



**North Korea-South Korea Relations:
Full Steam Ahead?**

**Aidan Foster-Carter
Leeds University, UK**

As the humid Korean summer yields to the crisp beauty of autumn, inter-Korean ties have never been better – or at least bigger. As if to compensate for the lost year from mid-2004 to mid-2005, when Pyongyang for no good reason eschewed official contacts with Seoul, the past quarter has indeed seen, as we predicted last time, a packed calendar of meetings: hardly a day went by without one. Moreover, this intense intercourse looks set to continue.

Does quantity mean quality? As ever, some of these encounters were more formalistic than substantive. Nor has North Korea yet delivered all that it has promised – much less all that South Korea would like. Nonetheless, economic progress in particular seems to be moving at last toward sustained cooperation. Security issues are more problematic: while Six-Party Talks on the nuclear issue finally agreed on principles in September, both the interpretation and realization of this accord promise to be thorny. Seoul's mediating role, while welcome at one level, also raised questions about how far inter-Korean progress was being made at the expense of the ROK's strained alliance with the U.S. or its rocky relations with Japan.

More business, faster

The first half of 2005 ended with ministerial talks in Seoul on June 21-24, the 15th since the June 2000 Pyongyang summit, and the first in over a year. The second half kicked off with a high-level meeting: the 10th session of the inter-Korean Economic Cooperation Promotion Committee (ECPC) on July 9-12, again in Seoul. Each meeting produced a 12-point agreement, and despite some overlap, both broke new ground. Taken together, and if implemented – always a big if, given the past history of false dawns – these and other fresh initiatives suggest that North Korea is at last ready to do serious business with the South.

Admittedly, much of the ECPC statement involved recommitment to expedite matters that had been previously agreed but not yet implemented. This includes no fewer than nine agreements already signed, covering topics like transit procedures in the two special zones: Hyundai's tourist fiefdom at Mt. Kumgang and the Kaesong Industrial Zone

(KIZ), just north of the Demilitarized Zone (DMZ) near its western and eastern ends, respectively. Few problems have been reported on the ground, so this may be a paper formality.

The ECPC also resolved to expedite the KIZ as such, committing to “swiftly” building the infrastructure – electric power, communications, and water – for the first phase (of three), and to have factories for all 15 Southern firms in the present pilot phase ready by the end of this year (so far only three are operational). On July 18, South Korea said it will soon select the next 25 firms to be tenants of the zone, reportedly from hundreds of applicants. The pilot area covers 92,400 sq. m, and the first tranche of the main zone is scarcely larger, at 165,000 sq. m. The full first phase, slated for completion in 2007, will extend to 3.3 sq. km. With two further stages of expansion due by 2012, the eventual complete zone will occupy a substantial 66 sq. km.

It was also agreed to open a new office for inter-Korean economic cooperation consultation in the KIZ. This will enable enterprises from North and South to meet, negotiate, and sign deals, without the current inconvenience for both sides of heading to a Chinese venue such as Beijing, Dandong, or Shenyang for this purpose. On Sept. 29, it was announced that this office will open Oct. 25, timed to coincide with the opening of the 11th round of the ECPC, also at Kaesong. It will have a 28-member staff, 16 from the South and 12 from the North.

Water: still no warning

Not for the first time, it was agreed to share information and conduct joint surveys of the Imjin River, which flows from North to South. The South fears that unexpected discharges from Northern dams, the Imjin and the Innam Dam near Mt. Kumgang on the upper Han River, may exacerbate summer flooding south of the DMZ. The North has now agreed to give notice of any such discharges, as it has occasionally done before. The joint survey too has been mooted before, but never actually happened; that will be the test. (In the 1980s, South Korea feared that the Innam Dam was intended to flood Seoul, and so built its own “Peace Dam” near the DMZ, at no little expense, to catch any wall of water.)

As of early October, the survey had yet to take place. Earlier, on Sept. 2, a surge of water without warning on the Imjin damaged Southern fishing nets and other facilities downstream. When Seoul remonstrated, Pyongyang claimed this was caused by overflows rather than the deliberate opening of its dams. Evidently coordination is still lacking here.

Now they’re motoring

The ECPC also resolved to speed up crossborder transport links. New trans-DMZ highways linking Kaesong and Mt. Kumgang to the South are already in use, mainly for business and tourism respectively. Hitherto North Korea was oddly unready to

acknowledge this reality with an official opening ceremony; it has now agreed to this, but has still not set a date.

Parallel rail links in the same two corridors – Kyongui (Seoul-Sinuiju) in the west, and Donghae (East Sea) in the East – have proceeded more slowly. The ECPC determined to hasten this by “swiftly” completing boundary station buildings and installation of equipment, to be followed by a joint roadbed survey in August, trial train runs “around October,” and an opening ceremony “within this year” as soon as military security can be guaranteed.

How soon these railways will actually be used remains to be seen. Physically, the Kyongui line is ready right now. In theory, trains could already run from Pusan to Beijing (and on to Russia and Europe) via Pyongyang, albeit not very fast, until North Korea’s decrepit rail network gets an expensive and long overdue upgrading. On the Donghae line, the track has been reconnected, but it is not clear if stations and other facilities needed have yet been completed. This is in any case a branch line of less economic significance, both in itself and in leading to the stagnant Russian Far East rather than dynamic China. (To reinstate the main line from South Korea to Russia would involve relinking a third line, northeast from Seoul to Wonsan in the middle of the peninsula, but there seems to be no suggestion of this.)

Slow train?

