



North Korea-South Korea Relations:
On Track?

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The second quarter of 2007 saw growing momentum in inter-Korean relations. Having picked up speed after the Feb. 13 Six-Party Talks accord, this was hardly derailed by subsequent slippage in deadlines as the Banco Delta Asia (BDA) affair dragged on and North Korea's Yongbyon nuclear reactor failed to close. Only rice aid was withheld by Seoul, after some hawing, pending Pyongyang's full fulfillment of the Feb. 13 agreement. Even this began to flow by quarter's end, although Yongbyon remained open; by then South Korea, like the U.S. and other six-party participants, took the North's cooperation with IAEA inspectors as a sufficient signal of sincere intent to play ball, at least for now.

The quarter thus mainly saw renewal of a by-now familiar range of contacts: assorted talks – ministerial, economic, military, and more – as well as family reunions and visits of various kinds (almost all from South to North rather than vice versa). There were also at least two “firsts”: one much trumpeted, the other less so. Halfway through the quarter, May 17 saw the much-delayed first cross-border trains since tracks were severed during the 1950-53 Korean War. Despite much hoopla in Seoul (noticeably less in Pyongyang), these were only one-off test runs, with no indication of when regular service might begin.

Perhaps more significant, albeit far less reported, was an unprecedented tour of China and Vietnam in late June by a joint inter-Korean business team that looked at ROK firms and the investment situation in both countries. Barely a week later, the two Koreas finally agreed on a project involving raw material supply and mining cooperation. Like the railway test runs, this took two years to come to fruition, hardly what the DPRK calls *Chollima* speed (a winged horse of Korean myth, like Pegasus). If for real, then with the now established – if still small – Kaesong industrial park this may betoken the start of serious economic partnership between North and South, such as has obtained for almost 20 years now between China and Taiwan. Always assuming no more nuclear derailments.

The South tries to raise the abductees issue

The quarter began, however, with a thornier issue. On April 10-13, the eighth round of Red Cross talks – the numbering relates to June 2000's inter-Korean summit, which launched most of the subsequent inter-Korean dialogue – discussed *inter alia*, at Seoul's insistence, “persons whose fate is unknown during or after the 1950-53 Korean War.”

This phrase is code for some 542 Southern prisoners of war (POWs) still held in the North, and 485 (mainly fishermen) seized since 1953. The DPRK denies holding anyone involuntarily, but in recent years a few have escaped to tell grim tales. The South had long been hesitant to raise this issue, in marked contrast to Japan, for whom a far smaller number of abductions are its top policy priority with North Korea – wisely or otherwise.

While obviously a delicate area, if Kim Jong-il could manage a personal admission and apology (if not the whole truth) for past kidnappings from Japan, then it is not clear why South Korea should settle for less and allow over 1,000 of its aging citizens to remain prisoners of the North. The true number may be far higher, since this excludes thousands – estimates run as high as 84,000 – of South Korean civilians taken North during 1950-51 when the North's Korean People's Army (KPA) overran much of the South.

Sunshine's ironies: nuclear progress puts human rights on hold

Unlike in Japan, for some reason this is not a matter that greatly exercises public sentiment in South Korea. During the South's decades of military dictatorship, victims' families mostly kept quiet, or were even persecuted; it did not do to have links to North Korea, even unchosen ones. That no longer applies, but now a perverse side-effect of the Sunshine Policy is reluctance by the ROK government and much of the public to push, or even hear, knotty problems that they fear might obstruct reconciliation on other fronts.

Nor is this problem solely a Korean one. By the same token, progress on the nuclear issue tends to mean regress on human rights, or at least unwillingness (even in Washington) to jeopardize a possible breakthrough in one area by raising contentious matters elsewhere. As the BDA fiasco showed, the U.S., like all interlocutors, must prioritize among the many concerns the DPRK raises.

So this was not the best season to publish the latest grisly accounts – there are several by now, based mainly on defector testimony – of North Korea's vile human rights record, as two more NGOs did recently. The U.S.-based (and controversially government funded) Freedom House launched its report *Concentrations of Inhumanity* in an indifferent Seoul May 21. Written by David Hawk, this updates his pioneering and magisterial *The Hidden Gulag*, issued in 2003 by the U.S. Committee on Human Rights in North Korea (HRNK). Hawk accuses the DPRK authorities of crimes against humanity – as did the UK-based Christian Solidarity Worldwide (CSW), in another solid account published a month later on June 19 as *North Korea: A Case to Answer - A Call to Act*. Both, one fears, risk falling on stony ground in the present climate.

The North brazenly it out

At all events, South Korea got no joy in April's talks. As usual the North brazenly denied everything, threatening to walk out if it even heard words like abductees and POWs. An eventual statement agreed only to discuss "missing" persons further in the future. Elsewhere, however, they agreed to hold a trial exchange of video letters on CD between separated families at Chuseok, the Korean harvest festival, on Sept. 24-26. Video and in-

person reunions, for 40 and 100 families, respectively, from each side, will also be held at Chuseok. Those set to meet will for the first time include a lucky 20 who had met before.

Meanwhile another round of family reunions, the 15th since 2000, was held May 9-14 at the Mt. Kumgang resort in southeastern North Korea. As usual, two three-day sessions saw 100 seniors from each Korea briefly reunited with a larger number of kin from the other side. These remain one-off meetings, with no further contact of any kind permitted (letter, phone, or email); and their snails' pace, one every few months at best, means that most of the elderly persons affected will die before they ever have even this meager chance of seeing their loved ones after over half a century of separation.

