

## North Korea-South Korea Relations: **On, Off, On Again?**

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A frustrating quarter for inter-Korean relations was an apt, if sad, close to a disappointing year. Hopes raised by the resumption of official talks in September, with Pyongyang producing a long and seemingly serious list of concrete agenda items, were dashed when the North refused to come to Seoul for future meetings – citing security concerns post Sept. 11. The South finally accepted North Korea's Geumgangsan resort as a venue, but talks in November broke up with no agreement: the first time this has happened in the latest era of North-South relations. Hence there was no progress either on such specifics as trans-DMZ rail/road links, the Kaesong industrial zone, and family reunions. There was even a brief exchange of gunfire at the DMZ, though this may have been accidental.

Still, the year ended with two glimmers of hope. With minimal publicity, a Northern team spent a fortnight visiting Southern nuclear facilities under Korean Peninsula Energy Development Organization (KEDO) auspices, and Seoul announced the lifting of its state of alert, so removing Pyongyang's pretext for not talking. There is thus a fair chance that official dialogue will resume early in 2002. Whether it will get anywhere is another matter. With ROK President Kim Dae-jung a lame duck in his final year in office, and the U.S. war on terrorism adding new issues like bioweapons to the big pile of bones that Washington may choose to pick with Pyongyang, North Korean leader Kim Jong-il has little incentive to yield much to Seoul, except perhaps to get a better deal than is likely from the next occupant of the Blue House, whoever that may be. But as with the missile deal that it missed with former U.S. President Bill Clinton, North Korea might now have left it too late.

### **On, Off, On Again?**

The quarter began well. The fifth North-South ministerial talks, held in Seoul Sept. 15-18 after a hiatus of six months, had agreed to have further meetings in a dozen specific fields (see "Back on Track?" *Comparative Connections*, Vol. 3. No. 3), with dates fixed for five in October alone. Talks on reviving tourism to Mt. Geumgang were held on Oct. 3-5 at the North's resort, with agreement to meet again on Oct. 19. Next up was a fourth round of family reunions due on Oct. 16-18, eagerly awaited by 100 separated kin already chosen from each side. But just four days before, Pyongyang unilaterally postponed these meetings, as well as the visit to Seoul of a taekwondo team due on Oct. 20,

claiming that the ROK's heightened alert status since Sept. 11 meant that South Korea was "very dangerous for numerous civilians to fly."

Bureaucrats are made of sterner stuff. The North maintained that economic talks and the sixth Cabinet-level meetings, set for the end of the month, would still go ahead. But it then added a rider, again on alleged security grounds: the venue for all official dialogue must be its Mt. Geumgang resort, rather than alternating between Seoul and Pyongyang as hitherto. A dismayed South Korea protested at all this, both on principle and logistical grounds: Geumgang is far from either capital, lacks adequate facilities, and Southerners can only come and go by boat. Yet on Oct. 30 Seoul accepted this venue, rather than see the whole peace process go back on ice.

The sixth round duly opened on Nov. 9, a fortnight later than scheduled. Geumgangsán lived down to expectations, with a power cut at one stage halting proceedings for some hours. That seemed symbolic, for the lights also went out on the peace process. The venue issue was an insoluble sticking point: the South insisted on returning to the old alternation of capitals for future talks, but the North adamantly refused to come to Seoul. Despite a two-day extension until Nov. 14 and a last minute one-on-one meeting between the two delegation heads, the meeting closed without agreement or even a joint statement: the first time this has happened in any inter-Korean dialogue since the June 2000 summit. As a result, all the dozen-odd channels of substantive lower-level discussions remained frozen throughout the quarter after all.

### **Sept. 11 Sinks Inter-Korean Dialogue**

What happened? In essence, and for the second time this year, it was noises off rather than any intrinsic knots that scuppered inter-Korean dialogue. In both there is a U.S. connection, yet it is simplistic to blame Washington – especially now. But just as back in the spring, a new U.S. administration and Bush's harsh words gave North Korea's hawks the excuse they needed to suspend the Peninsula's peace process, so this fall Sept. 11 and its aftermath offered a still more cogent pretext. Taken literally, it hardly holds water; after all, a Northern team had come to Seoul for the fifth Cabinet talks days after Sept. 11 without voicing any such concerns.

