

North Korea-South Korea Relations:  
**Nuclear Shadow Over Sunshine**

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The final quarter of 2002 was one of uncertainty in inter-Korean relations. At one level, it all looked very positive. Unlike the stop-go of the past, North and South Koreans met regularly, both officially at government level and in a variety of private or quasi-civilian milieux. (The gray area between the two, as ever, remained key: in one sense, on the Northern side, no one who gets to meet Southerners is ever really non-official.) Moreover, these three months saw several promising initiatives. Pyongyang formally designated two separate areas adjoining the demilitarized zone (DMZ) – Kaesong, north of Seoul, and the established Mt. Kumgang resort on the east coast – as special economic zones for South Korean business, while a high-powered delegation, including Kim Jong-il's brother-in-law and two ministers, spent a week visiting the cream of South Korean industry. Overall, Seoul's Unification Ministry called 2002 the best year ever for inter-Korean contacts since these began on a regular basis in 1989.

Yet there were also negatives, both intrinsic and “noises off.” Some of these encounters were brief, formalistic, or limited. Family reunions, never remotely adequate to meet demand, may have stalled for now. Although road and rail links made great strides, with de-mining of two trans-DMZ corridors completed by December, Pyongyang's refusal to admit the authority of the United Nations Command (UNC) meant that by year's end a land route to Mt. Kumgang had not yet opened, nor had groundbreaking for the Kaesong industrial complex taken place. To Seoul's puzzled disappointment, the North continued to stall even on basic rules for inter-Korean business agreed in outline two years ago, suggesting a lingering lack of commitment.

Over all this, for most of the quarter, loomed a nuclear cloud which by year's end had become a full-blown storm. While the ongoing North Korean nuclear crisis *per se* is beyond the scope of this article, going forward its shadow cannot be avoided. On Dec. 19 South Korean voters narrowly elected a new president, Roh Moo-hyun, who is both committed to continue Kim Dae-jung's Sunshine Policy and not minded to meekly follow a U.S. lead. It remains to be seen if Southern aid and other contact with the North will continue unconditionally, or even expand – possibly as part of an eventual package deal to settle the nuclear issue – or whether, on the contrary, rising tensions will see such projects as KEDO's light water reactor (LWR) construction at Kumho, whose status as of now is in limbo, suspended or abandoned.

## Good Sports?

For a brief fortnight in early October, before the U.S. revealed that North Korea had admitted to a new covert nuclear program, the inter-Korean mood was festive. As noted in our last issue, the 14<sup>th</sup> Asian Games, held in Pusan from Sept. 29 through Oct. 14, brought the first DPRK team ever to attend an international sports meet in the ROK. Pyongyang's 161 athletes, plus 150 backup staff and 291 supporters, were also much the largest Northern group to come south so far. They performed creditably, finishing ninth out of the 44 competing nations with nine gold medals, 11 silver, and 13 bronzes. But Southern observers claim that DPRK media never mentioned any Northern losses. (Perhaps that may explain one phrase in the joint New Year editorial, published as usual on Jan. 1 by Pyongyang's three main dailies: "A very bright prospect is in store for the DPRK, that has adorned its flag with great victories only.")

South Korean media were just as interested in the off-pitch action. The Northern supporters – who won local plaudits for cheering all Korean competitors, whether from North or South – were almost all attractive young women: cheerleaders in colorful costumes, and a brass band. Southern males duly drooled: the proverb *nam nam puk yo* (southern man, northern woman) was much quoted, while older men found the Northern style of feminine beauty nostalgically quaint. A survey by a matchmaking firm found 64 percent of young men ready to take a Northern bride, while most Southern young women (56 percent) spurned Northern men. But this was all in the mind: no one got near. The Seoul press blamed the National Intelligence Service (NIS)'s zealous minders: "they follow North Koreans even to the bathroom," snorted the *JoongAng Ilbo*'s sports editor. So the cheering squad gave no interviews, and retreated each evening to the ship that had brought them to Pusan: to be seasick with the strain and swell, rumor had it.

