

## North Korea-South Korea Relations: *Mostly Off, Again*

Aidan Foster-Carter  
Leeds University, UK

North Korea's capacity to wrongfoot the analyst should never be underestimated. Three months ago, extrapolating from recent trends, it seemed reasonable to conclude that inter-Korean talks are now institutionalized. In the longer term that remains true, but in July, Pyongyang reverted to its old bad habit of boycotting most major formal channels of North-South dialogue and, by late September, had not relented. It acted, as ever, out of anger – especially at a mass airlift of DPRK refugees to Seoul from Vietnam, plus assorted other gripes. While some contacts continued, this hiatus, along with North Korea's virtual refusal to allow the six-party talks on the nuclear issue to reconvene, made this a summer during which the Korean question in all its manifold complexities mostly marked time.

None of this was apparent when the quarter began. A third round of six-party talks, held in Beijing in late June, committed to meet again by end-September, preceded by working meetings in August. With the U.S. for the first time offering a detailed proposal, the DPRK Foreign Ministry noted "common elements helpful to making progress." Bilaterally, after the second quarter's major breakthroughs – the first ever high-level military talks, setting up a naval hotline (albeit with teething problems) and starting to dismantle propaganda displays and speakers at the Demilitarized Zone (DMZ) – the last week of June alone saw a density of contacts that seemed the new norm. In quick succession: both Koreas agreed to march together at the Athens Olympics; their central bank chiefs met in Basel, Switzerland, while at home, foreign trade banks agreed to payment clearance mechanisms; 350 dignitaries came to a ground-breaking ceremony for the first phase of the Kaesong Industrial Zone (KIZ); and working-level talks on road and rail links began at Mt. Kumgang. It all looked good.

### **Condolence ban angers Pyongyang**

July too began well, as the chronology shows. The road-rail talks reached a 5-point agreement, Hyundai started cross-border day trips to Mt. Kumgang, and working-level military talks in Kaesong fine-tuned their radio contact agreement. But July 8 marked the 10th anniversary of the death of North Korea's founding "great leader" Kim Il-sung, and that was where the trouble started. Although South Korea's "Sunshine" policy gives leftist NGOs a lot of leeway to cavort with the DPRK, letting them head north to mourn a

man whose life was dedicated to bringing down the ROK remains beyond the pale. Pyongyang denounced Seoul's ban, then on July 9 said it could not attend a meeting a few days later in Sokcho, ROK on maritime cooperation. More pullouts followed: from further military talks July 19 (the North did not answer the South's phone calls) and even from the usual joint NGO anti-Japan fest to mark Liberation Day on Aug. 15.

The pattern continued in August, with the North now further riled by a mass airlift of its refugees to Seoul from Vietnam (see below). Accordingly, the two quarterly main events in the inter-Korean calendar were cancelled: the 15th ministerial talks, due in Seoul from Aug. 3-6, and the 10th session of the Economic Cooperation Promotion Committee (ECPC), also set to start in Seoul on Aug. 31. South Korea issued mild statements of regret each time, but did not retaliate. Thus, on July 14, it was agreed that a quarter of the 400,000 tons of rice that the South had regularly given the North would be sent overland. There was no question of withholding it or attaching conditionality.

### **Calculated, calibrated**

North Korea's rebuff was both calculated and calibrated. Thus it did not cancel the 10th set of family reunions, which were held as usual at Mt. Kumgang on July 11-16. To do so might have risked a backlash in Southern public opinion, whereas missing a few official meetings cut little ice with the public. Some courtesies were maintained: on Aug. 14, the North used its liaison officer at Panmunjom in the DMZ to give notice of a discharge of water the next day from its Innam dam on the Imjin river, which flows into the South.

The day before, the two Korean teams marched together at the opening ceremony of the Athens Olympics, as in Sydney in 2000. (But this time the full teams took part; in Sydney over 80 percent of ROK athletes missed the parade, to their chagrin, to keep numbers equal.) And the Kaesong zone project continued to move forward, as discussed below. Still, two months (at least) mostly devoid of contact must cast doubt on whether, for instance, plans to have the two new road and rail corridors partially open this year can now be sustained.

### **NSL: just say no**

Calculation was also evident in North Korea's additional call for the South to repeal its National Security Law (NSL) so dialogue can recommence. If this is a hoary old demand, it may be one whose time has come. The NSL, which dates from the ROK's founding in 1948, has long been criticized for a vagueness that enabled military dictators to use it to quash domestic democratic dissent. Former President Kim Dae-jung (1998-2003) has just been awarded compensation for his detention under the NSL in the early 1980s. A separate and more recent objection is that by defining North Korea as an anti-state organization, the NSL technically renders all inter-Korean dialogue and exchange illegal.

