

Comparative Connections

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North Korea-South Korea Relations: On the Mend?

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Dealing with North Korea resembles the board game *Snakes & Ladders* (known in the U.S. as *Chutes & Ladders*). The first half of this year was an especially long snake/chute. Pyongyang's missile and nuclear tests, and its general bellicosity, not only undid last year's slight gains in the Six-Party Talks (6PT), but were a strange way to greet an incoming U.S. president avowedly committed to exploring engagement with Washington's traditional foes. But what goes down must, eventually, come up, even if each time some may fear it is a case of – to change the spatial metaphor – one step forward, two steps back. As of autumn, things on the peninsula are looking up somewhat – at least relatively, if not in any absolute sense.

One ex-president visits; another dies

In an odd reprise of events 15 years earlier, the turning point was a visit to Pyongyang by a former U.S. president. While Bill Clinton's lightning trip to rescue a pair of unlucky (maybe foolish) Asian-American journalists hardly compares with Jimmy Carter's historic defusing of the first North Korea nuclear crisis in June 1994, it was a small turning point and a chance to check out Kim Jong-il's health and thinking – surely no bad move, despite predictable growling from U.S. conservatives. Several hints since then – most recently and concretely, Kim's apparent willingness in principle to return to multilateral talks, as communicated to Chinese Premier Wen Jiabao – suggest a welcome easing of tension, for whatever reason.

Atmospherics are one thing, but on the nuclear front it must be admitted that no actual new ladder is yet in sight. By contrast, relations between the two Koreas, having for almost two years gone from bad to worse, have recently taken a few small but real steps forward and upward. Here too an ex-president was the catalyst, albeit unwitting and posthumously. The death of Kim Dae-jung in August prompted a senior DPRK delegation to visit Seoul; they delivered a wreath from Kim Jong-il and met President Lee Myung-bak. Since then, Northern media have stopped insulting Lee and family reunions have resumed. An earlier initiative – a visit in August by Hyun Jeong-eun, chairperson of Hyundai, to Pyongyang, where she met Kim Jong-il – also played its part. The joint venture Kaesong Industrial Complex (KIC) has now returned to normal with the North easing border controls and ceasing other harassment.

So far so good. It remains to be seen how tall this new ladder is; for instance, whether regular inter-governmental talks held from 2000 to 2007 will resume. President Lee has recently offered the North a “grand bargain.” The details remain vague, but Pyongyang has rebuffed it anyway. If Lee persists in linking inter-Korean cooperation to the nuclear issue, then by definition not much

is possible until and unless we see progress there. Absent a new nuclear breakthrough, more ROK voices may start to question such linkage and seek an independent role for Seoul, not least so as to avoid ceding the field and leverage in Pyongyang to China.

Straws in the wind

The second half of 2009 began as a continuation of the first: with a flurry of North Korean missile tests, and a cyber-scare. As it turned out, the latter – several major official and private ROK websites came under attack and were down for a day or two – may have been too hastily blamed on Pyongyang, with no proof. Little else of significance happened for most of July, although in retrospect there were a few straws in the wind.

Thus, on July 21, the ROK Unification Ministry (MOU) said it was unaware of any DPRK move to resume family reunions. *Minjok 21*, a leftist Southern magazine, had quoted a recent visitor to Pyongyang as saying the North planned to propose this around *Chusok*, the Korean harvest festival that fell on Oct. 3 this year. As it turned out, *Minjok 21* had itself a scoop.

Four days later, amid reports that heavy rain had yet again pummeled North Korea's grain crop, MOU said it will resume humanitarian aid to Pyongyang via NGOs, frozen since Pyongyang's long-range rocket launch in April. Such assistance is minuscule compared to the rice and fertilizer that Seoul used to send, but at least it had served to keep some contacts open despite the wider eclipse of the former "Sunshine" policy under President Lee.

First up to visit the North was expected to be Chung Eui-hwa, a lawmaker of the ruling Grand National Party (GNP) and co-chair of the Korea Sharing Movement (KSM). But on July 29 Chung and the KSM cancelled their planned four-day visit to Pyongyang since the North's Korean Council for Reconciliation and Cooperation (KCRC) had not sent the expected invitation. Such last-minute reverses are par for the course in any dealings with the DPRK. Instead, it was World Vision's ROK branch that was first across the DMZ on Aug. 1, when a seven-strong team began an eight-day trip to resume assistance to potato farmers in the North.

A day later, the KIC management committee (KICMC) said that South Koreans who drive across the DMZ to Kaesong need no longer carry photos and detailed travel plans for every passenger. Instead, the KICMC will handle these documents. After months of harassment of the Kaesong project, including border curbs and wild demands for rental and wage hikes, this small gesture raised hopes of a return to normalcy.

