

Special Report: May 24th, 2010

**-“Announcement of Measures against North Korea”
By the ROK Ministry of Unification**

CONTENTS

- I. Introduction
- II. Report by the ROK Ministry of Unification
- III. Explanatory Notes on Report
- IV. Nautilus invites your responses

I. Introduction

The ROK Ministry of Unification released this statement explaining the measures that the ROK government will take in response to the sinking of the *Cheonan*. These measures include a ban on DPRK ships navigating ROK territorial waters, the suspension of trade with and humanitarian aid to the DPRK, a ban on new investment in the DPRK, and the prohibition of travel to the DPRK by ROK citizens.

The views expressed in this article are those of the author and do not necessarily reflect the official policy or position of the Nautilus Institute. Readers should note that Nautilus seeks a diversity of views and opinions on contentious topics in order to identify common ground.

II. Report by the ROK Ministry of Unification

-“Announcement of Measures against North Korea”
By the ROK Ministry of Unification

My fellow citizens,

Despite North Korea's repeated slander, threats, hard-line measures and other difficulties it had faced since its inauguration, the Lee Myung-bak administration has exerted great efforts to improve inter-Korean relations based on the goals of mutual benefits and common prosperity.

We have tried to resolve all pending issues, including those involving the Gaeseong Industrial Complex and Mt. Geumgang tour, through dialogue. And, with brotherly affection and a humanitarian spirit, we did not suspend our humanitarian aid to North Korea in order to help its vulnerable population despite the stalemate in negotiations over North Korea's nuclear programs.

The Government of the Republic of Korea expected that North Korea would agree to forge a new and improved relationship between the two Koreas, which is the desire of our people.

The Government had hoped that North Korea would decide to give up its nuclear programs.

Unfortunately, North Korea failed to meet our expectations.

They denounced our head of state and let inter-Korean relations continue to deteriorate.

Recently, the North Korean authorities seized assets and facilities owned by the South Korean government and South Korean firms in the Mt. Geumgang district. Such unilateral and unreasonable measures have clearly undermined the very foundation of mutual exchanges and cooperation between the two Koreas.

The people of the Republic of Korea and their government are outraged that North Korea has responded to our goodwill and patience with the tragic sinking of the Cheonan.

As President Lee has made it clear in his special address to the nation this morning, with strong determination, the Government will take the following resolute and practical measures against North Korea:

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 shipments 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, humanitarian aid to 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.

In particular, as for the Gaeseong Industrial Complex, the Government wants to make this clear. If North Korea ignores our careful consideration to preserve the complex even under the current circumstances, and subsequently threatens the safety of our citizens there, we will never tolerate any harm to our citizens and we will respond with resolute measures.

My fellow citizens,

The current state of inter-Korean relations requires us to make a critical decision while maintaining our courage. It also requires us to have even greater patience.

For those who have been directly involved in exchanges and cooperation with North Korea, I ask for your understanding and patience.

The Government will handle the situation with determination and resolve. I ask my fellow citizens to have trust in your Government and show your support as we set out on a new path toward a better future for the Korean peninsula.

Thank you.

III. Explanatory Notes on Report

1. Overview

1) Key Measures

1. Complete ban of navigation by North Korean vessels in the ROK's territorial waters
2. Suspension of inter-Korean trade
3. Prohibition of South Korean citizens' visits to North Korea
4. Prohibition of new investment in North Korea
5. Suspension of assistance to North Korea

2) Preliminary Steps

- Businesses involved in inter-Korean trade or joint economic projects were notified by the government May 11-13 and asked to defer additional transactions or investment so as to minimize their losses under the current circumstances. This request was directed at shipping companies and firms involved in inter-Korean

trade as well as those that have invested in the North.

- On May 14, the Ministry of Unification officially requested that government agencies postpone their plans for joint projects with North Korea.
 - The official letter of request was sent to 10 agencies, including the Ministry of Strategy and Finance, the Ministry of Health and Welfare, and the Korea Forest Service.
 - The Ministry of Unification requested that all projects receiving government funding be postponed in consideration of recent developments including North Korea's recent seizure of South Korean assets in the Mt. Geumgang district.

