



President Lee Myung-bak on Liberation Day, August 15, 2009

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Establishing Principled Inter- Korean Relations

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Chapter 1. Establishing Principled Inter-Korean Relations

The Lee Myung-bak administration took office amid expectations of the Korean people for renewed inter-Korean relations. Despite their expansion over the last decade, inter-Korean relations came under criticism for a lack of qualitative development and an inappropriate development process. As North Korea continued to develop nuclear weapons, South Koreans became increasingly disappointed in the North and concerned about national security.

Responding to such demands for changes in inter-Korean relations, the Lee administration based its North Korea policy on advancing inter-Korean relations for mutual benefits and common prosperity. To this end, the Lee administration has tried to establish a concrete foundation for peaceful Korean unification by creating a new peace structure on the Korean peninsula through resolving the North Korean nuclear issue, creating an economic community for mutual benefits and common prosperity, and promoting humanitarian cooperation between the two Koreas. The Republic of Korea government pursued the “Vision 3000: Denuclearization and Openness” initiative as a practical implementation strategy. The Vision 3000 initiative proposes a set of projects aimed at building a path for common prosperity for both Koreas while creating an environment that facilitates North Korea’s abandonment of its nuclear program. In pursuing this initiative, the ROK government established some fundamental principles in inter-Korean relations and sought sincere dialogue and cooperation with the North based

on mutual respect. While adhering to principles, the ROK government also took a flexible approach in order to develop stable inter-Korean relations, in accordance with the reality on the Korean peninsula.

However, ever since the start of the Lee administration, North Korea criticized our policy as “confrontational” and refused to build new inter-Korean relations. Demanding a renouncement of the Vision 3000 initiative, North Korea unilaterally suspended inter-Korean dialogue and continued to make verbal assaults against the ROK government. Furthermore, it took unilateral, hard-line measures, including the shooting death of a South Korean tourist at Mt. Geumgang, restrictions on overland travel across the inter-Korean border, and the detention of a South Korean worker at the Gaeseong Industrial Complex. Despite warnings from the ROK government and the international community, North Korea launched a long-range rocket and conducted its second nuclear test, further deteriorating inter-Korean relations and the situation on the Korean peninsula.

Despite the North’s verbal assaults and hard-line measures toward the South, the ROK government remained calm and firm, sticking to its principles while seeking inter-Korean dialogue to resolve pending issues. Despite a suspension of government-level inter-Korean talks, the ROK government continued to promote inter-Korean exchanges and cooperation in the private sector and provided pure humanitarian assistance to the North. In his Liberation Day speech on August 15, 2009, President Lee Myung-bak proposed a solution for the Korean peninsula under a comprehensive plan to establish Korean peace based on the Vision 3000 initiative. The ROK government announced the “New Peace Initiative for the Korean Peninsula,” and, building on that, it proposed to the international community a “Grand Bargain,” or comprehensive approach to resolving the North Korean nuclear problem.

However, North Korea responded to ROK government efforts with continued provocations, including the November 2009 sea battle near Daechong Island, the seizure of ROK private and government properties and assets in the Mt. Geumgang district, and a surprise torpedo attack on the

ROK naval ship *Cheonan*, leading to the tragic death of 46 ROK sailors.

The *Cheonan* attack made us realize that, despite quantitative increases in inter-Korean exchanges in the past, North Korea has not changed, and that as long as North Korea continues to make military provocations, it is impossible to advance inter-Korean relations and establish true peace on the Korean peninsula. The *Cheonan* attack was an unacceptable incident that tested the limits of the ROK’s goodwill and patience for advancing inter-Korean relations.

Consequently, the ROK government announced a set of firm, substantial measures against the North to put an end to a vicious cycle of provocations by making it clear to the North that there are consequences to such wrongful acts. In so doing, the ROK government hopes to promote normal, healthy inter-Korean relations in order to establish peace and stability, promote common prosperity, and, ultimately, achieve peaceful national unification. The ROK government pursues its North Korea policy based on the support and public consensus of the South Korean people as well as the coordination and cooperation with the international community.

I . Basic Directions of the Government’s North Korea Policy

The Lee administration’s North Korea policy is a continuation of past policies as it aims to advance inter-Korean relations by establishing peace on the Korean peninsula through the pursuit of openness, exchanges and cooperation. The basic tenet of past administrations’ North Korea policies was to promote peace on the Korean peninsula by actively responding to the changing international environment after the end of the Cold War in the late 1980s. Past administrations tried to create a national community through inter-Korean exchanges and cooperation, and gradually move toward a peaceful unification of the two Koreas. While keeping such basic tenets of past policies, the Lee administration took into account public demands, its

own philosophy, situational changes on the Korean peninsula, and the international environment.

In the last decade, inter-Korean relations improved in terms of increased cross-border visits and joint economic projects, but the results of engagement did not meet the expectations and demands of the Korean people. North Korea continues to suffer economic hardships despite considerable assistance from the ROK, and we have yet to make sufficient progress on inter-Korean humanitarian issues such as separated families, South Korean prisoners of war (POWs), and abductees to satisfy the desires of Korean people. Moreover, North Korea went against the shifting international tide by carrying out nuclear tests and firing long-range rockets, which paralyzed scant dialogue and cooperation on pending security issues such as denuclearization and military tension reduction. This increased public criticism that North Korea did not make positive changes to correspond with the ROK's assistance and cooperation. This aroused controversy and conflict in the South over providing unilateral assistance to the North.

Taking such criticism into consideration, the Lee administration realigned its North Korea policy. Above all, it placed a priority on achieving substantial results and the feasibility in solving pending issues, based on its philosophy of "creative pragmatism." Avoiding ideology or political slogans, it tried to apply pragmatism to inter-Korean relations and build productive relations with the North by setting realistic goals and adopting workable means. It also sought national consensus and unity to develop ties in a mutually beneficial way.

Changes on the Korean peninsula and in inter-Korean relations were considered as well. The crux of the Lee administration's North Korea policy is to lay a foundation for peaceful national unification. The Vision 3000 initiative is based on the administration's critical understanding that the North Korean nuclear issue must be resolved and asserts that denuclearization will foster inter-Korean relations based on principles and trust.

In the post-Cold War era, many countries opted for reform and openness to achieve national development. In contrast, North Korea refused such a path and has headed in the opposite direction. During the past decade, North Korea has adjusted while implementing abnormal foreign policies and inter-Korean policies. For example, rather than reform and open up to become part of the global economic system, North Korea pursued established external policies from a completely opposite perspective, which has failed to contribute to the establishment of a stable international environment and inter-Korean relations based on confidence. In the realm of international relations, North Korea has resorted to provocations and the demonstration of military force for its survival, rather than pursuing normal behavior through institutional cooperation. The North's nuclear program and its brinkmanship tactics are cases in point. North Korea's second nuclear test in May 2009 (the first was in October 2006) severely undermined peace on the Korean peninsula and inter-Korean cooperation. Since the late 1990s, North Korea has pursued a military-first policy and a doctrine to establish a "powerful and prosperous nation." The North has conducted nuclear tests and continued to develop conventional weapons as a means to achieve political ends such as distracting attention from internal and external difficulties while seeking ways to turn the situation to its advantage and overcome international sanctions.

Such North Korean behavior poses grave threats to the stability of the Korean peninsula and Northeast Asia, and is a serious challenge to the nonproliferation efforts of the international community. Unless the North gives up its nuclear program, sincere confidence-building and cooperation between the two Koreas will remain far-fetched, and the international community will not support the unification of a nuclear Korean peninsula. Thus, denuclearization of North Korea must be recognized as a core issue and the foremost priority in achieving peace and peaceful Korean unification. This is why the ROK government proposed the Vision 3000 initiative, which includes action plans that create an environment conducive to North Korea's denuclearization and large-scale assistance through

expanded inter-Korean and international economic cooperation as progress is made on the nuclear issue. Now is the time for the government to pursue a prudent strategy and vision to establish durable peace on the Korean peninsula through denuclearization, achieve economic integration by narrowing the economic gap between the two Koreas, and advance toward peaceful unification.