This was overshadowed, however, by bad news on the other side of the peninsula. On July 30, a 29-ton South Korean squid-fishing boat, the *800 Yeonanho*, was seized by the Korean People's Army (KPA) Navy and escorted to the DPRK east coast port of Jangjon. Its GPS navigation system seems to have malfunctioned; no one denied it was well over the Northern Limit Line (NLL) and inside Northern waters. The crew of four thus joined the Hyundai Asan worker Yu Seong-jin, arrested at the KIC and held incommunicado since March 31, as what many in Seoul regarded as hostages of an ever-more unpredictable North.

Enter Clinton

Then came Bill Clinton, as at least a temporary *deus ex machina*. The ex- U.S. president's trip to Pyongyang did not involve inter-Korean relations, except indirectly. As her name suggests, one of the two freed journalists, Euna Kim, is of South Korean parentage. Once the euphoria of the two women's release subsided, some accused them of harming the very North Korean refugees in China whose plight they were covering. On Aug. 22 the *New York Times* quoted Rev. Lee Chan-woo, an ROK activist, who said the pair had damaged his Durihana mission's work. After their capture, Chinese police raided his underground orphanages, seized DPRK refugee children, and expelled him from China. For their part, the journalists denied that any compromising materials had fallen into either Chinese or North Korean hands.

Hyundai's Hyun heads North

More generally, Bill Clinton's *coup de theatre* led South Koreans to contrast his success to the plight of their five citizens held by the North. But help was in fact at hand. On Aug. 10, Hyun Jeong-eun, chairwoman of Hyundai, crossed the DMZ for a planned three-day visit intended to secure freedom for her employee Yu Seong-jin. In a hopeful sign, she was allowed to drive to Pyongyang – a privilege not granted since the late President Roh Moo-hyun's summit with Kim Jong-il in October 2007 – and was welcomed at the border by a senior figure: Ri Jong-hyok, vice chair of the North's Asia-Pacific Peace Committee. (APPC is Hyundai's formal counterparty for its business deals in the North, while Ri is an urbane diplomat and confidant of the Dear Leader who now deals mainly with South Korea. This writer knew him quite well in the 1980s when Ri headed the DPRK's mission in Paris.)

As regular readers will recall, Hyundai and Ms Hyun have a privileged if often unenviable position vis-à-vis North Korea. She is the widow of Chung Mong-hun, who as favourite son of the conglomerate (*chaebol*)'s founder Chung Ju-yung inherited the poisoned chalice of his father's ambitious but costly dealings with the North. Under investigation for illicit financial transfers to Pyongyang, her husband jumped to his death in 2003. To general surprise Hyun took over his mantle, seeing off challenges from her brothers-in-law who inherited the juicier parts of their father's empire – such as making cars and ships. The rump Hyundai that she now heads is much shrunken, its main businesses being elevators and a shipping line.

Hyundai Asan, the affiliate running the Northern operations, has mostly bled red ink. Chung Ju-yung originally agreed to pay almost a billion dollars for six years' rights to develop a tourist resort at Mount Kumgang on the DPRK's east coast, just north of the DMZ. This fee was later halved, but Hyundai also shouldered all construction costs for harbors, roads, hotels and the like, costing over \$700 million to date. The first Southern tourists headed North (by boat) in November 1998, and 1.8 million made the trip over the next decade. But not until 2005, two years after the North finally permitted overland travel across the DMZ, did Hyundai Asan start to turn a profit. Watching Hyundai's travails, all the other *chaebol* have steered well clear of North Korea: in sharp contrast to most major Taiwanese firms' numerous and lucrative investments in China. Pyongyang's short-sighted greed has thus cost it dearly in lost opportunities and capital inflows. This point is not sufficiently appreciated.

Standing her ground

A rare woman in Korea's macho business world, Hyun Jeong-eun has proved effective, not least in handling what remains a tricky relationship with the North – as when it threatened to cancel all Hyundai's contracts after Hyun sacked a senior manager accused of corruption. In January 2007, the same Asia-Pacific Peace Committee, now her host, attacked what it called "high fliers and tricksters of Hyundai Asan who stoop to any infamy to meet their business interests." Hyun stood her ground. Later that year she met Kim Jong-il for the second time (the first was in 2005), signaling that the row was now patched up.

The past year has been especially fraught for Hyundai Asan on two fronts. Mount Kumgang tourism has been suspended since July 2008, after the KPA shot dead a middle-aged female tourist who apparently strayed off course on a pre-dawn stroll. It is the South that ordered a halt after the North refused to let it send a team to investigate. A year later, Hyundai Asan had lost sales worth \$136 million, and halved its workforce. Meanwhile, on the other side of the peninsula, the Kaesong IC, which Hyundai runs jointly with the parastatal Korea Land as well as the DPRK authorities, has endured much harassment – as detailed in previous issues.

Three days after Ms Hyun went North, Yu Seong-jin was finally expelled to the South – as he should by law have been at the outset. Subsequent reports suggest he was indeed guilty as uncharged. A bachelor boiler mechanic aged 44, seemingly a serial dater of North Korean women – he bragged of a previous relationship when he worked in Libya a decade ago – this time he not only hit on a cleaner in his Kaesong hostel, showering her with gifts, but urged her to defect and bad-mouthed Kim Jong-il: all this in writing. Unsurprisingly, he now faces disciplining by his employer – as surely do both women, whose fates appear of little concern to South Koreans. Most of the KIC's 40,000 Northern workers are young women, and most of their 1,600 Southern supervisors are men; hence romance, though illicit, seems inevitable.