The difference, a month later, was surely the start of the U.S. military campaign in Afghanistan. However specious and shifting the reasons cited – safety concerns gave way to charges that the South's alert status was a hostile act against the North – it is plausible that this momentous turn of global events gave leader Kim Jong-il pause. And though it is beyond our scope here, subsequent developments showed that North Korea is not wrong if it now feels more in the firing line; the U.S. has now added bioweapons to its already long list of concerns regarding the DPRK. Unfortunately, if predictably, rather than seeking like Iran to use the new situation to improve its ties with the U.S., Pyongyang's initially ambivalent reactions have increasingly settled back into the familiar pattern of strident and defiant rhetoric against all comers. This will not help.

## **Good Day, Sunshine**

Yet it takes two to stop tangoing. After three years of humoring the North's perversities, the Southern worm finally turned. North Korea's explanation of the November talks' failure was to attack the South's newish unification minister, Hong Soon-young, as a hardliner. Even ROK President Kim Dae-jung reportedly listened in stony silence, a sign of displeasure, when Hong debriefed him. Conversely, the Grand National Party (GNP), South Korea's main opposition – and favorite to return to power in next December's presidential election – that usually criticizes sunshine as appeasement, praised Hong's firm stance. Two factors arise here. As an experienced diplomat, Hong was unlikely to be taken in or yield to every Northern whim; whereas his predecessor Lim Dong-won, the architect of the Sunshine Policy, had a vested interest in keeping it afloat.

More important, the public mood in South Korea has turned sour at the North's antics and lack of any sincere or lasting reciprocity. With Kim Dae-jung going into his last year of office as an ever lamer duck, his Millennium Democratic Party (MDP) has two elections to fight this year – local polls in June, before the big one in December – and there are no votes in being perceived as kowtowing to Kim Jong-il. Hence if and when inter-Korean dialogue resumes in 2002, as it probably will, North Korea is likely to face a South less accommodating and more insistent on getting something tangible in return for its aid. This in turn may incline Pyongyang to continue stalling for yet another year, until it knows whom it will face in the Blue House from 2003 through 2008. If that turns out to be GNP leader Lee Hoi-chang, whom the North regularly excoriates, it may have to change its tune – and will get even shorter shrift, though rhetoric apart, Lee would continue engagement in some form. But with a likely meltdown of the existing parties adding to the political uncertainty in Seoul, Pyongyang has little incentive to give ground before 2003.

## **Churches Aid, but Business is not Brisk**

As ever, obstinacy has its price. South Korea's latest proposed tranche of food aid, as much as 400,000 tons of rice, will now at least be delayed. But with even the GNP backing this aid – if only as a sop to Southern farmers, who last year grew more rice than the ROK these days cares to eat – Pyongyang can probably count on it eventually arriving in any case. Besides, North Korea's harvest last year – the best since 1995 – means it should not run short of grain until the spring.

Also, to reiterate, a vital difference between the current Korean peace process and earlier false dawns is that it is no longer a state monopoly. So even if the two governments are not talking, civilian and business contacts still continue. As the year ended, a Southern team went to Mt. Geumgang to discuss joint unofficial celebrations of the lunar New Year in February – hopefully less contentious than the last such event, in August. On the aid front, Southern non-governmental organizations (NGOs) (mainly religious) are substantial donors to the North, giving 73 billion Won (\$57 million) in the year through November, nearly three times the \$21.4 million given by international NGOs. The bulk of aid (\$245 million) continued to come from UN relief agencies, however, mainly grain

from the World Food Program (WFP), through which South Korea, the U.S., and others channel most of their official contributions.

Business contacts also continued, but they aren't brisk. Most Southern firms remain wary of the North, not least because many who did take the plunge have regretted it. (A *Newsweek* article on South-North business bore the title: "See Ya, Suckers.") Inter-Korean trade in 2001 looks set to fall below 2000's record \$425 million: a mere 0.13 percent of South Korea's total trade, but fully 18 percent of North Korea's. One deal approved in November may help in 2002. Kookyang Shipping will invest a modest W6.2 billion (\$4.77 million) to upgrade facilities at Nampo, the port for Pyongyang, in the hope of halving the time for loading and unloading (still mostly manual) from the current three days.

