

## North Korea-South Korea Relations: A Bumpy Road Ahead?

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Inter-Korean relations in the first quarter of 2003 were a curious mixture. The now familiar forms of interaction, re-established in the preceding quarter after more than a year of on-off hiatus, continued. Ministerial talks, economic dialogue, family reunions, semi-official civic events, and others were all held. On a non-official level, business and aid contacts went ahead as is now normal. If all this suggests marking time, there was at least one breakthrough: the partial opening of two temporary roads across the demilitarized zone (DMZ), breaching the heavily armed border for the first time in half a century. In happier times this would have made headlines and been an occasion for rejoicing as a further step toward reunification.

But these are not happy times in Korea, and rejoicing was muted. The Peninsula has indeed made headlines – for the escalating North Korean nuclear crisis, as Pyongyang unleashed one provocation after another: quitting the Nuclear Non-Proliferation Treaty (NPT), restarting its nuclear reactor (but not yet the reprocessing plant) at Yongbyon, shadowing a U.S. spy plane, test firing two short-range missiles, and more. Most of that is beyond the scope of this article, if only because North Korea insists that the nuclear issue is no business of Seoul's – despite the December 1991 joint declaration on denuclearization of the Peninsula, which says otherwise.

Inevitably, nuclear concerns formed a somber backdrop to all inter-Korean intercourse this quarter. The South raised them at every opportunity, but made no headway. Nor was this the only dark cloud, as revelations emerged to cast a pall on past inter-Korean progress. During former President Kim Dae-jung's final weeks in office, it was admitted that the June 2000 summit with Kim Jong-il, for which Kim Dae-jung won that year's Nobel Peace Prize, had been preceded by a secret payment of at least \$500 million by the Hyundai business group to North Korea. The further investigations now under way pose a delicate challenge for South Korea's new president, Roh Moo-hyun, who comes from Kim's Millennium Democratic Party (MDP) and is pledged to continue the Sunshine Policy approach, albeit now renamed as "policy for peace and prosperity."

But it takes two to engage. North Korea marked Roh's inauguration with a missile test. As always, it objected to annual joint U.S.-ROK war games. When Roh backed the U.S. on Iraq, and after an erroneous report that South Korea had raised its defense alert status, Pyongyang pulled out of talks due in the last week of March; it went on to cancel

Cabinet-level talks set for early April. It was not immediately clear if this was a limited protest, or if it presaged a general suspension of official inter-Korean dialogue, as was the case during most of 2001 and 2002. All this points to a bumpy ride for Roh, and, despite those first tiny holes in the border, no obvious roadmap for a broad highway going forward.

### **Out on a Lim**

As the year began with North Korea's nuclear intransigence making global headlines, South Korea was one of a number of states seeking to mediate and pull Pyongyang back from the brink. For its part, the North clearly did not see blood as thicker than water. In late January, Lim Dong-won – architect of the Sunshine Policy, then a special adviser to Kim Dae-jung – went to Pyongyang, only to find Kim Jong-il out of town. As the Dear Leader had just met a Russian envoy for six hours of talks, this was seen in Seoul as a snub; Lim was reportedly furious. He did meet the titular head of state Kim Yong-nam and Party Secretary Kim Yong-sun, but had clearly expected to hold top-level talks, as in the past. This may be a brush-off to South Korea in general, or to an administration on its way out in particular, although the entourage did include Lee Jeon-seok, a member of Roh Moo-hyun's transition team.

### **A Nuclear North: Better than Collapse?**

Despite Pyongyang's refusal to discuss the nuclear issue bilaterally, how to respond to this – and to do so in sync with the U.S. – is a major challenge for Roh Moo-hyun. In February, Yoon Young-kwan – then a member of Roh's transition team, now ROK foreign minister – caused consternation in Washington for allegedly preferring a nuclear North to a collapse scenario. Though he later claimed he was just saying that some in Seoul hold this view, this was widely taken as illustrating an ostrich pacifist position. Coupled with Roh's oft-repeated insistence – plainly intended to become a self-fulfilling prophecy – that a military solution is unthinkable, this raised fears of a one-sided approach: all carrot, apparently with no stick no matter what.