In his inaugural speech on February 25, 2008, President Lee Myung-bak emphasized the need for North Korea's denuclearization and mutual respect between the two Koreas, and he also declared his commitment to promoting productive inter-Korean relations. The president made it clear that he was ready to have a dialogue with the North whenever necessary to achieve such goals.

Based on such a stance, the ROK government in 2008 established its "North Korea Policy for Mutual Benefits and Common Prosperity" with the following three visions in mind.

First, the ROK government hopes to create a new peace structure on the Korean peninsula through the denuclearization of North Korea. Unless the North Korean nuclear issue is resolved, our efforts to achieve durable peace on the Korean peninsula and substantial development of inter-Korean relations will not succeed. If, however, the North abandons its nuclear program and embarks on the path for economic development, this would serve as an opportunity to create a new peace structure on the peninsula, and inter-Korean relations will move to the next level.

Second, we are committed to building an inter-Korean economic community for mutual benefits and common prosperity. To expand inter-Korean economic cooperation and lay the foundation for an economic community, we should move away from past practices of giving unilateral assistance to North Korea and instead pursue mutually beneficial complementary cooperation.

Third, humanitarian issues must be resolved for the welfare of the people in both Koreas. We are committed to resolving humanitarian issues such as separated families, prisoners of war, and abductees, which are

painful scars of national division. We also must raise the standard of living for all Koreans so that people in the North and the South will live happily together in the future.

To realize such visions, the ROK government set three principles and directions for the development of inter-Korean relations.

Most of all, the ROK government considered North Korean denuclearization as the most important principle and, therefore, gave the highest priority to the resolution of the North Korean nuclear issue. The Vision 3000 initiative was introduced as a practical implementation strategy to realize denuclearization and inter-Korean relations for mutual benefits and common prosperity. Under this initiative, the ROK government proposes that, in principle, inter-Korean cooperation must be pursued, but, at the same time, it proposes to expand and advance bilateral cooperation in a gradual manner as progress is made on denuclearization. At the same time, the South stresses to the North that, realistically, there are limitations to the expansion of cooperation if the nuclear issue is not resolved. This is a strategic approach that induces North Korea to make a choice by proposing clear benefits it would gain if it abandons its nuclear program. In other words, if the North decides to abandon its nuclear program, the ROK government, together with the international community, will offer assistance to the North with the aim of raising its per capita income to US\$3,000 within ten years. This is a comprehensive assistance package for the North's economic recovery and enhancement of the people's livelihood in return for making progress on denuclearization. The Vision 3000 initiative includes specific sub-strategies to realize "inter-Korean relations for mutual benefits and common prosperity," and we hope to come up with specific, feasible plans through inter-Korean dialogue. When the strategy is fully implemented, exchanges of people and goods will expand, raising the quality of life for the North Korean people and bridging the economic gap between the two Koreas. It will lead to the creation of a *de facto* inter-Korean economic community, which will chart a path toward national unification that ensures dignity, basic rights, freedom, and welfare for all Koreans.

Second, the ROK will pursue sincere dialogue and cooperation based on mutual respect. The philosophical background of the Vision 3000 initiative is that its foundation should be mutual trust between the two Koreas. Despite large-scale assistance from the ROK and vigorous exchanges and cooperation in the past, North Korea has carried out provocative actions against the South and threatened the international community. The North has failed to address its economic crisis and improve the lives of its people. In the future, inter-Korean exchanges and cooperation and assistance to the North will be promoted through official government channels in a transparent manner. Furthermore, North Korean provocations will never be tolerated. The ROK government will promote inter-Korean relations for mutual benefits, not through unilateral assistance but through mutually beneficial cooperation.

Third, the ROK government will promote inter-Korean relations grounded on universal human values. Liberal democracy and a market economy are now the universal principles of national development. Although the ROK government has in the past taken a somewhat passive and limited approach to North Korean human rights, it now emphasizes that human rights are a matter of universal values and it is a moral obligation to support the human rights of our brethren. North Korean refugees, POWs, abductees, and separated families are a matter of essential human rights. The ROK has maintained its assistance to vulnerable groups such as infants and children in the North from this point of view. The ROK government considers the promotion of liberal democracy and a market economy along with respect for North Korean human rights as important principles of our North Korea policy not from a strategic viewpoint but with an aim of realizing universal values.

II . Policy Implementation

1. Principled Inter-Korean Relations

A. Vision 3000: Denuclearization and Openness

The ROK government consistently pursued a North Korea policy to encourage changes in the North's behavior in order to achieve the goals of denuclearization and the development of inter-Korean relations for mutual benefits and common prosperity. In his New Year's address on January 2, 2009, President Lee Myung-bak said that he would remain calm and resolute but, at the same time, take a flexible approach in dealing with inter-Korean relations. He also stated that the two Koreas should leave behind confrontation and conflict and enter a new era of mutual benefits and common prosperity. In his Independence Movement Day speech on March 1, the president stressed his respect for inter-Korean agreements and the intention to advance inter-Korean dialogue and cooperation based on these agreements. He also urged the North to engage in inter-Korean dialogue at an early date.

Unification Minister Hyun In-Taek also set forth six principles in his inaugural speech on February 12, 2009. First, he declared he would work toward creating peace on the Korean peninsula, building inter-Korean relations for co-existence and co-prosperity for the future of the Korean people, and, ultimately, achieving peaceful national unification. Second, he stated his commitment to uphold principles but, at the same time, to respond with flexibility. Third, he emphasized the need to build trust between the two Koreas through sustainable dialogue and cooperation. Fourth, he declared that denuclearization of North Korea is absolutely necessary to improve inter-Korean relations and for North Korea to become a responsible member of the international community. Fifth, the ROK government will actively cooperate to provide humanitarian assistance that the North needs. Sixth, he underlined that the Lee administration would pursue a North Korea policy based on a national consensus.

B. North Korea's Hard-line Measures and Detention of a GIC Employee

At the start of 2009, North Korea made it clear that it would continue a hard-line policy toward the South and take an “all-out confrontational posture” in the January 17 statement of the spokesperson for the General Staff of the [North] Korean People's Army. On January 30, the Committee for the Peaceful Reunification of the Fatherland of North Korea also announced that it would nullify all inter-Korean agreements regarding political and military affairs. In addition, the North cut inter-Korean military communication lines on March 9, as it denounced the ROK-U.S. annual military exercise Key Resolve. The North also restricted overland travel between the two Koreas three times (March 9, March 13-15 and March 20). The South pointed out that the North's unilateral restriction is a violation of inter-Korean agreements and urged it to withdraw the restrictions. On March 15, Unification Minister Hyun In-Taek met with the Association of Businesses in the Gaeseong Industrial Complex (GIC) and listened to their opinions and grievances caused by the North's unilateral actions. On March 16, the ROK government convened a Presidential Advisory Council for Unification to give a briefing on its position regarding the North's border restrictions and dealt with the situation calmly and resolutely based on a national consensus by reviewing opinions from various sectors of society.

On March 30, North Korea detained a South Korean employee of the Gaeseong Industrial Complex after unilaterally notifying us that it would investigate him. North Korea purported that the South Korean had criticized the North Korean regime and then detained him for 137 days. The ROK government took a principled response with a view that protecting the safety of its citizens is a fundamental duty of the state. The ROK authorities sent messages of protest twice (on March 31 and April 4) to point out that the North's unilateral detention was in violation of inter-Korean agreements on entry and stay in the GIC as well as the North's Kaesong Industrial Zone

Act.¹⁾ The ROK also strongly urged the North to disclose the contents and procedures of the investigation and allow him visits. The South continued to urge the North to release the worker at an early date through an inter-Korean governmental contact regarding the GIC on April 21 as well as three rounds of working-level meetings (June 11, June 19, and July 2).