## Pusan Warms to Northern Visitors

Still, this radically new image of North Korea was a great propaganda success. The North's news agency KCNA, picking its 10 "big events" of 2002, cited as number nine: "The Pyongyang beauty cheering group attended the 14th Asian Games, raising 'Pyongyang wind.'" (sic) What they meant was illustrated by the *JoongAng*'s Sohn Jang-hwan: "It was a reunified Korea. In Pusan, North and South no longer existed as a separate nation. They were one. Local citizens shouted cheers and applauded for both the South and North Korean athletes ... The unity here was as blazing as a furnace and as well mixed as a bowl of *bibimbap*."

Sports writers are not known for understatement. But as in the soccer World Cup fervor a few months earlier, such temporary passions can have lasting significance. South Korea's second city, a stronghold of the conservative opposition which criticizes "Sunshine" as appeasement, palpably warmed to the Northern visitors. Two months later, enough Pusanites voted for the ruling Millennium Democratic Party (a lost cause in the southeast, hitherto) to help narrowly elect the MDP's Roh Moo-hyun – a local lad, admittedly – as the ROK's next president.

Perhaps all Korea was exhausted by this effort, for the quarter's only other sporting event was a Northern taekwondo team's visit to the South in late October: reciprocating a Southern team that went north a month earlier. Cultural exchanges too were less than brisk, but civic groups continued what is becoming a regular pattern of interaction. October saw meetings of women and students at Mt. Kumgang, while a Catholic delegation visited Pyongyang, followed in late November by a large group from Cheju island, which has sent carrots and tangerines as aid.

### **Official Meetings: Mixed Results**

Meanwhile, several channels of government-level meetings made some progress. The eighth round of ministerial talks, held in Pyongyang Oct. 19-22, was inevitably overshadowed by the nuclear revelation a few days earlier. It ended with an eight-point joint press statement that included a pledge to "actively cooperate with each other to resolve nuclear and all other issues through dialogue." Otherwise it mainly reprised themes from the seventh round held in Seoul in August, including road and rail links, the proposed Kaesong industrial complex, family reunions, and maritime and fishing cooperation. Separate follow-up meetings were agreed for most of these, with the next full ministerial talks expected in Seoul in mid-January 2003.

Subsequent working meetings, starting just a week later, brought mixed results. A fifth round of Red Cross talks, held at Mt. Kumgang, to Seoul's chagrin failed to agree on a next round of family reunions, or indeed much else. With less than 1 percent of separated families having yet had the chance even of brief limited one-off reunions, South Korea is anxious to accelerate the program before this aging group dies off. Thus, it had yielded to North Korea's insistence on Kumgang as sole meeting site – despite itself preferring Seoul and Pyongyang as at the outset, and ultimately wanting freer arrangements, including visits to hometowns. The two had also agreed to build a permanent meeting hall at Kumgang, but argued about its size. North Korea wants a massive structure of 66,000 sq. meters; the South, which is paying for it, reckons a ninth of that (7,600 sq. meters) will suffice. A later Red Cross meeting, in December, in principle agreed to hold a sixth round of reunions around the Lunar New Year (Feb. 1, 2003).

### **Pyongyang Stonewalls on Abductions**

This stalling signals Pyongyang's annoyance at a new issue tabled by Seoul, which is now seeking information on South Koreans abducted to or missing in the North since the 1950-53 Korean War. North Korea has always denied that any such persons exist, despite irrefutable evidence that thousands were kidnapped. The Sunshine Policy's preference to play down this and all human rights issues (refugees being another) was countered, at last, by a backlash after Japan's Prime Minister Koizumi Junichiro, in his summit with Kim Jong-il in September, won from the Dear Leader the startling confession (and an apology) that North Korea had indeed, as it had long denied, kidnapped Japanese citizens. That prompted relatives' groups in Seoul to upbraid their own government for not prioritizing abductions, as Tokyo has consistently done.

