

The Korean General Election Results of April 10 2024, and what they mean.



Dr Tony Michell
Managing Director
Korea Associates Business Consultancy
tonymichell@kabcltd.com

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Tony Michell is also visiting professor of Change Management at KDI School of Public Policy and Management



**For more information contact:
Tony Michell
tonymichell@kabcltd.com**

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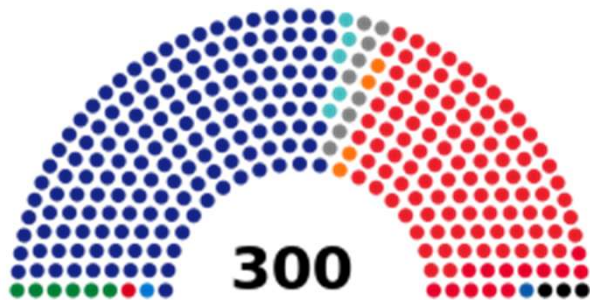
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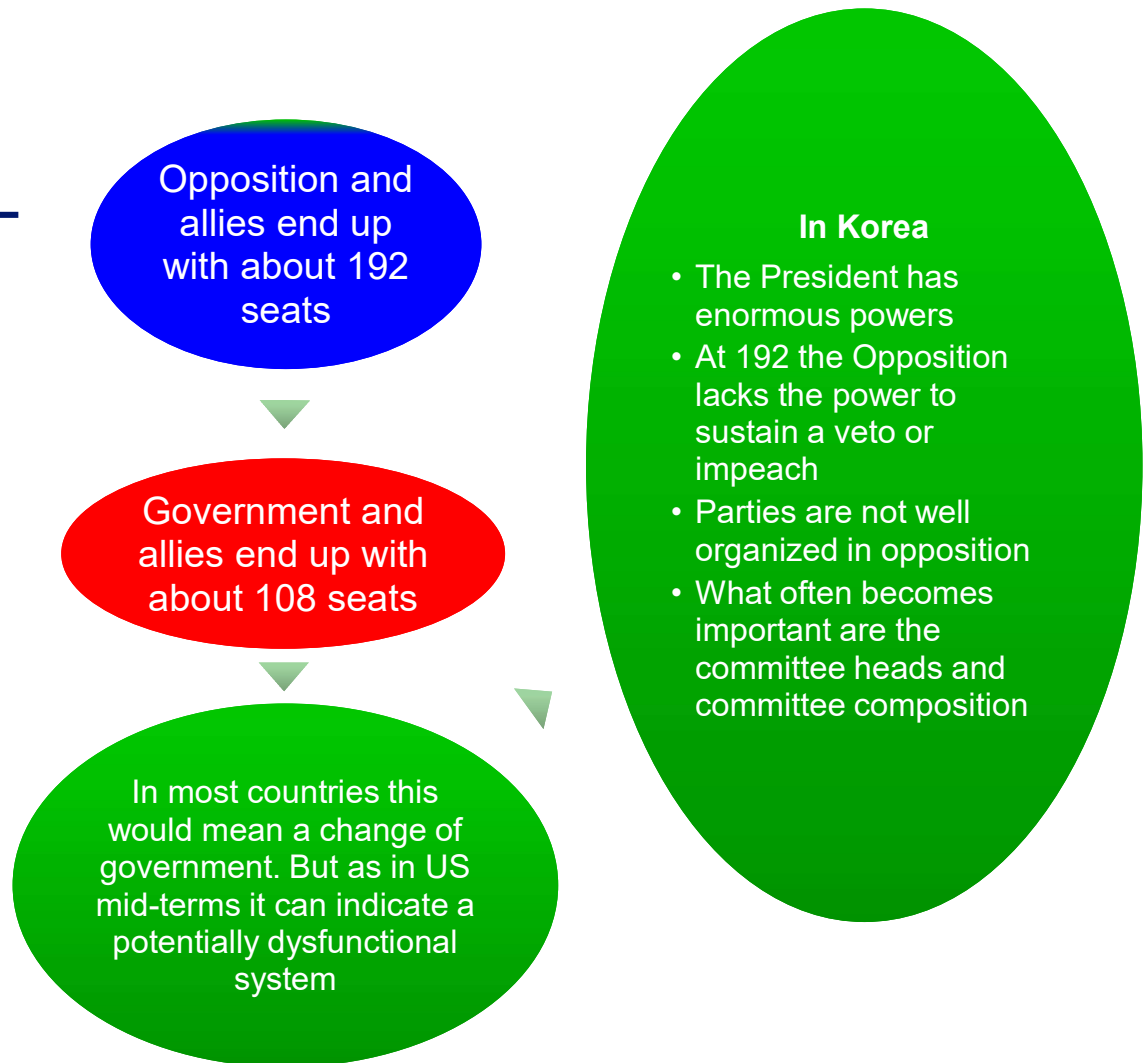
Expertise in Northeast Asia
South Korea
North Korea
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Opposition Rumps Home