Unless Kim Jong-il is ready for a “big bang” opening, slow progress will remain the norm. Even the fairly busy cross-border roads are limited and in effect one-way. Authorized South Koreans can commute to Kaesong as workers or to Mt. Kumgang as tourists, but they may not proceed beyond these two enclaves, nor of course can North Koreans visit the South (except a few official delegations to meetings). The Korean Peoples’ Army (KPA), already reportedly worried by the trans-DMZ corridors, may raise security objections to further or faster opening. Counteracting this is the lure of transit traffic, especially between China and South Korea. North Korea could charge useful rent for this or, if bolder, boost development of the whole line of rail from Kaesong to Pyongyang and on to Sinuiju. This clash between security and business priorities (or past and future) will need settling politically, so how soon the trains really run will be a touchstone for the DPRK’s wider attitudes to opening.

Another transport provision, marine this time, was that from Aug. 15, Northern merchant ships could use the Cheju Strait between the eponymous southwestern island province and the Southern mainland, reducing sailing times from Nampo and other Northern west coast ports to Japan, and to the North’s east coast. A meeting at Munsan in the South on Aug. 8-10 sorted out the technical details, and the new route opened three days early on Aug. 12. There is an odd history here. Four years ago, in June 2001, North Korean vessels started cheekily taking this and other short cuts through Southern waters with neither notice nor permission. They went unmolested, by political order, until the growing fury of Southern conservatives allowed a by now itching ROK Navy to fire warning shots. That did the trick.

Both sides also agreed to exchange economic inspection teams in November. The scope of these was not specified. When a DPRK team last came south, in 2002, it included both Jang Song-thaek – a vice director of the Central Committee of the ruling Korean Workers’ Party (KWP), but more importantly Kim Jong-il’s brother-in-law and key confidant – and a then obscure chemical industry minister, Pak Pong-ju. Whereas the former overslept (none of his compatriots dared wake him), the latter impressed his hosts as well-informed and keen to learn; regretting rhetorically that he lacked an extra pair of eyes to drink it all in as they toured *chaebol* plants and other business facilities. That trip had consequences: a year later Pak was appointed North Korea’s premier. Now closer to the Dear Leader and ranked higher than past holders of this post, he is spearheading the North’s radical – if so far dubiously effective – market reforms. Jang, by contrast, was purged last year: by different accounts, either for opposing opening or for forming his own power base to push his adopted son Kim Jang-hyun – in reality an illegitimate offspring of the late Kim Il-sung, hence his claim – as a potential successor to Kim Jong-il and a rival to the latter’s own three warring sons.

Fishing, farming, and investment

Particularly welcome, if long overdue, are plans for economic cooperation in several fresh areas. The ministerial talks agreed to set up new joint panels in both fishing and farming; the ECPC added a third, for science and technology. Most excitingly, the ECPC also agreed for South Korea to invest in Northern minerals, in exchange for supplying raw materials “urgently” needed for daily necessities. Some of this progressed fast. A first consultative meeting on fishing cooperation, held July 25-27 in Kaesong, agreed in principle to create a joint fishing zone in the West (Yellow) Sea: an area that in the past has seen frequent summer clashes in the blue crab fishing season, leading to fatal firefights in 1999 and 2002. Reflecting this security dimension, precise details were to be worked out later, in military talks. One potential stumbling block is that the DPRK officially does not accept the Northern Limit Line (NLL), the *de facto* maritime border between the two Koreas.

Separately, a more senior agricultural cooperation committee was mooted, at a vice minister level, directly under the ministerial talks rather than the ECPC. This too was meant to start work in Kaesong in mid-July, but in the event it first met in August (as discussed below).

The most recent and so far vaguest of the three proposed new joint panels is a clause in the ECPC agreement (it was not mentioned at the ministerial talks) pledging cooperation in science and technology, and leading “later” to a working-level consultative committee in this area. Concretely, this could mean almost anything. Sensitive and dual-use technologies will doubtless be avoided, since South Korea is a signatory to the Wassenaar Arrangement; the U.S., already worried about the risk of such transfers via the Kaesong zone, would also look askance. The South’s world-famous stem-cell pioneer, Hwang Woo-suk, has said he would like to cooperate with Northern colleagues, who have cloned the odd rabbit.

Soap for coal

Encouragingly, the first clause of the ECPC agreement commits both Koreas to cooperate “in a new manner by combining their...elements such as resources, capital, technology, etc...to achieve balanced development of the national economy.” They will also explore ways gradually to expand such cooperation. Specifically and first, the South will provide raw materials to produce goods like clothing, footwear, and soap, which the North “urgently needs” (in itself a rare candid admission that it lacks such basic necessities). In return, the South will be allowed to invest in and export Northern minerals such as zinc, magnesite, apatite concentrates, coals, etc. A meeting in Pyongyang in August was to discuss details.

This could be the beginning of a long-overdue process. South Korea is now streets ahead of the North in almost all fields, but minerals are one Northern area of comparative advantage. Like everything else in North Korea, mines badly need new investment to replace worn-out or outmoded facilities. Many coal mines in particular have yet to recover from flooding of a decade ago. South Korea has moved away from coal as an energy source, but there should be markets in China and indeed in the North’s own power stations – which in turn may help mitigate a chronic shortage of electricity.

Lead and hemp

More than two months later, in a presumably linked development, Korea Resources Corp. (Kores), a South Korean parastatal, said on Sept. 26 that it is developing five mineral projects in the North, including a black lead mine close to the DMZ, and plans to open an office in Pyongyang this year. Other areas under study include iron ore, magnesite, copper, and zinc. Kores also plans a full geological survey of the DPRK during 2006-08, and to form consortia with private ROK firms to develop Northern resources.