Yet especially now that what had looked a breakthrough with Japan is mired in recrimination, North Korea may well continue to brazen this one out, giving Seoul the unenviable choice of dropping the subject, or jeopardizing even the limited reunions so far permitted. For its part, Pyongyang no doubt fears that revealing the full plight of abducted Southerners – the lowest of the low, often exiled to work in remote mines for half a century – would provoke outrage in South Korea, and perhaps even prove destabilizing in the North. On the humanitarian front, North Korea clearly does not want any real reunification, but fears it as a Pandora's box. The kind of large-scale almost free movement that now obtains (at least in one direction) between Taiwan and China, after barely a decade of contacts, remains for Koreans a distant dream.

### **Kim Jong-il's Right-hand Man Visits Seoul**

Economic contacts, by contrast, achieved somewhat more. Two meetings in Pyongyang in early November saw nothing concrete fixed for flood control on the Imjin river, but brought an agreement to break ground at the long-delayed Kaesong industrial complex in December and sort out the practicalities, including its official designation as a special economic zone.

Meanwhile, another much postponed plan in the other direction finally came about. A North Korean "study tour" of Southern industrial sites had been mooted ever since the June 2000 summit, but like much else had not happened. Now it did, on a grander scale than Seoul had dared hope. The 18-strong delegation included the chemical industry minister, the head of the State Planning Commission – and above all Jang Song-thaek, Kim Jong-il's brother-in-law and right-hand man. While not nominally in charge, Jang's status was clear: his colleagues humbly drew back if he walked past, and when one day he overslept none dared to wake him.

This elite group was given a royal tour of *chaebol* showpieces: Samsung Electronics, Hyundai Motor, POSCO steel, and many more. Ironically the National Intelligence Service (NIS), dedicated for decades to stop North Korea acquiring inside information on the South, was now instructed to ensure the visitors got all the blueprints and other data they required. Perhaps to avoid any hint of supplicant status, the group went on similarly to tour Singapore, Malaysia, and Indonesia. On their return, if able to disclose in full honesty (as Jang, at least, could), they must have confirmed not only South Korea's incomparable contrast to their own crumbling rustbelt, but also its lead over at least two of those three Southeast Asian nations. One hopes this will be food for positive thought.

The business theme continued with a third session of the Committee for Promoting Economic Cooperation (CPEC) in Pyongyang in early November. This produced a six-point agreement, mostly recapitulating familiar ground: road-rail links, Kaesong, fisheries, maritime passage, and so on. Yet an old agenda item, in theory agreed at the first CPEC meeting two years ago, still remained unratified, covering four fundamental areas: investment protection, prevention of double taxation, settlement of accounts, and dispute procedures. Exactly what is holding up implementation on this is not clear, but follow-up talks in December again failed to clinch it. That after all this time the North

still hesitates on even the most elementary building blocks of business is dismaying, and again a stark contrast to the pragmatism across the Taiwan Strait.

### **Pyongyang Decrees Two New Special Zones**

Pyongyang did, however, keep its promise to formalize the status of both the established Mt. Kumgang tourist zone and the planned Kaesong industrial area. Both were officially gazetted in late November, albeit in leisurely fashion: for Kumgang, the actual decree had apparently been passed more than a month previously. Still, this at least means that would-be investors have more to go on, at least on paper, than is the norm in North Korea. It also means that the DPRK now has four separate special economic zones: one at each corner, and as their names suggest each somewhat differently conceived. The oldest, the Rajin-Sonbong Economic and Trade Zone (the word “free” was swiftly dropped) in the northeast, established in 1991, has had little impact due to its remoteness, poor infrastructure, and excessive regulation; although it was the first place where the DPRK *won* was allowed to float. It was also largely closed to South Korean firms. By contrast, the Sinuiju Special Administrative Region in the northwest, declared in September, proclaimed astonishing freedoms – but was promptly squashed when a furious Beijing arrested its first CEO, the flamboyant Dutch-Chinese billionaire Yang Bin.