Still, in judgments in August, both the Supreme Court and Constitutional Court upheld the NSL, dismissing suits that argued that its provisions were draconian and suppressed freedom of speech. That did not stop the ever combative Roh Moo-hyun from saying on

Sept. 5 that the law should be scrapped, as “part of Korea’s shameful history and an old legacy of dictatorships.” The ruling Uri party, which controls the National Assembly, dutifully fell into line; hitherto its more moderate members sought revision, not repeal. Backed by minority parties, Uri may push this through against the main opposition Grand National Party (GNP), whose leader Park Geun-hye (Park Chung-hee’s daughter) has flip-flopped on the issue by withdrawing a compromise proposal after a backlash from the GNP’s hard right. But it is not only diehards who may feel that so large a change is better sought by consensus and that the pollyanna pacifism that animates some sections of Uri is no match for Kim Jong-il, who doubtless enjoys sowing discord in the South.

### **The Vietnam 468: the deluge begins?**

What the “Dear Leader” definitely did not enjoy was the arrival in Seoul on July 27- 28 of no fewer than 468 North Korean refugees from, of all places, Vietnam. This was by far the largest such group to reach the South since the 1950-53 Korean War. They were brought in two planeloads on successive days to a military airfield near Seoul (rather than Inchon, the normal gateway), with minimum publicity. Even the “Southeast Asian country” that they came from has never been officially named, in deference to sensitivities all round.

This hush-hush aspect means that full details remain unclear. But this probably represents several years’ accumulation of DPRK refugees in Vietnam. Because China takes a hard line in deporting illegal North Korean migrants – it refuses to let UNHCR consider any for refugee status or even to visit the border regions where most are hiding out – these unfortunates are left with only two options. One is to seek sanctuary in a foreign mission in Beijing or elsewhere, as a group of 44 did Sept. 29 at the Canadian Embassy, despite tight Chinese security in the diplomatic quarter. Earlier in September, a group of 29 similarly entered the Japanese school in Beijing. The alternative is to leave China for another country: either northwest to Mongolia, or south into Thailand, Laos, Cambodia, Burma, or Vietnam. Either journey is arduous and risky. Vietnam reportedly was uneasy at this buildup and threatened to deport them – forcing South Korea to act swiftly, rather than its usual slow processing of small groups for eventual passage to Seoul.

### **Seoul tiptoes, Pyongyang rants**

If the secrecy was to mollify Pyongyang’s feelings, Seoul may as well not have bothered. North Korea was loudly and repeatedly furious with all involved, and even uninvolved: it accused the U.S. of orchestrating this conspiracy. Vietnam, which had recently improved its not especially close ties with the DPRK – whose economists now go to Hanoi to study cautious market reform – was lambasted for being “involved in the plot.... self-exposed that it can stoop to any perfidious action, discarding elementary sense of obligation and morality.” As for South Korea, “cat burglars” and “terrorists” were among the milder epithets for what, a month later, the official *Korean Central News Agency* (KCNA) was still denouncing as “this thrice-cursed crime ... a blatant challenge and an unpardonable hostile act intended to bring down the political system in the DPRK.” In a switch of tone unlikely to gain many takers, North Koreans abroad were urged to come home “to the

republic you love and to the warm home that you miss,” with a pledge that “we in no way see you as having committed a crime to the fatherland or to the nation.” (Repeated reports suggest that brutalization of migrants repatriated from China, whose initial exit may only have been to find food or work, turns many against the regime; they flee again, for good.)

Why did North Korea get quite so angry, rather than ignoring this as it usually does with refugees? The role of a fellow-communist state is one issue: Pyongyang must fear what would happen if China too eased its stance. The sheer scale has to be alarming; for that matter, for Seoul and Beijing too the nightmare is that the North Korean refugee trickle may one day become a flood. But the charge of a U.S. conspiracy, although ludicrous, is revealing. As seen from Pyongyang, this must appear to chime in with the rising political saliency in Washington of North Korean human rights issues. Two bills on this are before the U.S. Congress; one of which has passed in both the House and Senate, so (time permitting) it may well become law, mandating the U.S. to raise human rights issues with the DPRK and to assist refugees. Even so, bluster is no answer. At all events, North Korea has used all this, as well as its earlier gripe over the banned condolence team, as a pretext to suspend most of its official dialogue with the South – for how long, remains to be seen.

