

North Korea-South Korea Relations: No Turning Back?

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Yet again, inter-Korean relations have confounded expectations. A quarter that began with the Northern navy sinking a Southern patrol boat – and Kim Dae-jung’s Sunshine Policy with it, or so it seemed – ended with Korean People’s Army (KPA) and Republic of Korea (ROK) soldiers jointly clearing mines in the Demilitarized Zone (DMZ) to relink two cross-border road and rail routes. On Sept. 29, athletes from both Koreas marched behind a unity flag to open the 14th Asian Games in Pusan, the first time the Democratic People’s Republic of Korea (DPRK) has ever joined in a sporting event in the Republic of Korea. All this, and much more recounted below, is hopeful.

But past precedent inevitably counsels caution, lest seeming breakthroughs prove once again temporary rather than definitive. From next February, a new South Korean president may take a harder line; especially if new claims that Seoul paid for the 2000 North-South summit poison the atmosphere. Or noises off could spoil things, such as a U.S. attack on Iraq – particularly if not under UN auspices. Against that, Japan’s opting for engagement, as in Prime Minister Koizumi Junichiro’s sensational summit with DPRK leader Kim Jong-il, leaves Washington’s tougher stance more isolated. Also moves toward economic reform, harder to reverse than diplomatic outreach, buttress hopes that this time North Korea really is trying to change, and that progress may prove enduring.

Sunshine Seemed Sunk

Much as events have moved on since then, the mood in July should not be forgotten. It is still unclear why the KPA chose to pick a naval fight: hypotheses include revenge for a similar incident in 1999, a rogue local commander, or to spoil Seoul’s World Cup soccer party. The attack left the ROK Navy exposed to criticism; the defense minister was sacked soon after, and conservatives blamed Sunshine for sapping vigilance and morale. Playing to this view, in September opposition leader Lee Hoi-chang, current favorite to be the next ROK president, was still calling the incident a terrorist attack for which Pyongyang must apologize.

While hawks fulminate, others might be relieved that this incident, deplorable as it was, did not escalate but was swiftly contained: both militarily at the time and politically

thereafter. As in the 1999 clash, on the east coast Hyundai's cruise tours to Mt. Kumgang were unaffected. Three days later, 25 North Korean nuclear engineers arrived in Seoul as scheduled for safety training under Korean Peninsula Energy Development Organization (KEDO) auspices. Being multilateral, KEDO is partly insulated from North-South ups and downs; but its first test flight from Yangyang in South Korea to Sondok, near the light-water reactor (LWR) site at Sinpo, was put off by a week from July 13 to 20. This will become a regular route to ferry ROK personnel and materiel to Sinpo; hitherto they have gone by sea or flown the long way via Beijing and Pyongyang.

Back on Track

Although in early July Sunshine looked sunk, it did not take long for ties to get back on track. Oddly, just after the firefight Pyongyang congratulated the South on its successful hosting and performance in the soccer World Cup, in which the North had ignored entreaties to participate (although it did eventually broadcast edited versions of some matches, albeit without asking permission or paying for this in the normal way). It specifically praised Chung Mong-joon, who besides being in charge of the ROK side of the Cup is a Hyundai scion and independent lawmaker, and has since announced his candidacy for South Korea's presidential election on Dec. 19. Kim Dae-jung's successor takes office for five years from next February.

In mid-July, Seoul let its nongovernmental organizations (NGOs) contact their Northern counterparts about jointly celebrating Liberation Day – from Japan in 1945, a holiday in both Koreas – on Aug. 15, despite a row last year when a few Southern radicals visiting Pyongyang danced too keenly to the DPRK's tune. This time it was the North's turn to visit Seoul. But the real breakthrough came on July 25, when Pyongyang sent a message of "regret" for the "accidental" West Sea incident, and called for ministerial talks and other channels to be reactivated as soon as possible. After a few days' debate, the South accepted. In early August, talks at Mt. Kumgang – increasingly becoming a main center for North-South contact, besides its tourism role – agreed on a raft of exchanges: ministerial talks, Red Cross meetings on further family reunions, a unification festival, a soccer game, and the North's participation in the upcoming Asian games in Pusan. This last is the first time the DPRK has ever attended an international sports meet in the ROK.