During the April 21 meeting, North Korea said that it would review all preferential measures regarding the GIC project. It demanded revisions to land lease contracts, a reduction in the grace period for land use fees, and a pay raise for North Korean workers in the GIC. On May 15, the North's General Bureau for Central Guidance to the Development of the Special Zone announced that the North would rescind GIC-related laws, regulations, and contracts. The ROK government made it clear that the North's measures were not acceptable when the Unification Ministry spokesperson released a commentary as well as in inter-Korean contacts that followed. Taking a principled approach, the ROK government stated that it is unjustified for a party to renege on an agreement and unilaterally change the terms of a signed contract. At the June 11 GIC working-level meeting between the two authorities, the North demanded unreasonable increases in land lease fees, rents, and wages. In response, the South urged the North to respect existing agreements and contracts, and stated that it could not accept the North's unreasonable demands. At the same time, the ROK government proposed an early resolution of the detainee issue; the lifting of restrictions on overland travel; an improvement in border crossings, communication, and customs clearance; the establishment of a standing committee for entry, stay, and exit; and a joint study tour of industrial complexes abroad.

1) The Kaesong Industrial Zone Act is North Korean laws and regulations that govern the Gaeseong Industrial Complex. “Kaesong” and “Gaeseong” refer to the same place but are transliterated differently by the North and the South, respectively. This *White Paper* uses “Gaeseong” in principle, with the exception of the Kaesong Industrial District Management Committee (KIDMAC) and the North's Kaesong Industrial Zone Act.

C. North Korean Nuclear Development and UN Security Council Resolution 1874

The North Korean nuclear problem continued to worsen. North Korea fired a long-range missile from Musudan-ri, North Hamgyong Province on April 5 despite repeated warnings from the international community. According to United Nations Security Council Resolution 1718, which was unanimously adopted by the 15 member states after the North's nuclear test in October 2006, North Korea shall not launch any ballistic missiles and shall suspend all activities related to its ballistic missile program. When the North Korean rocket launch was imminent, the ROK government convened a security-related ministers' meeting and took measures to secure the safety of those visiting or staying in the North. After the launch, the ROK government released a statement declaring the launch was a clear violation of UN Security Council resolutions and constituted a provocation that threatened peace and stability on the Korean peninsula and in Northeast Asia.

Government Statement on North Korea's Launch of a Long-Range Rocket (April 5, 2009)

1. It has been confirmed that at 11:30:15 on April 5, 2009, North Korea launched a long-range rocket from a launch site in Musudan-ri, North Hamgyong Province. The ROK government is cooperating closely with the United States and other countries on fact-finding and information sharing in connection with the launch.
2. The launch is a clear violation of UN Security Council resolution 1718 and a provocative act, despite any claims made by North Korea, and it jeopardizes the peace and stability on the Korean peninsula and in Northeast Asia.
3. Moreover, the ROK government, together with the international community, is deeply disappointed about North Korea's excessive expenditure on the missile launch, which instead could have been spent to alleviate its chronic food shortages.
4. The ROK government and the governments of countries such as the United States, Japan, the People's Republic of China, and the Russian Federation continuously warned North Korea until the last minute not to launch the rocket. The ROK government expresses grave concern that North Korea disregarded such warnings and proceeded with the launch.
5. The ROK government is strengthening its preparedness to deal with any possible provocations by North Korea and, in close consultation with the UN and other countries, is taking appropriate steps in response to the launch.

The UN Security Council adopted a presidential statement that prescribed the April 13 rocket launch by North Korea as a violation of resolution 1718. The following day, North Korea's Foreign Ministry called the presidential statement an act of crime and announced that North Korea would withdraw permanently from the Six-Party Talks. Furthermore, the statement declared that North Korea would continue to exercise its right to the peaceful exploration of outer space, actively consider building a light-water reactor by itself, strengthen its nuclear deterrent, restore and begin the normal operation of its nuclear facilities, and reprocess spent fuel rods. These actions are blatant violations of UN resolutions and the norms of the international community. They also represent a full suspension of the denuclearization process pursued under the September 19, 2005 Joint Statement and the February 13, 2007 Agreement.

The ROK government, expressing deep regrets, urged North Korea to comply with the presidential statement and return to the Six-Party Talks. However, the North Korean Foreign Ministry on April 29 expressed that Pyongyang would take additional measures for self defense, including the testing of nuclear weapons, the flight-testing of intercontinental ballistic missiles, the building of light-water reactors (LWRs), and beginning the development of technologies to ensure domestic production of nuclear fuel for LWRs. In other words, North Korea expressed its intent to start uranium enrichment.

North Korea finally conducted its second nuclear test on May 25, 2009. Immediately after the test, the [North] Korean Central News Agency announced that the test was successful and that it would strengthen national autonomy, protect socialism, and promote peace and security on the Korean peninsula. The ROK government held an emergency meeting of the National Security Council immediately after the nuclear test to monitor the situation and to implement countermeasures. The ROK government statement reiterated its zero-tolerance of North Korea's nuclear programs.

Government Statement on North Korea’s Nuclear Test (May 25, 2009)

North Korea conducted its second nuclear test on May 25, defying the repeated warnings from the ROK government and the international community.

The nuclear test jeopardizes peace and stability not only on the Korean peninsula but in Northeast Asia and beyond. North Korea’s nuclear program poses grave challenges to the international anti-proliferation regime.

The test is also a breach of the obligations under the Joint Declaration of the Denuclearization of the Korean peninsula and the Six-Party Talks and is a clear violation of UN Security Council resolution 1718, which bans further nuclear tests. This is a provocation that cannot be accepted.

The ROK government will closely work with the participants of the Six-Party Talks (the United States, Japan, China, and Russia) as well as the international community to make sure that the UN Security Council takes appropriate measures.

The ROK government urges North Korea to abandon all nuclear weapons and related programs and immediately return to the Non-Proliferation Treaty so as to fully comply with international regulations as a responsible member of the international community.

The international community showed a united response in dealing with the North’s nuclear test. The United States, Japan, China, and Russia also strongly denounced the nuclear test. The UN Security Council held an emergency meeting where it prescribed North Korea’s nuclear test as a violation of resolution 1718 (adopted on October 14, 2006), condemned the test, and initiated discussions on sanctions against North Korea.

The Security Council unanimously adopted resolution 1874 that imposed sanctions against North Korea, including cargo inspections, an embargo on weapons-related materials, a ban on export of luxury goods to North Korea, and the prohibition of transactions with North Korean entities subject to sanctions. The ROK government welcomed and supported resolution 1874 and took related unilateral measures. It expanded the list of prohibited items for import/export to and from the North by revising and implementing the Notice on Items Approved to be Carried into North Korea and the Approval Procedures, and the Items Prohibited for Cross-border Travelers and the Handling Procedures. It also designated 13 items, including

liquor, cosmetics, leather goods, furs, and precious metals, as luxury goods prohibited for export to North Korea and disseminated the list. Anyone who desires to carry those luxury items into the North must obtain an approval by the Unification Minister. Exceptions are only granted for the personal use of South Koreans staying in the North. Furthermore, ROK fiscal and financial authorities revised related laws and regulations to ban transactions between South Korean corporations and North Korean entities subject to sanctions. The ROK government explained the new measures to the South Korean private businesses involved in inter-Korean economic cooperation projects. The ROK government submitted a report on its implementation of resolution 1874 to the United Nations on July 27.