Economic talks agree many things, not all new

A week later the inter-Korean venue shifted from Mt. Kumgang to Pyongyang, and the topic to the easier one of economic cooperation. Yet the 13th meeting of the Economic Cooperation Promotion Committee (ECPC), held in Pyongyang on April 18-22, was not problem-free. No one much minded that the April 14 deadline to shut Yongbyon had just been missed. Rather, the hosts bowled a curveball. The start was delayed for most of the first day after North Korea unprecedentedly demanded to see drafts of not only the final joint statement – it is revealing that the South had already prepared this – but the ROK's keynote speech; it also sought a commitment in advance to rice aid. South Korea stood its ground. Later the North's chief delegate, Chu Dong-chan, stormed out after the South tried to link rice aid to compliance with February's six-party nuclear agreement.

Rail deal, finally

Despite such histrionics and a final session lasting into the small hours, an agreement was duly reached. Its 10 points covered familiar ground, reflecting the North's reluctance to implement matters supposedly agreed already. A prime case are the two cross-border rail tracks, near the west (Gyeongui) and east (Donghae) coasts. New roads in each corridor opened in 2005 to regular if one-way traffic, taking Southern managers to the North's Kaesong industrial park and tourists to the Mt. Kumgang resort respectively. Yet parallel relinked railway lines had languished unused for two years, after test runs set for May 2006 were abruptly cancelled by the North. A year later, the Pyongyang ECPC meeting rescheduled this for May 17, subject to further talks due in Kaesong on April 27-28 on a military guarantee – that being the hold-up. The North's cold feet are the Korean Peoples Army's; soldiers look askance at their heavily defended front line becoming even slightly a front door.

Food aid to resume, quasi-unconditionally

Similarly, Seoul made little headway in pressing for more aid to be sent overland, rather than expensively by ship as at present. In a partial concession, 50,000 of the 400,000 tons of rice that the South had already agreed to give will go by land – albeit by road rather than rail. But the greater concession was the ROK's, in resuming this aid – notionally a loan, but no one expects it to be repaid – suspended last year after the North's missile and

nuclear tests. The timing of the ECPC talks had been deliberate: the North reportedly wanted to meet sooner, but the South initially insisted on waiting until after the 60-day deadline (from Feb. 13) in the six-party accord for North Korea to shut its nuclear facilities at Yongbyon, as a key test of its commitment to genuine compliance. For this reason, the earlier joint statement after the 20th ministerial talks held in Pyongyang in late February did not mention aid, although North Korea apparently asked for 400,000 tons of rice and 300,000 tons of fertilizer – as it has received in most recent years, until 2006.

On March 7, the North had repeated its call for fertilizer, whose need was now urgent to be in time for the rice planting season. The South responded with alacrity; the same day, Vice Unification Minister Shin Eon-sang said that deliveries worth \$115 million would begin later in March. By early April, Shin sounded ready to disconnect rice aid, too, from nuclear compliance. Actual shipments resumed March 28, when a ship bearing 6,500 tons of fertilizer, 60,000 blankets, disinfectant against foot and mouth disease, and other items headed North from the ROK port of Yeosu. But on rice Seoul still seemed unsure; the ECPC agreement attached no formal conditions, but the South's chief delegate, Vice Finance Minister Chin Dong-soo, later stressed that delivery would depend on the North's nuclear compliance. That loosish linkage in the end prevailed.

“Soap for minerals” deal is reiterated

Also agreed, or rather reaffirmed in a “revised and complemented” form, was a rather odd deal whereby Seoul will provide raw materials worth \$80 million (again notionally a loan) for very basic consumer goods like clothing and soap, in exchange for mineral rights. First mooted two years ago at the 10th ECPC meeting in July 2005, this time the South attached a clear conditionality: no train runs, no soap. Subject to that hurdle and working talks in Kaesong on May 2-4, the South would start sending materials in June – when it also expected site visits to the North's mines. South Korea has strategic as well as economic reasons to covet Northern minerals: a host of recent DPRK mining deals with Chinese firms has sparked fears in Seoul that North Korea is becoming a *de facto* fourth province of what no one nowadays calls Manchuria, much less Manchukuo.

Intriguingly, a separate clause envisaged joint resource development in third countries, to be discussed in talks at Kaesong in June. Perhaps they have Siberia in mind, with South Korea putting up capital, management, and technology while the North supplies labor.

The North tries it on at Kaesong

Even at the now established if still small-scale Kaesong industrial park, North Korea is apt to try it on with the South. On April 17, the ROK Unification Ministry (MOU) confirmed reports that Pyongyang has demanded pay increases of 30 and 10 percent for those of its workforce who are graduates of four and two-year colleges respectively. Each category comprises about 11 percent of the 13,032 Northern workers at Kaesong, where average monthly wages, initially set at \$57.50, have risen to \$67 including overtime.

The South is not keen, on several grounds. Most jobs at Kaesong are menial, so education hardly matters. There is reluctance to let the North intervene in hiring and firing – already a sore point, after U.S. charges that employment conditions in the zone are opaque and fall below ILO standards, e.g., what proportion of wages go to the employee as opposed to the DPRK government. This is no abstract point. South Korea was keen for Kaesong-made goods to be included in its recent free trade agreement (FTA) with the U.S., and indeed says that they will be – an interpretation denied in Washington.

More generally, there is unease as to what further demands the North may come up with. While short visits have gotten easier (DPRK permission is no longer needed), Pyongyang wants to charge large fees for those spending extended periods in the zone. Productivity at Kaesong is not very high, so margins are critical for Southern firms operating there.

River, sand, and fishing remain to be sorted

Several further items in the April 22 ECPC statement had been agreed before, but not yet implemented. One hardy perennial, going back several years, is proposed cooperation to prevent flooding on the Imjin River, which flows from North to South. A document was to be exchanged in May, with site visits in the North to follow. By July none of this had happened, for two reasons. Pyongyang has its own linkages: it would not move on this until Seoul's rice aid was, literally, in the bag. And, as with cross-border railways, the Imjin – scene of fierce battles in the Korean War – will require a military guarantee.