All Systems Go

Since then it has been all systems go, with a greater density and range of inter-Korean events than at any time since the Peninsula's division; except perhaps the few months after the June 2000 summit. Thus mid-August saw two separate Northern delegations fly into Seoul: directly from Pyongyang by Air Koryo, the DPRK national carrier, rather than the roundabout route via Beijing. A 116-strong team, mainly of performing artists, came for the Liberation Day concelebrations, where Seoul was careful to avoid a repeat of last year's fiasco. Southern radicals were excluded, and some strident Northern wording was toned down. All went well: one dazzling Northern female dancer has now become the subject of adoring Southern web sites.

If this was mainly symbolic, the serious business was a seventh round of ministerial talks, the first since last November. After an all-night session, these produced a 10-point agreement to hold a range of further meetings. Specifically, these were:

1. A second Inter Korea Economic Cooperation Committee meeting in Seoul, Aug. 26-29.
2. To seek military guarantees as soon as possible to enable relinking of railways and roads.
3. Working-level contacts for a joint inspection of the Mt. Kumgang Dam in mid-September.
4. Red Cross meetings Sept. 4-6, with a fifth round of family reunions soon after.
5. A meeting to activate Mt. Kumgang tourism at the resort, Sept. 10-12.
6. To promote full cooperation for North Korea to participate in the Pusan Asian games.
7. To promote full cooperation for an inter-Korean soccer game in Seoul, Sept. 6-8.
8. Exchange visits by taekwondo teams: South to North in September, vice versa in October.
9. A North Korean economic inspection team will visit the South in late October.
10. To hold the eighth ministerial level talks in Pyongyang from Oct. 19-22.

Despite this, there was disappointment in Seoul that item two was not more concrete. Northern delegates said they needed to go home and consult with the KPA before they could set a date for all-important military talks: essential if work is to proceed on road and rail links through the DMZ, which despite its name is the world's most heavily armed frontier. (The idea of military talks to discuss military matters as such, as opposed to transport links, is a more distant goal, and one in which Pyongyang has not yet evinced the slightest interest.)

By Boat or by Embassy

A reminder that the two governments cannot control all North-South intercourse came on Aug. 19 with the arrival in Inchon of 21 Northern boat people, the largest ever such group. The ship's engineer, whom the defectors had forced to take them, was later sent home via Panmunjom. This route is rare, North Korea's coast being almost as heavily defended as the DMZ. Meanwhile Northern escapees continued to seek refuge in foreign missions in China, including the ROK Embassy and a German school in Beijing. Those successful in this quest in due course were flown to Seoul via third countries; including on Sept. 12 a record 36 in one day, bringing this year's total of Northern defectors reaching the South to 771 so far.

The embassy escapes, aided by NGOs who explicitly seek Kim Jong-il's overthrow, make life worse for those left behind. Besides a general crackdown by China on its border with North Korea, refugees have been arrested en route to Beijing and while (boldly) demonstrating outside the Chinese Foreign Ministry. In August a South Korean priest jailed for helping DPRK refugees was deported from Inner Mongolia. The ROK is expanding its reception center for defectors, but is far from ready for the much larger flows that are quite conceivable. Under President Kim Dae-jung the plight of refugees

has been played down, like all North Korean human-rights issues. Opposition candidate Lee Hoi-chang says this will change if he is president, but that remains to be seen. The North aside, the realpolitik of not provoking Beijing looks set to constrain any ROK government.

