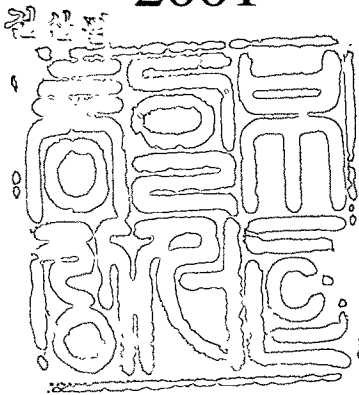


PEACE AND COOPERATION

White Paper on Korean Unification

2001



Ministry of Unification
Republic of Korea

PEACE AND COOPERATION

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Published in 2001
by Ministry of Unification
Republic of Korea
Tel.(02)3703-2343~4

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Book Design by JUNGMOONSA
Printed in Korea by JUNGMOONSA



Preface

The year 2000 was a meaningful year in which a historic summit between South and North Korea took place and drastic changes occurred in inter-Korean relations.

History will remember it as the year of the opening of a new millennium of hope and as the year in which we started to end the division and confrontation and move toward peace, reconciliation, cooperation and prosperity on the Korean Peninsula.

In June 2000, the heads of South and North Korea met with each other for the first time in 55 years since the country was first divided and announced a June 15 South-North Joint Declaration.

Based on the Joint Declaration, the two Koreas have discussed important pending issues and implemented inter-Korean agreements through dialogue and negotiations, thereby expanding practical cooperation between the two sides.

The wave of reconciliation and cooperation between the two Koreas has acted as a force supporting the dismantlement of the Cold War structure on the Korean Peninsula. With close consultation and cooperation with the United States, Japan and South Korea, Pyongyang started to improve its relations with Washington and Tokyo. Members of the European Union have also actively participated in the process of improving relations with North Korea.

The North Korean attitude has also changed. Recently, Pyongyang has been pursuing practical profits and trying hard to improve its external ties. Earlier this year, National Defense Commission Chairman Kim Jong-il stressed the need for 'new thinking' and he has inspected first-hand the leading sectors of reform and liberalization in China. All these raised our expectations regarding future changes in North Korea.

With the improvement in inter-Korean relations, support of the international community and changes that are occurring in North Korea, the South Korean government will endeavor to make the year 2001 a year in which peace and cooperation between the two Koreas will be expanded in earnest.

First of all, the government will calmly promote the second inter-Korean summit, which is scheduled to take place this year. We will strive to prepare the meeting so that it may advance inter-Korean relations to a higher level.

We will connect the Kyongui Railway between Seoul and Shinuiju and provide an institutional solution regarding the issue of separated families within this year. In the meantime, by further expanding exchanges and cooperation in cultural, athletic, news media and various other fields, we will recover national homogeneity between the two Koreas.

At the same time, through expanded cooperation with the neighboring countries, we will make progress toward easing tension and establishing a durable peace on the Korea Peninsula. We will exert all our efforts to reduce military tension and build mutual confidence between the two Koreas, thereby creating a foundation for the establishment of peace.

Such efforts by the government cannot succeed without a public consensus and cooperation as well as extensive support from the international community.

South and North Korea have just opened the door to peace, reconciliation, cooperation and prosperity. When we reflect on the past 55 years of division

and confrontation, it is not difficult for us to expect that there will be many obstacles and difficulties awaiting us in the future.

With confidence and patience, the government will harmoniously maintain consistency and flexibility in promoting its North Korea policy. By doing so, the government will try to help North Korea become a responsible member of the international community.

The 2001 Unification White Paper presents the efforts and results we have made through our North Korea policy last year. I would like to offer my congratulations on the occasion of the publication of this book to all those who wish for peace on the Korean Peninsula.

April 2001

Lim Dong-won

Minister of Unification



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I. Promotion of the Reconciliation and Cooperation Policy

Ever since the nation became divided, the South Korean government has made every effort to restrain North Korea from making provocation against the South while endeavoring to overcome division and achieve national unification.

However, the details of North Korea's unification policy have changed over time under the influence of such factors as the international political environment and the dynamics of inter-Korean relations. In spite of a certain time lag, the change in South Korea's policy toward North Korea has followed in general the process of transformation in the international Cold War, which has undergone a cycle of expansion, adjustment and disintegration.

1. Overview of South Korea's Policy toward North Korea Prior to the Kim Dae-jung Administration

From the time of national division to the early 1970s, accompanying with the expansion of the international Cold War, South and North Korea continued an intense confrontation against each other while denying each other's regime. Syngman Rhee, who was inaugurated as the first president of South Korea on August 15, 1948, declared that the Republic of Korea is the sole legitimate government on the Korean Peninsula. He also urged that North Korea must join the Republic of Korea by holding free elections in accordance with a resolution passed in the General Assembly meeting of the United Nations. As a result, from the very beginning, the South Korean government completely denied the existence of the North Korean government based on its legal and moral supremacy at the time. This implied that the South looked for a way to solve the Korean problem by internationalizing the issue, particularly through the United Nations, while emphasizing holding a free election in the northern part of Korea as the best means to achieve such a goal.

Prime Minister Chang Myon, whose inauguration in 1960 was made possible by the April 19 Revolution, showed a slight change from the existing line by proposing a free general election held simultaneously in South and North Korea as a basis for national unification. Nonetheless, the new parliamentary government showed no fundamental difference in its policy toward North Korea from that of the Syngman Rhee Administration.

President Park Chung-hee, who came into power in 1961, made it clear that he would first concentrate the nation's energy on improving the nation's anti-communist stance and reinforcing the national capabilities to achieve unification. This was the policy of building the economy first and pursuing national unification later. In his New Year's speech delivered on January 10, 1964, President Park confirmed that the administration's unification formula calls for unifying the country through the United Nations, through the actual recovery of the lost territory and based on the principles of liberal democracy. He stressed that the country must prepare for unification in the future until those conditions are established. In a New Year's speech submitted to the National Assembly on January 18, 1966, President Park said, "The modernization of the motherland that we are aiming at is the major premise for as well as a stepping stone toward national unification. The road to unification lies in achieving modern-

ization and the road to modernization, in economic independence. Thus, economic independence is the first step toward national unification.”

As the Cold War between the western and eastern bloc moved into a period of adjustment in the early 1970s, however, inter-Korean relations faced new changes. The announcement of the Nixon Doctrine in July 1968 marked the formation of a new power balance among the United States, the Soviet Union, Japan and China through the resumption of contact between the United States and China and between Japan and China. A new mood for peaceful coexistence started to develop in the international arena. In addition, thanks to rapid economic growth in South Korea throughout the 1960s, the power balance between the two Koreas became more even. With all these changes, the South Korean government was able to promote a more active policy toward North Korea.

In his congratulatory speech for the 25th anniversary of National Liberation Day delivered on August 15, 1970, President Park Chung-hee revealed a declaration of plans for peaceful unification, which called for competition in good faith between the two Koreas. Subsequently, the president of South Korean Red Cross proposed talks with counterparts at the North Korean Red Cross. When North Korean Red Cross accepted the proposal, the two Koreas were able to open inter-Korean dialogue, starting with humanitarian issues for the first time in 26 years since the country was first divided. After a series of secret contact and cross visits, the two Koreas simultaneously announced in Seoul and Pyongyang a joint communique on July 4, 1972, the first written agreement made between them ever. Unfortunately, as the inter-Korean dialogue proceeded, North Korea arbitrarily interpreted the three basic principles for unification stated in the July 4 Joint Communique and openly promoted the communist united front tactics. As Pyongyang blatantly demanded that the two Koreas give first priority to improving the so-called ‘environment for dialogue’ and resolving military issues, dialogue between the two Koreas reached an impasse and inter-Korean relations faced a stalemate.

President Chun Doo-hwan, who came into power in March 1981, announced a formula for national reconciliation and democratic unification in his New Year’s address on January 22, 1982. Subsequently, on February 1, 1982, the Chun Doo-hwan Administration proposed to North Korea to work together to implement 20 points of follow-up action plans and promoted an active North Korea policy. The stalemated inter-Korean relations had a new breakthrough on September 8, 1984

when the South accepted North Korea's offer of aid for flood victims. Starting from economic talks held on November 15 of the same year, a series of inter-Korean meetings ensued, including Red Cross, parliamentary and athletic talks. In September 1995, cross-visits by separated families and art troupes were successfully achieved. The inter-Korean dialogue continued for a while, but, as time passed, North Korea started to avoid dialogue while demanding that the Team Spirit US-ROK joint military exercise be suspended and South Korea's national security law be repealed. As a result, little progress was made in inter-Korean relations.

The early 1980s was a period during which the international Cold War moved into a new stage of adjustment. As a result, South and North Korea were groping to establish a new relationship. During this period, the two Koreas in general concentrated their energy into competing against each other for the superiority of system while trying to engage in bilateral dialogue. As a result, inter-Korean relations were sometimes in a reconciliatory mood as dialogue was maintained, but at other times tension increased following a provocation by North Korea. The alternation between dialogue and confrontation continued until the late 1980s.

During the late 1980s, as the international Cold War moved into a stage of disintegration, inter-Korean relations faced another critical turning point. First of all, boosted by the introduction of a reform and opening up policy in the Soviet Union, the East European socialist states went through a rapid process of transition. This created a new mood of reconciliation and cooperation across the world.

In the midst of such changes, President Roh Tae-woo, who came into power in February 1988, promoted a new North Korea policy to meet the demands of the time. First, President Roh announced a special declaration on July 7 in which he acknowledged North Korea as a partner in good will, rather than as a rival in confrontation. Based on this premise, he proposed that the South and North develop into a joint national community in which the two Koreas would enjoy prosperity together. Subsequently, as a part of action plans to achieve this common goal, the Roh Tae-woo Administration passed an Inter-Korean Exchange and Cooperation Act on August 1, 1990, thereby opening a new era of exchange and cooperation between the two Koreas.

In his address to the National Assembly on September 11, 1989, President Roh announced South Korea's official unification formula, the 'Korean National

Community Unification Formula.' Thanks to such efforts, a historic high-level inter-Korean meeting was initiated in Seoul on September 4, 1990. This dialogue process yielded a set of historic agreements, including the Agreement on Reconciliation, Non-aggression and Exchange and Cooperation (often referred to the Basic Agreement), the Joint Declaration on the Denuclearization of the Korean Peninsula and Agreement on Creation and Operation of Joint Commissions, which came into effect during the sixth round of the high-level talks held in Pyongyang on February 19, 1992. Subsequently, during the next round of the talks, two Koreas came to an agreement on the creation of a Joint Military Commissions and Economic Exchanges and Cooperation Commission as well as establishment of a South-North liaison office. An agreement on the creation and operation of a South-North Reconciliation Commission, along with supplementary agreements in each area, was adopted during the eighth round of the talks held in September 1992. However, in the midst of suspicions over North Korea's nuclear development, Pyongyang declared unilaterally its lack of intention to sustain any form of dialogue with the South Korean government if Team Spirit military exercises continued, and inter-Korean relations once again came to a stalemate.

When President Kim Young-sam was inaugurated in February 1993, he proposed an Inter-Korean summit meeting and exerted all his efforts to resume dialogue with North Korea, but inter-Korean relations headed toward a crisis as North Korea announced its intention to withdraw from the Non-proliferation Treaty on March 12, 1993, and threatened that it was ready to retaliate against any sanction against its nuclear program by turning the city of Seoul into a 'sea of fire.' After a series of high-level talks and the signing of an Agreed Framework between North Korea and the United States on October 21, 1994, the confrontation over North Korea's nuclear program passed, at least for the time being.

In the meantime, North Korea's willingness to agree on an inter-Korean summit was confirmed by the former U.S. President Jimmy Carter who visited Pyongyang in June 1994. Consequently, President Kim Young-sam proposed a summit. As a result, vice prime ministers from the two Koreas had a preparatory meeting and adopted an agreement on preparation for an inter-Korean summit. Unfortunately, just few days before the scheduled summit, North Korean President Kim il-sung suddenly died on July 8 and the summit had to be indefinitely postponed. Despite the Kim Young-sam Administration's effort to relieve North Korea's food shortage through the direct provision of 150,000 tons of rice from June to October 1995 and its continued support

for the light-water reactor project, inter-Korean relations remained in a deadlock as Pyongyang avoided bilateral dialogue.

2. Background of Promoting the Reconciliation and Cooperation Policy

In February 1998, the Government of the People led by President Kim Dae-jung was inaugurated. In his inauguration address, President Kim made it clear that he would develop inter-Korean relations by promoting reconciliation and cooperation between the two Koreas and establishing peace between them. The President's speech reflected the basic direction of his administration's North Korea policy: At this point, rather than hastening to achieve national unification immediately, the government would first concentrate its energy into transforming the political structure on the Korean Peninsula from the Cold War confrontation into reconciliation and cooperation.

Holding fast to such a basic stance, the Kim Dae-jung Administration has been consistent in its North Korea policy over last three years. This consistency resulted from the administration's conclusion that a policy that calls for reconciliation and cooperation is the most practical alternative there is to assure peace and stability on the Korean Peninsula when every element is taken into consideration, including the trend in the environment surrounding the peninsula and developments both within North Korea and between the two Koreas.

A. End of the Cold War and Change in the Northeast Asian Region

With the democratization of the eastern bloc and the demise of the Soviet Union in the 1980s, the international order of the Cold War ended. Over the last ten years, the world has struggled to establish a new order taking into account grand trends toward globalization, informatization, liberalization and expanded international cooperation. Dazzling advancements in science and technology have transformed the world into a single global village. On the other hand, the number of trans-border issues that require efforts beyond the capability of any single country to manage is on the

increase. Dealing with many issues in such areas as famine, environment, terrorism and drug trafficking requires close cooperation among all the countries in a region or even in the entire world. Today, no single country can survive isolated from the rest of the world. Every country is moving toward reconciling and cooperating with each other by overcoming differences in ideology, system, race and religion.

Many changes have taken place around the Korean Peninsula, too. The four major countries around the peninsula, the United States, Japan, China and Russia, have formed strategic partnerships to maximize their national interests in areas where mutual cooperation is promising. In implementing their policies toward the Korean Peninsula, these four countries share a view that maintaining peace and stability on the peninsula serves their common interest.

Such changes simultaneously present to South Korea a challenge and an opportunity. South Korea now faces a chance to overcome a half-century long national division and to open a new era of national unification and prosperity relying on its own will and ability. If, on the other hand, Korea fails to take advantage of the historical trend and repeats its shameful history of confrontation and conflict, the country's future in the 21st century will be less promising.

With such a historical awareness, the government endeavors to take advantage of the changes around the Korean Peninsula and to actively promote the policy of reconciliation and cooperation toward North Korea. Through all these efforts, it aims at ending the Cold War on the peninsula and converting inter-Korean relations from mutual mistrust and confrontation into mutual reconciliation and cooperation.

B. Introduction of Realistic Views on North Korea

The reconciliation and cooperation policy of the Kim Dae-jung Administration is based on a realistic view of North Korea's current conditions. In short, the government believes that, although the North Korean system has already proven to be a failure and its revival is impossible without reform, North Korea is not likely to collapse soon.

Having failed to join global trends resulting from the end of the Cold War while

maintaining its policy of isolation and seclusion, North Korea faces a serious economic crisis. Since 1990 the North Korean economy has recorded negative growth. Due to the shortage of energy, food and foreign currency, the number of North Koreans escaping from this country continued to increase. When such signs of social disintegration became apparent, some South Korean and foreign experts developed pessimistic assessments of North Korea's future.

Nonetheless, when the peculiarities of the North Korean regime and the political dynamics in the surrounding region are taken into consideration, the chances for an immediate collapse of the North Korean regime are very slim. Pyongyang is more likely to secure the survival of its regime through a gradual reform and opening up, as was the case with China or Vietnam. First, the North Korean regime still enjoys political stability centered on National Defense Commission Chairman Kim Jong-il. There is no sign of internal disturbance. In addition, China and other surrounding countries do not wish to see any drastic change on the Korean Peninsula. Consequently, these countries have clearly promoted policies that support the stability of the North Korean regime.

North Korea has cautiously shown signs of change since the mid 1990s. In particular, the North Korean regime adopted some elements of a market economy, including the concepts of price and profitability, into its system through a constitutional revision in 1998. The regime also sent a number of its government officials abroad to study capitalist management systems. Pyongyang's recent effort to improve relations with the United States and other Western countries can be understood as an attempt to come out of isolation to build its economy. All these movements are expected to facilitate change in North Korea. Of course, whether such changes reflect a fundamental change in the North Korean system still remains controversial. However, since Pyongyang has already chosen the direction of reform, the pace of reform and opening up will certainly be increased in the future.

Therefore, the best and most practical way to preserve peace on the Korean Peninsula, improve inter-Korean relations and move toward national unification would be to provide a favorable environment for North Korea to change by itself, while assuring stable management of the national division.

Having such a practical view on North Korea, the Kim Dae-jung Administration has consistently promoted a reconciliation and cooperation policy based on strong

national security.

C. Widening Gap in the National Strength between the South and North and the Need for South Korean Initiatives

While developing different systems and ideologies, South and North Korea competed against each other for a long time as parts of a divided nation. By the late 1970s, however, the gap in national strength between the two Koreas became apparent and the competition was over. Furthermore, the disintegration of the Soviet Union and collapse of the Eastern socialist regimes in the late 1980s clearly showed that the historical experiment of socialism that had started in the early 20th century ended in failure. Consequently, the system competition between the two Koreas was no longer meaningful.

The economic gap between the two Koreas has already become enormous. Even on the military side, although North Korea may have an army with a larger size, South Korea has sufficient deterrence against the North when the quality of troops is taken into account. South Korea's superior national strength will further improve its military deterrence. A strong military alliance between the United States and South Korea also increases the South's ability to deter the North from attacking it.

As stated above, South Korea must take a leading role in shaping the future of the Korean Peninsula and Korean people. In other words, there is a national mandate for the South Koreans to prevent a war on the peninsula, convert the inter-Korean relations of confrontation into those of reconciliation while managing the national division in a stable way and ultimately achieve national unification to open a better future for the entire Korean people.

The reconciliation and cooperation policy of the Kim Dae-jung Administration has its root in a historical awareness that, based on its strong military deterrence, South Korea should secure peace and stability on the Korean peninsula and take a leading role in achieving co-existence and co-prosperity between the two Koreas. By doing so, the administration is convinced that it should achieve peaceful unification of the country and promote national prosperity in the 21st century.

3. Objective and Principles of the Reconciliation and Cooperation Policy

The objective of the reconciliation and cooperation policy is to improve inter-Korean relations through the establishment of peace and expansion of reconciliation and cooperation. The policy requires keeping peace through a strong security posture on one hand while creating a favorable environment for North Korea to move toward the direction of reform and change through the promotion of inter-Korean reconciliation and cooperation on the other hand. It aims at assuring peaceful coexistence between the two Koreas by protecting peace and stability on the Korean Peninsula.

Rather than hastening to integrate legal systems and institutions, South Korea hopes to gradually expand exchange and cooperation between the two Koreas while firmly maintaining the basis for peace. It envisions a state of de facto unification in which both South and North Korean people can travel freely across the border and recover national homogeneity through an expanded mutual understanding.

To achieve such an objective, the government introduced three basic principles in its North Korea policy and consistently promoted the policy based on these principles. These three basic principles are as follows: no tolerance of armed provocation that would destroy peace on the Korean Peninsula, elimination of achieving unification through a unilateral takeover or absorption, and active promotion of reconciliation and cooperation between the two Koreas.

A. No Tolerance of Armed Provocation that would destroy Peace on the Korean Peninsula

The most urgent and important task on the Korean Peninsula is to maintain peace. It is so because a lasting peace provides for South Korea not only a foundation from which to it can efficiently promote the reconciliation and cooperation policy toward North Korea but also is a basic premise in its efforts to improve inter-Korean relations and achieve national unification.

In addition, when South Korea demonstrates its firm commitment to keep peace,

North Korea is likely to realize that it is impossible to unify the country under communism by force and start to change itself. Nothing is more important than taking measures in advance to suppress North Korea's desire to provoke.

As long as there is no clear evidence that a fundamental change has taken place in North Korea's policy of unifying the country under communism, or as long as massive armed forces of South and North Korea are confronting each other along the military demarcation line, the most important mandate for the South Korean government is to maintain a strong security posture. In addition, South Korea must take decisive measures to cope with any armed provocation by the North.

Nonetheless, because the security environment on the Korean Peninsula has changed, it may not be advisable to concentrate simply on keeping peace. South Korea must exert its efforts to actively maintain a stable security environment.

For this reason, the Kim Dae-jung Administration has advanced one step further from a peacekeeping toward a peace-making policy. By simultaneously implementing these two policies, South Korea hopes to build an institutional mechanism to terminate the Cold War and establish durable peace on the Korean Peninsula.

B. Elimination of Achieving Unification through a Unilateral Takeover or Absorption

Unifying the country is limited to neither going back to the past nor simply integrating the two systems or national territories. It is a process of building a single national community that embodies such universal values of humankind as freedom and human rights. Therefore, unification should be understood as a long process of moving toward the point of completion rather than something that may occur at any single moment.

Moreover, because South and North Koreans have been confronting and feuding with each other while living under two completely different systems for over half a century, differences between them have grown larger. Under such circumstances, it is not possible for either side to unilaterally take over or to absorb the other or achieve unification immediately. Even if it were possible, such a development would create a

serious aftershock and side effect. This point is well proven in the German case. East and West Germany had enjoyed a long period of expanded exchange and cooperation and preserved national homogeneity between them prior to unification. Nonetheless, the unified Germany has suffered from serious conflicts and negative side effects following national integration.

For this reason, the Kim Dae-jung Administration wants to take a gradual approach in unifying the country, rather than hastening the integration of legal systems and institutions between South and North Korea. To achieve this, the government has concentrated its efforts on the establishment of peaceful coexistence and recovery of national homogeneity between the two Koreas.

C. Active Promotion of Reconciliation and Cooperation between the Two Koreas

To dispel mistrust and hostility and recover national homogeneity, South and North Korea must expand bilateral dialogue, contacts and cooperation. In particular, it is important that South and North Korea expand interactions starting from the areas that are most needed and where they can readily cooperate with each other.

Expanded reconciliation and cooperation between the two Koreas not only advances the mutual benefit and welfare of the entire Korean people but also contributes to South Korea's national security by removing North Korea's military threat through creation of a mutually beneficial relationship between the two Koreas.

Based on these three basic principles of North Korea policy, the Kim Dae-jung Administration has constantly made efforts to expand reconciliation and cooperation between the two Koreas while completely restraining Pyongyang from making a provocation.

4. Announcement of Plans to Build a South-North Economic Community and the Berlin Declaration

A. Announcement of Plans to Build a South-North Economic Community

In his New Year's address delivered on January 3, 2000, President Kim Dae-jung emphasized as the main task of the government's North Korea policy the promotion of inter-Korean reconciliation and cooperation to end the Cold War on the Korean Peninsula. In addition, he said that South Korea would provide humanitarian aid to North Korea in all sincerity and promote economic exchanges with the spirit of promoting mutual benefits and co-prosperity. He also proposed a discussion between government research institutions from both Koreas to create a South-North economic community. The proposal for the economic community was aimed at creating a new framework for inter-Korean relations through the expansion of the scope and depth of cooperation between the two Koreas in various economic areas, including trade and investment.

President Kim's proposal for the South-North economic community could not be viewed separately from the successful fruits of the North Korea policy the Government of the People had consistently promoted since its inauguration. Based on the principle of separating business from politics, the government had promoted economic exchanges and cooperation independently from the change in the mood of inter-Korean relations.

To expand economic exchange and cooperation, the government took measures to boost inter-Korean trade and investment and eased regulations. As a result, exchanges of both people and commodities between the two Koreas increased considerably. Economic cooperation was expanded in various areas, including the opening of Mt. Kumgang tourism and agreement on the creation of a Kaesong industrial complex. The new proposal was designed, therefore, to further expand ongoing trade and investment between the two Koreas while presenting a long-term vision for inter-Korean economic interactions.

In fact, expanded economic cooperation between the two Koreas is a shortcut to secure mutual benefits and facilitate harmonious growth of the Korean national

economy while advancing the welfare of entire Korean people and creating a single joint economic sphere. Because the two Korean economies are in a complementary relationship, the bilateral cooperation is likely to create enormous synergistic effect.

In addition, the creation of the South-North economic community will expedite the recovery of mutual trust as well as national homogeneity between South and North Korean people. In this respect, the development of an economic community is extremely important because it may automatically lead to a creation of a socio-cultural community.

To create the economic community, the government thinks that it is important to constantly expand economic cooperation in which both the South and North as well as Koreans living abroad participate and join their capital, technology, land and labor together. Through joint participation, both Koreas would be able to promote common interests while providing practical assistance in rebuilding North Korean economy and raising the living standard of the North Korean people. This will eventually pave the road to national unification.

B. The Berlin Declaration

In his speech delivered at Free University in Berlin on March 9, 2000, President Kim announced a Declaration on Inter-Korean Reconciliation and Cooperation for Peace and Unification of the Korean Peninsula (commonly known as the Berlin Declaration). The declaration covered a comprehensive range of Korean issues: provision of economic aid, establishment of peace, resolution of issues related to separated families and resumption of inter-governmental dialogue.

The Berlin Declaration was based on the President's confidence that peaceful coexistence between the two Koreas has become an attainable goal. With such a strong conviction, President Kim stood at the scene of German unification and made it clear to the international community that South and North Korea would actively promote inter-Korean reconciliation and cooperation in the beginning of the 21st century. The President urged the North to reply positively to his proposal.

The main messages in the Berlin Declaration were as follows: First, South Korea

promised that it would assist North Korea's economic recovery through the expansion of inter-Korean economic cooperation. Acknowledging the limitation in economic cooperation by the private sector, the South proposed the promotion of large-scale economic cooperation through a dialogue between the two Korean governments. In particular, it offered assistance in improving such industrial infrastructure as roads, harbors, railroads, power plants and communication facilities. South Korea also proposed to provide various institutional mechanisms to facilitate economic cooperation, including agreements on investment protection and prevention of double taxation, while expressing its willingness to provide assistance in improving North Korea's agricultural structure to help the North permanently overcome its food shortage.

Second, South Korea called for joint efforts to terminate the Cold War on the Korean Peninsula and promote peaceful coexistence between the two Koreas. There is no doubt that the most immediate task for the two Koreas under current circumstances is to end the Cold War and assure peaceful coexistence. If a national unification is achieved without going through the stage of peaceful coexistence, it is likely to cause tremendous economic, social, cultural and psychological shock and chaos. That is why the South proposed first to expand inter-Korean cooperation in the practical areas to end the Cold War and establish peace.

Third, South Korea called for the immediate resolution of the issues related to separated families. Not only from the humanitarian point of view but also with consideration that the first-generation members of separated families are getting old, the resolution of these issues became an urgent task, allowing no more room for delay in dealing with them. To resolve the issues, the very nature of the separated family problem requires more than anything else cooperation between the governments of the two Koreas. For this reason, South Korea urged North Korea's active cooperation in this area.

Fourth, South Korea proposed the resumption of dialogue between the two Korean governments to implement the South-North Basic Agreement of 1992 and resolve outstanding problems between the two Koreas. The dialogue between the two governments is absolutely necessary if the two Koreas are to discuss and resolve Korean issues by themselves based on the principle of self-determination. The Basic Agreement of 1992 is a national covenant that includes all the elements needed to improve inter-Korean relations and establish peace. South Korea therefore proposed

an exchange of special envoys to discuss ways to implement this agreement.

In short, the Berlin Declaration affirmed before the world South Korea's sincere willingness to actively promote inter-Korean reconciliation and cooperation to end the cold War and enable peaceful coexistence on the Korean Peninsula. It has great historical significance because it introduced an epochal turning point in inter-Korean relations by enticing the North to hold an inter-Korean summit.



II. Progress of Inter-Korean Summit and the June 15 Joint Declaration

1. Preparation for the Inter-Korean Summit

A. Contacts between Secret Envoys

Immediately following President Kim Dae-jung's Berlin Declaration, North Korea, through various secret channels, proposed to the South an exchange of special envoys. Through these channels, the North also conveyed its willingness to discuss matters related to preparing for an inter-Korean summit. In response to North Korea's proposal, President Kim appointed Culture and Tourism Minister Park Jie-won as a special envoy and asked him to meet with his North Korean counterpart.

The first closed-door contact between the special envoys took place between Minister Park and Vice Chairman Song Ho-kyong of North Korea's Asia-Pacific

Peace Committee (APPC) in Shanghai on March 17, 2000. The two envoys met two more times in Beijing afterward and finally, on April 8, reached an agreement on an inter-Korean summit. Seoul and Pyongyang announced the agreement simultaneously in the morning of April 10, 2000.

B. Contacts for Preparation of Inter-Korean Summit

In accordance with the April 8 agreement, five rounds of preparatory contact to discuss procedural matters related to an inter-Korean summit were made between the two Koreas in the truce village of Panmunjom from April 22 to May 18. The South Korean delegation to these contacts was headed by Vice Minister of Unification Yang Young-sik and consisted of three members, while the North Korean delegation was headed by Kim Song-ryong, a vice-minister-level official from the Presidium of the Supreme People's Assembly, and consisted equally of three members.

This was the first government-level inter-Korean dialogue to take place in Panmunjom since 1994. Between the fourth and fifth contacts, the two sides also communicated with each other by exchanging documents through Panmunjom. The two Koreas reached agreement on major procedural issues for the summit during the fifth contact on May 18, 2000.

During these preparatory contacts, the two Koreas discussed issues in a friendly and constructive mood. They agreed that the agenda for the summit, which had been the subject of most heated debate, would be “the question of reconciliation and unity of Korean people, expansion of exchange and cooperation and accomplishment of peace and national unification.” The adoption of such an agenda clearly demonstrated to both international and domestic audience the objectives of the inter-Korean summit as well as the direction in which the Korean people should move ahead.

During preparatory contacts, the two Koreas agreed that President Kim and Chairman Kim should have at least two or three meetings, allowing maximum opportunities for the two heads of the state to discuss with each other. In addition, the two sides agreed to operate a satellite communication system between the two Koreas for the first time since the country was divided. As a result, with cooperation from the North Korean side, not only 70 million Koreans but also the whole world

was able to watch the live coverage of this historic event filmed and produced by the South Korean TV staff using their own equipment.

Along with these preparatory contacts, the two Koreas also had two working-level meetings on communication and press coverage, on May 13 and 17, and another on protocol and escort on May 16 to discuss the pertinent details. During the communication and press coverage meetings, the two sides reached an agreement on the use of the President's national leadership communication network, which consists of an inter-Korean hotline, a photo-optic cable via China and a communication satellite relay. The two Koreas also agreed to install 30 lines of direct phone lines between Seoul and Pyongyang and another 30 lines for international calls and allowed carrying of portable satellite equipment.

During the protocol and escort meetings, they reached agreement on close-contact escort, guard over the President's lodgings, preliminary inspection of the sites of visit, the use of security equipment such as metal detector and emergency medical measures. Further details in these areas were discussed between the two sides during the South Korean advance team's visit to Pyongyang.

The 30-member advance team headed by the Director of South-North Dialogue Office of the Ministry of Unification arrived in Pyongyang via Panmunjom on May 31. The team checked the details related to the scheduled inter-Korean summit through on-site inspections. It also discussed with the North Korean side the details for the handling of communication, press coverage, protocol and escort. The North cooperated with the South in preparing the summit without a failure by permitting a replacement of some members in the advance team and letting them travel via Panmunjom.

2. Inter-Korean Summit

A. Overview

A historic inter-Korean summit was made possible when President and Mrs. Kim Dae-jung and other members of a South Korean delegation visited Pyongyang from

June 13-15.

The visit had been originally scheduled to start on June 12, but the North requested in an emergency telephone message dispatched late June 10 that the President's visit to Pyongyang be postponed for a day due to an inevitable delay in its preparation for the summit. As a result, the visit was delayed by one day.