*[Senior Editor's Note: As one who attended the Washington meeting in question, I can attest that Yoon was seriously misquoted and unjustly maligned; he spoke that evening about strident attitudes – in response to a direct question – and did not imply that this was his view or the view of the incoming government. –RAC]*

In office, Yoon visited Washington again; but his plea for a bold U.S. opening to Kim Jong-il (à la Nixon and Mao) got short shrift. In early April, on the eve of the UN Security Council's debate on North Korea, he was still preferring a non-UN solution. Yet elsewhere there were signs of a more robust ROK position. Pyongyang's call for pan-Korean anti-U.S. struggle had no takers in Seoul as the negative impact of the nuclear threat sunk in, not least for a slowing economy: Moody's Feb. 11 two-notch downgrade of the ROK's credit ratings outlook served to concentrate minds. On March 13, at the 10<sup>th</sup> CSCAP North Pacific Working Group meeting in Berkeley, CA (which North Korea also attended, encouragingly), South Korea's position – officially the personal views of Moon

Hayong, policy planning director at the ROK Foreign Ministry – took a firm line: not only that “North Korea’s nuclear development can never be condoned,” but also on the “benefits of a multilateral approach” (the subtitle of his paper.) Roh Moo-hyun’s bold support of the U.S. in Iraq, though unpopular both at home and with North Korea, implies awareness of the need to prioritize and mend the US-ROK alliance.

### **Cabinet and Economic Talks: Marking Time**

The nuclear issue naturally overshadowed the ninth inter-Korean ministerial talks since the June 2000 summit, held in Seoul days before Lim’s abortive visit to Pyongyang. Northern delegates resisted discussing the nuclear issue, and the final joint press statement mentioned it only perfunctorily. Partly for this reason, there was no great progress on other matters, either. Basically the two sides agreed to keep on keeping on, and meet again in Pyongyang in April. These ministerial talks were originally monthly, but now seem to have become quarterly.

It was a similar story at the inter-Korean Economic Cooperation Committee, whose fourth meeting was held in mid-February, again in Seoul. (This, and the ministerial talks, alternate between the two capitals). Again the South emphasized nuclear concerns, and again the North insisted these were not on the agenda. Nor was there concrete progress on matters economic: not even the implementation of rules for inter-Korean business first agreed over two years ago in December 2000, yet never ratified. But it was agreed to expedite road and rail links, as well as joint surveys of the Imjin river, and to fix a date for ground-breaking at the proposed Kaesong Industrial Complex, just north of the DMZ not far from Seoul. In a theme shared by other donors to the DPRK, the South also asked for better monitoring of the use of food, materials, and equipment that it provides; the North “said it understood the view.”

### **Breaching the Border**

One area where there was a real advance on the ground, literally, was in cross-border links. After months of stalling, to make a political point denying the authority of the United Nations Command (UNC) in the two new trans-DMZ corridors, North Korea switched to full steam ahead. In quick succession, technical working talks in Pyongyang were followed by the crucial military green light: an “Interim Agreement to Provide Military Assurances for Transit of the Temporary Roads Inside the South-North Administration Areas in the East and West Zones,” signed at Panmunjom at colonel level on Jan. 27. Article 2 explicitly states the authority of the 1953 Armistice, as well as of more recent UNC-KPA and North-South agreements.

That cleared the way for border crossings to begin on two temporary roads – railways and full-scale highways are due later – in the Kyongui and Donghae corridors, on the west and east sides of the Peninsula, respectively. Actual usage so far remains highly restricted, and is mostly in the easterly corridor that opens a land route to the North’s Mt. Kumgang resort. First to cross, on Feb. 5, was an 87-strong advance team from Hyundai Asan, which runs the Mt. Kumgang tours; Korea National Tourism Corporation (KNTC),

whose subsidies enable it to do so; and the government. Having established that a new liaison office handling customs, immigration, and quarantine worked smoothly, this was followed on Feb. 14 by an official opening ceremony, on the Southern side only, and a larger convoy of almost 500 dignitaries. Most spent two nights at Mt. Kumgang, returning on Feb. 16, Kim Jong-il's 61st birthday.

### **First Overland Family Reunions**

The first ordinary South Koreans to use this route, a week later, were the elderly participants in the sixth round of family reunions since the 2000 summit; the first since last September. For some months Red Cross talks had not gone smoothly, for two reasons: the South raised the sensitive matter of Northern abductions, and the two also disagreed on details of building a permanent reunion center at Mt. Kumgang. Talks in January made some headway on the latter, while postponing the former (officially described as "those unaccounted for during the [Korean] War") and finalizing a further round of reunions for the following month.