### **Carry on, Kaesong**

But Pyongyang was careful not to jeopardize areas of inter-Korean intercourse where it stands to gain. Work on the Kaesong Industrial Zone (KIZ) just north of the DMZ has continued, if not always smoothly. One issue, bilateral on another front, is the potential transfer to the zone – and thence, it is feared, to Pyongyang – of sensitive or dual-use technologies with potential military applications. Such transfers are restricted under the Wassenaar Arrangement, of which the ROK is a signatory. The U.S. raised this issue; it appears it is being discussed on a case-by-case basis. Thus it was reported in September that a list of approved transfers had been agreed, but also that the last four of the 15 ROK companies due to set up factories in the initial phase were still awaiting such clearance.

Vital as this project could be to the North’s creaking economy, Pyongyang could still not resist playing politics. A ceremony set for Sept. 21 to mark the opening of an ROK office in the zone was called off when North Korea barred 11 GNP legislators from the 259-strong Southern guest-list. The North relented three days later, and this occasion has now been rescheduled for Oct. 21. One can only wonder what is the DPRK’s logic and motive in thus causing needless ill-will and delay, rather than building mutual trust.

Also unclear, given the wider hiatus in contacts over the past two months, is how soon the full cross-border road and rail links essential to this project will be up and running. With no joint meetings on railway issues since July 2, the previous timetable to hold test runs in October must surely have slipped. Meanwhile, on Sept. 20 Hyundai Asan, KIZ’s co-developer, began a daily shuttle bus service from Seoul, initially on a test basis, to the zone using the existing temporary road. This further breach in the once impassable DMZ is, in its way, momentous; yet one could still wish the process faster and smoother. Even more remarkably, if and when it happens, Hyundai Asan said Sept. 24 that Pyongyang

has approved Southern tourists driving their own cars to Mt. Kumgang via the eastern Donghae trans-DMZ corridor. It is not clear when this would start.

### **What mushroom cloud?**

Some events are non-events, but they still matter. On Sept. 12, anonymous sources in Seoul and Beijing reported that a mushroom cloud up to 4 km wide had appeared three days earlier over Kimhyongjik-gun (county) in Ryanggang province, a mountainous area near the Chinese border. The same day *The New York Times* – as ever, a prime outlet for hawk leaks from Washington – reported intelligence that North Korea was preparing a nuclear test: the report was credible enough that President Bush had been alerted. Briefly, everyone put two and two together – and made five. Then doubts crept in. There was no seismic or radiation evidence. Even in a remote fastness, even North Korea would surely not test a nuke so close to China. But the date looked significant: Sept. 9 is a holiday marking the DPRK's state foundation in 1948. Parallels were made with April's railway explosion at Ryongchon, hours after Kim Jong-il had passed that way. Some speculated that one of the many underground munitions or missile sites in the region had exploded accidentally.

Then Pyongyang explained, with characteristic scorn. "Much Ado in S. Korea and U.S. Refuted" was the Sept. 14 headline of the official *KCNA*. It attacked this "preposterous smear campaign ... Probably, plot-breeders might tell such a sheer lie, taken aback by blastings at construction sites of hydro-power stations in the north of Korea. The story about the explosion is nothing but a sheer fabrication intended to divert elsewhere the world public attention focused on the nuclear-related issue of South Korea for which they are now finding themselves in a dire fix."

### **Dam nuisance?**

Pressed by the British Foreign Office Minister Bill Rammell, who chanced to be in North Korea then (on the first ever such visit from UK) to talk nukes and human rights, a few days later the authorities arranged for the British and other ambassadors to visit the site. They duly reported thousands toiling in a massive hole in the ground. The only problem is that this was some place else: in Samsu-gun, about 100 km to the east. But then a shame-faced South Korea decided that this had indeed been much ado about nothing, stating that the mysterious cloud may after all have been no more than an unusual weather event.

This whole episode drove home the fallibility of so-called intelligence, and the folly of jumping to premature conclusions. (Equally, while North Korea's nuclear issue remains unresolved it is hardly surprising if people are jumpy.) More specifically this exposed the limitations of South Korea's spy satellites. Cooperation in this area with Russia may flow from President Roh Moo-hyun's visit to Moscow soon after, amid rumors that the U.S. was slow to share its own pictures, leaving Seoul scrabbling to buy commercial images.

