



HANOI SUMMIT

The 2019 North Korea-US Hanoi Summit highlighted that the US has the proverbial wild card—the promise of economic boom that may open a diplomatic window and shape future negotiations

Will the economic hook open the diplomatic window?

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off-to-denuclearisation. Speaking in Hanoi, Chairman Kim Jong-un clarified that North Korea would not have been at the summit if not committed to denuclearisation.

But just how North Korea interprets denuclearisation has not seen the light of day, at least in the Anglo-Saxon press. North Korea articulated its standpoint in the 'Joint Declaration on the Korean Peninsula' back in 1992.

On its part, North Korea has refrained from nuclear and missile testing (the last nuclear and ballistic missile test took place in 2017).

Satellite pictures have shown (vehement nuclear site), but little is known of

what is happening inside. At the summit, North Korea offered to dismantle Yongbyon in exchange for sanction relief, but did not broach disabling other (undeclared) facilities including a suspected uranium enrichment complex that the US has cognisance of.

The North Korean conundrum also stems from the fact that the bonhomie, good press and diplomatic cheer following the inter-Korean meetings have not translated into economic moolah.

in Pyongyang and the third meet in Myong Yang with the Pyongyang Joint Declaration of September 2018, little has come out of it.



ILLUSTRATION: ROHNIT PHORE

drills with South Korea at low key)—economic sanctions have left it high and dry.

For South Korea, sanctions on North

Korea do not augur well either. In September 2018, unemployment in South Korea rose to a record eight-year high with a rise in mandatory minimum wages.

South Korea has dovetailed detailed plans to resurrect the inter-Korean rail network (built by the Japanese), calling for an East Asian Railway Community.

With the abrupt end to the summit, the American strategy of moving forward without pre-conditions (almost a sheaf out of the Helsinki Accords of the 1970s that engaged America and Soviet Union), keeping North Korea engaged and nuclear test/missile test free, deserves some credit, as does Chairman Kim, poised between the devil of sanctions and the deep sea of denuclearisation.

From South Korea, sanctions on North Korea do not augur well either. In September 2018, unemployment in South Korea rose to a record eight-year high with a rise in mandatory minimum wages.

In perspective, the summit highlighted the reality of the complexity of the slow process, the dramatic asymmetry of power and that the American, not North Korean goalposts, are hogging the limelight—obscuring the 'take' that economic underdog North Korea wants.

DATA DRIVE

GDP growth slips to six-quarter low

REAL GROSS DOMESTIC PRODUCT (GDP) growth rate slowed down to a six-quarter low to 6.6% in the three months to December 2018, led by the slowdown in both private and government consumption and a sharp drop in agriculture sector growth.