Party	21 st assembly at close	22 nd election
Government	116	108
People power party	101	90
People future party	13	18
Liberty unification	1	0
Independent	1	0
Opposition	181	192
Democratic party	142	161
Democratic alliance	14	14
Green justice party	6	0
New future party	5	1
New reform party	4	3
Rebuilding Korea party	1	12
Progressive	1	0
Independent	8	1

67% turnout – highest for 32 years but 2020 was 66.2%



Memo to Head Office:the government loses the April 10 2024 South Korean election

- The election result of April 10 was a massive defeat for the government party led by the President Yoon Suk-yeol and Interim leader Han Dong-hoon seen by as Yoon's heir presumptive with 192 opposition candidates elected of which 161+14 were Democratic Party members elected and 90 + 18 PP Party members elected. This was worst showing of any ruling party since 1948. Plus 12 members of Cho Kuk's new Rebuilding Korea Party and 3 members of the New Reform Party.
- President Yoon said that he would "humbly accept the will of the people" in an election which the opposition said was a mid-term judgement on his Presidency. The PPP had called for voters to react against the stranglehold the DP had on legislative power before the election.



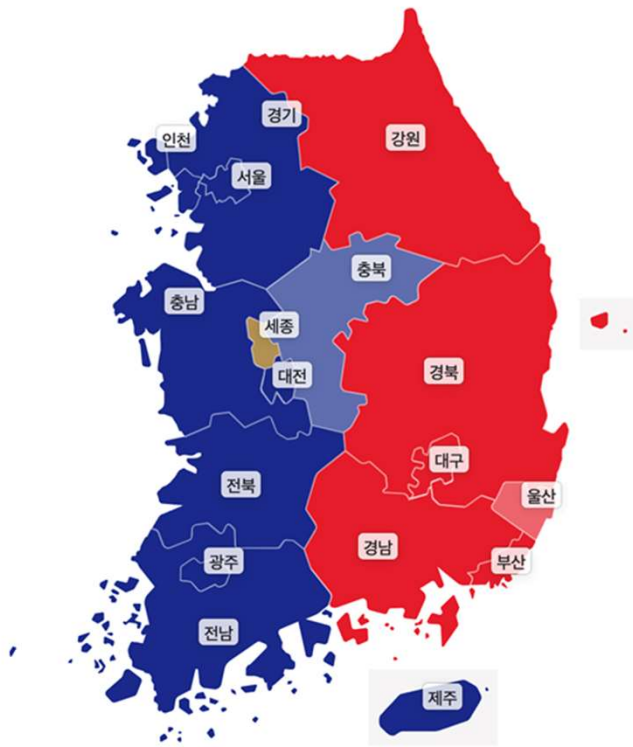
In this situation given President Yoon's acceptance of the defeat, the future shape of Korea is technically in the balance as PM, PPP Party leader and major members of the President's staff have tendered their resignation. Ahn Chul-soo of the PPP has called for all presidential staff and all cabinet members to resign.