- The Ministry also recommended that South Korean citizens visiting the North should return, except for those in the Gaeseong Industrial Complex and the Mt. Geumgang district.

2. Measures Taken in Each Issue Area

1) Complete ban of navigation by North Korean vessels in the ROK's territorial waters

- **Measures**
 - i. The Government will ban all North Korean vessels from entering South Korean ports and navigating our territorial waters.
 - ii. The restrictions on North Korean vessels will be applied within the scope of the Inter-Korean Agreement on Maritime Transportation.
 - iii. North Korean vessels are no longer permitted to pass through the Jeju Strait.

- **Relevant Facts**
 - i. Number of North Korean vessels navigating ROK waters

(unit: time(s), one-way sailing)

Type	2005	2006	2007	2008	2009	Up to April 2010	Total
Inter-Korean Sailings	6 (3)	31 (25)	223 (40)	252 (44)	533 (61)	345 (4)	1,390 (177)
North-North Sailings	39 (39)	97 (97)	138 (138)	147 (147)	184 (184)	71 (71)	676 (676)
Total	45 (42)	128 (122)	361 (178)	399 (191)	717 (245)	416 (75)	2,066 (853)

- The number in parenthesis refers to the number of North Korean vessels that navigated ROK's waters since the maritime agreement went into effect in August 2005.
- North Korean vessels have been allowed to pass the Jeju Strait since August 15, 2005.
- Expected costs for North Korea due to the ban
 - North Korea is expected to face an annual loss of \$10 million on average since it will lose revenue from transporting goods for inter-Korean trade as well as the reduction of shipping costs by transiting the Jeju Strait.
 - Costs saved by passing the Jeju Strait: about \$970,000 in 2009.
 - Revenue from transporting goods: about \$9 million in 2009.

2) Suspension of inter-Korean trade

- **Measures**
 - The Government will prohibit all inbound and outbound inter-Korean trade.
 - General trade between the two Koreas will be banned.
 - Outbound shipments of raw materials or semi-finished products for commission-based processing trade will be also banned.
 - Remittances to North Korea as payment for inbound shipments of goods will be prohibited.
- **Relevant Facts**
 - The volume of inter-Korean trade steadily had expanded since 2000, but declined in 2009.

< Inbound and total inter-Korean trade from 2000 to 2009 >

(unit: \$10,000)

Year	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09
General trade: Inbound	7,85 5	10,0 90	16,7 40	17,7 44	15,0 12	18,8 92	28,1 95	44,1 24	36,6 45	24,51 9
Commission-based processing trade: Inbound	7,19 7	7,25 8	10,2 79	11,1 64	10,7 75	13,1 22	15,9 39	20,4 52	25,7 34	25,40 4
Economic cooperation project: Inbound	23	46	138	17	2	3	102	130	558	1,573
Subtotal	15,0 75	17,3 94	27,1 57	28,9 25	25,7 89	32,0 17	44,2 36	64,7 06	62,9 37	51,49 6
Total inbound	15,2 37	17,6 17	27,1 58	28,9 25	25,8 04	34,0 28	51,9 54	76,5 35	93,2 25	93,42 5
Total inter-Korean trade	42,5 15	40,2 96	64,1 73	72,4 22	69,7 04	105, 575	134, 974	179, 790	182, 037	167,9 08

Total amount of inbound trade includes products from the Gaeseong Industrial Complex and the Mt. Geumgang district.