After this, both the Mt. Kumgang Tourist Zone and the Kaesong Industrial Zone seem more promising. The former in essence ratifies the new reality established over the past four years, making this resort (firmly fenced off from the rest of the country) a virtual Hyundai enclave – though the new law is careful to assert DPRK sovereignty, which for Sinuiju was on paper to be largely relaxed. Sovereignty is similarly asserted over Kaesong, which by contrast is so far no more than a site and a dream. Its location, abutting the DMZ not far from Seoul, suggests it could be a dual growth pole – cross-border, and for its own hinterland – just as Shenzhen has become vis-à-vis Hong Kong. But after lengthy delays, many in Seoul are skeptical; the more so, given signs that North Korea may set wages and rents higher than established competing zones in China and Vietnam. A more realistic stance will be needed if small labor-intensive Southern firms are to be persuaded to take the risk and relocate to such an unknown quantity.

### **Cross-Border Links: Pyongyang Plays Politics**

The key precondition for Kaesong to fly, of course, is something which not long ago would have been unthinkable, and which remains momentous: breaching the hitherto impassable DMZ, still the world’s most heavily armed frontier. Here the past quarter saw real progress on the ground, yet also delays. As a result, hopes of both ground-breaking at Kaesong and an east coast land route to Mt. Kumgang opening by the end of 2002 were not fulfilled, even though mine-clearing on both the western and eastern corridors was completed in December, after the South sent heavy equipment to supplement the KPA’s primitive manual tools.

The trouble is that Pyongyang cannot resist playing politics. In line with its longstanding and largely successful campaign to bypass and render impotent the formal institutions of

the 1953 Armistice, it has adamantly refused to allow any role to the United Nations Command (UNC). For its part, the UNC – in practice, the USFK – has bent over backward not to obstruct this project: it was quick to cede rights over the two corridors to the ROK Army. Yet the UNC has duties it cannot simply disown, and even yielding on one detail after another – such as lists of names of those crossing the DMZ – is being relentlessly harried by a North whose blatant aim is to drive a wedge between South Korea and its U.S. ally.

### **Koreans Unite – Against Uncle Sam?**

But this challenge comes, of course, at a time when the strains on the U.S.-ROK alliance have never been greater. A tornado of public anger at the deaths of two girls crushed by a USFK vehicle – a proxy, surely, for growing unease at the Bush administration's hardline stance on North Korea – was a key factor in the comeback of the populist ruling party candidate Roh Moo-hyun, who had earlier been written off, to win the Dec. 19 presidential election. The U.S.-ROK relationship as such is outside this article's scope. But Roh is committed to continue Sunshine, and proud of never having visited the U.S. (he will go early next year).

North Korea's current nuclear defiance thus raises the stakes and puts the allies in a difficult bind – though Pyongyang, unsubtle as ever, goes over the top in recent claims that the divide on the Peninsula is now between all Koreans, North and South, and the U.S. They wish. But Roh is on a fast learning curve, and provided the U.S. sticks (even post-Iraq) to its professed preference for a diplomatic solution, this distinctly dodgy Korean unity can be headed off – or remain rhetorical, as in sentiment on both sides of the DMZ that a new James Bond film, *Die Another Day*, insults Koreans. Despite some cultural insensitivity in the movie, this bespeaks an ostrich-like denial by young “progressive” opinion in South Korea of the harsh realities of the Northern regime and the real threats it still poses, not least to them. To say this is neither to attack Sunshine, nor to deny that, in the final analysis, the Korean question is for Koreans to settle. But that needs cold hard reason, not a cocktail of grudge and sentimental illusions.

### **Peak Year for Interaction**

The turn of the year is also a time to take the longer view. South Korea's Unification Ministry on Jan. 2 tallied North-South interaction in 2002 overall as the most intensive ever since regular contacts started, haltingly, in 1989. Of a cumulative 39,433 South Koreans who have gone North since 1989 – excluding tourists to Mt. Kumgang, whose total since tours began in 1998 has just passed the half million mark – almost one-third did so in 2002. By category, the largest group (31 percent) were technicians and others involved in KEDO's light water reactors at Kumho, followed by non-Kumgang tourism (24 percent). Aid workers made up 11 percent, business 9 percent, and family reunions a mere 5 percent. Travel in the other direction is less brisk; but again, of 2,568 North Koreans visiting the South since 1989, 40 percent came in 2002 alone. Thirty-four sets of North-South talks were held last year, or 9 percent of the cumulative total of some 400 meetings. Almost all now take place in Korea rather than outside: either in Seoul or Pyongyang, or at Mt. Kumgang.