- A search for a new chief of staff and a new Prime Minister is underway, but the Presidential office says it will take time to find and validate the correct candidates. The President will address the nation when he has taken stock of the situation.
- "By stopping short of 200 seats, the electorate sent a message that both ruling and opposition lawmakers to make more use of dialogue and negotiation" (Hangyoreh)

Two ways of looking at the political composition of the country, geographically divided between the west and east but between the densely populated and the less densely populated.

전국 개표율 100.0% 11:11 기준

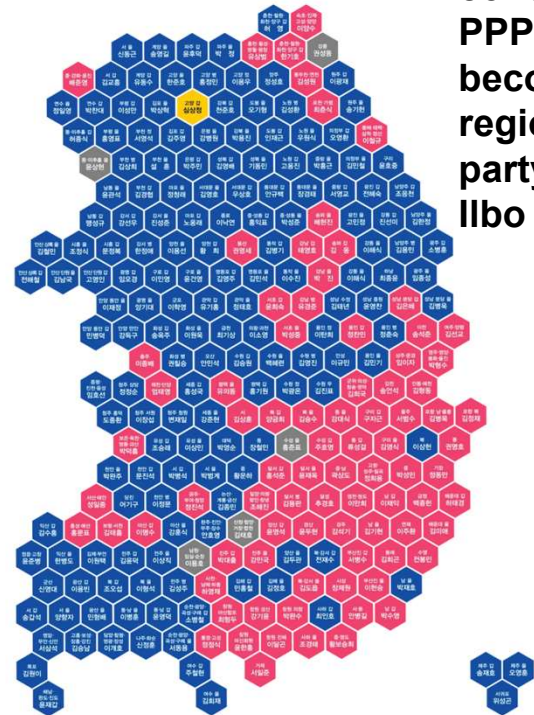
- 전국
- 서울
- 부산
- 대구
- 인천
- 광주
- 대전
- 울산
- 세종
- 경기
- 강원



지역구 국회의원 254석

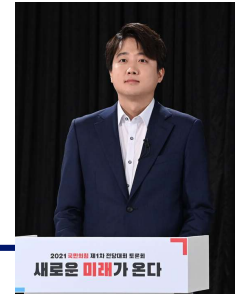
- 더불어민주당 161석
- 새로운미래 1석
- 진보당 1석
- 국민의힘 90석
- 개혁신당 1석
- 동률

There are concerns that PPP is becoming a regional party” Joongang Ilbo



Election result (NEC)

Government Party's perspective



Good news

- The opposition cannot impeach the President, change the constitution or override a veto
- Compared with the exit polls predicting 183-197 (SBS) 184-197 (MBC) 178-196 (KBS) for the combined opposition and 87-105 (KBS) the government party took slightly more seats at 108
- The margin on a number of seats was 1000 votes or less between winner and loser
- Third parties robbed the DP of several seats by detracting from their vote
- The prosecutors have a good chance of putting 3 or 4 of the opposition behind bars

Bad news

- The government ended up weaker than immediately before the election by 7 seats
- Lee Jun-seok (former PPP chairman) won 3 seats as the strongest voice of criticism from the right and will continue to get publicity
- Cho Kuk gained 12 seats but not 15 it projected
- From a legislative point of view President Yoon is a very lame duck
- Expect the DP to be more aggressive

Why did voters support the opposition and not the government party?