< Key inbound items in general trade: 2009 >

(unit: \$ 1,000)

Ranking	1	2	3	4	5	6	7	8	9	10
Item	Shellfish	Dried seafood	Shrimp	Zinc ingots	Coal	Mollusks	Processed seafood products	Brackens	Octopuses	Other non-metal minerals
Amount	54,234	20,970	20,964	18,831	18,188	18,071	16,199	11,345	7,885	7,599

< Key inbound items in commission-based processing trade: 2009 >

(unit: \$ 1,000)

Ranking	1	2	3	4	5	6	7	8	9	10
Item	Athletic training suit	Coats and jackets	Men's trousers	Men's jackets	Ladies' pants and skirts	Garlic	Undershirts	Underwear and house wear	Electric wire	Radio and cassette players
Amount	58,017	41,924	26,718	23,283	13,344	13,328	11,351	8,088	7,701	4,388

3) Prohibition of South Korean citizens' visits to North Korea

- **Measures**

- The Government will prohibit all ROK citizens from visiting North Korea with the exception of those with necessary business in the Gaeseong Industrial Complex and the Mt. Geumgang district.
- South Korean citizens will also be restricted from contacting North Koreans in third countries.

- **Relevant Facts**

- Inter-Korean visits (excluding tourists)

Number of Visits	'89-99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	total
Visits to the North	11,321	7,280	8,551	12,825	15,280	26,213	87,028	100,838	158,170	186,443	120,616	734,565
Visits to the South	637	706	191	1,052	1,023	321	1,313	870	1,044	332	246	7,735
Total	11,958	7,986	8,742	13,877	16,303	26,534	88,341	101,708	159,214	186,775	120,862	742,300

- Visits to North Korea in 2009 by region and purpose of trip

Purpose	Gaeseong	Pyongyang	Goseong (Mt. Geumgang)	Shineuiju	Nampo	Haeju	Other	Total
Economic	114,489	129	2,459	-	-	1,226	-	118,303
Social/Cultural	75	136	56	-	-	-	-	267
Family reunions	-	2	1,187	-	-	-	-	1,189
Humanitarian aid	194	497	57	-	3	-	10	761
Others	62	-	32	-	-	-	2	96
Total	114,820	764	3,791	-	3	1,226	12	120,616

Total number of visitors to the GIC was 111,811.

4) Prohibition of new investment in North Korea

- **Measures**

- The Government will prohibit new or additional investments for current ongoing projects.
 - Neither new investments nor the modification of existing investments will be permitted.
 - Neither the outbound shipment of goods nor remittances to North Korea for investment purposes will be permitted.
- The Gaeseong Industrial Complex will be maintained and adjusted to reflect the current circumstances.
 - Production activities and operations within the GIC will be allowed to continue along with entry into the complex as usual.
 - No new investment in the complex will be allowed and the number of South Korean personnel in the GIC will be reduced accordingly.

- **Relevant Facts**

- Important facts about the GIC
- Total number of South Korean tenant companies: 121
- Accumulated value of production: \$850 million as of March 2010
- Amount of production in 2009: \$250 million
- Total number of workers as of May 20, 2010: 43,804 North Koreans and 886 South Koreans
- There are currently 55 joint projects outside of the GIC, including 25 in Pyongyang, 9 in Gaeseong, and 7 in the Mt. Geumgang district.
- However, only 10 of these projects are currently underway due to North

Korea's poor investment environment and infrastructure.

5) Suspension of aid and assistance to North Korea

○ **Measures**

- In principle, the Government will suspend aid and assistance to North Korea.
- However, pure humanitarian assistance such as food and medicine for North Korean infants, young children, and pregnant women will continue.

○ **Relevant Facts**

- The total amount of assistance provided to North Korea from 2000 to April 2010 was 2.8 trillion won, including 2.8 trillion won of government assistance and 768.1 billion won of private assistance.

(Unit: 100 million won)

	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10.4	Total
Government	2,035	975	2,650	2,607	2,672	3,147	2,273	3,488	438	461	13	20,759
Private	387	782	576	766	1,558	779	709	909	725	376	114	7,681
Total	2,422	1,757	3,226	3,373	4,230	3,926	2,982	4,397	1,163	837	127	28,440

- Government assistance from 2000 to 2007 includes loan-based food aid.

As of April 2010, the total amount of South Korean assistance to North Korea was 12.7 billion won, including 1.3 billion won of government assistance and 11.4 billion won of private assistance.

IV. Nautilus invites your responses

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: bscott@nautilus.org. Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.