As for opening in Pyongyang, a private firm beat them to it. Pyongyang Hemp Textile Co, said to be the first ever North-South joint business venture, was inaugurated Oct. 1. This is a joint venture between the ROK’s Andong Hemp Textiles and the DPRK’s Saebyol General Trading Co, with each investing \$5 million. The plan, which took five years to negotiate, is to grow hemp on Northern farms, then weave it into cloth in factories in Pyongyang. Later that day, the first ever North-South investor relations meeting was held for 170 ROK business persons who had flown in for this and for the opening. In true DPRK style, the hosts berated their guests for not being readier to invest.

Seoul’s power play

North Korea’s chronic power shortage was also addressed by an offer on a far larger scale than any of the above. Over and above the two post-meeting 12-point agreements in June and July, it later emerged that when ROK Unification Minister Chung Dong-young met Kim Jong-il in Pyongyang in June, he had proffered aid in seven fields – energy, rivers, railways, harbors, tourism, farming, and reforestation – that could begin even

while the nuclear issue remains unresolved. Two of these (railways, tourism) are already happening, while two more (rivers, farming) are now envisaged in the new inter-Korean agreements.

As for energy, hints in Seoul of much larger-scale plans – a “special proposal” comparable to the U.S.’ post-1945 Marshall Plan in Europe – were finally unveiled in mid-July. Provided the nuclear dispute is settled, South Korea is prepared to supply the North with an annual 2 million kilowatts of electricity, starting from 2008 (because it would take that long to build transmission and related facilities). This is about as much power again as North Korea now produces; though its nominal capacity is 7.7 million KW, actual generation is thought to be less than 30 percent of this, due to the dilapidated state of both power stations and transmission lines. South Korea, with a generating capacity seven times greater, expects to have excess output of 5-6 million KW by 2008, even after setting aside mandatory reserves of 17 percent.

This proposal, credited in Seoul with luring North Korea back to the Six-Party Talks, has the support of the Bush administration, and was presumably cleared on earlier visits to Washington by President Roh Moo-hyun and Minister Chung. This unexpected but essential endorsement may reflect not only a softening of U.S. tactics, but also the new plan’s funding. South Korea says that it would find the estimated cost of \$1.5 billion from funds hitherto earmarked for the Korean Peninsula Energy Development Organization (KEDO) consortium. KEDO was building two new light-water reactors (LWRs) in Kumho in North Korea under the 1994 U.S.-North Korea Agreed Framework (AF), until work was suspended in 2003 as the current nuclear crisis unfolded. The Bush administration never liked the AF, LWRs, or KEDO, all inherited from the Clinton era, but South Korea hitherto had resisted moves to formally end KEDO. This new proposal, essentially of an alternative non-nuclear power source (or rather power sourced outside North Korea), seemed a tacit admission that KEDO has no future. This was confirmed by ROK Foreign Minister Ban Ki-moon Oct. 2, after the waters had been muddied by the DPRK’s demand, at the fourth round of Six-Party Talks, for one or more LWRs as part of any new deal to end its existing nuclear programs.

Not a done deal

Despite much excitement in Seoul, it would be premature to regard this as a done deal. For a start, North Korea has yet to accept it. Urgent as the North’s needs are, and although the amount of power pledged is equivalent to what the LWRs would have produced, Kim Jong-il may resist politically any formal bid to kill off KEDO. It also seems very implausible that North Korea would accept dependence on the South for so critical a resource. Ideological boasts of self-reliance apart, neither Korea forgets that in 1947 – soon after partition, when the boot was on the other foot: Northern hydroelectric plants built by Japan supplied most of the Peninsula’s power – the North abruptly pulled the plug, causing chaos in the South.

North Korea is thus likely to counter-propose that new plants be built on its own territory. Also, by 2008 the conservative opposition Grand National Party (GNP) may hold power of another kidney in Seoul. The GNP is divided on the electricity plan, as it is over “Sunshine” in general, putting it on the defensive currently, to the satisfaction of the ruling Uri Party. Kim Jong-il will surely not become a hostage to such risk. (South Korea already pipes power to Southern firms in the Kaesong zone, but that is both small-scale and based on self-interest.)

[Besides political problems, there are technical ones. Sources within Kepco (Korea Electric Power Co, the state-owned generator and distributor which would have to implement this), have given contradictory opinions on its feasibility. Blithe optimism seems less convincing than caution; especially given the decrepit state of North Korea’s grid, with perhaps 30 percent of power generated lost in transmission. There may also be blowback risks in connecting two such diverse systems, with little detail known about the Northern one: some in Kepco fear a simultaneous or knock-on blackout, as seen in the U.S. not long ago. This was also KEDO’s Achilles heel: in a project driven more by diplomacy than technology, even if the LWRs were finished it would be unsafe to hook them up to the wider Northern grid as it stood.]

As with KEDO, the real significance of this may be more political and symbolic. Just as the offer of LWRs – and interim heavy fuel oil (HFO), which the North may demand as well – defused the first North Korean nuclear crisis a decade ago, so this new proposal in turn may serve a valuable short-term diplomatic purpose no matter whether it comes to practical fruition. If KEDO’s history and likely eventual fate show the pitfalls of such strategies, at least this time there is a much better chance both that South Korea will provide wider aid, and (in view of its recent change of attitude) that North Korea will respond constructively.