Accordingly, in late February on the now familiar pattern, 100 lucky people from each side met, briefly and this once only, with such kin as the other side had been able to track down. Seoul does better at this, finding 461 relatives to meet the 100 (mostly elite) Northerners; whereas its own 100 candidates, chosen by lottery, met only 191 Northern relatives. As ever, much of this was shown in South Korea as live reality TV: moving or intrusive according to taste. Despite the bumpy unpaved mountain road, the ROK Red Cross was relieved to have this swifter access for medical care if necessary, compared to the former lengthy sea voyage. Hyundai too had high hopes for this land route, which may at last make its Kumgang venture profitable. These were promptly dashed, however, when after just three tour groups had gone in overland, North Korea abruptly closed the road indefinitely for unspecified realignments.

### **Kaesong Remains the Same**

Hyundai's other hoped-for money-spinner, the Kaesong industrial complex, remains a bare site. The western trans-DMZ corridor, essential for this, has so far seen even less traffic than the eastern route. On Feb. 21 a 37-strong team from Hyundai and its parastatal partner Korea Land Corporation (Koland) tested this route for a brief site survey, returning to Seoul the same day. But a date for groundbreaking has yet to be set. In March, a pro-DPRK paper in Japan reported a reorganization of Kaesong city, which, like its official gazettement as a special zone last year, raises hope that North Korea does mean business. The question is how soon.

Also using this route and raising hope were working talks at Kaesong in mid-March, which agreed to push ahead with laying track for railways in both corridors. But planned inspection trips across the border later in March by Southern technical teams appear not to have gone ahead after North Korea's cancellation on March 21 of other upcoming meetings. Despite the opening of temporary roads, the railway and road project is already

months behind schedule. In the present climate it is hard to be optimistic that progress will be other than fitful.

### **Was the June 2000 Summit Bought?**

The inauguration of cross-border routes was overshadowed, however, by a growing scandal in South Korea which cast doubt even on the supposed achievements of the Sunshine Policy to date – and the role of Hyundai in particular. No sooner had Hyundai group Chairman Chung Mong-hun returned from mid-February's inaugural run of the land route to Mt. Kumgang, than he confirmed rumors that Hyundai had secretly sent as much as \$500 million to North Korea just before the June 2000 North-South summit. Chung insisted this payment had no political overtones, but was to secure monopoly rights for Hyundai in seven fields: railways, telecommunications, airports, electricity, a dam, a reservoir, and tourism. The secrecy, he claimed, was at Pyongyang's insistence, and also to steal a march on German and Japanese competitors.

Given the invisibility of these seven projects, or of any rush by German or Japanese firms into North Korea, this account was not widely believed. Allegations that illicit payments preceded the summit were first made last September by the opposition Grand National Party (GNP), in the run-up to December's presidential election. They were stoutly denied, and did not prevent Roh Moo-hyun's narrow victory. In the new year the matter rumbled on, with probes by the Board of Audit and Inspection (BAI) and state prosecutors. On Jan. 30, the BAI stated that \$200 million of a \$359 million loan from state-owned Korea Development Bank (KDB) to Hyundai Merchant Marine had gone to North Korea three days before the summit, but said it could not determine the purpose. On Feb. 3, the prosecution dropped its own inquiries on grounds of national interest, prompting an outcry and charges of political pressure on the judiciary.

The plot thickened and pace quickened with claims that the National Intelligence Service had been the bagman, delivering the cash in dollars via Macau. After a long silence – first denial, then claiming the matter was “supra-legal” – finally on Feb. 14 Kim Dae-jung apologized for the fuss, but insisted that these payments – confirmed by Lim Dong-won as \$500 million – were Hyundai's alone. All this posed a dilemma for Roh Moo-hyun, who in his first two days was unable to appoint a Cabinet until the GNP, which controls the National Assembly, passed a bill to empower a special prosecutor to investigate the whole matter. Despite pressure from the MDP old guard to veto this, on March 14 Roh gave his assent. On March 26, a lawyer, Song Doo-hwan, was appointed, reportedly after other candidates had turned down the job.

Without preempting a case still *sub judice*, even the facts admitted so far cast a shadow over the summit and the Sunshine Policy. While (absurdly) all North-South contact is technically illegal, since the ROK has yet to repeal its National Security Law, nonetheless by now there are established guidelines, which these payments – whosoever they were – clearly breached. The suggestion that Kim Jong-il received financial inducement (to put it no more strongly) for the June 2000 summit bolsters criticisms that this was a stunt and

photo opportunity, boosting both leaders and winning one a Nobel prize, rather than a solid sincere political breakthrough.