When Hyun met Kim

Having secured Yu Seong-jin's release, Hyun stayed on in Pyongyang, postponing her return to Seoul five times. Kim Jong-il played hard to get – he was reportedly on an inspection tour in a far northern province – but finally on Aug. 16 he granted her an audience, and more. The official *Korean Central News Agency (KCNA)* said the two "had a cordial talk" lasting four hours, and that Kim "complied with all her requests."

These were several. First, restrictions on border crossings to and from the KIC imposed last December would be eased. This began to take effect from Aug. 21, with normal service fully restored as of Sept. 1. A joint economic cooperation office in the KIC would reopen – it duly did on Sept. 7 – and cross-border trains could restart. In fact, rail service remains suspended: the very short journey permitted, not even all the way to the KIC, is simply uneconomic. Most of the small- and medium-size enterprises in the zone prefer the flexibility of trucking goods in and out.

Beyond the KIC, the dear leader gave Hyun the green light to resume three tourism ventures. Mount Kumgang is the main one, but it is yet to be seen whether Seoul will agree to this. Another is cross-border day trips by coach to Kaesong city, which in less than a year had taken

over 100,000 South Koreans to this ancient capital – to stare and be stared at by North Koreans; this is no closed enclave, unlike Kumgang or the KIC – before the North shut them down last December. At this writing there is no word on these tours actually restarting.

The third project is for flights to Mount Paekdu, Korea's highest peak on the Chinese border, regarded as sacred. Hyundai was granted this concession in 2005, but delays and problems – including the need to rebuild the local airport at Samji; guess who would pay? – meant it never got off the ground. Many South Koreans already climb Mount Paekdu on package tours from the Chinese side, so the size of the potential market may be in doubt.

Kim Jong-il also said that reunions of separated family reunions may resume. After 16 such events during 2000-07, there had been none for almost two years as North-South relations worsened. While this is not strictly Hyundai's business, the connection is that at the North's insistence such reunions are held at Mount Kumgang – rather than as they were at first in Seoul and Pyongyang, let alone people's ancestral villages so they could visit family graves. Hence as Kim well knows, resuming reunions not only wins him points with Southern public opinion, but could hardly fail to put a resumption of Kumgang tourism back on the agenda.

The ROK government gave a cautious welcome to all this, while insisting that much of it needed discussion by the two governments. Family reunions, at least, were unproblematic. On Aug. 25 the two sides' Red Cross bodies agreed to hold talks about restarting these.

Death as breakthrough

Inter-Korean ties were thus already improving when fate intervened to boost this further. On Aug. 18, ex-ROK President Kim Dae-jung (1998-2003), sometimes called Korea's Mandela for his long struggle for democracy, died of pneumonia. It was Kim who devised the "Sunshine" policy of engagement, and who, in June 2000, flew to Pyongyang to meet Kim Jong-il in the first ever North-South summit; he received the Nobel Peace Prize the same year.

Kim Jong-il promptly sent condolences – and a senior team to deliver them in person. Kim Kinam is secretary of the ruling Workers' Party of Korea (WPK), while Kim Yang-gon directs the WPK's united front department. In effect, he is the DPRK's intelligence chief and, as such, visited Seoul in Nov. 2007 near the end of the late Roh Moo-hyun's term of office. Both Kims are key confidants of Kim Jong-il. They arrived in Seoul on Aug. 21, and duly visited Kim Dae-jung's altar. Due to fly home next day, they stayed on, meeting South Korean Unification Minister Hyun In-taek in the morning of Aug. 22, then dining with him the same evening. On Aug. 23, they met President Lee Myung-bak for half an hour, flying back to Pyongyang before Kim's actual funeral – which they had not planned to attend.

Lips are sealed as to what exactly transpired, but the pair reportedly bore a verbal message from Kim Jong-il. South Korea denied press reports that he had offered a summit, which would surely seem premature – although then again, this is one way to make a fresh start. But the signals were good: a Blue House spokesman said the meeting with Lee "was held in a very serious and gentle atmosphere ... Simply put, we can say there has been a paradigm shift." No one told *KCNA*, which on Aug. 21 was still calling for the "elimination" of "Lee Myung-bak's group of traitors."

Even on Aug. 23 one headline read: “Puppet Authorities’ Hostile Policy towards DPRK Flayed.” Since then, however, Northern media have stopped insulting South Korea’s president. Indeed they no longer mention him by name at all.

Uranium (alleged), and a non-tidal wave (all too real)

But as so often, progress up the ladder was stymied by snakes/chutes. On Sept. 4, Pyongyang told the UN that its uranium enrichment program (UEP) has entered its final phase, and that it is also making more nuclear weapons from extracted plutonium. Skepticism greeted the first claim, but neither was calculated to enhance the new mood of cautious détente.