## ***Et tu, Seoul?***

Pyongyang's crowing charge of diversion relates to another murky matter, not strictly bilateral, but again pertinent. In September, it transpired that at least twice, in 1982 and 2000, South Korean scientists carried out nuclear experiments that were not reported to the International Atomic Energy Agency (IAEA), violating Seoul's obligations under the Nuclear Non-Proliferation Treaty (NPT). This came out now because IAEA inspectors found physical traces under a new more stringent protocol that South Korea has signed.

Seoul's line that these were just one-off displays of scientific curiosity is not universally believed. After all, the first Korean bid to build the bomb was not Kim Il-sung's but Park Chung-hee's in the 1970s, alarmed that China-U.S. rapprochement and the Nixon doctrine might leave him unprotected. The U.S. found out and quashed the program, but knowledge does not go away, especially with a vast civil nuclear industry generating 40 percent of South Korea's electricity where some have long wished to copy Japan and "close the fuel cycle" by reprocessing plutonium from spent fuel. Remarks by ex-President Kim Young-sam to a Japanese paper, later denied, hinted that politicians knew something was going on.

Even if the IAEA's rigorous investigations confirm the rogue boffin theory, this episode has both dented South Korea's credibility as an ally – significantly, news of the 1982 test leaked from Washington – and, of course, given North Korea an excuse to do what it was doing anyway and stay away from the six-party talks, claiming double standards. Despite the end-September deadline for the fourth round agreed at the third round in June, and much shuttle diplomacy in all directions since, Beijing's hexagonal table is unlikely to be rolled out again until we know who will occupy the White House until 2008. There is sense in waiting, rather than hold yet another merely formal meeting, even if Roh Moo-hyun's comment in Moscow that he sees no need "to rush things" sounds overly complacent.

## **Lack of leverage**

Looking ahead, it remains unclear when North Korea will deign to resume the full range of inter-Korean contacts and fora. With the six-party nuclear talks also in abeyance, it is possible that Pyongyang will now wait until 2005 before deciding on its overall strategy towards its various foes under the new U.S. president – or the same old one with a new administration. Despite having in the past two years ended its perverse habit of blaming and boycotting Seoul as a by-product of wrath with the U.S., the North seems now to be reverting to this. If that continues, South Korea might wish to reconsider the pros and cons of the "axis of carrot" stance that it shares with China and Russia (a real post-Cold War troika). The trouble with "Sunshine" is that, by forswearing any conditionality and never even threatening to punish Northern malfeasance, it gives Seoul zero leverage.

Japan, by contrast, seems to have established an altogether more equal and tough-minded mode of engagement with North Korea. There are carrots (or rice), for sure, if Pyongyang plays ball – but also sticks, even "sanctions," if the DPRK continues to lie about why

most of the young Japanese it had abducted are dead. Japan may get no joy, but at least this sets up a sound incentive structure for Kim Jong-il. Whereas as long as South Korea takes the role of (to adapt the Zen tag) the sound of one hand giving, why would the “Dear Leader” not just keep on taking – and use his free hand to thumb his nose at the donor?

### **Chronology of North Korea-South Korea Relations\*** **July-September 2004**

**June 30-July 2, 2004:** Working talks on road and rail links are held at Mt. Kumgang.

**July 1, 2004:** ROK and DPRK foreign ministers meet at ASEAN Regional Forum (ARF) in Jakarta, and issue a joint statement. Seoul reportedly seeks to exchange liaison offices.

**July 1, 2004:** Chung Dong-young takes office as South Korea’s new unification minister.

**July 2-4, 2004:** Some 29 of the GNP’s 121 National Assembly members visit Mt. Kumgang. North Korea refuses to talk to them, but they join a 1,000-strong party for the reopening of a hotel refurbished by Hyundai Asan, at which the DPRK for the first time now allows North Koreans to work.

**July 2, 2004:** A row erupts in Seoul over the decision of a presidential commission to classify three North Korean agents, who died in Southern jails in the 1970s after refusing to renounce communism, as fighters for democracy against military rule.

**July 2, 2004:** The 10<sup>th</sup> working contact for relinking roads and railways ends at Mt. Kumgang. A 5-point agreement is signed, covering: designs for constructing stations on the newly connected sectors of the Seoul-Sinuiju and Donghae railroads, future schedules, supply of road safety materials necessary for road opening in October, and technical assistance for railroad and road works in signals, communications, and electricity systems.

**July 3-4, 2004:** Russian Foreign Minister Sergey Lavrov visits Seoul and meets President Roh Moo-hyun. He continues to Pyongyang, where he meets Kim Jong-il.