### **Sunshine: A Preliminary Verdict**

Whatever happened in 2000 – and the coming months should reveal more, perhaps messily for politics in Seoul – the end of Kim Dae-jung's presidency is an occasion to reflect on his Sunshine Policy overall. History's verdict may well be kinder than that of his compatriots currently. After decades of Cold War hostility punctuated by brief bursts of dialogue, Kim was the first ROK president to stand foursquare for engagement with the DPRK, and to stick with that stance despite provocations from Pyongyang and criticism at home and (since Bush) abroad – although, the U.S. apart, the world has applauded. The tangible fruit, as we detailed last time, is a far greater intensity of North-South interaction than ever before – with private and business contacts continuing even when the two governments are not talking. If not yet friends, the two Koreas are no longer strangers. That is progress, and that much is irreversible.

Yet criticism is also in order. While one can see the “loss-leader” argument for front-loading benefits to North Korea to build trust, the lack of reciprocity or substantial progress is a warning that Kim Jong-il may be milking Seoul as a cash cow and taking it for a ride. That at least is widely felt in South Korea, where Kim Dae-jung failed to build solid support for his approach. He leaves a society divided, above all by generation. The old remain as suspicious as ever of Northern intentions, while many of the young seem naively pacifist in their view that brother would never threaten brother, and that it is only the U.S. that is stirring tension.

### **The Challenge for Roh Moo-hyun**

Having been elected largely on a surge of such sentiment, South Korea's new president now faces the harsh realities of office at an anxious moment both locally and globally. It is early days yet, but already Roh Moo-hyun is backtracking, at least on the U.S. front: affirming the necessity of the U.S. troop presence in Korea, and even boldly backing the campaign in Iraq. Yet he also signalled the continuity of the Sunshine Policy – albeit now rebranded as “peace and prosperity” – by keeping on Unification Minister Jeong Se-hyun, the only member of Kim Dae-jung's Cabinet to retain his post. He further insists, with a frequency that is clearly meant to become a self-fulfilling prophecy, that it is inconceivable for the U.S. to attack North Korea.

Yet Pyongyang is unimpressed (one wonders about Washington, too). Testing a missile on the eve of Roh's inauguration was hardly an olive branch. The North may judge him as weak, or be unclear where he really stands. In February, just before Roh was installed, his new national security adviser, Ra Jong-yil, met in Beijing with an unnamed senior DPRK leader – on what authority remains unclear. The news was leaked and badly handled. Even more unfortunate was a widely reported remark by the Blue House spokeswoman on March 20 that the ROK had raised its defense alert status. Although promptly denied (such a step was considered, it seems, but not in fact implemented), this

gaffe gave Pyongyang a further pretext – on top of Roh’s support for the “cash for peace” probe, the hardy perennial of ongoing U.S.-ROK war games, and assorted other grievances real or imagined – to pull out of two rounds of working-level economic talks set for late March. At the time of writing it was not clear whether the 10<sup>th</sup> round of ministerial talks, due in Pyongyang in early April, would be cancelled also.

### **Hostage to Fortune**

Looking ahead, in the short run North-South relations will remain hostage to the nuclear issue and thus to the U.S.-DPRK relationship (or lack of one). How the latter plays out may hinge in turn on the fortunes of war in Iraq: a swift allied victory raising risk in Korea, and vice versa. In other words, despite Roh Moo-hyun’s best intentions, for the time being inter-Korean ties look set to be a dependent variable: subordinate to events beyond Seoul’s control, whose outcome is impossible to predict. It promises to be a bumpy ride, and a steep learning curve.

On March 25, a Northern fishing boat drifted into Southern waters. The ROK Navy, finding the intruder had no navigation equipment, gave it a compass that was gratefully received. Roh Moo-hyun may hope to do the same for Kim Jong-il, but first he must set his own course.

### **Chronology of North Korea - South Korea Relations January - March 2003**

**Jan. 8, 2003:** South Korea’s President-elect Roh Moo-hyun calls for the North Korean nuclear crisis to be solved by diplomacy.

**Jan. 10, 2003:** South Korean Foreign Ministry calls on North Korea to cancel its decision, announced earlier that day, to withdraw from the Nuclear Non-Proliferation Treaty (NPT).

**Jan. 17, 2003:** North Korea expresses gratitude for South Korea’s provision of 400,000 tons of grain, nominally on loan terms, whose delivery was recently completed.

