

## North Korea – South Korea Relations: Simulacrum or Substance?

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The final quarter of 2003 saw no dramatic developments in inter-Korean ties, either positive or negative. Rather, the picture was one of steady interaction across a now established range of contacts: political, economic, transport, social, cultural, and more. The chronology that accompanies this article tells its own story. There is far more going on now between the two Koreas than when *Comparative Connections* began to cover this bilateral relationship less than four years ago – let alone in the preceding half-century of hostility and minimal contacts.

Yet this new pattern is itself doubly remarkable. First, it suggests that at long last North-South relations have become institutionalized and firmly rooted. The on-off pattern of the past looks to have been superseded by permanent and continuous interaction, if still somewhat shallow. Secondly, this de facto normalization has occurred during, and despite, the still unresolved nuclear crisis. In the past, one side or the other would have used this as a reason or pretext to curtail or even break off ties. But depending on its outcome, this may yet pose an obstacle to deepening inter-Korean relations beyond the level reached at this relatively early stage.

### **Nuclear Events – and non-Events**

Inevitably, nuclear matters did cast their shadow. Seoul pressed this issue at the 12th inter-Korean ministerial meetings, held in Pyongyang in mid-October with the result that no joint agreement was reached, except on the date of the next meeting. Otherwise the nuclear issue was mainly dealt with multilaterally, as busy shuttle diplomacy – in every permutation – tried to arrange a second round of six-party talks in Beijing before the end of 2003. Despite these efforts, that goal proved impossible; mainly because of continuing divisions between the U.S. and North Korea on who should move first, how far, and how soon. Hopes are now fixed on January, but at this writing neither a meeting nor its success are by any means assured.

Meanwhile, the efforts to reconvene the six-party talks continued to expose fault lines among allies. Ex-President Kim Dae-jung's call on both Pyongyang and Washington to compromise was echoed to a degree by the incumbent administration in Seoul. Thus the contentious issue of whether to commit further ROK troops to Iraq, eventually answered in the affirmative, was openly debated as a quid pro quo for the Bush administration easing up on Kim Jong-il. While Japan echoed the U.S. in taking a firm line, South

Korea seemed closer to the Chinese and Russian position: in effect, that there are two stubborn heads – one being its own ally and protector – that need cracking together, if the six-way process is to resume and go forward.

### **KEDO, RIP?**

Another ramification of the nuclear issue, one directly impacting on inter-Korean ties, was the announcement in November by the Korean Peninsula Energy Development Organization (KEDO) that its light-water reactor (LWR) project at Kumho in the DPRK will be suspended for one year, effective Dec. 1. Although at one level this merely formalized the limbo into which this project – about one-third complete, with no critical parts yet delivered – had fallen in the year since the nuclear crisis arose, here again this revealed allies at odds. While South Korea expressed the hope that work could resume a year hence, the U.S. ambassador in Seoul said that he saw no future for the LWRs. (Personally, Tom Hubbard may well feel otherwise: under the Clinton administration he had been instrumental in helping to set up KEDO.)

For Seoul, even a suspension of the LWRs has immediate practical consequences. As main constructor and financier, the ROK has already poured almost \$1 billion into this project. Of the cumulative \$1.15 billion that South Korean firms have invested in the North since 1996, 83 percent relates to the LWRs; most of it is by KEPCO, the state-owned ROK electricity generator and distributor. (One may feel it is misleading to classify so patently political a project, by an arm of government, as a business investment, yet if this is removed, the quantum of private ROK investment in the DPRK over eight years is exiguous indeed.) Seoul does not want to see this money go down the drain, nor the hopes and symbolism also invested. More immediately, the several hundred Southern engineers who remain at Kumho are in principle vulnerable to any Northern reprisals. Pyongyang has threatened to take over the site; already many small ROK subcontractors are unable to retrieve equipment, and some may go bankrupt unless assisted.