UN Security Council Resolution 1874 (June 13, 2009)

- 1. Arms Embargo**
 - Bans transfer, export, and import to and from the DPRK of weapons and related materials.
- 2. Cargo Inspection**
 - Calls on states to conduct inspections of suspected vessels to and from the DPRK in their territories including seaports and airports, and with the consent of the flag state on the high seas or, if the flag state does not consent, obliges the flag state to direct their vessels to an appropriate port for inspection.
 - Authorizes states to seize and dispose of prohibited items and prohibits bunkering services such as the provision of fuel to suspected vessels.
- 3. Financial and Economic Sanctions**
 - Prohibits financial transactions that could contribute to the DPRK’s WMD or missile-related programs or activities.
 - Prohibits grants, financial assistance or concessional loans except for humanitarian and developmental purposes or for the promotion of denuclearization.
- 4. Implementation Mechanism**
 - Obliges the Sanctions Committee to report an action plan and the member states to report on their implementation of the resolution.

In the meantime, the ROK government announced on May 26 that it would participate in the Proliferation Security Initiative (PSI) to cope with the serious threats to world peace and security posed by the proliferation of weapons of mass destruction and missiles. North Korea opposed the decision and maintained in the statement of its representative to Panmunjeom that it would regard the South's participation in the PSI as a declaration of war, and the North Korean military would no longer be subject to the Armistice Agreement. The ROK government responded that PSI participation was not containment directed at North Korea and that the South's full participation in the PSI would not change the status of the Inter-Korean Maritime Agreement.

D. The New Peace Initiative on the Korean Peninsula and the Grand Bargain

Despite North Korea's hawkish measures and its second nuclear test, the ROK government maintained consistency in implementing its North Korea policy. In his radio address on June 1 and in his Memorial Day address on June 6, President Lee Myung-bak made it clear that the North's nuclear test jeopardized peace on the Korean peninsula and in Northeast Asia, and if North Korea disregarded dialogue and a path toward peace, military threats and provocations would not be tolerated. He said that if Pyongyang were open-minded and sincere regarding discussions about the future, he would be open for dialogue and cooperation whenever and wherever necessary. Also, he reiterated that the South would make every effort together with the international community to help the North if Pyongyang discarded its nuclear programs and came forward for reconciliation and cooperation.

Based on the Vision 3000 initiative President Lee proposed the "New Peace Initiative for the Korean Peninsula" and the "Grand Bargain," strategies suited for the reality on the peninsula. President Lee first proposed the New Peace Initiative, a comprehensive idea to bring peace on

the peninsula, in his Liberation Day address on August 15, 2009. The basic concept is to build mutual trust between the North and the South through the dismantlement of nuclear weapons, which have posed a fundamental threat to peace on the peninsula, and a reduction of conventional weapons. On the condition that the North abandons its nuclear programs, the initiative proposes to implement international cooperation programs that can dramatically raise the quality of life of the North Korean people, to initiate an inter-Korean high-level meeting dedicated to the establishment of a common economic community, and to execute development projects focused on economy, education, finance, infrastructure, and quality of life. The president's initiative also stressed the need for discussions on a reduction of conventional weapons. Urging Pyongyang to have a dialogue on the conditions under which it would give up its nuclear weapons, the New Peace Initiative emphasizes the South's commitment as well.

On September 21, 2009, President Lee proposed the Grand Bargain as a fundamental solution to the North Korean nuclear issue when he addressed a luncheon meeting co-hosted by the Korea Society, the Council of Foreign Relations, and the Asia Society. In line with the New Peace Initiative, the Grand Bargain, a comprehensive deal, proposes to provide North Korea with a concrete security assurance and to seek large-scale international assistance as North Korea abandons the core components of its nuclear programs through the Six-Party Talks. The Grand Bargain is a comprehensive solution that views the North Korean nuclear problem from the broader context of the North Korean problem. It is a move away from past patterns of oscillating between negotiation and stalemate and between progress and setback. It is distinguishable from past approaches that emphasized partial and gradual solutions. Instead, the Grand Bargain proposes to draft specific action plans through consultations among the countries in the Six-Party Talks based on the final outcome of North Korea's nuclear abandonment. The details and specific implementation plans of the Grand Bargain would be discussed through inter-Korean talks and consultations among the countries in the Six-Party Talks.

I hope the North and South will have a candid and frank dialogue about what it will take for North Korea to give up its nuclear weapons. When the North shows such a determination, my administration will come up with a new peace initiative for the Korean Peninsula. We will actively seek an international cooperation program to ensure economic development in the North to enhance the quality of life for the North Korean people. We will establish a high-level meeting between the two Koreas to realize a common economic community in the coming years and will pursue development projects focused on five major areas—the economy, education, finance, infrastructure and quality of life—in cooperation with other countries and international organizations.

Along with the denuclearization of the Korean Peninsula, a reduction in conventional weapons must also be discussed. Only when we reduce the number of weapons and troops, and redeploy them to the rear, will we be able to take a step forward to genuine peace.

Now is the time for the North and South to come to the table and talk about these issues. I would like to say clearly that my administration is ready to start talks and cooperation with the North on all issues between us, at any time, at any level.

Excerpts from President Lee's address
on the 64th Liberation Day on August 15, 2009

(For us) to achieve this peaceful unification, we must first attain the goal of a Korean peninsula, free of nuclear weapons, and this why North Korea must abandon all its nuclear programs.

Up until now, the North Korean nuclear negotiations have gone through the same predictable pattern, a pattern oscillating between dialogue and tension. We made progress, only to take backward steps. We cannot go back to the past pattern. (The other five countries of the Six-Party Talks) must come to a clear understanding and agree on specific action plans with an aim to achieve the full dismantlement of the North Korean nuclear weapons program. We must have a comprehensive and integrated approach to resolve the North Korean nuclear issue.

Through the Six-Party Talks, we must first dismantle the core components of the North Korean nuclear weapons program, and then we will be ready to provide North Korea with security assurances as well as international assistance. This is what we mean by a "Grand Bargain."

Excerpts from President Lee's speech to the meeting
with the Council of Foreign Relations, the Korea Society and the Asia Society
on September 21, 2009

The Unification Minister continued to emphasize that the ROK government, as a direct stakeholder in Korean peninsula issues, would have dialogue and cooperate with North Korea to find a breakthrough in inter-Korean relations. Also, he urged the North to come to the table to participate in an active discussion of the Grand Bargain. However, North Korea refused to discuss the New Peace Initiative or the Grand Bargain and maintained its position that it would discuss the nuclear issue only with the U.S. The ROK government calls on the North to change its attitude because North and South Korea are the two direct parties involved, and they should resolve the nuclear issue through dialogue since it is a critical Korean security issue.

2. Sincere Dialogue and Cooperation

The ROK government has sought sincere dialogue and cooperation between the North and the South. The South has expressed its willingness to have dialogue with North Korea anytime, anywhere, on any agenda, and in any format. The ROK government has emphasized that the North and the South should have substantial dialogue to address the North Korean nuclear issue and to develop inter-Korean relations. Despite continued threats from the North, the ROK, in its consultations with the North, responded with flexibility by maintaining and developing the Gaeseong Industrial Complex (GIC) in a stable manner, and by continuing to promote stable economic exchanges and cooperation between the two Koreas. Even after the North's second nuclear test, the South's position did not change. Moreover, pure humanitarian assistance was allowed continuously in an effort to resolve humanitarian issues between the North and the South.

In his Independence Movement Day address on March 1, 2009, President Lee said that North Korea could not be protected by nuclear weapons and missiles, but by inter-Korean cooperation and the North's cooperation with the international community. He also emphasized that the

door to unconditional dialogue was always wide open. Furthermore, in his June 6 Memorial Day address, the president reiterated that North Korea should come to the table for inter-Korean dialogue and to the Six-Party Talks. President Lee again emphasized his commitment to the continuous development of the GIC, a stark symbol of inter-Korean dialogue and cooperation. Based on such positions, the ROK government has strived to resolve pending issues between the two Koreas through inter-Korean dialogue and cooperation.

A. North Korea's Funeral Delegation

During the second half of 2009, North Korea began to show reconciliatory gestures in inter-Korean and external relations. Former U.S. President Bill Clinton visited North Korea August 4-5 and met Chairman Kim Jong Il. As a result of his visit, two detained U.S. journalists were released.