Road and Rail Links

The renewal of official North-South dialogue continued with economic talks – the first since December 2000 – in Seoul in late August. As at the earlier ministerial talks, delayed sessions suggested hard bargaining. But this time South Korea got what it wanted: a timetable to open not one but two road and rail links across the DMZ. Besides the Kyongui line north of Seoul – agreed two years ago and almost complete on the Southern side; the North has barely begun – a second east coast (Donghae) corridor will proceed simultaneously. The first link actually to open, set for December, will be a temporary two-lane road on this eastern route: allowing land access to Mt. Kumgang, far cheaper than the present sea cruises. The western railway is due to be completed this year, with a four-lane highway alongside to be ready by next spring. The Donghae rail link will take longer, as there is a lengthy stretch of track that needs rebuilding.

Relatedly, it was agreed to reactivate the Kaesong Industrial Complex. This Hyundai project, now run by the ROK parastatal Korea Land Corp. (Koland), had been frozen along with the cross-border links essential for it to function. A prime site just north of the DMZ, it is planned to be a virtual new city of Southern firms using Northern labor to produce, ultimately, exports worth \$20 billion annually. (The DPRK's total yearly exports are currently less than \$1 billion.) Now a consultative committee is to meet in October (no date is set) to move this forward, with the South committed to provide infrastructure and the North pledging to pass the necessary legislation.

Waterworks and Other Practicalities

Besides all this, it was also agreed to hold talks on flood prevention on the Imjin River and a joint survey of the Imnam (Mt. Kumgang) Dam, on the west and east sides of the Peninsula respectively. In both cases, Seoul is concerned at the effect of Northern waterworks on rivers that flow into the South. Dates were set for future meetings: a much-delayed DPRK economic survey mission will visit the South from Oct. 26, and the next session of the Inter-Korean Economic Cooperation Promotion Committee (to give it its official title, otherwise known as IKECPC) will be held Nov. 6-9 in Pyongyang. Both sides also pledged to ratify earlier agreements on double taxation, investment protection, and similar business practicalities. A consultative committee will be set up under IKECPC to establish the necessary institutional mechanisms, including for settling clearing and commercial disputes, and facilitating travel and communication. Finally, as usual there was an aid component: South Korea will supply 400,000 tons of rice – as a loan, in theory – and 100,000 tons of fertilizer, “in the spirit of fraternity.”

All this was revealed the same day as news of the Japanese prime minister’s surprise plan to visit Pyongyang. The coincidence continued: on Sept. 18, the day after Koizumi’s trip,

work on the road and rail links began ceremonially – and for real a day later, as ROK troops broke barbed wire to enter the DMZ behind a German-built mine detector. Another day later, Pyongyang declared the northwestern border city of Sinuiju a special administrative region (SAR); run by a Chinese-Dutch billionaire, with almost no restrictions on foreign entry or economic activity. Such a week of startling news is unprecedented. Despite all the past false dawns, this time North Korea may irrevocably be opening. Economic changes, including drastic (albeit, typically, unannounced) price and wage reforms introduced in July, will be much harder to reverse than in diplomacy alone, where today's smile can swiftly revert to yesterday's snarl.

Hope and Hype

Even so, a hype detector remains an essential tool in matters inter-Korean. The iron silk road – a freight route linking South Korea to Europe via Siberia – touted by ROK President Kim and Russian President Vladimir Putin (who pressed Kim Jong-il on this in Vladivostok in August) is years away. Even if trans-DMZ railways are relinked, this would entail rebuilding the DPRK's entire clapped-out track at a cost of up to \$3 billion. And while Russia wants an east coast route to boost its run-down Far Eastern region, the logical and economic priority will be the western Kyongui line: linking Seoul to Sinuiju via Pyongyang, and on into China and thence to Siberia further west, via Manchuria. In any case the Donghae route is an irrelevant branch line, far from the ROK's industrial heartland. What Russia needs is a third route: the Kyongwon line, running from Seoul northeast to Wonsan. Curiously, there seems no talk of reopening this. As against these remoter prospects, the Kaesong zone could swiftly become as Shenzhen to Hong Kong: both a growth pole to its own hinterland, and cementing cross-border economic integration.