### **Cross-Border Connections**

Despite these nuclear difficulties, however, other inter-Korean projects forged ahead during the quarter. Plans to relink North and South by road and rail through two corridors across the Demilitarized Zone (DMZ) were the subject of many meetings at various levels. Not all went smoothly, but even the rows were of the constructive kind: how to solve real knotty practical problems, rather than stalling or grandstanding. Thus, security aspects of breaching what remains the world's most heavily armed frontier are obviously crucial. In December, at the third attempt, agreement was reached on where to put military guard posts to guarantee safe passage for construction and other traffic.

That traffic is growing, even on the temporary tracks that are all that exist so far. It is now routine for working-level meetings to be held in towns near the DMZ – Kaesong or Kumgang in the North, Munsan or Sokcho in the South – and for the other side to commute across the border. Hyundai tours also mainly go overland to Kumgang now.

Exceptionally, in October a 1,100-strong convoy in 28 buses drove from Seoul to Pyongyang, for the opening of another Hyundai gift: a \$56 million gymnasium. The visitors encountered market women selling souvenirs and art works for U.S. dollars and euros, with no fixed prices and much haggling. October also saw the first private sector trans-DMZ trucking trip. Korea Express (KorEx), the ROK's largest logistics operator, carried 100,000 roof tiles to Kaesong, the first batch of 400,000 donated by Southern Buddhists to help restore a temple in this ancient capital city.

### **Kaesong Takes Shape**

At some levels, North Korea is undoubtedly changing. Yet it is hard to imagine the hermit Kimdom allowing free passage across the DMZ. Even the planned Kaesong Industrial Zone, where hopes of becoming to Seoul what Shenzhen is to Hong Kong hinge on luring Southern firms to invest there, has yet to agree on the unimpeded movement of people and goods that is essential if investors are to turn a profit. Still, Kaesong is making progress. In December, the DPRK Supreme People's Assembly promulgated detailed residence, customs, and management regulations for the Zone. Some wording raised eyebrows: those banned from entry include "international terrorists, drug addicts, [and] lunatics." There is also concern at a ban on taking out "printed materials ... films, photos, cassettes and video tapes, records [and] compact disks," items that firms will obviously need to carry back and forth.

But subject to this being eased, in general Seoul welcomed these very detailed rules as a sign that Pyongyang is serious about making a go of Kaesong. A basic monthly wage of \$57.50 for a 48-hour week, and a corporate tax rate half the South's (14 percent as against 27 percent), are also seen as encouraging. Yet obstacles remain. In December, the ROK Commerce, Industry, and Energy Ministry (MOCIE) said that high-tech manufacturing, classified as strategic and of potential dual use for military purposes, will not be allowed to move to Kaesong for fear of violating the Wassenaar Convention and other treaties restricting transfers to rogue states. Permitted sectors are thus of lower grade: farm produce, foodstuffs, textiles, fabrics, and simple electronics appliances.

Another problem, noted by the (South) Korean Chamber of Commerce and Industry (KCCI), is that many countries impose high tariffs on goods from North Korea, which has few most favored nation (MFN) agreements. To get around this, MOCIE suggests using Kaesong to make parts and intermediate goods, with final production in the South as country of origin. If adhered to, both these security and commercial restrictions will surely inhibit Kaesong from attaining its full potential – let alone the depth of business integration that now exists between China and Taiwan, despite the inherent security risk to the latter in transferring advanced technologies to the mainland. Still, all this is some way down the road. Kaesong is not due to come on stream until 2007, although a pilot project may get off the ground in 2004. A joint office to handle practical problems is also scheduled to open in the new year.

## **Main Market, but not Making Money**

Other business links are gathering pace. Inter-Korean trade in 2003 is expected to reach \$700 million, making the South the North's second largest partner, close behind China, and its main export market. Although flows from South to North are more aid than trade, overall the proportion of genuine commerce is rising. A survey by the Korea Development Institute (KDI), a leading official think tank, found both experts and firms united in expecting North-South business to grow in 2004 – even though barely 40 percent of the latter said they made any money from it. That must change or Kaesong will have few takers. Hyundai, whose decline and fall from being Korea's biggest conglomerate was in no small part due to throwing cash at Kim Jong-il, stands as a dire warning of the risks of a loss-leader approach to the North.