Substance and symbolism

In August, the focus moved from substantive matters to more symbolic ceremonial events. Aug. 15, the date of liberation from Japanese rule in 1945, has always been a significant day and a public holiday in both Koreas’ calendars. In the past, this was a focus of conflict: the North would often stage Pyongyang-line rallies at Panmunjom, which radical Southern students battled the riot police in a vain bid to attend. Since 2001 joint festivals have been held, if not all smoothly. The first, in Pyongyang in 2001, enraged Southern conservatives when some ROK delegates danced too keenly to DPRK tunes – forcing the resignation of Unification Minister Lim Dong-won, the Sunshine Policy’s *eminence grise*. Since then such embarrassment has been avoided, but subcontracting these events (as nominally unofficial) to Southern unification activists often gives them a distinctly leftist and anti-Japanese tinge.

In 2004, there was no festival, as Pyongyang was cross with Seoul. This auspicious year, the 60th anniversary of liberation, it was the North’s turn to come south. A large, 200-strong Northern delegation (both official and NGO) flew into Seoul, led by Kim Ki-nam, a senior secretary of the ruling Korean Workers Party (KWP) and a confidant of Kim

Jong-il. In an unprecedented gesture, DPRK delegates briefly paid their respects at the ROK's national cemetery, where its war dead are interred. Conservatives foamed that the North should first admit and apologize for starting the Korean War, but most Southerners seemed to approve this action. In another first, Kim Ki-man and his colleagues also visited the ROK National Assembly, despite which, Pyongyang later rebuffed a Seoul suggestion for parliamentary exchanges. The visitors also met President Roh as well as his predecessor, the now ailing Kim Dae-jung, who went North for the breakthrough June 2000 summit with Kim Jong-il.

Soccer teams of both sexes also came south, and (genuinely) friendly matches were held. South Korea won the men's game 3-0 Aug. 14, while the North's women evened the series two days later with a 2-0 victory. Both ROK and DPRK flags were forbidden in the stadiums; instead, the Southern spectators – most of who were from pro-unification civic groups, rather than the wider public – cheered for “Unified Korea!” as instructed. Some South Koreans grumbled about not being allowed to wave their flag or cheer for their state.

In return, a leading Southern pop star, Cho Yong-pil, wowed an initially reserved 7,000-strong audience at Pyongyang's Ryugyong Chung Ju-yung Gymnasium (named after the founder of Hyundai, who paid for it) with hits from both Koreas. The rightwing Seoul daily *Chosun Ilbo*, no fan of the North, gushed that “with a few melodies, Cho did in two hours what countless politicians and businessmen failed to do over a decade: he touched a nerve among ordinary North Korean people and sparked genuine interest and emotion.”

Waving but not touching

Family reunions too were revived and slightly expanded, thanks to a technical innovation. On Aug. 15, 40 separated family members – some too frail to travel – saw each other for the first time in over half a century, thanks to a new fiber optic cable and videolink across the DMZ. They could wave and speak, but obviously not embrace, so the tears flowed. An 11th round of the usual kind of reunions, where 100 from each side meet kin from the other for 2-3 days at the North's Mt. Kumgang resort, followed in late August after a hiatus of over a year. At this rate, most of the relevant group will be dead before they get this one-off chance to meet (cruelly, no further contact of any kind – not even letter, telephone, or email – is allowed thereafter). Of some 120,000 South Koreans who have applied to this program since 2000, about 20,000 have since died. In the South, the lucky few are chosen by lot; the North's method is unclear, but seems confined to the elite. In principle, this snail's pace could quicken once a planned 13-story dedicated family reunion center at Mt. Kumgang is completed. But given that it took two years of wrangling even to get as far as a ground-breaking ceremony on Aug. 31, the elderly should probably not hold their breath.

Missing, presumed detained

In a more contentious area, North Korea also agreed for the first time to discuss persons “missing” in the Korean War and thereafter. That coy term is code for thousands of South Koreans abducted to the North, prisoners of war kept there after 1953 (a handful, old men now, have escaped in recent years), and others – mainly fishermen – seized since the war. The North had always stoutly denied all of this, so unsurprisingly these first talks failed.

In contrast to Japan’s absolute prioritization of its own far fewer kidnap cases, South Korea had hitherto gone to the other extreme: rather than rescue its own citizens, say critics, Seoul preferred to butter up their abductors. But it has now raised the cases of 542 POWs and 486 civilian abductees, mostly fishermen. It will be politically hard for Pyongyang to yield here, as this could be the thin end of a large wedge. Officially, the South claims all North Koreans as citizens of the ROK (and vice versa), so there might be pressure to widen human rights concerns to the entire DPRK population. Then again, the Roh government’s refusal to raise Northern human rights issues as such seems to accord with majority sentiment in the South nowadays. But the conservative opposition GNP protested later at suggestions that the return to the North on Oct. 1 of the body of a former communist long-term prisoner might be followed by the repatriation of some 28 such persons who are still living. GNP leader Park Geun-hye said this should be conditional on the North in turn returning Southerners whom it is still holding, in some cases after more than half a century. Ominously, the leader of an abductee families group said on Oct. 3 that the National Intelligence Service (NIS) had warned him against possible terrorist attacks by the North.

New hot line and farm aid

Earlier, August saw progress in security matters. On Aug. 10, a new military hotline was tested, coming into use soon thereafter. The line links liaison offices, the aim being to prevent border clashes at sea like those that led to fatal firefights in 1999 and 2002. There is also a similar separate new hotline for merchant shipping, related to the South’s allowing DPRK vessels to use the Cheju Strait. At the DMZ, dismantling of propaganda loudspeakers has resumed; they were switched off last year, but taking them down was halted when inter-Korean ties chilled. For the future, high-level military talks were agreed – but at an oddly remote venue, Mt. Paekdu on North Korea’s border with China. No date or agenda has yet been fixed, leading some to query whether the North is sincere about this.