Similarly, a meeting was set at Kaesong in June to seek to make concrete a range of prior outline agreements: preventing natural disasters, cooperation in science and technology and in fisheries, committees for business arbitration and immigration, and more. Before that, separate talks “as soon as possible” would try to implement a plan to extract sand jointly from the Han River estuary: a border area, so here again military guarantees are needed. And here again, as of early July, little if any had yet transpired; we shall see what progress the second half of the year brings.

Military talks make little headway

Pyongyang's wider motives can be hard to read. At still rare general-level military talks held at the truce village of Panmunjom on May 8-11, Seoul's main agenda was to secure a military guarantee for the now imminent train tests and avoid a repetition of last year's last-minute cancellation. The North, by contrast, insisted on raising the issue of the west coast maritime border: the Northern Limit Line (NLL) imposed unilaterally by the UN command after the Korean War and never recognized by the DPRK. That prolonged the talks, with the South at a loss to understand either the logic of the North's position or why it chose to bring it up now (more on which below). Kim Jong-il may just be playing hard to get, but this also holds up Imjin flood prevention, Han gravel extraction, and so on.

Trains cross the DMZ, just once

But this time the trains did at last run. On May 17, two crossed the Demilitarized Zone (DMZ) for the first time since the tracks were severed in the 1950-53 Korean War. With due symmetry, on the Kyonggui line north of Seoul a five-coach ROK train headed north from Munsan across the border to Kaesong, while on the east coast Donghae line a DPRK train of the same size trundled briefly into the South. Each train carried 100 Southern and 50 Northern VIPs, intermingled, who made polite conversation. (These logistics meant, of course, that in each case one contingent was ferried by bus across the DMZ to board the train in the first place).

Great was the rejoicing in Seoul (this writer was there). Unification Minister Lee Jae-jung spoke of this as “reconnecting the severed bloodline of the Korean nation.” Not to deny the emotional aspect, but a reality check is in order. For a start, to reiterate, these trains were at least two years late. The tracks have long been ready, but North Korea remains unready to let them be used – perhaps because of continuing KPA objections. Second, like those cancelled a year earlier, the May 17 outings were just one-off test runs, each covering barely 15 miles. There was no indication when regular services might begin.

Third, none of this came cheap. No prizes for guessing which side financed the entire cost of reconnecting cross-border railways, including equipment and construction on both sides of the DMZ. The bill to the South since 2000 is 545 billion won (\$583 million); wags worked this out at \$10 million per kilometer for May 17’s two trips. Nor did this suffice. To clinch the deal Seoul also agreed to supply the aforementioned \$80 million worth of light industrial raw materials: another project still unfulfilled after two years due to persistent foot dragging by the North. Still, taking the long view, from the standpoint of the Sunshine Policy all this is an investment – both economically and politically.

If road, why not rail?

Pyongyang’s procrastination is puzzling. The two roads running alongside the railway are now in regular use, taking Southern tourists to the Mt. Kumgang resort, and managers and workers to the Kaesong industrial park. If roads can thus breach the DMZ, why not rail? It remains to be seen if and when with greater trust the North may ease up. For now, regular services even to Kaesong – much less Pyongyang, let alone Beijing and beyond, since that would require upgrading the North’s decrepit system – remain a distant dream.

But Seoul will keep pressing, not least because rail is a far cheaper way to convey aid and trade than by sea as at present. On July 9, *Yonhap News Agency* quoted MOU as saying that 50,000 tons of rice – one-eighth of this year’s total of 400,000 tons – will be sent by rail over a five week period, starting July 20: 30,000 tons will go north from Seoul on the Gyeongui line, and 20,000 on the east coast Donghae line. Next day, however, this report had been altered from rail to road. One can only wonder what lay behind this change.

For now, merchant shipping fills the gap. With far less fanfare, three days later on May 20 the first North Korean vessel in over half a century entered Busan, the South's major port and second city. Unlike the trains this was no mere symbolic one-off, but the start of a regular commercial inter-Korean route. The 1,853 ton *Kangsong* left a day later with 50 empty containers, inaugurating a thrice monthly service – run by a Southern firm, Kukbo Express – to Rajin, the DPRK's most northeasterly port, close to its borders with Russia and China. Busan to Rajin is a long way, far longer than the direct line across the DMZ. But this is for real, whereas trains so far remain the exception rather than the rule.

Ministers meet in Seoul

Despite Southern excitement over the train runs, there was some worry whether the North might boycott the next (21st) inter-Korean ministerial talks in Seoul at end-May to protest the South's decision to withhold promised aid of 400,000 tons of rice until the Yongbyon nuclear site actually closed, as per the Six-Party Talks Feb. 13 agreement. Shipment of rice had been due to start in May. In the event the North did turn up; perhaps reassured that on May 22 the ROK had approved a budget of \$170 million for rice aid – at the inflated domestic price; never mind unification, this is also all about farm support – plus another \$80 million for raw materials for the North to make soap, footwear, and clothing, as mentioned above.

But this was no meeting of minds. For four days the South urged the North to start implementing Feb. 13, while North demanded rice, now. They adjourned without fixing a date for the next meeting: normally quarterly, so there is time yet. And they nearly failed to issue a joint statement, eventually managing a perfunctory four sentences of pious platitudes.

Summit anniversary marred by squabbles

This was an unpropitious backdrop for the seventh anniversary of the June 2000 summit, a fortnight later. As usual a large Southern delegation, 284 strong, went to Pyongyang – but the ROK government was not invited, since Seoul was still withholding rice aid.