But where does the Sinuiju SAR, introduced so suddenly, leave Kaesong? If ROK businesses, already well established across the Yalu river in Dandong, get immediate access to Sinuiju, this bird in the hand may compete with a Kaesong that will not come on stream for several years. Sinuiju too seems full of hype, but on its face, it distracts from Kaesong. Even though both lie on a west coast corridor which in time will create its own synergy and become the economic axis of a unified Korea, the suspicion arises that for now Kim Jong-il may deem it less risky to open first toward China – and might again delay doing so with South Korea.

A Sporting Chance

Such doubts may seem curmudgeonly amid the current spate of pan-Korean *bonhomie*, which extends also to sport, politics, and culture. Despite having cold-shouldered the World Cup, in September a DPRK soccer team came south for a friendly match. The 0-0 scoreline, which sounds diplomatic, belied a hard-fought yet sporting game. This event was arranged by Park Geun-hye, daughter of the late president Park Chung-hee, when she visited the North in May. More exactly, and interestingly, both Ms. Park's trip and the match were facilitated by the European Union Chamber of Commerce in Seoul. Other activities included a Southern taekwondo display team that went North in September: a

return trip is planned for October. Cultural events included two concerts in Pyongyang: a joint performance by symphony orchestras from both sides, and a concert by pop singers considered old-fashioned in the South but still popular in the North.

Kim Jong-nam, North Korea's titular head of state, was in the audience and met the singers. He met too with six visiting ROK lawmakers, which may usher in North-South parliamentary exchanges for the first time since a brief period in the mid-1980s. The quarter also saw a fifth set of family reunions at Mt. Kumgang, timed for *Chusok*, the Korean harvest festival. More hopeful than these limited and all too public brief encounters for a few is an agreement to set up a permanent reunion center at the resort. How this will work remains to be seen; it is no substitute for the right to freely visit hometowns, soon, before all concerned die of old age.

But the crowning glory, whose start concluded the quarter, was the 14th Asian Games held in Pusan, South Korea's second city and main port. For the first time, all 43 eligible nations sent teams; including Afghanistan, East Timor, Palestine – and North Korea, which never before participated in an international sporting event held in the South; it boycotted the 1988 Seoul Olympics, even though its Soviet and Chinese allies (neither of whom then yet recognized the ROK) attended. The DPRK sent 311 athletes by two direct flights (the first ever) to Pusan's Kimhae airport, plus a 355-strong cheering group of artistes and others who arrived by boat. (Rumors that Kim Jong-il would attend the Asiad's opening for his much delayed return visit, seeing this as safer than a full-scale summit in Seoul, proved unsurprisingly to be unfounded.)

Flagging up Problems

At the opening ceremony on Sept. 29, athletes from both Koreas marched side by side behind a unified flag (a blue peninsula on a white background), to the strains of the folksong *Arirang* rather than either's national anthem. All this is as per the 2000 Sydney Olympics, as is the fact that in the actual events the two states are competing separately. This caused a legal headache, since the DPRK flag and anthem are banned in the ROK under the still unrepealed National Security Law (by which, for that matter, the 2000 summit and every inter-Korean contact ever could be deemed illegal). It was agreed to allow limited display of the flag; but this does not extend to the Asiad's web site, where the DPRK alone of the 43 is left flagless.

This seeming pettiness reflects the fact that Northern emblems remain a red rag to Southern hawks – such as war veterans who vowed to make a citizen's arrest of the Dear Leader, had he showed up. Pusan is a stronghold of the conservative main opposition Grand National Party (GNP); thus it will be interesting to see if a successful Asiad makes voters here and in the surrounding Kyongsang region any less hostile to the Sunshine Policy in December's election. Politics already reared its head: despite a declared willingness by the DPRK team to meet any South Korean politicians, including the GNP candidate Lee Hoi-chang, when Lee called at their camp the entire contingent was said to be too busy training for anyone to see him.

Was the Summit Bought?