More generally, is the inter-Korean glass half-full or half-empty? The trickle is picking up, yet it is little and late. A mere \$700 million in bilateral trade, after 15 years, contrasts with the multibillion dollar flows between China and Taiwan, whose business thaw began around the same time. Likewise on investment: the aforementioned \$1.15 billion cumulative total over eight years is puny, and minuscule if the LWR project is stripped out. Of the under \$200 million remaining, \$150 million is by Hyundai, a figure that evidently excludes both the crippling \$938 million paid over six years to license the Mt. Kumgang tours (on top of which Hyundai has had to build all its own infrastructure), and \$500 million (at least) sent covertly just before the June 2000 summit, allegedly for further vague business rights. That leaves just \$50 million, half of which is Pyonghwa Motor's car assembly plant at Nampo. As an affiliate of the Unification Church, Pyonghwa is not looking to make money any time soon. What then remains is a handful of tiny projects, with the big *chaebol* – seeing how Hyundai got burned – conspicuously absent. In sum, serious South Korean investment in the North has yet to begin.

## **Playing Games, Unsportingly**

As ever, inter-Korean intercourse has its seamy side. South Korea's island province of Cheju has forged its own links with North Korea, mainly by gifts of tangerines. In October, Cheju hosted a Korean Peace Festival, nominally unofficial. North Korea agreed to send some 400 participants, including the glamorous cheerleaders and female brass band seen at the Asian Games in Pusan and the Taegu student games last summer. Claims by the opposition Grand National Party that North Korea was being paid for this were indignantly denied. At the last minute Pyongyang halved its delegation, excluding the "cheerbots" (as cynics call them) and band. The 190 who did come, by direct flight, arrived late. Cheju put on a brave face, and the show went on – but at the end the Northern squad refused to leave unless paid in full, despite not fulfilling their side of the deal. That let the cat out of the bag. Unification Minister Jeong Se-hyun admitted deceiving the National Assembly when he denied knowledge of any payment to the North over Cheju. Despite acknowledging his perjury, Jeong remains in post.

While an overtly commercial arrangement to hire the DPRK's services would be acceptable, it beggars belief that such backhanders and official dishonesty still persist,

with no lessons learned from the “cash for peace” scandal (when it transpired that the June 2000 summit was preceded by illicit transfers of \$500 million to Pyongyang by Hyundai, of which at least \$100 million was from the ROK government). In December, in the most severe sentence yet meted out for this, Park Jie-won, once Kim Dae-jung’s chief of staff and closest adviser, was jailed for 12 years, his offense being to take a \$13 million bribe from Hyundai for facilitating this transaction and other services. So it is dismaying that some in Seoul have yet to learn the difference between sunshine and moonshine, or to grasp how badly the latter can corrode the former. Now that inter-Korean contacts are an established fact, there can be no conceivable excuse for charades and secret payments. Full disclosure and transparency are crucial.

### **Tours Pause: Cause?**

It goes without saying that inter-Korean progress is anything but steadily cumulative. Our last issue reported the first ever tours of Pyongyang for South Koreans (organized by Pyonghwa, an affiliate of the Unification Church), with direct flights from Seoul. After a mere six weeks, North Korea suspended these in late October, citing “tourist safety problems during the winter and the fatigue of local tour guides.” Operations are due to resume next April. We shall see: one imagines that Hyundai may have protested at this plum route being awarded to a rival.

### **Center Agreed, but no Reunions**

In November, the two Koreas finally agreed to build a dedicated facility for family reunions at Mt. Kumgang. Work on a 20,000-sq. meter building – not as big as the North wanted, but larger than the South thought necessary – will start in April, for completion in 2005. Seoul will of course pay, with Pyongyang providing materials and labor. Hopefully this will permit larger and more frequent reunions than hitherto. The past quarter saw none at all, yet elderly Koreans who yearn to see their loved ones after half a century apart are rapidly dying off.