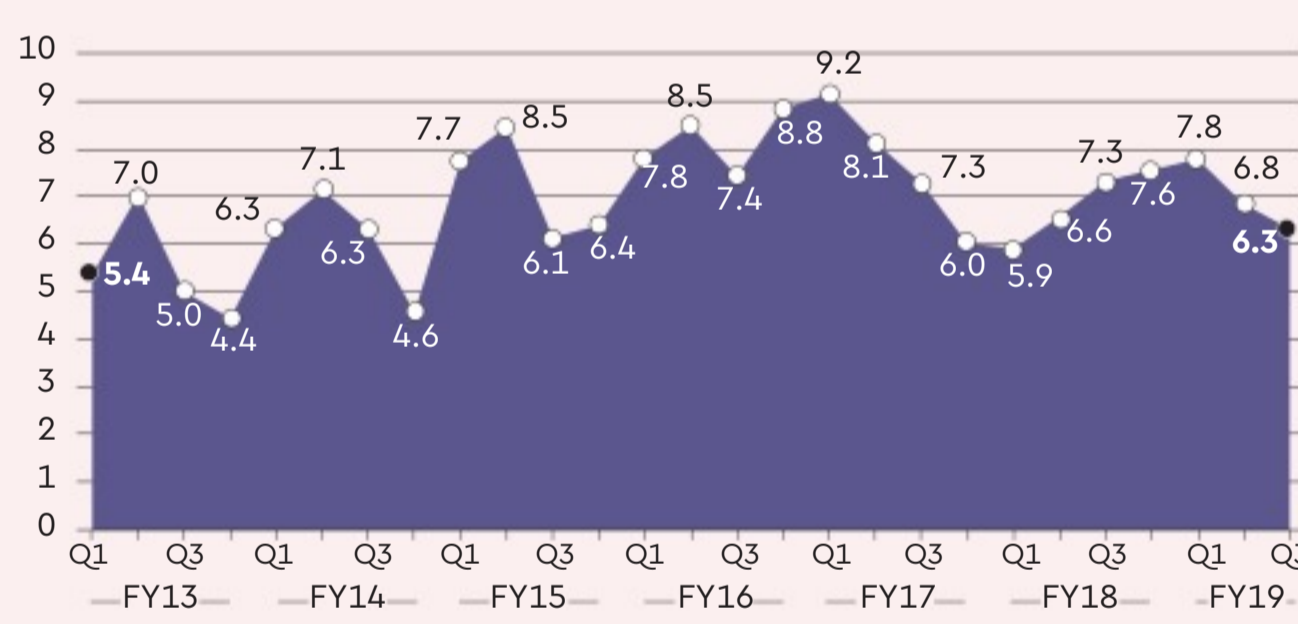
Real gross value added (GVA) growth softened to 6.3% due to slowdown in agriculture growth. Based on the second advance estimate of 7% in FY19, GDP growth in the quarter ending March is further expected to ease to 6.5%.

Private final consumption expenditure slowed to 8.4% year-on-year (y-o-y) in Q3FY19 from 9.8% y-o-y in Q2FY19.

