

Preserving
Peace and
Prosperity on the
Korean Peninsula

**We will make
every effort for the dismantlement of
North Korea's nuclear programs**





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**We have a clear position on
North Korea's nuclear test.**

North Korea's nuclear test posed not only a serious threat to stability and peace in Northeast Asia but also a challenge to the international non-proliferation regime.

The test also lowered the expectations of the international community, which aspires for the denuclearization of the Korean peninsula.

In addition, North Korea's test betrayed the obligations outlined in the September 19, 2005 Joint Statement that the six parties in the nuclear talks had agreed to and also violated the Joint Declaration on the Denuclearization of the Korean peninsula signed by the two Koreas in 1991.

We will deal with North Korea's nuclear test firmly.

We will faithfully implement UN Security Council (UNSC) Resolution 1718 as a member of the UN.

A task force consisting of key members of 14 related ministries was formed shortly after the resolution had passed. The task force coordinated the opinions of various ministries, and collected those of the National Assembly and public. It prepared a report on the implementation plan for the UN resolution.

The South Korean government submitted this report to the UNSC Sanctions Committee on November 13, 2006.

The report included the sanctions measures the South Korean government had already implemented or plans to implement; regulations on the transfer or procurement of items listed in Resolution 1718, the freeze and prevention of trans-

fer of financial assets of individuals and organizations under sanctions, the prevention of entry into, exit from and transit through North Korea of individuals and organizations listed on the resolution, and cooperation in inspecting cargo to or from North Korea.

In accordance with the implementation report, the related ministries will continue to review related laws and regulations, and to revise them as needed.

The South Korean government will continue consultations with concerned nations in the course of the implementation of the UN resolution, and is planning to review follow-up measures as the discussions of the UN Sanctions Committee advance.

Measures for the implementation of UN Resolution 1718

Regulations on conventional weapons, WMD-related items and luxury goods

- Pursuit of the revision of related laws, including the notification of import and export items from and to North Korea and its procedure for approval
- Drawing up a luxury goods list, considering the result of future consultations of the UNSC Sanctions Committee and other countries' decisions

Financial sanctions

- Enacting a new notification system which incorporates the existing notification of financial transfer controls, and implementing it as soon as the UN Sanctions Committee designates the individuals who are subject to the sanctions

Control on entry into, exit from and transit through South Korea

- Controlling the entry into and exit from South Korea of individuals who are subject to sanctions, and doing it through the issuance of visiting certificates to North Korea and the review process of entry into and exit from Seoul in accordance with the Law on Inter-Korean Exchanges and Cooperation

Freight Inspections

- Strengthening customs clearance procedures and freight inspections in compliance with related regulations, and adding equipment such as X-ray fluoroscopes
- Inspecting cargo in accordance with the South-North Agreement on Maritime Transportation and South Korean domestic laws
 - regulating North Korean ships using inter-Korean maritime transportation routes in accordance with the Agreement
 - taking appropriate measures for the third-party countries' ships going to or coming from North Korea in accordance with South Korean domestic laws

The South Korean government has taken its own measures, separate from the implementation of UN Resolution 1718.

First, the South Korean government has withheld the delivery of the remaining materials and equipment (totaling 12 million U.S. dollars) for reconnecting railway and road.

Moreover, inter-Korean economic cooperation projects at the governmental level will be temporarily suspended, including the South's provision of raw materials for light industries, and the North payment in kind from the joint development of underground resources in North Korea and the joint

development of the mouth of Han River, which were agreed upon at the 12th meeting of the Inter-Korean Economic Cooperation Promotion Committee on June 6, 2006.

Unless there are changes in the situation, the South Korean government will continue to suspend rice and fertilizer deliveries, which has been in effect since the North's missile test in July 2006.



Inter-Korean economic cooperation in the private sector, as normal business transactions, has little to do with the UN resolution. However, the government will strengthen its screening of economic cooperative projects while respecting the judgments and responsibilities of enterprises.

Finally, when it comes to the Mt.Geumgang tours, the government's assistance to the

educational programs at Mt.Geumgang will be cut. The second leasing of the first stage land in the Gaeseong Industrial Complex, which was put on hold due to North Korea's missile and nuclear tests, has been postponed.