Two days later, a wall of water two meters high swept down the Imjin River, drowning six South Koreans who were camping or fishing. The North promptly admitted discharging water – 40 million tons, the South reckoned – from its Hwanggang dam, some 25 miles north of the border. It said it had had to do this “urgently” because the dam was full, and promised to give notice in future – but offered no regret nor apology for the fatalities.

Anger was understandable, but the Southern government rushed to judgment, rejecting the North’s claim that the dam was full. On Sept. 9, Unification Minister Hyun In-taek told the National Assembly, “I think the North did it intentionally.” There is history here. In 1987 the soon to depart dictator Chun Doo-hwan began building a “peace dam” on another river, the Han, which flows through Seoul, in response to North Korea’s construction of a massive dam near the DMZ which Chun feared might be intended to flood the upcoming 1988 Seoul Olympic Games. Critics derided this as Cold War paranoia, and dam construction was later suspended – only to resume after satellite photographs in 2002 revealed cracks in the North’s Innam dam, triggering fears that it might collapse. Three times since 2001 North Korea has released water surges sufficient to cause flooding in the South, always without warning.

On this occasion, however, by Sept. 20 other ROK government sources were saying that Hwanggang had indeed been full – although the Blue House (the presidential office) denied this. Seoul’s inability to get its act together and speak with one voice on so sensitive a matter did not exactly enhance confidence in President Lee’s ability to take a cogent or coherent stand toward the North, in place of the “Sunshine” policy which he so briskly rejects.

Kaesong: wages, nursery, “research”

Meanwhile on Sept. 11, Pyongyang suddenly dropped the demand it had made since April for a fourfold wage increase at the KIC. No explanation was offered. ROK firms were naturally relieved, yet the damage to trust may prove lasting. Five days later the two sides agreed on a more modest 5 percent, raising the minimum wage to \$58 per month from the current \$55. With overtime, average earnings are about \$75, paid directly to the DPRK authorities, so how much the workers actually end up with is unknown. This is a very competitive rate, whereas quadrupling it to \$300 might have put many of the 114 Southern SMEs in the zone – a total number which goes on creeping up, despite the North’s recent harassment – out of business.

In at least implicit reciprocity, South Korea on Sept. 22 said it will go ahead with building a nursery at the KIC. This has been in the works for two years, but the Lee administration had delayed it for reasons unclear. It will have 200 places and cost around \$750,000. With 85 percent of the DPRK workers at the zone female, most in their 20s and 30s, the new facility is expected to be especially useful for nursing mothers.

On a more cautious note, on Sept. 16, the North began a survey of the Southern firms in the KIC. Seoul expressed no concern, but some companies were said to be worried. The last such survey was in 2006, when one ROK entrepreneur complained of worker absenteeism, then running at 5 percent; he says it is now 20 percent. Complete lack of control over their labor force is a major complaint by KIC employers, which looks unlikely to be remedied.

Family reunions: same old sad story

On Sept. 15, both sides swapped lists of separated family members ahead of reunions at the end of the month. The South had located 1,388 surviving relatives of 159 North Koreans, while the North found 709 kin of 143 South Koreans. Final lists, reducing these to just 100 lucky applicants from each side and relatives of each, were exchanged on Sept. 17.

The reunions took place between Sept. 26 and Oct. 1, just before *Chusok* (Oct. 3). They followed a familiar pattern, and old controversies were rehearsed again. Under the headline “Reunited in despair,” Kang Young-jin – an editorial writer for the *JoongAng Ilbo*, Seoul’s leading daily; his own father lives in the North – declared that these reunions “should stop as they have brought nothing but anguish.” But his own paper argued the contrary: there should be more frequent reunions, if need be paying the North to expedite the pace, since otherwise those affected will all soon be dead. Of 127,726 South Koreans who applied for the program since 1988, for over 40,000 or one-third it is already too late. Barely 11,000 have been lucky, if so brief a one-off reunion can be deemed fortunate. This time one old man killed himself after his application was rejected yet again, as statistically most are and will continue to be.

Lee offers a “grand bargain”

On Sept. 21, speaking to the Council on Foreign Relations in New York, President Lee – not for the first time – offered North Korea a “grand bargain” of aid and security guarantees in return for nuclear disarmament. Pyongyang responded in no uncertain terms a week later, with the headline: “KCNA Dismisses S. Korean Chief Executive’s ‘Proposal’ as Rubbish.” Lee Myung-bak was not named, but neither was he tagged a traitor or otherwise insulted as has been his fate hundreds of times over the past two years.

In fact, by Pyongyang standards this was a somewhat reasoned riposte; its gist being that “the ‘Grand Bargain’ is just a replica of the watchwords of ‘no nukes, opening and 3,000 dollars’ that proved bankrupt in face of criticism of the public at home and abroad.” (This alludes to Lee’s offer to raise DPRK per capita income to \$3,000 if it gives up nuclear weapons.)