The South Korean delegation for the President's visit to Pyongyang consisted of 130 members, including 30 members of the advance team, and 50 reporters. Other official members of the delegation included 11 official attendants, 24 special attendants and 95 general staff.

The South Korean delegation traveled between the two Koreas on the presidential plane and a South Korean civil airliner for the first time since the division of the country. The South Korean planes flew in a route over the West Sea.

Prior to his departure from Seoul, President Kim expressed his hope that "this precious opportunity for a meeting between the heads of the two Koreas would put an end to the 55 year-long hostile relationship marked with mistrust and enmity, provide a new turning point in the Korean history and pave the road to peace on the Korean Peninsula, expansion in inter-Korean exchange and cooperation and unification of the motherland."

When President Kim Dae-jung and his delegation arrived at Sunan Airport in Pyongyang, National Defense Chairman Kim Jong-il and other top North Korean leaders greeted them. The President attended an official welcome ceremony at the airport and inspected the North Korean honor guard.

President Kim and Chairman Kim had a pleasant chat while riding on the same limousine on their way to the Baekhwawon State Guesthouse, where the President stayed during his visit to Pyongyang. The two leaders had an official talk immediately after arriving at the guesthouse.

During the talk, President Kim and Chairman Kim exchanged greetings and shared general ideas on how to proceed with the summit.

The two leaders had two more rounds of talks at the same guesthouse thereafter, in

the afternoon and evening of June 14.

In particular, the summit meeting which started at 3:00 PM, June 14 lasted over four hours. During the talks, the two heads of state had an earnest and frank exchange of views on overall inter-Korean issues. As a result, they were able to reach a general agreement in several important areas. Subsequently, the working-level staff from both sides started working on the specific wording of an inter-Korean Joint Declaration.

Later on the same day, following the dinner banquet hosted by President Kim Dae-jung, the two leaders had another summit meeting starting around 11:20 PM. During the summit, they reviewed a final draft of the inter-Korean Joint Declaration prepared by their staffs, signed them and exchanged the copies. Finally, the two announced their agreement to the world a little past midnight on June 15.

With the end of a luncheon hosted by Chairman Kim Jong-il, President Kim Dae-jung and his delegation completed their formal itinerary in Pyongyang and returned home on June 15. In his report to the nation made upon his arrival at the Kimp'o International Airport, President Kim presented his vision. "When the two exist together peacefully, the South and North will be able to soar up to be the world's greatest nation in the 21st century and open up a proud future for the Korean people."

B. Main Issues addressed during the Inter-Korean Summit

The very fact that the highest leaders of the South and North met with each other for the first time in 55 years of national division has a significance of its own.

President Kim Dae-jung maintained that through the inter-Korean summit the highest leaders of the two Koreas would build mutual trust, frankly exchange views on reconciliation, cooperation, peace and national unification, and reach an agreement where agreement is possible. Accordingly, he explained clearly to Chairman Kim Jong-il South Korea's positions on four major issues-national reconciliation and unification, easing of tension and establishment of peace, expansion of inter-Korean exchange and cooperation, and reunion of separated families.

The following is the summary of President Kim's remarks on these four issues:

(1) National Reconciliation and Unification

With the end of the international Cold War, the arrival of an age of unlimited competition in global economy and transition into a knowledge-based information society, the human community is going through the most dramatic revolution ever. In the midst of such an epochal change, the Korean Peninsula is the only remaining ground for the Cold War. The two Koreas must not confront each other any more. They must work together for the survival and advancement of the Korean people.

The highest leaders of the South and North must take the lead in building trust and promoting reconciliation and cooperation between the Koreas.

Furthermore, both must accept the reality that an immediate unification of the country under the current stage of inter-Korean relations is impossible. With respect for each other's system, the two Koreas should pave the road to peaceful unification through establishing peace and expanding reconciliation and cooperation between them. To facilitate a peaceful unification of the country, they must form a South-North confederation.

(2) Easing of Tension and Establishment of Peace

Because it is today's reality that the South and North mistrust each other and they are in fear of an attack from the other, another war on the Korean Peninsula will lead to the mutual destruction of both Koreas. It will be a war in which neither side can be the winner.

South Korea, therefore, support neither unification by communization nor unification by absorption. Since the South has no intention to harm the North, the North must also renounce its desire to resort to military force.

The international community's suspicion over North Korea's development of weapons of mass destruction poses a serious threat to peace on the Korean Peninsula. Pyongyang, therefore, needs to dispel the suspicion by faithfully implementing the Joint Declaration on the Denuclearization of the Korean Peninsula and the Agreed Framework signed between the United States and North Korea. It is also

important that Pyongyang complete the missile talks with Washington as soon as possible.

North Korea needs to do so in order to improve its relationship with other countries, including the United States and Japan. It may also serve Pyongyang's own interests.

In addition, the two Koreas should reconcile and cooperate with each other and move toward normalization of the relationship between them. They should endeavor together to establish durable peace on the peninsula by transforming an armistice regime into a peace regime.

(3) Expansion of Inter-Korean Exchange and Cooperation

Expanding economic cooperation between the two Koreas is extremely important for the balanced development of the Korean economy and creation of a national economic community. With the successful completion of an inter-Korean summit, the two Koreas must cooperate with each other in connecting railroads and roads and expanding industrial infrastructure, including harbor and power supply facilities.

At the same time, the two sides must lay down as soon as possible such institutional mechanisms as investment protection and prevention of double taxation to facilitate economic cooperation between them.

In addition, they must expand exchange and cooperation in all areas, including social, cultural, athletic, health and environmental cooperation, in order to build mutual trust and recover national homogeneity.

Expansion of cooperation between the two Koreas would benefit both and improve the welfare of the entire Korean people.

(4) Reunion of Separated Families

The separated families have been longing for their families, relatives and hometowns throughout their lives. This is an issue on which there is not-much-time left. Chairman Kim Jong-il, therefore, has to pay special attention to this issue and cooperate with the South to resolve it.

The South and North must cooperate to help these people find out the fate of their lost families and set up a permanent meeting center. The two Koreas should help these people gradually reunite with each other permanently according to their own will. To discuss these matters, the two sides must have Red Cross dialogue as soon as possible.

President Kim proposed the exchange of a group of separated families for cross-visits in Seoul and Pyongyang on August 15, 2000 when the country celebrates the 55th anniversary of national liberation.

In his response to President Kim's suggestions and proposals, Chairman Kim expressed consent and approval. Based on such mutual understanding, Chairman Kim, too, frankly set forth North Korea's view on these issues.

Most noteworthy in Chairman Kim's remarks were that he acknowledged that the South and North should not continue confronting each other and that the two Koreas should cooperate with each other. In addition, he agreed that South and North Korea should gradually improve inter-Korean relations to move toward peaceful unification. He also agreed that between the two Koreas implementation is more important than slogans or principles. His remarks displayed a considerable difference from the views North Korea held in the past.

3. Main Points in the June 15 Joint Declaration

A. Joint Declaration

< South-North Joint Declaration >

In accordance with the noble will of the entire people who yearn for the peaceful reunification of the nation, President Kim Dae-jung of the Republic of Korea and National Defense Commission Chairman Kim Jong-il of the Democratic People's Republic of Korea held a historic meeting and summit talks in Pyongyang from June 13-15, 2000.

The leaders of the South and North, recognizing that the meeting and the summit talks, the first since the division of the country, were of great significance in promoting mutual understanding, developing South-North relations and realizing peaceful reunification, declared as follows:

1. The South and North have agreed to resolve the question of reunification on their own Initiative and through the joint efforts of the Korean people, who are the masters of the country.
2. Acknowledging that there are common elements in the South's proposal for a confederation and the North's proposal for a federation of lower stage as the formulae for achieving reunification, the South and the North agreed to promote reunification in that direction.
3. The South and North have agreed to promptly resolve humanitarian issues such as exchange visits by separated family members and relatives on the occasion of the August 15 National Liberation Day and the question of former long-term prisoners who had refused to renounce Communism.
4. The South and North have agreed to consolidate mutual trust by promoting balanced development of the national economy through economic cooperation and by stimulating cooperation and exchanges in civic, cultural, sports, public health, environmental and all other fields.
5. The South and North have agreed to hold a dialogue between relevant authorities in the near future to implement the above agreement expeditiously.

President Kim Dae-jung cordially invited National Defense Commission Chairman Kim Jong-il to visit Seoul, and Chairman Kim Jong-il decided to visit Seoul at an appropriate time.

June 15, 2000

Kim Dae-Jung
President
The Republic of Korea

Kim Jung-il
Chairman
National Defense Commission
The Democratic People's Republic of Korea

B. Implications of Each Point

(1) Self-Determination in the Pursuit of National Unification

Since the question of national unification is directly related to the fate of the Korean people, the Korean people, who are the masters of their own destiny, must resolve it through their own efforts. According to the principle of self-determination, the two Koreas must resolve the question peacefully through dialogue. Such a point was already agreed between the two Koreas as one of the three basic principles stated in the July 7 South-North Joint Communique and reaffirmed in the Basic Agreement of 1992.

Since the Korean issue shows a dual nature by displaying both internal and international characteristics, it is important for us to combine our own efforts with support and cooperation of the international community. Having realized it, President Kim Dae-jung explained that “self-determination or independence” is not an exclusive concept calling for rejection of foreign forces, but rather one that is based on support and cooperation of the international community. Chairman Kim Jong-il showed his consent to President Kim’s argument.

Furthermore, commenting on the trilateral cooperation among the United States, Japan and South Korea, which Pyongyang has long perceived as a threat to its regime, President Kim emphasized that its purpose is to create an environment conducive to the maintenance of peace and stability on the Korean Peninsula as well as North Korea’s participation in the international community.

Therefore, the concept of “self-determination or independence” stated in the inter-Korean agreement is not related to what North Korea has insisted, including its demand for the rejection of foreign forces and withdrawal of U.S. troops. It rather implies that with the active cooperation of the international community, the two Koreas should resolve the question of national unification as masters of their own destiny.

(2) Acknowledgement of Common Ground between the Unification Formula of South and North Korea

Although both South and North Korea aimed for a common goal of national unification, each has long proposed a different formula to achieve it.

South Korea's unification formula is termed the Korean National Community Unification Formula (KNCUF), which was adopted at the end of 1980s after a series of National Assembly hearings and a process of collecting public opinion on the formula. With an understanding that it is neither possible nor advisable to hasten national unification under current circumstances, the formula calls for a gradual, staged approach to unification. It proposes first to create a South-North confederation based on a mutual acknowledgement of each other's system and later to assure peaceful coexistence between the two Koreas on their way to the formation of a completely unified Korea.

In other words, for the two Koreas to achieve national unification, a preparatory transition period is necessary. Understanding this reality, South Korea proposes the creation of a South-North confederation as an effort to institutionalize the process of preparing for national unification. The proposal suggests that the two Korean governments first establish peace and expand mutual trust and national homogeneity through bilateral exchange and cooperation while maintaining the currently existing structure of two systems and two governments. By doing so, the two Koreas would be able to pave the road to a completely unified nation with one system and one government.

North Korea's unification formula proposed in 1980, on the other hand, calls for the creation of a so-called Democratic Confederal Republic of Koryo (DCRK). The federation created under this formula would have two different systems in a single nation while the central government would have control over foreign and military affairs and each of the two local governments in the South and North would have complete autonomy in its own region. In short, the North Korean proposal calls for the immediate creation of a unified Korea in the form of a federation.

During the June summit, Chairman Kim Jong-il acknowledged the practicality of President Kim's proposal for South-North confederation. Chairman Kim admitted that the 'lower stage of federation' is in reality not different from the South-North confederation in that the two Koreas still maintain two systems and two governments as they are and gradually move toward national unification through mutual cooperation. The 'lower stage of federation' North Korea proposed at the summit is clearly

different from the Democratic Confederal Republic of Koryo described in the earlier unification formula. Pyongyang seems to have made such a change because it realized that its unification formula has low feasibility.

In the meantime, the following similarities are found between South Korea's confederation formula and North Korea's new federation formula.

First, both formulas do not say much about what a unified Korea would look like. Rather, they simply describe a transitory or preparatory stage before the completion of unification. In other words, both formulas describe not the shape of the unified country, but an approach to prepare for national unification and integration.

Second, both formulas call for a mechanism of mutual cooperation between the South and North Korean governments while maintaining the existing two systems and two governments as they are. Under both schemes, the South and North Korean government would still have control over its own internal politics, military and foreign affairs, respectively, while cooperating with each other through an inter-Korean institution.

Third, both are characterized with a gradual approach calling for expanding the basis for unification through the promotion of inter-Korean exchange, cooperation and dialogue in various areas, including political, military, economic and social.

Fourth, under both schemes, neither side has put forth any precondition. With the proposal for the 'lower stage of federation,' North Korea made it clear that there is no precondition in forming a federation, including longstanding conditions from the past such as the repeal of South Korea's national security law and withdrawal of the U. S. troops from the South.

Having acknowledged such similarities during the inter-Korean summit and having agreed to identify common ground in the future, the two Koreas established a foundation on which they can discuss national unification in the future.

(3) Resolution of Humanitarian Issues

Nothing is more urgent and critical than resolving the greatest tragedy of the national division, the issue of separated families.

During the last inter-Korean summit, President Kim Dae-jung pointed out the urgent need for family reunion and urged Chairman Kim's response to his concrete proposal on the issue. The President proposed that the two Koreas first exchange family reunion visits on August 15, the National Liberation Day, while taking step-by-step measures to check the addresses of separated families, promote the establishment of a meeting center and allow the families to be reunited according to their own will.

Chairman Kim sympathized with President Kim's proposal and suggested that, along with the cross-visits by separated families, unconverted long-term prisoners in the South are returned to the North. To facilitate the family reunion, President Kim agreed to include the unconverted long-term prisoners in a broader definition of separated families and accepted the North Korean demand for their repatriation.

In accordance with such an agreement, the South and North had two rounds of cross visits by separated families in 2000. The first round of the visit took place from August 15-18 and the second, from November 20-December 2. In each round, 100 members of separated families from each side visited Seoul and Pyongyang, respectively. The two Koreas agreed to have an additional exchange at the end of February 2001. Along with cross-visits, the two sides also agreed on two rounds of address checks for 100 people each in January and February 2001 as well as an exchange of letters between 300 people from each side in March. The two Koreas plan to gradually expand the size of such exchanges in the future. In addition, they also decided to discuss the procedural details for the creation of a permanent meeting center.

From a humanitarian point of view, the South Korean side has continued urging the North to cooperate to return the South Korean POWs from the Korean War period as well as those who were abducted by North Korean agents in the past. Such efforts made it possible for the families of some abductees to meet their relatives during the second exchange of visits, thereby providing a turning point in resolving the issue.

On September 2, 2000, the South Korea government repatriated a total of 63 unconverted long-term prisoners residing in the South to the North. In addition, the two Koreas also reached an agreement on the homecoming of pro-communist Koreans living in Japan. Consequently, these Korean-Japanese were able to visit their hometowns in the South in September and November 2000.

(4) Pursuit of a Balanced Development of National Economy and Promotion of Exchange and Cooperation in All Areas

Expanded exchange and cooperation between the South and North is an engine behind the substantial improvement in inter-Korean relations through the recovery of mutual trust and national homogeneity between the two Koreas.

In particular, increased economic cooperation is of great importance not only because it is beneficial for both Koreas but also because it improves the welfare of the entire Korean people. Combining South Korea's capital and technology with North Korea's labor, economic cooperation between the two Koreas generates benefits for both Koreas and, thereby, promotes balanced growth of the national economy. Taking advantage of inter-Korean cooperation, South Korean businesses can improve their competitive edge in the international market. These measures will benefit both the South and North. Moreover, when the South expands economic cooperation with the North by improving North Korea's industrial infrastructure, including railroads, roads, harbor, communication and power supply facilities, the Korean economy will be able to enjoy the benefits of the economy of scale as economic growth that is currently limited to the southern half of the Korean Peninsula expands to the entire peninsula.

Since the completion of the inter-Korean summit, the two Koreas have worked on the Seoul-Shinuiju railway and Munsan-Kaesong highway. They have also discussed ways to cooperate on various other projects, including flood prevention along the Imjin River valley, construction of a Kaesong industrial complex, fishing in a North Korean fishing ground and a joint study for cooperation in supplying electricity.

Increased exchange and cooperation between the South and North in various areas enhances mutual understanding and trust. This eventually leads to an easing of military tension and recovery of national homogeneity. Expanding exchanges in the social and cultural areas is, therefore, as important as promoting economic cooperation.

The Koreans have already succeeded in exchanging performing art troupes and athletes, co-hosting art exhibitions and sports events and accomplishing visits to the North by South Korean journalists and tourists.

In particular, inter-Korean cooperation in the athletic area provided a good opportunity for both Koreas to demonstrate to the world the solidarity and potential of the Korean people. One good example was shown in the 2000 Sydney Olympic Games when the South and North Korean delegations marched hand-in-hand into the main stadium during the opening ceremony. Likewise, cooperation between the two Koreas in various international events in the future will not only consolidate emotional ties between the two Korean people but also project a positive image of national reconciliation on the minds of the international community.

Cooperation in the health and environmental area is another important future-oriented task. To prevent increased pollution and destruction of nature accompanied by the industrialization in North Korea and to stop the spread of the damage into the southern region, inter-Korean cooperation in these areas is absolutely necessary.

In short, South and North Korea have agreed to expand exchange and cooperation in various areas in a direction that would be mutually beneficial to each other and have indeed implemented such an agreement.

(5) Promotion of Government-level Dialogue and Chairman Kim Jong-il's Return Visit to Seoul

No matter how wonderful a declaration or agreement made between the two heads of South and North Korea is, it is meaningless unless it is implemented concretely.

Accordingly, to put the agreement made between their heads of state into action as soon as possible, the two Koreas agreed to have government-level talks in the near future. As a result, ministerial-level talks were held about a month after the summit. Also, based on an agreement reached during the ministerial dialogue, a series of inter-Korean meetings followed one after another. These meetings included talks between defense ministers, military working-level talks, Red Cross talks and economic working-level meetings. Through these meetings, the two Koreas discussed concrete ways to promote joint inter-Korean projects, some of which are currently being undertaken.

In the meantime, Chairman Kim Jong-il confirmed North Korea's commitment to improving inter-Korea relations with his promise to visit Seoul. This implies that the relationship between the two Koreas will continue to improve over time.

Chairman Kim has repeatedly stressed that he would abide by the June 15 Joint Declaration because he signed the document himself. Therefore, his visit is expected to take place in due course.

When Chairman Kim visits Seoul and holds the second round of inter-Korean summit with President Kim Dae-jung, the two Koreas will be able to reinforce trust in the inter-Korean agreement among not only Korean people but also those in the international community. The visit will have a significant meaning in that it will advance inter-Korean relations one step further.

4. Significance of the Inter-Korean Summit and June 15 Joint Declaration

When looked from the historical point of view, the June inter-Korean summit and June 15 Joint Declaration have an enormous significance.

A. The First Meeting between the Two Heads of State and an Agreement on Action Plans

The inter-Korean summit has a great significance simply because the meeting between the heads of state of the two Koreas was achieved for the first time.

The meeting between the highest officials of South and North Korea for the first time in 55 years of national division is itself a historic event. The two heads of state expanded mutual understanding through a frank exchange of views in several rounds of talks, including a one-to-one meeting, over three days and two nights. As a result, they have developed mutual respect and trust, and on the basis of that trust, they were able to produce a five-point agreement announced in the form of a Joint Declaration.

The significance of the June 15 Joint Declaration lies in that, rather than producing another set of general agreements, the two highest officials of the South and North

Korean government reached an agreement and signed it themselves based on a common belief that one agreement put into action is more important than hundreds of promises unfulfilled.

B. Emphasis on Self-Determination in resolving the Korean Issues

Another significant aspect of the June inter-Korean summit is that the two Koreas agreed to resolve the Korean issues through direct dialogue based on the mutual recognition of each other's system.

As one can see in the German case, the first step toward resolving the issues originating from national division is to acknowledge the reality of the division or to recognize each other's system. The inter-Korean summit implies that the South and North recognize each other. With the inter-Korean summit, the two Koreas began to respect each other as dialogue counterparts and agreed to resolve pending issues through dialogue.

In addition, the summit was an occasion for South and North Korea to demonstrate before both domestic and international audience their strong desire and capacity to resolve the Korean issues on their own. Although the understanding and cooperation of the four neighboring countries are absolutely necessary, the Korean issues will never be resolved without active participation by both Koreas. For this reason, the creation of a regular channel for inter-Korean dialogue was one of the most important outcomes of the June summit.

Unlike in 1994, when a summit meeting between then presidents Kim Young-sam and Kim Il-sung was arranged through the mediation of the former U. S. president Jimmy Carter but failed to take place, this time the June summit was agreed directly between the two Koreas without the mediation or intervention by a third party. The summit thus made a good demonstration of Korean people's ability for self-determination.

C. Institutionalization of Inter-Korean Reconciliation and Cooperation

The inter-Korean summit laid a foundation for expanding exchange and cooperation in various areas, including the social, cultural, athletic, health and environmental areas.

In particular, inter-Korean cooperation in the economic area is the most efficient tool in building mutual trust between the two Koreas as well as the most critical action plan in a long march toward national unification. The contacts between South and North Korean technicians and laborers that would be naturally made during the course of promoting inter-Korean economic cooperation will contribute greatly to the recovery of national homogeneity. In addition, an efficient restructuring of both Korean economies through inter-Korean cooperation will contribute to an integrated development of the Korean national economy. Following the June summit, the two Koreas started working on connecting a railway between Seoul and Shinuiju and a highway between Munsan and Kaesong. The two sides also signed four economic agreements to facilitate inter-Korean cooperation.

In the meantime, the settlement of separated family issues is considered as a symbol of the recovery of mutual trust and expanded reconciliation between the two Koreas. As the settlement of the issues is being delayed, many members of separate families are dying of old age. Therefore, this is an extremely urgent task that cannot be put aside any further. During the last inter-Korean summit, the two heads of state agreed to resolve the issues approaching them from a humanitarian point of view as soon as possible. Consequently, the two leaders agreed to have a family reunion around August 15. This enabled many people to have a very clear first-hand experience of the historic symbolism of the inter-Korean summit. Following the cross visits by separated families in the last National Liberation Day, the two Korean government have continued their efforts to provide a gradual and institutional solution to the issues through address checks, exchange of letters and the establishment of a permanent meeting center.

One significant aspect of the inter-Korean summit is that it has facilitated as well as institutionalized exchange and cooperation between the two Koreas.

Through the summit, the South and North opened the door to institutionalization

of various forms of exchanges and cooperation between the two Koreas, thereby paving the road to de facto unification. The termination of hostility between the two Koreas through developing mutual respect for each other's system and easing tension will lead to reconciliation and peaceful coexistence. This is the state of de facto unification. By promoting more contacts, more exchanges and more cooperation, the two Koreas have endeavored to move to a stage in which the people of the South and North can travel freely back and forth between the two Koreas.

D. Contribution to Peace in Northeast Asia

Having facilitated the easing of tensions and establishment of peace on the Korean Peninsula, the inter-Korean summit also contributed to stability and peace in Northeast Asia.

During the summit, the highest leaders of South and North Korea agreed to establish a durable peace regime in order to avoid another war on the Korean Peninsula. The two leaders also confirmed that both sides have no intention to invade the other and pledged to refrain from any activity that might cause a threat to the other. The agreement contributed to helping the people around the world to relieve their worries over the instability in the Korean Peninsula.

Most of all, the apparent change in North Korea's behavior observed since the inter-Korean summit increased the likelihood of peaceful resolution of the questions involving North Korea's weapons of mass destruction, which had caused a constant threat to peace and stability in the Northeast Asian region. When tension escalates on the Korean Peninsula, the increased tension is likely to pose a serious threat to the security environment of Northeast Asia.

The inter-Korean summit encouraged the neighboring countries to take active measures to contribute to peace on the Korean Peninsula, and this is another important accomplishment of the summit.

E. Consistency in Promoting the Reconciliation and Cooperation Policy

The June summit was possible because the Kim Dae-jung Administration has maintained consistency in promoting the policy of reconciliation and cooperation toward North Korea since its inception. At the same time, Pyongyang set aside its initial suspicion over Seoul's intentions and agreed to resume inter-Korean dialogue. In short, the summit was possible through mutual trust between the two Koreas.

Another important factor behind the successful summit was a strong support for the government's policy by the South Korean people. With strong public support, the Kim Dae-jung Administration was able to hold steadfastly its North Korea policy.

The effectiveness of the administration's consistency in the promotion of the reconciliation and cooperation policy was reaffirmed through the summit, and was another important result of the summit. This helped the Kim Dae-jung Administration to maintain consistency in promoting its policy based on public support.



III. Progress following the Inter-Korean Summit

During a short period from the end of the inter-Korean summit to the end of 2000, many eye-opening changes have been made in inter-Korean as well as international relations.

1. Diversification and Regularization of Inter-Korean Dialogue

South and North Korea have held four rounds of ministerial talks and normalized the relationship between the two Korean governments.

The two Koreas held the first round of ministerial-level talks last July to discuss the implementation of the agreements reached in the June inter-Korean summit. Since then, the ministerial talks have served as a regular high-level channel through

which the two Koreas have discussed a wide range of inter-Korean issues, including political, military, economic and humanitarian issues. The talks also led the two Koreas to launch a defense minister's talks and gave birth to an inter-Korean committee for promoting economic cooperation, thereby establishing a basic framework for government-to-government dialogue. In addition, the South-North liaison offices resumed their functions as well.

Through the meeting between their defense ministers, the two Koreas discussed matters related to building mutual confidence and easing military tension. The defense ministers' talks made it possible for the two Koreas to promote both strong security and inter-Korean reconciliation and cooperation in parallel tracks. Subsequently, the two Koreas had military working-level meetings to discuss cooperation in military areas relating to the construction of the proposed inter-Korean railway and highway.

The two Koreas held inter-Korean economic cooperation working-level meetings twice to reach an agreement in four areas, including investment protection, prevention of double taxation, clearing settlement and commercial dispute resolution. An agreement on the provision of food loan was also signed through these meetings.

In the meantime, North Korean special envoy Kim Yong-sun visited the South and discussed the pending issues with the South Korean leaders. During his visit, Kim Yong-sun delivered to President Kim Dae-jung Chairman Kim Jung-il's strong commitment to the June 15 Joint Declaration and took a tour of various cultural and industrial facilities.

During the same period, the South and North Korean Red Cross officials also held two rounds of talks to resolve the issues of separate families and other humanitarian issues. The two Koreas agreed to exchange visits by separated families and to attempt address check and exchange of letters on an experimental basis. They also had in-depth discussions on the establishment of a reunion center.

During the year 2000, the two Koreas had a total of 25 meetings between them, including three rounds of contacts between special envoys in China from March 17 to April 8 to prepare for an inter-Korean summit, five preparatory meetings in Panmunjom from April 22-May 18, working-level meetings on communication, press coverage, protocol and escort, the June summit and various forms of talks fol-

lowing it.

The number of inter-Korean meetings showed a considerable increase from the previous year, during which the two Koreas had only two rounds of vice ministerial-level talks. Also, the talks were held in much more diversified areas as well as on a more regular basis.

2. Settlement of Family Reunion and Other Humanitarian Issues

Many humanitarian issues, including those of separated families, are now being resolved. Following the inter-Korean summit, the two Koreas exchanged two rounds of visits by separated families. During the first exchange, which took place from August 15 to 18, 100 people from each side visited Seoul and Pyongyang, respectively, and a total of 1,170 members of separated families were able to meet their relatives. During the second round of exchange from November 30-December 2, a total of 1,020 people from both Koreas were able to meet with their relatives.

This marked the resumption of the exchange of visits by separated families for the first time in fifteen years since 1985 when the two Koreas exchanged a homecoming party and performing art troupe. The cross-visits have a significant meaning in that it is an important step toward building trust between the two Koreas. In addition, the South and North had two rounds of Red Cross talks, in June and September, and agreed to earnestly promote address checks, exchange of letters and establishment of a reunion center.

At the same time, the two Koreas are approaching the question of South Korean abductees and POWs on a similar track. Through the Red Cross talks and other channels, the South Korean government has repeatedly urged North Korea to repatriate them. The government plans to resolve the question following steps similar to those taken in the case of other separated families, that is, address checks, exchanges of letters, and reunion according to their free will. As a result, for example, an old lady, who visited Pyongyang during the second round of exchange, was able to meet her son, who was kidnapped by the North in 1987. This was the first reunion for the families of the abductees, which provided a turning point in resolving the question of

the abductees and POWs.

3. Expansion in Inter-Korean Exchange and Cooperation

Substantial progress was also made in exchange and cooperation between South and North Korea. The two Koreas finally agreed on an institutional mechanism to facilitate economic cooperation.

They signed economic agreements in four areas: investment protection, prevention of double taxation, clearing of accounts and commercial dispute settlement. From such an institutional foundation, they are expected to promote more actively such major joint economic projects as Mt. Kumgang tourism and development, the Imjin River valley flood prevention and Kaesong industrial complex. Among them, connecting the Seoul-Shinuiju railway and Munsan-Kaesong highway are of great importance. These are long-cherished national projects that will generate huge economic benefits including a reduction in transportation costs in inter-Korean trade and provide a physical foundation for inter-Korean economic cooperation. Furthermore, these land routes will open the door to a peaceful use of the Demilitarized Zone (DMZ) and transform the Korean Peninsula into the main bridge between the Asian continent and the Pacific Ocean. The groundbreaking ceremony for this historic project was held in September 2000 in the presence of President Kim Dae-jung. The construction is currently under way in earnest and expected to be completed by the second half of 2001.

Economics exchange between the two Koreas also expanded considerably. Inter-Korea trade reached a record high \$425 million. At the same time, exchange of people expanded as well. Even excluding the Mt. Kumgang tourists, almost 8,000 Koreans traveled across the inter-Korean border during the year 2000.

Exchanges in the social and cultural areas have been very active. Several North Korean cultural delegations gave performances in Seoul, including the Pyongyang Students and Youths Art Troupe, the Pyongyang Circus and the North Korean National Symphony. The heads of South Korean press and media visited Pyongyang and signed an agreement on press and media exchange. Subsequently, the staff from

Korean Broadcasting System and Seoul Broadcasting System was able to visit the North and air their program live from Pyongyang and Mt. Paektu, respectively. The Hankyoreh reporters visited the North to collect news materials. In addition, a group of 109 South Korean tourists climbed Mt. Paektu while a group of North Koreans was expected visit Mt. Halla in March 2001.

Exchange in the athletic area has been also active. A car race was held in Mt. Kumgang. The sacred torch for an annual national athletic competition was lit in Mt. Kumgang as well. An inter-Korean table tennis match was held in Pyongyang.

The religious area was no exception. The Christians of both Koreas held a joint service on Easter Sunday. The Buddhists also had a joint memorial service on the National Liberation Day. Expansion of inter-Korean exchange in various areas has certainly contributed to the recovery of national homogeneity.

4. Facilitation of Change in North Korea

North Korea has already started to change. The scope of the change continues to enlarge and the pace is accelerating. Just like Beijing and Hanoi in the past, Pyongyang is expected to expand its reform and opening up in the future. It seems inevitable that North Korea must introduce the market economy into its system.

Pyongyang's agreement on the June inter-Korean summit is perhaps the best example of such a change in North Korea. Since the summit, it has been cooperative in various forms of inter-Korean dialogue, exchange and cooperation.

Shortly before the inter-Korean summit, Chairman Kim visited China and exchanged views on Chinese-style reform and opening up with Chinese leaders. Another important change is that Pyongyang has sent a number of party and government officials abroad to study the capitalist management system.

In its external policy, North Korea has actively tried to improve relations with the United States, (the country it has regarded as the "archenemy."), Japan and the members of the European Union (EU). It has also tried to import Western capital and

technology and studied capitalism. In addition, North Korea joined the ASEAN Regional Forum (ARF) in July 2000 and applied for the membership in the Asia Development Bank (ADB). All these efforts demonstrate how much Pyongyang has changed over last few years.