Trade too has soared. At \$567 million, the total for the first 11 months of 2002 was more than half as large again as in 2001. Southern exports rose 54.5 percent to \$319 million, while Northern sales of \$248 million were up 59.3 percent. In truth, over 80 percent of Seoul's "exports" (\$255 million), comprising 45 percent of total trade, consisted of aid goods: food and farm produce worth \$76 million headed the list. Others included "woven products" (\$34 million), steel (\$22 million), machinery (\$13 million), and textiles (\$6 million). By contrast North Korea's exports were commercial, the main categories being: textiles (\$80 million), seafood (\$59 million), art works (\$41 million), farm produce (\$26 million), and non-ferrous metals. At this rate 2002's total trade will top \$600 million, which could let South Korea overtake Japan to rival China as Pyongyang's top trade partner. If and when Kaesong comes on stream, Seoul will dominate the Northern economy. This is the kind of argument that Roh Moo-hyun should put to George Bush, and on which a U.S. administration – that patently has no idea what to do about North Korea – should defer, however skeptically, to its local ally. With war unthinkable and isolation unfeasible (can the disease really be the cure?), engagement remains the "least worst" option.

### **Chronology of North Korea-South Korea Relations October-December 2002**

**Oct. 2, 2002:** A Southern Roman Catholic delegation visits Pyongyang.

**Oct. 3, 2002:** A Southern civic delegation for the first time joins in commemoration of the National Foundation Day of ancient Korea, in Pyongyang.

**Oct. 11, 2002:** *Arirang*, a South Korean silent film, is screened in Pyongyang.

**Oct. 12-14, 2002:** A second round of working-level talks on reconnecting inter-Korean roads and railways is held at Mt. Kumgang.

**Oct. 13, 2002:** North Korea's Han Pong-sil wins the women's marathon at the 14<sup>th</sup> Asian Games held in Pusan, South Korea.

**Oct. 13-14, 2002:** A North-South students' meeting is held at Mt. Kumgang.

**Oct. 15, 2002:** North Korea's team returns home from the Pusan Asian Games.

**Oct. 16, 2002:** The U.S. claims that, at talks in Pyongyang earlier in the month, North Korea, when confronted with evidence that it has a new covert nuclear program, admitted as much.

**Oct. 16-17, 2002:** A North-South women's meeting takes place at Mt. Kumgang.

**Oct. 19-22, 2002:** The eighth round of inter-Korean ministerial talks is held in Pyongyang and concludes with an eight-point joint statement, mainly to progress various economic projects.

**Oct. 23-26, 2002:** A Northern taekwondo team visits South Korea for demonstration events.

**Oct. 26-Nov. 3, 2002:** A Northern economic study group, led by Pak Nam-gi, chairman of the State Planning Commission, and including Kim Jong-il's brother-in-law Jang Song-taek, spends nine days touring firms and economic facilities in South Korea. They go on to visit Singapore, Malaysia, and Indonesia for similar purposes, returning home Nov. 16.

**Oct. 30-Nov. 2, 2002:** A Southern working-level team visits Pyongyang to discuss building an industrial complex in Kaesong city, and also joint flood control on the Imjin river. There is more progress on the former than the latter.

**Oct. 31-Nov. 2, 2002:** The fifth round of inter-Korean Red Cross talks, held at Mt. Kumgang, fails to agree on a next round of family reunions and other related matters.

**Nov. 6-9, 2002:** The third session of the inter-Korean Committee for the Promotion of Economic Cooperation is held in Pyongyang. It agrees on several working groups, but fails to finalize basic laws on business cooperation initially agreed two years previously.