These measures also confirm Seoul's firm resolution against Pyongyang's nuclear test.



The South Korean government will strive for the dismantling of North Korea's nuclear weapons and programs

The government will continue to pursue the dismantling of North Korea's nuclear weapons and programs.

Peace on the Korean peninsula cannot co-exist with nuclear weapons in North Korea. Pyongyang must not be allowed to have nuclear weapons.

Seoul stands firm on North Korea's nuclear armaments. The scrapping of North Korea's nuclear programs is the best way to resolve the North Korean nuclear issue. Seoul will continue to pursue the dismantlement of North Korea's nuclear programs under the principle of zero tolerance.

While implementing strict sanctions after North Korea's nuclear test, the government will continue to make efforts to resolve problems through dialogue.

Harsh sanctions are inevitable for Pyongyang's bad behavior but they should be implemented in a way so as not to exacerbate the security threat and economic anxiety on the Korean peninsula.

It should be ensured that the sanctions

against North Korea's nuclear test would not destabilize the situation, cause conflict on the Peninsula, or create anxiety among the South Korean people.

The purpose of the sanctions against North Korea is not to cause the North Korean regime's collapse or to aggravate the situation, but to bring Pyongyang back to the negotiating table for the early resolution of the nuclear issue.

We cannot accept anything other than peaceful means to resolve the crisis on the Korean peninsula triggered by North Korea's nuclear test. Peace comes first before anything else.

Accordingly, efforts toward the resolution of the North Korean nuclear issue should not cease for a moment even when the implementation of the sanctions against North Korea is underway.

In the future, the complete resolution of the North Korean nuclear issue is expected to require a range of procedures and a substantial amount of time. The South Korean government will be patient and cooperate actively not only with North Korea but also with related countries

when the six-party talks are reconvened in order to ensure the early implementation of the September 19 Joint Statement.



Inter-Korean exchanges and cooperation should continue even while the process of resolving the North Korean nuclear issue is underway.

Inter-Korean reconciliation and cooperation are critical for promoting peace on the Korean peninsula. Inter-Korean dialogue plays an important role in the process.

The past experience affirms that inter-Korean relations can play a complementary role in alleviating tensions on the Korean peninsula in the process of resolving the North Korean nuclear issue.

Serving as a catalyst for peaceful co-existence and the future integration of the two Koreas, inter-Korean exchanges and cooperation would be difficult to revive once stopped.

That is the reason why the South Korean government should maintain the dynamic of the inter-Korean exchanges and cooperation. Through the development of inter-Korean relations, Seoul will make efforts to facilitate the resolution of the North Korean nuclear issue.

We are revisiting the Policy for Peace and Prosperity





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Misunderstandings and facts about the Policy for Peace and Prosperity and North Korea's nuclear test

What is the Policy for Peace and Prosperity?

The Roh administration's policy toward North Korea was named the Policy for Peace and Prosperity, which further developed the Policy for Reconciliation and Cooperation of the Kim Dae-jung government.

The Roh administration's policy aims to work out several difficult problems on the Peninsula through dialogue and cooperation based on mutual trust and reciprocity.

The South Korean government places emphasis on close cooperation with the international community, and the citizens' participation and consensus in the process of implementing the policy.

Under this principle, Seoul will expand and balance the exchanges in both security and economic fields, which lays the groundwork for peace and prosperity on the Korean peninsula.