At the beginning of 2001, Chairman Kim Jong-il emphasized the necessity of adopting fresh ideas or “new thoughts” and new ways of doing things. He visited the exemplary Chinese special economic zone in Shanghai, strongly suggesting that his country, too, will be moving toward the direction of opening up and reform. Moreover, unlike in the past, North Korean media this time gave an intensive report of Chairman Kim’s visit to Shanghai at home. Such a change in the attitude of North Korean media further increases the likelihood of a reform in North Korea.

5. Increased Cooperation between the Two Koreas in the International Arena

At the opening ceremony of the Sydney Summer Olympic Games held in September 2000, South and North Korean delegation marched hand-in-hand under a single country name “Korea” and hoisted a common flag representing the Korean Peninsula. More than a mere demonstration of inter-Korean cooperation in this international sports event, the joint march showed the entire world that the Korean Peninsula was in a reconciliatory mood.

After an ARF ministerial meeting held in Bangkok July 2000, the two Koreas had a meeting between their foreign ministers and agreed to cooperate in the international arena. During the meeting, South Korea expressed its support for North Korea’s efforts to join various international organizations, including ADB and the Asia Pacific Economic Cooperation (APEC). The South Korean foreign minister proposed to build a channel of consultation between South and North Korean diplomatic establishments abroad. He also suggested having meetings between them on a regular basis. In response, the North Korean minister suggested that two Koreas join forces to make a single voice in the international arena and promised to cooperate in the United Nations general assembly.

Subsequently, exchanges between South and North Korean diplomats abroad have also expanded. For example, the South Korean ambassador to China visited the North Korean embassy to make his farewells upon his departure from Beijing. The North Korean ambassador to Singapore attended a formal welcoming party during President Kim Dae-jung's state visit to the Southeast Asian country.

Encouraged by such a friendly mood between them, the two Koreas exerted combined efforts to push forward a resolution to welcome the inter-Korean summit of 2000 and the June 15 Joint Declaration in the 55th UN General Assembly held in October 2000. As a result, a resolution on the peace, security and unification of the Korean Peninsula was adopted unanimously. This was the first resolution on the Korean Peninsula passed in the general assembly since 1975.

In addition, the participants in the third ASEM adopted the Seoul Declaration to express their wholehearted support for the inter-Korean summit and implementation of the agreements made in it.

As seen above, the reconciliatory mood between the two Koreas initiated by the inter-Korean summit last June has spread into inter-Korean cooperation in the international arena, thereby winning applause and support among the international community for an improvement in inter-Korean relations and peace on the Korean Peninsula.

6. Beginning of the Process of Ending the Cold War on the Korean Peninsula

South and North Korea have established a solid foundation for initiating a process of terminating the Cold War on the Korean Peninsula.

In September 2000, the two Koreas had a meeting between their defense ministers. The two ministers agreed that working together to remove the threat of war through easing military tension and establishing durable peace on the peninsula is a critical task lying ahead for the two Koreas.

The United States, Japan, China, Russia, the EU and the rest of the international community have also given their wholehearted support for efforts exerted by the two Koreas and promoted their policies to contribute to such an end.

In particular, the United States moved fast in the negotiation over normalization with North Korea. Washington also engaged Pyongyang in talks over missiles, economic sanction and terrorism. With North Korean special envoy Jo Myong-rok's visit to Washington in October 2000, the two countries officially declared in a joint communique their desire to end hostility and normalize relations between them. Subsequently, U.S. Secretary of State Madeleine Albright visited Pyongyang to discuss President Bill Clinton's possible visit to North Korea. Her visit presented a dramatic turning point in the bilateral relations between the two countries. Such a trend suggests that the United States and North Korea will be able to settle the missile and other bilateral issues through negotiation in the future.

Starting from the beginning of 2000, Japan, too, showed its desire to normalize relations with North Korea by expanding humanitarian aid and resuming normalization talks. Great Britain and other EU countries have also been active in normalizing relations with North Korea.

The hostility between the United States and North Korea, which has constituted one of the major axes of the Cold War on the Korean Peninsula, started to melt down. At the same time, the reconciliatory mood between the two Koreas has expanded after the announcement of the June 15 Joint Declaration. Consequently, the South Korean government assesses that the two Koreas have clearly moved toward dismantling the Cold War structure on the Korean Peninsula.

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I. Inter-Korean Ministerial Talks

In the fifth article of the South-North Joint Declaration the South and North Korea agreed to hold dialogues between the respective governments for the early implementation of agreements reached at the inter-Korean summit held during June 13-15.

Prime Minister Lee Han-dong of ROK sent a letter to the DPRK on July 19, 2000, proposing to hold inter-Korean ministerial talks from July 27-29 in Seoul to discuss various issues concerning implementation of the Joint Declaration.

The North accepted the South's proposal on July 21 and proposed that the meeting be held during July 29-31, in Seoul.

There have been four ministerial talks held in Seoul and Pyongyang in the year 2000 to discuss implementation of the Joint Declaration and pending issues in inter-Korean relations, the results of which have been announced in joint press statements.

The inter-Korean ministerial talks, as the central consultative body through which to discuss and resolve various issues arising from implementation of the Joint Declaration, have also taken the coordinating role in implementing the agreements reached at other inter-Korean dialogues, including the Red Cross talks, the Defense Ministers' Talks and working-level meetings for inter-Korean economic cooperation.

1. The First Inter-Korean Ministerial Talks

The First Inter-Korean Ministerial Talks, headed by Minister of Unification Park Jae-kyu on the South and headed by Senior Cabinet Counselor, Jon Kum-jin for the North, were held from July 29-31 in Seoul. During the talks the two sides held three plenary meetings, a chief delegates' meeting and meetings by other delegates, and the two sides agreed on six points as stipulated in the joint press statement.(see appendix)

During the talks the two sides expressed their will to faithfully implement the Joint Declaration and reached an understanding that the ministerial talks will be the central arena of dialogue in which comprehensive discussions on implementation of the Joint Declaration and other pending issues in inter-Korean relations would be held.

To carry out the tasks assigned to the ministerial talks, the ROK delegation proposed that the two sides (i) seek mutual benefits, (ii) give importance to implementation, and (iii) resolve easier issues first. In return, the Northern delegation proposed that the two sides (i) be faithful in implementing the Joint Declaration, (ii) resolve matters with trust and cooperation, and (iii) discuss and implement first those matters that can be put into practice.

In the spirit of the Joint Declaration, the two sides agreed to the following: 1) to respect the agreements stipulated in the Joint Declaration and work to promote mutual benefit, 2) to work with trust and cooperation to resolve easier matters first, and 3) to give importance to implementation and work toward peace and unification.

In considering the changed circumstances in inter-Korean relations, the will of the

two Korean leaders as shown in the Joint Declaration, and the expectation of the Korean people, the South side proposed the following as priority measures: (i) reopening of the South-North Liaison Office, (ii) establishment of a military hotline (iii) beginning construction work to reconnect the Kyongui (Seoul-Shinuiju) Railway within the year and (iv) jointly holding commemorating events during the week of 15th of August (the National Liberation Day). The North proposed (i) reopening of the South-North Liaison Office, (ii) joint sponsorship of events in support of the South-North Joint Declaration, and (iii) ensuring hometown visits by the members of Chongryun (the General Association of Korean Residents in Japan).

The South, while presenting implementation tasks of the Joint Declaration in a comprehensive manner, proposed to form implementing bodies such as an economic committee under the ministerial meeting. The North recognized the need for such implementing organs but the two sides failed to reach an agreement on the matter.

The two sides, however, agreed (i) to resume operation of the South-North Liaison Office in Panmunjom, (ii) to hold events in support of the South-North Joint Declaration and its implementation in the South, North and overseas on the occasion of 15th of August, (iii) to cooperate in hometown visits by the members of Chongryun, and (iv) to reconnect the severed section (24km between Munsan and Kaesong) of the Kyongui Railway.

2. The Second Inter-Korean Ministerial Talks

The Second Ministerial Talks were held in Pyongyang on August 29-September 1, 2000. The South and North Korean delegations held two plenary meetings and several contacts between the two head delegates as well as other delegates. During the talks the two sides agreed on seven points, including an agreement to hold two additional exchanges of visits by separated family members, announced through a joint press statement. (see appendix)

The South Korean delegation was originally scheduled to return on August 31, but due to typhoon Prapiroon, they returned on September 1 via the West Sea air route.

During the talks the ROK delegation proposed (i) to form and operate various joint committees for the implementation of the South-North Joint Declaration, (ii) to establish institutional mechanisms for inter-Korean economic cooperation, (iii) to establish a military hotline and hold talks between the military authorities of the two sides, (iv) to build a road between Munsan and Kaesong in addition to the restoration of the Kyongui Railway, and (v) to cooperate in prevention of flooding of the Imjin River. Moreover, the South demanded more active measures by the North in resolving the separated family issue, including the issue of POWs and abductees detained in North Korea, and proposed discussions on (i) hometown visits by all Koreans living abroad, (ii) opening of a direct air route across the border, (iii) joint measures to prevent the spread of malaria, (iv) a joint procession at the opening ceremony of the Sidney Olympic Games 2000, and (v) formation of a joint team for international sporting events.

The DPRK delegation proposed (i) two additional exchange visits by separated family members, (ii) establishment of institutional mechanisms for inter-Korean economic cooperation, (iii) working-level meetings for re-linking the Kyongui Railway, and (iv) exchange visits to Paekdu and Halla Mountain located in North and South Korea respectively.

Accordingly, the two sides agreed to (i) hold two additional exchange visits by separated family members within the year, (ii) discuss holding talks by the respective military authorities, (iii) establish institutional mechanisms for economic cooperation including a guarantee of investment and prevention of double taxation, (iv) hold working-level meeting on re-linking the Kyongui Railway and the building of a road between Munsan and Kaesong, (v) promote a joint project for prevention of flooding of the Imjin River, and (vi) exchange visits to Paekdu and Halla Mountain.

By agreeing to begin discussion on holding talks between the military authorities for tension reduction and establishment of peace, the two sides made headway in concurrently promoting peace and cooperation.

Meanwhile, the visit to South Korea by Kim Yong-sun, a special envoy from North Korea, took place on September 11-14. He relayed to President Kim Dae-jung the will of Defense Commission Chairman Kim Jung-il to implement the Joint Declaration and made visits to various cultural and industrial sites.

Through the visit of special envoy Kim Yong-sun, the two Koreas exchanged a wide range of views on pending issues and agreed as follows: 1) the Chairman of the National Defense Commission Kim Jong-il shall visit Seoul in the near future while Kim Yong-nam, the Chairman of the Presidium of the Supreme People's Assembly, shall visit Seoul prior to Chairman Kim Jong-il's visit, 2) both sides shall welcome discussions on holding Defense Ministers' Talks, 3) both sides shall begin the process of address checks for separated families in September; allow those who have confirmed addresses to exchange letters; and hold Red Cross talks on September 20, 4) both sides shall hold a working-level meeting for inter-Korean economic cooperation on September 25 for agreements on legal framework, 5) both sides shall hold groundbreaking ceremonies for the construction of Kyongui Railway and a highway connecting the two Koreas 6) the North shall send an economic mission to the South, and 6) the two sides shall begin a joint survey for a flood prevention project in the Imjin River area.

3. The Third Inter-Korean Ministerial Talks

The Third Inter-Korean Ministerial Talks were held in Cheju Island from September 27-30, 2000. The delegations of South and North Korea held two plenary meetings and contacts between the two head delegates and other delegates. The two sides agreed on six points, including an agreement to discuss and establish the Inter-Korean Economic Cooperation Committee, announced through a joint press statement. (see appendix)

During the talks the South Korean delegation evaluated, by areas, the implementation of agreements reached between the two sides following the inter-Korean summit. While assessing that events during the three and a half months that followed the summit were heading in the positive direction, the South pointed out that discussions on the separated family issue such as finding out the whereabouts of families, exchanges of letters and establishment of a reunion center did not progress as expected and urged for more active cooperation from the North on those matters.

The South proposed (i) an active role for ministerial talks as the central medium of dialogue for inter-Korean relations, (ii) a framework for proceedings of ministerial

talks to more efficiently implement the South-North Joint Declaration, and (iii) institutional capacity building for inter-Korean exchanges and cooperation.

The South also called for discussions on those tasks that can be promoted easily by the two sides and pending issues. The South also raised matters related to the promotion of hometown visits by Koreans living abroad, exchanges of professors and college students, exchanges in arts and culture as well as holding Seoul-Pyongyang Goodwill Soccer Match on a regular basis.

The North responded that they had numerous other joint projects in mind in addition to those mentioned by the South but expressed the position that they ought to be discussed while assessing the progress of those projects already agreed to rather than agree on more projects at every meeting.

Through the talks the two sides reaffirmed their will to implement the Joint Declaration and agreed to assess and evaluate by area the progress of the agreements reached by the two Koreas as well as to promote at an early time those areas that have not progressed.

The two sides reaffirmed the role of the ministerial talks as the central medium of dialogue to coordinate and support the implementation of the Joint Declaration and inter-Korean relations in general, and by providing structure to the institutional framework for rapprochement, they enabled the ministerial talks to become more productive.

Meanwhile, the two sides agreed to discuss and resolve at the next round of ministerial talks (i) the implementation of agreements reached at various other inter-Korean talks, (ii) early measures for exchanges to confirm the fate of separated family members, exchange of letters and establishment of a reunion center, (iii) early establishment of institutional mechanisms for economic cooperation, (iv) establishment of the Inter-Korean Economic Cooperation Promotion Committee, and (v) exchanges and cooperation in the areas of academics, culture and athletics.

4. The Fourth Inter-Korean Ministerial Talks

The Fourth Inter-Korean Ministerial Talks were held in Pyongyang from December 12, 2000, rather later than was originally agreed to in the third round of talks. The delegations of South and North Korea held four plenary meetings and contacts between the two head delegates and other delegates. The two sides agreed on eight points including an agreement to establish and operate the Inter-Korean Economic Cooperation Committee, and they announced the agreement through a joint press statement. (see appendix)

The South Korean delegation evaluated the inter-Korean relationship since the signing of the Joint Declaration at the summit and made efforts to build consensus on the direction for 2001 while emphasizing the implementation of those cooperation projects that were delayed. The South also proposed that the two sides discuss and agree on projects on which the two sides reached mutual understanding in the third round of talks, including the establishment of the Inter-Korean Economic Cooperation Promotion Committee.

Moreover, the South side expressed regrets to the North concerning (i) slanders directed toward certain person(s), a problem which had been raised in the past, (ii) a guarantee of personal safety for journalists who visit North Korea to cover the talks, and (iii) propagandistic actions by the North Koreans during the reunion of the separated family members; the South strongly urged the North to prevent the recurrence of the aforementioned.

The North side called for cooperation in electric power, cooperation in the area of fishery and integration of taekwondo. The dialogue was delayed somewhat when the North criticized the South for designating North Korea as the 'main enemy' in the Defense White Paper 2000 while requesting the South to guarantee electric power assistance. Concerning the power assistance requested by the North, the South expressed its position to gradually discuss the matter within the realm of comprehensive economic cooperation.

The agreements were reached to form the Inter-Korean Economic Cooperation Promotion Committee to deal with issues of economic cooperation in electric power supply, re-linking of the railway and road between the two Koreas, construction of

industrial complex in Kaesong and prevention of flood in Imjin River area. At the same time, the two sides signed four agreements related to economic cooperation including agreements in investment protection and prevention of double taxation, thereby providing institutional framework for vitalizing inter-Korean economic cooperation.



II. Inter-Korean Red Cross Talks

In article 3 of the June 15 South-North Joint Declaration, the two Koreas agreed to promptly resolve humanitarian issues such as the exchange of visits by separated family members on the occasion of National Liberation Day (August 15), as well as the issue of unconverted long-term prisoners.

Accordingly, on June 17, North Korea sent a telephone message via the liaison office in the truce village of Panmunjom to Chung Won-shik, the President of the Korea National Red Cross (KNRC) proposing to hold inter-Korean Red Cross talks to resolve exchange visits by the separated families and the issue of unconverted long-term prisoners.

The North proposed to hold the talks during June in Panmunjom to discuss humanitarian issues included in the South-North Joint Declaration and further proposed that each delegation include a chief delegate who is a deputy to the head of the Red Cross, two additional delegates and two to three attendants.

In accepting the proposal, the South proposed to hold the talks on June 23 at the Peace House in Panmunjom. However, on June 21, the North, through a telephone message via the liaison office, sent a counterproposal to hold the talks at the Mt. Kungang Hotel in North Korea, stating that in return for the alternative location, the South may delay the dates.

The South answered on June 22 through the liaison office, agreeing to hold the talks in North Korea while setting the dates as June 27-30. Also, in considering the venue (Mt. Kungang area) for the talks, the South requested direct telephone lines and emphasized guarantees that would allow the press accompanying the delegation to cover the event.

Upon acceptance of the proposal by the North on June 23, the South sent the list of its 16-member delegation, which included the Chief Delegate Park Ki-ryun, the Secretary General of Korea National Red Cross (KNRC), two other delegates, three attendants, four supporting staff, and six members from the press. (The North replied with a list of its three delegates, which included Choe Sung-chol, a member of the standing committee of the North Korean Red Cross society, as the chief delegate.)

1. The First Inter-Korean Red Cross Talks

The First Inter-Korean Red Cross Talks were held at Mt. Kungang Hotel in North Korea from June 27-30, 2000; four plenary meetings and two meetings by the respective working-level delegates were held. The South proposed (i) an exchange of visits by separated family members around National Liberation Day (August 15), (ii) establishment of a reunion center for separated families, and (iii) that it will repatriate unconverted long-term prisoners during September.

On the matter of exchange visits by separated family members, the South side proposed that the group from each side consist of 161 people including, a group leader, 100 separated family members, 30 supporting staff, and 30 members from the press; and that the group from the North visit during August 10-12 while the group from the South visit during August 16-18 following the visit by the North.

As for the establishment of a reunion center, the South proposed that it be established either in the Freedom House or Tongilgak (Unification Pavilion), respectively locate on South and North side of Panmunjom, during the month of August. The South proposed to hold four reunions per month with each reunion consisting of 100 people from each side.

With respect to the repatriation of the unconverted long-term prisoners, the South proposed to first ask the individuals concerned whether they prefer to remain in the South Korea or return to the North, and then return the people who so desire following the exchange visits by the separated families. The South proposed that the two sides discuss the details of the procedure for the repatriation during the month of September. The South emphasized that the North should also act in good faith to take measures for people who are detained in North Korea against their will.

The North, on the other hand, proposed that the repatriation of unconverted long-term prisoners should precede the exchange visits by the separated families, although the North accepted that the two matters could be discussed in a comprehensive manner.

The North proposed that the exchange of visits by the separated families take place simultaneously in South and North Korea for four days (three nights) beginning on August 15, while each group would be comprised of 151 members including, a leader of the group, 100 family members, 30 supporting staff, and 20 member of the press. Also, the North proposed that the procedural matters for the exchange follow the precedent set in the exchange of visits by separated families held in 1985.

Concerning the repatriation of long-term prisoners, the North proposed that when the South side sends information concerning the unconverted long-term prisoners 15 days prior to their repatriation, the North would notify the South the list of those to be repatriated 10 days prior to the day of repatriation.

The two sides agreed that exchange visits by the separated families would take place around August 15, and that repatriation of the unconverted long-term prisoners would also take place; however, while the South proposed to hold discussions concerning the repatriation in September following the exchange visits, the North maintained that the repatriation should precede the exchange visits. Thus the two sides could not reach an agreement on the matter on the first day of the talks.

In the plenary meeting on the second day of the talks, the North altered their original position and proposed that the repatriation take place in early September following the exchange of visits around August 15, and to hold another round of talks following those events to discuss and reach an agreement on the establishment of a reunion center. The South side accepted this counterproposal, and the two sides held working-level meeting to work on the text of the agreement.

As a result, in the plenary meeting held on the third day of the talks, the two sides adopted and signed the Agreement to Exchange Visits by Separated Families, Establish and Operate a Reunion Center, and Repatriate Unconverted Long-term Prisoners. (see appendix)

In the agreement, the two sides (i) agreed to hold simultaneously the exchange of visits by separated family members from August 15-18, (ii) agreed in principle to establish and operate a reunion center for separated families, and (iii) agreed to repatriate all of the unconverted long-term prisoners who wish to return to the North by early September.

2. The Second Inter-Korean Red Cross Talks

In accordance with the agreement reached at the first Red Cross talks, South Korea sent a telephone message on August 26, 2000, via the liaison office in Panmunjom to the North proposing to hold the second round of talks at the Peace House (located on South side) in the truce village of Panmunjom on September 5; however, the North did not respond to the proposal.

Meanwhile, a special envoy from North Korea Kim Yong-sun visited Seoul from September 11-14 and agreed to hold the second round of Red Cross talks while discussing various pending issues between the two Koreas. Subsequently, the Second Inter-Korean Red Cross Talks were held on September 20-23 at the Mt. Kumgang Hotel.

During the talks the South proposed to (i) begin the work of searching for separated families during September and to finish the work at an early time, (ii) notify each

other of the results twice a month beginning from October, and (iii) exchange letters of separated family members twice a month beginning from October.

Concerning the establishment of a reunion center, the South proposed that each side build a meeting place on their own side in Panmunjom and hold weekly reunions of 100 people from each side. The South also proposed to hold the second round of exchange visits from October 16-18, and the third round from November 16-18.

Furthermore, the South again urged the North to resolve the issue of the POWs and abductees detained in North Korea by including them in the process of resolving separated family issue.

The North side agreed to hold exchange visits by separated families twice within the year, but concerning the search for separated families and exchange of letters, the North said that both these activities should proceed gradually in phases since they are taking place for the first time since the division of Korea.

The North mentioned that since there is a lack of experience in carrying out such projects, searches to determine the whereabouts and fate of separated families should be expanded gradually after going through a pilot phase. As for the exchange of letters, the North proposed to hammer out the details in the third round of talks to be held sometime in mid-December.

The North proposed to build the reunion center in the Mt. Kungang area and to decide on the details of its operation in mid-December. The North maintained that the second exchange visits take place from November 2-5 and the third from December 5-8.

After several chief delegate contacts and meetings between working-level delegates where the two sides made adjustments and compromises, they finally reached agreements on the details of the projects to resolve the issue of separated families.

The two sides agreed to hold the second round of exchange visits by separated families from November 2-4, and to hold the third round of exchange visits from December 5-7.

The two sides agreed to exchange information of 100 people from each side once in September and once in October as pilot-phase exchanges, and that the exchange of letters would proceed as the fate and addresses of separated families are confirmed. The two sides agreed to a pilot-phase exchange of letters for 300 people in November for those whose families and addresses are confirmed, with the number to expand gradually following the initial exchange.

Meanwhile, it was agreed that the two sides will discuss and agree on the project to establish and operate a reunion center for separated families in the third round of Red Cross talks (see appendix). The third round of talks, which was agreed to be held in December, was delayed to January 29-31.



III. Inter-Korean Defense Ministers' Talks and Working-level Military Talks

1. The First Inter-Korean Defense Ministers' Talks

At the inter-Korean summit, the two leaders of Korea reached a common understanding that there should not be another war on the Korean Peninsula and that the two sides must work toward tension reduction and bring permanent peace on the peninsula. Accordingly, the ROK government continued to raise the need for a dialogue between military authorities of two Koreas in order to build confidence and reduce tension through the defense ministers' talks.

Thus when Pak Jae-gyong, a general of the People's Armed Forces of DPRK who accompanied special envoy Kim Yong-sun, visited Seoul on September 11, the ROK government proposed for inter-Korean defense ministers' talks. And on September 13, minister of the People's Armed Forces Kim Il-chol sent a letter to the Defense Minister of South Korea, Cho Sung-tae, agreeing to hold a dialogue.

The two sides exchanged four telephone messages during September 13-18 to work out the itinerary for the talks and finally agreed to hold the talks from September 25- 26 in Cheju Island of South Korea.

The North sent the list of its delegation on September 20 and requested to visit South Korea a day before the scheduled meeting. The South accepted their request, and the delegation from the North arrived in South Korea on September 24, through Panmunjom; the delegation then flew to Cheju Island from Seoul by a ROK military plane.

The South Korean delegation headed by Defense Minister Cho Seong-tae and the North Korean delegation headed by the minister of the People's Armed Forces Kim Il-chol held the First Inter-Korean Defense Ministers' Talks from September 25-26, in Cheju Island. To support implementation of the South-North Joint Declaration, the South proposed (i) a joint effort to reduce tension and guarantee peace, (ii) to hold Defense Ministers' talks on regular basis, and (iii) to set up a joint military committee and a joint military committee at a working level. Together with these proposals, the South also proposed to discuss issues related to military confidence building measures including, notification of military movements, exchange of military personnel and information, and establishment of military hotline. In addition, the South called for discussions in military cooperation for the construction of a railway and a highway connecting South and North Korea.

The North side proposed to discuss (i) removal of any military obstacles that may hinder the implementation of the June 15 Joint Declaration, (ii) military problems that may arise in guaranteeing civilian visits and economic exchanges, and (iii) opening of Military Demarcation Line and Demilitarized Zone and establishing jurisdiction. The North also proposed to discuss at a working-level the guarantee of entry of personnel, vehicles and materials into respective area of the Demilitarized Zone with respect to the construction of a railway and a highway that would connect the two Koreas.

The two sides held two plenary meetings and several working-level delegates' meetings to adjust each other's positions and agreed on five points that were announced in a joint press statement. (see appendix)

The two sides agreed to do their utmost to implement the Joint Declaration and to

actively cooperate with each other to remove military obstacles in order to assure travel, exchange and cooperation among civilians.

Also, the two sides reached a consensus that reducing military tension and removing the threat of war on the Korean Peninsula by establishing a durable and stable peace is a matter of vital importance and agreed to work together toward this end.

The North Korean delegation visited cultural and historic sites in Cheju Island and went to Seoul on September 26 to make a courtesy visit to President Kim Dae-jung before returning to the North through Panmunjom. (* The second round of defense ministers' talks, which the two sides agreed to hold in November in North Korea, was delayed until 2001.)

2. The Working-level Military Talks

In accordance with the agreements reached at the First Defense Ministers' Talks, the ROK Defense Minister Cho Seong-tae sent a letter to North Korea's minister of the People's Armed Forces Kim Il-chol requesting that the First Working-level Military Talks be held on October 13, at the Peace House in the truce village of Panmunjom.

The North side, in a reply sent on October 11, stated that the two sides must first open the Demilitarized Zone (DMZ) and decide on the jurisdiction of each side. Subsequently, on October 16, Lt. Gen. Li Chan-bok, North Korea's chief delegate to Panmunjom sent a telephone message to Michael Dunn, deputy chief of staff at the UNC, proposing a colonel-level meeting to discuss designating administrative zones of South and North Korea in the DMZ.

From October 18 to November 16, North Korea and the UNC held four colonel-level meetings to discuss the opening of the DMZ and to determine jurisdiction. On November 16, the two sides reached an agreement on opening a section of the DMZ and designating administrative zones of South and North Korea; on November 17, at the 11th UNC-KPA (Korean People's Army of DPRK) General Officer-level Talks, the two sides ratified and effectuated the Agreement between the UNC and KPA on

Opening Some Area of the DMZ.

Following that, South and North Korea discussed holding working-level military talks through exchanges of telephone messages and contacts by the liaison officers, and the two sides agreed to hold the first round of talks on November 28 at Tongilgak (Unification Pavilion) on the northern side of Panmunjom.

The South Korean delegation headed by Brig. Gen. Kim Kyoung-duck, deputy director-general of the Defense Ministry's Arms Control Bureau and the North side headed by Yu Young-chol, an acting deputy director-general of KPA held the first round of talks at Tongilgak (November 28), followed by the second round at the Peace House (December 5), and the third round at Tongilgak (December 21). The two sides exchanged their views on establishment of their respective administrative areas in the DMZ and guaranteeing militarily the construction of the railway and a road connecting the two Koreas.

In the first round of talks, the South side delivered to the North a draft agreement of joint regulations to be applied to the construction of the railway and highway, and in the second round of talks North Korea tabled their version of the draft agreement which reflected the contents of the South's draft.

The two sides reached consensus on the title of the agreement, timeline for removal of land mines, establishment of a hotline between the engineering corps and military operation base, supply of construction workers, how to distinguish protective troops and other safeguards to prevent accidental clashes between the two militaries. Also, the two sides narrowed their differences concerning the width of the respective administrative areas and scope of removal of land mines.

In the third round of talks the South side laid on the table an Agreement on the Establishment and Military Support for Inter-Korean Railway and Highway Construction, which took into account the North's position on the matter. However, the North Korean delegation criticized the South for describing North Korea as the 'main enemy' in South Korea's Defense White Paper 2000 and avoided any substantive discussion, thus the discussions were put off until the fourth round of talks.



N. Working-level Meetings on Inter-Korean Economic Cooperation and Inter-Korean Economic Cooperation Promotion Committee

1. The First Working-level Talks on Inter-Korean Economic Cooperation

In accordance with agreements reached at the second ministerial talks and during the visit of the North's special envoy, Kim Yong-sun, to South Korea, working-level meetings on inter-Korean economic cooperation were held twice to discuss provision of a food loan to North Korea.

The first round of working-level meeting was held September 25-26 at the South-North Dialogue Office in Samcheong-dong, Seoul; Deputy Minister of Finance and Economy Lee Kun-kyung headed the ROK delegation and Jong Un-op, a ranking official of the Trade Ministry, headed the DPRK delegation.

The South side called for the adoption of four necessary institutional mechanisms including investment protection, dispute settlement, prevention of double taxation

and clearing settlement system and emphasized that since they are integral part of one another, they should be agreed together and implemented accordingly.

The South also proposed to hold individual contacts and discussions by the supporting staff in addition to the meetings by the delegates to enhance the discussions, which required expertise and efficiency.

North Korea responded that since matters concerning protection of investment and prevention of double taxation were mentioned in the second round of ministerial talks, they ought to limit the discussion to these two matters and also suggested plenary meetings instead of individual meetings for the discussions on the matter. They also maintained that the joint press statement should be limited to both sides reaching a consensus on basic principles and a necessity to deal with those matters.

The South Korean delegation then suggested to discuss matters related to dispute settlement and the clearing settlement system at the next round of talks; thus the two sides discussed the matters related to investment guarantee and prevention of double taxation, presenting each other's positions and comparing differences and similarities of the draft agreements they had prepared.

The South side's draft agreement reflected the circumstances unique to 'intra-Korean' transactions and the international custom while the North was lacking on these matters; and the two sides differed significantly on some central elements, including transfers, expropriation and compensation for losses, and procedural matters with respect to the prevention of double taxation.

The two sides decided to make adjustments by exchanging detailed drafts of the agreements via the liaison office in Panmunjom and to adopt, in the second round of talks in Pyongyang, agreement(s) that were ready. Also, the two sides shared a common view on the necessity of agreements in clearing settlement system and agreed to discuss them at the next round of talks. The two sides announced the contents of the talks through a joint press statement. (see appendix)

2. The Second Working-level Talks on Inter-Korean Economic Cooperation

The ROK government sent a telephone message to the North on October 13 via the liaison office in Panmunjom to discuss procedural matters for the second round of talks to be held on October 18 in Pyongyang. However, the North replied on October 17 that the meeting would be difficult without giving any detailed explanation. The North then sent a telephone message on October 27 proposing that the second round of talks be held in Pyongyang from November 8, and the South side agreed to the new date.

During the second round of the working-level talks held at the Koryo Hotel in Pyongyang from November 8-11, the South side proposed to discuss the four draft agreements related to economic cooperation using the draft prepared by the South. The South explained to the North that it should be stated before each of the four agreements that the economic exchanges by the South and the North are internal transactions among Korean people and not transactions between two separate nations; the South side further explained important elements related to the four agreements and the South's positions on those matters, including national treatment, the number and qualifications of arbitrators and designation of a clearing settlement bank.