Dismissive as this sounds, North Korea’s first word should not be taken as its last. Not only are we perhaps at the foot of another ladder, but at this point the board looks blurred – in a possibly

hopeful way. Before long, the U.S. point man on North Korea, Stephen Bosworth, is likely to go to Pyongyang. With this and other contacts, including Chinese Premier Wen Jiabao's recent visit, it may become clearer whether Kim Jong-il is indeed in the mood to bargain – grandly or otherwise. If he is, then Lee's idea may gain traction. At that point, if not sooner, he will have to open this black box and spell out what precisely it might contain. One thing Kim Jong-il will certainly not do is purchase a pig in a poke; nor will he sell his nukes for a song.

Is PUST for real?

In this century unlike the last, inter-Korean ties are no longer the monopoly of the two states. That is a lasting legacy of the "Sunshine" policy – and a positive one, given how stubborn the DPRK is and how perverse the ROK can be. Even if at one level nothing in the North is ever wholly non-governmental, it is healthy if citizens, NGOs, and businesses do their own thing.

A striking example of this was seen on Sept. 16, in a ceremony to mark completion of phase one of the Pyongyang University of Science and Technology (PUST) after seven long years a-building. A 20-strong ROK delegation attended, including an aide to President Lee. PUST is the brainchild of Kim Chin-kyung, a Korean-American businessman and devout Christian who already runs a successful similar college in Yanbian, the Korean autonomous district of China close to the DPRK border. Kim's struggle to realize PUST has cost him millions, and earned him a spell under arrest in the North as a suspected spy. It is still unclear when the college will take its first students; UNSC sanctions make this not the best of times to try to send computers and scientific equipment into the DPRK. PUST was recently the subject of an article in *Fortune* by journalist Bill Powell, who was impressed: see "The capitalist who loves North Korea", 15 Sept. 2009; http://money.cnn.com/2009/09/14/magazines/fortune/pyongyang_university_north_korea.fortune/index.htm If Korea is ever reunified, this may owe more to visionaries like Kim than to governments.

Chronology of North Korea-South Korea Relations July-September 2009

July 2, 2009: South Korea's Unification Ministry (MOU) notes that, despite reports that he was ill during the first half of this year, Kim Jong-il made a record number of public appearances: 77, up from 49 last year. More than usual – 31 or 40 percent – were to economic sites like factories and farms. Military inspections, usually preponderant at 60-70 percent, were down to 29 percent: about the same as attendance at artistic events and cultural exhibitions.

July 2, 2009: A South Korean government report reckons that the North will be short 840,000 tons of food this year, with an expected supply of 4.29 million tons (including a million tons from abroad) against needs of 5.13 million tons.

July 2, 2009: The DPRK test-fires four short-range *KN-01* surface-to-ship missiles, with a range of 120-160 kilometers, from a base at Sinsang-ri north of the port of Wonsan.

July 2, 2009: North and South meet at the Kaesong Industrial Complex (KIC) to discuss its future, but resolve none of the outstanding issues. No date is set to meet again.

July 4, 2009: North Korea fires seven ballistic missiles – two mid-range *Nodongs* and five shorter-range *Scuds* – into the East Sea from its Kitdaeryong base near Wonsan. This is its largest one-day barrage since a long-range *Taepodong-2* and six smaller missiles fired in July 2006. The ROK calls this a “provocative act” that violates UN Security Council resolutions banning all DPRK ballistic missile activity. The ROK joint chiefs of staff declare that “Our military is fully prepared to deal with any threats and provocations by the North, based on a strong joint defense alliance with the US.”

July 5, 2009: South Korea’s Defense Ministry (MND) warns that the ballistic missiles test-fired by North Korea are capable of striking key government and military facilities in the South.

July 6, 2009: On the eve of the 100th day of detention of Yu Song-jin, a Hyundai engineer arrested at the KIC on March 31, MOU again calls on the North to “immediately release [him] and guarantee our basic rights, including the right to access, under our agreement on the Kaesong industrial complex.”

July 6, 2009: Lee Chan-ho, chief analyst of cross-border ties at MOU, says that as of June 22 DPRK media have denigrated President Lee 1,705 times so far this year: an average of 9.9 times each day, up from 7.6 last year. Other ROK ministers are being similarly insulted.

July 7-9, 2009: Several major public and private ROK websites, including the Blue House, Defense Ministry and National Assembly, are swamped by cyber-attacks, as are a number of official sites in the U.S.

July 8, 2009: The North’s *Korean Central Broadcasting Station (KCBS)* television shows a brief clip of a gaunt-looking Kim Jong-il, with receding hair and limping slightly, at a memorial service in Pyongyang marking the 15th anniversary of the death of his father, Kim Il-sung.

July 9, 2009: MOU says South Korea will tighten control of Southern goods entering the North in line with UNSC Resolution 1874, “mostly banning luxury items such as wine and fur.”

July 9, 2009: Citing the need to counter the North’s nuclear threats, MND asks for a 7.9 percent increase in funding next year, for a total budget of 30.8 trillion won (\$24.1 billion).