### **Seeking Sanctuary**

As ever, the warmth of Sunshine clashed with the odd chilly wind. Twice in October South Korea’s embassy in Beijing suspended consular services as it was overwhelmed by North Koreans camping out there while waiting to leave for Seoul. After 2002’s highly publicized dashes for sanctuary by would-be defectors to various diplomatic missions in China, this has now settled into a routine. Despite a strong security presence to stop them, a steady trickle of North Koreans succeed in gaining sanctuary, often with forged documents. Once inside, they are allowed to leave for Seoul – eventually. The much larger numbers outside get no official support or encouragement from the ROK, whose priorities are not to upset either China or the DPRK regime. Just occasionally Seoul is shamed into action, as in November when an elderly man arrested in China with false papers turned out to be one of their own: a South Korean prisoner of war, illegally detained by North Korea for half a century, with his wife.

With ever rising numbers – 1,047 in 2003 as of Nov. 11, 10 percent more than in 2002 – the ROK Unification Ministry's reception facility, Hanawon, has had to be extended. It also emerged in October that since 1993, 10 military facilities near the DMZ have been designated to serve as temporary shelters in the event of a possible mass influx of refugees. It is believed, and to be hoped, that South Korea has many such secret contingency plans if it has to cope with scenarios less benign than the soft landing that official policy seems to take for granted.

Well outside the new Seoul consensus, ironically, is former Korean Workers' Party (KWP) secretary Hwang Jang-yop, the most senior DPRK defector in the ROK. Under Kim Dae-jung, Hwang was forbidden to travel to Washington for fear his outspoken hostility to Kim Jong-il (whom he once tutored) would upset Pyongyang. But Roh Moo-hyun relented, and in October Hwang finally made the trip. Despite rumors that he would seek asylum in the U.S. or try to create a government in exile, Hwang's impact was relatively muted.

### **Song Sung Blue**

More controversial was the continuing sorry saga of Song Du-yul. This radical dissident, long resident in Germany where he teaches philosophy and has citizenship, posed a problem by returning to Seoul in September after 36 years of exile. Hwang Jang-yop has accused him of being an alternate member of the KWP Politburo under the alias Kim Chol-su. Song denies this, but admits using the alias and taking money from North Korea, which he claims was for promoting Korean studies in Europe. In October, after much voluntary questioning, Song was arrested and formally charged under the ROK's National Security Law. His case continues to divide South Koreans, exposing the faultlines (largely generational) between old hawks, to whom he is a traitor, and young doves who see him as a victim of a now outmoded history. It is puzzling why the government did not simply deport him to avoid prolonged controversy.

### **The Sound of One Hand Giving**

Even if Song was, as he claims, a well-meaning free-floating intellectual who tried to bridge and transcend the North-South divide, he seems at best naïve. Yet he is not alone in woolly thinking. However much one yearns for Korea's reunification, the outlook behind the new orthodoxy in Seoul begs as many questions as the old Cold War stance whose mirror image it is. A simplistic nationalism views inter-Korean ties as the belated reconciliation of two halves of one nation, cruelly sundered by foreigners over half a century ago. Yet even at the outset Koreans fought each other not solely as pawns of the superpowers, but because they differed violently over what kind of society they wished to create in their newly liberated land. The Cold War, red-hot in Korea, was neither simply pointless nor wholly imposed from outside.

This aspect now seems largely forgotten in Seoul, where better ties (or a simulacrum thereof) with the North sometimes appear to have become an end in themselves. Yet this risks eliding many vital issues: continued security threats (nuclear and otherwise) to the

ROK; the stability and motives of the Kim Jong-il regime; the DPRK's appalling human rights record, which it is deemed bad form to raise; and the real likelihood or otherwise of the soft landing for which Seoul prays. In a word, wishful thinking risks prioritizing form over substance. Then there is moral hazard, as in the lies and charades of the Cheju "peace festival" discussed above. In a society as well educated as South Korea, one would hope for a wiser evaluation in the future of the pros and cons of particular modes of engagement with North Korea. To adapt the old Zen paradox, the sound of one hand giving can only make for unsound policy in the end.

### **Chronology of North Korea-South Korea Relations<sup>1</sup>** **October-December 2003**

**Oct. 1, 2003:** ROK Unification Minister Jeong Se-hyun says that the North has undertaken meaningful reforms toward a market economy, and that its army-first policy is intended to protect social stability in the DPRK.