### **Hyundai's Cruise Blues**

The east coast shipping forecast is bleaker. In another sad symbol of the current state of inter-Korean ties, Hyundai's cruise tours to Geumgangsan were drastically curtailed in December and may soon close down entirely. In its day this venture was the vanguard of the Sunshine Policy: attracting over 400,000 tourists in its first three years, and building practical trust that paved the way for the June 2000 summit. Yet political success was bad business. Hyundai's patriarch Chung Ju-yung agreed to pay almost \$1 billion over six years in license fees alone, as well as build all facilities from harbors to hotels. North Korea put in not a penny, except for supplying labor.

So this project was uneconomic from the start; it has lost over \$500 million to date. With passenger numbers falling as the novelty wore off, Chung's death last March and Hyundai's fragile overall finances have left the tours unsustainable. Governments have hardly helped, despite October's talks. North Korea allows late payment, but has not eased terms or opened a promised cheaper land route. The South too has lost interest, despite making its official tourist agency, the Korea National Tourism Organization (KNTO), a partner to keep the project afloat. So although these tours enabled a political breakthrough, their lesson is that future projects must be based on real mutual benefits – not one-way largesse.

### **One-Way Ticket**

If its cruise tours were avowedly a loss-leader, Hyundai's other great hope was – the past tense seems inevitable, at present – its planned industrial estate near Kaesong, just north of the DMZ. This in turn is in practice contingent on the cross-border road and rail link first agreed in 2000, but which North Korea has yet either to formally ratify or embark on serious construction. By contrast, South Korea has already all but finished its side of the railway, and on Sept. 30 it reopened a 6.8 km section of restored track from Munsan to the Imjin river.

Seoul hopes pressure from Russia will trump the Korean People's Army (KPA) resistance to turning the front line into a front door. Kim Dae-jung and Russian President

Vladimir Putin are both keen to see an “iron silk road” – more prosaically, a freight route linking South Korea and Europe via Siberia. Kim Jong-il’s lengthy train journey to Moscow last summer included a rail agreement, and Russian engineers have since inspected all 630 km of the DPRK’s relevant track. But upgrading this will be costly and pointless unless the missing link to Seoul is filled in. This project thus remains a touchstone of Kim Jong-il’s sincerity. If it happens, then – to use an inapt metaphor – we really are motoring.

### **Signs of Hope: Alert Lifted, Nuclear Visit**

Just when the year seemed set to end in winter chill, December brought two hints of a thaw. South Korea lifted its post-Sept. 11 state of alert, thus removing Pyongyang’s pretext for not visiting. Days earlier, a 20-strong DPRK delegation had slipped into Seoul for a two-week inspection tour of nuclear facilities. Though under the multilateral auspices of KEDO, this raised hopes that bilateral ties too may soon resume. Typically, Pyongyang insisted on minimal publicity. The group visited power plants at Uljin, training centers near Busan, Taedok science town, and Doosan and other firms building components for the two light-water reactors (LWRs) for the North’s Shinpo site. Another 290 Northern nuclear engineers are scheduled to come South for training in the second half of 2002.

If that Rubicon is crossed, it will be doubly important: confirming that the LWRs are on track and as a wider precedent. Training is one of many frustrations for the few Southern businesses operating in North Korea: it has to be done expensively in China, since the North will not let its workers go South and rarely allows Southern managers in. But it is unclear if this signals any wider easing. KEDO too has problems: the LWRs are six years behind schedule, and demands for Pyongyang to come clean on its nuclear history (thought to include illicit diversion of plutonium) cannot be put off indefinitely. Growing pressure in 2002 for full International Atomic Energy Agency (IAEA) inspections could see Pyongyang react by keeping its engineers home, or even disowning the 1994 Agreed Framework. Though beyond our scope here, a new North Korean nuclear crisis is a real risk.