- They voted against the President rather than PPP because they did not like his autocratic style, and they felt he was not supporting their interests and was stubborn when opposed. Opinion polls told us that about 55-60% of citizens polled thought that way and 30-35% approved of what he did.
- Over a series of issues this was reconfirmed:
 - The insistence that from 2025 an increase of 2000 new medical students must be recruited to meet the needs of 2035.
 - The appointment of the former chief of staff as Ambassador to Australia when he was under investigation for suppressing information about the death of a marine
 - The prices of green onions
 - Denial of wrong going over his wife's acceptance of a luxury bag as a gift
 - Appointment of ex Prosecutors to numerous government positions
 - Failure to win Expo 2030 for Busan (and to explain how little support there was vs Saudi) and the fiasco of the global Jubilee in Saemangeum last August.
- When asked in detail the problem of inflation and basic livelihood, wrong answers were given while allowing the well to do making money.
- Lack of interest in reviving the domestic economy, in green environmental issues notably renewable electricity and local issues.
- Many PPP candidates distanced themselves from the President in the last 10 days

What has happened so far – President Yoon’s first public comments

- **“We must all humbly accept the public sentiment revealed in the general elections,” he said during a Cabinet meeting. I will communicate more with a humbler and more flexible attitude, and be the first to listen carefully to the public sentiment.**“President Yoon said at a cabinet meeting on April 16 broadcast live.
- **“But what he said during the meeting is quite disappointing given the increasing public demand for change in his high-handed governance style. President Yoon attributed the PPP’s election loss to “a lack of consideration about the details of policies even though they are right overall.” But such logic is not convincing. The conservative party’s overwhelming defeat primarily resulted from the president’s unilateral way of handling state affairs.”** Joongang Ilbo
- **The senior presidential official told reporters that the majority opinion within the Cabinet is that while the direction of government affairs has generally been correct, there have been some issues with communication.**
- **Yoon, however, indicated no intention to back down from his plans to increase admissions to medical schools, an issue that has caused widespread disruptions to health care services, saying he will continue to pursue medical reform, pension and labour reform. The "Structural Reform for the Future of the Republic of Korea Can't Be Stopped"**
- **Will some or all of the cabinet resign? From a business point of view it is hoped that Mr Choi at MOEF and Mr Ahn at MOTIE remain in office. The head of the Financial Services Commission (FSC) also has the status of Cabinet member as does the Chair of the FTC.**

So what now happens immediately.....?

- There is therefore a six-to-eight-week gap during which there will be uncertainty about who is doing what and during which decisions cannot be confirmed or would need a consensus of opposition and government party leadership.
- The old Assembly will meet to conclude important business and the new Assembly will not meet for the first time until 30 May.
- - Special Act on Digital-based Public Education Innovation to Reduce Dependence on Private Education and Close the Education Gap -
 - Two amendments to the national defense sector to respond to troop reduction and systematically train military science and technology personnel
 - Possible settlement of the pension issue
 - Speaker Kim Jin-pyo "will make the handling of the bill to combat the low birthrate a top priority during the remaining term of the 21st National Assembly"
- On meeting the new Assembly will be immediately absorbed in selection of the speaker and the chairs of the various committees.
- Hence the calls for the President to meet with the Opposition leader as soon as possible. (Yoon had refused a formal meeting with Lee Jae-myung since his election – hints that this may now be possible.)
- New Ministers will be scrutinised and the new Prime Minister will be voted on.

So what happens then

- There is going to be a fierce debate on who the next Prime Minister should be – whether a politician or a “representative type” who does not express his own opinion. The Korean press are having a field week with speculation with many pointing approvingly to the past appointment of Go Kun (the best President we never had) under Roh Myo-hyun
- Then come the contested signature political reforms of President Yoon
- Land and Housing March 10th plan “likely to be halted” according to Maeil Daily April 14.
- Pension reform “narrow NPS reform” (Yoon) vs “old people’s welfare” (DP)
- Medical reform “quick and stubborn change” vs careful reconstruction of the medical system
- Education reform “multiple changes because of shrinking population vs cost of private education
- Labour “relax the 52 hour week” vs “4.5 day week of DP” but equally Yoon sought to prune out the inflexibility of the old system vs keeping the old system.
- Abolish MGE The Ministry of Gender Equality cannot be abolished
- Declining Birthrate Everyone agrees something should be done but no one knows what to do.
- Value Up Elimination of the Korean discount value desired by both sides but DP wants to protect the retail investors and so no short selling but possible to raise capital gains tax threshold.
- Environment Unclear whether green belt, offshore wind will be enhanced and revised NDC plan will be made.