On the economic front, a major step forward was the first meeting of the new committee, chaired by vice ministers, on agricultural cooperation. Meeting in Kaesong on Aug. 18-19, this reached an agreement, which South Korea trumpeted as the start of joint farming, something it has long sought. From next year, a few Northern collective farms – number or location yet to be determined, and with no suggestion that decollectivization as in China or Vietnam is on the agenda – will receive the ministrations of Southern experts and inputs. It will be fascinating to see how this works out in practice. The South will also assist more widely with new seeds, pest control, fruit and vegetable cultivation,

sericulture, and badly needed reforestation. All this is unambiguously positive, though it remains to be seen how far crop yields can be boosted in what is hardly optimal terrain for agriculture. (The U.S. scholar Marcus Noland has provocatively suggested that it is not economically rational to grow food in any part of the mountainous and densely populated Korean Peninsula: they should import it instead and pay for it with industrial exports, as the South largely does.)

More generally, inter-Korean trade in the first seven months of 2005 rose 55 percent over the same period last year to \$582 million. 90 percent of this was in Northern exports and over a third was inter-governmental rather than private business.

Tourism: mixed signals

Tourism continued to develop, albeit not smoothly. As chairperson of the Hyundai group, Hyun Jeong-eun had already felt fallout from the North: she succeeded her late husband, Chung Mong-hun, after his suicide in 2003 when illicit payments to Pyongyang were being probed in Seoul. In July, she returned in triumph from North Korea, having met Kim Jong-il who agreed to let Hyundai expand its tourism from Mt. Kumgang to two new destinations: Kaesong, an ancient capital as well as site of the shiny, new industrial zone, an easy cross-border bus ride from Seoul; and Mt. Paekdu, the logistically more challenging sacred peak (the Peninsula's highest) on the China-North Korea border, which many South Koreans already visit from the Chinese side. A pilot tour to Kaesong duly took place on Aug. 26.

With Mt. Paekdu, the practicalities proved more complex. Even though the ROK's Korea National Tourism Organization (KNTO) had agreed to aid infrastructure rebuilding in the region, the sacred peak is as yet unready to receive South Koreans. Plans to hold the 16th round of Cabinet talks in this unlikely location (one wonders how secure communications back to Seoul would have been effected) in September were switched at short notice to the more usual and sensible location of Pyongyang, doubtless to Southern relief.

Dear Leader bullies Hyundai

By then Hyundai's relations with the DPRK had soured. On Aug. 19, Hyun Jeong-eun sacked Kim Yoon-kyu, who as CEO of Hyundai Asan had led the firm's dealings with the North, for alleged corruption. Pyongyang riposted by halving the quota of tourists visiting Mt. Kumgang daily from 1,200 to 600, a severe blow to a project that had only lately begun to turn a profit. Official figures published Oct. 2 show that since 1998 Hyundai has paid Pyongyang nearly \$439 million in fees alone. It originally agreed to send \$924 million over six years, but after heavy losses this was altered in June 2001 to \$100 per visitor – so the North's new restriction will hit its own cash flow. In addition, Hyundai (or the ROK state, which has subsidized it to the tune of a reported 140 billion won) has had to shoulder all the expenses for constructing roads, ports, hotels, and other facilities at Mt Kumgang.

Not content with this pressure, the North also offered the Kaesong license to a competitor, Lotte Tourism, which demurred (not least because it handles 40 percent of Hyundai Asan's Mt. Kumgang marketing). When Ms. Hyun visited Mt. Kumgang in early September, not only did her Northern counterparts not show up, but she was subjected to a humiliating search – more intensive than for Hyundai tourists. For a while it seemed this harassment might even work, with reports that Kim Yoon-kyu (who had remained as a vice president of Hyundai Asan) could be reinstated. The 16th ministerial talks, held in Pyongyang in mid-September, were largely devoted to patching up this row; certainly they achieved little else, bar vague reiteration of prior commitments. But it soon flared up again; on Oct. 6, Hyundai fully dismissed Kim, amid charges that the \$1 million, which he allegedly misused (possibly into Northern pockets) included ROK government funds. At the time of writing it remained to be seen if North Korea would again retaliate, or accept Hyundai's right to manage itself.

Whatever the rights and wrongs of the case – Hyundai has had its power struggles before – the North's shameless meddling in the governance of a private company in another country is obviously intolerable, not to mention ungrateful (“killing the golden goose” headlines abounded in the Seoul press). Kim Jong-il reportedly views Kim Yoon-kyu's ousting as a personal insult; as right-hand man of Hyundai's founding patriarch, the late Northern-born Chung Ju-yung, Kim ran Hyundai's ties with Pyongyang for over a decade. Even so, such petulant interference will not encourage other Southern firms to head North. Other *chaebol* have notably failed to follow Hyundai's lead, but keep a prudent distance. While hardly on the scale of the nuclear or food aid controversies, yet again the signal sent is hardly that North Korea is easing up, or is inclined to behave like a normal modern state.

Excelsior?

Overall there is no reason to doubt that inter-Korean relations will keep forging ahead – if unevenly, and with the risk of temporary hiccups (at least at government level) if the North chooses to sulk. One touchstone will be how soon cross-border trains start to roll, and more generally whether Pyongyang proves a better business partner henceforth than hitherto. If the mooted joint farming, fishing, mining, and more really come to pass, this has the potential to transform both the economic and wider relations between the two Koreas.