Even so it was not all plain sailing, with two separate rows. The first broke out when the North barred Park Kye-dong, a lawmaker of the South's conservative – but see below – main opposition Grand National Party (GNP), from the VIP stand at one event; claiming he had sat down at a shrine for the North's founding leader Kim Il-sung. Park denied this, and all GNP participants riposted by boycotting subsequent events, suspecting a set-up. Their pro-Sunshine compatriots protested but elected to continue partial participation in the program, leading to sour feelings within the ROK delegation and a mess overall.

Even Sunshine's advocates met pitfalls. When former Unification Minister Jeong Se-kyung in his speech called for a second inter-Korean summit meeting – something the North might be expected to favor – his hosts not only protested, but tried to get all footage referring to this deleted from ROK reporters' tapes. Such blatantly Orwellian news management did not go down well. If it spoiled the party, it was also a salutary

reminder of the nature of the DPRK regime to any whose eyes may be unduly bedazzled by Sunshine.

Inter-Korean commercial trade rises 40 percent

Despite such political vicissitudes, business gets ever brisker. ROK Vice Unification Minister Shin Un-sang said on April 4 that inter-Korean commercial trade rose 40 percent year-on-year in the first quarter of 2007, to \$187 million. The semi-official *Yonhap News Agency* explained this as “mainly due to an influx of zinc bullion, sand, fishery items, shoes, clothing and watches into a joint industrial complex in ... Kaesong.” Although no balance or breakdown was given, the last three items sound more like exports from the Kaesong zone, while the first three are probably imports to South Korea more widely. True trade is still smaller than non-commercial trade (meaning aid) of \$278 million. The latter still rose – albeit by under 7 percent, as Southern official aid ceased while that from NGOs fell early in the year, until Feb. 13’s six-party agreement restored these flows.

In a later report, the ROK’s private sector Korea International Trade Association (KITA) noted in June that inter-Korean trade has tripled since 2000, with a January-May total this year of \$563 million. This makes South Korea the North’s second largest trade partner after China, hard on Beijing’s heels, if KITA’s forecast is correct that the total for 2007 will reach \$1.7 billion, up 27 percent over 2006.

Separately, MOU said on June 10 that almost a quarter (24 percent) of goods made in the Kaesong industrial complex during January-April, worth \$11.3 million were exported. The main destination was the European Union, followed by China, Russia, and Australia. The U.S. does not feature, since it objects to Kaesong both for FTA purposes and more widely. The latter seems perverse: whatever one feels about North Korea in general, it is bizarre to raise labor or human rights objections to what are surely the best jobs in the DPRK, working in shiny new ROK-owned factories with health and all other facilities.

A joint business team visits China and Vietnam

In a new initiative on the business front, an inter-Korean team (seven members each from North and South) toured China and Vietnam for 10 days in late June. Organized by the ECPC, whose secretariat is in Kaesong, the group visited ROK businesses in Shanghai, Shenzhen, Guangzhou, Hanoi, and Ho Chi Minh City (Saigon). Also on the itinerary were investment promotion agencies in both countries, and a textile machinery exhibition in China. According to MOU, the delegates returned with “a greater understanding of the necessity of inter-Korean economic cooperation and a heightened sense of mutual solidarity with their counterparts.”

Light industry cooperation is agreed, at last

For Seoul, one motive for this was to show Pyongyang both the benefits and practicalities of business cooperation. Coincidentally or not, barely a week later the two Koreas at long last finalized their above-mentioned raw materials-cum-minerals deal. Or almost. Their meeting in Kaesong ran overnight, by when they had agreed on prices of 62 out of 94 light industrial items the South will supply; the other 32 remain to be fixed. By Seoul's account, Pyongyang eventually gave in to the ROK's insistence on using local rather than world market prices. As with rice, the former are likely to be higher.

Assuming no further delays, the first 500 tons of polyester fabric – *Yonhap* in a wild moment said 5 million – worth \$800,000 will be sent North by July 25. Three days later, Southern officials will begin a 12-day survey of three zinc and magnesite deposits in the DPRK's mountainous northeast, with further joint surveys to follow in September and October. With rare equality, the North will pay for transportation, cargo handling, and demurrage while South Korea covers shipping, insurance and port usage, expenses that it reckons will not exceed \$4 million or 5 percent of the total \$80 million.

Rice aid, at last

No less key in unblocking this and other holdups was the final resolution, at long last, of the BDA affair in June. On June 30, the last day of the quarter, a first shipment of 3,000 tons of rice left the ROK port of Gunsan for the DPRK's Nampo. Four days earlier, Unification Minister Lee Jae-joung announced Seoul's decision to finally start sending this year's full 400,000 tons, technically on a loan basis (though no one seriously expects Pyongyang ever to repay it).

Barring further hitches, the second half should thus see a resumption of what had become an annual flow of this magnitude – until last year, when the South withheld it in protest at the North's missile tests in July. Floods in the North that month made Seoul partly relent and offer a smaller amount of emergency rice aid – only for this too to be suspended after the DPRK's nuclear test last October. After February's Six-Party Talks agreement, Seoul softened again, agreeing to send the usual 150,000 tons of fertilizer; shipment began on March 27 and was completed on June 21. Rice aid was also reinstated for 2007, but withheld until the North fulfilled its Feb. 13 pledges – meaning that the BDA delay also held up rice shipments. By end-June, even though the Yongbyon reactor was not yet shut down, the South like other parties judged the process to be back on track.

Not that Southern food and other aid in fact ever stopped. Besides assistance from NGOs, often religious, some official rice continued to be sent. Thus the last 10,000 ton tranche of 2006's emergency flood aid rice was only shipped on June 25.