**Jan. 21-24, 2003:** The ninth inter-Korean ministerial talks are held in Seoul, with no result.

**Jan. 22, 2003:** The third inter-Korean Red Cross working-level talks, held at Mt. Kumgang, end in agreement to hold the sixth round of separated family reunions there during Feb. 20-25.

**Jan. 22-25, 2003:** A second round of working-level talks, held in Pyongyang, agrees on various practicalities in relinking roads and railways in two cross-border corridors.

**Jan. 27, 2003:** At a military working-level meeting at Panmunjom, South and North Korea adopt an interim agreement on military guarantees for the use of temporary roads across the demilitarized zone (DMZ).

**Jan. 27-29, 2003:** Lim Dong-won, Kim Dae-jung's senior advisor on unification, visits Pyongyang as a special presidential envoy to try to break the nuclear deadlock. His failure to meet with Kim Jong-il, as on previous visits, is seen in Seoul as a snub.

**Jan. 30, 2003:** South Korea's Board of Audit and Inspection reports that over half of a \$359 million loan from a state bank to a Hyundai affiliate was sent to North Korea, three days before the June 2000 North-South summit, for purposes that are not clear.

**Feb. 1-8, 2003:** North and South Korean athletes march together in the opening and closing processions of the fifth Winter Asian Games, held in Aomori, Japan. Letters are exchanged for future sports cooperation, including for 24 DPRK skaters to visit the ROK in April.

**Feb. 3, 2003:** Citing national interest, ROK prosecutors drop their investigation of alleged illicit payments by Hyundai to North Korea, provoking criticism of political pressure.

**Feb. 5, 2003:** PM Kim Seok-soo states that the ROK will deal with the DPRK nuclear issue and inter-Korean economic cooperation in tandem. The Ministry of Unification (MOU) announces an improved loan system for the South-North Korean Cooperation Fund.

**Feb. 5-6, 2003:** Eighty-seven ROK government, tourist, and Hyundai officials test the new east coast overland route, going to Mt. Kumgang via a temporary road.

**Feb. 11, 2003:** Moody's Investors Services downgrades South Korea's credit rating outlook by two notches, from positive to negative, specifically citing the North Korean nuclear crisis.

**Feb. 11-14, 2003:** The fourth meeting of the Inter-Korean Economic Cooperation Promotion Committee is held in Seoul. No agreements are reached, except to meet again. The South warns that deepening economic cooperation depends on resolving the nuclear issue.

**Feb. 12, 2003:** MOU reports that during Kim Dae-jung's five years as president, South Korea has sent humanitarian aid worth \$462 million to the North. Of this, \$272 million was governmental, with the remainder from nongovernmental organizations and the private sector.

**Feb. 14, 2003:** Kim Dae-jung apologizes regarding Hyundai's transfer of funds (\$500 million, his security adviser Lim Dong-won confirms) to North Korea just before the June 2000 summit.

**Feb. 14-15, 2003:** Talks are held at Mt. Kumgang on building a permanent center for family reunions. The North says the overland route may be used for the sixth round, due shortly.

**Feb. 14-16, 2003:** After a ceremonial opening of the east coast cross-border temporary road, a second 498-strong pilot tour group, mainly dignitaries, travels overland to Mt. Kumgang.

**Feb. 16, 2003:** Chung Mong-hun, chairman of the Hyundai group, admits that Hyundai sent \$500 million covertly to North Korea in 2000, but insists it was for seven business projects.

**Feb. 17, 2003:** Ministry of National Defense (MND) and ROK-U.S. Combined Forces Command announce that the annual RSOI (Reception, Staging, Onward Movement, and Integration) and “Foal Eagle” joint military exercises will be held March 19-26 and March 4-Apr. 2 respectively.

**Feb. 20, 2003:** North Korean MiG-19 fighter flies 13 km into Southern airspace over the Yellow Sea, but retreats after two minutes when ROK fighters are scrambled to intercept it.

**Feb. 20, 2003:** Ra Jong-yil, soon to be named Roh Moo-hyun’s national security adviser, has a secret meeting with DPRK officials in Beijing. The news leaks on March 4.

**Feb. 20-25, 2003:** The sixth round of separated family reunions is held at Mt. Kumgang. 561 elderly South Koreans travel overland, for the first time, to meet 290 of Northern kin.

**Feb. 21, 2003:** A 37-strong team from Hyundai Asan and Korea Land Corporation (Koland), partners in the Kaesong Industrial Zone project, uses the west coast temporary trans-DMZ road to enter North Korea for an advance survey of the site, returning home the same day.