How far this will percolate to the security front is another matter. Although it had agreed to senior military talks, the North appears to be stalling. In any case, despite President Roh's oft-expressed desire for an independent ROK security posture (whatever that means), the ongoing DPRK nuclear and other WMD-related concerns (e.g. missiles) are clearly matters of more than peninsular scope. If and when the Six-Party Talks resume in Beijing in early November as scheduled, Seoul's chosen posture of mediating between its U.S. ally and Northern brother will be severely tested – since Washington and Pyongyang will no doubt continue to differ sharply on both the timing and nature of action and reward.

Bilateral versus multilateral?

One must also ponder the mutual implications of these multilateral and bilateral processes. After almost eight years of Sunshine, inter-Korean relations have arguably in some sense taken root. They now have their own dynamic, at least partially independent of the nuclear and other concerns – although how far the ROK can and will aid the DPRK clearly remains limited by the latter's nuclear defiance. What are the tradeoffs here? The hope in Seoul (or is it now an axiom?) is that Sunshine will in time melt Pyongyang by showing it some love and a better way, so eventually it will come in from the cold. But the fear in Washington is that unconditional aid will, rather, sustain Kim Jong-il's regime "as is," nukes and all. Yet given the Bush administration's distraction by crises elsewhere, the intrinsic difficulty of imposing formal international law on North Korea, and the seeming insouciance of China, Seoul's way may be the only game in town. In any case no one is about to rein it in.

Similar worries were highlighted in September when North Korea said it no longer needed food aid. Both UN bodies like the World Food Program (WFP) and Western NGOs have been told to end such operations from January. While much is unclear about this, including whether it affects ROK NGOs, Pyongyang made no secret that one reason it could do this was half a million tons of rice supplied more or less unconditionally by South Korea. With staple grains reportedly banned from markets since October, in a bid to revive the collapsed public distribution system (PDS) of rationing and reassert state control, this really ought to prompt hard thinking in Seoul as to whether its doubtless well-meant aid actually works to advance or retard reform, opening, and peace in North Korea. That is the \$64,000 question.

Chronology of North Korea-South Korea Relations July-September 2005

July 9-12, 2005: The 10th meeting of the Inter-Korean Economic Cooperation Promotion Committee (ECPC) is held in Seoul. The South agrees to supply 500,000 tons of rice, nominally on a loan basis.

July 9-20, 2005: The South delivers 2,000 tons of fertilizer aid by rail to Kaesong daily. The remaining 130,000 tons, recently agreed to be sent, is being conveyed by sea.

July 10, 2005: Working-level talks held in Kaesong on a pilot plan to let separated families see each other by video link. To this end, a crossborder fiber optic cable linking Kaesong to Munsan in the South is laid on July 18.

July 11, 2005: ROK Red Cross sends 3,000 emergency aid kits (blankets, clothing, soap etc.) for flood victims to its Northern counterpart, delivered by train to Kaesong.

July 16, 2005: Hyun Jeong-eun, chairperson of the Hyundai group, meets Kim Jong-il and gains permission to open new Southern tourist routes to Kaesong city and Mt. Paekdu.

July 19, 2005: Inter-Korean exchange and cooperation promotion committee, chaired by Unification Minister Chung Dong-young, confirms that the South will send the North 500,000 tons of rice costing \$155 million, among other items.

July 20, 2005: Third working-level meeting for inter-Korean general-level military talks, held at Panmunjom, agrees to resume removal of propaganda at the DMZ, begun last year, and “complete the destruction job by Aug. 13.” A military hotline will open Aug. 10.

July 25-27, 2005: A working-level consultative meeting for fisheries cooperation agrees to propose a joint fishing zone in the West (Yellow) Sea, security authorities permitting.

July 26, 2005: A fourth round of Six-Party Talks – both Koreas, the U.S., China, Japan and Russia – on the North Korean nuclear issue, the first in over a year, opens in Beijing.

July 26, 2005: Delivery of the South’s rice aid begins. 100,000 tons is to be sent overland, on 100 28-ton trucks crossing the border four times a week until November. The remaining 400,000 tons will go by ship to five Northern ports, commencing July 30.

July 26-Aug. 8, 2005: 67 DPRK soccer players arrive in the ROK for the second East Asian soccer tournament (the two Koreas, China, and Japan).

July 26-28, 2005: Meeting in Kaesong, the two Koreas’ soccer associations reach an 11-point agreement to hold inter-Korean soccer matches in Seoul on Aug. 14 and 16.

July 28, 2005: ROK’s Korea Electric Power Corp (Kepco) holds an opening ceremony for its branch in the Kaesong industrial zone, to which Kepco is supplying electricity.

July 28-30, 2005: The 5th working-level consultative meeting on road and railway reconnection reaches 6-point agreement in Kaesong. After inspections in August and security checks, opening ceremonies for two relinked railways will be held “around late October.”

Aug. 5, 2005: ROK Unification Ministry (MOU) reports that as of July 26 4,000 North and 400 South Koreans are working at the Kaesong industrial complex. Four firms have completed their factories, with a further eight expected to do so in August.

Aug. 5, 2005: Nine economic agreements (road, rail and marine transport, customs, quarantine, entry, and dispute arbitrations) are formally put into effect by an exchange of documents at Panmunjom.

Aug. 7, 2005: After almost a fortnight failing to agree even a statement of principles, the Six-Party Talks recess for consultations. They plan to reconvene at the end of August.

Aug. 8-10, 2005: Fifth round of working-level contact for maritime cooperation, held at Munsan, establishes procedures (including a hotline) for DPRK merchant ships to use the Cheju Strait between the ROK province of Cheju and the mainland. On Aug. 12 the hotline opens and the first Northern ships transit the strait, three days ahead of schedule.

Aug. 10, 2005: ROK Defense Ministry (MND) says both Koreas have set up and tested their first ever inter-military hotline (both telephone and fax), as agreed earlier.