July 9, 2009: What purports to be a presence on Twitter by the DPRK’s official *Korean Central News Agency (KCNA)*, which began on April 23 and has 4,3000 followers, is revealed as a hoax by activists of Reporters Sans Frontiers (RSF). The aim is to make *KCNA*’s content available in South Korea, where North Korean media are still banned.

July 10, 2009: The real *KCNA* says that North Korea’s population census, conducted on Oct. 1-15 last year, “is making progress in its final stage.” A preliminary count released in February put the DPRK’s total population at 24,050,000.

July 10, 2009: On the eve of the anniversary of the fatal shooting of a Southern tourist at the Mount Kumgang resort a year ago, Seoul reiterates its demand for talks to resolve the impasse.

July 12, 2009: An intelligence source tells *Yonhap* that North Korea has stolen the personal information of at least 1.65 million South Koreans since 2004.

July 17, 2009: Korea Development Institute (KDI), a leading ROK state think tank, says in a report that North Korea currently faces its worst economic and diplomatic crisis since 1994.

July 18, 2009: The DPRK weekly *Tongil Sinbo* criticizes Seoul's plan, announced in June, to create a 3,000-strong military unit to assist UN and other global peacekeeping operations as a scheme to "provoke a second Korean War."

July 18, 2009: *Tongil Sinbo* says the future of the Kaesong Industrial Complex is on the brink of breakdown because of South Korea's "insincere and confrontational" attitude.

July 20, 2009: President Lee Myung-bak urges Hyun Byung-chul, new head of the ROK's National Human Rights Commission (NHRC), to "pay special attention to human rights conditions in North Korea." Past ROK governments had tended to downplay this topic.

July 21, 2009: ROK Foreign Minister Yu Myung-hwan thanks his ASEAN counterparts for "sending a resolute message" in a resolution the day before criticizing North Korea for its nuclear test and missile launches.

July 21, 2009: MOU says it is unaware of any Northern move to resume family reunions in response to a report by *Minjok 21*, a progressive Southern magazine, that quoted a recent visitor to Pyongyang as saying the North plans to propose "special family reunions" around *Chusok*, the Korean harvest festival.

July 21, 2009: The South's Korea Customs Service (KCS) reports that inter-Korean trade in the first half of this year totaled \$649.85 million, down 26.6 percent from the same period last year. North-South trade has fallen year-on-year in each of the past 10 months.

July 23, 2009: MOU forbids the Committee for the June 15 Joint Declaration, a leftist NGO, from accepting an invitation from its Northern counterpart to meet in Shenyang, China.

July 24, 2009: The DPRK Committee for the Peaceful Reunification of the Fatherland (CPRF) attacks the ROK's latest annual White Paper on Reunification, published on July 17, as an "anti-reunification document that fraudulently used the title of unification."

July 25, 2009: Seoul says it will resume humanitarian aid to North Korea via NGOs, frozen since Pyongyang's long-range rocket launch in early April. MOU spent just \$21.5 million or 1.8 percent of its annual aid budget for the North during January-April.

July 26, 2009: South Korea's Foreign Ministry (MOFAT) says Seoul would not oppose any bilateral dialogue between Pyongyang and Washington, citing the strong U.S.-ROK alliance.

July 26, 2009: On the eve of the Armistice which ended the 1950-53 Korean War, DPRK Armed Forces Minister Kim Yong-chun warns that “we will deal unimaginably deadly blows at the U.S. imperialists and the South Korean puppets if they ignite a war.”

July 26, 2009: DPRK media criticize annual joint U.S.-ROK *Ulchi Freedom Guardian* military exercises as “a military plan aimed at invading the North.”

July 27, 2009: The ROK Ministry of Strategy and Finance (MOSF) announces it will implement new UN sanctions targeting five North Korean individuals and five DPRK organizations.

July 29, 2009: Chung Eui-hwa, a lawmaker of the ruling Grand National Party (GNP) and co-chair of the Korea Sharing Movement (KSM), a Southern NGO, cancels a planned four-day visit to Pyongyang as the North’s Korean Council for Reconciliation and Cooperation (KCRC) did not send the expected invitation.

July 30, 2009: A 29-ton South Korean squid-fishing boat, the *800 Yeonanho*, with a crew of four, is towed into Jangjon port in southeastern North Korea, having earlier reported that its GPS navigation system was malfunctioning.

July 31, 2009: *KCNA* condemns alleged aerial espionage by the U.S. and South Korea, citing some 180 surveillance missions in July alone. It accuses both nations of remaining unchanged in their attempts to forcibly stifle the DPRK.

Aug. 1, 2009: A team from World Vision’s South Korea branch begins an eight-day trip to North Korea, to resume aid to potato farmers there. They are the first Southern NGO approved by MOU to visit the North since May’s nuclear test.

Aug. 2, 2009: The management committee of the Kaesong Industrial Complex (KICMC) announces that South Koreans driving across the Demilitarized Zone (DMZ) to the KIC need no longer carry photos and detailed travel plans for every passenger.