- ① The implementation of military tension-reduction measures → reduction in danger of military conflict, and enhancement of mutual trust
 ▷ the operation of common telecommunication networks between the two Koreas' military vessels (June 15, 2004) ▷ the establishment of emergency liaison system between the naval authorities (August 13, 2005) ▷ the termination of propaganda activities (June 15, 2004) ▷ the removal of propaganda equipment (August 13, 2005)
- ② Progress in inter-Korean economic cooperation → the driving force behind military tension-reduction and the North's greater dependence on the South
 ▷ the launching of the construction at the Gaeseong Industrial Complex (as of December 2006, 10,000 North Koreans are working together with 500 South Koreans) ▷ the commencement of the tours to Mt. Geumgang by land (September 1, 2003), the number of tourists surpassing 1 million (June 7, 2005)
 ▷ the ratio of inter-Korean trade to North Korea's foreign trade is rising (6% 1993, 18 % 1999, 26% 2005)
- ③ The opening of the Military Demarcation Line and the connection of two Koreas by land, sea and air → The increase in inter-Korean personal exchanges → Laying foundation for community "by changes through contacts"
 ▷ the number of personnel exchanges in 2005 exceeded that of personnel exchanges for the past 60 years combined
 ● 16,303 (2003) → 26,534 (2004) → 88,341 (2005) → 92,953 (November 2006)
- ④ The resolution of humanitarian issues and the revitalization of social and cultural exchanges
 ▷ a total of 16,346 separated family members reunited

What has the Policy for Peace and Prosperity achieved so far?

The Policy for Peace and Prosperity has created the foundation for the two Koreas' co-prosperity on the Korean peninsula.

In fact, the policy has reaped accomplishments in several areas. It has aimed at reducing inter-Korean military tensions and ameliorating North Koreans' hostility toward South Korea. It has also endeavored to create mutual benefits for the two halves of Korea and to find a peaceful resolution to the North Korean nuclear issue.

Is the Policy for Peace and Prosperity a failure as it did not prevent North Korea's nuclear test?

❶ Are North Korea's nuclear programs confined to the two Koreas?

The issue of North Korea's nuclear weapons extends not only to both Koreas but also to the international community as it is closely related to the interests of neighboring countries, such as peace in Northeast Asia and the maintenance of the international non-proliferation regime.

In particular, Pyongyang has insisted that the nuclear issue be resolved between U.S. and North Korea, and has consistently sought the discussion and resolution of the issue with the U.S. as its survival strategy.

Hence, the North Korean nuclear issue has moved forwards and backwards repeatedly under the influence of complex factors, such as relations between the U.S. and North Korea, the situation in Northeast Asia and the changes in the international environment rather than under the influence of South Korea's policy toward the North.

In the international arena, the South Korean government has fostered the six-party talks on the basis of the Policy for Peace and Prosperity. Domestically, it has made its best efforts to create positive conditions for the resolution of the North Korean nuclear issue by improving inter-Korean relations.

Nevertheless, the international character of the North Korean nuclear issue has put a limit on South Korea's efforts to resolve it.

② Did the Policy for Peace and Prosperity cause North Korea's nuclear test?

Some people criticize that the Policy for Peace and Prosperity and embracing North Korea without any conditions led Pyongyang to misjudge the situation and to conduct nuclear tests. This is not the case.

While trying to resolve inter-Korean issues through dialogue and cooperation, the South has shown a firm and strict response to North Korea's behavior that threatens peace on the Peninsula such as the missile launches and nuclear test.

As soon as Pyongyang launched its missile on June 5, 2006, Seoul suspended the provision of rice and fertilizers to North Korea.

Since North Korea's nuclear test on October 9, 2006, the South Korean government has also ceased the delivery of materials and equipment for the inter-Korean railroads and roads and stopped having the government-level discussions on inter-Korean economic projects .

Some people claim that the funds channeled to North Korea through South Korean humanitarian assistance and inter-Korean economic cooperation have been misused for the development of nuclear weapons.

However, the South Korean government has provided humanitarian assistance in the form of goods such as rice and fertilizer. Moreover, cash payments have been made for normal commercial transactions with North Korea, such as the wages for North Korean workers in the Gaeseong Industrial Complex and the admission fee for Mt.Geumgang tourists.

And there is no confirmed evidence that the funds have been misused for the development of the North Korean nuclear weapons.

Moreover, it is inappropriate to raise a question only about South Korea's cash payments for business transactions with North Korea, given that Pyongyang also makes normal economic transactions with other countries.

The future of the Policy for Peace and Prosperity will evolve.