**Oct. 1, 2003:** The DPRK publishes tax and labor rules for the Kaesong Industrial Zone. Corporate income tax will be 14 percent of annual profits (vs. 27 percent in the ROK), payable in U.S. dollars. The minimum monthly wage will be \$57.50 for a 48-hour working week.

**Oct. 1, 2003:** South Korea cancels a parliamentary visit to Pyongyang after North Korea restricts the size of the delegation to 10.

**Oct. 2, 2003:** Seven North Korean feature films are to be shown at the Pusan International Film Festival. A South Korean film, *Arirang*, is shown in Pyongyang.

**Oct. 3, 2003:** A 300-strong Southern civic delegation participates in joint national Foundation Day celebrations in Pyongyang. A "scientific seminar" is held on Tangun, the legendary founder of Korea, whom the DPRK regards as a historical figure.

**Oct. 3, 2003:** Prosecutors in Seoul question Song Doo-yul, a ROK-born German philosophy professor and long-time activist in exile, who denies he is an alternate DPRK Politburo member.

**Oct. 4, 2003:** North Korea accuses the South of a confrontational stance with its recent large Armed Forces Day ceremony and military parade in Seoul (its first in five years), where high-tech weapons including missiles were displayed. Recent parades in Pyongyang, despite predictions to the contrary, have been low-key events devoid of similar hardware.

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<sup>1</sup> 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)).

**Oct. 5, 2003:** Unification Ministry (MOU) says that as of end-August, 538,132 South Koreans have visited the Mt. Kumgang resort since tours began in November 1998.

**Oct. 6, 2003:** In the largest movement across the DMZ since the Korean War, 1,100 South Koreans in 28 buses drive from Seoul to Pyongyang for the opening of a \$56 million dollar gymnasium, built by Hyundai.

**Oct. 6, 2003:** The ROK embassy in Beijing suspends consular activities, as it is full of North Korean refugees. China says it will expedite processing to allow them to leave for Seoul. A total of 249 North Koreans have reached the South by gaining sanctuary in ROK overseas missions, plus a further 88 via other countries' embassies, almost all in China.

**Oct. 7, 2003:** A Southern opposition lawmaker claims the North is being paid \$1 million to take part in a sports festival on the island province of Cheju.

**Oct. 8, 2003:** ROK lawmaker says DPRK defectors plan to set up a government in exile.

**Oct. 9, 2003:** In its first comment, Pyongyang denies any links with Prof. Song Doo-yul.

**Oct. 10, 2003:** ROK decides to loan the DPRK materials and equipment worth up to \$60 million to expedite reconnecting two cross-border railways and road corridors.

**Oct. 11-12, 2003:** A third round of working-level economic and maritime cooperation talks is held in the ROK border city of Munsan; DPRK delegates cross the DMZ by bus. They agree to establish a joint commercial arbitration committee to handle business disputes; its decisions cannot be challenged by courts in either state.

**Oct. 13, 2003:** A day before inter-Korean talks start, the South announces a gift of 100,000 tons of fertilizer to the North, worth \$26.6 million.

**Oct. 14, 2003:** Two ROK bodies, the Korea Federation of Small and Medium Business and the Korea Technology Credit Guarantee Fund, agree on arrangements to help small South Korean firms do business in the DPRK.

**Oct. 14, 2003:** KCCI says it will be difficult to develop the Kaesong Industrial Zone (KIZ) as an export base for ROK firms, since products made in the DPRK are subject to heavy tariffs in many markets.

**Oct. 14-17, 2003:** The 12th inter-Korean ministerial talks are held in Pyongyang. The South's delegation, led by Unification Minister Jeong, flies directly from Seoul. The nuclear issue proves divisive, and the final joint statement agrees only on the date of the next meeting.

**Oct. 19, 2003:** At the APEC summit, ROK President Roh Moo-hyun tells Chinese counterpart Hu Jintao that South Korea will help the North maintain its regime and

proceed with reforms and opening – if Pyongyang abandons its nuclear weapon programs.