**Feb. 21, 2003:** North Korea and Hyundai Asan agree to dedicate a large gymnasium which Hyundai has built in Pyongyang on March 25-30 with cultural events and a basketball contest.

**Feb. 23, 2003:** A 204-strong tourist group becomes the first ordinary South Koreans to visit Mt. Kumgang by the new overland route. On March 6 North Korea closes the route, citing the need for road realignments.

**Feb. 23, 2003:** Roh Moo-hyun’s senior secretary says Roh is willing to visit Pyongyang if invited, but hopes Kim Jong-il will visit South Korea.

**Feb. 24, 2003:** North Korea test-fires a short-range antiship missile over the East Sea (Sea of Japan) with prior warning, but overshadowing Roh’s inauguration.

**Feb. 25, 2003:** Roh Moo-hyun sworn in as ROK president, succeeding Kim Dae-jung. His inaugural address pledges aid if the North abandons its nuclear program.

**Feb. 26, 2003:** South Korea's opposition-controlled Parliament delays approval of new Cabinet until a bill is passed appointing a special counsel to probe the "cash for peace" issue.

**Feb. 27, 2003:** ROK Unification Minister Jeong Se-hyun, the only minister from the Kim Dae-jung administration to keep his portfolio, pledges to enhance engagement with the North.

**March 1-3, 2003:** A 105-strong delegation of Northern civic and religious leaders visits Seoul for a joint meeting commemorating the March 1, 1919 anti-Japanese popular uprising.

**March 2, 2003:** Four North Korean fighter jets (two MiG-29s and two MiG-23s) buzz a U.S. RC-135S reconnaissance plane in international air space off the east coast of the Peninsula.

**March 3, 2003:** The two Koreas begin a new round of talks on building a permanent family reunion center at Mt. Kumgang. A Northern religious delegation returns home from Seoul.

**March 9, 2003:** The DPRK Asia-Pacific Peace Committee issues a lengthy statement detailing and defending its ties with Hyundai Asan, and attacking ROK plans to investigate this.

**March 7, 2003:** ROK MND condemns North Korea military for a series of provocations, in the first such criticism since Roh became president.

**March 10, 2003:** North Korea again test-fires a short-range missile to the east of the Peninsula.

**March 12, 2003:** After three days of talks in Kaesong, North and South agree to start relinking two trans-DMZ railways from late March. An ROK technical team will go north to inspect the Kyongui (western) line on March 20-22, and the eastern (Donghae) line on March 24-26.

**March 13, 2003:** North Korea attends the 10<sup>th</sup> CSCAP North Pacific working group meeting in Berkeley, CA.

**March 14, 2003:** Despite pressure from his own party, Roh decides not to veto the opposition bill appointing a special counsel to investigate the "cash for peace" scandal.

**March 14, 2003:** The aircraft carrier *USS Carl Vinson* arrives in Pusan for “Foil Eagle” exercise and replaces the *USS Kitty Hawk* which has been sent to the Persian Gulf for the Iraq war.

**March 14, 2003:** ROK Agriculture Minister Kim Young-jin says Seoul will send 1.3 million tons of rice from its stockpile to North Korea over three years. This is not cleared with the Unification Ministry, which a week later announces more modest plans.

**March 14, 2003:** The North’s Asia-Pacific Peace Committee claims that the South’s opposition anticommunist Grand National Party sent a secret envoy to Pyongyang last year, offering aid if the party won the presidential election. The GNP dismisses this as “groundless lies.”

**March 19, 2003:** MOU reports that inter-Korean trade in Jan.-Feb. rose 58 percent year on year, to \$88.74 million. Seoul sent goods worth \$52 million, while importing Northern goods worth \$37 million.

**March 20, 2003:** MOU says Seoul will accelerate humanitarian aid to North Korea, including 100,000 tons of corn worth \$18 million dollars via the UN World Food Program.

**March 20, 2003:** Blue House Spokeswoman Song Kyoung-hee is quoted as saying the ROK has raised its defense readiness level from Watchcon 3 to 2. This is denied by other officials.

**March 21, 2003:** North Korea cancels upcoming economic and maritime talks, accusing the South of “pointing a sword” at it by raising Watchcon and holding wargames with the U.S.

**March 23, 2003:** Lee Sang-soo, secretary general of the ruling Millennium Democratic Party (MDP), says Kim Dae-jung may be questioned regarding secret funds sent to North Korea.

**March 26, 2003:** Song Doo-hwan, a lawyer, is appointed as special counsel to investigate the “cash for peace” scandal.