On August 13, North Korea released a South Korean worker who had been detained in the North for 137 days. On August 20, the North Korean military authorities sent a cable to notify the South that from August 21 it would lift restrictions on overland travel across the Military Demarcation Line and on South Korean sojourns at GIC that had been imposed unilaterally on December 1, 2008.

North Korea's special envoys crossed the border to pay their condolences to the late South Korean President Kim Dae-jung on the occasion of his funeral. During the visit, the South's Unification Minister Hyun In-Taek and the North's Director of the United Front Department Kim Yang Gon had a meeting and exchanged their opinions on issues of mutual interest. The North's funeral delegation paid a courtesy call to President Lee Myung-bak on August 23 and delivered a verbal message from North Korean leader Kim Jong Il that contained his wish for the advancement of inter-Korean cooperation. President Lee explained the government's consistent and resolute principles in its North Korea policy to the delegation

and stressed the importance of resolving problems through sincere dialogue. On August 25, North Korea reopened the Red Cross liaison office at Panmunjeom that it had closed on November 12, 2008. On September 10, during a working-level meeting on GIC issues, the North shifted its position on land lease fees, land use fees, and wages. Moving away from unreasonable demands, the North changed its position to a 5% increase of minimum wage, which is the same level as in previous years.

B. Red Cross Talks and Reunion of Separated Families

The ROK government has been committed to resolving humanitarian issues between the two Koreas, including the reunion of separated families. Hyun Jung-eun, chairwoman of Hyundai Group, made a 17-day visit to North Korea beginning August 10 and issued a joint statement together with her North Korean counterpart on August 17. The agreement mentioned an agreement on a reunion of separated families on the occasion of Chuseok, the Korean traditional harvest festival holiday. The ROK government decided not to be bogged down by formalities, so it responded actively to the family reunion issue given its humanitarian significance and proposed inter-Korean Red Cross talks to the North. As North Korea agreed, the talks were held from August 26 to 28 in Mt. Geumgang where the North and the South agreed on two provisions, including the reunion of 100 separated families from each side before the Chuseok holidays. Accordingly, family reunions were held from September 26 to October 1 in Mt. Geumgang. Following this, the ROK government proposed to the North to hold working-level Red Cross talks for an expeditious resolution of inter-Korean humanitarian issues such as additional family reunions. The North responded positively to this proposal and the two Koreas had a meeting in Gaeseong on October 16 where the North remained passive to our proposals, including those on additional family reunions while admitting the necessity for such events.

Six South Korean citizens lost their lives on September 6 due to the North's unannounced and sudden discharge of water from the Hwang River dam in the Imjin River in North Korea. A working-level meeting between the two authorities was held in Gaeseong on October 14 to discuss the incident. The ROK government demanded an official apology and a message of condolence from the North Korean authorities. North Korea expressed regret over the incident, paid its condolences to the bereaved families, and promised to give prior notice before discharging water in the future. In addition, the two Koreas agreed to continue to discuss building an institutional framework on a flood warning system for the Imjin River and on the joint use of shared rivers between the two Koreas.

It is not nuclear weapons or missiles but cooperation between the two Koreas and with the international community that can defend North Korea. Denuclearization is a shortcut for North Korea to become a member of the international community. Together with the international community, we are ready to provide bold assistance to the North in this process.

The North and the South have agreed to accept and respect each other and to pursue peaceful co-existence and co-prosperity. I will respect these agreements between the two Koreas and, based on them, make progress in inter-Korean dialogue and cooperation.

The door for unconditional dialogue is now wide open. The two Koreas must have dialogue at an early date.

Excerpts from President Lee's speech
on the 90th Independence Movement Day on March 1, 2009

North Korea must fulfill its promise on denuclearization and return to inter-Korean dialogues and the Six-Party Talks. Once it abandons its nuclear programs and takes a step toward reconciliation and cooperation, the Republic of Korea, together with the international community, will make every possible effort to help it.

We are determined to pursue the continuous development of the Gaeseong Industrial Complex, a symbol of dialogue and cooperation.

Excerpt from President Lee's speech
on the 54th Memorial Day on June 6, 2009

We intend to follow a normal process in dealing with inter-Korean affairs.

A summit meeting is possible if it contributes to the North's abandonment of its nuclear programs and the resolution of humanitarian issues such as South Korean POWs and abductees in the North.

I believe that the North and the South should deal with whatever is necessary and reconcile with each other for common prosperity. We can meet whenever such issues are addressed. What matters is denuclearization and an advancement of inter-Korean relations, not where the meeting takes place.

Excerpts from a conversation with the President on November 27, 2009

The government will endeavor to improve relations with North Korea. We urge North Korea to return to the Six Party Talks as soon as possible. This will ensure the denuclearization of the Korean peninsula and open up real cooperation between the two Koreas. For this, there is a need to establish a body that will allow inter-Korean dialogue to take place at all times. I hope that North Korea will engage in a genuine dialogue to open the road to cooperation. This year marks the 60th anniversary of the Korean War. This year, we will hold talks with North Korea so that we can bring back the remains of the soldiers who died during the Korean War and are buried in North Korea.

The Republic of Korea will never forget the Korean War veterans who came from afar to a foreign land and sacrificed their lives to defend our freedom.

Excerpts from the President's new year address to the nation
on January 4, 2010

It is about time we overcame the division of the land and opened up a wide path toward unification. For the past two years, the Republic of Korea followed consistent principles and showed sincerity to build a new paradigm in inter-Korean relations. The South provided the North with antivirals for the H1N1 flu. Through international organizations, we offered humanitarian aid, including shipments of necessities for infants and children. More than any nation in the world, the Republic of Korea has shown deep affection and interest in enhancing the quality of life in the North. In order to make progress in inter-Korean relations, the North has to change its thinking; it has to stop regarding the South as a mere counterpart for economic cooperation. To realize reconciliation and cooperation on the Korean peninsula, peace has to be maintained first and foremost. The North and the South, the two direct parties involved, should seek to resolve pending issues through dialogue. I urge Pyongyang to engage in discussions on our "Grand Bargain" proposal. It is imperative that Pyongyang show sincerity to the international community with its actions.

Excerpts from the President Lee's address
on the 91st Independence Movement Day on March 1, 2010

On November 10, a North Korean patrol boat crossed the Northern Limit Line (NLL) near Daecheong Island, which led to the Battle of Daecheong, a firefight between naval vessels of the North and the South. The ROK government took actions to make the boat return north, based on the South's firm position that the NLL is the *de facto* maritime border between the two Koreas. President Lee convened a security-related ministers' meeting to get a grasp of the situation, and the government published a statement that strongly protested to the North and demanded non-recurrence.

C. The ROK Government's Willingness for Dialogue and Cooperation

On November 27, President Lee Myung-bak commented on his basic position regarding an inter-Korean summit meeting in a nationally televised program "Dialogue with the President." He said that the government would follow normal procedures in dealing with inter-Korean issues and that he was prepared to meet with the North if it helps denuclearization and the resolution of humanitarian issues such as POWs and abductees held in the North. The president said that he wouldn't mind if the venue was not in Seoul because denuclearization and progress in inter-Korean relations were more important than the location of the meeting.

The ROK government provided the North with 500,000 doses of H1N1 flu vaccines as a form of emergency humanitarian assistance, and the two Koreas held joint study tours of industrial complexes overseas to expand a shared understanding regarding the development of GIC.

In 2010, the ROK's commitment to sincere inter-Korean dialogue and cooperation continued. In his New Year's address, President Lee Myung-bak stressed the need for a breakthrough in inter-Korean relations, urged the North to return to the Six-Party Talks as soon as possible, and proposed to establish a permanent body for dialogue between the two authorities. He also said in his Independence Movement Day address on March 1, that to

make substantial progress in bilateral relations, North Korea should change its perspective, which sees South Korea as a mere partner for economic cooperation. The president emphasized that the two Koreas should resolve diverse pending issues through dialogue in order to achieve genuine reconciliation and cooperation. Furthermore, he urged Pyongyang to have serious discussions on the Grand Bargain.

