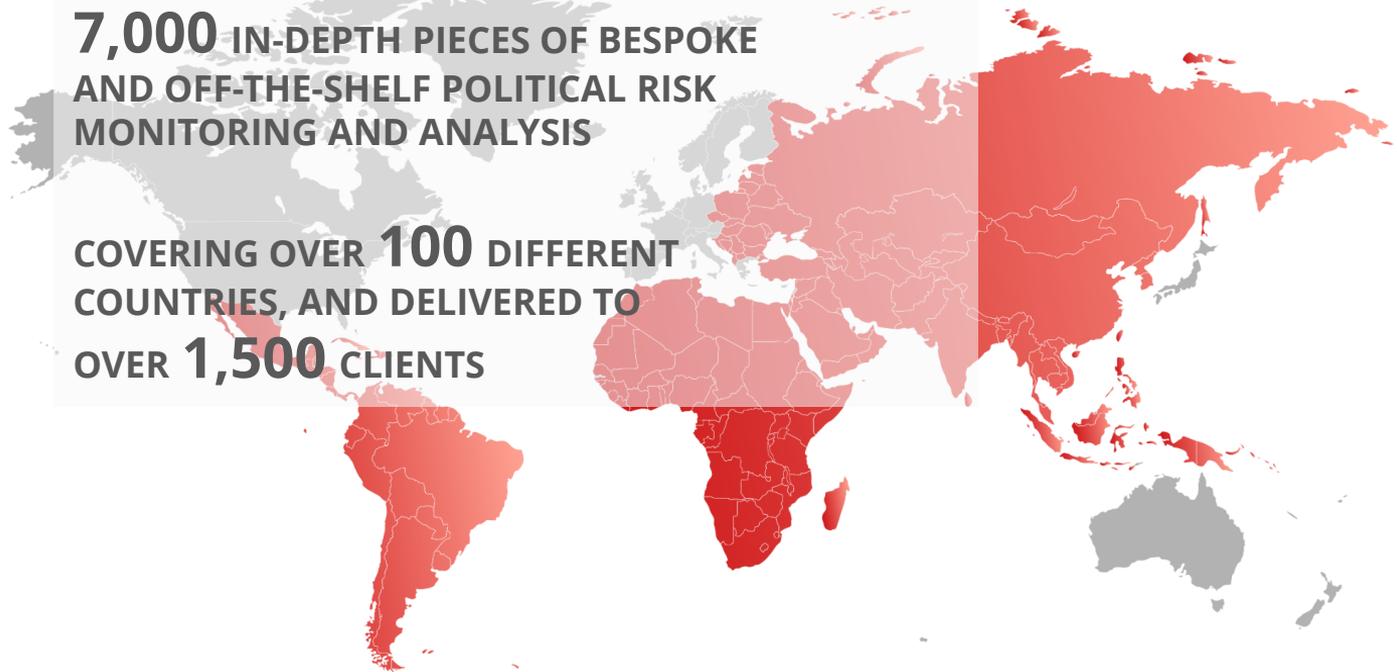
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MONITORING AND ANALYSIS

COVERING OVER **100** DIFFERENT
COUNTRIES, AND DELIVERED TO
OVER **1,500** CLIENTS





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- 1 COUNTRY RISKS AND OPPORTUNITIES
 - 2 OFF-THE-SHELF PUBLICATIONS
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-

> BUSINESS INTELLIGENCE

- 7 INTEGRITY DUE DILIGENCE
 - 8 STRATEGIC INTELLIGENCE GATHERING
 - 9 FRAUD AND CORRUPTION INVESTIGATIONS
 - 10 CRISIS RESOLUTION
 - 11 MARKET, SECTOR AND COMPETITOR ANALYSIS
-

> STRATEGIC ADVICE

- 12 PARTNER SELECTION AND MATCHMAKING
- 13 ARBITRATION AND LITIGATION SUPPORT
- 14 COMPLIANCE AND SANCTIONS ADVISORY



SPEAKERS

- **Dr Edward Howell** is a Lecturer in Politics at New College, University of Oxford. His research focuses on the international relations of East Asia; North Korea's domestic, foreign, and nuclear policies; US-DPRK and US-ROK relations; and the politics of the Korean Peninsula (North and South Korea). Edward is a contributing writer for The Economist Intelligence Unit, and frequently offers analysis to media outlets, including NKNews and NKPro, The Spectator, The Diplomat, as well as The Daily Telegraph. He also engages actively in academia-policy dialogue.
- **Brandon Bae** is a Senior Associate in Eversheds Sutherland's Asia corporate team with particular focus on Korean clients and business. Prior to joining its international M&A team in Hong Kong, he practiced in Seoul for more than 8 years with leading Korean firm Kim & Chang.