FDI policy – the quest for reforms – expected to continue, but some issues will be stickier

- **April 4 Minister Ahn met with representatives of KCCI and foreign-invested companies attending the meeting expressed gratitude towards the Korean government’s attention to detail on providing the “Get to Know Korea” experience and suggested measures for increasing incentives like tax credit, expanding power and other infrastructure, and improving the certification and inspection system.**
- **“We will stimulate active communication with KCCI and foreign-invested companies in view of our USD 35 billion foreign investment target,” and articulated the following measures for nurturing Korea into a more appealing and stable investment environment: draw global companies’ investment to create an industrial ecosystem with supply chain resiliency and advanced technological competitiveness; push regulatory reform in alignment with global standards; and establish a business-friendly support system that can impress customers.”
Minister Ahn**
- **Previously there was a meeting with James Kim of Amcham and DPM Choi to discuss issues such network segregation, Korea’s separation from global standards for many areas of technology, and other incentives. “We will strive to create an investment environment that meets international standards through relentless regulatory reform,” Ahn said, “noting that the government is reviewing measures to improve labor flexibility based on social dialogue and is also making efforts to enhance predictability in tax enforcement and ease digital regulations.”**
- **2024 Q1 pledges up 21.1%; arrivals down 49%.**

Foreign Affairs – initial expert opinion was that the election will have limited effect...

- **“The President has few restrictions on his power over foreign affairs” (Pundit consensus.)**
- **But the opposition has not fully bought into his pivot to the US and Japan.**
- **Arguments about US industrial policy have shown Korea at a disadvantage especially on EV credits and semiconductors and on restricting investment and trade in China policy.**
- **Critical issues include Taiwan and South China Seas where Korea is less engaged than US.**
- **Cho Kuk was the architect of the suing Japanese companies for WWII forced labour compensation, and in the past has announced the need for more Korean patriotism.**
- **AUKUS – It cannot be taken for granted that Korea will join this “anti-China security pact.”**
- **Structure of the possible China-Japan-Korea Summit in May 2024 to be watched.**
- **A third dimension has been raised by pundits – the fact that Korea’s technocrats and bureaucrats may slow down those policies of Yoon that they do not agree with – referencing the Indo-Pacific strategy document which in December 2022 turned from a straight tilt to US document to a more nuanced document stating the importance of China and the EU..**

Does the election change policy towards North Korea?

- The Center for Preventive Action under the US Council on Foreign Relations released a report, entitled the "Preventive Priorities Survey 2024," which put a potential North Korea-driven crisis on the "Tier I" list of eight contingencies.
- But the immediate trigger for escalating inter-Korean tensions lies with the tit-for-tat dynamic exemplified in both the recent inter-Korean satellite race and the decision by both sides to step back from a 2018 military agreement North Korea signed with South Korean President Yoon Suk-yeol's predecessor, Moon Jae-in.
<https://www.cfr.org/blog/global-turmoil-and-rising-tensions-korean-peninsula-need-vital-us-south-korea-alliance?>
- It is not just the South Korean action but also the renewed North Korean –Russian friendship which is going to make it difficult for Kim Jong Un reverse his decision that “peaceful reunification is impossible” (at the end of December 2023), and reverse the order to the military to be prepared to pacify and occupy the South in the event of a crisis.
<https://www.reuters.com/world/asia-pacific/threatening-shift-north-korea-moves-redefine-relations-with-south-2024-01-04/>
- Active opposition by the DP and allies could reverse the current dismantling of the Ministry of Unification (MOU) and at least tempt the North away from dependency on Russia.
- This would require: One proposing the re-opening of the Kaesong Industrial estate
- Two a series of waivers to the UNSC sanctions (as opposed to the Russian proposal for sunset clauses and one year extension of the UN Panel of Experts in exchange)



A harder time for the President to enact issues that tilt towards the well to do amidst demands to help ordinary people's livelihoods.