However, North Korea displayed a dual, contradictory attitude. Emphasizing the need to improve inter-Korean relations in its New Year's joint editorial, the North proposed dialogue on several occasions, including a contact on Mt. Geumgang tour (January 14), a review session on the outcome of the joint study tour (January 19-21), and working-level military talks regarding border crossing, communications, and customs clearance on the one hand. On the other hand, after the South Korean media reported on contingency plans for possible instability in the North, Pyongyang began to publish hawkish comments and threats against the South. These belligerent messages included the statement by the National Defense Commission spokesperson (January 15), the statement by the Committee for the Peaceful Reunification of the Fatherland spokesperson (January 23), the statement by the General Staff of the Korean People's Army spokesperson (January 24), and the joint statement by the Ministry of People's Security and the State Security Department (February 8). The North Korean military also caused military tensions by firing artillery into the West Sea (Yellow Sea) near the NLL.

There was no progress in North Korean denuclearization. The North Korea Foreign Ministry announced on January 11 and 18 that Pyongyang would not return to the Six-Party Talks until sanctions are lifted and that discussions on a peace treaty should take place before denuclearization. This implied that the North had retreated from its position prior to the visit of Stephen Bosworth, the U.S. special representative for North Korea policy, to Pyongyang (December 8-10, 2009).

D. GIC, Mt. Geumgang Tours, and Working-level Military Talks on the “3Cs”

The two Koreas held two rounds of working-level meetings on the Gaeseong Industrial Complex (February 1 and March 2), and working-level talks on the Mt. Geumgang and Gaeseong tours (February 8). The talks were part of the South’s effort to maintain sincere dialogue and cooperation between the two Koreas while removing unnecessary tensions in inter-Korean relations. In the February 1 meeting, the two sides agreed to transfer issues related to border crossings, communications, and customs clearance—or the “3Cs”—to working-level military talks and focus on the remaining issues, including dormitories for North Korean workers and wages.

On March 2, working-level military talks were held on the “3Cs” where the North and the South agreed to have separate contacts on each of the issues. During the meeting, the South brought up an agenda, including a daily passage system, selective inspection for customs clearance, Internet access, and the use of mobile phones. In the meantime, North Korea insisted on discussing implementation of the June 15 Joint Declaration and the October 4 Declaration, suspension of acts that fan confrontation against the North, and implementation of the existing agreements on the “3Cs.” It also asked the South to first provide materials and equipment related to crossing, communication, and customs clearance in the GIC and the East Coast corridor.

A working-level meeting on tours to Mt. Geumgang and Gaeseong were held on February 8. The South strongly demanded three conditions for the re-opening of the tourism projects: a fact-finding mission into the shooting death of a South Korean tourist at Mt. Geumgang, non-recurrence, and a guarantee on the personal safety of South Korean tourists. However, North Korea argued that the incident was caused by negligence on the part of the tourist and that the three conditions had already been met. The North insisted that the tours to Gaeseong and Mt. Geumgang should resume from March and April, respectively.

From March, North Korea began to make stronger threats by conducting inspections of properties at Mt. Geumgang without consent from our side while demanding the immediate resumption of the Gaeseong and Mt. Geumgang tours. The North seized the ROK government’s assets, including a reunion center, a fire station, a cultural hall, a spa, and a duty-free shop. Furthermore, they froze the properties at Mt. Geumgang owned by private ROK entities. The Ministry of Unification spokesperson expressed deep regret and pointed out that the North’s action was not only a violation of the agreements between the business entities of the two Koreas and between the two government authorities, but a breach of international norms as well. The ROK government reiterated that the North’s action was unjust, jeopardized inter-Korean relations, and showed that the North was not a proper partner for normal business transactions. At the same time, the ROK government urged the North to reverse its unilateral measures immediately and to solve any problems through dialogue. The South also declared it would come up with specific and strong countermeasures to the North’s unreasonable actions.

3. Stable Management of the Situation on the Korean Peninsula

A. Quality-oriented Expansion of Inter-Korean Exchanges and Cooperation

The ROK government responded firmly to the North’s provocations such as the launch of a long-range missile, the second nuclear test, and the sinking of the *Cheonan*. But, at the same time, the South has remained committed to the stable management of the situation on the Korean peninsula.

The ROK government sustained support for economic cooperation programs, including exchanges of people and goods, and the GIC project until the *Cheonan* incident. Inter-Korean trade was maintained according to economic principles. Trade volume between the two Koreas in the two-year

period between 2008 and 2009 reached US\$3.499 billion, up 11% from US\$3.147 billion registered in the 2006-07 period.

Private-sector exchanges between the North and the South were promoted steadily, mainly in the fields of sports, religion, academics, and culture. For instance, the two Koreas held a joint ceremony for the second anniversary of the restoration of Singye Temple at Mt. Geumgang (October 13, 2009), a joint celebration of the 100th anniversary of the protest by patriot Ahn Jung-geun (November 13, 2009), and meetings on the publication of the Grand Dictionary of the Korean Language.

The ROK government modernized inter-Korean military communication lines in order to address telecommunication-related inconveniences for South Korean citizens when crossing the MDL into the North. After the new network was installed on December 22, the lines began normal operations on December 26.

The Inter-Korean Economic Consultation Office handled (as of May 2010) a total of 1,476 cases, including 333 joint projects, 321 consignment processing, and 226 cases of general trade since its reopening on September 7, 2009. The North's restrictions on overland travel in December 2008 and the second nuclear test in May 2009 discouraged South Korean citizens from making cross-border trips. Accordingly, the overall volume of private-sector exchanges declined. In 2009, the number of cross-border visitors fell 35.2% to 120,862 from the previous year's 186,775, and inter-Korean trade volume also declined 7.8% to US\$1.679 billion from US\$1.820 billion from a year ago.

Between 1989 and June 2010, the aggregate number of cross-border visitors reached 809,448, and inter-Korean trade totaled US\$ 13.668 billion. As of June 2010, 121 factories were operating in the Gaeseong Industrial Complex, and the number of North Korean employees at the GIC amounted to about 44,000.

The ROK government revised the Inter-Korean Exchange and Cooperation Act and its enforcement decree in order to streamline the procedures for exchanges and cooperation. Also, the South revised the

Notice on Items Approved to be Carried into North Korea and the Approval Procedures, and announced a list of luxury items prohibited for delivery into the North in an effort to meet the obligations under UN Security Council resolution 1874.

B. Humanitarian Assistance

The ROK government has made extraordinary efforts to resolve pending humanitarian issues between the two Koreas. It established a legal framework for the reunion of separated families and the expansion of exchanges by enacting the Act on the Promotion of Information and Exchanges between Separated Families of North and South Korea (March 25, 2009) and its enforcement decree (September 26, 2009). In addition to urging the North to come up with solutions to the issues involving South Korean POWs and abductees through inter-Korean Red Cross Talks (Mt. Geumgang, August 26-28) and a working-level Red Cross meeting (Gaeseong, October 16), the ROK government has done its part by providing monetary compensation and settlement allowances to repatriated people according to the Act on Supporting South Korean Victims Abducted by North Korea after the Korean War since May 2008.

Pure humanitarian assistance was made regardless of political or military conditions. The ROK government provided the North with supplies to treat the H1N1 flu in December 2009 and delivered 200,000 liters of hand sanitizer by an overland route via Gaeseong in February 2010. The South worked with non-governmental and international organizations such as the World Health Organization (WHO) and the United Nations Children's Fund (UNICEF) to carry out public health and welfare programs. Since 2008, the ROK has provided vulnerable groups in North Korea, including infants and children, with supplies worth US\$27 billion through South Korean NGOs, and goods worth US\$34.11 billion through international organizations.

