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SUBJECT: South Korea (1)

SOURCE: Sources with direct access to the individuals and information discussed, as well as the highest levels of European Governments, and Western

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**Summary: In considering the orientation of the new administration of South Korea a source with access to the highest levels of that government stated in confidence that Park Geun-hye the daughter of the former dictator Park Chung-hee, was elected President on December 19, 2012, and she took office on February 25, 2013. According to this individual the makeup and activities of her transition team caused concern among opposition political parties and certain members of the business community. The first decisions of the new administration, as well as Park’s first appointments mark a strong conservative shift by the government.**

1. In the opinion of this sensitive source Park Geun-hye is a formidable figure, whose election may complicate both South Korean internal politics and relations with North Korea. She is the first female and the 11th president of South Korea. She was the chairwoman of the main conservative party between 2004 and 2006 and between 2011 and 2012. She is a member of the [Korean National Assembly](http://en.wikipedia.org/wiki/National_Assembly_of_South_Korea) since 1988. Born in Daegu in 1952, she is graduated in electronic engineering from Sogang University. She briefly studied in France. She received honorary doctoral degrees from the [Chinese Culture University](http://en.wikipedia.org/wiki/Chinese_Culture_University), in [Taiwan](http://en.wikipedia.org/wiki/Taiwan) in 1987; [Pukyong National University](http://en.wikipedia.org/wiki/Pukyong_National_University) and [KAIST](http://en.wikipedia.org/wiki/KAIST) in 2008; and [Sogang University](http://en.wikipedia.org/wiki/Sogang_University) in 2010. She speaks French and Chinese. Her program in favour of an "economic democracy" focuses on three areas: social security, employment and fair market economy. It aims to strengthen the role of government in the broad economic guidelines and proposes a reform of conglomerates (chaebols) to promote the development of SMEs. During her campaign she also proposed raising taxes on the highest incomes.

2. President Park is determined to allow special prosecutors to operate independently throughout her tenure, focusing on political corruption. She also calls for laws that force corrupts politicians to pay 30 times the amount they illegally acquired and ban them from being elected for two decades ;

* To push for laws aimed at compensating victims under past military governments, including the one led by her father, slain dictator Park Chung-hee ;
* To oppose the abolition of capital punishment, saying it helps prevent serious crimes such as sexual assault and murder.

Political reforms:

* To promote dialogue with North Korea's leadership but large-scale aid would depend on whether Pyongyang pushes ahead with dismantling its nuclear arms program. Dialogue between the Koreas should resume in order to resolve a nuclear stalemate and to build trust needed to restore civilian exchanges ;
* To toughen South Korea's military to deter North Korean provocations and calls for dealing with Pyongyang in close cooperation with Seoul's U.S. ally ;
* Hopes for jointly developing natural resources in North Korea and setting up liaison offices in both Pyongyang and Seoul for dialogue. Humanitarian aid for North Korea should continue regardless of political situations.

Economic and Welfare policy:

* Reforming South Korea's powerful family-run "chaebol" conglomerates but to a degree such that regulations do not discourage them from investment. Toughen penalties for corporate crimes and prohibit new "cross-holding" practices that allow a handful of people to control all subsidiaries under a single conglomerate ;
* To Triple government spending aimed at supporting small and mid-size companies and promises to increase the country's budget on research and development to 5 % of the entire GDP by 2017 ;
* To increase the nation's middle class to 70 % of the entire population and create massive funds to help more than 3 million South Koreans unable to pay off their debts. To halve college tuition fees through financial support for students and make sure that a family's third child can go to college without paying tuition, part of her solution to a low birth-rate haunting the country's future ;
* To provide each person aged 65 or above with a monthly pension of about $180 and provide 50,000 new jobs for retired people while making medical care free for some of the most serious illnesses such as cancer.

3. The organization of the new government will be reviewed by Park’s advisors. The Ministry of Foreign Affairs Department will lose its "trading” mission to the Ministry of Knowledge and Economy. A Ministry of Maritime Affairs and Fisheries will be recreated. A "super" Ministry of Science, Information and Communication will be created. The head for the coordination of economic policies will be upgraded from Deputy Prime Minister to full Minister of Strategy and Finance. The new government will be more concentrated: 15 ministries (against 17 under the previous administration), two under-ministries and 18 departments and agencies. The objective is to reduce divisions and to avoid duplication.

4. At this same time this source notes a conservative turn for the new administration. The transition committee established in the aftermath of the election was opened to opposition figures. However its work was marked by a high opacity and a lack of communication. If personalities from civil society and the opposition were invited to participate in the debate on social reform they were excluded from talks on defence issues and national security strategy. It is likely that, given budgetary and financial realities, an important part of the social program will be revised downwards. Consequently the participation of personalities from the civil society and this opposition will have very little consequence. The forced resignation in mid-January 2013 of Choi Dae-seok, a member of the subcommittee on defence, unification and foreign policy and long tipped as the next Minister of Unification, marks a hardening and a conservative shift in the new team.

**5. (Source Comment: A separate sensitive source added that the nomination of Kim Jang-soo as head of the National Security Council, Park Heung-ryul as head of the Presidential Security Service and Kim Byung-kwan as Minister of Defence show a willingness to tighten the President’s team with a small group of loyal and faithful supporters of Madame Park and her father.)**

6. This sensitive individual adds that the leaders of South Korea expect direct governance from Madame Park, and adds the following informed comment:

**Consequences for the South Korea – US relations**

For the United States, perhaps the most significant result of Madame Park’s win is that it should help keep the two allies generally on the same page as they tackle a busy bilateral agenda. Instead of focusing on damage control and managing sharp differences, the two allies will now have an opportunity to build on the current strength of bilateral ties and take their partnership to an even higher level. Differences may arise, but the solid level of trust that has been built up between Washington and Seoul in recent years should help smooth any rough patches that arise.

To be sure, the U.S.-ROK bilateral agenda in the coming months will be a challenging one, beginning with North Korea. Thanks to its recent successful third nuclear test and rocket launch, the North has moved a step closer to the day when it will have a credible inter-continental ballistic missile capability *and* a deliverable nuclear weapon. That prospect has been made all the more troubling by the failure of all previous diplomatic efforts to block Pyongyang’s determined effort to become a *de facto* nuclear weapon state.

As a candidate, Madame Park promised to reach out to the North in an effort to re-start dialogue and resume North-South cooperation. Madame Park, like the U.S. administration, seems to harbour no illusions about the Pyongyang regime, and by all accounts she shares U.S. scepticism that North Korea will ever give up its nuclear weapons.

Washington is unlikely to oppose a renewed ROK attempt to improve ties with Pyongyang. Nevertheless, such an effort will have to be carefully coordinated so that it does not undermine current efforts to punish the North for its violation of UN Security Council resolutions and the steps the United States and others are taking to raise the cost to Pyongyang for its continued pursuit of missiles and nuclear weapons.

Other priority issues on the bilateral agenda will include smooth implementation of the KORUS Free Trade Agreement; renegotiating the bilateral nuclear cooperation agreement; completing a new cost-sharing arrangement for U.S. forces; and implementing standing agreements on consolidating U.S. military bases and the transfer of wartime operational control of ROK forces from the United States to Korea. Finding ways to harmonize the currently troubled relations between Korea and Japan will also be another priority for U.S.-ROK discussions, as will dealing with China’s growing economic and military role in the region.

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