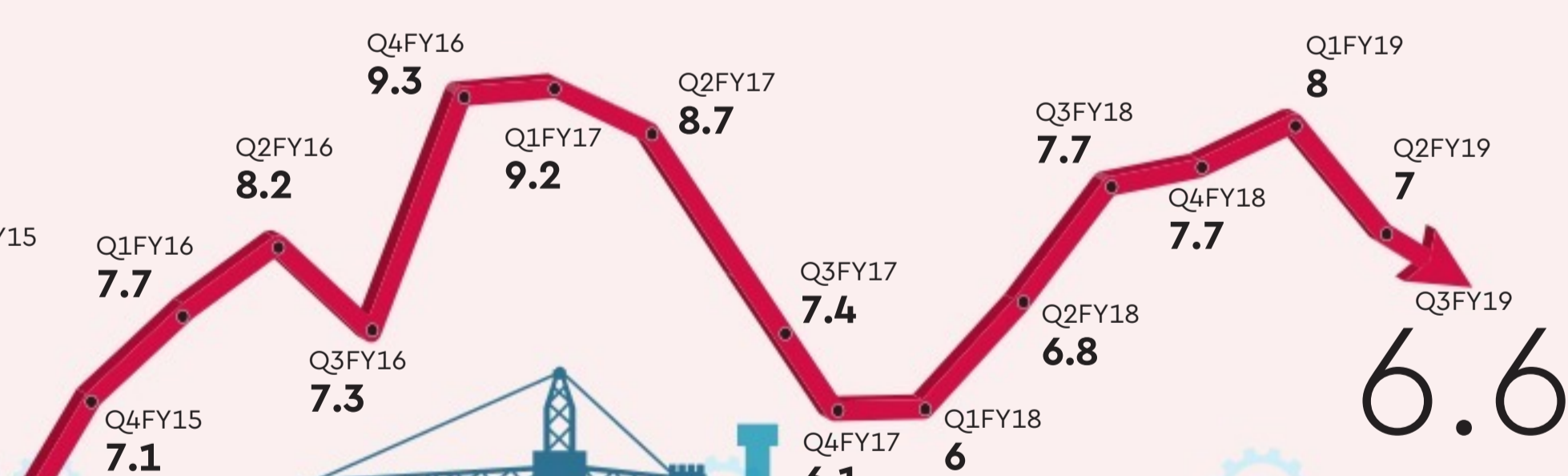
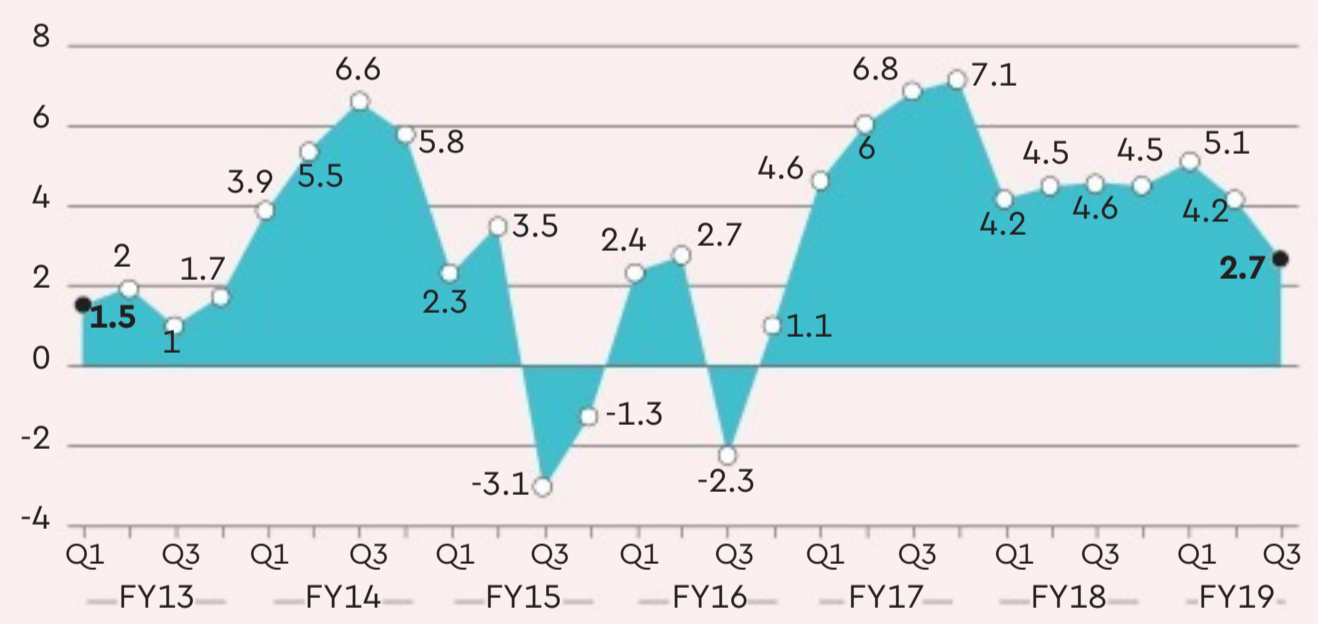
Similarly, government consumption expenditure, which was one of the major factor for higher growth in the last few quarters, too slowed down to 6.5% in Q3FY19 from 11.1% in Q2FY19.

Fixed investment grew 10.6% in Q3FY19 as compared with 10.2% in Q2FY19. Growth in manufacturing and electricity moderated to 6.7% and 8.2%, respectively, in real terms, and the decline in manufacturing GVA is consistent with the moderation seen in manufacturing Index of Industrial Production.