That rebuff is not exactly surprising, since lately Lee and the GNP have been playing hardball on North Korea. Predictably, DPRK leader Kim Jong-il's startling admission that the DPRK had kidnapped several Japanese, which it had long denied, brought criticism of President Kim Dae-jung for not even raising this issue on the inter-Korean agenda, despite the ROK having a far larger number of cases. The Unification Ministry tallies 3,790 Southern abductees since 1953, mainly fishermen, of whom 486 were never returned. But families and advocacy groups claim the true total runs as high as 80,000, including those forcibly taken North during the war as well as POWs who should have come home under the 1953 Armistice. (A very few are among recent escapees via China; most spent their lives as miners.) The Japanese precedent ensures this issue will have a higher profile henceforth; Lee Hoi-chang has pledged to make it a priority if elected.

That is his right, and the charge that Sunshine equals appeasement can be argued. Harder to understand, unless as electioneering, is Lee's recent statement that the June 29 naval incident was a terrorist attack for which Pyongyang must apologize. But potentially most damaging is the allegation by GNP lawmakers in late September that the June 2000 breakthrough summit, for which President Kim Dae-jung received the Nobel Peace Prize, was bought. The claim is that the state-owned Korea Development Bank lent over \$400 million to Hyundai Merchant Marine, the Hyundai group's shipping arm; which passed it to North Korea via the National Intelligence Service. All concerned deny the charge, seen as a GNP ploy to damage Chung Mong-joon in the upcoming presidential election. Chung, despite his Hyundai connections, supports a full probe; Seoul's Board of Audit and Investigation has said it will investigate.

There is disingenuousness and hypocrisy here. In 1990, when an earlier version of the GNP was in power, the huge coup of recognition by the then USSR was rewarded by a \$3 billion loan to Moscow: money which the ROK itself had to borrow. Only half was disbursed before Russia defaulted, and this remains unrepaid. Nonetheless, if this new charge is confirmed it will harm not only President Kim Dae-jung's reputation and the ruling Millennium Democratic Party's already slim presidential chances – its candidate, the populist Roh Moo-hyun, shone earlier this year but now trails third in the polls – but also North-South ties, whoever the next ROK leader is.

Railroading Sunshine

At present Lee Hoi-chang looks the likely winner. Even before this latest turn, Pyongyang attacked him as a "traitor" for his criticisms of it and of the Sunshine Policy. At the very least, a Lee presidency might therefore see a cooling or suspension of bilateral ties, as happened with the DPRK and U.S. when George W. Bush succeeded Bill Clinton. For that matter, any U.S. attack on Iraq, especially if done outside the UN, may cause North Korea to go back into its shell all round. If the coming of Bush saw Pyongyang freeze inter-Korean ties even with the friendly President Kim Dae-jung, *a fortiori* it may do the same toward the untried but hawkish Lee Hoi-chang.

But a more optimistic if cynical view would see Pyongyang's revival of the peace process as a last-minute ploy: both to extract maximum gains before Kim Dae-jung retires, and to lock Lee into Sunshine by making road and rail ties a *fait accompli* from which it will be hard to backtrack. For that matter, as already stated, North Korea's own radical changes, especially on the economic front, will make future retreat on the old pattern of "one step forward, two steps back" harder than hitherto. But until we know who is to be the next ROK president and what the U.S. will do to Iraq (or vice versa), we cannot be sure that the recent rewarming of inter-Korean ties will prove more lasting than previous false dawns. Yet the cross-border corridors, in particular, offer the best hope yet that North-South relations might now at last move on from endless fresh starts to a process that is sustained, substantial, and cumulative.

Chronology of North Korea - South Korea Relations

July-September 2002

June 29, 2002: An inter-Korean firefight in the Yellow Sea sinks an ROK patrol boat, killing five. Northern casualties are estimated at 30. Each accuses the other of shooting first.

July 1, 2002: North Korea congratulates Chung Mong-joon, chairman of the ROK's football association, on South Korea's hosting of and performance in the just concluded World Cup.