Aug. 4, 2009: Ex-U.S. President Bill Clinton visits Pyongyang. After three hours of talks and dinner with Kim Jong-il, he departs with two U.S. journalists, who were arrested and sentenced for illicitly entering North Korea from China.

Aug. 7, 2009: MOU reports an easing of hostile rhetoric by North Korean media in July. Criticisms of the ROK government fell to four from 23 in May and 13 in June. Personal attacks on President Lee were down to 275 from 454 in June and 333 in May.

Aug. 8, 2009: *Rodong Sinmun*, daily paper of the Workers’ Party of Korea (WPK), says that “the improvement and development of North-South relations is a prerequisite to settling the problems of the Korean nation.” But it blames current tensions on Seoul’s “confrontational policy.”

Aug. 10, 2009: North Korea’s Foreign Ministry warns that Pyongyang will “closely watch” how other countries react to South Korea’s imminent launch of a space rocket, claiming that the DPRK has been unfairly punished for its own rocket launch in April.

Aug. 10, 2009: Hyun Jung-eun, chairwoman of Hyundai, enters North Korea for a planned three-day visit to secure freedom for the Hyundai Asan worker, Yu Seong-jin.

Aug. 13, 2009: North Korea releases the detained Hyundai Asan worker, Yu Seong-jin, who returns to the South across the DMZ the same day. He had been held since March 31.

Aug. 14, 2009: Hyundai chair Hyun Jeong-eun meets Kim Yang-gon, a WPK department director and close aide to Kim Jong-il.

Aug. 15, 2009: On the 64th anniversary of liberation from Japan in 1945, a holiday in both Koreas, ROK President Lee declares a “peace initiative.”

Aug. 16, 2009: The Panmunjom Mission of the Korean People’s Army (KPA) condemns the *Ulji Freedom Guardian* joint ROK-U.S. military exercises.

Aug. 16, 2009: Hyundai’s Hyun Jung-eun finally has lunch with Kim Jong-il. An accord announced next day between Hyundai and the North’s Korea Asia-Pacific Peace Committee (KAPCC) agrees to resume joint tourism projects, facilitate operation of the KIC, and hold reunions of separated families at Mount Kumgang around the *Chusok* festival.

Aug. 17, 2009: MOU cautiously welcomes Hyundai’s accord with the North, but notes that its implementation will require “a concrete agreement through dialogue” between the two governments. It promises to try to expedite family reunions via the Red Cross.

Aug. 17-27, 2009: The U.S. and South Korea conduct *Ulchi Freedom Guardian*, an annual joint military exercise involving about 56,000 ROK troops and 10,000 U.S. troops.

Aug. 18, 2009: Former South Korean President Kim Dae-jung dies.

Aug. 19, 2009: *KCNA* says that a Northern delegation led by WPK secretary Kim Ki-nam will visit Seoul to mourn former President Kim Dae-jung.

Aug. 20, 2009: North Korea says it will restore road and rail cross-border traffic at the level before it imposed restrictions on Dec. 1, and reopen the joint office on economic cooperation at the Kaesong industrial complex. ROK firms in Kaesong welcome the news.

Aug. 22, 2009: WPK director Kim Yang-gon and ROK Unification Minister Hyun In-taek hold the first high-level inter-Korean talks in nearly two years, in Seoul. Hyun also hosts a dinner for the entire six-person Northern delegation that evening.

Aug. 22, 2009: *New York Times* quotes Rev. Lee Chan-woo, an ROK activist, as accusing the freed U.S. journalists Laura Ling and Euna Lee of damaging his Durihana mission’s work with DPRK refugees on the Chinese border.

Aug. 24, 2009: South Korea launches the first space rocket launch from its soil after repeatedly postponing it due to technical reasons. While the launch is successful, the satellite fails to deploy to its intended orbit and falls back into the earth's atmosphere.

Aug. 23, 2009: Having extended their stay in Seoul, the visiting DPRK delegates meet President Lee at the Blue House and deliver a verbal message from Kim Jong-il.

Aug. 24, 2009: Amid the ongoing *Ulchi Freedom Guardian* exercise, Ri Yong-ho, chief of the KPA general staff, warns that "the army and the people will deal a merciless and immediate annihilating strike on the aggressors using all means of attack and defense, including a nuclear deterrent, should the enemies violate even an inch into the sky, land and sea of our fatherland."

Aug. 25, 2009: MOU issues a report on Yu Seong-jin, which confirms that the Hyundai worker dated a Northern cleaner at his hostel in the Kaesong IC, writing her letters critical of Kim Jong-il and urging her to defect.

Aug. 26, 2009: For the first time in 21 months, Red Cross officials from both Koreas meet at Mount Kumgang to discuss a new round of reunions of separated families.

Aug. 27, 2009: *Choson Sinbo*, the daily paper of pro-North Koreans in Japan, says that Kim Jong-il has decided to break the North-South impasse and that upcoming family reunions "will be a new watershed in improving inter-Korean relations."