Oil flows, too

At the same time oil flows resumed, again belatedly. Under the 1994 Agreed Framework, for almost a decade tankers regularly shipped the annual 500,000 tons of heavy fuel oil from ROK to DPRK ports, on behalf of the now defunct Korean Peninsula Energy Development Organization (KEDO) consortium. Similarly, Seoul agreed to supply the first 50,000 tons of heavy fuel oil (HFO) which under the Feb. 13 six-party accord is Pyongyang's reward for closing its Yongbyon reactor. Here again, though the shutdown had yet to occur, by end-June it was deemed imminent. Besides, the North insisted on having some oil in hand before it acted – and in the new Six-Party Talks atmosphere, no one (not even in Washington) is minded to quibble on the nuances of who moves first.

Thus, at a meeting in Kaesong on June 29-30, South Korea agreed to send 50,000 tons of HFO, starting within a fortnight, and hoping to complete 20 days after that – which takes us into August, potentially. 35,000 tons will go to Sonbong in the northeast, and 15,000 tons to Nampo on the west coast. The first shipment was due to leave July 12.

Two contrasting Fourths: GNP plumps for carrots

Last year North Korea marked the Fourth of July (U.S. time) by launching seven missiles including a (failed) long-range *Taepodong-2*, prompting unanimous condemnation by the UN Security Council (UNSC). This year, South Korea's conservative main opposition Grand National Party (GNP) chose the same day to launch a new and less hardline policy towards the North with a report entitled "A Vision for Peace on the Korean Peninsula."

Chung Hyung-gun, a GNP lawmaker who chaired the task force that had worked on this since March, said that hitherto the party had "put too much emphasis on the principle of security first, exchanges later" and so "failed to react to the reality of the post-Cold War era in Northeast Asia." Henceforth, the GNP will support an inter-Korean summit, give the North 150,000 tons of rice a year (rather less than the recent annual norm of 400,000 tons), and offer economic support – once Kim Jong-il abandons nuclear weapons.

Both frontrunners for the GNP's presidential nomination, one of whom looks set to be the ROK's next president come February 2008, endorsed the change. It remains to be seen if this will soften Pyongyang's typically harsh dismissal of the party as flunkeyist traitors, as seen in its abovementioned harrying of GNP lawmakers who visited Pyongyang in mid-June. Possibly not, since the GNP's new seven goals toward the North still include a more open society and improved human rights. Recently, however, anti-GNP diatribes as carried on *KCNA*, the official DPRK news agency, are mainly attributed to obscure bodies in South Korea rather than presented as official comments by North Korea per se.

Northern rhetoric belies the fact that former GNP leader Park Geun-hye, daughter of the late dictator Park Chung-hee (1961-79), has visited Pyongyang, where she dined with Kim Jong-il. But nothing is certain. Park may lose the GNP nomination to her rival, former Seoul Mayor Lee Myung-bak. As for Kim, latest pictures seem to confirm rumors about his health. South Korea's *Yonhap News* did not pull its punches. Meeting China's

new Foreign Minister Yang Jiechi on July 3, it said, Kim “looked gaunt: wrinkles under his chin, disheveled and thinning hair, eyes a bit swollen and no pot belly.”

The dear leader may be getting over heart bypass surgery; Fidel Castro’s recovery warns against jumping the gun – or wishful thinking. But as the GNP rushes to join the peace camp, one hopes whoever next occupies the Blue House will be ready for anything north of the DMZ, as mortality and prudence alike demand. If Kim Jong-il dies suddenly, with no successor in place, what price Sunshine then? Seoul should keep its powder dry.

All at sea: risk of a fresh clash?

Lest such counsel sound curmudgeonly at a time of rising optimism on the peninsula, it is salutary to visit <http://www.nk-news.net>, a witty but useful unofficial search engine for the DPRK’s *Korean Central News Agency*. (*KCNA*’s own site, <http://kcna.co.jp>, offers no such facility.) Entering ‘navy’ or ‘West Sea’ brings up six items since mid-May accusing the South of incursions in the West (Yellow) Sea, with lurid threats of reprisals. The ROK Navy denies any such intrusions, much less the seven to eight daily claimed by Pyongyang, and in turn charges Northern patrol boats with four violations of the Northern Limit Line (NLL) this year.

Thus on June 21, a KPA Navy spokesman warned that rising tension could lead not only to a third “skirmish” in these waters – which saw earlier brief but fatal firefights in 1999 and 2002 – but might even spark off a wider war. He added that “All the strike means of the DPRK are fully ready to send all targets, big and small, intruding into its waters into the bottom of the sea any time as the probability of hit is fully guaranteed with those targets accurately sighted.... The DPRK never makes an empty talk.”

While bellicose rhetoric from Pyongyang is normal, such frequency and intensity is rare, prompting growing unease in Seoul. The summer crab-fishing season is the riskiest time, with complex three- or even five-way congestion in these rich but contested border waters: fishing boats from both Koreas and also China, plus the two Koreas’ navies.

This is all part of North Korea’s campaign against the NLL, which on June 25 it called “an illegal ghost line.” True, the NLL was unilaterally laid down by the UN Command after the Korean War; so unlike the Military Demarcation Line (MDL) on land, it is not formally part of the 1953 Armistice. Yet the DPRK de facto accepted it for almost half a century, until 1999. Moreover the North’s alternative is a non-starter, since it would put several ROK-held islands in Northern waters.

So it remains a puzzle why Pyongyang is pushing this so hard: preventing potentially lucrative agreements on joint fishing from being implemented, and delaying other areas – like military guarantees for regular cross-border train services – on the pretext that the NLL must be settled first. While the hope must be that Kim Jong-il would not put at risk recent progress on the nuclear and Six-Party Talks fronts, the 2002 attack – which killed five ROK sailors; in 1999 the North lost perhaps 30-plus killed, while the South had no fatalities – made little sense either. Yet it caused only a brief shadow on Seoul’s Sunshine

Policy. At the fifth anniversary of the battle on June 29, relatives of the dead complained that their sons' sacrifice was played down for political reasons, the incident being defined officially as an accidental exchange of gunfire rather than a naval battle.