July 2, 2002: Despite the inter-Korean naval clash three days earlier, 25 Northern engineers arrive in Seoul as scheduled under Korean Peninsula Energy Development Organization (KEDO) auspices for a month's nuclear safety training.

July 2, 2002: South Korea suspends rice aid to the North. Kim Dae-jung again demands an apology from Pyongyang for the June 29 naval clash.

July 4, 2002: North Korea invites Southern civic organizations to discuss joint celebration of Liberation Day (from Japan in 1945) on Aug. 15.

July 13, 2002: Because of the June 29 clash, South Korea postpones the start of a direct east coast air route for KEDO use from Yangyang in the South to Sondok in the North. A DPRK Air Koryo plane eventually inaugurates the route with a test flight on July 20.

July 15, 2002: North Korea faxes acceptance of a proposal by Southern civic groups for working talks in Pyongyang on July 20-24 to discuss holding joint events for Aug. 15.

July 21, 2002: South Korea says that satellite photos show that the North's Kumgangsan Dam, which was feared to be leaking, is being not only repaired but expanded.

July 23, 2002: At talks in Pyongyang, it is agreed that North Korea will send a (nominally) nongovernmental delegation by a direct flight to celebrate Liberation Day in Seoul.

July 25, 2002: South Korea says the North has agreed to back its international diplomatic campaign to have the name “Sea of Japan” officially changed to “East Sea/Sea of Japan.”

July 25, 2002: North Korea sends a message of “regret” for the “accidental” naval clash, and proposes working talks to discuss a resumption of intergovernmental North-South dialogue. After a delay of some days, Seoul accepts.

Aug. 2-4, 2002: Talks at Mt. Kumgang agree on a range of inter-Korean events, including ministerial talks, Red Cross meetings on further family reunions, a unification festival, a soccer game, and the North’s participation in the Asian Games in Pusan later this year.

Aug. 6, 2002: Seoul says it will give Pyongyang financial aid to take part in the Pusan Asiad.

Aug. 9, 2002: The DPRK officially announces its participation in the Pusan Asiad.

Aug. 12, 2002: North Korea’s 29-member delegation arrives in Seoul by a direct Air Koryo flight from Pyongyang for the seventh round of ministerial talks, the first in nine months.

Aug. 12, 2002: South Korea says it will allow limited flying at the Asian Games of North Korea’s national flag, whose display is illegal under the ROK’s National Security Law.

Aug. 14, 2002: A 116-strong Northern delegation of officials and performing artists arrives in Seoul, again by direct Air Koryo flight, for joint Liberation Day celebrations.

Aug. 14, 2002: Ministerial talks end with a 10-point joint press statement, presaging further meetings and cooperation. But to Seoul’s disappointment, no date is set for military talks.

Aug. 15, 2002: Joint Liberation Day festivities open in Seoul, after a delay due to arguments over wording and content. Thereafter they proceed smoothly, concluding on Aug. 16.

Aug. 18-20, 2002: Talks at Mt. Kumgang agree that North Korea will send 315 athletes, to compete in 16 sports, and 350 supporters to the Asian Games in Pusan, starting Sept. 29.

Aug. 19, 2002: Twenty-one defectors arrive in Inchon by boat, the largest ever group of North Korean “boat people.” The ship’s engineer, whom they tied up, is later returned via Panmunjom.

Aug. 24, 2002: A nine-strong ROK team visits Pyongyang to discuss broadcasting exchanges.

Aug. 26, 2002: Two ROK professors give a press conference in Seoul after returning from two months teaching computer science in Pyongyang. They rate their students as awesome.

Aug. 27, 2002: A 30-strong DPRK team arrives in Seoul for economic talks, via Beijing.

Aug. 27-30, 2002: The second North-South economic talks, the first since December 2000, are held in Seoul. Several formal sessions are delayed, including the final plenary.

Aug. 30, 2002: The economic talks end with a range of agreements, including a timetable to begin work almost at once on relinking two road and rail routes across the DMZ.