C. Efforts to Resettle North Korean Refugees and Improve Their Human Rights

As of June 2010, the total number of North Korean refugees who entered the South was 19,016. Between June 2009 and June 2010, 3,959 refugees arrived in the ROK. As the number approached the 20,000 mark, the ROK government continued to see North Korean refugees from a humanitarian and human rights perspective, and considers this issue important for the advancement of our society, our national welfare, and the future of a unified Korea. Against this backdrop, the government adjusted the basic directions of the support system for North Korean refugees.

The ROK government established a well-organized system that provides North Korean refugees with support from “Hanawon to Home.” This system focuses on supporting the employment of North Korean refugees with a goal to ensure personal stability and self-sustainability while emphasizing educational support for teenagers. In an effort to improve relevant laws and regulations, the ROK government revised the Act on the Protection and Settlement Support of Residents Escaped from North Korea. By doing so, in January 2009, the government was able to expand the scope of protection for North Korean refugees residing overseas on a long-term basis and prepare the legal grounds to provide residence support for youth who have no family members or relatives in the South. The revision also provided the ROK government with the grounds to provide community integration education and to support elementary, middle, and high schools where North Korean refugees are enrolled.

III. The Attack on the *Cheonan* and the ROK’s Responses

1. The Attack on the *Cheonan*

On March 26, 2010, the South Korean naval ship *Cheonan* was sunk by a North Korean torpedo attack, claiming the lives of 46 South Korean sailors. The ROK government created an international team comprised of civilian and military experts to investigate the incident for two months. The multinational investigation team consisted of 25 civilian experts, 22 military experts, 3 experts recommended by the ROK National Assembly, and 24 experts from the U.S., Australia, the UK, and Sweden. The team conducted an objective and scientific investigation. On May 20, the team announced its official findings: the *Cheonan* was sunk by an external underwater explosion caused by a torpedo fired from a North Korean midget submarine. The *Cheonan* incident was a military provocation and surprise attack by North Korea against the ROK that could not be tolerated. The sinking of the *Cheonan* was a blatant violation of the Inter-Korean Basic Agreement, the Korean War Armistice Agreement, and the United Nations Charter. Chapter 2, Article 9 of the Basic Agreement stipulates that the North and the South shall not use force against each other and Article 2.12 of the Armistice Agreement guarantees “a complete cessation of all hostilities.” Also, Article 2.4 of the UN Charter stipulates that all members shall “refrain” from “the threat or use of force.”

The North’s sinking of the *Cheonan* provides us with important lessons. This case shows that while North Korea preaches about national collaboration and emphasizes the principle of cooperation between the two sides in resolving inter-Korean issues, the North has consistently adhered to doctrines and tactics for a unified communist Korea.

We must pay particular attention to the nature of the North Korean regime, which upholds the communist strategy of promoting peace on the one hand and war on the other. Since 1998, North Korea has earned about US\$4.5 billion through economic assistance and exchanges, and has had

about 270 rounds of talks and meetings with the South. This makes it appear that the North is committed to building the basis of cooperation and trust with the South. Behind the scenes, however, it conducted acts of provocations in the West Sea, which led to the Battles of Yeonpyeong and Daecheong, and carried out two nuclear tests. The sinking of the *Cheonan* is no different. It has shown the world that, despite the ROK's continued support for economic cooperation and humanitarian assistance amid strained inter-Korean relations, North Korea is capable of a torpedo attack against an ROK naval vessel and killing 46 ROK servicemen in order to achieve its objectives and political goals.

The incident clearly reminded us of the unstable security situation on the Korean peninsula. North Korea has repeatedly committed armed provocations in the past, including the bombing at Rangoon's Aung San Martyr's Mausoleum in 1983 and the bombing of Korean Air Flight 858 in 1987, and has continued its nuclear development, threatening peace on the Korean peninsula and in Northeast Asia. The attack on the *Cheonan* shows us that North Korea is a threat to peace and stability on the Korean peninsula, in Northeast Asia, and beyond.

2. The ROK Government's Countermeasures

The Lee Myung-bak administration has coped flexibly with the North's repeated condemnation and hard-line measures. The South has shown its goodwill and patience to bring about a new peace structure on the Korean peninsula and develop inter-Korean relations for mutual benefits and common prosperity. But North Korea severed government-level dialogue at the very beginning of the Lee administration and has taken actions detrimental to inter-Korean relations such as slandering the ROK president and restricting inter-Korean exchanges and cooperation. For instance, in 2009, the North severed military communication lines and overland routes through the DMZ, conducted a second nuclear test, and committed such

provocations as the Battle of Daecheong. In 2010, it froze and seized the South's assets at Mt. Geumgang and sunk the *Cheonan*.

In particular, the sinking of the *Cheonan*, which tested the limits of the ROK government's goodwill and patience, was an unacceptable provocation that could not go unaddressed. In order to make the North realize that there are consequences to such provocative acts and to urge North Korea to change its belligerent attitude, the ROK government convened a National Security Council meeting on May 21, immediately after the findings of the *Cheonan* investigation were released, and decided to take systematic and stern measures in order to prevent any reckless provocations by the North in the future.

President Lee declared in his special address to the nation on May 24 that he would hold the North responsible. He also made it clear that further provocations by North Korea would never be tolerated and the ROK would maintain the principle of proactive deterrence and exercise the right to self-defense if its waters, airspace, or territory were violated. He demanded North Korea apologize to South Korea and the international community and punish those responsible for the *Cheonan* attack. In the same address, he clarified that the ultimate goal of the ROK government was not military confrontation but peace and Korean unification, and he urged the North to change to this end.

The Korean peninsula is facing a critical turning point.

We have always tolerated North Korea's brutality, time and again. We did so because we have always had a genuine longing for peace on the Korean peninsula. But now things are different. North Korea will pay a price corresponding to its provocative acts. I will continue to take stern measures to hold the North accountable.

From now on, the Republic of Korea will not tolerate any provocative act by the North and will maintain the principle of proactive deterrence. If our territorial waters, airspace, or territory is violated, we will immediately exercise our right to self-defense.

I solemnly urge the North Korean authorities to do the following. Apologize immediately to the Republic of Korea and the international community. Immediately punish those who are responsible and those who were involved in the incident. These are basic measures that the North has to take before anything else.

The overriding goal of the Republic of Korea is not military confrontation. Our goal has always been the attainment of real peace and stability on the Korean peninsula. Our goal is to bring about prosperity for all Koreans. Our vision is to realize the peaceful reunification of the Korean peninsula.

It is now time for the North Korean regime to change.

It is imperative that North Korea conduct exchanges and cooperate with the world and join the path that everyone else is taking. It is time for North Korea to look at reality and make that courageous decision. It is time for the North Korean regime to start thinking about what is truly good for the regime itself and its people.

President Lee's special address to the nation on May 24, 2010

On the same day, the Minister of Unification, the Minister of Foreign Affairs and Trade, and the Minister of National Defense held a joint press conference and announced the government's measures in their respective fields.

Unification Minister Hyun In-Taek said that North Korea failed to respond to the ROK government's commitment to and expectation of inter-Korean relations for mutual benefits and common prosperity. He said that, together with the South Korean people, he was deeply outraged over the North's armed provocation that undermined the basis of inter-Korean relations. Subsequently, the Ministry of Unification announced five sets of measures to suspend inter-Korean exchanges and cooperation with the aim of building more sound inter-Korean relations. They include a ban on North Korean vessels navigating in ROK waters; a suspension of inter-Korean trade, a ban on South Koreans' visits to the North, the prohibition of any new investment in the North, and a suspension of assistance to the North except for pure humanitarian assistance to vulnerable groups.