This may be changing. The ROK Navy has named its brand-new high-speed patrol boat after one of those killed. Launching the 440-ton *Yoon Young-ha* on June 29, Naval Chief of Staff Adm. Song Young-moo said he "would like to redefine the West Sea exchange of gunfire. It was triggered by the North's sudden attack aimed at abolishing the NLL." True peace on the peninsula will be when such attacks and all sabre-rattling stop, period.

KIDA urges Seoul to take the initiative

A wider fear in Seoul is of being sidelined within the Six-Party Talks, whose principals are the U.S. and DPRK. This underlies a recommendation by the Korea Institute for Defense Analysis (KIDA), a think-tank affiliated with the ROK Defense Ministry (MND), that South Korea should take the lead in pushing for a peace treaty to replace the 1953 Armistice (which in fact the ROK under Syngman Rhee refused to sign) and so formally end the Korean War.

KIDA suggested this in a report in May, but the press only picked it up in July. A peace treaty has long been a key DPRK demand – but addressed to the U.S., excluding the ROK which used anyway to be lukewarm for fear this could lead to a U.S. troop withdrawal. The issue resurfaced in the Feb. 13 Six-Party Talks accord, but to be pursued in a separate forum after nuclear progress. Though the ROK government played down KIDA's idea as just one idea among many, it will be interesting to see if this gains traction in Seoul, be it under the soon to depart Roh Moo-hyun administration, or its incoming successor from 2008.

Next quarter's outlook

Looking ahead, the rest of 2007 should see inter-Korean ties move ahead on all fronts – especially if the six-party process also makes progress. But even if the latter runs into new problems, precedent suggests this will not wholly darken Seoul's Sunshine Policy.

2008 is another matter. If – as seems likely – the GNP wins the presidential and parliamentary elections next December and April respectively, the next government in Seoul may well seek more reciprocity from the North than hitherto, but it will not abandon engagement as such. For its part, Pyongyang will have to decide whether to go on castigating the GNP as a bunch of traitors and risk losing valuable aid, or to tone down the rhetoric and accept the people's choice. We predict that after some initial theatrics, Kim Jong-il will not look a gift horse in the mouth for long.

On a different front: Recurrent doubts about the dear leader's health, with no successor in place, means that even (or especially) at a time of fresh confidence in gradualist outcomes for North Korea, the unexpected can never quite be ruled out. They know that in Seoul.

Chronology of North Korea-South Korea Relations April-June 2007

April 2, 2007: *Yonhap* reports that in the past week Thai police arrested 50 North Koreans who illegally entered from China. Thailand does not recognize these as refugees, but normally lets them proceed to Seoul; 400 did so last year, and 150 are currently waiting.

April 2, 2007: Meeting at Panmunjom in the Demilitarized Zone (DMZ), the two Koreas' Red Cross bodies exchange lists of separated family members. They agree to finalize by April 27 the list of 100 persons from each side to participate in the 15th round of family reunions, set for May 9-14 at North Korea's Mt. Kumgang resort.

April 2, 2007: South Korea's under 17 soccer squad beats its Northern counterpart 2-1 in a friendly match at the Suwon world cup stadium near Seoul. The DPRK team came to Jeju on March 20 for a month's training. South Korea will host the world championships from Aug. 18 to Sept. 9.

April 4, 2007: Dissent emerges on whether the U.S.-ROK free trade agreement (FTA) concluded on April 1 covers goods made in the DPRK's Kaesong economic zone. While ROK Trade Minister Kim Hyun-chong says the FTA "opens a road" for Kaesong-made exports, Deputy U.S. Trade Representative Karan Bhatia retorts: "That's just a discussion we will undertake. Under this [free-trade agreement], goods from Kaesong will not be entering the United States."

April 4, 2007: A South Korean youth Red Cross delegation arrives at North Korea's Mt. Kumgang resort, to plant trees jointly with their Northern counterparts.

April 5, 2007: ROK Vice Unification Minister Shin Eon-sang says the South will "give rice to the North as scheduled" after bilateral economic talks set for April 18-21 in Pyongyang, even if the DPRK fails to shut its Yongbyon reactor as scheduled; on the grounds that "the momentum for inter-Korean development should not be lost."

April 6, 2007: A 49-strong Northern delegation arrives in Seoul for talks on merging two rival international taekwondo federations backed respectively by each Korea. It includes Jang Ung, the sole North Korean on the IOC, who heads the DPRK-backed International Taekwondo Federation (ITF). The ITF was founded in Seoul in 1966 by a northern-born ROK General Choi Hong-hi, who later moved to Canada and died in Pyongyang in 2002. The visitors include a demonstration team which puts on displays in South Korea.

April 10-13, 2007: The 8th round of Red Cross talks since the June 2000 summit agrees to hold extra family reunions this year. The North continues to deny having any Southern prisoners of war or abductees, though the South tallies over 1,000 such.

April 17, 2007: ROK MOU confirms that Pyongyang has demanded pay increases of 30 and 10 percent respectively for the Kaesong workforce who are four-year and two-year college graduates.

April 18-22, 2007: The 13th meeting of the Economic Cooperation Promotion Committee (ECPC) is held in Pyongyang, after a gap of nearly a year. Despite Northern histrionics, this reaches a 10-point agreement covering a range of issues including rice aid, business projects, and cross-border train test runs.

April 27-28, 2007: Working-level talks at Kaesong agree on most details of proposed test cross-border train runs on May 17. A military guarantee is still required.

April 29, 2007: Some 60 North Korean trade unionists and workers fly direct to Gimhae airport, near Busan in the south of the ROK, for three days of May Day celebrations with their Southern counterparts in the industrial city of Changwon, South Gyeongsang Province.