The North, while maintaining that the national treatment would be difficult, suggested such things as taxation at the source on transportation income and non-interest clearing account, and they further proposed to discuss other disputed issues through working-level contacts. Accordingly, the two sides agreed to divide the discussion into four parts consisting of investment protection, dispute settlement, prevention of double taxation and clearing account system.

In the meantime, in regard to the food loan, the South stressed the need for a detailed plan for transparency of food distribution since a guarantee of transparency had been stipulated in the food loan agreement. The North accepted the South's demand for an explanation on process of distribution of food and visit(s) to the distribution center and allowed photographs to be taken.

After making adjustments to their positions through plenary meetings, chief dele-

gate contacts and working-level contacts, the two sides initialed the four agreements on investment protection, dispute settlement, prevention of double taxation and clearing account system on November 11 (see appendix). Through contacts by the chief delegates the two sides hammered out an agreement on provision of food in a form of a loan, which included size, time, condition and guarantee of transparency. Subsequently, the two head delegates in the fourth round of the ministerial talks held on December 12-16 in Pyongyang signed the four agreements.

3. The First Meeting of the Inter-Korean Economic Cooperation Promotion Committee

Beginning from the first round of the ministerial talks, South Korea has continuously proposed to the North that committees be formed under the ministerial talks to discuss detailed issues and to implement those agreements that would concern committees of different areas.

The South maintained that such committee(s) would be particularly beneficial in efficient promotion of economic cooperation since the field of economics encompasses various specialized areas.

The North responded favorably to the South's proposal and agreed in principle to set up the Inter-Korean Economic Promotion Committee at the third round of ministerial talks. In the fourth ministerial talks the two sides agreed to establish and operate the committee for the balanced development and mutual prosperity of the two Koreas and agreed to hold the first meeting on December 26, 2000, in Pyongyang.

The two sides further agreed that the committee will discuss and resolve pending issues of economic cooperation arising at a working-level, including those related to the supply of electric power, the construction of the railway and highway, the construction of an industrial complex in Kaesong and the flood prevention project in Imjin River area.

The North proposed through a telephone message to the South that the committee consist of a chairman and six members, and that the agendas for the first meeting

include defining the role and responsibilities of the committee along with the procedure for its operation. In addition, the North proposed to discuss the aforementioned economic cooperation projects at the first meeting.

In reply, the South notified the North on December 22 through a telephone message that a total of 35 participants would be present at the first meeting including, a five member delegation with a chairman at the vice ministerial level, four councilors, attendants and the press. Subsequently, the two sides agreed to hold the first meeting on December 28-30 in Pyongyang, with Lee Jung-jae, Vice Minister of Finance and Economy, heading the five member delegation from the South and Park Chang-ryol, First Vice Chairman of the National Planning Board, heading the delegation from the North.

The South side proposed the adoption of the agreement on establishment and operation of the Inter-Korean Economic Cooperation Promotion Committee as agreed to in the fourth round of ministerial talks.

With respect to the cooperation in electric power supply, the South side, in considering the energy situation of both sides as well as technical matters associated with such cooperation, proposed an exchange of information on the power situation and the formation of a joint survey mission in January to do a study on North Korea's energy situation.

The South side urged the North to hold working-level meetings for the construction of the Kyongui Railway and to hold meetings to form a joint survey team for cooperation in the Imjin River flood prevention project. With regard to the construction of industrial complex in Kaesong, the South raised the need for discussions on infrastructure and legal matters.

The North, while laying on the table their position on matters related to the establishment and operation of economic promotion committee, cooperation in power supply and flood prevention, construction of railway and highway, construction of an industrial complex and cooperation in fishery off East Coast, emphasized that cooperation in electric power supply should be given priority.

The two sides held plenary sessions as well as head delegates and working-level contacts but could not narrow their differences on the pending matters. They ended

the committee meeting by agreeing to further consult one another through exchanges of documents on matters related to the establishment and operation of Inter-Korean Economic Cooperation Committee and announced in a joint press statement that the two sides had agreed to hold the second meeting on February 6-8, 2001, in Seoul.

Chapter 3 Expansion of Inter-Korean Exchange and Cooperation

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1. Implementation of Follow-up Measures for the June Inter-Korean Summit

Since the announcement of the June 15 South-North Joint Declaration, South and North Korea embarked on a joint project to connect a railway between Seoul and Shinuiju and a highway between Munsan and Kaesong. The two Koreas also reached an agreement in four areas, including investment protection and prevention of double taxation, providing an institutional framework for facilitating inter-Korean economic exchange and cooperation. In addition, the two Koreas agreed in principle to cooperate on joint flood prevention along the Imjin River, the river that forms a natural border between them near the west coast. Considering the food situation in the North, the South has also provided food to its Northern brethren in the form of a long-term loan.

1. Re-connection of the Seoul-Shinuiju Railway and Munsan-Kaesong highway

During the inter-Korean summit held last June, President Kim Dae-jung proposed that the two Koreas cooperate in connecting railways and highways as well as expanding basic industrial infrastructure such as harbors and power plants to promote a balanced growth of the joint national economy and create a Korean economic community. In particular, he stressed that rebuilding the Seoul-Shinuiju transportation corridor would quickly facilitate inter-Korean economic cooperation by re-connecting the main artery of the national economy. North Korean National Defense Commission Chairman Kim Jong-il also acknowledged the need for inter-Korean exchange and cooperation in various areas, including connecting the railway.

Based on a common understanding between the two leaders, South Korea proposed during the first round of ministerial talks the connection of the Seoul-Shinuiju railway as one of the first steps toward implementing inter-Korean economic cooperation and the North accepted the proposal. As a result, the two Koreas reached an agreement to “discuss the matters related to connecting the severed section of the Seoul-Shinuiju railway as soon as possible.”

In the subsequent round of the talks, the two Koreas discussed the construction of a new inter-Korean highway to be built alongside the inter-Korean railway. They reached an agreement to hold working-level discussions regarding building a highway between Seoul and Munsan while proceeding to connect a railway between Seoul and Shinuiju by September. The two sides agreed to continue discussions on various matters, including those related to the groundbreaking ceremony.

During the visit by North Korean special envoy Kim Yong-sun, the two sides agreed to hold a groundbreaking ceremony for the railway and highway as soon as possible. Subsequently, South Korea held a historic groundbreaking ceremony at Imjingak, Paju, on September 18, 2000. Over 1,000 people from various walks of life in the South Korean society attended the event.

Since the connection of the Seoul-Shinuiju railway and construction of the Munsan-Kaesong highway will take place within the Demilitarized Zone (DMZ) and along the Military Demarcation Line (MDL), both of which are militarily sensitive

areas, the project requires close cooperation between the military authorities of South and North Korea. Consequently, the two Koreas held defense ministers' talks and agreed to allow each side to bring its own people, vehicles and materials into the DMZ in relation to the construction and guarantee their safety. They also agreed to open a section of the DMZ and MDL for the railway and highway pass through and to resolve matters related to setting up a joint administrative zone based on the armistice agreement. Through three subsequent rounds of working-level military talks, the two sides closed the gaps in their positions on several specific issues, including expansion of highways, establishment of joint regulations to prevent accidental crash and simultaneous commencement of removal of land mines by both Koreas.

The connection of the inter-Korean railway will involve linking 24km of railway altogether, including 12km from the Munsan Station to the MDL on the southern side and another 12km from the MDL to Kaesong on the northern side. The inter-Korean highway, on the other hand, will require building 17km of road from Munsan to Kaesong, including a 5km section from the northern end of Tongil Bridge to the MDL on the southern side and 12km section from the MDL to Kaesong on the northern side. The two sides agreed that South Korea would be responsible for the construction in the southern section and North Korea for the construction in the northern section and that the target date for completion of the project would be September 2001.

The South Korean government estimated the total cost for the construction in its section at 151.2 billion won, including 63.9 billion won for the railway and 87.3 billion won for the highway. Since the connection of railway and highway between South and North Korea will contribute to the restoration of the Korean national community, the government decided to finance the project out of the Inter-Korean Cooperation Fund.

Since several agencies were to be involved in the construction, the government also created an inter-ministry agency to promote the connection of inter-Korean railway on August 8, 2000 and divided roles among the participating ministries and government agencies under its supervision and coordination. Accordingly, the Korea Railway Agency would be responsible for building the roadbed in the 7.9km section between the Munsan Station and Imjin River Bridge as well as tracks, electric works and signaling devices over the entire section of the railway. The Seoul Local Land

Management Agency, on the other hand, will be responsible for designing the railway, compensation for land expropriation, construction of structures and paving of the 5km section between the northern end of Tongil Bridge and the MDL. Finally, the Ministry of Defense will be in charge of building the roadbed and removing land mines in the 4.1km railway section between Imjin River Bridge and the MDL as well as in the 5km road section from the northern end of the bridge to the demarcation line.

Following the groundbreaking ceremony on September 18, the South Korean army has deployed a special mine retrieval unit and high-tech devices to remove land mines. Over 120 bulldozers and other types of excavating equipment were added for the safety of the soldiers. By the end of December 2000, the removal of mines from the areas outside the DMZ was successfully completed.

While pursuing this project, the government has tried to minimize possible damage to the environment while preserving the ecosystem. It created a joint environment and ecosystem survey team consisting of 16 experts from the relevant areas. During a period from September 25-December 1, 2000, the survey team conducted seven rounds of study in six areas, including the topography, geology, fauna and flora of the region. Based on the survey results, the government designed the railway and road and proceeded with the construction while providing paths for animal migration and preserving the scenic beauty of the region.

The connection of the Seoul-Shinuiju railway has symbolic importance as a project that will enable Koreans to overcome national division, both mentally and physically, and to re-connect the main artery of the Korean people. It will also transform the DMZ into a peace belt, thereby bringing a durable peace on the Korean Peninsula. Economically, the transportation link will reduce shipping costs between the two Koreas by a considerable amount, thereby introducing increased inter-Korean economic cooperation. In addition, the opening of direct land routes would open a new stage in inter-Korean trade by encouraging the expansion of processing trade and by shifting the focus of economic cooperation from indirect trade to direct trade and investment, leading the two Koreas into a new era of reconciliation and cooperation. Once the inter-Korean railway is linked to the Trans-Siberian or Trans-China Railway, Korea may emerge as a transportation hub in Northeast Asia.

2. Institutionalization of Inter-Korean Economic Cooperation

The two Koreas needed to develop an institutional mechanism to control and support inter-Korean exchange and cooperation to minimize the influence of political and ideological factors on inter-Korean relations, to assure stable expansion of exchange and cooperation between South and North Korea and to be prepared to deal with various complex problems arising from a considerable expansion of bilateral interaction.

For this reason, South and North Korea agreed to guarantee free travel of people across the border and decided the matters related to investment protection, prevention of double taxation, dispute resolution and clearing settlement later through mutual consultation in the South-North Basic Agreement of 1992 and a subsequent agreement on exchange and cooperation.

Due to changed circumstances on the Korean Peninsula, however, these agreements have not been implemented. Consequently, the two Koreas promoted inter-Korean exchange and cooperation based on individual contracts between private business partners and subject to rules and regulations of each side, without having any common legal or institutional foundation.

Understanding the urgent need to institutionalize inter-Korean economic cooperation, South Korea urged repeatedly during the South-North summit and subsequent ministerial talks held in accordance with the June 15 Joint Declaration that a set of institutional mechanisms must be provided to facilitate economic cooperation between the two Koreas. As a result, the two sides reached an agreement in the second round of the ministerial talks that “to expand inter-Korean trade and investment, South and North Korea shall provide a set of institutional mechanism, including investment protection and prevention of double taxation.”

Subsequently, the two Koreas had two rounds of working-level meetings on economic cooperation and initialed an agreement in four areas, including investment protection, prevention of double taxation, procedures for commercial dispute resolution and clearing settlement.

As part of negotiation on these matters, the two sides painstakingly examined each

pair of South and North Korean expressions to make sure that both sides shared the same interpretations of each phrase. Synonyms were listed on a table and attached as an appendix to each agreement. The four agreements were signed formally by the heads of both delegations during the fourth round of ministerial talks. They will come into effect after both sides complete necessary internal procedures to ratify the agreements and exchange the documents.

The Agreement on Invest Protection stated clearly that both sides would provide protection for assets of the investors from the other side and guarantee free investment-related activities, including transfer of proceeds, entry into and stay in each other's territory. The agreement prohibited in principle any act of expropriation by the state and, in case it is unavoidable, provided for the payment of sufficient compensation.

This agreement enables South Korean businesses invest in North Korea without fear of having their investments confiscated by the North Korean authorities. The agreement also enables them to carry out business activities freely in North Korea while being treated by the North Korean government equally with or sometimes even better than other foreign companies.

The Agreement on Prevention of Double Taxation on Income clarified the South and North Korean government's right to collect taxes so as to avoid double taxation on income generated from the process of promoting inter-Korean economic cooperation.

Taking into account the considerably differences in the tax systems between South and North Korea, the two Koreas prescribed in this agreement the ownership and scope of rights to collect tax on such types of income as business profits, interest earnings and royalties. The agreement also provided for procedures for avoiding double taxation, exchange of tax information and resolution of tax disputes.

Consequently, South Korean businesses investing in North Korea were relieved from paying taxes twice on the same earnings, thereby enjoying an increase in net income.

In the Agreement on Procedures for Resolution of Commercial Disputes, South and North Korea consented to create a joint dispute resolution body. The agreement

prescribed the creation and function of a South-North Commercial Dispute Arbitration Committee and the procedures for dispute resolution. It also assured that both sides would respect and obey decisions made by the arbitration committee.

Because of differences in the economic systems and business customs between South and North Korea, disputes are likely to arise during the course of promoting economic cooperation. Unfortunately, since the two Koreas had so far failed to agree on a procedure for dispute resolution, one side often had to suffer from unilateral loss. With the signing of this agreement, the two Koreas were finally opened the door to a quick and rational way to resolve commercial disputes as they arise.

In the Agreement on Clearing Settlement, the two Koreas agreed to settle the payment of certain traded goods as determined by mutual agreement through a special clearing settlement system. The agreement provided for matters related to the operation of the clearing settlement system, including the scope and quantity of the goods paid by such a system, maximum size of the credit line extended to each side and designation of a clearing settlement bank. In addition, the two sides agreed that the payment for the transaction of goods not included in the clearing settlement system would be made pursuant to the general means of settlement practiced in the international market, thereby paving a road to a system of direct account settlement between the two Koreas.

Up to now, accounts in inter-Korean trade had been settled indirectly either via a bank in a third country or through a middleman. The closing of clearing settlement agreement makes a direct settlement between the two Koreas possible. This will cut both the transaction time and costs of inter-Korean trade. Inter-Korean trade is expected to grow in the future, led particularly by an increase of trading in the mutually supplementary area.

The signing of these four economic agreements has for the first time in history established a set of common norms to be applied to inter-Korean economic cooperation based on consensus between the two Koreas. Economic cooperation between the two Koreas would be placed hereafter under a set of common norms and systems agreed between and managed by the two Koreas. This may also contribute to fastening the institutionalization of inter-Korean cooperation in other areas.

The South Korean government plans to discuss with North Korea follow-up mea-

asures for the four economic agreements in order to implement these agreements without fail.

The government also plans to consult with Pyongyang on matters related to inter-Korean travel and communication, protection of industrial property rights and place of origin and other institutional mechanisms necessary for expanding inter-Korean economic cooperation in a more efficient and stable way.

Inter-Korean consultation will begin in areas where the effects of inter-Korean economic cooperation are large and North Korea is more readily cooperative. The government will then continue to exert its efforts to gradually institutionalize inter-Korean cooperation.

3. The Imjin River Basin Joint Flood Prevention

Over the last few years, both the South and North have suffered huge damages from floods along the Imjin River basin. Over the last three years, for example, 232 people were found dead or missing and 1.6 trillion won of property was lost in floods just on the southern side, located at the lower reaches of the river.

Flood damage repeats itself along the Imjin River each year because the government has failed to control flooding in the river basin. However, because the river flows across the two Koreas, there is a certain limit to what one side can do alone to control flooding. Therefore, flood control efforts must be made through cooperation between the two Koreas. The Imjin River will also serve as an important industrial water supply source for the Kaesong Industrial Complex and other border districts to be developed in the future. Joint flood prevention is, therefore, an urgent and critical project that supports inter-Korean cooperation.

The South Korean government sent a letter the South Korean Red Cross President Chung Won-sik wrote on August 11, 2000 via the liaison office in Panmunjom and proposed a government-level working-level meeting to discuss flood prevention in the Imjin River basin.

During the second round of inter-Korean ministerial talks held in Pyongyang, South and North Korea agreed to promote a joint flood prevention project as soon as possible. Later, during special envoy Kim Yong-sun's visit to Seoul, the two Koreas agreed to conduct a joint survey and develop detailed plans for the project.

In addition, the two sides reaffirmed their willingness to promote the joint project and discussed the matters related to it at a meeting of the Inter-Korean Economic Cooperation Promotion Committee. This demonstrates that, North Korea is generally aware of the necessity of joint flood control measures in the Imjin River basin.

In consultation with the North Korean government, the South Korean government plans to conduct a joint survey of the area in the near future and to prepare detailed plans for joint prevention based on the results of the survey.

The government first proposed to exchange relevant data, including data on rainfall in the surrounding areas and water levels in the Imjin River and its tributaries. It also plans to set up observation stations to build a flood warning system. The government's long-term plans include expanding the capacity for water supply and power generation by improving the river and building new banks and multi-purpose dams. The government plans to promote such measures in a gradual way.

4. Provision of Food Loans to the North

During the second round of ministerial talks, North Korea frankly admitted that due to such natural disasters as severe drought and typhoon its grain production was expected to drop considerably in 2000, making the food situation much worse. Subsequently, Pyongyang made a formal request for about one million tons of grain in the form of a loan.

It was the first time North Korea has made a formal food aid request to South Korea. This seems to reflect Pyongyang's understanding of the necessity of inter-Korean cooperation. South Korea maintained that it was willing to discuss the matter after thoroughly reviewing the request. Thus, the two Koreas agreed during ministerial talks that they would review and promote the provision of the food loan with the

spirit of promoting mutual assistance.

The South Korean government first surveyed public opinion on providing the food loan to North Korea September 23, 2000. According to the poll, 55.3% of those who responded were in favor of providing the loan. The government also consulted with the National Assembly through a briefing to the three major parties. It evaluated North Korea's food situation and examined ways to finance the loan as well as countermeasures to avoid possible diversion of the aid for military use. After a comprehensive review, the government decided to provide the requested food loan to North Korea.

Subsequently, the two Koreas held a working-level meeting on economic cooperation in Seoul on September 26 and agreed on the size and procedures for delivery of the food loan.

An agreement signed between South Korea's Vice Minister of Finance and Trade and a director general of North Korea's Trade Ministry stated that South Korea would provide 300,000 tons of foreign rice and 200,000 tons of foreign corn to North Korea in the form of a long-term loan. According to the agreement, the loan would be repaid over 30 years, including a ten-year grace period, at an interest rate of 1.0% per annum.

The South Korean government decided to provide foreign grain because it wanted to minimize the effect on domestic supply while increasing efficiency by providing a greater amount of food at lower cost.

In addition, to prevent a possible diversion of the food loan to military use, the government stated clearly in the loan agreement North Korea's guaranty for transparency in distribution, including accepting the name "Republic of Korea" written on the sacks.

As for the financing of the loan, the government convened a meeting of the Inter-Korean Exchange and Cooperation Promotion Council and decided to lend a maximum of \$100 million from the Inter-Korean Cooperation Fund in accordance with Article 8, Section 5 of the Inter-Korean Cooperation Fund Act.

Based on such a decision and in accordance with an agreement that South Korea

should deliver the food loan as soon as possible, the Ministry of Unification asked the Government Procurement Office (GPO) to purchase the grain. The GPO signed a purchasing contract with a grain supplier on September 29, 2000.

To manage the debtor-creditor relationship arising from the food loan, the Korean Export and Import Bank, a South Korean agency entrusted with the management of the Inter-Korean Cooperation Fund, and North Korean External Trade Bank, a North Korean agency entrusted with the authority to handle the matter, closed a loan contract between them on October 4, 2000.

As of the end of December 2000, the delivery of the entire 300,000 tons of rice and about 75% of the promised 200,000 tons of corn was completed. About 26,000 tons of the remaining 50,000 tons of corn is scheduled to be delivered at Namyang, North Korea by rail by March 2001, and the rest is scheduled to be delivered to the port of Nampo by sea.

The South Korean government has exerted its best efforts to assure transparency in the distribution of the food loan. During the second round of economic working-level talks held in November, the South Korean delegation obtained a written report on distribution and visited one of the distribution centers.

A visit to a distribution site took place at a food distribution center located in Gaeson-dong, Moranbong District of Pyongyang. The residents standing in line for the ration said they were aware of the fact that the South supplied the corn they were receiving.

This was first occasion on which a South Korean delegation was actually conducted on-site monitoring of food distribution. In many previous cases when the South provided aid to the North, on-site monitoring had been impossible. Therefore, successful implementation of the new monitoring arrangements was considered to mark a significant progress in inter-Korean relations.



II. Inter-Korean Travel, Trade, Transportation and Communication

1. Inter-Korean Travel

A. Overview

From the coming into force of the Basic Guideline for Inter-Korean Exchange and Cooperation to the end of December 2000, 2,478 applications to visit North Korea have been received from 21,101 South Korean applicants, not including Mt. Kumgang tourists. 2,374 applications from 20,094 applicants were approved while 18,601 made actual visits on 2,209 occasions. In the year 2000 alone, 865 applications have been received from 8,070 people. And, among this group, 845 applications from 7,737 applicants were approved while 7,280 made actual visits on 804 occasions.

< Number of Visits between South and North Korea >
 (From June 12, 1989 to December 31, 2000)

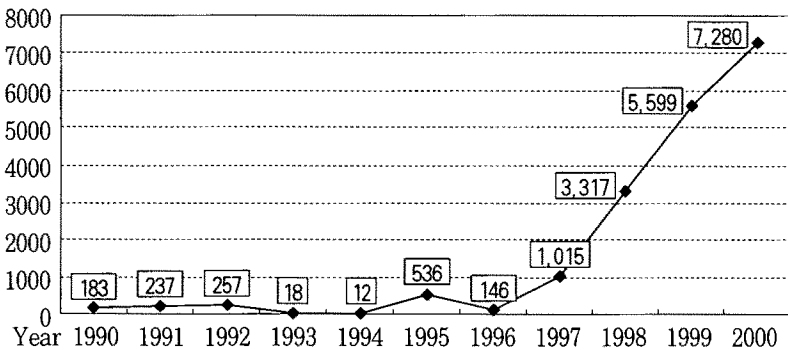
Year	Type of Visit	Applied	Approved	Succeeded
1989	Visits to the North	1(1)	1(1)	1(1)
	Visits to the South	-	-	-
1990	Visits to the North	7(199)	6(187)	3(183)
	Visits to the South	5(306)	5(306)	4(291)
1991	Visits to the North	12(244)	11(243)	10(237)
	Visits to the South	3(175)	3(175)	3(175)
1992	Visits to the North	17(303)	8(257)	8(257)
	Visits to the South	4(113)	3(103)	3(103)
1993	Visits to the North	6(21)	5(19)	4(18)
	Visits to the South	2(6)	2(6)	2(6)
1994	Visits to the North	12(78)	7(54)	1(12)
	Visits to the South	-	-	-
1995	Visits to the North	64(563)	58(543)	52(536)
	Visits to the South	1(7)	1(7)	-
1996	Visits to the North	50(249)	35(170)	28(146)
	Visits to the South	-	-	-
1997	Visits to the North	156(1,194)	149(1,172)	136(1,015)
	Visits to the South	-	-	-
1998	Visits to the North	402(3,980)	387(3,716)	340(3,317)
	Visits to the South	-	-	-
1999	Visits to the North	886(6,199)	862(5,997)	822(5,599)
	Visits to the South	1(62)	1(62)	1(62)
2000	Visits to the North	865(8,070)	845(7,737)	804(7,280)
	Visits to the South	10(706)	10(706)	10(706)
Total	Visits to the North	2,478(21,101)	2,374(20,096)	2,209(18,601)
	Visits to the South	26(1,373)	25(1,365)	23(1,343)

* The figures represent cases of visits and the figures in the parentheses represent the number of people involved.

In addition, the Mt. Kumgang tourism project was launched on November 18, 1998 and promoted steadily since then. As of the end of December 2000, a total of 371,637 people, including 828 foreigners and 184 holders of foreign permanent residence, have toured Mt. Kumgang. 213,009 tourists visited Mt. Kumgang during the year 2000.

Inter-Korean travel consisted mainly of South Korean visits to the North. South Korean visits sharply declined to 18 and 12 in 1993 and 1994, respectively, while inter-Korean relations were deadlocked over North Korea's nuclear program. However, the number has constantly increased thereafter, particularly with the growth in the number of South Korean businessmen visiting the North to promote joint ventures.

<South Korean visits to the North>



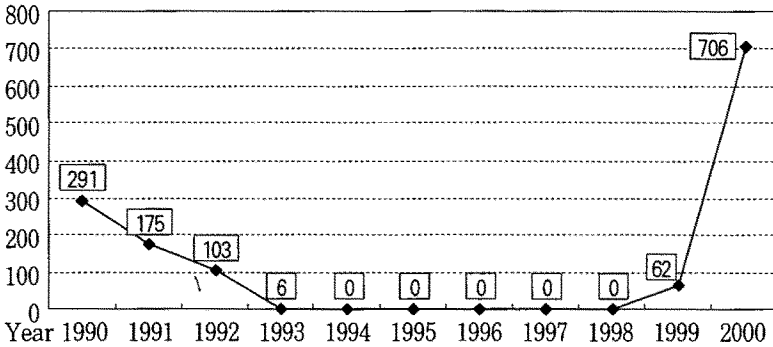
The number has jumped dramatically since the inauguration of the Kim Dae-jung Administration, known as the Government of the People, in 1998. Based on the principle of separating business from politics, the government has actively promoted inter-Korean exchange and cooperation in the private sector and, as a result, the number of people visiting the North has increased substantially. The number of South Koreans who have visited the North from 1998 through 2000 was 16,019, or more than six times the total over a nine-year period from 1989-97. This shows how active the inter-Korean exchange of people has become with the inauguration of the Kim Dae-jung Administration.

In the meantime, a total of 706 North Korean have visited the South during 2000,

reflecting more than eleven-fold increase from 62 in the previous year.

The total number of North Koreans who have visited the South from 1990 to 2000 was 1,343. There were 291 North Korean visitors in 1990 and none between 1994 and 1998. The number increased moderately to 62 in 1999 and, then, sharply to 706 in 2000.

<North Korean visits to the South>



B. Visits in Relation to the Mt. Kumgang Tourism Project

Since the first Mt. Kumgang ferry set sail from a South Korean port on November 18, 1998, the ferries made 670 round trips to the North altogether. They have carried a total of 371,637 tourists, including 828 foreign citizens and 184 holders of foreign permanent residence, through December 2000.

During 2000, a fleet of three vessels, the Kumgang, the Bongrae and the Pungak, left for Mt. Kumgang each day. With the addition of the Solbong, more 15,000 people on average were able to see the scenic beauty of Mt. Kumgang each month. In addition, a number of Hyundai staff and others have constantly visited the North to promote the tourism and development project. During 2000, the number of South Koreans who have visited the North for this purpose was 2,148.

C. Visits in the Economic Area

From June 12, 1989, when the Basic Guideline on Inter-Korean Exchange and Cooperation was first put in force, to the end of December 2000, 477 applications to visit the North have been received from 1,904 people. 426 applications from 1,702 people were approved and actual visits were made by a total of 1,376 people on 370 occasions. During the year 2000 alone, 688 people submitted a total of 139 applications, and 130 applications from 633 people were approved. Actual visits were made by 543 people on 125 occasions. The number of South Korean visitors has more than doubled in 2000 from the previous year.

South Korean visits to the North were temporarily interrupted after a visit by an investment working group to the light industry complex in Nampo. Although many South Korean businessmen resumed their visit after the South Korean government's announcement of the measures to promote inter-Korean economic cooperation, their visits were discouraged once again with a change in the mood of inter-Korean relations following an infiltration by a North Korean submarine.

Since its inauguration, the Kim Dae-jung Administration has consistently promoted policies toward North Korea based on the principle of separating business from politics. In addition, the administration introduced a second set of measures to promote inter-Korean economic cooperation in 1998, opening the door for the heads of large businesses to visit the North. Thanks to such measures, Chairman Chung Ju-young of Hyundai Group visited Pyongyang in October of the same year and discussed the Mt. Kumgang tourism project and other investments with National Defense Commission Chairman Kim Jong-il. Consequently, in the following year, senior Hyundai officials met with top North Korean counterparts for further discussion of the tourism project and Kaesong Industrial Complex.

In the meantime, two government delegations visited Pyongyang to discuss with the North Korean authorities how to provide an institutional mechanism and establish foundation for economic cooperation, including a group of 22 members in November and 35 in December.

In addition, Hyundai and Korean Land Corporation staff visited the North three times to discuss the construction of an industrial complex. Their study team visited

Kaesong, one of the likely sites for the complex, from November 11-December 5 to survey the land and run a geological test.

The two Koreas also had meetings to discuss other joint ventures, including a processing production and electronic industry complex by Samsung, cigarette processing by Korea Tobacco & Ginseng Corporation, automobile repair plant by Peace Motors and medical supply development by Noksipja (Green Cross).

D. Visits in the Social and Cultural Area

During the period from the announcement of the Basic Guideline for Inter-Korean Exchange and Cooperation on June 12, 1989 to the end of December 2000, the number of applications to visit the North submitted in the social and cultural areas was 257 from 2,047 applicants in total. Of these, 231 applications from 1,918 people were approved while 1,496 people made actual visits in 180 occasions. In the year 2000 alone, 949 applicants submitted 102 applications. Of these, 98 applications from 934 individuals were approved while 674 people actually made visits on 79 occasions. The number of visits more than doubled from the previous year due to a substantial increase of visits by the media, press and athletes.

Visits in the social and cultural area were made mainly through such events as an exchange of performances by South and North Korean traditional artists in Pyongyang and Seoul and a good-will inter-Korean soccer match and an evaluation game to select players for a unified Korean team to compete in the World Junior Soccer Championship. Starting from 1992, individual religious leaders were also allowed to visit the North. However, the North Korean government showed concerns about the effect of the inter-Korean exchange in the social and cultural area over its system for several years until 1996. As a result, South Koreans' visits to the North remained at a very minimal level.

Exchanges in the cultural area was resumed in 1997 when a team of Joong Ang Ilbo reporters visited the North for an exploration of cultural remains in the northern part of Korea. In 1998, the inauguration of the Kim Dae-jung Administration raised public expectation for an improvement in inter-Korean relations and enthusiasm for inter-Korean exchange in the social and cultural area rapidly escalated.

Consequently, exchanges in the area expanded even beyond what had been achieved during the last few years combined. In particular, the place of inter-Korean exchange gradually changed from locations in third countries to Seoul, Pyongyang and other cities on the Korean Peninsula.

The number of applications submitted in the academic and athletic area from June 1989 to December 2000 was 105 from 1,114 applicants. Of these, 100 applications from 1,091 people were approved while 840 people made actual visits in 81 occasions. In the year 2000 alone, 628 people submitted 67 applications. Of these, 65 applications from 624 people were approved while 451 people made actual visits in 53 occasions.

Some noteworthy cases among those visits made during 2000 included those by college professors. First, two scholars from Sunmoon University, Prof. Lee Hyong-ku and Prof. Kim Dong-hyun, visited Kaesong to make a field investigation of the historic site of Yongtongsa Temple and to discuss with the North Korean experts the restoration of the ancient temple. An eminent historian from Korea University, Professor Emeritus Kang Man-kil, led a delegation to the North at the invitation of the History Institute of the North Korean Academy of Social Sciences to discuss a joint exhibition of data on the forceful annexation of Korea by the Japanese imperialists as well as academic exchange between the two Koreas.

