



Matthews Asia Perspective

An Asia Investor's Perspective on Singapore Summit



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The agreement signed by President Trump and Chairman Kim is disappointingly vague, but the symbolism of the Singapore Summit offers two significant upsides to investors.

First, the risk of military conflict on the Korean peninsula, which was elevated just nine months ago, is now very low, with all parties committed to discussions rather than saber-rattling.

Second, China will be a key player in any denuclearization process, as well as in the economic reconstruction of North Korea, further reducing the odds that President Trump will launch a trade war against Beijing.

Kim Jong Un provided no new concrete commitments in the statement he signed with President Trump, simply reiterating previous pledges “to work toward complete denuclearization of the Korean Peninsula.” The statement did not provide a timetable for specific steps toward this goal, and also did not mention the need for verification of denuclearization. In short, the joint statement falls far short of the Iran nuclear deal which the U.S. withdrew from last month.

While the joint statement mentions the desire to continue searching for the remains of American soldiers who died during the Korean War, the Japanese government will be disappointed by the absence of any reference to the issue of its citizens who were kidnapped by North Korea.

The South Korean government will be pleased by the collegial tone of the summit, but will also be anxious about President Trump's unexpected comment suggesting that he wants to end joint military exercises on the peninsula.

These are significant shortcomings, which may derail the reconciliation process down the road, but the upside of the summit is also important: President Trump has chosen—at least for the moment—constructive engagement rather than military threats in dealing with North Korea, which should also contribute to a less contentious relationship with Beijing.

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