**July 5, 2004:** Working-level military talks in Kaesong agree to keep open their new wireless communications to prevent accidental clashes in the West Sea, and to start the second phase of removing propaganda at the Demilitarized Zone (DMZ). South Korea says the hotline has worked normally since July 1, and that the North promised to respond to messages in future.

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\* The author is deeply grateful to earlier compilers, whose chronologies he has liberally plundered to construct this one; in particular the ROK Ministry of Unification’s “Chronicles” ([www.unikorea.go.kr](http://www.unikorea.go.kr)) and Tom Tobback’s indispensable [www.pyongyangsquare.com](http://www.pyongyangsquare.com).

**July 8, 2004:** South Korea introduces new procedures for approving joint projects and visits to the Kaesong Industrial Zone (KIZ).

**July 8, 2004:** North Korea's Committee for the Peaceful Reunification of the Fatherland (CPRF) denounces South Korea for banning a Southern condolence delegation from visiting the North to mark the 10th anniversary of the death of the DPRK's founding "great leader," Kim Il-sung.

**July 9, 2004:** North Korea notifies the South by telephone that it will not attend the fifth inter-Korean maritime cooperation working-level contact, set for July 13-15 in the ROK.

**July 11-16, 2004:** A 10<sup>th</sup> round of family reunions is held at Mt. Kumgang. A select 100 from one side meets a larger number of kin from the other side in successive 3-day sessions.

**July 14, 2004:** The two Koreas agree that 100,000 tons of this year's rice "loan" from South to North will be sent overland via the Kaesong and Donghae corridors. Transportation begins July 20. The remaining 300,000 tons, which South Korea is to buy abroad, will arrive by sea.

**July 14, 2004:** DPRK patrol boat crosses the Northern Limit Line (NLL) in pursuit of Chinese poachers, but retreats minutes later after an ROK vessel fires warning shots.

**July 15, 2004:** A cross-party group of 86 ROK lawmakers submits a bill to the National Assembly to revise the Law on Inter-Korean Exchange and Cooperation. This would let South Koreans just inform the government of contacts with North Koreans rather than having to seek permission.

**July 15, 2004:** The Korea Trade-Investment Promotion Agency (KOTRA) reports that in the first half of this year inter-Korean trade grew 21 percent to \$325 million. South Korea imported goods worth \$116 million from the North, mostly agro-fisheries and textile products; while shipping \$209 million worth, mostly chemicals and textiles.

**July 19, 2004:** A scheduled third working-level head delegates' meeting for the military talks is cancelled as the North fails to respond.

**July 24-26, 2004:** Northern and Southern NGO delegations fail to agree on holding the usual joint Liberation Day celebrations Aug. 15.

**July 27, 2004:** Amid tight media restrictions, over 200 North Korean refugees fly into a Seoul military airport from an unnamed Southeast Asian country (in fact Vietnam).

**July 28, 2004:** A second airlift from Vietnam brings the total of defector arrivals to 468.

**July 29, 2004:** The North denounces the Vietnam refugee airlift as "systematic and planned allurements and abduction and a crime of terror committed in broad daylight."



**July 30, 2004:** ROK Red Cross informs DPRK counterpart of plans to send more aid to help rebuild Ryongchon, the scene of a huge explosion in April.

**Aug. 2, 2004:** ROK Unification Ministry reports that inter-Korean exchange visits were up 74 percent in the first half of 2004 over the same period last year. 9,545 South Koreans went North, not including the 82,444 tourists to Mt. Kumgang; while 321 DPRK citizens visited the South.

**Aug. 3, 2004:** North Korea boycotts 15<sup>th</sup> inter-Korean ministerial talks, due to be held in Seoul Aug. 3-6. South Korea expresses regret and urges the North to return to the talks.

**Aug. 4, 2004:** ROK police prevent DPRK defector Kim Deok-hong from holding a press conference at the Seoul Foreign Correspondents Club. In an internet conference, he repeats his claim that since last May, several anti-government underground organizations are active in the North.

**Aug. 4, 2004:** North Korea denies reports that Kim Kwang-bin, said to be its top nuclear scientist, has defected, as allegedly claimed by South Korea's Unification Ministry.

**Aug. 13, 2004:** Athletes from both Koreas march together in the opening ceremony of the Athens Olympic Games, as in Sydney in 2000.

**Aug. 23-Sep. 3, 2004:** U.S. and ROK forces hold annual joint exercise "Ulchi Focus Lens," whose aim is to strengthen deterrence against North Korea. The latter protests, as usual.