The South Korean government will maintain the framework of the Policy for Peace and Prosperity

For the purpose of changing the Cold War confrontation, which has been deeply rooted in the Korean peninsula, into the peaceful environment that promotes reconciliation and cooperation, we should overcome the obstacles and problems to be met through 'dialogue and cooperation.'

The South Korean government cannot give up its efforts to persuade Pyongyang through dialogue in order not to worsen the already tense situation caused by North Korea's nuclear test.

Most of the South Korean people believe that South Korea should break the deadlock peacefully through dialogue and persuasion.

The South Korean government will make adjustments in accordance with changes in the situation.

The South Korean government will adjust part of its policies in the process of resolving the North Korean nuclear issue.

First of all, it will redefine the scope and

limit of its engagement with North Korea and make a firm and strict response to Pyongyang's improper actions. The government will not tolerate North Korean actions that threaten peace on the Korean peninsula and break mutual trust between the two Koreas.

Furthermore, Seoul will explore every means possible in inter-Korean relations and in the international community in order to scrap North Korea's nuclear weapons at the earliest date and in a peaceful manner. When required, the South Korean government will adjust the speed of inter-Korean relations, calling together with the international community for North Korea's bold decision on the issue.

In addition, by actively collecting the opinions of the ruling and opposition parties, leading social groups and the general public, the South Korean government will carry out the policies in a way its people support them. The South Korean government will also closely cooperate with neighboring countries and the UN so as to take concerted action with the international community.

If the two projects were to be discontinued, what influences would this have on the South Korean economy?

A major hope for small and medium-sized companies would disappear.

South Korean small and medium-sized enterprises (SMEs) are considering moving more of their factories overseas due to the worsening local business environment as a result of rising operating costs in South Korea. The Gaeseong Industrial Complex has offered a viable alternative for them.

Despite facing growing uncertainties, South Korean SMEs have invested in the complex while risking the future of their companies. Therefore, halting the project would harm the South's SMEs.

South Korean companies will bear the burden created by the discontinuation of the projects.

Ending the projects would inflict a tremendous damage on the South Korean enterprises. 36 South Korean companies are participating in the Mt.Geumgang tourism project with \$278 million in investment in infrastructure and facilities there. 1.4 million people have toured Mt.Geumgang as of October 2006. Sunk costs in infrastructure in the Gaeseong Industrial Complex have amounted to \$328 million so far.

South Korea's sovereign credit rating might be lowered.

Based on the continuing Gaeseong Industrial Complex and the Mt.Geumgang tourism project, foreign investors have determined that the South Korean economy remains stable even when inter-Korean relations are sour. This is confirmed by the fact that the stock market remained stable even after North Korea's nuclear test.

Therefore, halting the projects could be seen as a sign of increasing uncertainty on the Korean peninsula, which might lead to negative consequences, such as a decrease in South Korea's sovereign credit rating and distress in financial and foreign exchange markets on the overall economy.

What influences have two projects had in security aspect?

The projects have alleviated military tensions.

The two projects have contributed to an advance in inter-Korean relations and military tension-reduction in both direct and indirect manner.

Inter-Korean talks between military authorities have been held for the first time in order to provide military guarantees of safety for inter-Korean economic cooperation projects. Cooperation in the military field has been expanded.

The two projects have necessitated the opening of the Military Demarcation Line and the removal of landmines in the Demilitarized Zone, something unthinkable not so long ago.

As inter-Korean economic cooperation has lowered military tensions since the 2000 inter-Korean summit, the development of the border areas was made possible. For example, a large-scale LCD factory and an English-speaking village were built in Paju City, just several miles from the Military Demarcation Line.

The suspension of the project would aggravate the security situation on the Korean peninsula.

If two projects were discontinued, the North Korean military would reoccupy the Gaeseong and Mt. Geumgang areas, which would raise tensions between the two Koreas.

Discontinuing the two projects that have been the very symbols of inter-Korean reconciliation and cooperation could send a wrong signal to Pyongyang and is likely to provoke the North.

Should the two projects be discontinued in the future?

As normal business transactions, the two projects are not subject to the UN Resolution 1718.

Resolution 1718 relates to sanctions against North Korea for nuclear, missile and other WMD-related items and assets.