Visits by other South Koreans continued in this area. Wooinbang discussed with North Korea's Asia-Pacific Peace Committee (APPC) and the Committee for National Reconciliation (CNR) an auto rally in the Mt. Kumgang area. Samsung discussed with APPC a table tennis championship in Pyongyang. The City of Pusan also discussed with APPC lighting of the torch for a national sports festival at Mt. Kumgang. Hyundai discussed with APPC visits by Hyundai staff and South Korean laborers in relation to the construction of the Pyongyang Indoor Sports Complex.

In the media and press area, 253 people submitted 38 applications during this period. Of these, 32 applications from 228 people were approved while 206 people made actual visits in 27 occasions. In the year 2000 alone, 167 people submitted 16 applications. Of these, 15 applications from 160 people were approved while 146 people made actual visits in 12 occasions. Visits in this area were relatively more difficult to promote than those in other areas because the main objective of the visits in this area was to collect news materials and circulate information by reporting them.

Nonetheless, a successful visit by the heads of South Korean media and press following the inter-Korean summit improved prospects for future exchange between South and North Korean media. During their stay in Pyongyang, the media chiefs signed an agreement to promote exchange between them with their North Korean counterparts and agreed on a visit to Seoul by the heads of North Korean media agencies.

Some important examples of the visits in this area during the year 2000 were as follows. Jointly with a group of North Korean staff, KBS broadcast live joint program with North Korean counterparts from Mt. Paektu on Chuseok, the Korean Thanksgiving Day, last September. SBS reporters visited the North the following month, to collect news materials for a live broadcasting. A team of Hankyoreh newspaper reporters also visited the North in the same month. In addition, reporters from MBC, Weekly Donga and Monthly Mal visited the North.

231 applicants submitted a total of 57 applications in the religious area during the same period. Of these, 49 applications from 194 people were approved while 146 people made actual visits in 36 occasions. In the year 2000 alone, 49 people submitted ten applications. All ten applications were approved while actual visits were made by all but two people in one case. The number showed 20 percent increase from the previous year, thanks to an active promotion of inter-Korean exchange by Protestants, Catholic and Buddhists.

The number of applications received in the cultural and art area during the same period was 31 from 346 applicants. Of these, 26 applications from 314 people were approved while 235 people made actual visits in 17 occasions. In the year 2000 alone, 91 people submitted six applications. Of these, five applications from 87 people were approved while 25 people made actual visits in three occasions, showing a decline from the previous year.

The best example for the visits in this area was the one made by a renowned movie director Lim Kwon-taek and his colleagues from November 11-18.

E. Visits in Relation to the LWR Project

Ever since a Korean Peninsula Energy Development Organization (KEDO) delegation visited North Korea in 1995 for a site survey and negotiations over the site protocol, visits by KEDO personnel have constantly increased as the LWR project has progressed. With the commencement of site preparation in 1997 and expansion of the construction in the following year, visits by the KEDO workers increased significantly. During the period of one year in 1999, 911 South Koreans in total visited the North in relation to the LWR project. A number of South Korean citizens have been staying at the LWR site in Shinpo for months. These long-term residents include the staff of a KEDO office in the Kumho district as well as staff and workers of KEPCO and a consortium for LWR construction.

During the year 2000, a total of 2,401 people submitted 194 applications to visit the North in relation to the LWR project. Of these, 191 applications from 2,280 people were approved while 2,231 people made actual visits on 187 occasions, showing a 40% increase from the previous year. The number of the visits increased considerably after KEDO signed a turnkey contract with North Korea.

< South Korean Visits to the North in 2000 >

Areas	Tourism (Staffs)	Economic	Social & Cultural	LWR Project	Humanitarian Aid	Family Reunion (Mediation)	Others	Total
Number of People	2,257	543	674	2,231	751	348	476	7,280

F. Visits to the South by North Koreans

Between June 1989 and December 2000, 26 applications to visit the South were submitted by 1,375 North Korean citizens in total. Of these, 25 applications from 1,365 North Koreans were approved and 1,343 of them actually made the visits in 23

occasions. In the year 2000 alone, 706 North Koreans submitted ten applications. All ten applications were approved and all 706 North Koreans actually visited the South.

North Koreans have visited Seoul on the following major occasions: high-level inter-Korean talks held between 1990 and 1992, a good-will inter-Korean soccer match in 1990, an evaluation game to select players for a unified Korea team to compete on the sixth World Junior Soccer Championship in 1991 and a tour around industrial facilities by a North Korean delegation led by Deputy Premier Kim Dal-hyon in 1992. In addition, a three-member North Korean delegation attended a Tumen River Area Development Programme (TRADP) communication expert group conference hosted by the UNDP in Seoul from January 27-30, 1993, as well as a resources, industry and environment expert group conference held from November 8-10 in the same year. Since then, however, not a single North Korean citizen visited the South until 1999. North Korean visits were resumed when a North Korean basketball and the accompanying officials, 62 in total, visited Seoul from December 22-25 to participate in the second good-will match with a South Korean team.

North Korean visits were drastically increased in 2000. In one year, more than half the total number of North Koreans who had visited the South between 1989 and 1999 visited the South. The increase was mainly due to an expansion in social and cultural exchanges between the two Koreas as well as frequent meetings between them following the inter-Korean summit in last June.

< North Korean Visits to the South >

(From June 12, 1989 to December 31, 2000)

Areas	Political Dialogue	Athletic	Cultural & Art	Economic	Academic	Family Reunion	Others	Total
Number of People	420	210	369	34	15	287	8	1,343

The number of North Koreans who have visited the South in 2000 on major occasions is as follows: 102 during the performance of Pyongyang Student and Youth Art

Troupe from May 24-27, 102 during the performance of Pyongyang Circus Troupe from May 27-June 11, 25 during the first round of ministerial talks from July 29-31, 151 during the first exchange of separated families from August 15-18, 132 during a joint performance of South and North Korean national symphony orchestra from August 18-24, 8 during a visit by special envoy Kim Yong-sun from September 11-14, 15 during the first working-level meeting on inter-Korean economic cooperation from September 24-26, 13 during the first round of defense ministers' talks from September 27-30, 22 during the third round of ministerial talks from September 27-30 and 136 during the second exchange of separated families from November 30-December 2.

2. Inter-Korean Trade

A. Trade Volume

Trade between the two Koreas began following the July 7 Declaration in 1988 and the subsequent announcement of open-door measures toward North Korea. During the early days, the total volume of inter-Korean trade was under \$20 million. However, with the establishment of relevant rules and regulations, including the Inter-Korean Trade and Cooperation Act in August 1990, the trade volume exceeded \$100 million.

Inter-Korean relations slowed down temporarily when Pyongyang declared its withdrawal from the Non-proliferation Treaty (NPT). Nonetheless, with the implementation of measures to promote inter-Korean economic cooperation in 1994, the volume of inter-Korean trade exceeded \$200 million by 1995. The volume exceeded \$300 million in 1997 for the first time in the history, thanks to an increase in the import of North Korean steel and metal products as well as an expansion of processing trade and increased export of construction materials with the commencement of the LWR project.

In 1998, due to an aggravation in both domestic and external economic conditions following the financial crisis, inter-Korean trade shrank and the total volume dropped

< Inter-Korean Trade >

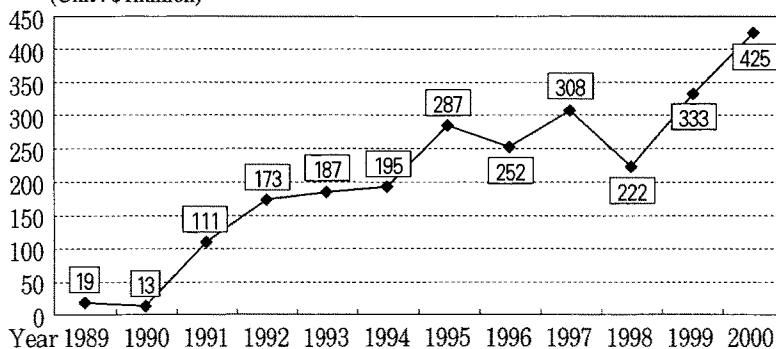
(Unit: \$1,000)

Year	Import			Export			Total		
	No. of Cases	No. of Items	Amount	No. of Cases	No. of Items	Amount	No. of Cases	No. of Items	Amount
1989	66	25	18,655	1	1	69	67	26	18,724
1990	79	23	12,278	4	3	1,188	83	26	13,466
1991	300	44	105,719	23	17	5,547	323	61	111,266
1992	510	76	162,863	62	24	10,563	572	100	173,426
1993	601	67	178,167	97	38	8,425	698	105	186,592
1994	708	73	176,298	267	92	18,249	975	165	194,547
1995	976	105	222,855	1,668	174	64,436*	2,644	279	287,291
1996	1,475	122	182,400	1,908	171	69,639	3,383	293	252,039
1997	1,806	140	193,069	2,185	274	115,270	3,991	414	308,339
1998	1,963	136	92,264	2,847	380	129,679	4,910	486	221,943
1999	3,089	172	121,604	3,421	398	211,832	6,510	525	333,437
2000	3,952	203	152,373	3,442	505	272,775	7,394	647	425,148
Total	15,965		1,618,546	18,277		907,671	34,242		2,526,217

* Not including \$237,213 worth of rice aid.

< Volume of Inter-Korean Trade >

(Unit: \$1million)



by 28% to \$220 million. In the following year, however, with a recovery in South Korean economy, the volume of processing trade expanded and such major joint ventures as Mt. Kumgang tourism and LWR project progressed smoothly. As a result, the trade volume exceeded \$300 million once again. In the year 2000, import of North Korean agricultural products increased, processing trade for electric and electronic products expanded, a large amount of fertilizer aid was provided and the LWR construction entered into its main stage. Consequently, the trade volume surpassed \$400 million for the first time in the history of inter-Korean trade.

B. Trade Balance

The structure of inter-Korean trade shows that South Korea's import from the North constituted most of the trade between the two Koreas from 1989 to 1997. Starting from 1998, however, the trend reversed and South Korean export accounted for more than half of the trade. This reversal was caused mainly by a substantial increase in non-commercial trade: the shipment of KEDO heavy fuel oil and humanitarian aid has continually increased since 1995; the LWR project, 1997; the Mt. Kumgang tourism, 1998; and the fertilizer aid, in 1999. Since the trade volume exceeded \$100 million in 1991, North Korea has enjoyed a surplus of \$116 million on average per year in net trade balance, that is, not including the trade of non-commercial goods shipped in relation to humanitarian aid, the LWR and Mt. Kumgang tourism project. Although the surplus has recently decreased by a large amount, North Korea is expected to enjoy a surplus for the time being until its economy recovers and a mutual balance is promoted in the inter-Korean trade through the establishment of such institutional mechanisms as a clearing account.

< Trade Balance in Inter-Korean Trade >

(Unit: \$1,000)

Year	Import	Export	Total	Balance	Remark
1989	18,655	69	18,724	- 18,586	-
1990	12,278	1,188	13,466	- 11,090	-
1991	105,719	5,547	111,266	-100,172	Annual Average from 1991 to 2000: -68,120 (-116,109)
1992	162,863	10,563	173,426	-152,300	
1993	178,167	8,425	186,592	-169,742	
1994	176,298	18,249	194,547	-158,049	
1995	222,855	64,436	287,291	-158,419 (-169,414)	
1996	182,400	69,639	252,039	-112,761 (-127,016)	
1997	193,069	115,270	308,339	-77,799 (-133,049)	
1998	92,264	129,679	221,943	37,415 (-40,629)	
1999	121,604	211,832	333,437	90,228 (-53,929)	
2000	152,373	272,775	425,148	120,402 (-56,794)	
Total	1,618,545	907,672	2,526,218	-710,873 (-1,190,770)	

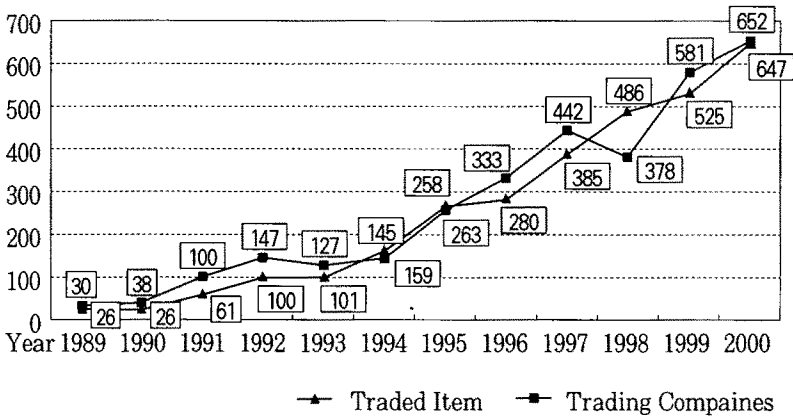
* The numbers in parentheses represent net balances, excluding the transactions of such non-business items as the LWR materials, humanitarian aid, KEDO heavy fuel oil and goods for cooperation projects.

C. Types and Items of Trade

Because North Korea refused to officially recognize inter-Korean trade for years, trade formally was conducted indirectly through a foreign intermediary. Since the mid 1990s, however, South and North Korean trade partners began to have direct consultations and sign business contracts directly. In those days, direct trade was

mainly made for herbal medicines, agricultural products and some items in processing trade. In 1998, the North Korean government put the Committee for National Economic Cooperation (CNEC) in charge of inter-Korean economic cooperation. Subsequently, CNEC opened a field office in Beijing and Dandong. The direct trade between South and North Korea has slowly increased since then. Nonetheless, merchant trade is still preferred in many cases because it reduces the transaction risk due to the restriction in travel and communication between the two Koreas.

<Number of Trading Companies and Traded Items>



During the early days, imports from the North were largely composed of mine products such as gold bars, steel and metal products such as zinc bars and cast iron.

Mine products constituted 34% of annual imports on average from 1991 to 1997. However, the ratio of the mine products has declined quickly since 1998. Likewise, that of steel and metal products, which formally constituted more than 40% of the total annual import on average in the early days, fell down to the 10% range in the following year.

As commission-based processing trade expanded since 1992, the import of textile products gradually grew to account for more than 20% of the total import by 1996 and constituted the largest portion of total trade volume with 42% in 1998. Agricultural and fishery products have constituted a large portion of inter-Korean

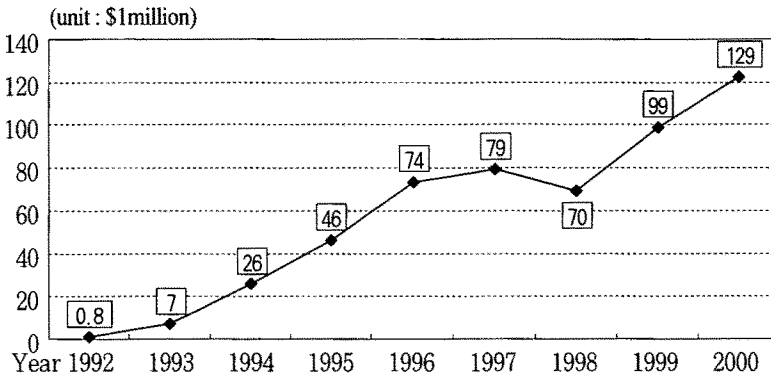
trade from the beginning. They accounted for the largest portion of the processing trade with 39.4% in 1999 and 47.2% in 2000. Agricultural and fishery products and textile products together constituted a huge portion of South Korean import from the North with 76.8% in 1999 and 82.4% in 2000, showing an excessive preponderance of these two groups of goods. The major items of South Korean import in 2000 were agriculture and fishery (47.2%), textile (35.2%), steel and metal (7.7%) and electric and electronic products (5.4%).

Various chemical products, including vinyl materials for agricultural use, constituted the largest portion of South Korean export to the North in the early days. Since 1993, the export of textile products grew with the export of materials for processing trade and has accounted for a big portion ever since. However, with the expanded export of non-metallic mineral products and primary industry products in relation to the provision of KEDO heavy fuel oil and food aid, the portion of textile products slightly decreased since 1997. In the meantime, export of machineries and transportation equipment started to account for more than 10% of the total export from 1997, while the portion of chemical products increased to 20.2% in 1999 and 35.0% in 2000. These increases were caused by the shipment of the LWR and Mt. Kumgang tourism materials as well as fertilizer aid. The major export items in 2000 were chemical (35.0%), textile (15.9%), machineries and transportation equipment (11.8%), electric and electronic (10.3%), primary industry (9.5%) and non-metallic mineral products (7.5%).

D. Processing Trade

Commission-based processing trade is a form of inter-Korean trade in which South Korean companies send raw materials to North Korean manufacturers for processing and then re-import the products in either finished or semi-finished forms. This type of trade has expanded rapidly over the last few years since Kolon first imported school bags from the North this way in 1991. In 1999, the volume of processing trade showed a 40.3% increase from the previous year and in 2000, it increased by 29.7%. The total amount of processing trade was \$129 million in 2000, accounting for 30.4% of the total trade volume and 52.9% of commercial trade between the two Koreas.

<Commission-based Processing Trade>



South Korean import in processing trade largely consisted of garments. Some bags, shoes and toys were also produced this way. Since 1996, however, the items for processing trade slowly diversified to include color TVs, TV speakers and car wires. Computer components, audio equipment, electric parts, train cars and cassette tapes were newly added in 1998. And, radio cassette players, telephone sets, computer monitors and Chinese noodles were added in 2000. South Korean visits to the North for technical training were first made by a group of engineers from Daedong Chemical in 1991, but disrupted thereafter. The visits were resumed in 1998 with 50 engineers in total from seven companies, including Elcanto. The number of visits increased constantly thereafter. A total of 57 engineers from six companies, including Sungnam Electric Engineering, visited the North in 1999 and 81 from ten companies, including IMRI, visited in 2000. In addition, two staff from the Agency for Technology and Standards, the government authorities that issue the official approval for electric appliances, visited the North for the first time in history to make an on-spot inspection of a local factory.

Export of raw materials for processing trade has also constantly increased. A total of \$13.9 million worth of the raw materials were exported to the North in 65 cases between 1995 and 2000. In the year 2000 alone, \$5.6 million worth of the facilities were exported in 31 cases. The number of companies participating in processing trade has constantly increased each year, reaching 151 by 2000. The continuing increase in the volume and number of participants proves that the processing trade has now entered into a track for stable growth. Items exported during 2000 included

facilities necessary for the production of electronic appliances such as computer monitors, TV sets, telephone sets and radio cassette players, electric products such as iron core for transformer, degausser coil, compact electric bulbs and communication signal divider and foam papers for packaging. Continued diversification of export items is expected in the future.

< Processing Trade >

(Unit: \$1,000)

Year	Import		Export		Sum	
	Total	Processing	Total	Processing	Total	Processing
1989	18,655	-	69	-	18,724	-
1990	12,278	-	1,188	-	13,466	-
1991	105,719	-	5,547	-	111,266	-
1992	162,863	638	10,563	200	173,426	838
1993	178,167	2,985	8,425	4,023	186,592	7,008
1994	176,298	14,321	18,249	11,343	194,547	25,663
1995	222,855	21,174	64,436	24,718	287,291	45,892
1996	182,400	36,238	69,639	38,164	252,039	74,402
1997	193,069	42,894	115,270	36,175	308,339	79,069
1998	92,264	41,371	129,679	29,617	221,943	70,988
1999	121,604	53,736	211,832	45,883	333,437	99,620
2000	152,373	71,966	272,775	57,224	425,148	129,190
Total	1,466,173	213,357	634,896	190,123	2,101,069	403,480

< Export of Processing Facilities >

(Unit: \$1,000)

Year	1995	1996	1997	1998	1999	2000	Total
Number of Companies (No. of Projects)	2(2)	3(6)	4(4)	6(6)	13(16)	17(31)	45(65)
Amount	532	670	490	1,380	5,662	5,565	13,871

< Number of Companies Involved in Processing Trade >

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000
Number of Companies	4	7	9	18	38	48	72	132	151

3. Opening and Operation of Inter-Korean Transportation Routes

A. Operation of Transportation Vehicles

Article 3 Section 5 of the Supplementary Agreement for Implementation of and Compliance to the Agreement on Inter-Korean Exchange and Cooperation, which states the measures to implement what has been agreed in the Agreement on Reconciliation, Non-aggression and Exchange and Cooperation between the South and North adopted during the fifth round of high-level inter-Korean talks held in December 1991, prescribes that the goods traded between the two Koreas should be shipped directly between them through the land, sea or air routes opened upon mutual consent. Nonetheless, because there has not been any follow-up discussion between the two Koreas on these matters, there is no official transportation route opened between the two Koreas yet.

The South Korean government first introduced a licensing system for the operation of inter-Korean transportation vehicles in July 1994. In the early days, shipment of inter-Korean commodities was made by the vessels with foreign nationalities. As time passed, however, the participation of South Korean vessels gradually increased. By the beginning of the year 2000, air and land routes were also opened.

1) Sea Routes

During the year 2000, South Korean vessels made a total of 2,073 one-way trips between South and North Korea. The number of the trips increased by 20.9% from the previous year. Among them, the number of trips from the South to the North was

increased by 25.3% from the previous year to a total of 916, while the number from the North to the South was increased by 17.7% to a total of 1,157.

< Inter-Korean Shipping Service >

(Unit: Number of Trips)

Route	Jul.-Dec. 1994	1995	1996	1997	1998	1999	2000	Total
South to North	27	99	101	113	260	731	916	2,247
North to South	70	208	221	244	342	983	1,157	3,225
Total	97	307	322	357	602	1,714	2,073	5,472

The amount of goods moved between the two Koreas by sea during the year 2000 decreased by 28.5% from the previous year to a total of 703,145 tons. The amount of shipment from the South to the North decreased by 29.9% to a total of 547,262 tons. The amount from the North to the South also decreased by 23.2% to 155,883 tons. The decrease was caused by a reduction in KEDO-related export and South Korean import of mineral products, both of which account for a large portion of the total inter-Korean trade.

< Amount of Inter-Korean Shipment >

(Unit: Ton)

Routes	Jul.-Dec. 1994	1995	1996	1997	1998	1999	2000	Total
South to North	6,758	281,220	147,888	361,282	396,111	780,593	547,262	2,521,114
North to South	131,136	345,778	187,610	249,759	162,220	203,019	155,883	1,435,405
Total	137,894	626,998	335,498	611,041	558,331	983,612	703,145	3,956,519

2) Air Routes

The first direct flight between the two Koreas was made during the inter-Korean summit on June 13 last year. Since then, a total of 18 direct flights were made by the end of 2000, including ones made during the visits by separated families, delegations to the ministerial talks and Mt. Paektu tourists.

3) Land Routes

On August 8, 2000, the construction materials for Pyongyang Indoor Sports Complex were delivered to North Korea through Panmunjom. This added a land route to inter-Korean transportation, thereby diversifying the routes into sea, air and land.

B. Opening of the Taegu-Pyongyang Flight Information Region (FIR)

South and North Korea had a meeting in Bangkok from October 7-9, 1997 and signed two agreements: Memorandum of Understanding on Opening and Maintenance of an Air Route through Taegu-Pyongyang Flight Information Region (FIR) and Agreement between Taegu and Pyongyang Air Traffic Control Center. Subsequently, six civilian airlines, including Korean Air Lines, made experimental flights over the route from March 1-6. The Taegu-Pyongyang air route was officially opened on April 23. More than 180 airliners every month have taken advantage of the route since then.

In the meantime, a direct route between North Korea and Japan through the Taegu FIR was opened on September 10, 1998. With the opening of this route, South Koreans traveling to North America or Russia could save 20-50 minutes in flight time, depending on the route they choose. This would cut down the fuel cost by more than \$20 million every year.

4. Connection of Inter-Korean Communication Network

A. Current Status

During the first round of preliminary meetings between South and North Korean Red Cross, the two Koreas agreed on the need for opening a hotline between their liaison offices. Consequently, a direct telephone line between the two Koreas was reconnected for the first time in 26 years since the line was severed in 1945.

With the announcement of the July 4 Joint Communiqué in 1972, another line was opened between the offices of co-chairmen of the South-North Coordination Committee. In the following August, 18 lines were connected between Seoul and Pyongyang in preparation for various inter-Korean talks.

In 1975, however, North Korea unilaterally disconnected these direct lines. Some of these lines were occasionally opened and closed until 1984. With the start of the Red Cross talks over the provision of North Korean aid to the South Korean flood victims in 1984, direct lines were reconnected.

As of 2000, there are currently 29 direct telephone lines and 21 indirect lines via the third countries between South and North Korea. The direct lines have been installed based on an agreement between the two Koreas for the purpose of mutual communication and supporting various inter-Korean talks.

The indirect lines are used to support the LWR and Mt. Kungang tourism project as well as the construction of Pyongyang Indoor Sports Complex. In the meantime, South Korean workers staying in the LWR site in Shinpo are using international post service via China.

< Hot Lines between the Two Koreas >

(As of December 31, 2000)

Purpose	Section	Number of Line	Opening Date
Red Cross Hot Line	Seoul-Pyongyang	2	Sept. 22, 1971
South-North Coordination Committee	Between the South and North Korean Committee Chairman	1	July 4, 1972
Support for Inter-Korean Talks	Seoul-Pyongyang	18	Aug. 26, 1972
Economic Talks	Seoul-Pyongyang	1	Dec. 21, 1984
Hotlines through the Joint Security Area in Panmunjom	Between South and North Korean Red Cross liaison Office	2	Sept. 22, 1971
	Between South and North Korean liaison office	2	May 18, 1992
Air Traffic Control	Between Taegu and Pyongyang control air Traffic tower	2	Nov. 19, 1997
	" (satellite relay)	1	Feb. 17, 1998
Total		29	

< Direct Telephone Lines between South and North Korea >

(As of December 31, 2000)

Purpose	Section	Number of Lines	Opening Date
KEDO LWR Project	South Korea-Japan KDD-Intelsat	8	Aug. 4, 1997
	-Pyongyang-Shinpo	2	July 26, 2000
Mt. Kungang Tourism	South Korea-Japan IDC-Intelsat	6	Nov. 17, 1998
	-Pyongyang-Wonsan-Onjong-Jangjon	2	May 18, 1999
Pyongyang Indoor Sports Complex	South Korea-Japan IDC-Intelsat -Pyongyang-Wonsan-Onjong-Jangjon	3	Nov. 21, 2000
Total		21	

B. Opening of Air Traffic Control Communication

With the signing of the air traffic control agreement in October 1998, communication networks between the air traffic control center in Taegu and Pyongyang were connected to each other. Two direct lines through Panmunjom were opened on November 19, 1997 as the main channel of communication between the two control centers. An auxiliary line was added on February 17, 1998, in the form of a direct inter-Korean line using the ASIASAT II communication satellite.

C. Communication Cooperation for the Mt. Kumgang Tourism

A supplementary agreement on Mt. Kumgang tourism signed between Hyundai and North Korea's Asia-Pacific Peace Committee stated that the two sides should guarantee the provision and use of communication facilities for the sake of the Mt. Kumgang tourism project and convenience of the tourists. Based on this agreement, Hyundai Electronics Industries and North Korea's Kumgangs International Tourist General Corporation signed an agreement on guarantee for communication on October 19, 1998. In addition, on November 12, the South Korean government issued permission for its cooperation project to Hyundai Electronics Industries, Korea Telecom and Onse Telecom as the first stage of the communication joint venture for Mt. Kumgang tourism that they had jointly submitted for approval.

Consequently, six international telephone lines via a third country were connected on November 17, 1998. Two additional lines were opened May 18, 1999, raising the total number of lines available for Mt. Kumgang tourists to eight.

D. Communication Network for the Construction of Pyongyang Indoor Sports Complex

Since the end of July 2000, North Korea has allowed Hyundai construction workers staying at the site of Pyongyang Indoor Sports Complex to call Seoul from their offices and living quarters in Pyongyang using the communication network estab-

lished for Mt. Kumgang tourists. Nonetheless, because it was not possible to call Pyongyang from Seoul, construction was inevitably delayed.

To make it possible to call from Seoul to Pyongyang, the two partners could either build a new communication network or utilize the existing Mt. Kumgang network. Considering the urgency of the project, they had to choose the latter. Consequently, three South Korean companies, Hyundai Electronics Industries, Korea Telecom and Onse Telecom, jointly requested a permission from the Ministry of Unification to change in the project plan on October 23. According to the new plan, the area of communication, originally limited to the Mt. Kumgang area, would be expanded to include Pyongyang as well. The ministry granted permission on November 20. As a result, two-way communication between the two Koreas at the private level became possible for the first time in the history. Currently, there are a total of three lines, including two telephone lines and one facsimile line, being used to support the construction of the Pyongyang Indoor Sports Complex.



III. Expansion of Inter-Korean Cooperation in Economic, Social and Cultural Areas

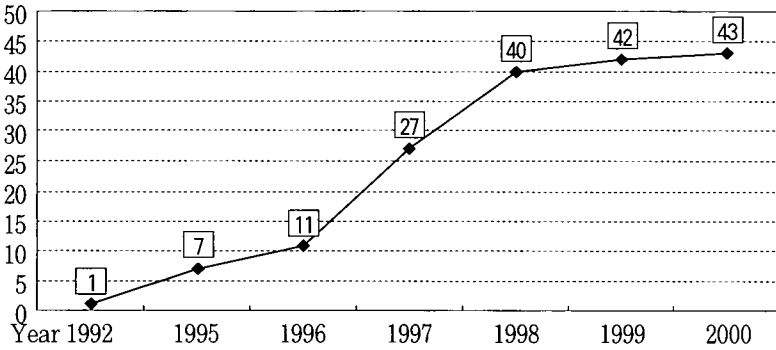
1. Economic Exchange and Cooperation

A. Approval of Project Partnerships

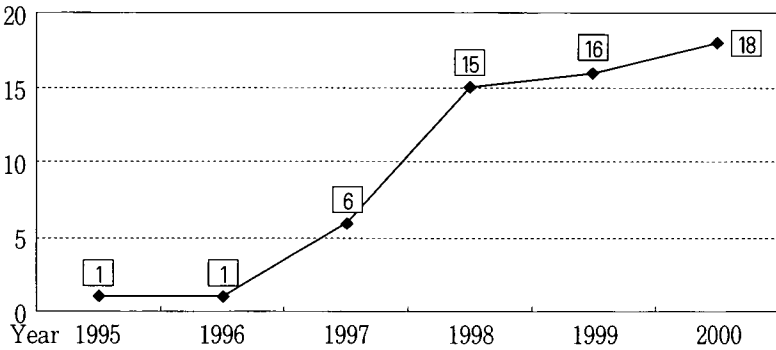
On October 5, 1992, Daewoo, Inc. became the first South Korean company to receive the government permission to pursue cooperation partnership in the form of a joint venture in North Korea's Nampo industrial complex. Since then, 43 companies were issued permission to pursue cooperation partnerships. By the end of 1999, however, four companies had their permission revoked because they fell short of required standards or disturbed the order in inter-Korean economic cooperation. As a result, there are 39 companies with the status of cooperation partnership currently promoting inter-Korean joint ventures. Among them, 18 have been issued permission to pursue cooperation projects. Since the inauguration of the Kim Dae-jung

Administration, ten companies have been issued permission for cooperation partnership and eleven were issued permission for cooperation projects.

<Approval for Cooperation Partnership (Cumulative Total)>



<Approval for Cooperation Project (Cumulative Total)>



B. Construction of the Kaesong Industrial Complex

With Hyundai taking lead in constructing an industrial complex in Kaesong, the two Koreas are currently promoting a large-scale joint venture to develop an industrial complex in North Korea.

During honorary Hyundai Chairman Chung Ju-young's visit to North Korea on October 1, 1999, National Defense Commission Chairman Kim Jong-il expressed interest in the development of the Hyundai West Coast Industrial Complex and agreed in principle on the company's project plan. Subsequently, a loose agreement equivalent to a letter of intent was signed between Hyundai and North Korea's Asia-Pacific Peace Committee.