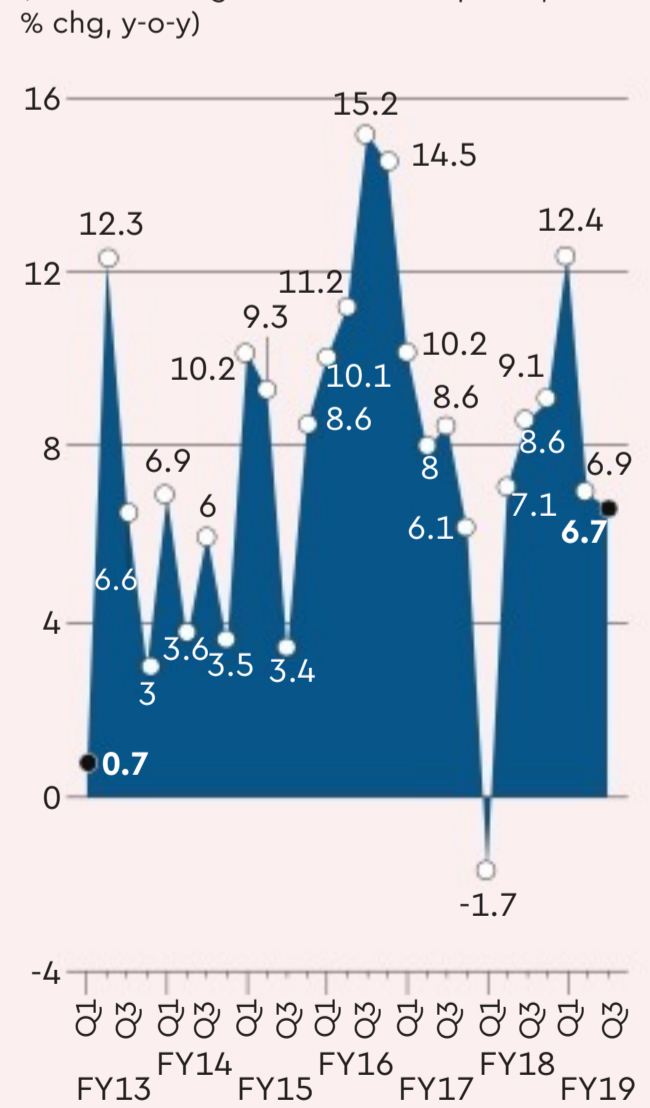
Real GVA softened due to slowdown in agriculture (GVA at 2011-12 prices; % chg, y-o-y)



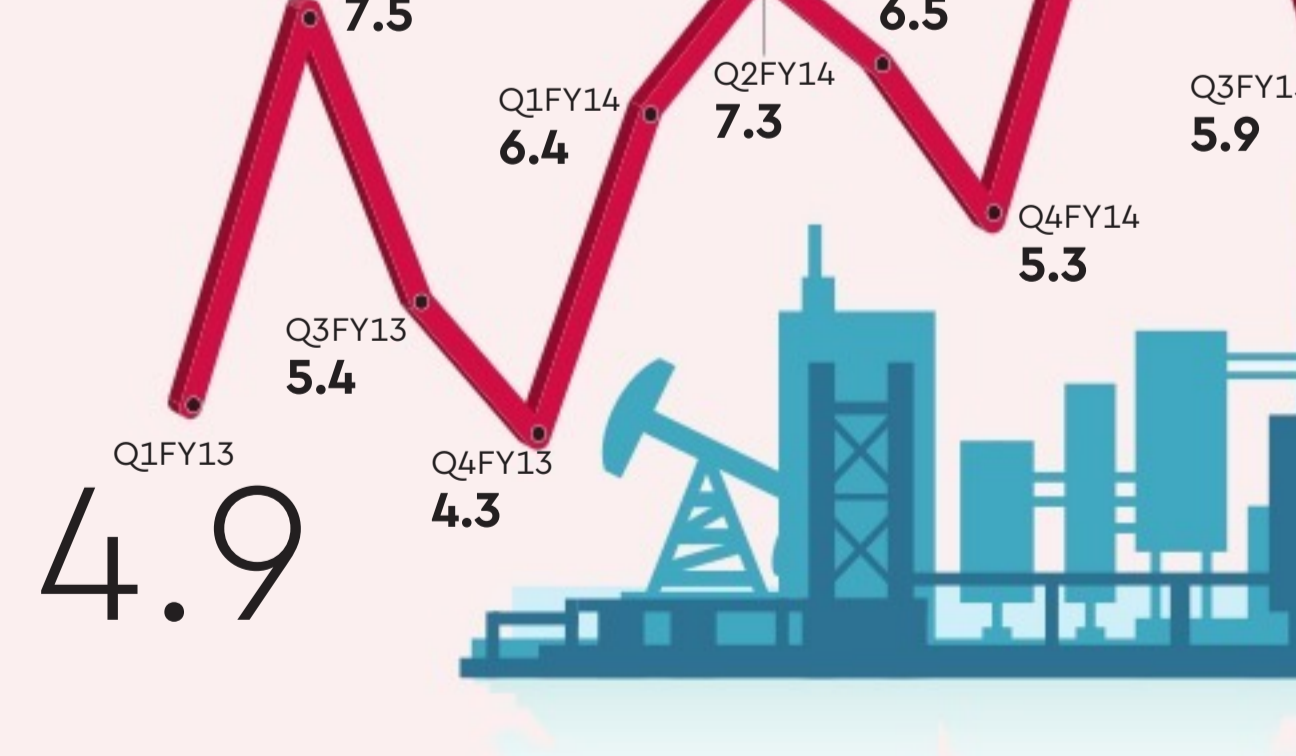
Growth in agriculture at three-year low (Agriculture GVA at 2011-12 prices; % chg, y-o-y)