→ **CHANGE AND DECAY?
POST-ELECTION PENINSULA POLITICS
AND BEYOND**

Dr Edward Howell, New College, University of Oxford

16 March 2022



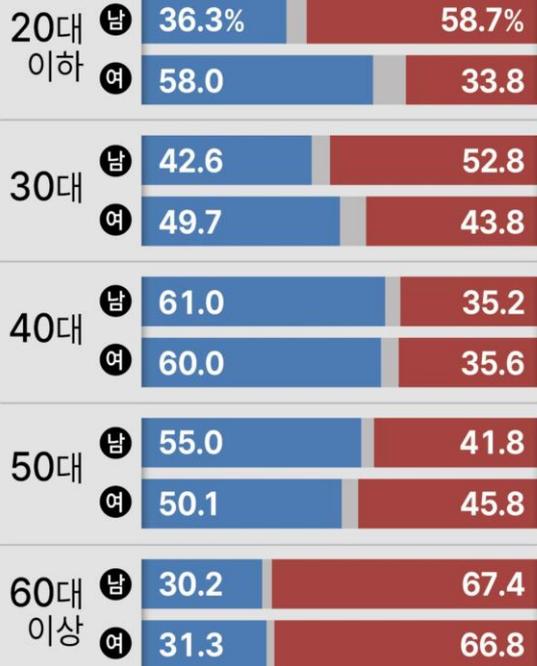
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신뢰수준 95%, 표본오차 ±0.8%p



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THE 'ELECTION OF UNLIKEABLES'

- Competing domestic and foreign policy priorities.
- Lee: *'lead in Asia and spur growth at home'*
 - *'pragmatic diplomacy'*
 - *'overt antagonism serves neither South Korea's national interests nor its alliance with Washington. Without Beijing's cooperation in persuading North Korea to abandon its nuclear programme, North Korea will depend more on China, making it more difficult to find a resolution to Pyongyang's nuclear and missile programs.'*
- Yoon: *'South Korea needs to step up'*
 - Reconcile US-ROK divergences regarding DPRK
 - *'Seoul's reluctance to take a firm stand on a number of issues that have roiled the relationship between Washington and Beijing has created an impression that South Korea has been tilting toward China and away from its longtime ally, the United States...'*



MOON TO YOON: DOMESTIC CHALLENGES

- Party polarisation
 - PPP (conservative) victory: popular support but a National Assembly dominated by the Democratic Party.
- COVID-19 and the South Korean economy.
 - Reliance on *chaebols*.
 - Rising household debt and real estate prices; decrease in average wages.
- Anti-discrimination law.
- Public opinion regarding foreign policy: Japan; US; North Korea



SOUTH KOREA AND INTERNATIONAL RELATIONS

- Seoul's economic, political, environmental, and soft power status in international relations.
- AUKUS and ROK
- Moon Jae-in's 2022 address:
 - *'In line with our elevated global status, we will continue our efforts to diversify our diplomacy and broaden our diplomatic horizons until the end of my term. We will elevate our stature as a cultural powerhouse and lead the world in soft power as well.'*
- Balancing economic relations with China and alliances with US; role in East Asian region.
 - Yoon: *'South Korea has succumbed to Chinese economic retaliation at the expense of its own security interests.'*



INTER-KOREAN RELATIONS: CHANGE OR DECAY?

- Moon Jae-in's pledge to revive inter-Korean economic and political cooperation has not borne fruit (in no small part because of the DPRK's actions).
- Yoon has called for ROK-PRC dialogue vis-à-vis de-nuclearisation of the DPRK and not of the 'Peninsula'.
- Yoon administration is likely to support continued US-ROK defence exercises; call for the upgrading of THAAD; humanitarian support but harsh rhetoric and sanctions – continued stagnation in inter-Korean times?
- Inertia in North Korea policy whichever administration is in power.



NORTH KOREAN DOMESTIC POLITICS: A RETREAT INWARDS?

- COVID-19 as the ultimately effective sanction on the DPRK's economy.
- Border closure of January 2020 – decrease in trade, not least with China; slow recovery.
- Kim regime has warned the North Korean people that they will have to *'live with'* the effects of coronavirus-induced measures.
- Refusal of DPRK to accept vaccines, not least from COVAX.
- Usage of coronavirus to justify stricter ideological control, e.g. targeting the youth in 2021.