Together with staff from Korea Land Corporation, Hyundai staff conducted an on-the-spot survey of the Kaesong area in August 2000. On August 9, Hyundai Chairman Chung Mong-hun and Chairman Kim Jong-il agreed to build an industrial complex in the Kaesong area. Subsequently, Hyundai and the Asia-Pacific Peace Committee signed an agreement on the development project. In the following November, Hyundai and the Korea Land Corporation agreed on the joint promotion of the project. As a first step, they conducted an on-the-spot land survey and geological study on one million pyong, or approximately 400 million sq. yards, of land around the City of Kaesong.

When the Seoul-Shinuiju railway and Kaesong-Munsan highway are opened in the future to link South and North Korea, the Kaesong area will be an excellent home for an inter-Korean industrial complex because of its easy access to South Korea and advantages in utilizing the conveniences the City of Kaesong offers. Yet, it seems necessary to come up with a set of separate measures to resolve the questions of power and industrial water supply and lack of well-developed harbor facilities.

The South Korean government has exerted its efforts to effectively implement the four economic agreements, including those on investment protection and prevention of double taxation, to create a favorable environment for investors. At the same time, the government has encouraged Hyundai to negotiate in advance with the North for a guarantee of free economic activities by South Korean companies within the indus-

trial complex when the Pyongyang government designates the special economic zone for the complex. The government also plans to encourage the participation of both South Korean and foreign companies in the process of promoting as well as financing the project. This way, the Kaesong Industrial Complex will be developed into a stable and profitable international economic zone.

In the meantime, North Korea has restricted South Korean entry into and investment in the Rajin-Sonbong special economic zone since October 1998. As a result, South Korean businesses have stopped making investment in the zone.

C. Joint Projects in the Manufacturing Sector

At the beginning of the year 2000, inter-Korean cooperation in the manufacturing sector has passed the stage of searching for business opportunities and has entered into that of large-scale production and import.

Taechang, for example, introduced bottled spring water produced in the Mt. Kumgang area into the local South Korean market in July 2000. Noksipja completed a urokinase plant in September and started the test production of the medicine in North Korea. Pyonghwa Motors was issued permission for a cooperation project in January 2000 and built an auto repair and remodeling plant as the first step in promoting its joint venture. By 2006, the company plans to complete the main plant, which would be equipped with assembly lines for an annual production capacity of about 15,000 cars.

D. Joint Projects in the Agricultural and Fishery Sector

Cooperation projects in the agricultural and fishery sectors were promoted actively during the year 2000 as a way to assist North Korea in improving the structure of its agricultural and fishery industry to provide a fundamental solution to the country's chronic food shortage.

The International Corn Foundation was issued permission for a cooperation pro-

ject in 1998 for the development of new varieties of corn. The foundation has actively promoted the project while its scientist visited North Korea 16 times by the end of the year 2000. Although the project was initially scheduled to expire in June 2001, North Koreans agreed to extend it for seven years by renewing annual contracts each year depending on the progress made.

Korea Tobacco & Ginseng Corporation has terminated the production of Hanmaum brand, filtered cigarettes sold both simultaneously in the South and North, and plans to introduce a new brand of cigarettes.

Hyundai Asan shipped out the first harvest from its farm in the Mt. Kumgang area in February 2000. Although the agricultural project suffered from a temporary setback due to a natural calamity, it was resumed in August.

Miheung Food and the National Federation of Fisheries Cooperatives have promoted inter-Korean cooperation in the fishery sector. Unfortunately, the progress has not yet met their expectations. Nonetheless, because North Korea proposed inter-Korean cooperation in this sector during the fourth round of the ministerial talks held in December 2000, future prospects are now brighter than ever.

E. Inter-Korean Cooperation through International Organizations

The South Korean government has actively participated in various multinational efforts promoted by international organizations, including the UNDP-initiated Tumen River Area Development Programme (TRADP).

TRADP aims at providing a basis for multilateral cooperation among the countries in Northeast Asia by developing the Tumen River area into an international hub of transportation, processing and manufacturing. The project is managed by the UNDP while South and North Korea, China, Russia and Mongolia are participating as the full members and Japan, Finland and Canada are taking part as the observers.

Since its commencement in October 1991, TRADP members adopted a development strategy of 'gradual harmonization' and promoted first those projects that were more consistent with the reality of the region. The Tumen Programme established

two institutions as its highest decision-making bodies, the Tumen Consultative Commission comprised of all five member countries, and the Tumen Coordination Committee comprised of the three riparian countries that share the Tumen River. Its institutional framework also consists of working group meetings and the Tumen Secretariat, which provides administrative support for the TRADP projects.

As the Tumen Programme entered its third stage in 2001, it plans to promote various projects by readjusting priorities in various project areas, including tourism, trade, investment, transportation and environment, reviewing financing mechanism and reforming its operation system.

In addition, through such international organizations as the United Nations Food and Agricultural Organization (FAO) and World Food Program (WFP), the South Korean government has promoted various projects to expand North Korea's agricultural productivity. The government has exerted its efforts to persuade the international community to support Pyongyang's entry into various international financial institutions, including the Asia Development Bank (ADB), International Monetary Fund (IMF) and International Bank for Reconstruction and Development (IBRD) to help North Korea improve its ability to attract foreign capital.

The South Korean government has continuously promoted joint participation by South and North Korea in multilateral economic cooperation initiated by international organizations. The government hoped to expand exchange and cooperation between the two Koreas while, at the same time, facilitating reform and liberalization in North Korea through these programs. The government has continued its efforts to create an environment favorable to a unification of the Korean Peninsula through an expanded economic cooperation with the neighboring countries.

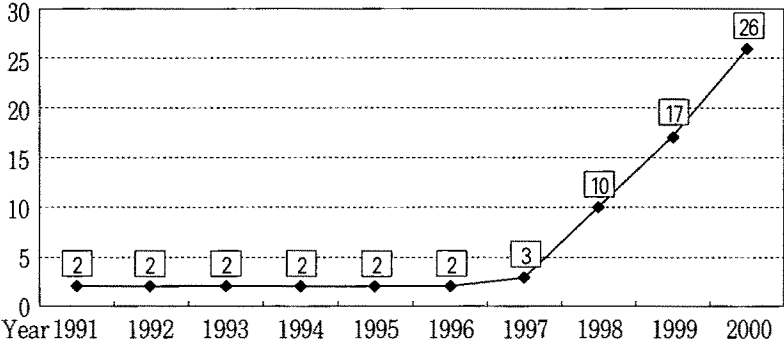
2. Social and Cultural Exchanges and Cooperation

A. Permissions for Cooperation Partnership

Since permission for cooperation partnership was first issued to allow the forma-

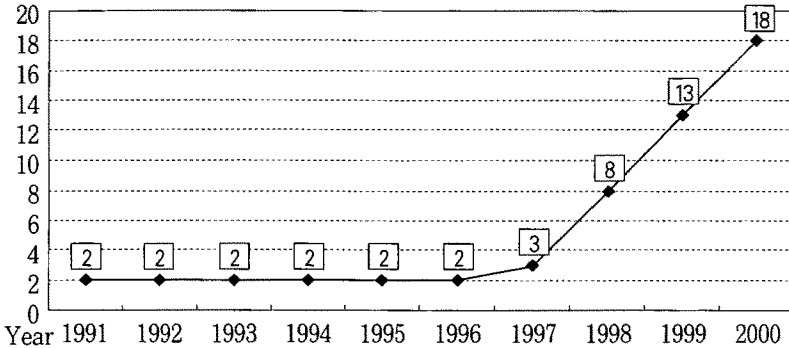
tion of a unified Korea team to compete in the 1991 World Table Tennis Championship held in Chiba, Japan, a total of 26 organizations received cooperation partnership approvals in the social and cultural area until the end of year 2000. Approval for seven of these organizations, including Sports Art and Korean Welfare Foundation, were issued in 1998 while permissions were issued to another seven, including Hyundai Asan and SN21 Enterprise, in 1999. In the year 2000, the permissions were issued to nine other organizations, including the Korean Cultural Network Research Center and Korean Culture Foundation.

**<Approval for Cooperation Partnership
in the Social and Cultural Area (Cumulative Total)>**



Among them, 18 received approval for cooperation projects. The list of the approved projects is as follows: in 1998, five projects in the areas of culture and art, media and press, public health and education; in 1999, two in the athletic area--the construction of an indoor sports complex and 1999 Mt. Kumgang Auto Rally--and three in the cultural and art area--1999 Seoul-Pyongyang International Music Concert for Peace, Pyongyang Concert for National Unification and Pyongyang Circus Troupe performance in Seoul; and, in 2000, five in the cultural and art area--Pyongyang Circus Troupe's second performance in Seoul, the joint production of a documentary film, the construction of a North Korean cultural database, opening of a local mirror site introducing North Korean business and industry information by DPRK InfoBank and Kumgangs Opera Troupe's performance in Seoul.

<Approval for Cooperation Project in the Social and Cultural Area (Cumulative Total)>



B. Tourism and Athletic Exchange

Inter-Korean exchange and cooperation have progressed more actively in the tourism area than any other area. Along with the historic Mt. Kumgang tourism project, which started on November 18, 1998, the two Koreas are currently discussing tours of Kaesong and cross-visits to Mt. Paektu and Mt. Halla by South and North Korean tourists.

Although the Mt. Kumgang tourism project suffered from various ups and downs in its early days including the detention of a South Korean tourist, Hyundai has succeeded in placing it on a stable course based on experience the company has accumulated over last two years. In an effort to attract more tourists, Hyundai changed the place of departure for one of the ferries from Donghae to Pusan on March 9, 2000. Also, the company imported a speedboat and added it to its fleet on October 1. Consequently, there are currently four vessels in total leaving for Mt. Kumgang from the ports of Donghae, Sokcho and Pusan each day.

After completing the main wharfs in the port of Changjon in May 2000, Hyundai opened a floating hotel at the port in October. Recently, Hyundai rented Kumgansan Inn from North Korea and plans to renovate it soon. To develop the area into a world-class resort area, the company plans to continually add new convenience facilities and introduce a variety of tour packages.

In addition, Hyundai has already agreed with the North in principle on opening Kaesong to South Korean tourists. Once a road between the two Koreas is connected, the Kaesong tour through the land route would become available as early as 2001.

Along with Hyundai's Mt. Kumgang tourism project, the two Korean governments are currently promoting experimental cross-visits to Mt. Paektu and Mt. Halla by South and North Korean tourists. The heads of South Korean media and press proposed the cross-visit during their visit to Pyongyang shortly after the inter-Korean summit last June. The North accepted the proposal and a South Korean delegation of 109 tourists first visited Mt. Paektu and Pyongyang from September 22-28. A North Korean delegation was scheduled to visit the South in early October. However, the visit has been delayed for months by the North Korean side. The South Korean government hopes to further expand inter-Korean cooperation in the tourism area through the successful promotion of cross-visits to the two famous mountains.

Exchange in the athletic area showed no progress since the last time the two Koreas formed a unified Korea team to compete in the 1991 World Table Tennis Championship and World Junior Soccer Championship. The exchange was finally resumed in 1999 and actively expanded thereafter.

Hyundai Asan built an indoor sports complex in Pyongyang and the two Koreas had an inter-Korean basketball match to celebrate the opening of the sports center from September 28-29, 1999. This match was followed by the North Korean team's return visit to Seoul from December 23-24. The visit by the North Korean men's and women's basketball team was a significant event because it was the first of its kind since a North Korean soccer team visited Seoul in 1991.

In the year 2000, Wooinbang sponsored an auto rally in the Mt. Kumgang area from July 3-4. A total of 228 South Koreans and 47 vehicles participated in the rally. As the construction of Pyongyang Indoor Sports Complex entered into its main stage, South Korean construction workers were allowed to stay in Pyongyang for a long period of time while construction materials and equipment were shipped through the land routes via Panmunjom. In addition, South and North Korean athletes marched together at the opening ceremony for the 2000 Sydney Olympic Games, thereby showing to the world a touching symbol of inter-Korean reconciliation.

C. Cultural and Art Exchange

With the inauguration of the Kim Dae-jung Administration in 1998, inter-Korean cooperation in the cultural and art areas were promoted more actively than under any other administration in the past. In May 1998, the Little Angels Art Troupe of Korean Culture Foundation performed in Pyongyang. The following October, along with South Korean musicians, the Hankyoreh Unification and Culture Foundation staff participated in a Yoon I-sang memorial concert held in Pyongyang.

Encouraged by such successes, the two Koreas promoted follow-up performance and other cross visits in a wide range of musical genres, including classical, traditional Korean and popular songs, since early 1999. KORECOM and SBS jointly sponsored the 2000 Peace and Friendship Concert in Pyongyang on December 5, 1999. A couple of weeks later, on December 20, SN21 Enterprise and MBC sponsored the National Unification Concert, which featured a joint performance by popular singers from both South and North Korea.

A noteworthy event in the year 2000 was a long-term visit by a large group of North Korean performing artists. 102 members of the Pyongyang Student and Youth Art Troupe visited Seoul from May 24-30 at the invitation of Peace Motors and gave five public performances at the Seoul Arts Center to celebrate the upcoming inter-Korean summit. In addition, serving as the main sponsor, NS21 invited the Pyongyang Circus Troupe to Seoul. Consequently, 102 members of the North Korean circus troupe gave eleven rounds of public performances at the Chamsil Indoor Gymnasium from May 29-June 11. More than 130,000 South Koreans enjoyed their acrobatics. The significance of these performances lies in the fact that they were the first visits to Seoul by North Korean artists in ten years since an end-of-year traditional music concert for unification held in 1990.

In August, 132 members of the North Korean National Symphony Orchestra visited Seoul from August 18-24 for a joint performance with South Korean counterparts to celebrate the 55th anniversary of national independence and June 15 Inter-Korean Joint Declaration. The North Korean artists gave a total of four joint performances at the KBS Symphony Hall and Seoul Arts Center with such world-famous South Korean musicians as Sumi Jo and Hanna Chang. Subsequently, in December, 82 members of the Kumgangsán Opera Troupe of the Chongryun (The General

Association of Korean Residents in Japan), a pro-North Korean organization in Japan, visited Seoul at the invitation of Korean Culture Foundation and gave four public performances at the Little Angels Arts Center from December 15-17.

D. Media and Press Exchange

Joint ventures in the media and press area began in 1997 with permission for cooperation partnership issued to the Unification Culture Research Center of Joong Ang Ilbo for a field survey and investigation of cultural remains in the North. When permission for a cooperation project was issued in the next year, staff from the center visited North Korea three times to collect data on historic relics in the North. The Korean Cultural Network Research Center of the Kyung Hyang Shinmun was issued permission for a cooperation project in 1998. An integrated inter-Korean cultural database the center has created is now being utilized on the Ministry of Culture and Tourism homepage. The center was issued another permission for a cooperation project to create a database for North Korean culture and art.

Chapter 4 Resolving Humanitarian Issues in Inter-Korean Relations

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I. Resolving the Issue of Separated Families

In August 12, 1971 South Korea proposed to hold inter-Korean Red Cross talks to resolve the issue of separated families, and on the 20th of August the first contact between the Red Cross of each side took place at the conference room of the Neutral Nations Supervisory Commission (NNSC) in Panmunjom. For about twenty years since the first contact, there had been seventy meetings between the two sides, including sixty preliminary meetings and working-level contacts, and ten Red Cross Talks. However, except for one exchange visit of separated families and art troupe (151 members from each side) that took place from September 20-23, 1985, no further progress had been made during that time. In this particular exchange visit, 35 family members from the South met with 41 of their relatives in the North and 30 family members from the North met with 51 of their relatives in the South.

During the South-North high-level talks, the South proposed that the issue of separated families be taken up as a main agenda item, and subsequently, during the fifth round of South-North high-level talks, which took place in Seoul during December

10-13, 1991, a resolution of the issue was specified in Article 18 of the South-North Basic Agreement. In the seventh round of the South-North high-level talks in May 1992, the two sides agreed to have an exchange visit of family members to meet with their elderly parents on the opposite side (100 members from each side). But at the working-level meeting the North demanded the return of Li In-mo, a former long-term prisoner who had refused to renounce communism, as a prerequisite to the exchange, and thus the exchange program was not implemented.

Since the beginning of the Kim Dae-jung Administration, the government has given the issue of separated families top priority and designated it as one of the one hundred tasks to be resolved. The administration has expressed its firm intent to resolve the matter on every appropriate occasion and has urged North Korea to resolve the matter through inter-Korean governmental talks and Red Cross talks.

As a result, inter-Korean vice-ministerial talks were held in Beijing (1st round: April 11-17, 1998, 2nd round: June 22-July 3, 1999) to discuss the issue of separated families along with the issue of providing fertilizer aid to the North. However, due to the passive attitude of the North Korean delegation and the naval skirmish off the western coast of the peninsula that occurred during the second round, the talks ended without any productive results.

During the inter-Korean summit the two leaders reached a common understanding with respect to the issue of separated families and agreed that they would promptly resolve the humanitarian issues by allowing exchange visits by separated family members on the occasion of the August 15 National Liberation Day and by working to resolve the issue of unconverted long-term prisoners.

Currently, through ministerial and Red Cross talks, plans are being discussed to step up exchanges related to separated families and to build an institutional framework to promote such programs as exchange visits, exchanges of letters, locating separated family members, and establishing a permanent reunion center.

1. Inter-Korean Exchange Visits by Separated Families

In accordance with the South-North Joint Declaration and agreements reached at the inter-Korean Red Cross talks, the first round of exchange visits by separated family members took place during August 15-18, 2000, and the second round took place during November 30-December 2, 2000. Through these two exchanges 200 family members from each side met with about 2,000 of their relatives in Seoul and Pyongyang.

The exchange visits, which took place for the first time since 1985, are meaningful in that they opened the door that was shut for a long time regarding exchanges of separated families.

A. Formation of the Groups for the Exchange Visits

(1) The Group for the First Exchange Visit

Following the agreement reached during the inter-Korean summit to have exchange visits of separated families on the occasion of the National Liberation Day, the South Korean government and the Korean National Red Cross began preliminary work on the selection process for the group that would visit North Korea. First, a committee to select the participants in the reunion meeting was formed on June 22. The twelve-member committee that set the principles for the selection process was composed of the Secretary General of the Korean National Red Cross (Chairman) and representatives from various groups related to separated families, including the Five Provinces of North Korea, the Central Federation of Provinces of North Korea Corp., the Korean Assembly for Reunion of Ten Million Separated Families, together with experts from various sectors including the government, academia, media, law, and women's organizations.

The selection committee met following the first round of inter-Korean Red Cross talks, at which time the date for the first exchange visit had been set. The members of the visiting group were selected on the basis of fairness, transparency and reliability. On July 5, 400 candidates were selected in the first screening through a computerized

drawing that was made public and which gave priority to the elderly, the closeness of the relationship of the person in the North, and whether the candidate had previously filed a similar application in the past. Among them, those who were already deceased or didn't pass the physical examination were discarded and a list of 200 people was sent to the North for an investigation of fate and addresses of the families.

Lists of 200 people from each side were exchanged on July 16 through the liaison office in Panmunjom. The South released to the press the list of names from the North, and in a short period of time, the fate and addresses of the families of 198 people were confirmed. The North also confirmed the fate and addresses of the families of 138 people among the list of 200 that had been conveyed to the North.

Based on the results of the search provided by the North, the final list of 100 visitors were selected on the basis of age and closeness of the relationship to the person in the North. The final lists of names of 100 members of separated families from each side were exchanged on August 8.

(2) The Group for the Second Exchange Visit

As the dates for the second exchange visits (November 2-4, 2000) were already agreed during the second round of Red Cross talks, the selection committee prepared for the second exchange by setting the standard for the selection process.

In selecting the second round of visitors, the selection committee included only those who were aged 70 or older to give priority to the elderly.

Similar to the selection process for the first exchange of visitors, 300 candidates were selected in the first screening through a computerized drawing and a list of 200 candidates for address checks was finalized. The North, however, delayed the exchange of the lists until October 27, citing internal reasons, and proposed that the second round of exchange visits take place from November 30-December 2. The lists were finally exchanged on October 27 and preparation for the second exchange visits began.

The South confirmed the fate and addresses for 195 North Korean candidates while the North confirmed the fate and addresses for 165 South Korean candidates. The two sides exchanged the final list of 100 visitors on November 18.

B. Exchange Visits by the Separated Families

Exchange visits consisted of group a meeting, individual family meetings and tours. The group meeting took place for two hours on the first day of the visit. The group meetings were held at the COEX complex in Seoul and Koryo Hotel in Pyongyang during the first exchange, and at the Central City in Seoul and Koryo Hotel in Pyongyang during the second exchange. Individual family meetings took place in the rooms of the respective hotels where the visitors were staying (Sheraton Hotel in Seoul and Koryo Hotel in Pyongyang during the first exchange visits and Lotte World Hotel in Seoul and Koryo Hotel in Pyongyang during the second exchange visits.). The group tours were held at places determined according to each side's convenience.

2. Government Assistance in Family Search and Reunions in Third Countries

As a follow-up measure to the Special Presidential Declaration for National Self-Esteem, Unification and Prosperity, commonly known as the July 7 Declaration (1988), the Guidelines for Intra-Korean Exchanges and Cooperation (June 12, 1989) and the Intra-Korean Exchanges and Cooperation Act enacted in August 1990 paved the way for exchanges of separated families in third countries.

The ROK government has also exerted much efforts to vitalize privately arranged exchanges via third countries. The Kim Dae-jung Administration has simplified the exchange procedures and provided financial assistance to those members of separated families who are in need. In March 2, 2000, the government announced the Plan to Support the Promotion of Exchanges of Separated Families.

Under this plan, two-year contact eligibility (contact with North Koreans) has been extended to five years and the age of those permitted to visit North Korea simply by notifying the government has been expanded to cover all first generation separated family members from the age of 60 or older prior to the plans implementation. In addition, to alleviate the financial burdens associated with exchanges in third coun-

tries, government assistance, which began in 1998, has been increased as follows: 1) from 400,000 won to 800,000 won for address checks, 2) from 800,000 won to 1,800,000 won for reunions, and 3) one-time payment of 400,000 won for any additional exchange. Also, the number of times that one may receive financial assistance has been expanded from a one-time only payment to as many as three payments to support exchange activities.

With the expanded government support, private exchanges of separated families have increased significantly. From 1989 to the end of 2000, the number of contact approvals issued by the government totaled 15,725 cases. Among them 2,319 (14.7%) people were able to confirm the whereabouts of their families through third countries, and 606 held reunions in third countries. Also, 10 individual visits to North Korea for family reunions have taken place since 1998 when such visits first became possible. In 2000, there were 447 cases to determine the whereabouts of the families, 984 exchanges of letters and 148 reunions in third countries.

Exchanges of separated families in the private sector have been made possible through (i) help from relatives or Koreans living abroad, (ii) private intermediary agencies in South Korea, (iii) mass media, and (iv) attending international events. When such exchanges first began they took place mostly in the United States, Canada and Japan, but following the normalization of diplomatic relations between ROK and China, exchanges in China have increased significantly.

< Exchanges of Separated Families in Third Countries >

(From June 12, 1989-December 31, 2000)

	Year	China	U.S.	Japan	Canada	Others	Unknown	Total
Address Checks	2000	315	45	22	17	11	37	447
	1989~2000	1,561	369	117	57	58	157	2,319
(%)	2000	70.5	10.0	4.9	3.8	2.5	8.3	100
	1989~2000	67.3	15.9	5.0	2.5	2.5	6.8	100
Reunions	2000	143	0	2	0	3	0	148
	1989~2000	582	0	18	0	6	0	606
(%)	2000	96.6	0	1.4	0	2.0	0	100
	1989~2000	96.0	0	3.0	0	1.0	1.2	100

Among North Koreans who took part in these exchanges, 1,410 (48%) were residents of Hamkyong Province, a region that is geographically close to Yanji, China, a center for exchanges by separated families.

Exchanges via third countries require overseas contacts such as relatives living in third countries, financial means to pay for the travel and to secure the personal safety of the individuals involved. Out of consideration for those who lack such means, the ROK government in 1993 approved businesses and organizations to work as intermediary agencies for exchanges via third countries. As of the end of 2000, 40 intermediary agencies are in operation.

3. Resolving the Issues of Prisoners of War and Abductees in the North

The number of South Korean abductees held in the North is estimated to be 487, and the number of soldiers missing in action during the Korean War is estimated at 19,409. It is also estimated that many POWs not returned at the end of the war are included among those listed as missing in action. Through the testimonies of North Korean defectors and the POWs who were returned later (17 as of the end of 2000), 351 names of POWs still in North Korea have been identified.

The ROK government has been working to resolve the issue of the abductees and the POWs in North Korea and has utilized various channels of dialogue, including the ministerial talks, the defense ministers' talks and the Red Cross talks, to raise the issue and urge the North to respond favorably. Particularly during the fourth round of the ministerial talks, the Southern delegation relayed to the North a strong demand of South Korean people to resolve the issue.

Because the North is currently denying the existence of the abductees and POWs in North Korea, the ROK government believes it will not help matters to continue an unproductive discussion about their existence. The government is trying to solve this matter by including abductees and POWs in the category of separated families.

During the second inter-Korean exchange visits by separated families, a family member of an abductee held in North Korea was included in the visiting group sent

from the South, and their meeting opened the possibility of resolving this matter in the course of resolving the issue of separated families. The ROK government's position on this matter is firm. Accordingly, it will endeavor to persuade the North to find a solution through various dialogue channels.

Pursuant to the South-North Joint Declaration and the agreement reached at the first round of inter-Korean Red Cross talks, the South repatriated to North Korea 63 unconverted long-term prisoners who wished to live in North Korea. The Committee to Promote the Repatriation of Unconverted Long-term Prisoners that was formed by the members from the Korean National Red Cross, the government, and private sector organizations prepared the list of candidates for repatriation by confirming the desire of individuals involved.

Procedures for the repatriation followed the precedent set during the repatriation of Li In-mo in 1993. In accordance with the Intra-Korean Exchanges and Cooperation Act, the returning prisoners were issued passports to visit North Korea and were returned through Panmunjom.

4. Current Status of Exchanges by Separated Families

From the beginning of Kim Dae-jung Administration until the end of 2000, the following types of separated family exchanges have occurred: 1) 2,073 cases of address checks, 2) 2,044 cases of exchanges of letters, 3) 443 cases of reunions in third countries, and 4) 416 cases of exchange visit reunions. Compared to the annual average of the past, the number of address checks has increased by 5.8 times and reunions in third countries have increased by 8.3 times.

In 2000, helped by the two rounds of exchange visits and promotion of private sector exchanges, applications filed to search for relatives totaled 84,757. Among these, 1,239 cases of confirmation on fate and addresses of divided families, 558 reunions, and 1,023 exchanges of letters were accomplished, setting a new record since the exchanges first began.



II. Humanitarian Aid to North Korea

With the compatriotic love and humanitarian concern, the ROK government has aided North Korea to help remedy its food situation. In 1999, the ROK government has provided fertilizer to support improved agricultural production and humanitarian aid in the form of emergency relief to help the North to tackle fundamental food shortage problems.

The aid, which is based on the universal value of humanitarianism and compatriotic love that South and North Koreans are one people, embodies the spirit of nationhood and helps to achieve inter-Korean reconciliation and cooperation. Aiding the North contributes to the improvement of inter-Korean relations by relieving the North Koreans of their hardship and by emphasizing the message of brotherhood. In the long run, these activities will reduce the North's hostility toward the South and contribute to the establishment of a single Korean community.

1. Aid by the ROK Government

A. Food and Medical Aid

Since the late 1980s, North Korea consistently lacked an estimated 1-2 million tons of food annually partly as a result of the structural problems in the state-planned economy. The demise of the Soviet Union and the communist bloc of Eastern Europe that brought about the reduction in size of the economic circle of socialist states, together with floods and drought that continued to devastate North Korea since 1995, contributed to the severe deterioration of the North's economy and its food situation.

In 1995, North Korea requested food assistance from international organizations for the first time in history. From that time, the ROK government has considered sending food aid to North Korea. On May 26, 1995, the Minister of Unification formally announced that the South was willing to provide grain to the North without any preconditions to help the people of the North overcome their food crisis.

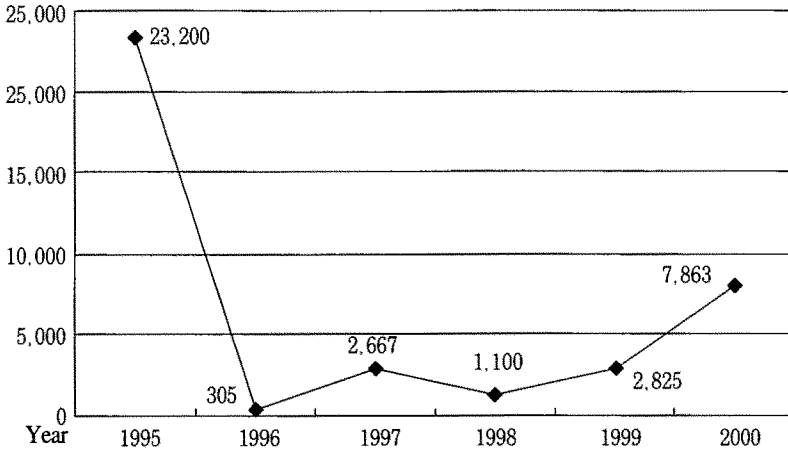
In June 1995, inter-Korean governmental talks were held in Beijing to discuss provision of rice to North Korea. As a result of the agreement reached at the Beijing talks, the South sent 150 thousand tons of rice worth 185 billion won to the North from June through October of 1995 in form of humanitarian assistance. In addition, the government participated in humanitarian relief programs sponsored by UN organizations such as the World Food Program (WFP) and the United Nations Children's Fund (UNICEF) from 1996.

In his inaugural speech made in February 1998, President Kim announced that neither the government nor the private sector would be parsimonious in providing food aid to North Korea through appropriate means, and included in the administration's North Korea policy, 'elastic provisions to North Korea to help solve its food crisis'. Accordingly, the government, while continuing to send food aid to the North, expressed its position of promoting economic cooperation and cooperation in agricultural development to fundamentally resolve the food situation.

Despite domestic economic difficulties, the ROK government decided to participate

<Aid by the ROK Government to the DPRK>

Unit:\$10,000



in the fourth consolidated appeal to aid North Korea by the UN, and subsequently, South Korea provided 30 thousand tons of maize and 10 thousand tons of flour worth \$11 million to the North. And on March 3, 2000, the ROK participated in an international effort to fight infectious disease(s) in the North by deciding to provide \$500,000 worth of aid for prevention and treatment of epidemic in North Korea. Currently, discussions are on going with the World Health Organization (WHO) to determine the logistics for the aid.

On September 8, 2000, the government provided 500 thousand tons of food through a loan agreement in answer to a request by the North for a loan in food and decided to provide humanitarian aid in the amount of 100 thousand tons of maize worth \$11 million through the WFP. This aid was in response to the difficult situation in the North in which natural disasters caused by storm and drought along with damage from harmful insects have worsened the situation, and also to sustain cooperation with the international community to maintain effective means to aid North Korea, such as WFP' s effort at monitoring distribution of aid.

B. Fertilizer Aid

On January 4, 1999, the ROK government held a National Security Council

(NSC) meeting to review previous aid sent to the DPRK and to set a direction for future aid. At the meeting it was decided concurrently promote food aid in the form of emergency relief together with assistance in agricultural development, such as aiding the North with fertilizer, seed and pesticide as means to increase the effect of aid and to secure transparency in distribution of aid. Mindful of the necessity to help North Koreans in fraternal love, the ROK decided that it would be more beneficial to aid the North directly rather than through international organization(s). In accordance with this guideline the ROK provided the DPRK with 155 thousand tons of fertilizer in 1999; the total cost for this aid was 46.2 billion won, including 33.9 billion won from Inter-Korean Cooperation Fund and 12.3 billion won from fund-raising by the Korean National Red Cross.