**Nov. 18-20, 2002:** Another North-South working meeting at Mt. Kumgang discusses relinking roads and railways, and passage of merchant ships through each other's territorial waters.

**Nov. 20, 2002:** A Korean People's Army (KPA) patrol boat that violated the Northern Limit Line retreats after the ROK navy fires two warning shots. Each side accuses the other of intruding in its waters.

**Nov. 22, 2002:** The North's Democratic Front for the Reunification of the Fatherland (DFRF) calls on South Koreans to join the North and "shatter the nuclear fuss made by the U.S."

**Nov. 25, 2002:** North Korea's Central Broadcasting Station (KCBS) reports that on Oct. 23 the Presidium of the Supreme People's Assembly (SPA) adopted a decree setting up the Mt. Kumgang Tourist Zone, and on Nov. 13 passed a law for the special zone.

**Nov. 25-30, 2002:** A large group from South Korea's Cheju island province visits the North.

**Nov. 26-28, 2002:** Joint land surveys are held to fix optimum connection points for the east coast (Donghae) road and rail links.

**Nov. 27, 2002:** KCBS reports that the SPA Presidium on Nov. 13 adopted a decree setting up the Kaesong industrial zone and passed a law for it on Nov. 20.

**Nov. 27, 2002:** A DPRK Education Ministry spokesman incites South Koreans to a “sacred war” against the United States over an accident last June in which an armored vehicle driven by U.S. soldiers crushed two schoolgirls.

**Dec. 1, 2002:** The United Nations Command (UNC) agrees to let Southern tourists cross the DMZ without prior approval, ending a dispute that was delaying cross-border links.

**Dec. 3, 2002:** Mine-clearing in the DMZ for an eastern road-rail link is completed.

**Dec. 5, 2002:** The first overland tour to Mt. Kumgang, due on Dec. 11, is postponed by a week. (As of the end of the year, this has yet to take place.)

**Dec. 6-8, 2002:** Talks at Mt. Kumgang on the proposed Kaesong Industrial Complex agree that construction will begin between Dec. 26 and Dec. 30.

**Dec. 11, 2002:** Seoul says its budget to resettle Northern defectors will rise 64 percent next year.

**Dec. 12, 2002:** South Korea strongly urges the North to retract its decision to reactivate its nuclear program.

**Dec. 12-13, 2002:** Economic talks in Seoul on implementing laws on business cooperation narrow differences, but fail to reach full agreement.

**Dec. 15, 2002:** Twenty Northern defectors fly to Seoul from Beijing via Manila, taking this year’s total arrivals to over 1,000 – almost double last year’s figure.

**Dec. 15-17, 2002:** The third working-level meeting of the panel for the reconnection of roads and railways between South and North Korea is held at Mt. Kumgang.

**Dec. 15-17, 2002:** Red Cross talks at Mt. Kumgang provisionally agree on a sixth round of family reunions on or near the Lunar New Year (Feb. 1), but make no headway on other issues.

**Dec. 19, 2002:** In the ROK’s 16th presidential election, ruling party candidate Roh Moo-hyun, pledged to continue the Sunshine Policy, narrowly defeats the opposition’s Lee Hoi-chang, who sought a harder line toward the North, by 48.9 percent of the vote to 46.6 percent.

**Dec. 25, 2002:** A second round of North-South maritime talks opens in Pyongyang.

**Dec. 26, 2002:** Kim Dae-jung says South Korea should take the lead in peacefully resolving the Northern nuclear issue. His security adviser, Yim Sung-joon, says that projects such as Mt. Kumgang tourism and restoring road-rail links will continue as “channels of communication.”

**Dec. 27, 2002:** Southern President-elect Roh Moo-hyun warns that continued Northern nuclear defiance would negatively affect inter-Korean exchanges.

**Dec. 27, 2002:** A report by South Korea's Defense Ministry avoids designating North Korea as main enemy, but warns that the Korean People's Army is expanding and the risk of provocation remains.

**Dec. 27, 2002:** Seoul announces that groundbreaking for the Kaesong Industrial zone, set for Dec. 30, will be postponed.