May 2, 2007: North Korea agrees to the first general-level military talks in almost a year, to be held at Panmunjom on May 8-10. South Korea had proposed meeting on May 3.

May 3, 2007: Presidium President of the Supreme People's Assembly (SPA) Kim Yong-nam, who as the North Korea's titular head of state, meets a delegation from the South's ruling Uri Party led by Kim Hyuk-kyu, a presidential aide (and himself a presidential hopeful). The delegation leaves Pyongyang on May 5.

May 4, 2007: At a meeting in Kaesong, South Korea agrees to send 500 tons of polyester fabric to the North on June 27, followed by 10 light industry experts in July.

May 5, 2007: ROK army sources observe their DPRK counterparts inspecting railway tracks within the DMZ, raising hopes of a security guarantee for cross-border test runs.

May 5-8, 2007: A delegation from the Peace Council of Religionists of South Korea, led by its Chairman Choi Gun-duk visits Pyongyang; overlapping with a group from the ROK's "Movement for a Reunified Korean Nation" which visits on May 4-7.

May 8-11, 2007: The 5th inter-Korean general-level military talks are held at the North's Tongil Pavilion at the truce village of Panmunjom. After extending the meeting by a day, they issue their first joint statement since 2000, agreeing on the need for marine security and a joint fishing zone in the West Sea. They also agree on security guarantees for test runs on the two reconnected cross-border railways on May 17.

May 9-14, 2007: The 15th reunion of separated family members, the first such meeting for 11 months, is held at the Mt. Kumgang resort in southeastern North Korea.

May 10, 2007: Kim Yong-nam meets a Southern delegation headed by Sohn Hak-kyu: former governor of Gyeonggi Province (greater Seoul) for the conservative main opposition Grand National Party (GNP), which he quit in March, but now the likeliest center-left candidate in December's ROK presidential election.

May 17, 2007: Two trains, one each from the North and the South, cross the DMZ on relinked tracks near the west and east coasts for the first time in half a century for short test runs. Both carry preselected passengers from both Koreas, and return the same day.

May 19, 2007: For the first time, a five-strong DPRK delegation comes to Seoul to take part in an international conference of Japanese war time sex slavery ("comfort women"). On May 21 participants call on Tokyo to apologize and take legal responsibility.

May 21, 2007: The U.S.-based Freedom House in Seoul releases its report *Concentrations of Inhumanity*, which accuses DPRK authorities of crimes against humanity..

May 20, 2007: A DPRK merchant ship docks in Busan, the ROK's main port and second city, for the first time since the Korean War. The 1,853 ton *Kangsong* will make three round trips monthly to Rajin in the DPRK's northeast, chartered by a South Korean firm.

May 22, 2007: The ROK approves budgets of \$170 million for rice aid and \$80 million to supply raw materials for the DPRK to make soap, footwear, and clothing.

May 25, 2007: Local ginseng growers in Geumsan in the ROK's South Chungcheong province say they have agreed a joint venture with Kwangmyongsong, a DPRK firm, to operate a 500 hectare ginseng farm near the Pyongyang-Kaesong highway and produce ginseng in Pyongyang. The ROK partner will provide seeds, materials, and processing.

May 29, 2007: The 21st North-South cabinet-level talks since the 2000 summit open in Seoul. The DPRK delegation flies in, led as usual by Cabinet Chief Councilor Kwon Ho-ung, despite fears that they might stage a boycott.

June 1, 2007: The inter-Korean ministerial talks in Seoul close with a perfunctory joint statement and no date fixed to meet again. The North was miffed at the South's delaying rice aid until its Yongbyon reactor is closed as per the Feb. 13 Six-Party Talks accord.

June 4, 2007: The DPRK's National Reunification Institute (NRI) brands the ROK main opposition party, the GNP, as the "treacherous" successor to past "fascist cliques", which it "far surpasses ... in corruption and irregularities and frauds"; adding that the party's "impudent" bid to seek power is "a mockery of history."

June 7, 2007: As it did on May 25, and will again on June 27, North Korea test-fires a short-range missile at sea, possibly of a new solid-fuel design.

June 7-8, 2007: Talks at Kaesong on a deal for Seoul to send light industry raw materials in exchange for Northern mining rights, first mooted in 2005, fail to agree on pricing. Earlier talks on May 22-23 failed similarly.

June 8, 2007: Several hundred Southern pilgrims visit Yontong temple near Kaesong, restored with aid from Cheontae, the ROK's second largest Buddhist order. Cheontae plans to organize regular pilgrimages, despite criticisms that the DPRK's charge of \$100 per visitor – three times the rate at Mt. Kumgang – is exorbitant.

June 8, 2007: Working-level military talks at the truce village of Panmunjom agree on nothing, not even when next to meet, because of disputes over the Northern Limit Line (NLL), the de facto inter-Korean west sea border since the 1953 Armistice, which the DPRK wants to redraw. The ROK does not take issue with the North's missile test.

June 10, 2007: A meeting at the Central Workers' Hall in Pyongyang commemorates the 20th anniversary of the democratic movement in June 1987 in South Korea.

June 10, 2007: South Korea's unification ministry (MOU) says that 24 percent of goods made in the Kaesong industrial zone during January-April, worth \$11.3 million, were exported: mainly to the EU, China, Russia, and Australia.

June 12, 2007: The ROK says it will send 50,000 tons of corn and 10,500 tons of rice to the DPRK via the UN World Food Program (WFP). As emergency flood aid promised in 2006, this is separate from the bilateral 400,000 tons of rice aid still being withheld pending full fulfilment of the February 13 6-party nuclear accord.

June 14, 2007: A 284-strong Southern civil delegation flies to Pyongyang for the seventh anniversary of the June 2000 North-South summit. The ROK government is not invited.