**Aug. 31, 2004:** North Korea boycotts the 10th session of the inter-Korean Economic Cooperation Promotion Committee (ECPC), due to be held in Seoul.

**Sept. 2, 2004:** Representatives of ROK Democratic Labor Party (DLP) travel to Mt. Kumgang to meet with delegates from the DPRK's Social Democratic Party (SDP), in what is billed as the first inter-Korean meeting of political parties.

**Sept. 2, 2004:** Lawmakers from South Korea's ruling Uri Party express concern over the North Korean Human Rights Act currently before the U.S. Congress, which they fear may adversely affect inter-Korean reconciliation.

**Sept. 2, 2004:** South Korea's science and technology ministry (MOST) admits that ROK scientists enriched some uranium in 2000. It claims this was done without the government's knowledge or authorization, so was not reported at the time to the IAEA.

**Sept. 2, 2004:** South Korean and U.S. officials agree on what kinds of possible dual-use equipment are allowed to be brought into the Kaesong Industrial Zone (KIZ) by Southern companies.

**Sept. 9, 2004:** MOST admits earlier unauthorized nuclear experiment in 1982; this time extracting plutonium, and again said to be by scientists acting on their own.

**Sept. 11, 2004:** North Korea's Foreign Ministry says it "cannot help but link" recent revelations of nuclear transgressions by South Korea with six-party talks on its own nuclear activities. Adding that, "we can't give up our nuclear plan at all under such circumstances," the North calls for a "thorough and transparent" investigation.

**Sept. 12, 2004:** Sources in Seoul claim that a large mushroom cloud was seen over northern North Korea three days earlier. The ROK unification minister rules out a nuclear test.

**Sept. 15, 2004:** South Korea says it is consulting with KEDO on how to compensate ROK firms' losses due to the halted construction of two light-water reactors in North Korea. KEPCO, the lead contractor, has already disbursed \$8 million to subcontractors to this end. The North has banned the removal of equipment from the Kumho site.

**Sept. 15, 2004:** An MOU source says that removal of propaganda installations along the DMZ has stalled and is unlikely to resume while the North continues to boycott inter-Korean dialogue.

**Sept. 16, 2004:** South Korea approves four more firms – making apparel, kitchenware, plastics, and machinery – for the KIZ first phase, bringing the total to 11. Four more await the results of U.S.-ROK negotiations on possible exemptions for Kaesong of strategic goods whose export to regimes deemed threatening is normally restricted under the Wassenaar Arrangement.

**Sept. 17, 2004:** South Korea says the North's mushroom cloud may just have been a weather formation. Seoul media deplore the shortcomings of their country's intelligence.

**Sept. 20, 2004:** First Hyundai Asan shuttle bus takes workers from Seoul to Kaesong. After two months of daily test runs, a full shuttle service across the DMZ will begin later this year.

**Sept. 21, 2004:** A ceremony to mark the completion of an ROK office in the Kaesong Industrial Zone (KIZ) is called off after the North bars 11 lawmakers of the main opposition GNP. It later relents, and the event is rescheduled for Oct. 21.

**Sept. 23, 2004:** South Korea's ruling Uri party and two small opposition parties, the Democratic Labor Party (DLP) and Millennium Democratic Party (MDP), agree to submit a joint bill to abolish the National Security Law (NSL), the cornerstone of anticommunism since the ROK was founded in 1948. *Inter alia*, the NSL defines North Korea as "an anti-state body."

**Sept. 24, 2004:** South Korea's Defense Ministry (MND) says 2005 defense budget is likely to be 20.8 trillion won (\$17.3 billion), 9.9 percent increase. It had sought a 12.6

percent rise, to strengthen capabilities against North Korea. (The proposed budget equates to the North's entire GNP.)

**Sept. 24, 2004:** Amid signs that North Korea may be preparing a missile test, ROK Foreign Minister Ban, meeting Secretary of State Powell in New York, warns the DPRK that any such launch would impact negatively on inter-Korean ties, including Kaesong.

**Sept. 24, 2004:** ROK's commerce, industry and energy ministry (MOCIE) confirms that 107 tons of sodium cyanide (which can make nerve gas), exported to China without permission, ended up in North Korea. The Southern exporter was sentenced to 18 months in jail.

**Sept. 24, 2004:** MOU announces that the ROK state-run Export-Import Bank of Korea (Exim) will insure Southern investors in the North for between 90 percent (Kaesong) and 70 percent (elsewhere) of any losses in case of agreements broken, remittances blocked, wealth confiscated, war, etc.