**Oct. 21, 2003:** Officials in Seoul say they believe North Korea has reprocessed about 2,500 of the 8,000 spent fuel rods from its Yongbyon nuclear site.

**Oct. 22, 2003:** Song Doo-yul is arrested and charged with violating ROK National Security Law.

**Oct. 23, 2003:** Hwang Jang-yop, former KWP secretary who defected in 1997, is at last allowed to accept an invitation to speak in the U.S., Hwang leaves for Washington Oct. 27.

**Oct. 24, 2003:** ROK Defense Ministry says 496 former South Korean soldiers are still held in the DPRK, over half a century after being captured during the Korean War.

**Oct. 24, 2003:** Seoul reports 1,281 inter-Korean shipping operations during Jan.-Sept. 2003, 18 percent more than last year; carrying 699,560 tons of freight, a rise of 45 percent over 2002.

**Oct. 23-27, 2003:** A 190-strong Northern team – half the agreed size, minus cheerleaders and brass band – arrives, late, by two direct flights from Pyongyang for the Korea Peace Festival on Cheju island.

**Oct. 27, 2003:** In the first private sector trans-DMZ trucking trip, the ROK's largest logistics operator, Korea Express (KorEx), conveys 100,000 roof tiles to Kaesong.

**Oct. 27, 2003:** ROK's Pyonghwa Air Travel Agency says the DPRK has suspended its tours of the North, which started Sept. 15, due to "tourist safety problems during the winter and the fatigue of local tour guides." The tours are due to resume next April.

**Oct. 28, 2003:** ROK Defense Ministry reveals that since 1993, 10 military facilities near the DMZ have been designated as temporary shelters for a possible mass influx of refugees.

**Oct. 28, 2003:** MOU says 25 Southern firms have invested a total of \$1.15 billion in the DPRK since 1996, 83 percent of this relates to KEDO's LWR project.

**Oct. 30, 2003:** ROK navy fires warning shots at a DPRK patrol boat that briefly crosses the Northern Limit Line (NLL), which the North does not recognize, off the west coast.

**Oct. 31, 2003:** ROK embassy in Beijing again suspends consular services because of an influx of North Korean refugees.

**Nov. 3, 2003:** ROK Unification Minister Jeong admits lying to National Assembly when he denied knowledge of any payment to the North to participate in the Cheju festival.

**Nov. 4-6, 2003:** Red Cross officials from both Koreas, meeting at Mt. Kumgang, finally agree to build a family reunion center there. Construction will start in April for completion in 2005. South Korea is footing the bill.

**Nov. 5, 2003:** ROK is to deploy U.S.-made missiles with a range of 300 km, putting most of the DPRK within reach. ROK missiles were previously restricted to a range of 180 km.

**Nov. 5-8, 2003:** Seventh meeting of the Inter-Korean Economic Cooperation Promotion Committee is held in Pyongyang. A 7-point agreement is reached, covering railways, the Kaesong Industrial Zone, payment systems, shipping, and flood control. An office will be opened early next year to handle practical problems arising at Kaesong and elsewhere.

**Nov. 12, 2003:** Chang Sun-Sup, ROK representative to KEDO, says that the LWR project can be resumed if the nuclear crisis is resolved. A day later Ambassador Thomas Hubbard insists the U.S. has no plan to revive the project under any circumstances.

**Nov. 13, 2003:** MOU says inter-Korean trade in the first 10 months of 2003 reached \$587 million, 33 percent more than in the same period of 2002. ROK imports totaled \$233 million, mostly agro-fisheries and textiles. "Exports" of \$353 million were mostly aid.

**Nov. 14, 2003:** The two Koreas hold ninth working-level military talks at Panmunjom, to discuss establishing guard posts in the DMZ at the sites of the two cross-border railways.

**Nov. 14, 2003:** DPRK accuses the ROK of breaching the June 2000 inter-Korean declaration by deploying new U.S.-made missiles.

**Nov. 20, 2003:** Former South Korean POW, who escaped from the DPRK with his wife, is arrested in China for using false passports. ROK embassy belatedly takes up case.