SMALL STATE, GRAND STRATEGY: NORTH KOREA'S FOREIGN POLICY

- Impact of a change of president in the Blue House (or even the White House) is also a result of what Pyongyang does: inter-Korean and US-DPRK ties at a nadir.
- Non-engagement likely to continue?
- Self-perception as a nuclear-armed state ('full-fledged nuclear state' of 2018).
- Counter-hegemonic strategies designed to de-legitimise the United States (hostile policy).



EUPHEMISTIC SATELLITES: TEST, TEST, TEST

- **As of this morning (UK time):** failed launch of 'unknown projectile'.
- 7 missile tests in January 2022 (ten launches in total).
 - Short-range; intermediate-range missiles; missile from a moving train.
 - Increase in scope and sophistication; new and diverse systems.
- Moratorium on long-range and nuclear testing (2018) self-imposed; DPRK has warned it can break the moratorium whenever it sees fit.
- 27 February and 5 March: disguised 'satellite' launches – new (ICBM) technology?
- Cycle of provocations-sanctions-provocations.



THE (ONGOING) LESSONS OF UKRAINE?

- DPRK does not behave in isolation, but neither are its acts solely in response to international factors.
- Relationship with Russia and China?
- US 'hostile policy'
 - US as the 'root cause' of the Ukrainian crisis.
- ROK's support of international sanctions on Russia – link to broader ROK foreign policy and status in international relations.

South Korea's election: all change or more of the same?

Webinar with Menas Associates

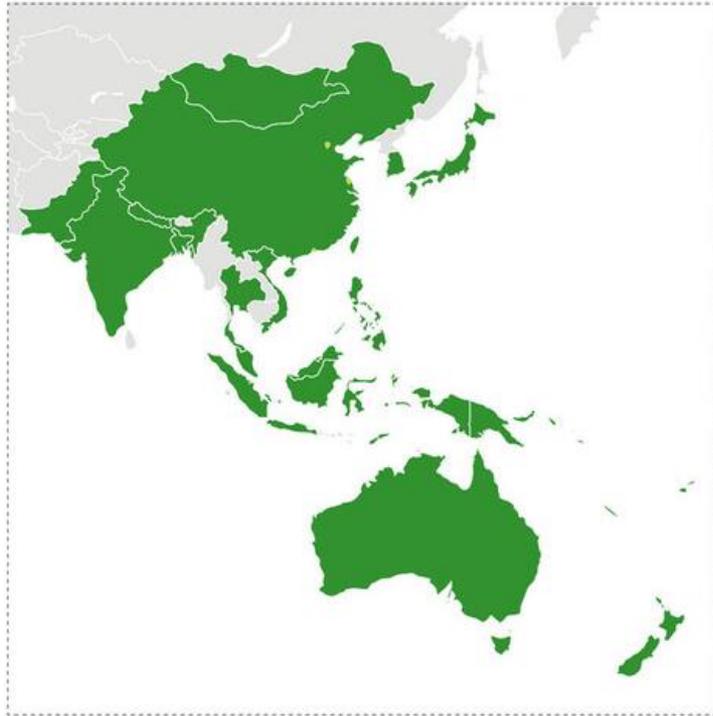
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Eversheds Sutherland Asia

Charles Butcher, Head of International M&A, Asia

Eversheds Sutherland Asia



Asia Pacific map

- | | |
|----------------------------------|--------------------------|
| American Samoa | New Zealand |
| Australia | Niue |
| Bangladesh | Norfolk Island |
| Cambodia | Northern Mariana Islands |
| China | Pakistan |
| Cook Islands | Palau |
| Fiji | Papua New Guinea |
| French Polynesia | Pitcairn |
| Hong Kong SAR | Samoa |
| India | Singapore |
| Indonesia | Solomon Islands |
| Japan | South Korea |
| Kiribati | Taiwan |
| Laos | Thailand |
| Malaysia | The Philippines |
| Maldives | Timor-Leste |
| Marshall Islands | Tokelau |
| Micronesia (Federated States of) | Tonga |
| Mongolia | Vanuatu |
| Myanmar | Vietnam |
| Nepal | Wallis and Futuna |
| New Caledonia | |