Five Measures taken by the Unification Ministry on May 24

- First, North Korean vessels will not be allowed to navigate our waters. The government will prohibit all North Korean vessels from entering our ports and navigating our territorial waters, including the Jeju Strait.
- Second, trade between the two Koreas will be suspended. The government will prohibit general trade between the two Koreas, as well as all inbound and outbound shipments²⁾ of goods and materials for processing on commission.
- Third, South Korean citizens will not be allowed to visit North Korea. The government will not allow South Korean citizens to visit North Korea, with the exception of necessary visits to the Gaeseong Industrial Complex and the Mt. Geumgang district. Contacts with North Korean people will also be restricted.
- Fourth, new investment in North Korea will be prohibited. The Government will not allow any additional investment for ongoing projects either. The establishment of new businesses in the Gaeseong Industrial Complex as well as additional investment in the joint economic district will be prohibited. The current production activities in the complex will not be discouraged, but the number of South Korean personnel in the district will be reduced.
- Fifth, in principle, assistance programs to help North Korea will be suspended for now. However, we will continue providing pure humanitarian aid for such vulnerable groups of people as infants and young children.

The Ministry of Foreign Affairs and Trade decided to promote a feeling of condemnation in the international community and to refer the *Cheonan* case to the UN Security Council. The Ministry of National Defense announced that it would resume propaganda broadcasts that have been suspended since 2004, conduct ROK-U.S. anti-submarine drills in the West Sea, and strengthen PSI activities, including maritime interdiction exercises.

²⁾ In principle, the MOU uses the terms inbound and outbound trade/shipment/delivery instead of import and export to refer to South Korea's trade with North Korea. This is because of the unique aspect of inter-Korean trade that trade between the two Koreas is considered to be trade within a nation, not between two sovereign states. The ROK Constitution states that "the territory of the Republic of Korea shall consist of the Korean peninsula and its adjacent islands." Accordingly, the inter-Korean Exchange and Cooperation Act does not impose tariffs on inter-Korean trade.

3. Developments after the May 24 Measures

According to surveys conducted by local media right after the government's announcement of measures against North Korea on May 24, the majority of South Koreans supported the government's actions.³⁾

Backed by public support, the ROK government immediately started to implement the measures. First of all, it notified the North that North Korean ships are prohibited from navigating in ROK waters, and revised regulations to ban inter-Korean trade and any new investments in the North. The government also gradually reduced the number of employees staying in the GIC to ensure their personal safety. At the same time, in an effort to minimize the damage to GIC businesses, it considered providing financial assistance to companies affected by the suspension in inter-Korean trade, and allowed inbound and outbound shipments of materials for on-going projects that were initiated before May 24. Delivery of food and medicine for infants, children, and pregnant women in the North were still allowed, in keeping with the government's decision to continue pure humanitarian assistance for vulnerable groups.

The international community has strongly supported the ROK government's responses to North Korea and expressed its willingness to collaborate with the ROK on those actions. As of late June 2010, a total of 58 countries around the world—including the U.S., Britain, and France—the European Union, the United Nations, and three other international organizations released statements supporting the ROK government while condemning North Korea. In a press conference held right after the May 24 announcement and in a summit meeting with President Lee on June 27, U.S. President Barack Obama expressed his full support for the ROK's countermeasures and urged the North to immediately make an apology, punish those responsible for the attack, and put an end to all hostilities. The

3) In a joint survey by Chosun Ilbo and Korea Gallup on May 27, 60% of the respondents approved the government's measures while 20.9% didn't. In another joint survey by Hankyoreh and Research Plus on May 31, 59.7% said they were appropriate while 30.7% saw them inappropriate.

U.S. Senate and the European Parliament passed a resolution that condemns Pyongyang on May 25 and June 17, respectively, and the G8 leaders issued a joint statement criticizing the North for the *Cheonan* sinking. Other heads of states, including both outgoing and incoming Japanese Prime Ministers Yukio Hatoyama (May 31) and Naoto Kan (June 26), Russian President Dmitry Medvedev (May 25), and Chinese Premier Wan Jiabao (May 28), also expressed their commitment to cooperate closely with the ROK government in dealing with the incident.

North Korea vehemently denied the results of international investigation into the *Cheonan* sinking and maintained a tough stance against the South. In a military cable sent right after the findings of the multinational investigation team were announced, North Korea denounced the results as a "fabrication" and notified the South that it would dispatch its own inspection team to "verify the material evidence." In a rare move, the North's National Defense Commission held a meeting with foreign correspondents to deny its involvement in the sinking.

Protesting against the ROK's May 24 measures, North Korea continued its condemnation and threats against the South. On May 20, the North's National Defense Commission spokesperson declared that it would "respond to sanctions with hard-line measures, including an all-out war," and on May 24, the commander of a military unit on the central front lines threatened to "fire artillery at the loudspeakers and billboards if the South were to resume propaganda broadcasts." The Committee for the Peaceful Reunification of the Fatherland on May 25 declared that it would "shut-down inter-Korean relations, renounce the agreement on non-aggression, and completely terminate inter-Korean cooperation projects." On 27 May, the threat level escalated when the General Staff of the (North) Korean People's Army (KPA) announced "the full abolition of agreements on military assurances for inter-Korean exchanges and cooperation" and "merciless responses to anti-Republic, propaganda maneuvers." And on June 12, the KPA General Staff mentioned "a merciless military attack that can turn Seoul into a sea of fire."

The ROK government remained unshaken and resolute against such threats and has implemented follow-up measures to those announced on May 24. However, despite such measures, the ROK government decided to continue its assistance for vulnerable groups in the North. It also kept the GIC in operation, guaranteeing production activities there. At the same time, it adjusted the number of South Korean citizens staying in the GIC to ensure the personal safety of its citizens. To minimize the damage to South Korean businesses in the GIC due to the May 24 measures, the government made efforts to address their grievances by incorporating their views in government policy. As a result, in-bound delivery of finished goods whose contracts were signed before May 24 and the remittances of payments for those goods were permitted.

It is never too late for North Korea to give up its nuclear ambitions. It is never too late to embark on the path of mutual benefits and common prosperity with the Republic of Korea. When North Korea does, then the people of the Republic of Korea will welcome and support it. Our Grand Bargain proposal aims to resolve the North Korean nuclear issue by providing security assurances and economic assistance in exchange for North Korea fully giving up its nuclear weapons ambitions. Let us not concern ourselves with when the Six Party Talks would resume. Instead, we must hammer out a grand bargain to resolve the North Korea issue fundamentally through the Six Party Talks.

Let me be very clear: we do not seek confrontation and conflict. Our utmost concern, as always, is the maintenance of peace and stability on the Korean peninsula. We dream of achieving peaceful reunification and common prosperity for all Koreans. This is our ultimate vision.

The Korean peninsula must not remain as a place synonymous with conflict, strife and division. It must now become the cradle of peace in Northeast Asia. And for this, we will continue to work with our friends, partners, and allies across the world.

President Lee's keynote address at the Shangri-la Dialogue on June 4, 2010

We have an unrealized dream. It is a dream about a reunified motherland in which we enjoy freedom, peace, and prosperity together with our brothers in the North who are still suffering from poverty and oppression.

President Lee's Memorial Day address on June 6

In dealing with the sinking of the corvette *Cheonan*, we have to muster all our strength and take stern action in collaboration with the international community against the wrongdoing of the North. In addition, we have to establish watertight security readiness. If we fail to do so, similar incidents could happen anytime in the future.

President Lee's 42nd radio and Internet address on June 14, 2010

I repeatedly urge the North Korean authorities. Pyongyang must admit and apologize for its wrongdoing over the *Cheonan* incident in a clear and candid manner. And it must be accountable for what it has done before the international community. It must stop committing reckless military provocations, and embark on the path toward common prosperity for all 70 million Koreans. By doing so, we must restore peace and stability on the Korean peninsula and find the road to common prosperity for the Korean people. Our ultimate goal is not military confrontation but peaceful unification.

President Lee's address
for the 60th anniversary of the Korean War on June 25, 2010