Through his New Year's Message (January 3, 2000) and during the New Year's press conference held on January 26, President Kim stated that the ROK will continue to extend humanitarian aid to North Korea in good faith and that it will work to provide fertilizer aid to the North. Also through the Berlin Declaration, President Kim urged the North to respond favorably to the call for expanding a cooperative relationship in the spirit of reconciliation and cooperation to end the Cold War structure on the Korean Peninsula and move toward establishing permanent peace.

Subsequently, on May 6, the ROK government decided to send 200 thousand tons of fertilizer to the North in consideration of their food situation and to support improvement of inter-Korean relations

In this connection, the government held the 67th Inter-Korean Exchange and Cooperation Promotion Committee and decided to pay the costs of fertilizer and transport from Inter-Korean Cooperation Fund and commissioned the Korean National Red Cross to provide aid as it has in the past.

The fertilizer was sent from May 18-June 20 in 28 shipments from the ports of Yosu, Ulsan and Kunsan of ROK to the North Korean ports of Nampo (110 thousand tons), Haejoo (60 thousand tons), Wonsan (15 thousand tons), Heungnam (10 thousand tons), and Chongjin (5 thousand tons). The breakdown of types of fertilizer were as follows: composite (100 thousand tons), urea (60 thousand tons), composite 18-0-18 (30 thousand tons) and ammonium sulphate (10 thousand tons). The overhead for sending the aid, including the cost of fertilizer, transportation and other expenses, totaled 63.57 billion won.

After providing fertilizer, the ROK government decided to provide additional 100 thousand tons of topsoil fertilizer in order to maximize crop productivity at the request of the North. This shipment also fulfilled the expectations of the South Koreans following the South-North summit meeting.

Additional fertilizer aid was sent from August 1-20 in 14 shipments from South Korean ports of Yosu, Ulsan and Kunsan to the North Korean ports of Nampo (46.4 thousand tons), Haejoo (23.3 thousand tons), Wonsan (10 thousand tons), Heungnam (10 thousand tons), and Chongjin (10.3 thousand tons). The breakdown of the types of fertilizer were as follows: 1) urea (40 thousand tons), composite (36 thousand tons), composite 18-0-18 (19 thousand tons), ammonium sulphate (5 thousand tons). The overhead for this additional aid including the cost of fertilizer, transportation and other expenses totaled 30.79 billion won.

2. Private Sector Assistance to the DPRK

A. The Beginning Stage of Private Sector Assistance

In September 1995, the ROK government announced that it will allow private sector to aid DPRK through Korean National Red Cross, and thus, humanitarian food aid in the form of emergency relief by private sector became possible.

As the food crisis continued in North Korea despite aid from South Korea and international community, the ROK government announced in March 1997 a measure that would allow for expansion in private sector aid by permitting an increased range of items to be sent North and by allowing assistance through private economic organizations.

Consequently, as private funds for aid to North Korea increased and as more organizations wanted to send aid to a designated place in North Korea, in April of 1997, the Korean National Red Cross, proposed inter-Korean Red Cross contact to discuss aid to North Korea. The Red Cross societies from each side held two rounds of contacts in Beijing in May 1997 and adopted the Agreement on Procedures for the

Delivery of Relief Materials between the South and North Korean Red Cross Societies. With this agreement, it became possible for the private sector aid, which was previously sent indirectly to the North through International Federation of Red Cross (IFRC), to be sent directly, and thus an institutional framework for private sector aid was established.

This agreement satisfied most of the requests by the private organizations in the South including, direct delivery of relief aid, expansion of transport routes and regions that can receive aid, identification of the aid organization on the goods provided and sending aid to a designated place in North Korea. The agreement not only vitalized private sector assistance to North but also fostered an atmosphere of mutual trust between the two Koreas.

In the third round of Inter-Korean Red Cross contact that took place in July 1997, the two sides discussed the second round of aid to North Korea and adopted the Agreement on Procedures for the Second Delivery of Relief Materials between the South and North Korean Red Cross Societies. By addressing the problems raised in the process of sending the first round of aid such as the method of inspection, monitoring of the distribution process and notification of the result of the distribution, the second agreement raised the effectiveness and efficiency of the direct relief aid between the two Koreas.

Subsequently, the Agreement on Procedures for the Third Delivery of Relief Materials between the South and North Korean Red Cross Societies was adopted on March 27, during the fifth round of inter-Korean Red Cross contact held in Beijing.

B. Assistance by Private Sector

Prior to the Red Cross agreements, the private sector sent 4.96 million dollars worth of aid to North Korea in 19 tranches through the IFRC from November 1995 to May 1997.

Following the adoption of the first Red Cross agreement on May 26, 1997, from June through end of July, the private sector of the South sent 53,800 tons of food to Shinuiju, Manpo and Namyang in North Korea through the ports of Nampo and

Heungnam. After the second agreement in July, 52,800 tons of food were sent to the North from August to the end of October.

In March of 1998, a second round of 800 tons of fertilizer worth 170 thousand dollars was sent to the North. The third round of aid saw \$9.35 million worth of food, fertilizer and pharmaceutical goods, and an additional round of supplementary aid to this third round that began in September included \$11.33 million worth of maize, flour and powdered milk. Included in the third round of aid were 1,001 cows donated by Chung Ju-young, the Honorary Chairman of Hyundai Group, that passed through Panmunjom on June 16 and October 27--all other assistance has been sent through the existing sea routes and through third countries.

On March 10, 1999, the Korean National Red Cross initiated a national fund-raising campaign for fertilizer aid to North Korea and raised \$10.27 million. With the money raised, the Red Cross delivered 40 thousand tons of fertilizer from March to June of 1999 (this is separate from government-provided fertilizer aid mentioned previously). Moreover, 20 organizations from South Korea sent \$2.81 million worth of food, fertilizer and medical supplies to the North through the KNRC.

Supplementary assistance beyond the third round of aid continued in 2000, and 16 organizations sent \$940,000 worth of medicine, food and agricultural inputs to the DPRK.

From November 1995 through the end of 2000, the private sector aid to the North totaled \$96.97 million, and among them \$61.84 million of aid were through the KNRC. About 130 civil and religious organizations provided at least 10 million won of aid each during this period.

In accordance with the Red Cross agreement, assistance sent by the South Korean organizations were distributed among the places designated by the organization(s) concerned. In the first round of assistance 9 cities and provinces and 4 organizations in the North received the aid, and in the second and third rounds, 15 cities and provinces and 13 organizations received the aid, spreading the fraternal love of South Korea throughout North Korea.

C. Vitalizing Private Sector Aid

The ROK government initiated measures to vitalize private sector aid to DPRK in four phases from March 18 to September 18, 1998, and from February 10-October 21, 1999. The measures, which guaranteed as much autonomy as possible to private organizations in carrying out their aid programs, were initiated to promote expansion of contacts between people of two Koreas, thereby contributing to the recovery of Korean homogeneity.

In 1998, private sector organizations such as Nationwide Movement for Assistance to Northern Compatriots visited the DPRK to monitor aid distribution, and support from the Korean press and fund raising through telethon were permitted on the occasion of the World Fasting Day for the People of North Korea (April 25, 1998). Moreover, cooperation projects with DPRK in building a pharmaceutical plant and joint operation of a farm earned approval from the ROK government.

The ROK government initiated measures in 1999 to expand direct channels of aid to the North in order to raise the capacity and efficiency of the private sector's autonomous aid efforts. These measures also made it possible to send small amounts of aid on various occasions. By simplifying the process of aiding North Korea, it shortened the preparatory stage of aid programs, thus, contributing to aiding agricultural development of the North. Helped by these measures 10 organizations were designated as individual channels through which aid can be provided, by the end of 1999. These organizations sent a total of 6.7 billion won worth of aid to the North.

The number of organizations that can aid DPRK directly increased to 13 in 2000 and the size of their aid increased to 30.74 billion won. Their aid programs contributed to an increase in the transparency of the distribution process in the DPRK and promoted specialization of aid by individual organizations.

The ROK government decided during the 60th Inter-Korean Exchange and Cooperation Promotion Committee on October 21, 1999, to use the Inter-Korean Cooperation Fund to aid DPRK in the areas of health, aid to children and/or those in dire need and in agricultural development enacted the Guideline for Processing Humanitarian Projects to Aid North Korea (Ministry of Unification Notice: October 27, 1999).

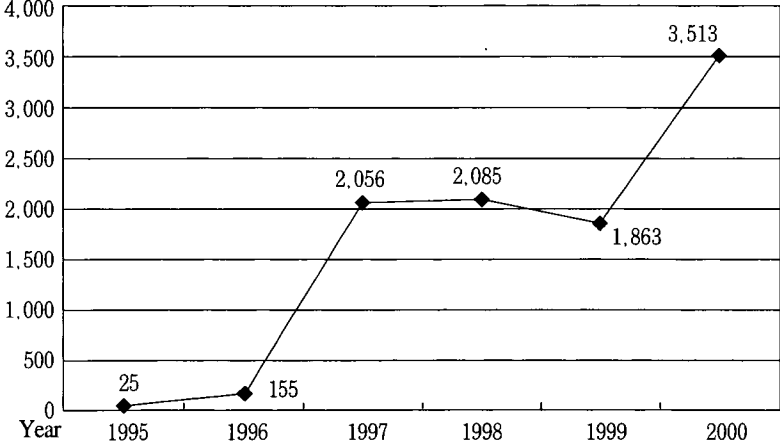
Subsequently, during 2000, the government decided to support nine aid programs by eight private organizations, including (i) 2.7 billion won to five agricultural development programs, (ii) 1.65 billion won to two health and medical programs, and (iii) 1.06 billion won to two programs aiding those in dire need. The allocation of the funds to these organizations will continue through year 2001, and as of end of December 2000, 3.38 billion won has been provided.

Government assistance from the Inter-Korean Cooperation Fund has contributed a great deal to the size, effectiveness, and revitalization of private sector aid programs. These aid programs have developed over time from one-time relief assistance to continuous and specialized assistance in agricultural development, health and medicine and to help those in dire need. Moreover, items included in these programs have diversified to include agricultural inputs and equipment and various medicine and other pharmaceutical supplies.

Private sector aid programs have shown that along with in-kind aid, sustainable programs including technical assistance and long-term recovery projects in North Korea for improving agricultural production were possible. Also, visits by private organizations to secure transparency in distribution have consistently increased from 34 visitors in 1998 and 49 in 1999, to 144 in 2000.

<Private Sector Assistance to the DPRK>

Unit:\$10,000





III. Protection of North Korean Defectors and Assistance in Settlement

1. Current Situation of the Defectors

A. Status of Those Who Entered ROK

The number of defectors from DPRK who have come to ROK has increased over the years. In the early 90s there were about 10 per year, but from the middle of the 90s the number increased to 50, and by the late 90s the number significantly increased, passing the 100 mark. Especially in 2000, the number of defectors who came to the South reached 312, more than twice the number in 1999. By the end of the year, there were altogether 1,407 North Korean defectors to South Korea. And among them, 1,188 defectors are currently residing in South Korea.

<Number of Defectors Who Entered South Korea>

(As of Dec.31, 2000)

Year	Before 1989	'90	'91	'92	'93	'94	'95	'96	'97	'98	'99	'00	Total	Deceased	Immi-grated	Residing in ROK
Number of People	607	9	9	8	8	52	41	56	85	72	148	312	1,407	186	33	1,188

The fundamental reasons behind the continuous increase in the number of defectors from the DPRK are the food crisis and accompanying economic difficulties. Also, the limited number of countries through which one can enter South Korea has expanded and the process for entry has become, therefore, much easier than in past, another reason behind the increase. Aside from these reasons, the increase in the overall figure is due in part to the fact that more people enter in groups of families, helped by relatives who live both inside South Korea and abroad.

Among those defectors who entered in 2000, 59.6% were male, and 40.4% were female, an increase compared to past years in the percentage of women; and by age, the majority were those in their 20s and 30s (53.8%). The number of teenage defectors has also increased compared to past years. The increase in women and teenagers is due to an increase in the defection by groups of families (38.8%). By their original residence in North Korea, those from Hamkyung Province took the lead with 74.6%, followed by South Pyongan Province (9.2%). By occupation, laborers (49.3%), students (18.2%) and unemployed (15.7%) made up the majority.

B. Residence and Settlement in ROK

The breakdown of the defector's residence by region as of end of 2000 is as follows: 1) Seoul (44.9%), 2) Inchon, Kyonggi Province and (20.8%), 3) Busan, Kyongnam Province (5.7%). Those who lived in Seoul and its vicinity made up 66% and other cities and provinces had about 20 people each.

By occupation the breakdown is as follows: 1) those in private firms 21.6%, 2) self-employed 9.2%, 3) students 6.9%, 4) researchers and professionals 2.1%, 5) unemployed 16.8%, 6) minors or senior citizens 28%, and 7) those in settlement edu-

cation facilities 14.2%.

Helped by the government's effort to establish an institutional framework for the independence of the defectors such as the implementation of employment protection for defectors and efforts at job training and employment search, defectors are gradually achieving stability as they adjust to life in South Korea.

C. Residence Abroad

The nature of their status makes it difficult to determine the exact number of North Korean defectors who live abroad, but it is known that most of them live in the People's Republic of China (PRC) and some live in Russia and Southeast Asian countries.

Those who live in China can be categorized as follows: 1) those who came to China in search of food and plan to return after a few days or a few weeks in China, 2) those who initially came to visit relatives and will stay for a long period, and 3) those who live in hideouts without any residence for a long period.

The number of the defectors varies dramatically according to how one categorizes them depending on their motives or types of residency. Thus, estimates disclosed by the related organizations or institutions vary significantly regarding the total number of the defectors.

For the most part, those defectors who live in China stay in the three northeastern provinces of China where a lot of Korean-Chinese are residing. Defectors seek help from Korean-Chinese during their stay, but due to their illegal status, they must be constantly on the move as fugitives from Chinese authorities.

The PRC government's position on the North Korean defectors is that they are illegal immigrants who have temporarily crossed the border in search of food; therefore, they cannot be categorized as 'refugees' according to the Geneva Convention Relating to the Status of Refugees of 1951. Thus China maintains that North Korean refugee matters are sovereign right of PRC and no third nation can intervene in this issue.

Nonetheless, the ROK government, realizing the difficulties involved in settling the issue of the defectors living abroad, is endeavoring to resolve issues concerning their protection and assistance through diplomatic efforts and by seeking mutual understanding with the countries concerned. The ROK government also maintains close cooperation with the United Nations High Commissioner for Refugees (UNHCR).

2. Settlement Support System

Believing that the settlement of the issue of defectors from North Korea would be the touchstone that shows the government's will and capability for unification of Korea, the ROK government is promoting the following in its effort to protect and support the defectors from DPRK.

First, policies of protection and assistance will be carried out within the over all policy of unification. Second, in humanitarian and fraternal love for fellow countrymen, the ROK will follow the principle of accepting all defectors living abroad who desire to settle in South Korea, and in this respect, it will employ diplomatic efforts for the protection and assistance of defectors congruous with the circumstances of the countries where they are staying. Third, government support for defectors residing in South Korea will be focused on capacity building for self-sustaining independence rather than one-time material support. Fourth, in conjunction with government support, it will work to gain cooperation from the private and religious sectors including the Association of Supporters for Defecting North Korean Residents in implementing various programs in support of the defectors.

Support for defectors can be divided into three phases: 1) process of bringing them from abroad, 2) initial support to ensure their independence, and 3) post-settlement support. The first phase begins when a defector living abroad requests personal protection, in which case a temporary measure for protection is implemented by the consulate in concern, along with a plan to transport the person to South Korea.

When a defector enters South Korea, the second phase begins. After a decision is made on his or her protection, the defector (i) goes through education in social adap-

tation, (ii) is given permanent resident status as a citizen of South Korea, and (iii) is given financial support for initial settlement and other assistance that may be necessary in the early stages of adaptation.

The post-settlement management phase begins when a defector has entered the society, and this phase can be divided into two parts, settlement support and personal protection. For the former, the central and local government along with private and religious organizations work in cooperation to provide continuous support in job training, job opportunities, admittance to school, tuition, and introductions to various social and support organizations. To ensure personal protection, defectors are distinguished from civilians to military servicemen by status they had in North Korea and are given protection by the related ministries of the government.

Realizing the need for an inter-agency cooperation in handling the affairs of North Korean defectors, the government operates the Consultative Council on Defecting North Korean Residents to review important policies related to the defectors. The council operates subcommittees for policy, operation/management, job training, and settlement support to promptly and effectively deal with problems as they arise.

3. Promotion of Settlement Support

A. Assistance in Early Stage of Independence

The ROK government is providing various assistance to the North Korean defectors to assure their stable settlement so that they may live as democratic citizens who can function and live independently.

First, to help the defectors build a self-sustaining foundation the government assists them financially in the early settlement stage. Assistance in initial living expenses, divided into basic assistance and supplementary assistance, is provided to the defectors as long as it does not exceed the amount of the minimum wage per month multiplied by 200 at any given time. The basic assistance provided cannot exceed the amount of the minimum wage per month multiplied by 160; and the

amount to be provided depends on the number of family member, graded 1 through 5. Supplementary assistance cannot exceed the amount of a minimum wage per month multiplied by 40; and the amount to be provided depends on the family members' age, health, and their ability to work.

Depending on whether the defectors have brought with them information or hardware that benefits the national interest, compensation not exceeding 250 million won is provided according to the guideline on payment.

Aside from the above assistance, financial assistance in leasing a home not exceeding 85m² in size is provided within the limitations of the budget based on the age and the number of the family members. This subsidy for residence is graded 1 through 5 depending on the number of the family members, and the appropriate amount is provided according to the grade the family receives.

B. Protection and Support through a Government Facility

As the number of defectors has increased following 1994, a need to have a comprehensive and systematic education process for social adaptation of the defectors has emerged, so that they can quickly become stable members of South Korean society.

Accordingly, on July 14, 1997, the ROK government has established a legal base for the construction of a facility for settlement support and initiated the project through the implementation of the Protection of Defecting North Korean Residents and Support of Their Settlement Act. The construction of a settlement support facility for North Korean defectors, better known as Hanawon (61,553m² in area with a total floor area of 7,329m²) that can accommodate 100 defectors began on December 30, 1997, and opened in July 8, 1999, after one and a half years of construction.

At Hanawon, defectors are provided with three months of comprehensive and focused education in the social adaptation to South Korean society. The focus of the education is on achieving psychological stability for those who have experienced hardship in the process of defecting and hiding out in third countries and also reorienting their attitude and relieving them of anxieties that the new environment can bring.

Education is also geared toward overcoming culture shock brought on by a lack of understanding of liberal democracy and capitalism and by differences in language, thought, and ways of living. Meanwhile, education that can help in day-to-day living and job-related training such as driving, using a computer, cooking, and using a sewing machine as well as career counseling are also provided to the defectors.

As more defectors enter the country in groups of families, separate education programs geared toward women, children and teenagers are in operation so that when they begin school or family life outside the facility, they will be ready to adapt and adjust to their new lives. Children are provided with normal elementary education in a nearby public school during their stay at Hanawon, and teenagers are provided with separate tutorial program by private support organizations and retired volunteer teachers.

Because the government alone cannot sufficiently educate defectors in social adaptation, the government is working to encourage participation from the private sector. Due to the wide range of backgrounds including age, education and occupation in North Korea, it is difficult for defectors to receive appropriate education without participation from the private sector.

Currently, private support organizations are participating in programs in various areas including, weekend and holiday programs, one-day field trips through which the defectors can gain diverse experience by coming in contact with South Koreans, and visits to historic sites. The government is seeking to expand voluntary activities by religious and civic organizations so that it can become a national campaign through which the defectors can benefit.

Since the opening of Hanawon in June 1999, 252 defectors have moved on to live on their own after completing their education in social adaptation. As of the end of 2000, 106 defectors are being educated in the facility.

<Number of Defectors Entered and Exited Hanawon>

(Unit: Person)

Group	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	Total
Entered	20	9	32	41	27	30	41	49	48	61	358
Exited	20	9	32	41	27	30	41	49	3	-	252

* Percentage of those entered: Male 210 (59%), Female 148 (41%)

C. Post-settlement Support

The most difficult problem facing the defectors when they enter South Korean society is finding a job. To deal with this problem, the ROK government provides job training and seeks job opportunities for the defectors.

When defectors express their desire to receive job training, professional counselors who provide individual career counseling help them according to the individual's ability, experience and personal preferences during the defectors' stay at Hanawon. When they move on to settle on their own, the Ministry of Labor connects them with vocational institutions where job training in their areas of interests are provided. To induce active participation from the defectors, they receive financial assistance for transportation, meal, etc., during their training period.

From the year 2000, the government's vocation protection measure for defectors includes subsidies to employers who hire North Korean defectors. This support contributes to the stability of the defectors' career. Employers are provided with two-years of financial assistance for half the salary paid to the defectors.

Past education and experience in North Korea are recognized in order to help them gain admission to schools in South Korea, and those who gain admission receive a full scholarship from the government.

Defectors who desire to receive medical support are designated as medical benefit recipients and are exempt from medical fees for various treatments they may receive. Those whose livelihoods are threatened due to the lack of able person(s) in the family who can work are designated as recipients of livelihood security in accordance with the National Basic Livelihood Security Act so that their livelihood can be protected.

The Association of Supporters for Defecting North Korean Residents provides various support for the defectors through which defectors in need are given financial assistance. Moreover, other social and religious organizations provide specific support according to areas of their specialty such as counseling, aid in finding jobs and connecting the defectors with other support groups so that they can achieve stability in adapting to their new life in South Korea.

Meanwhile, the central and local governments in cooperation with private organizations have intensified post-settlement support, and from August 1, 1999, the local municipalities designated officials for the protection and support of the defector(s) who may live in their area. These officials provide consultation and information for the defectors so they can better assimilate to the locality of their residence.

Also, to solve the problem of employment for defectors, local subsidiary agencies and offices under the Ministry of Labor have designated officials to provide employment services to the North Korean defectors in 46 of their employment support centers.

At the private level, the Association of Support Organizations for North Korean Defectors was formed on November 3, 1999, and it has been promoting various programs, specialized according to the character of each member organization, in support and protection of defectors both at home and abroad.



IV. Human Rights and Environmental Concerns in North Korea

1. Human Rights in North Korea

Reports on human rights by internationally recognized human rights organizations and non-governmental organizations (NGOs) such as the Amnesty International and Freedom House have expressed their deep concern over human rights situation in the DPRK and have stressed the lack of accessibility to information concerning human rights violation in North Korea. They point to serious violations in the economic and social rights of people brought on by the economic crisis and the lack of freedom and political rights amid improvement in human rights around the world following the demise of ideological confrontation of the Cold War.

Along with NGOs, international organizations such as the United Nations Commission on Human Rights have also shown attention to the human rights situation in the North. And the nations of European Union in particular have been calling

for institutional improvements that will guarantee most basic rights that are part of the universal concept of human rights as part of the process of normalization of relations with the DPRK.

The international community had much to say about the human rights situation in North Korea in 2000 and the following paragraphs lay out in more detail what has been said about the situation in the North.

On February 25, 2000, US State Department, through its Country Report on Human Rights Practices for 1998, pointed out that the DPRK was an authoritarian state under the absolute rule of its Workers' Party; that the people of DPRK suffer from the shortage of food and neglect of human rights by the authorities; and also that its economic activities operate under the control of the state authorities.

Moreover, in September 9, 1999, in the Annual Report on International Religious Freedom for 1999, the US State Department described the guarantee of religious freedom in DPRK as similar to that of the Arab nations. And in the Annual Report on International Religious Freedom for 2000 announced on September 5, 2000, it stated that totalitarian and authoritarian regimes control religious beliefs thereby posing an obstacle to religious freedom, and it mentioned the DPRK as an example of such a state. It went on to state that although the freedom of religion is stipulated in its constitution, the DPRK government prohibits all forms of religious activities excluding those under the supervision of official organs; therefore, genuine religious freedom does not exist in North Korea.

In the 56th UN Commission on Human Rights held in Geneva from March of 2000, an EU representative stated that while a complete assessment of the human rights situation in the DPRK is extremely difficult to obtain due to lack of transparency and openness, reports indicate widespread human rights violations. A representative from the US said that in North Korea, the ill-advised policies of the government have left huge portions of the population facing malnutrition and even starvation. The Canadian delegate pointed to the fact that the North Korean authorities are not only violating civil and political rights but also economic, social and cultural rights as well.

Amnesty International's Annual Report 1999 on the DPRK announced on June 14, 2000, stated that despite diplomatic efforts by the international community to engage

in dialogue with North Korea, access to the DPRK and information on human rights is still under tight control, and that joint research done by the UNICEF, WFP and the EU on the nutritional state of those under seven years of age found that 16% were suffering from malnutrition and 62% from growth disabilities. It went on to state that the North Korean government mentioned that the death rate increased during the past four years and that during this time 220,000 more people died than originally estimated. Also, it pointed out that continued famine has caused millions of people to cross the border with China in search of food and that those who are caught and returned to the DPRK by the Chinese state police are sent to prison camps. Moreover, it mentioned that trading of women for sexual slavery is being carried out in the border area.

On October 31, 2000, the Freedom House made public the Annual Survey of Political Rights and Civil Liberties 1999-2000 on the internet and rated North Korea's situation on human rights as 7 (or 'Not Free') representing the lowest level of political rights and civil liberties, and stated that North Korea is arguably the most tightly-controlled country in the world.

In an interview with the BBC of Great Britain on October 24, 2000, President Kim Dae-jung, in talking about the human rights issue in North Korea, said that South Korea is currently in a phase of resolving easier issues first, and thus it is not beneficial to raise issues that can have negative effects. He went on to say that freeing North Korea from its famine and threat of war is also an important humanitarian concern and that the time is not ripe to raise the issue of human rights yet. His point was that the ROK is not ignoring the issue but rather is taking a different approach to the matter and that first solving the people's right to food through aid to North Korea is one way of improving the human rights situation.

Despite efforts by the international community, people in North Korea are merely thought to be part of an organization. For example, in the North Korean constitution it states that the public's right and obligation is based on a principle that the individual is for the whole and the whole is for an individual' (Article 63), giving priority to the collective benefit. And the penal code of the DPRK permits arbitrary interpretation and abstractness of the letter of the statute, thereby ignoring the prohibition of arbitrary interpretation and the principle of 'nulla poena sine lege,' or the principle of legality, two of the primary principles of modern criminal law.

Individual freedom is ignored by collectivism and rank in the system while relative human rights are emphasized. While guidelines of the Workers' Party override the law, such practices as public execution, which degrades the dignity for life and human body, violate the civil and political rights of the North Korean people.

Meanwhile, the freedom of movement of the people and relocation of residence, which have previously been controlled, has been eased to a certain degree due to the increased mobility of the people brought on by the shortage of food.

Three organizations, namely, the Center for the Advancement of North Korean Human Rights, Citizens' Alliance to Help Political Prisoners in North Korea (also known as the Citizens' Alliance for North Korean Human Rights) and Network for North Korean Democracy and Human Rights are active in their efforts to improve the dismal human rights situation in the North.

These private organizations have participated in UN Commission on Human Rights and have distributed reports on North Korean human rights situation and asked for cooperation from United Nations High Commissioner for Human Rights (UNHCHR), United Nations High Commissioner for Refugees (UNHCR) and International Committee of the Red Cross (ICRC). Also, by sharing information with international NGOs and holding joint workshops they have been expanding exchanges and cooperation with the international community.

Meanwhile, the ROK government has been systematizing information on the human rights situation in DPRK by collecting data and organizing reports by NGOs and international human rights organizations; and it has published Reports on International Human Rights 1999 (March 2000) and Reports on North Korean Human Rights 2000 (December of 2000).

2. Environmental Issues in North Korea

The environment issue in the DPRK transcends political system and ideology and is emerging as a task not only for the Korean Peninsula but also for Northeast Asia. The ROK government, for its part, is promoting various efforts to improve the North

Korean environment through inter-Korean cooperation with the purpose of achieving two ends: first, improving the livelihood of the North Korean people and second, forming an environmental community on the Korean Peninsula.

Environmental specialists point to the lack of awareness of environmental concerns on the part of North Korea coupled with lack of investment in this area due to its economic crisis as reasons for the serious situation that it currently faces. Use of coal for energy causing air pollution, closing of mines, reclamation of coastal areas, and waste from industrial plants causing pollution in water, and reclamation of field for food production together with indiscriminate use of forests for fuel have served as causes of environmental pollution in the North.

Considering its impoverished economy and low level of concern with environmental issues, it seems unlikely that the environment problem in the North can be remedied by North Korea alone, but rather the seriousness of the problem lies in the fact that the situation can become worse.

The DPRK has shown an increase in concern for the environment by responding in the year 2000 to ROK's cooperative efforts in the areas of forest rehabilitation and aid to control the spread of the pine needle gall midge in Mt. Kumgang area. It is expected that the DPRK will show growing concern for the environment as it wants to improve its national image in the wake of foreseeable economic benefits arising from the recent normalization of relations with other nations and the building of an industrial plant in the city of Kaesong.

Aid in forest rehabilitation initiated by Forest for Peace organization has been sent on three occasions, totaling of 107 million won worth of Coulter's pine saplings, fertilizer, agricultural chemicals and sprayers.

In December of 2000, the two Koreas signed a letter of intent in Beijing titled, Cooperation in Afforestation and Protection of Forests, agreeing that the two sides will cooperate in restoration of tree nurseries, afforestation and reforestation projects scheduled to begin in March of 2001. The two sides also agree to consult each other and to hold meetings for reforestation specialists, and exchanges and cooperation in the area of environment will likely be more active in the future.

The Korea Society of Tree Protection has been working with Kumgangsan Tourist

General Corporation of the DPRK since 1999 for the project to control pine needle gall midge. There has been a survey of the damaged area as well as transfer of know-how related to extermination of parasites, but lukewarm attitudes on the North Korean side have prevented further progress. However, the fact that the project initiated cooperation in environment between the two Koreas is significant by itself.

In 2000, officials from Kangwon Province visited North Korea twice (November 9-12 to Mount Kumgang, and December 16-19 to Pyongyang) and reached an agreement with their counterpart on the project to control the spread of pine needle gall midge (December 19). They also agreed to build facilities for potato seeds and protection and breeding of salmon, thereby opening a new chapter for inter-Korean cooperation on the environment.

Building on these successes, the ROK government will actively assist those environmental projects initiated by private organizations. The government will encourage cooperation efforts from the private sector and provide them with financial assistance for Forest Rehabilitation Projects to Prevent Natural Disasters and Environment Preservation Projects' from the Inter-Korean Cooperation Fund in accordance with the Guideline for Processing Humanitarian Projects to Aid North Korea (October 27, 1999; Ministry of Unification Notice).

The ROK government will work to realize an environmental community on the Korean Peninsula by achieving a balanced preservation of the environment, and it will continue to propose to the North joint ecological surveys in and around the DMZ to further promote cooperation on the environment.

Chapter 5 The Light-water Reactor (LWR) Project

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I. History of the Project and Commencement of the Construction

1. Background

The creation of the Korean Peninsula Energy Development Organization (KEDO) in March 1995 marked the beginning of international efforts to supply two units of light-water reactors to North Korea. KEDO was inaugurated to fulfill the commitments made based on the Agreed Framework signed between the United States and North Korea in October 1994. KEDO and North Korea signed an agreement on supply of two light-water reactors on December 15, 1995 and finally agreed on several critical protocols and detailed internal procedures to launch the project in July 1997. Consequently, KEDO embarked on serious efforts to start the construction of the reactors.

KEDO, however, faced difficulties in undertaking immediate, full-scale construction efforts due to delays in achieving an agreement over cost sharing among its

executive members. With the groundbreaking ceremony held in the Kumho district, Hamkyongnam-do Province on August 19, 1997, the LWR project passed the negotiation stage and entered into construction stage. The South Korean government agreed to provide the fund needed for site preparation in the form of a loan to KEDO. The site preparation included the clearing and leveling of the reactor site as well as construction of such facilities as living and dining quarters, office rooms, gym, roads and communication infrastructure.