Sept. 6-8, 2002: Meeting at Mt. Kumgang, the heads of the ROK and DPRK Red Cross agree to create a permanent meeting place for family reunions at the resort.

Sept. 7, 2002: DPRK and ROK soccer teams play a friendly in Seoul. There is no score.

Sept. 12, 2002: Talks on reviving tourism to Mt. Kumgang end without agreement.

Sept. 12, 2002: The KPA and UNC sign an agreement at Panmunjom to allow work on a second road and rail corridor across the Demilitarized Zone (DMZ), near the east coast.

Sept. 12, 2002: Thirty-six DPRK defectors, who had sought refuge in foreign missions in Beijing, arrive in Seoul. This record for a single day brings the year's total to 771.

Sept. 13, 2002: South Korea sends a first shipment of 10,000 tons of fertilizer to the North. The remaining 90,000 tons are due to be shipped by mid-October.

Sept. 13-17, 2002: Working talks on road and rail links are held at Mt. Kumgang.

Sept. 13-18, 2002: A fifth round of family reunions is held at Mt. Kumgang. One hundred elderly South Koreans meet long-lost kin for three days, followed by 100 North Koreans.

Sept. 15-18, 2002: A South Korean taekwondo demonstration team visits North Korea. A return visit by a Northern team is expected in October.

Sept. 15, 2002: A South Korean MP claims that an electricity relay station has been secretly built close to the DMZ to supply power to North Korea.

Sept. 16-18, 2002: Talks on suspected safety problems at the Kumgangsan Dam fail; North Korea demands a Southern apology for casting aspersions. But they agree to meet again in October.

Sept. 16-22, 2002: Six ROK lawmakers spend a week in North Korea, traveling with the KBS symphony orchestra. They meet with Kim Yong-nam, the DPRK's titular head of state.

Sept. 16, 2002: The ROK's state-owned Export and Import Bank announces an agreement with the DPRK's Foreign Trade Bank to lend \$110 million to pay for 400,000 tons of rice. After a 10-year grace period, repayment will be over 10 years at 1 percent annual interest.

Sept. 16, 2002: Railway logistics talks at Mt. Kumgang are delayed by disagreement over whether equipment provided by the South should be loaned or leased (and so returned).

Sept. 17, 2002: The two Koreas exchange signed copies of a defense accord to prevent accidental clashes during work to reconnect cross-border rail and road links. This is the first ever official agreement directly between the two sides' military authorities.

Sept. 18, 2002: Four ceremonies are held to mark the start of reconnecting two rail and road links across the DMZ. Mine-clearing in the DMZ begins the next day.

Sept. 21, 2002: Northern and Southern orchestras give a joint concert in Pyongyang.

Sept. 23, 2002: The first group of 159 North Korean athletes arrive in Pusan for the 14th Asian Games by a direct Air Koryo flight, the first time an east coast route has been used.

Sept. 24, 2002: A North-South military hotline is opened for the cross-border road and rail projects.

Sept. 24, 2002: Lee Hoi-chang, ROK opposition leader and current favorite to be elected as the next president on December, says North Korea must apologize for past terrorism against the South and promise to release any abductees it is still holding, as it has done with Japan.

Sept. 25, 2002: A Southern opposition Parliament member claims that North Korea was secretly paid \$400 million for the June 2000 North-South summit. This escalates into a major political row in Seoul.

Sept. 27, 2002: A second group of 152 DPRK athletes flies into Pusan. A 355-strong support group of musicians and dancers arrives by boat the next day.

Sept. 27, 2002: South Korean popular singers and artistes hold a concert in Pyongyang. Some meet DPRK President Kim Jong-nam, who is in the audience.

Sept. 29, 2002: The 14th Asian Games open in Pusan, with North and South Korean athletes marching together behind a unity flag (although the two will compete separately). The DPRK wins its first match, beating Hong Kong 2-1 at soccer. The games continue until Oct. 14.