Aug. 11, 2005: ROK watchmaker Romanson holds a completion ceremony for its factory in the KIZ. "Unification watches" are exchanged.

Aug. 12, 2005: The South announces schedule for joint Aug. 15 Grand National Festival, to be held in Seoul Aug. 14-17 with 182 DPRK participants. Events are to include soccer matches, a concert, a "grand unification march" and other festivities.

Aug. 14, 2005: 182 North Koreans, led by Korean Workers' Party (KWP) Secretary Kim Ki-nam, fly into Seoul. The 17-strong DPRK government delegation pays respects at the ROK national cemetery. Other events include a peace march and a men's soccer match, which the South wins 3-0.

Aug. 15, 2005: Further joint events held on Liberation Day, including a visit to a prison where patriots were jailed and tortured during Japanese occupation before 1945.

Aug. 15, 2005: First-ever pilot video reunion of separated kin briefly links 40 families in Pyongyang with relatives in Seoul, Pusan, Taegu, Inchon, Suwon, Taejon, and Kwangju.

Aug. 16, 2005: Northern delegates tour the ROK National Assembly and visit former ROK Pres. Kim Dae-jung in the hospital, inviting him to revisit the DPRK as he did in 2000. The North wins the inter-Korean women's soccer match, 2-0.

Aug. 17, 2005: DPRK delegates lunch at the Blue House with ROK Pres. Roh Moo-hyun, before flying back to Pyongyang.

Aug. 18, 2005: Hyundai Asan reaches an agreement to take three 500-strong pilot Southern tour groups to the DPRK's Kaesong city on Aug. 26, Sep. 2, and Sep. 7.

Aug. 18-19, 2005: First ever inter-Korean agricultural cooperation meeting held in Kaesong. A detailed 7-point agreement envisages a wide range of aid and joint projects in the North's farming and forestry, starting in 2006. No date is fixed for a second meeting.

Aug. 18-25, 2005: MOU reports that inspections of the two new trans-DMZ railways took place as scheduled this week. The western Kyonggi line is almost ready, but the eastern Donghae line needs more work. Signals are behind schedule.

Aug. 19, 2005: Hyundai Asan fires CEO Kim Yoon-kyu for alleged corruption. North Korea reacts by halving the firm's daily quota of tourists to Mt. Kumgang from 1,200 to 600 from Aug. 29, and searching its chairperson, Ms Hyun Jeong-eun, on a visit.

Aug. 23, 2005: Southern pop singer Cho Yong-pil performs at Pyongyang's Ryugyong Chung Ju-yung Gymnasium. The 2-hour concert is broadcast live on TV in both Koreas.

Aug. 23-25, 2005: The 6th inter-Korean Red Cross talks are held at Mt. Kumgang. For the first time the North agrees to discuss those "missing" (i.e., abducted, or POW retained) in the 1950-53 Korean War. No progress is made.

Aug. 23-27, 2005: 20 members of ROKs leftist Democratic Labor Party (DLP), led by leader Kim Hye-kyoung, visit Pyongyang. Their schedule includes joint discussions with the DPRK's Social Democratic Party (SDP), a nominally independent front party.

Aug. 24, 2005: Two Southern sand-carrying ships enter the Northern port of Haeju. These are the first ROK-flagged vessels to dock in the DPRK for commercial purposes.

Aug. 24-27, 2005: A first working-level consultative meeting on light industries and natural resources cooperation, held in Pyongyang, ends without agreement. The South says it will pursue holding a second round in September, but this has yet to take place.

Aug. 26-31, 2005: The 11th reunion of separated families is held at Mt. Kumgang. A total of 908 members of 198 families meet briefly over a three-day period, in two batches.

Aug. 30, 2005: The North suggests changing the venue of the 16th ministerial talks from Mt. Paekdu to Pyongyang, citing bad weather, which has delayed "pavement works" on the runway at Samjiyon Airport. The South accepts on Sept. 1.

Aug. 31, 2005: Over five years after it was first mooted, a ground-breaking ceremony for a separated family reunion center is held in Jopo town, Onjong-ri, Mt. Kumgang. It will have 13 stories and accommodate up 1,000 guests. Construction will take 20 months.

Sept. 1-4, 2005: 20 DPRK athletes, with 124 teenage cheerleaders, visit for 16th Asian athletics championships held at Incheon. The cheerleaders give three performances.

Sept. 2, 2005: MOU reports that since 1971 the two Koreas have held a cumulative total of 498 rounds of talks. Of the 139 since the June 2000 summit, 26 were political, 33 military (mainly in fact about trans-DMZ railways), 56 economic, and 24 humanitarian or athletic.

Sept. 2, 2005: A sudden surge of water down the Imjin river damages Southern fishing nets and other facilities. When Seoul protests, Pyongyang claims this was caused by overflows rather than discharging from its dams, of which it has agreed to give notice to the South.

Sept. 2, 2005: MOU rebuts charges from various critics that ROK food aid to the DPRK is not transparent, and so undermines UN World Food Program (WFP) monitoring.

Sept. 4-6, 2005: A second inter-Korean broadcasting discussion meeting at Mt. Kumgang sees 74 participants from the South and 30 from the North, with parallel sessions on programming and technical issues. They agree to continue exchanges and cooperation.

Sept. 7, 2005: The 100-strong New Seoul Opera Company performs a historical opera about King Kwanggaetoe of the Koguryo kingdom at Pyongyang' Ponghwa Arts Theater.

Sept. 8, 2005: The heads of both Korea's Olympic committees, in Guangzhou for an OCA (Olympic Council of Asia) meeting, agree in principle to field a unified team for the 2006 Asian Games to be held in Doha, Qatar.