Aug. 27, 2009: MOU says South Korea has no plan to resume rice and fertilizer aid to the North, despite recent fence-mending. This would require separate government consultations.

Aug. 28, 2009: The two Koreas' Red Cross bodies agree to hold family reunions at Mount Kumgang from Sept. 26 to Oct 1, just before *Chusok*.

Aug. 28, 2009: DPRK Red Cross delegates tell their ROK counterparts that North Korea did not suffer major flood damage from this summer's monsoons, unlike in 2006 and 2007.

Aug. 29, 2009: After being held for almost a month, the ROK squid boat *800 Yeonanho* and its crew are released by North Korea and returned to Southern waters.

Aug. 31, 2009: *Rodong Sinmun* calls on North and South to strive for peace and unity rather than mistrust and confrontation. Other DPRK media also switch to a similar gentler tune.

Sept. 2, 2009: The western sector inter-Korean military hotline reopens after more than a year. A similar east coast hotline was suspended last December and restored in August.

Sept. 4, 2009: Pyongyang says its uranium enrichment program (UEP) has entered its final phase, and that it is making more nuclear weapons from extracted plutonium. Seoul criticizes this as provocative.

Sept. 4, 2009: *Choson Sinbo* says that North Korea wants to simultaneously improve ties with the U.S. and South Korea. It criticizes ROK Unification Minister Hyun In-taek for still linking inter-Korean relations to North Korea's nuclear disarmament.

Sept. 6, 2009: A sudden discharge from North Korea's Hwanggang dam on the Imjin River drowns six South Koreans camping further downstream. Seoul demands an explanation.

Sept. 7, 2009: The Inter-Korean Exchange and Cooperation Consultation Office (IKECCO) at the KIC resumes operation, nine months after the North shut it down.

Sept. 8, 2009: Seoul demands an apology and full explanation of the North's dam discharge.

Sept. 9, 2009: Unification Minister Hyun In-taek tells the ROK National Assembly that the DPRK may have deliberately discharged 40 million tons of water from its dam.

Sept. 9, 2009: The DPRK mark its 61st anniversary with low-key celebrations. There is no direct criticism of South Korea, and relatively little of the U.S.

Sept. 11, 2009: MOU says North Korea has withdrawn its earlier demand for a four-fold wage increase for its workers at Kaesong Industrial Complex.

Sept. 11, 2009: MOFAT says that North Korea's dam discharge broke international law.

Sept. 14, 2009: MOFAT spokesman says Seoul does not oppose the idea of bilateral U.S.-DPRK talks, provided these expedite the six-party process rather than replacing it.

Sept. 15, 2009: President Lee attributes recent DPRK gestures to the impact of UNSC sanctions, but says it "is still not showing any sincerity or signs that it will give up its nuclear ambitions."

Sept. 16, 2009: The two Koreas agree on a 5 percent wage hike for DPRK workers at the Kaesong complex, after the North without explanation withdraws the demand for a 400 percent rise. The new raise will increase the minimum wage to about \$58 from the current \$55.

Sept. 16, 2009: MOU says the North is conducting a survey of all 114 Southern firms at Kaesong. Its aim is to examine their output and "listen to their complaints and difficulties regarding tax and accounting."

Sept. 16, 2009: A ceremony is held to mark completion of phase one of the Pyongyang University of Science and Technology (PUST) after seven years of construction. A 20-strong ROK delegation attends, including an aide to President Lee.

Sept. 21, 2009: Visiting the U.S., President Lee proposes a "grand bargain" to resolve the DPRK nuclear issue, including economic-political incentives and a security guarantee.

Sept. 21-24, 2009: The Pyongyang Autumn International Trade Fair is held. Firms from 16 countries participate, including "Taipei of China" (Taiwan). South Korea is not represented.

Sept. 22, 2009: South Korea says it will go ahead with building a nursery at the KIC.

Sept. 26-28, 2009: The first reunions of separated families in two years are held at Mount Kumgang, briefly reuniting 97 South Koreans with 233 of their Northern relatives.

Sept. 28, 2009: The text of the DPRK Constitution as revised in April reaches the outside. Kim Jong-il's *Songun* (military-first) policy now gets equal billing with *juche* (self-reliance). The National Defence Commission (NDC) is strengthened, and communism is abolished.

Sept. 29-Oct. 1, 2009: Reunions of separated families are held at Mount Kumgang, bringing together 98 North Koreans with 428 of their Southern relatives.

Sept. 30, 2009: President Lee says Seoul should take the lead in resolving global issues as well as those involving the DPRK. Regarding the North, he adds: "We've lacked our own voice in simply following proposals from Washington and Beijing."

Sept. 30, 2009: *KCNA* rejects Lee Myung-bak's "grand bargain" idea unless the ROK first discards confrontational policies.

Sept. 30, 2009: Fourteen ROK opposition lawmakers urge the government to resume sending rice aid to the DPRK as a way to help reduce a rice surplus and stabilize prices for farmers.