



EUROPEAN UNION
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**Note for the Attention of Mr Alan Seatter
Director External Relations C**

Subject: South Korean presidential Election campaign

Summary: *Opinion polls for the December 19th presidential election show support for the two potential conservative candidates at 40% and 20% respectively, with a former conservative, now standing on an independent ticket, with between 4% and 8%. Centre-left candidates are on the other hand trailing with less than 3% each. The situation remains fluid and unpredictable. The conservative party could well split in two while it is possible that the disparate centre-left groups could unite in coalition with provincial parties. The key aspect of the election will be which candidate is able to present him or herself as the most competent economic manager. In reality, there is little difference in economic policy, but the conservatives will benefit from an assumption they are more pro-business. Currently all candidates with more than 2% in the polls are in favour of the FTA policy. Most candidates will also want to present themselves as in favour of engaging North Korea, but the conservatives will argue that this must not come at the expense of the US-South Korea alliance and that an expansion of economic ties will depend on progress in the nuclear issue.*

Details: The domestic political situation is dominated by the race of the various potential presidential candidates to build coalitions of support in their parties and with provincial political parties. In contrast to the mood for reform that brought Roh Moo-hyun to power in 2002, the political atmosphere in 2007 is overwhelmingly balanced towards electing the candidate who can generate the strongest perception of being a competent economic manager.

The Uri Party, which President Roh established, retains 108 seats in the 299 seat National Assembly, but in reality has all but collapsed. Large chunks of the party have split off due to differences over how to form an alliance with a small political party, the Democrats (party of former President Kim Dae Jung with support in the southwest region) and over whom they will choose as their presidential candidate. Five main left-of-centre candidates are trailing with support rates between 1% and 3%. Nonetheless, if the factions of the centre-left were to unite with the Democrats of the southwest under one strong presidential candidate, (and perhaps even with Sohn Hak-Kyu, the independent, former conservative who is now in third place) they could yet become a credible force in the election.

The two main conservative candidates of the Grand National Party, Lee Myung-bak and Park Geun-hye are leading the polls with 40% and 21% respectively. An independent candidate, former conservative and ex-governor of Gyeonggi province, Sohn Hak-Kyu, has between 4% and 8% in different polls. All are clearly benefiting from the perception that they would be better economic managers than the Roh Administration. The conservatives' Achilles heel is whether they can remain united for the election. Lee Myung-bak has large support amongst the public, while Park Geun-hye has strong support within the party.

At present, it seems a distinct possibility that the candidate who is defeated in the party's election this August might take his or her supporters from the party and run a separate bid for the presidency as Sohn has already done. If the centre-left manages to pull itself together behind one main candidate it could end up being a race between three strong candidates.

At the same time, voting according to loyalty to ones home province/region as opposed to policy choices remains a key determinant of South Korean politics. There have always been two regional political power bases: conservatives in the southeast, centrist/progressive in the southwest (where there is currently a split between supporters of former President Kim Dae Jung, the Democrats and Uri). As the election approaches, it will be essential for centrist/progressive candidates to ensure that their provincial support base is not divided, as at present.

As regards policy choices, the conservative candidates will argue in favour of engagement with North Korea, but on condition that progress is made on the nuclear issue. They will also stress that engagement can only proceed to a level where it does not damage the US-South Korea relationship. Centre-left candidates, on the other hand, will argue that progress in inter-Korean relations will help push forward the Six Party Talks. With the exception of a few centre-left and left wing candidates most political groups support the Korea-US FTA even if politicians from rural constituencies are careful not to be too vocal in their support. Hints that the US may want to renegotiate parts of the agreement could however be very difficult as Koreans are extraordinarily sensitive to any perception that the US is "bullying" their government. The Korea-EU FTA negotiations have attracted a lot of publicity, but little political debate so far. The main criticism came from the far left Democratic Labour Party, but even that was conditioned by the party's admiration for the EU role in international security issues.

The centre-left candidates in principle want to pursue an economic policy that would work towards more equitable distribution and less domination of the economy by large Chaebol groups. However, in the current political climate, all candidates will try to present themselves as pro-business. The conservatives will have a natural advantage in this area, even if some of their ideas such as building a national canal network seem obscure. The centre-left will want to present its economic credentials via the Free Trade Agreements, arguing that they will increase competitiveness and thus employment and business opportunities. For now the situation remains unpredictable. However, in general, the pro-business environment is positive in regard to FTA negotiations.