- **Since his inauguration the President has continuously made small changes in the laws and regulations that favoured the well-to-do.**
- **An early step was to make it easier to send money abroad (which held those with children in schools abroad or purchasing property abroad).**
- **His real estate policies always included issues which offered those with money to make more money or keep more of it. Substantial property tax cuts for those with multiple properties, corporate tax cuts (5% stopped by national assembly but 1% allowed) and inheritance tax cuts (proposed if the PPP won the election), quicker chances to buy property and redevelop it, and widespread removal on greenbelt and other real estate restrictions (proposed under the January 10th 2024 policies).**
- **Yoon especially noted “a lack of care for struggling ordinary citizens, saying despite his administration's best efforts to tame inflation, improve fiscal health, increase the housing supply and protect retail stock investors, none of those measures were enough to address the fundamental needs of lower income citizens.” DP are arguing for a possible livelihood subsidy to all citizens as under Covid-19 to revive the Korean economy and more generous support for SMEs and small business.**
- **Note despite the professed policy of the President to reduce government spending the government borrowed more from the BOK than ever before at 54 trillion won and debt to GDP reached 50% in Q1 2024.**

Conclusion – a moment of policy uncertainty – how lame is the President?

- At this moment in time, we cannot be sure how far the President is willing to go to meet the “will of the people” and the degree to which he accepts that the DP represents the will of the people. His cabinet statement of April 16 suggests not very far.
- The choice of Prime Minister may be a better indicator and in through cases like resolving the medical dispute. The selection of new Ministers will also be indicative.
- On this depends the degree to which he is a lame duck. His cabinet statement indicates he could become very lame and create real dysfunction in the future.
- Yoon will hold an AI conference with the UK in May which will not be controversial. He should send deputies to other events and refrain from meeting the international press until settled.
- He faces a series of issues related to what he may say at the meeting of the G7 in June.
- He may choose to govern more by changing Presidential or Ministerial regulations rather than coming back to the National Assembly for a revised law, but will receive opposition in the Assembly (and outside) if he does so. Can he count on all the PPP members to toe the line. Only 8 members need withhold their vote.(Article 53)
- He and his party have to hope that they can revive the party’s popularity to allow a competitive Presidential election in spring 2027. That will require a much more flexible PPP.

Energy and resources as a result of the election: – nuclear and coal vs renewables and LNG?

- The rise in electricity demand is now being driven by AI and data centres although air conditioning demand is also expected to rise as the summers get warmer. S&P thought the election was positive for LNG, renewables; bad for coal, nuclear.
- The Democratic Party of Korea and the Rebuilding Korea Party advocate the expansion of renewable energy, which runs counter to the current government's policy stance. In the April 10 general election manifesto, the Democratic Party pledged 'Renewable Energy 3540' to increase the proportion of renewable energy generation to 40% by 2035. The plan is to open the era of RE100 (100% renewable energy) by switching to eco-friendly renewable energy.
- The Fatherland Innovation Party also made a pledge to put back the proportion of renewable energy to 30% by 2030 and to 80% by 2050.
- Both goals have been evaluated as 'unrealistic' by the current government. The opposition is seeking amendment of the Special Act on Management of High-Level Radioactive Waste.
- “If we want to do this, we must jointly pursue policies such as pumped storage power generation and expansion of energy storage systems (ESS) and courageously discuss who will bear the costs,” “In a situation where Korea Electric Power Corporation is suffering from a deficit of 43 trillion won, the ruling and opposition parties must reach an agreement and begin work to strengthen the power grid, even if it means spending national finances.”