The Gaeseong Industrial Complex and Mt.Geumgang tourism project belong to normal business transactions which are not related to "nuclear, missile and WMD weapons." Therefore, the resolution is not applicable to the two projects.

They are inter-Korean economic cooperation projects pursued by private enterprises for the purpose of profit-making. So the payment for North Korean labor is part of normal business transactions.

There is no evidence that the money paid to North Korea has been diverted for other purposes.

In the Gaeseong Industrial Complex, the North Korean authorities deduct 30% of the

workers' wages for social security fees which cover the cost of providing medical care and education by the government. The remaining wages are paid to the workers in the form of North Korean won and such daily necessities as food and clothes.

The discontinuance of the projects is inconsistent with the ultimate purpose of the UN resolution.

The sanctions against North Korea themselves are not the ultimate goals but the means to facilitate the peaceful resolution of the North Korean nuclear issue by inducing changes in North Korea's behavior. Thus, the resolution emphasizes not only sanctions against North Korea but also the diplomatic efforts, especially through the six-party talks.

Ending the projects not only does not fit the ultimate purpose of the resolution but also could reduce the arena in which South Korea could play a significant role in the process of resolving the North Korean nuclear issue.



**This is all about South Korea's
humanitarian assistance for
North Korea.**



What have been the accomplishments of humanitarian assistance to North Korea?

The number of North Korean deaths by starvation has declined dramatically.

North Korea has suffered from mass famine since 1995. The number of people dying of starvation peaked at 70,000 ~ 80,000 a year and declined to 40,000 after humanitarian assistance by the international community started in 1998, according to the (South) Korean National Statistics Office's estimate of the North Korean population. The North Korean authorities also mentioned that people dying of starvation totaled 220 thousand between 1995 and 1998 during a UNICEF conference in May 2001.

Humanitarian assistance has made a substantial improvement in the vulnerable groups' nutritional status.

Humanitarian assistance to North Korea has greatly contributed to improving the nutritional status of vulnerable groups, especially infants and pregnant women.

Comparing surveys conducted by the WFP and UNICEF twice in 1998 and 2004, show remarkable improvements; acute malnutrition decreased from 15.6% to 7.5%, chronic malnutrition from 62.3% to 35.9 %, and underweight from 60.6% to 23.3%.

Changes in the motives of those escaping from North Korea have been reported.

In the past, North Koreans left their country as a survival strategy against famine, but recently more people have defected for better life. A 2001 survey of North Korean refugees reported that 70% of the refugees were women in charge of their households' livelihood and 20% of the women have left with their families.

The North Korean people's awareness of South Korea has increased.

Continuous assistance to North Korea has contributed to alleviating the North Korean people's hostility toward South Korea, turning their negative impression of South Korea into positive one.

In a survey of 1,370 North Korean refugees in November 2005, half of those surveyed reported that they had regarded South Korea as an enemy at the end of 1990s, but recently 67% of those surveyed expressed friendly feelings toward South Korea.

How much assistance has been provided to North Korea?

Humanitarian assistance worth 2.4 billion U.S. dollars has been provided since 1998.

The claim that 8.6 billion U.S. dollars has been provided for the past eight years is not true. Such a miscalculated figure is an overestimation which includes not only humanitarian assistance but also business transactions, the funds for the light water reactor project, the Gaeseong and Mt.Geumgang projects.

Inter-Korean economic cooperation and assistance to the North are not the same

Being provided on humanitarian grounds to help North Koreans in need due to severe economic difficulties, "assistance to North Korea" is one-sided while "inter-Korean economic cooperation" is a reciprocal economic transaction as the North and the South seek to obtain mutual benefits.

With such differences in the two categories' purposes and characteristics, "assistance toward North Korea" is provided at the request of the North while "inter-Korean economic cooperation" represents the South's request to the North.

Due to a clear difference in their characteristics, the South Korean government has maintained separate statistics on "assistance to North Korea" from those on "inter-Korean economic cooperation" since the 1990s.

Humanitarian assistance to North Korea is provided on the in-kind basis and includes no cash.