**Nov. 21, 2003:** KEDO formally announces its decision to suspend LWR construction for one year from Dec. 1, saying conditions to continue the project are not being met by the DPRK.

**Nov. 24, 2003:** ROK Navy vessel fires warning shots at a DPRK patrol boat which crossed the NLL, Pyongyang calls this a serious armed provocation.

**Nov. 26, 2003:** ROK charges a Northern defector, Nam Soo, who returned to the North and later re-entered South Korea, with violating the National Security Law. Nam is accused of providing DPRK intelligence with tips on South Korean spy agencies.

**Nov. 26, 2003:** South Korea announces delivery of 350 tons of TNT to the North, for blasting bedrock as part of the work to build the two cross-border roads and railways.

**Nov. 27, 2003:** "Pororo the Little Penguin," a cartoon series jointly produced by South Korea's Hanaro Telecom and the North's Samcholli General Corp., debuts on ROK TV.

**Nov. 27, 2003:** Hyundai says that from next year it will employ DPRK citizens at a hotel in Mt. Kumgang. The agreed monthly minimum wage will be \$57.50, the same as planned at Kaesong. Hitherto Hyundai has hired Korean-Chinese.

**Nov. 28, 2003:** Tenth military working-level talks at Panmunjom fail to agree on details of guard posts in the DMZ for cross-border railway and road corridors.

**Dec. 2, 2003:** Song Du-yul pleads not guilty in Seoul to most of the charges against him, including membership (under an alias) of the DPRK's ruling KWP Politburo.

**Dec. 2-5, 2003:** Working-level talks on relinking railways are held in Sokcho, near the DMZ in eastern South Korea. Signals, communications, and electric power systems are discussed. It is agreed to begin the final phase of construction in April 2004. Two DPRK delegates return home overland.

**Dec. 3, 2003:** Korea Development Institute reports less than 40 percent of Southern businesses trading with the North turn a profit. Nonetheless, businessmen and experts overwhelmingly predict trade will grow in 2004.

**Dec. 5, 2003:** The two Koreas open a second military hotline, along the eastern railway line.

**Dec. 6, 2003:** South Korean NGO claims that China is forcibly repatriating around 100 DPRK refugees every week.

**Dec. 9, 2003:** MOU reports that South Korea is expected to overtake China and Japan as the largest importer of North Korean goods. In the first 10 months of 2003, ROK imports from the DPRK were worth \$233 million, up 30 percent from 2002.

**Dec. 10, 2003:** ROK Commerce, Industry, and Energy ministry (MOCIE) says it will ban high-tech manufacturing facilities from being transferred to the Kaesong Industrial Zone, to prevent potential dual use.

**Dec. 11, 2003:** MOU says Southern aid to the North during Jan.-Nov. 2003 totaled \$125 million, including food aid, fertilizer, medical equipment, and more.

**Dec. 12, 2003:** A Seoul court sentences Park Jie-won, presidential chief of staff under Kim Dae-jung, to 12 years in jail and a Won 14.7 billion fine for organizing illegal money transfers to Pyongyang before the June 2000 summit, and taking a 15 billion won bribe from Hyundai.

**Dec. 15, 2003:** Shipment of 4,800 tons of rice completes this year's Southern rice aid to the North, totaling 400,000 tons. ROK officials have made 12 site visits to monitor distribution.

**Dec. 17, 2003:** DPRK publishes detailed entry and customs regulations for the Kaesong Industrial Park, as adopted by the Supreme People's Assembly (SPA) Dec. 11.

**Dec. 17-20, 2003:** Inter-Korean working-level economic talks in Pyongyang fail to agree on procedures for jurisdiction over South Koreans who visit or work in projects in the North, such as Mt. Kumgang and Kaesong.

**Dec. 22, 2003:** MOU says it expects inter-Korean trade to top \$700 million this year for the first time, with South Korea likely to replace China as the North's main export market.

**Dec. 23, 2003:** The two Koreas agree to set up four guard posts within the DMZ, 250 meters from the Military Demarcation Line (MDL) on either side within each of the two new cross-border road and rail corridors, to be responsible for the safe passage of construction traffic.