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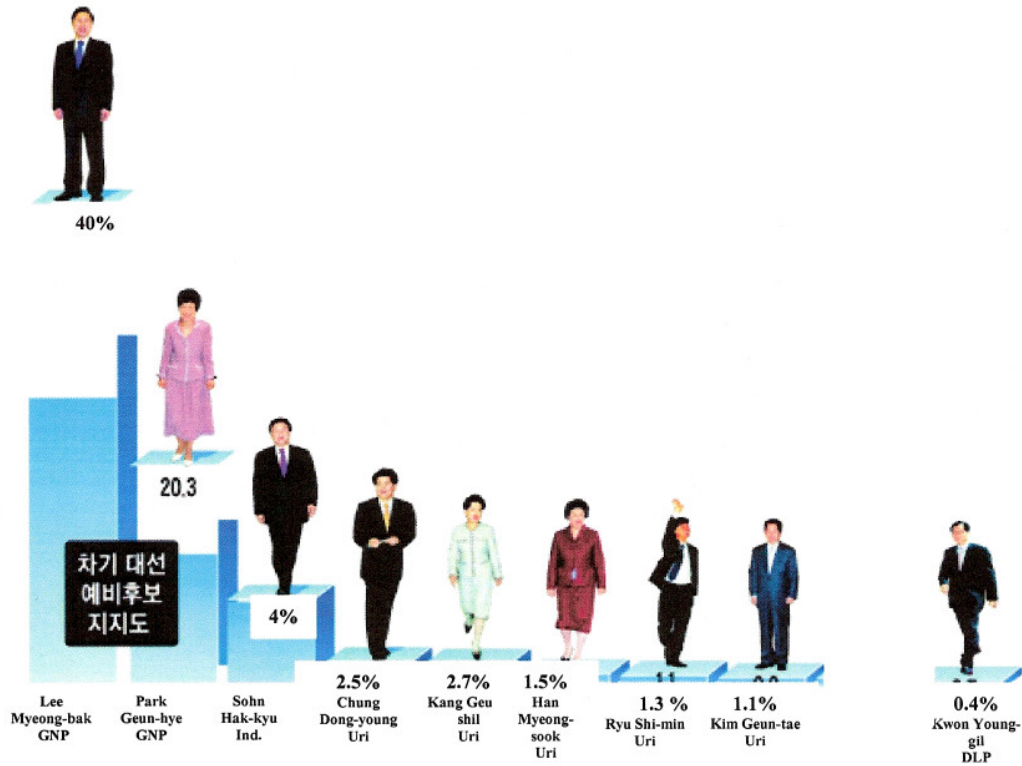
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Annex One

Political parties in Korea

Party	Character of party	Seats	Poll rating 26/4/07
Grand National Party	Conservative, power base in the southeast, pro-business and pro-FTA, serious split on which of the two presidential candidates to support.	128	39%
Uri Party	Centre left party, power base in the Southwest, established by Roh Moo-hyun but trying to distance itself from govt. due to Roh unpopularity. Most members want to show pro- business credentials by supporting FTA policy but some are against.	108	9%
Movement for a New Party	Lawmakers, with support in southwest, who left Uri party this year to try and form a grand anti-conservative alliance.	24	1.4%
Democratic Party	Party of former President Kim Dae-jung with large support in the southwest provinces – rural members against US FTA.	12	5.8%
Democratic Labour Party	Far-left, anti-FTA, anti-American party, allied with trade unions, only real non-provincial party.	9	8%
People's First Party	Conservative-orientated party with support in central provinces	6	1.1%
Independents	Former Uri and others	12	

Poll Ratings for Potential Presidential candidates (May 2007)



Annex Two

	<p>Lee Myung-bak (conservative GNP) The former mayor of Seoul and head of Hyundai Construction is leading the polls via his reputation as a solid economic manager in his previous positions. He has said that he would maintain humanitarian assistance to North Korea but that economic aid would be dependent on progress in the nuclear issue. Regarding the economy he is in favour of lower levels of state intervention. Building a national canal network is touted as a key policy goal.</p>
	<p>Park Geun-hye (conservative GNP) : Poll ratings for Lee, Park nonetheless enjoys strong support amongst party members. Daughter of General Park Chung-hee who presided over Korea's development in the 1960s/1970s, Ms Park benefits from the perception that she would be a good economic leader. She has called for strengthening the South Korea-US alliance to the level of the US-Japan alliance. She is the only candidate to have met North Korean leader Kim Jong-il in person and could have strong enough credentials amongst conservatives to push forward inter-Korean reconciliation if there were progress in the nuclear issue. She was educated in Paris (until her mother's assassination in 1974) and as a political leader maintains contact with European diplomats.</p>
	<p>Sohn Hak-kyu: (independent, former Grand National Party): Sohn was governor of Gyeonggi province that surrounds Seoul until June 2006 and gained a reputation as successful facilitator of foreign direct investment. Trailing behind the other two conservative candidates, he quit the party earlier this year and is now being touted by the centre-left as its potential presidential standard bearer. A liberal in regard to economics, he pushed inter-Korean reconciliation as the Governor of a border area province.</p>
	<p>Chung Dong-young (Uri Party): Founding member of President Roh's Uri Party and former Minister of Unification remains one of leading politicians on centre-left. Very pro-engagement of North Korea with a similar line to President Roh on the need to foster a competitive market economy by limiting the power of Chaebol and ensuring more equitable opportunities and distribution. Support in the strategic southwest province, but weak nationally.</p>
	<p>Kang Geum-shil: Liberal, progressive, former Minister of Justice for President Roh. Popular and could be chosen to take on the female Park Geun-hye of the conservatives, however her campaigning skills are somewhat weak.</p>
	<p>Han Myeong-sook: Confidant of President Roh stepped down as Prime Minister in March to return to party politics and test the waters for a potential bid. Was popular as Prime Minister, but has gained little support for any presidential aspirations.</p>
	<p>Kwon Young-gil: Veteran presidential candidate from the far left Democratic Labour Party. Only likely to be important if he takes votes away from a strong centre candidate.</p>