June 15-16, 2007: The North bars a GNP lawmaker from one of the Pyongyang meetings. Southern delegates protest, and most planned events are cancelled for two days. A token communiqué of national unity is issued on June 17. The North also objects to a call for a new summit by former ROK Unification Minister Jeong Se-hyun at the welcoming dinner.

June 15, 2007: Korea International Trade Association (KITA) reports inter-Korean trade is up threefold since 2000, with an average annual rise of 24.3 percent. Trade from January to May this year totaled \$563 million; KITA forecasts that this year's total will rise 27 percent to \$1.7 billion.

June 17, 2007: *KCNA* announces that Ri In-mo, a captured KPA correspondent who spent 34 years including torture in ROK jails but did not recant and was repatriated in 1993, died the previous day. Kim Jong-il sends a wreath to his funeral on June 18, where SPA Presidium President Kim Yong-nam delivers the eulogy.

June 18, 2007: South Korea said it has sent a 10-person team to Pyongyang led by Kim Chang-seob, chief veterinary officer at the Agriculture Ministry, to assist the North with an outbreak of foot and mouth disease. Seoul already sent related aid worth \$3 million.

June 19, 2007: UK-based Christian Solidarity Worldwide releases *North Korea: A Case to Answer – A Call to Act*, which looks at the humanitarian crisis in the DPRK.

June 21, 2007: The ROK begins feeding 100,000 kilowatts (kW) of electricity to a newly built transformer substation in Kaesong, DPRK. About 15,000 kW has been being transmitted to the Kaesong industrial complex from South Korea since March 2005, but now a new \$37.7 million substation can supply ample electricity for the entire zone.

June 21, 2007: For the fifth time since mid-May, the KPA Navy threatens fierce reprisals against alleged marine incursions by ROK warships. The South denies any intrusions.

June 22, 2007: ROK Vice Unification Minister Shin Eon-sang reports the completion of fertilizer aid to the North, and of last year's emergency rice for flood aid. He adds that a family reunion center at Mt. Kumgang is one-third built, and due for completion this year.

June 25, 2007: North Korea criticizes the Northern Limit Line (NLL), the de facto inter-Korean west sea border since the 1953 Armistice, as an "illegal ghost line".

June 26, 2007: ROK unification minister Lee Jae-joung announces that South Korea will grant rice aid (technically a loan) as requested by the North, beginning June 30.

June 26, 2007: Some 100 former DPRK musicians and others form the General Association of North Korean Defector Artists in Seoul, to make Northern art forms better known and help change ROK fine arts from "indescribable corruption" to "healthy commercialism."

June 26, 2007: Hyundai Asan says it will double its tours to Mt. Kumgang starting July 1 from thrice weekly to daily, due to increased demand since North Korea allowed access to Inner Kumgang, a mountain hiking trail some distance from the main resort.

June 27, 2007: Korea Software Financial Cooperative – a private group of major ROK software developers, including Samsung, LG, SK, and PosData – says it is working out details with a DPRK counterpart, Samcholli General Corporation, to open software centers in Kaesong and Pyongyang.

June 29, 2007: On the fifth anniversary of a West Sea clash where five ROK sailors died, the ROK Navy launches a patrol boat named after one of them.

June 29, 2007: Jang Jae-on, president of the DPRK Red Cross, faxes Han Wan-sang, his ROK counterpart, in thanks for this year's 300,000 tons of fertilizer aid and promising to account for its distribution. Shipment began on March 27 and was completed on June 21.

June 29-30, 2007: At a meeting in Kaesong, South Korea agrees to send 50,000 tons of heavy fuel oil (HFO) to the North within a month, implementing the Feb. 13 six-party accord.

June 30, 2007: South Korea sends 3,000 tons of rice to the North, as a first installment of this year's 400,000 tons of aid: promised earlier, but withheld until Pyongyang began to implement the Feb. 13 six-party agreement.

June 30, 2007: *KCNA* accuses U.S. and ROK warplanes of 170 cases of "madcap aerial espionage" in June, and 1,100 so far this year. Such charges have long been routine.

July 2, 2007: South Korea says it will provide emergency food aid worth \$20 million to North Korea through the WFP, separate from its own bilateral aid. This includes 2,000 tons of corn, 12,000 tons of bean, 5,000 tons of wheat, 2,000 tons of flour, and 1,000 tons of powdered milk. This is the ROK's first aid to the DPRK via WFP since 2004.

July 3, 2007: A North Korean meeting to mark the 35th anniversary of the first inter-Korean joint statement on July 4, 1972, issued by the late presidents Kim Il-sung (DPRK) and Park Chung-hee (ROK), praises this for establishing the "three principles of national reunification: independence, peaceful reunification and great national unity."

July 4, 2007: A GNP task force unveils a radical new policy on North Korea, shifting the party's stance away from containment towards engagement with Pyongyang.

July 4, 2007: MOU says South Korea will begin shipping 6,200 tons of heavy fuel oil to the North next week, and that it expects Pyongyang to start shutting down the Yongbyon nuclear reactor once the shipment arrives.

July 5, 2007: *Yonhap* reports that the two Koreas will hold working-level military talks at the truce village of Panmunjom on July 10, to pave the way for a resumption of higher level dialogue between each side's generals.

July 9, 2007: *Yonhap* quotes MOU as saying that 50,000 tons of its 400,000 tons of rice aid will be sent by rail over five weeks, beginning July 20: 30,000 tons on the western Kyongui line, and 20,000 tons on the east coast Donghae line. Next day *Yonhap* amends this, substituting road for rail (there are parallel road and rail tracks in each corridor).

July 10, 2007: MOU says it has contracted with SK Energy, the ROK's largest refiner, to supply 50,000 tons of heavy fuel oil costing \$22 million. The first shipment will be sent to North Korea on July 12.