### **One Country, Two Planets**

Even if the nuclear peril is averted, the price of Pyongyang’s slowness to adapt is huge. In December the ROK National Statistical Office highlighted the chasm between the two Korean economies, which now hardly fit on one graph. In 2000 ROK national income was \$455 billion, the DPRK’s just \$17 billion. Even the per capita gap – the South has twice as many people (47 million) – was almost 13:1, \$9,628 against \$757. In trade the ratio was 139:1, Seoul’s \$333 billion dwarfing Pyongyang’s \$2.39 billion. For exports, the gulf was a staggering 244:1; the South exports more in 36 hours than the North in an entire year (\$560 million). In 2000 South Korea produced 3.12 million vehicles and 43.1 million tons of steel; respective Northern figures were 6,600 and 1.09 million, for ratios of 472:1 and 40:1.

While this chasm is ominous for long-term reunification, for now it means small change from the South goes a long way in the North. In December the Korea Development Institute (KDI) challenged the twin grumbles often heard: Seoul is too generous and gets nothing back. According to KDI, the current government has given a mere \$190 million in four years to the North. That is 0.1 percent of total budget, 0.017 percent of GDP, and less than the \$260 million given during 1995-97 under Kim Young-sam, now a fierce critic of North Korea. It is also much less than Hyundai has put in – and just 0.15 percent of the \$130 billion (and counting) of public money that has so far gone for financial restructuring to bail out loss-making banks and others. This is a tiny price to pay for reduced tension on the Peninsula, which in KDI's view in turn boosts inward investment.

While one may quibble about the precise figure – which seems not to include various tranches of food aid donated via WFP – KDI's general point and perspective is sound. As the German precedent shows, far larger sums will be required eventually: perhaps quite soon, if Kim Dae-jung's offer made almost two years ago of support for modernizing the DPRK's infrastructure comes to fruition before he leaves office. Especially at a time of short-run disappointment and raised international tension, it is all the more important to keep one's eye on the prize and take the long-run view. Korea will be reunified; it will cost a fortune, but less so the sooner it starts – above all if it can happen gradually rather than via collapse, much less through the nightmare of war.

### **Three Hot Winds and 007 Feels the Heat**

A few final footnotes. A DPRK radio review of the year, highlighting “10 hot winds of 2001,” singled out three inter-Korean events: the death in March of Hyundai's founder Chung Ju-yung, Liberation Day celebrations on Aug. 15, and Japan-based singer Kim Yon-ja's concert tour in April, the first ever by a Southern artiste. None of these, be it noted, involved the South Korean government – except that the Aug. 15 fallout brought down the ruling coalition in Seoul.

Then *Hanchongryon*, the ROK radical student body, blasted MGM for making North Korea the villain in the latest James Bond movie as a “cultural terrorist act” against the Korean people. It threatened to obstruct shooting, which starts in January. In fact the plotline – filched from the South Korean thriller *Swiri*, a fact that *Hanchongryon's* patriots strangely overlooked – is more subtle, with a hard line DPRK agent trying to kill a moderate Northern general who wants peace.

North Korea has other friends in Seoul besides student hotheads. A *Korea Herald* editorial on Japan's sinking of a suspected DPRK spy ship called Pyongyang's critique of alleged Japanese expansionism “not too far ... from the historical truth.” “Let the sun shine on,” the Seoul daily urged: “the international community should increase efforts to engage North Korea so it can open and change, instead of driving it into a corner.” The trouble is that, even allowing for new twists like Sept. 11, the recent record – between the Koreas, and more widely – has little to show by way of real results from engagement. And Pyongyang needs no help from anyone else to paint itself into corners. One can but hope, but perhaps not expect, that 2002 will be better.

## **Chronology of North Korea - South Korea Relations**

### **October - December 2001**

**Oct. 3, 2001:** Inter-Korean talks on how to revitalize tourism open at Mt. Geumgang.

**Oct. 5, 2001:** Joint statement announces agreement on reviving tourism, including to discuss opening a land route to Mt. Geumgang.

**Oct. 9, 2001:** The two Koreas exchange lists of names for the fourth family reunions, set for Oct. 16-18.

**Oct. 11, 2001:** South Korea says it will offer 400,000 tons of grain to the North.

**Oct. 12, 2001:** North Korea unilaterally cancels family reunions, claiming that South Korea's heightened security alert status makes it unsafe for civilians. Seoul protests vigorously.

**Oct. 13, 2001:** The North proposes that the next tourism talks be held at Mt. Geumgang.

**Oct. 16, 2001:** The South proposes that the tourist talks be held at its own Mt. Sorak and that economic talks due on Oct. 23-26 take place in Seoul as previously agreed.