The scope of humanitarian assistance since the Kim Dae-jung government has included provision in kind worth \$ 1.8 billion at the governmental level and provision in kind worth \$ 643 million at the private level, totaling \$ 2.4 billion.

Period	Assistance details	Amount
Kim Dae-jung government ('98 ~ '02)	- Government : \$ 660 million * 1.14 million tons of rice, 0.8 million tons of fertilizers - Private Sector : \$ 257 million	\$ 918 million
Roh Moo-hyun government ('03 ~ '06)	- Government : \$ 1.2 billion * 1.6 million tons of rice, 1.3 million tons of fertilizers - Private Sector : \$ 385 million	\$ 1.6 billion

The funds for light-water reactors were allocated for the resolution of the North Korean nuclear issue.

The funds had already been pledged for the light-water reactor project when the 1994 Agreed Framework was signed in Geneva. The Kim Dae-jung administration in Geneva and the following Roh Moo-hyun administration implemented the budget in accordance with their commitment to the Agreed Framework.

The funds have been spent on paying the Korean Peninsula Energy Development Organization for pursuing the project and on paying the interest on government bonds. Most of the funds were not paid to North Korea but to the South Korean companies which were involved in the construction of the light water reactors.

Cash payments are made to pay for business transactions for inter-Korean economic cooperation.

South Korean private companies have made payments for North Korea in the process of pursuing inter-Korean economic cooperation including the Gaeseong and Mt.Geumgang tourism projects. However, they have been normal business transactions for the purpose of profit-making, not humanitarian aid to North Korea.

- * Foreigners visiting North Korea also pay fees, including visa fees and airport taxes.

Investments in the Gaeseong Industrial Complex and Mt. Geumgang tourism projects have nothing to do with humanitarian assistance to North Korea.

The projects' investments which have been spent on infrastructure and construction of factories, and other facilities cannot be considered a direct assistance to North Korea.

- ✦ Investments in Gaeseong Industrial Complex: infrastructure, site-leveling work, factory construction, the building of electricity and telecommunications networks, and other facilities such as convenience stores.

- ✦ Investment in Mt. Geumgang tourism project: Hyundai-Asan's direct investments in Onjeonggak (facilities), docking facilities and a maritime hotel, 36 other business investments in facilities such as golf courses.

Appendix :
Major points of the September 19, 2005
Joint Statement

Major points of the September 19, 2005 Joint Statement

Article 1: The scrapping of North Korea's nuclear weapons and resolving the security concerns of North Korea.

- North Korea pledged to abandon all nuclear weapons and existing nuclear programs and to return to the NPT and IAEA Safeguards at the earliest date.
- The United States affirmed that it has no intention to attack or invade North Korea with nuclear or conventional weapons
- South Korea affirmed that there are no nuclear weapons within its territory.
- North Korea has the right to the peaceful use of nuclear energy. The other parties expressed their respect and agreed to discuss, at an appropriate time, the provision of light water reactors to North Korea.

Article 2: The normalization of relations between the U.S. and North Korea

- North Korea and the United States undertook to respect each other's sovereignty, peacefully coexist, and take steps to normalize relations subject to their respective bilateral policies.
- North Korea and Japan will undertake to take steps to normalize relations.

Article 3: International assistance to North Korea

- The Six Parties undertook to promote economic cooperation in the fields of energy, trade and investment, bilaterally and/or multilaterally.
- China, Japan, South Korea, Russia and the US stated their willingness to provide energy assistance to North Korea.
- South Korea reaffirmed its proposal of July 12, 2005 concerning the provision of 2 million kilowatts of electric power to North Korea.

Article 4: Peace and prosperity on the Korean peninsula and stability in Northeast Asia.

- The related parties will negotiate a permanent peace regime on the Korean Peninsula at an appropriate separate forum.
- The Six Parties agreed to explore ways and means for promoting security cooperation in Northeast Asia.

Article 5: Implementation

- The Six Parties agreed to take coordinated steps to implement the afore-mentioned consensus in a phased manner in line with the principle of "commitment for commitment, action for action."