Sept. 9, 2005: MOU publishes revisions to the ROK's law on inter-Korean exchange and cooperation, effective Dec. 1. Their general gist is to facilitate contacts with the North.

Sept. 13, 2005: ROK's Lotte Tours says it has been approached by the DPRK to take over the proposed new tours of Kaesong city from Hyundai Asan.

Sept. 13, 2005: The recessed fourth round of Six-Party Talks resumes in Beijing.

Sept. 13-16, 2005: The 16th round of inter-Korean Cabinet-level talks held in Pyongyang. A six-point press release contains little new. Much time is spent trying to mediate the DPRK's row with Hyundai Asan over personnel changes in its tourism business.

Sept. 14, 2005: Two five-member teams of ROK officials inspect two sites where Southern rice aid is being distributed.

Sept. 16, 2005: MOU reports that inter-Korean trade in the first eight months of 2005 rose 60 percent from the same period last year, up from \$432 million to \$691 million.

Sept. 19, 2005: The six-party nuclear talks in Beijing ends with, at last and for the first time, a 6-point agreed statement of principles, including a pledge to meet again for a fifth round in early November.

Sept. 21, 2005: ROK civic groups announce plans for over 4,700 Southern tourists to visit Pyongyang to see the *Arirang* mass games (previously off limits) during Sept. 26 - Oct. 5. The first group flies into the Northern capital on Sept. 26.

Sept. 22, 2005: Unification Minister Chung tells ROK National Assembly that energy aid to the North, to compensate if it dismantles nuclear programs, may cost \$15 billion over 13 years, including \$9.4 billion for direct electricity provision by Seoul.

Sept. 23, 2005: The Unification Ministry says 50,000 South Koreans (excluding tourists) visited the North in the first 8 months of 2005, as against 20,600 in the whole of 2004.

Sept. 23, 2005: The ROK Foreign Ministry (MOFAT) says that China has arrested 64 South Koreans since 2001 for abetting DPRK refugees. 15 remain in custody.

Sept. 23, 2005: The 5,000-strong Seoul Bar Association criticizes human rights abuses in North Korea at its first ever symposium on the topic. The ROK's National Human Rights Commission (NHRC), hitherto silent on this subject, discusses it on Sept. 26.

Sept. 24, 2005: *Rodong Sinmun* attacks the ROK's main opposition Grand National Party (GNP) as "a wicked group of sycophantic traitors... blinded with flunkeyism," and warns that if the GNP "is allowed to come to power" this will lead to nuclear war.

Sept. 25, 2005: The South's Research Council on Unification Affairs delivers a first batch of 900 bicycles for workers at the Kaesong Industrial Complex.

Sept. 26, 2005: Daily charter flights from Seoul to Pyongyang begin, organized by civic groups, for sightseeing and to view the North's *Arirang* mass games spectacular. About 3,000 Southerners are expected to make the trip by mid-October, when *Arirang* finishes.

Sept. 26, 2005: Northern defector radio station in Seoul releases pictures of a female refugee being beaten at the China-DPRK border. Critics claim the shots were faked.

Sept. 26, 2005: Korea Resources Corp (Kores), an ROK parastatal, says it aims to open an office in Pyongyang this year to pursue joint venture projects in minerals.

Sept. 27, 2005: ROK Cabinet agrees to raise next year's defense spending 9.8 percent to 22.8 trillion won (\$22 billion). The semi-official news agency *Yonhap* cites the MND as saying this is "to beef up its war capability against North Korea."

Sept. 28, 2005: ROK presidential panel, chaired by Pres. Roh, says Seoul should take the lead in resolving the North's nuclear issue and developing the Six-Party Talks into a regional northeast Asian community and a "multilateral security-economy entity."

Sept. 29, 2005: ROK Vice Unification Minister Rhee Bong-jo says that a new joint office to handle crossborder business projects will open in the KIZ on Oct. 25.

Sept. 29, 2005: Vice Minister Rhee says Seoul will continue to send food aid to the North, but this cannot replace foreign food aid, which Pyongyang says it no longer needs.

Sept. 29, 2005: ROK invites the family of Chung Soon-taek – one of 29 unconverted DPRK spies who served long prison terms in the South, dying of cancer – to visit him. [*Editor's note: The South returned Chung's body via Panmunjom Oct. 2.*]

Sept. 29-30, 2005: The first inter-Korean consultative meeting on maritime transportation cooperation is held in Kaesong.

Sept. 30, 2005: A study by Hyundai Research Institute claims resolution of the nuclear issue would reap gains of some \$55 billion for the DPRK and \$115 billion for the ROK.

Sept. 30, 2005: Hyundai for the first time details its charges against ex-CEO Kim Yoon-kyu, accusing him of abusing corporate funds worth over \$1 million.

Sept. 30, 2005: MOU says four Northern merchant ships will dock in two Southern ports next day, to collect some of the 500,000 tons of rice aid pledged earlier.

Sept. 30, 2005: ROK activists announce a conference on DPRK human rights, jointly with and funded by Freedom House of the US, to be held in Seoul on Dec. 8-11.

Oct. 1, 2005: The first jointly-run inter-Korean company is inaugurated in Pyongyang, by ROK's Andong Hemp and the DPRK's Saebyol. Pyongyang Hemp Textile Co.

Oct. 2, 2005: ROK FM Ban Ki-moon clarifies that any future provision of a light-water reactor (LWR) to the DPRK would not be an extension of the project by Korea Peninsula Energy Development Organization (KEDO) to build two LWRs in the North.