**Oct. 18, 2001:** The North suggests a week's postponement for tourism and economic talks, but insists on Mt. Geumgang as the venue for both these and the next ministerial meetings.

**Oct. 19, 2001:** The organizing committee for the Asian Games, to be held in Busan in the fall of 2002, sends an official invitation to the DPRK.

**Oct. 22, 2001:** South Korea regrets the North's failure to implement agreements reached at the fifth ministerial talks, and insists that Pyongyang remain the venue for the next round as agreed.

**Oct. 24, 2001:** Seoul says it would also accept Mt. Myohyang, north of Pyongyang, as a venue.

**Oct. 25, 2001:** North Korea insists on Mt. Geumgang.

**Oct. 30, 2001:** South Korea accepts Mt. Geumgang as venue for the sixth ministerial talks.

**Nov. 6, 2001:** South Korea threatens to link rice aid to progress on family reunions.

**Nov. 9, 2001:** Sixth North-South ministerial talks open at Mt. Geumgang.

**Nov. 12, 2001:** Talks at Mt. Geumgang are extended an extra two days. Reports suggest – as it turns out, prematurely – that the next round of family reunions has been agreed.

**Nov. 14, 2001:** Ministerial talks at Mt. Geumgang end with no agreements or joint statement. North Korea blames the ROK unification minister for being obstructive.

**Nov. 19, 2001:** For the second day running, a DPRK patrol boat crosses the Northern Limit Line (NLL). The ROK rescues and returns a Northern fishing boat that had drifted south.

**Nov. 21, 2001:** Seoul's Unification Ministry approves a Won 6.2 billion (\$4.77 million) investment by the ROK's Kookyang Shipping to improve cargo handling at Nampo, the port for Pyongyang.

**Nov. 21, 2001:** Seoul says it will not subsidize Hyundai's Mt. Geumgang tourism business.

**Nov. 25, 2001:** The Seoul daily *Chosun Ilbo* reports that most *chaebol* are shelving projects they had planned in North Korea, as they are more trouble than they are worth.

**Nov. 27, 2001:** The KPA fires three machine gun rounds at an ROK guardpost in the DMZ, which returns fire. No one is hurt. No explanation is given, but the incident does not escalate.

**Dec. 6, 2001:** South Korea says it will simplify regulations on inter-Korean exchanges.

**Dec. 10, 2001:** Kim Dae-jung predicts that Korea will be reunified peacefully within 20 years.

**Dec. 16, 2001:** A 20-strong North Korean nuclear delegation arrives unannounced in Seoul under KEDO auspices for a two-week tour of Southern nuclear and related facilities.

**Dec. 17, 2001:** The North's Committee for the Peaceful Reunification of the Fatherland reiterates a commitment to dialogue, but renews criticism of the South's unification minister.

**Dec. 21, 2001:** South Korea's Defense Ministry reveals that its post-Sept. 11 heightened security alert status was phased out in late December.

**Dec. 21, 2001:** Seoul's National Statistical Office publishes figures on the widening economic gap between North and South. Southern per capita income was 12.7 times higher than that of the North in 2000.

**Dec. 21, 2001:** South Korea says it will provide the North with 100,000 tons of maize via the UN World Food Program.

**Dec. 27, 2001:** Hyundai announces a further cut in its Geumgangsan cruise tours from January, from 10 down to four monthly sailings. Speculation grows that the tours will cease altogether.

**Dec. 29, 2001:** South Korea reveals that 570 North Koreans defected to the ROK in 2001: the highest ever annual total, and almost double 2000's 312. (The eventual year-end total was 583.)

**Dec. 30, 2001:** North Korea's nuclear delegation leaves Seoul after its inspection tour.

**Dec. 30, 2001:** A Southern NGO delegation arrives in Mt. Geumgang to discuss joint lunar New Year celebrations with Northern counterparts, to be held around Feb. 12, 2002.

**Dec. 31, 2001:** In an end of year report, South Korea's Defense Ministry says that North Korea remains a threat, but stops short of defining it as the main enemy.

**Dec. 31, 2001:** Kim Dae-jung pledges to continue the Sunshine Policy in his last year of office.