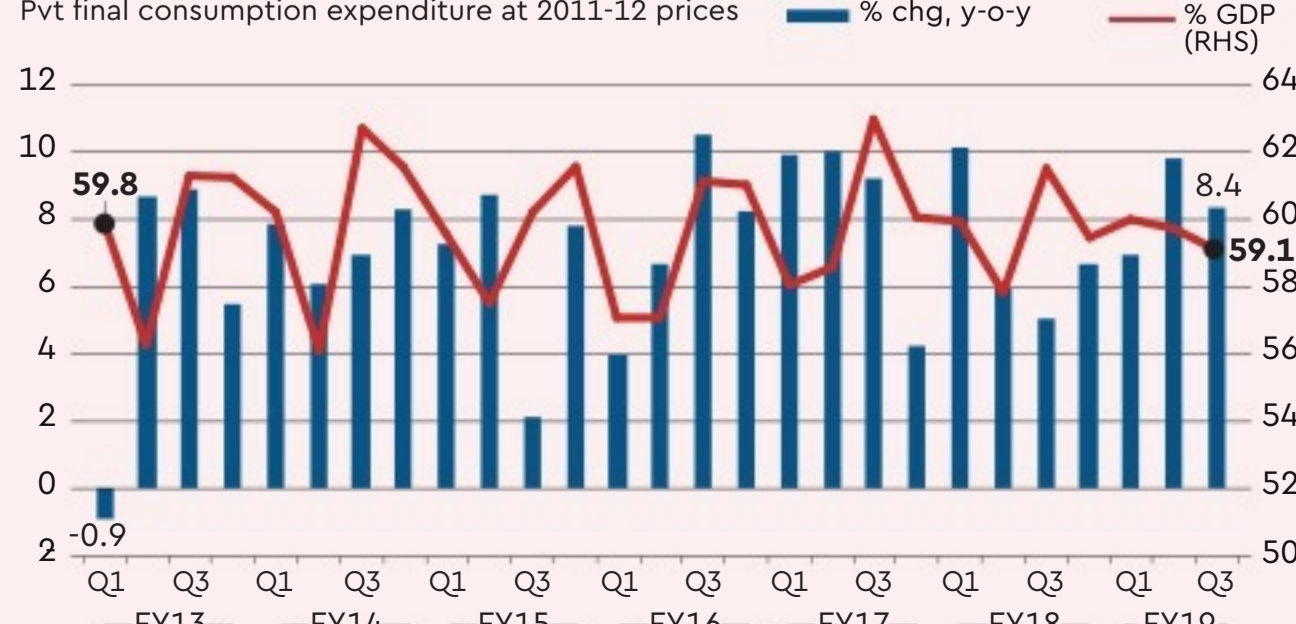
Growth in manufacturing moderates (manufacturing GVA at 2011-12 prices; % chg, y-o-y)



Gradual moderation in GDP growth over the quarters (At 2011-12 prices; % chg, y-o-y)



Private consumption slows down



Govt consumption, a pillar of growth, slows down



Investment picks up in Q3FY19