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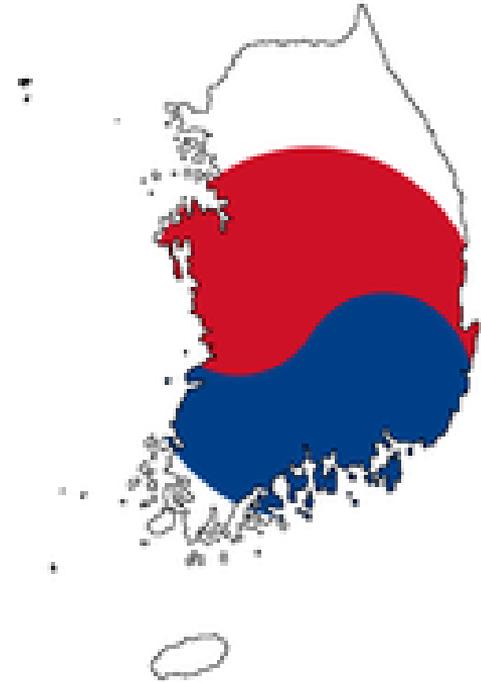
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South Korea – Business Environment and Supply Chain Shifts

Brandon Bae, Senior Associate, Hong Kong

South Korea Economic Snapshot

- Population: 51.8 million, GDP per capita: US\$31,500 (2020)
- Growth: -0.9% (2020), >3.0% (2021)
- Inflation rate: 0.5% (2020), 2.5% (2021)
- Unemployment rate: 3.94% (2020)
- Korea is the 10th largest economy in the world and the 4th largest in Asia (by GDP in 2020, US\$1.65 trillion)
- Heavy reliance on export activities
- Competitive industrial capability across various sectors

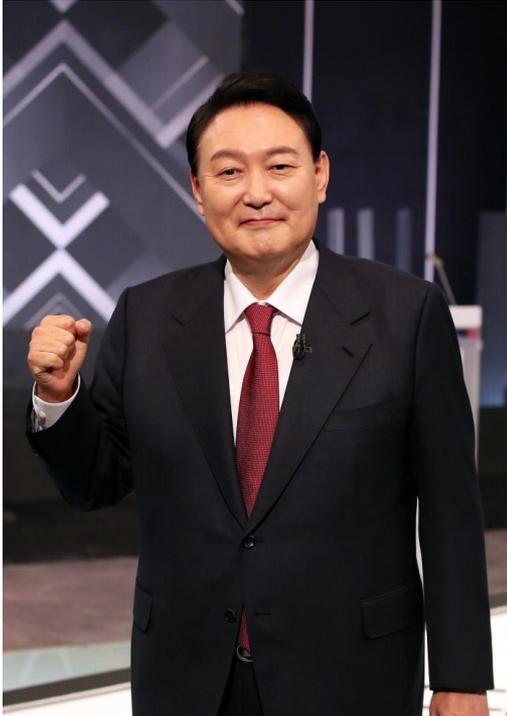


Foreign Direct Investment in South Korea

- FDI in Korea reached all-time high in 2021 (US\$30 billion)
- Average annual FDI in Korea increased by 34% under the outgoing government
- However, there is room for improvements considering some negative indicators:
 - Korea's net FDI ratio continuously decreased compared to G5 nations
 - Ratio of greenfield project FDI decreased by 16.8%
 - Ranked 21st in FDI Confidence Index
 - Issues with taxes, regulations and market openness



Yoon's Policy Pledges and Changes in Business Environment



- Advocates 'small government, low taxes, free market and private sector-led' approaches
- Key economic policy pledges during the campaign:
 - shift to pro-business policies in general
 - emergency support package for small merchants and businesses
 - lower taxes on corporations
 - deregulation
 - real estate tax reform
 - government support for key and 'future' industries
 - more flexible labour regulations

Supply Chain Challenges and Possible Shifts

- On-going tensions between US and China and supply chain decoupling
- Outgoing government of Moon Jae-in has been taking position of 'strategic ambiguity'
- Albeit balancing acts, Yoon's government is likely to put more weight on traditional US-Korea alliance and move away from China if necessary
- Key business implications include:
 - Stronger strategic alliance with US on all fronts
 - Exit from China and investment in other countries
 - Stronger partnership with ASEAN countries and India
 - Recovery of strategic relationship with Japan
 - Economic partnership with EU



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This information pack is intended as a guide only. Whilst the information it contains is believed to be correct, it is not a substitute for appropriate legal advice. Eversheds Sutherland (International) LLP can take no responsibility for actions taken based on the information contained in this pack.

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Q & A

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