However, the site preparation, which was originally expected to take one year, was prolonged due to a delay in the conclusion of talks over cost sharing and provision of loan. The construction was further delayed six times until early February 2000 due to additional delays in the signing the turn-key contract between KEDO and Korea Electric Power Company (KEPCO).

A number of South Korean companies participated in the site preparation, including KEPCO, the prime contractor, and a consortium of local construction companies such as Hyundai, Daewoo, Donga and Korea Heavy Industry. As of the end of December 2000, the number of workers involved in this joint effort was over 900, including more than 800 South Koreans and more than 100 North Koreans. In addition, along with various vehicles, 315 units of heavy equipment such as bulldozers and cranes were brought into the site.

As of the end of 2000, about 90 percent of the preparation for the LWR site was completed. In addition, as part of preparations for the main stage of construction, a 27km access road to the site was built and paved. At the same time, a communication net of ten lines, which would be used exclusively for correspondence between North and South Korea, and local communication facilities within the LWR site were installed. Such auxiliary facilities as a temporary power supply system, heavy machineries repair shop, fuel storage and construction office were also completed.

Also completed during this period were various facilities to promote the welfare and convenience of the workers. The workers in the LWR site could take advantage of many welfare facilities, including lodgings quarters, dining rooms, bathhouse, clinic room, karaoke room and library. They could also enjoy such sports facilities as tennis court, sports field and work-out room. Religious believers could use one of the religious facilities at the site, including a Protestant church, Buddhist temple and Catholic church. The workers were also able to watch South Korean and foreign TV

programs on 22 different channels through a satellite receiver.

At first, there were some conflicts between the North and South Korean workers working side by side due to the difference in system and ideology and lack of mutual understanding caused by many years of national division. As the construction progressed, however, both sides developed a better understanding of the other's system and social customs. After a while, the two groups of workers began to cooperate with each other and complete the given tasks in a friendly mood, thereby expanding mutual trust.

2. Effectuation of the Turn-key Contract and Commencement of the Construction

A. Signing and Effectuation of the Turn-key Contract

A turn-key contract had to be signed first between KEDO and KEPCO before the contractor undertakes the construction of the light-water reactors. This is a primary contract that prescribes various conditions needed for KEPCO, which has been already selected by KEDO as the prime contractor in March 1996, in delivering two units of light-water reactors designed according to the Korean standard model on the turn-key basis.

Before finally concluding the primary contract on December 15, 1999, KEDO and KEPCO discussed a vast range of conditions attached to the primary contract through fifteen rounds of negotiation and few more rounds of informal working-level contact from October of 1997. Upon conclusion of these negotiations, the LWR project entered into the main stage.

In the mean time, KEDO signed two sets of loan contracts, one with Korea Export and Import Bank on December 15, 1999 and the other, with Japanese Bank of International Cooperation (JBIC) on January 31, 2000. Both of them were required before the effectuation of the primary contract for the provision of light-water reactors. With the conclusion of these two contracts, the primary contract finally went into effect on February 3, 2000.

The closing of the loan contracts moved the construction project to the main stage and further spurred site preparations. KEDO also launched large-scale engineering works last June to build such facilities as breakwater and sluice gate. These works showed a 23 percent rate of completion by the end of December 2000.

In addition, as the turn-key contract went into effect, KEDO started working on a design for the nuclear plants and placing orders for construction equipment and materials. To assure safe and successful completion of the construction without a single failure, the consortium also conducted a preliminary study of safety measures and environmental effects and prepared plans to train staff responsible for control, operation and repair.

The primary contract signed between KEDO and KEPCO is more than 1,800

< Main Contents of the Primary Contract >

1. Obligations

o KEPCO

- Responsible for the construction and operation of two pressurized light-water reactors, various convenience facilities and infrastructure and management of the LWR site

o KEDO

- Supply of the LWR site, guaranty for the safety of the LWR personnel, maintenance of order within the site and provision of the means of communication

o North Korea

- Shall implement responsibilities under the Supply Agreement and various protocols

2. Duration of Construction

- o Shall be determined by a separate delivery protocol between KEDO and North Korea

3. Contract Price

- o \$4.08 billion based on constant January 1997 rate with compensation for inflation

4. Major Terms of Contract

- o Financial and legal protection against a lawsuit on nuclear liabilities

- KEDO shall provide financial and legal measures to protect KEPCO and other subcontractors from nuclear liabilities.
- o Procedures for dispute resolution
 - Legal Authority: Rules for international commercial dispute arbitration
 - Place and Language of Arbitration: Seoul, English
- o Training
 - KEDO shall train a sufficient number of North Korean trainees based on a training protocol.
- o Assurance
 - Electric Output: 1,000MW(Allowable margin of error: $\pm 3\%$)
 - Duration
 - Main Components and Equipment: 2 years after the completion of a quality test
 - Construction: 2 years after the completion of a quality test
- o Technical Assistance
 - KEPCO shall provide technical assistance for the operation and maintenance of the plants for the period of 1 year after the completion of the first unit.

5. Effectuation

- o Upon the closing of a loan contract between KEDO and Korea Export and Import Bank and KEDO and Japanese Bank of International Cooperation, respectively

pages long and contains 38 main and 22 supplementary articles.

B. Improvement of Project Management System

To prepare for an expected increase in work load and a massive deployment of South Korean workers once the construction of light-water reactors starts, the South Korean government and KEDO worked hard to create an efficient system to manage the LWR project.

First, the government and KEDO have continued to make efforts to provide various welfare facilities for the workers so that they feel comfortable living at the North Korean site and are able to concentrate on their work while undertaking the construc-

tion. In particular, as the number of South Korean workers staying at the LWR site reached 800 after the main stage of construction started in February 2000, such living facilities and conveniences as living quarters for technicians and a clinic room have been expanded.

In addition, keeping pace with the expanded construction, the South Korean government expanded the operation of an inter-Korean ferry. Starting October 2000, the ferry has made two round trips a month regularly between Sokcho and Yanghwa, transporting people back and forth. To assure the smooth promotion of the LWR project, KEDO has also continued discussing with North Koreans issues related to the implementation of agreements made in the protocols on building an independent communication net and delivery of letters using diplomatic pouches.

At the same time, KEDO is also preparing various measures to prevent unnecessary conflicts and accidents between South and North Korean workers staying in the LWR site. As a preventive measure, KEDO established a code of conduct for KEDO personnel and dispatched a 35-member patrol unit to keep order within the site.

KEDO also published a Guidebook for LWR Personnel to help workers adjust to new life at the site. The South Korean government has provided introductory education to workers prior to their trip to the North, thereby helping them to work in the site with pride as well as a sense of responsibility.

The LWR project necessarily involves the exchange of people, goods and technologies between the two Koreas over a long period of time. Expanded exchange and cooperation between the two Koreas is expected to contribute greatly to an improvement of inter-Korean relations by dissolving the existing mistrust.

3. Financing of the Project

A. Cost Sharing Resolution

Most critical for the smooth promotion of the LWR project is the need to secure

project financing. For this reason, KEDO executive members projected the budget as early as 1996 and started to negotiate a resolution on cost sharing among the member countries. The negotiation, however, made little progress because it involved not only the intertwined interests of the member countries but also various other political considerations.

After two years of negotiation, KEDO executive members finally adopted a resolution, which included an estimated budget of \$4.6 billion at the exchange rate of \$1=1,100 won and annual inflation rate of 2.1 percent.

According to the resolution, South Korea pledged to provide 70 percent of the actual cost for the construction, or \$3.22 billion, based on the estimation in Korean currency. Japan, on the other hand, promised to contribute \$1 billion in Japanese yen and the European Union, \$75 million in ECU as it had promised at the time it joined KEDO.

The United States was to pay for heavy fuel oil provided to North Korea and endeavor to provide other expenses. In case the contribution by the executive members falls short, Washington promised to take a leading role in making up for the shortfall. By specifying the maximum amount of their contribution in the resolution, South Korea and Japan, on the other hand, made it clear that they would be excluded from bearing additional burden under such circumstances.

B. Loan Provision Agreement

Following the adoption of the cost sharing resolution by its executive members, KEDO began negotiating with both South Korea and Japan an agreement on the provision of loans to KEDO. Each country prepared independently its own draft for the agreement and negotiated with KEDO through the consortium's executive committee and working group conference. The wording for the agreement was finally agreed in an executive committee meeting in April 1999. Consequently, South Korea went through the necessary internal procedure to conclude the agreement and officially signed the loan agreement on July 2, 1999.

Immediately after signing the agreement, the South Korean government submitted it to the National Assembly for ratification. Following a review by the Unification,

Foreign Affairs and Trade Committee, the National Assembly ratified the agreement on August 12. As South Korea notified KEDO the result, the agreement on the provision of loan between South Korea and KEDO finally went into effect on August 19, 1999.

Because the agreement must be ratified by the Diet before the legislature finishes its session at the end of June 1999, the Japanese government signed a loan agreement with KEDO on May 3. The agreement was then ratified by the Diet on June 30 and went into effect on July 15.

After the loan agreement between South Korea and KEDO went into effect, there have been a series of talks between the KEDO and Korea Export and Import Bank and Japanese Bank of International Cooperation (JBIC) to determine the conditions and procedures for the loans needed for implementation of the agreement.

As a result, KEDO and Korea Export and Import Bank were able to sign a loan agreement on December 15, 1999, shortly after the international consortium concluded the primary contract with KEPCO. Subsequently, KEDO also signed a similar agreement with the Japanese bank on January 31, 2000. With the conclusion of a pair of loan agreements, KEDO became finally equipped with all the legal and institutional devices needed for the full implementation of the LWR project.

C. Financing and Cost Sharing

Following the passage of the cost sharing resolution on November 9, 1998, the South Korean government started to study the ways to finance its share of the LWR cost. After reviewing a wide range of alternatives from many different angles to assure a stable and fair way to raise funds, the government decided to work out a method tied to the Korean national electric bill payment system.

To provide a legal basis for the introduction of a new electric bill payment system, the government decided to amend the Inter-Korean Cooperation Fund Act. A draft for the amendment was prepared through inter-ministerial consultations during November 1998 and reviewed at a joint meeting of the ruling party and the government held on December 3. Since then, the government had five rounds of joint meetings and several working-level discussions with the ruling party until May 1999 to

make up for the weak points in the draft. At the same time, the government also collected the public opinion on the introduction of the new system through opinion polls, hearings and advanced notification of the legislation. In the fifth round of joint meeting held on May 7, 1999, the ruling party and the government finally decided to introduce the electric bill payment system as a way to raise fund for the LWR project. Subsequently, after reviewing the amendment in a cabinet meeting on May 25, the government submitted it to the National Assembly on June 4.

After being reported to the General Assembly, the amendment to the Inter-Korean Cooperation Fund was submitted to the Unification, Foreign Affairs and Trade Committee on July 12. The Bill Review Subcommittee held its first meeting on August 4 and started to study the amendment. Though it was expected at first that the review of the bill would be completed during the regular session of the National Assembly and the method of financing the LWR project would be fixed by the end of the session, a delay in the parliamentary review stalled the passage of the bill. As the term for the fifteenth Assembly expired on May 30, 2000, and the bill was automatically repealed. With the opening of the sixteenth National Assembly, the government reviewed once again the financing methods through inter-ministerial consultation and joint conference with the ruling party. The government paid serious attention to two alternatives: paying the cost directly out of the government budget and reviving the defunct electric bill payment system. However, after considering the unfavorable domestic economic circumstances, the government decided to finance the project through issuing government bonds for the time being. The government has realized that it should take more careful consideration of economic and financial conditions as well as the effects its choice would have on national economy before it decides on a permanent solution to the problem of financing the LWR project.

Meanwhile, as the turn-key contract went into effect and the construction began on February 3, 2000, KEDO started to pay the bills related to the construction. The South Korean government contributed \$288.8 million in total by December 2000, while the Japanese provided \$123.8 during the same period. Consequently, a total of \$412.6 million was paid to the prime contractor KEPCO.

The South Korean government has decided to rely on issuing government bonds to finance the LWR project until it comes up with a permanent solution. The total volume of bonds issued so far is over 405 billion won, including 150 billion in 1999 and 255 billion in 2000.



II. The LWR Talks between KEDO and North Korea

1. Progress of the Talks

KEDO and North Korea signed an Agreement on Supply of Light-water Reactors to North Korea on December 15, 1995 to lay a foundation for the LWR project. The two sides began the negotiation on various protocols needed for implementing the supply agreement in April of 1996.

The two sides first concluded protocols in the most urgent areas, including those of privileges, immunities, consular protection, transportation and communication. These protocols were signed in July 1996. Subsequently, the protocol on site take-over, which prescribes various issues related to the use of the LWR site, and that on the use of services, which prescribes various issues related to the employment of North Korean workers, were signed during January of 1997. A protocol on actions in the event of nonpayment was signed in June of 1997 as a provision against a case

〈 KEDO Protocols 〉

Area	Main Contents	Relevant Provisions in the LWR Supply Agreement	Date of Effectuation
Juridical Status, Privileges, Immunities and Consular Protection	Legal status of KEDO and protection of the safety of KEDO personnel	Art. IV Sec. 6 & 7	July 11, 1996
Transportation	Free access to the LWR site by KEDO personnel and opening of efficient routes	Art. IX Sec. 3 & 6	"
Communication	Details for efficient means of communication to, from and within the LWR site	Art. IX Sec. 5 & 6	"
Site	Details for site take-over, site access and use of the site	Art. V Sec. 3	January 8, 1997
Service	Terms of supply for North Korean labor, goods, facilities and other services	Art. IX Sec. 4 & 6	"
Actions in the Event of Nonpayment	Details for the calculation and imposition of penalty in the event of nonpayment	Art. XVI Sec. 3	June 24, 1997
Training	Plans for training North Korean personnel for operation and maintenance of the light-water reactors	Art. VII Sec. 2	October 20, 2000
Quality Assurance	Guaranty for the quality of the light-water reactors	Art. VI Sec. 4	Under Negotiation
Delivery Schedule	Measures to freeze North Korea's nuclear program and the schedule for the delivery of light-water reactors	Art. III Sec. 3	To Be Negotiated

〈 KEDO Protocols (continued) 〉

Area	Main Contents	Relevant Provisions in the LWR Supply Agreement	Date of Effectuation
Terms of Repayment	Amount and terms of repayment for the LWR construction cost	Art. II Sec. 4	"
Spent Fuel	Details for safe storage, processing and transfer to a third country of the spent fuel	Art. VIII Sec. 4	"
Nuclear Safety and Regulation	Schedule and procedure for a regular safety inspection after the completion of the reactors	Art. X Sec. 5	"
Nuclear Liability	Details for compensation mechanism in the event of a nuclear accident	Art. XI Sec. 2	"

when North Korea fails to repay the LWR bills.

By the end of 1997, a total of six protocols required for the commencement of the LWR project were concluded. Later, KEDO and North Korea continued negotiating over the protocols on technical issues one by one and finally signed one on training in October 2000. The talks over quality assurance and warranty, which had already been held three times in the past, were resumed in July 2000. Except for few points, the two sides reached an agreement on most issues in this area.

The above table shows the protocols that are already signed by the end of 2000 and ones that are to be concluded through negotiation in the near future to implement the agreement on supply of light-water reactors.

In addition to having talks over the additional protocols, KEDO had a series of working group experts meeting with North Korea to prepare detailed procedures needed for implementation of the ones that are already concluded. After three rounds of talks from April 1997, the two sides reached an agreement on detailed procedures in 19 areas in total, including entry into North Korea, custom clearance, and marine

transportation. Finally, they reached an agreement on the wording of individual service contracts in August 1997.

KEDO had two rounds of high-level expert talks with North Korea in 1998. During these talks, the two sides discussed a wide range of pending issues, including the efficient and economical use of sea routes, wage rate for North Korean workers, ways to lift the morale of KEDO personnel and ways to deal with the problems raised during the construction since the start of site preparation in August 1997.

The two sides had two more rounds of the high-level expert talks in 1999. During the first meeting held in February, KEDO requested North Korea to increase the frequency of operation as well as maximum number of passengers for the inter-Korean ferry. It was a necessary measure to prepare for a massive increase in the input of man and equipment as the construction moves into the main stage. KEDO also asked North Korea to consider allowing KEDO personnel to visit a nearby vacation spot, to install an independent communication net and correspond using diplomatic pouches. North Korean, however, held fast to its existing position that it would consider them as the construction proceeded.

The second meeting was held in Hyangsan, North Korea, from September 28 to October 2. The two sides were supposed to discuss various pending issues that needed to be solved before moving into the main stage of construction. However, the meeting ended without an agreement as the North Korean delegation blamed KEDO for a delay in the construction and the two sides revealed a considerable difference over the supply of North Korean labor. At the end of the meeting, they only agreed to sign a memorandum of understanding on environmental immunities, whose wording had already been agreed during a working group experts' meeting held in May 1999.

The construction moved into the main stage after the turn-key contract was signed early that month. During a high-level experts' meeting held in late February, KEDO and North Korea prepared a timetable for negotiating over the training and other protocols and discussed the ways to cooperate in promoting the LWR construction.

In the mean time, the monthly wage rate for the North Korean workers has emerged as the thorniest issue between KEDO and North Korea since the latter demanded it to be raised from \$110 to \$600 during the high-level talks held in

September 1999. The KEDO executive director made a couple of trips to Pyongyang, once in August and again in October 2000, to negotiate the matter without success. Eventually, during an executive committee meeting held in Tokyo on December 6, 2000, KEDO reaffirmed its position that it cannot accommodate North Korea's unreasonable request for wage increase. Consequently, the international consortium decided to review some practical ways to secure a stable supply of labor.

During the high-level talks held from December 9-12, 2000, KEDO and North Korea discussed the matters related to liabilities for nuclear accidents and establishment of an outdoor switching station. Along with it, to secure the safety of the vessels traveling in relation to the LWR project, the two sides signed the record of dialogue in the meeting on the provision and operation of SSB communication equipment. The contents in the record were already agreed between them during the marine transportation expert meeting held in July 2000.

In addition to negotiating at the high-level expert talks, KEDO and North Korea have from time to time held working group expert meetings to discuss practical issues, which must be settled before the initiation of the LWR project. KEDO also consulted with North Korea's LWR Project Office through its field office at the LWR site as well as through the KEPCO office or the joint construction office there.

2. Conclusion of Protocols

A. Training Protocol

KEDO and North Korea had two rounds of meeting in 1999 to discuss the protocol on training, which prescribes matters related to training of North Korean personnel to be able to operate and maintain the light-water reactors. The first meeting was held in Hyangsan, North Korea, from January 20-22 and the second was held in New York from April 7-22. During the meetings, the two sides discussed such matters as selection of trainees, duration of training, provision of control simulation classes and protection of trainees, but failed to reach an agreement on such critical points as the location for training.

〈 Main Contents of the Training Protocol 〉

Topics	Major Contents
1. General Principles	<ul style="list-style-type: none"> o KEDO shall prepare and execute comprehensive plans for the operation and maintenance of the LWR plants. o North Korea shall provide a sufficient number of qualified candidates for training.
2. Design and Implementation of the Training Program	<ul style="list-style-type: none"> o KEDO training program shall be divided into two stages: stage 1 shall include classroom, laboratory and workshop training, and on-the-job training; and stage 2 shall include on-site experience at the LWR site. o The training shall commence within 18 months after the effectuation of the turn-key contract. o The total number of North Korean trainees shall be 529. o The training shall take place within the Kumho site, at a location outside of the site but inside North Korea, any other location agreed between KEDO and North Korea or any other country deemed necessary by KEDO.
3. Review and Certification of the Program	<ul style="list-style-type: none"> o To prove that the training program is in accordance with standard nuclear industry practice, KEDO and North Korea shall have it reviewed and certified by a group of internationally recognized independent experts.
4. Mutual Cooperation	<ul style="list-style-type: none"> o For the purpose of providing consultation and technical advice in connection with the training program, KEDO shall provide a limited number of LWR training experts as well as advisors whom North Korea can consult with in an event of emergency. KEDO shall cooperate with North Korea on these matters.

The two sides resumed the talks on the training protocol in Hyangsan from April 1 to 4 and finally agreed on a draft for training protocol. The protocol was then signed between KEDO and North Korea during the KEDO executive director's visit to Pyongyang in October 2000. According to the protocol, North Korea was to provide qualified candidates for training and KEDO was to make a comprehensive plan for training and provide education for those trainees on how to safely operate the nuclear reactors.

B. Quality Assurance and Warranty Protocol

KEDO and North Korea had two rounds of talks to discuss the protocol on quality assurance and warranty, first in Hyangsan, North Korea, from November 4-11, and next in New York from December 3-23, 1997. One more round of talks was held in New York from August 10-27 in the following year. However, the two sides failed to reach an agreement. During these talks, the two sides revealed differences on such issues as who would be responsible for quality assurance during the period of pilot operation, what types of privileges and immunities should be granted to those who participate in activities during this period and the extent of compensation if the amount of power generated falls short of the expected level.

Although the two sides reached an agreement on most parts of the contract during the fourth round of talks held in Hyangsan in July 2000, differences on some issues remain unresolved.

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1. Major Agreements in Inter-Korean Relations

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◆ **Inter-Korean Summit**

(1) South- North Joint Declaration

In accordance with the noble will of the entire people who yearn for the peaceful reunification of the nation, President Kim Dae-jung of the Republic of Korea and National Defense Commission Chairman Kim Jong-il of the Democratic People's Republic of Korea held a historic meeting and summit talks in Pyongyang from June 13 to June 15, 2000.

The leaders of the South and the North, recognizing that the meeting and the summit talks, the first since the division of the country, were of great significance in promoting mutual understanding, developing South-North relations and realizing peaceful reunification, declared as follows:

1. The South and the North have agreed to resolve the question of reunification on their own Initiative and through the joint efforts of the Korean people, who are the masters of the country.
2. Acknowledging that there are common elements in the South's proposal for a confederation and the North's proposal for a federation of lower stage as the formulae for achieving reunification, the South and the North agreed to promote reunification in that direction.
3. The South and the North have agreed to promptly resolve humanitarian issues such as exchange visits by separated family members and relatives on the occasion of the August 15 National Liberation Day and the question of former long-term prisoners who had refused to renounce Communism.
4. The South and the North have agreed to consolidate mutual trust by promoting balanced development of the national economy through economic cooperation and by stimulating cooperation and exchanges in civic, cultural, sports, public health, environmental and all other fields.
5. The South and the North have agreed to hold a dialogue between relevant authorities in the near future to implement the above agreement expeditiously.

President Kim Dae-jung cordially invited National Defense Commission Chairman Kim Jong-il to visit Seoul, and Chairman Kim Jong-il decided to visit

Seoul at an appropriate time.

June 15, 2000

Kim Dae-jung President The Republic of Korea	Kim Jong-il Chairman, National Defense Commission The Democratic People's Republic of Korea
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(2) South-North Agreement (on Summit Meeting)

The South and the North, reaffirming the three principles of national unification as proclaimed in the historic July 4 South-North Joint Communique, with a view to advancing reconciliation and unity, exchanges and cooperation, and peace and unification of the people, have agreed to the following:

At the invitation of National Defense Committee Chairman Kim Jong-il, President Kim Dae-jung will visit Pyongyang from the 12th to the 14th of June 2000.

During the visit to Pyongyang, a historic South-North summit between President Kim Dae-jung and Chairman Kim Jong-il will take place.

The two sides have agreed to hold preparatory talks in April for consultations on procedural matters.

April 8, 2000

Under instruction from the highest
authority of the South

Minister of Culture and Tourism

Park Jie-won
/signed/

Under instruction from the highest
authority of the North

Vice-Chairman of the Korean
Asia-Pacific Committee

Song Ho-yong
/signed/

(3) Agreement on Working Procedures for Implementing the April 8 South-North Agreement on an Inter-Korean Summit

In accordance with the April 8 Agreement on an Inter-Korean Summit, the South and North held five preparatory contacts from April 22 to May 18 at Panmunjom and agreed on working procedures.

1. The Formation and Size of Delegations

- (1) The number of the members of the southern delegation will be 130.
- (2) The number of the members of the southern press corp will be 50.

2. Number of Meetings and Summit Talks

There will be at least two or three historic meetings and summit talks between President Kim Dae-jung and National Defense Committee Chairman Kim Jong-il. There will be more if needed.

3. Agenda for the Meetings and Summit Talks

The agenda for the meetings and summit talks will be “to reconfirm the three basic principles for unification of the country, enunciated in the historic July 4 South-North Joint Communique, and discuss the issues of the reconciliation and unity, exchanges and cooperation, and peace and unification of the people.”

4. Schedule for the Visit

- (1) The southern delegation's stay in the North will be June 12-14, 2000, two nights and three days. It could be extended if needed.
- (2) The northern side will inform the southern side of the detailed schedule for the southern delegation's stay in the North 10 days before the visit.

The final schedule will be decided through an agreement between the two sides.

5. Dispatch of an Advanced Party

- (1) An advanced party from the southern side, consisting of 30 persons, will be sent to the North 12 days before the visit of the delegation.

The advance party will be able to transit through Panmunjom depending on needs

- (2) The duration of the stay of the advanced party from the southern side and detailed working procedures will be decided in talks between the two sides shortly after the arrival of the southern advanced party in the North.

6. Procedures for Transits

- (1) The transit of the southern delegation will be either by air or over land. In case of the air route, it will use a plane of the Southern side. In case of the land route, it will use automobiles of the northern side.
- (2) The southern side's advanced party will use automobiles of the northern side. The point of transit will be Panmunjom.
- (3) The list of names of the main southern delegation will be handed to the northern side seven days before the visit. In the case of the advanced party, the list will be handed to the northern side four days before the visit.

The list of the names should specify name, sex, position, and the organization of each delegate. A photograph of each person will be attached. If there is to be a change in the list of the names after it has been submitted, the other side should be informed by telephone through Panmunjom and subsequently in writing.

7. Guarantee of Conveniences

- (1) The northern side will provide all necessary conveniences, including room and board, transportation, communications, medical care and other things for the members of the southern side while they are staying in the North.
- (2) The southern delegation will follow the guidance and orders of the northern side during its stay in the northern side.
- (3) The northern side will guarantee the transportation of pouches twice a day through Panmunjom during the southern side's stay in the northern area.

8. Guarantee of Personal Security

- (1) The northern side will hand over a memorandum guaranteeing the personal security of members of the southern side visiting the northern area, in the name of the Prime Minister, to the southern side through Panmunjom three days before their visit to the northern area.
- (2) The northern side will basically guarantee the inviolability of the personal belongings of the southern side on condition that they are appropriate for the nature of the visit.

9. Identification of Aides and the Press Corp

- (1) The two sides will identify aides any way they choose.
- (2) Members of the press corp will wear an arm band.
- (3) Aides and members of the press of the southern side will carry identification cards issued by the Prime Minister of their side.

10. Identification of Facilities for the Meetings and Summit Talks

- (1) There will be no identification of the sites of the meetings and summit talks or other events (including lodgings).
- (2) There will be no facilities other than those needed for the meetings and

summit talks.

- (3) The northern side will set up and provide communications facilities at the site of meetings and summit talks as well as in the lodgings so that the southern side can carry out liaison activities.

11. Recording of Meetings and Summit Talks

The two sides will use shorthand, tape recorders or videotaping as they wish.

12. Reporting on the Meetings and Summit Talks

- (1) Reporting on the meetings and summit talks will be done at the convenience of each side. A joint press statement could be made and announced, depending on the need.
- (2) The northern side will guarantee on a priority basis the facilities and personnel needed so that the southern side can make live broadcasts. The northern side will offer all conveniences for the electronic transmission and satellite relaying of television images.
- (3) The northern side will guarantee the conveniences and support needed by the personnel of the southern side to take pictures and produce live broadcasts of the events to the southern side.

13. News Gathering Activities of Reporters

- (1) The northern side will guarantee the news gathering activities of the reporters of the southern side during their stay.
- (2) The two sides will try to be accurate and fair in their press reports.

14. Other Working Procedural Issues

- (1) The southern delegation will use the direct telephone lines already installed between Seoul and Pyongyang along with a satellite commu-

- nication network as a standby facility.
- (2) For other problems that could arise, the procedures of the South- North High Level Talks will be followed.

15. Effect of the Agreement

This agreement will take effect from the day both sides sign and exchange copies.

May 18, 2000

Vice Minister Yang Young-shik	Secretary Kim Ryong-sung
Ministry of Unification Republic of Korea	Presidium of the Supreme People' s Assembly Democratic People' s Republic of Korea
Chief Delegate of the Southern Delegation to the Preparatory	Chief Delegate of the Northern Delegation to the Preparatory
Contacts for Implementing the South-North Agreement	Contacts for Implementing the North- South Agreement

◆ Inter-Korean Ministerial Talks

(1) Joint Press Statement of the First Inter-Korean Ministerial Talks

The First Inter-Korean Ministerial Talks were held in Seoul from July 29 to 31, 2000. Emphasizing the great significance of the historic summit talks between the heads of South and North Korea and the June 15 South-North Joint Declaration the two delegations to the Inter-Korean Ministerial Talks have agreed as follows in order to implement the declaration faithfully:

1. The South and North shall proceed South-North ministerial talks in accordance with the spirit of the South-North Joint Declaration.

First, the Inter-Korean Ministerial Talks shall discuss and resolve the ways to implement the Joint Declaration signed by the two leaders in such a way as to respect the agreement and pursue common interests.

Second, the ministerial talks shall depart from the past habits of distrust and disputes to resolve easy issues first in the spirit of mutual confidence and cooperation.

Third, the ministerial talks shall give importance to actions so that they can produce realistic outcomes before the nation, and shall aim at achieving peace and unification.

2. On the occasion of the 15th of August, 2000, the South and North shall resume the operations of the South-North Liaison Office at Panmunjom which have been suspended from November 1996.

3. In commemorating the 15th of August (National Liberation Day), the South and North shall hold events in the South, North and overseas respectively in support of the South-North Joint Declaration to drum up national determination at large to put it into practice.

4. The South and North shall cooperate and take appropriate measures to ensure that

members of Chongryun (the General Association of Korean Residents in Japan) can form four groups to visit their hometowns.

5. The South and North shall rehabilitate the Seoul-Shinuiju Railway and discuss the issues thereof at an early date.

6. The South and North shall hold the 2nd Inter-Korean Ministerial Talks from August 29 to 31 in Pyongyang.

July 31, 2000
Seoul

(2) Joint Press Statement of the Second Inter-Korean Ministerial Talks

The Second Inter-Korean Ministerial Talks were held in Pyongyang from August 29 to September 1, 2000. Emphasizing anew the great significance of the June 15 South-North Joint Declaration, the two delegations assessed that the declaration is bearing fruitful results. The two delegations reaffirmed their efforts to faithfully implement the Joint Declaration and have agreed as follows:

1. South and Korea will hold two more round of reunions of separated families and relatives within this year. The two sides will hold a new round of inter-Korean Red Cross talks Soon to discuss the details. At the planned Red Cross talks, the two Korea will discuss matters related to separated families including exchange of letters.

2. South and North Korea will work toward easing military tension and ensuring peace. To that end, the two Koreas will discuss to hold talks between South and North Korean military authorities at an early date.

3. South and North Korea will establish a legal framework for economic cooperation such as guarantee of investment and avoidance of double taxation. The two sides will hold working-level contact concerning this matter sometime in September. In addition, the South will review and proceed with food aid in loans to the North considering that the North continues to be afflicted by natural calamities.

4. South and North Korea will hold working-level contact to discuss groundbreaking schedule for connecting the railway between Seoul and Shinuiju and opening the road linking Munsan with Kaesong.

5. South and North Korea will meet to promote joint flood prevention project on the Imjin River at an early date.

6. South and North Korea will exchange about 100 tourists from each side to visit Mt. Halla in the South and Mt. Paektu in the North between mid-September and early October.

7. South and North Korea will hold a third round of ministerial-level talks in Mt. Halla September 27~30.

September 1, 2000
Pyongyang

(3) Joint Press Statement of the Third Inter-Korean Ministerial Talks

The third round of inter-Korean ministerial talks was held on Cheju Island on September 27~30, 2000.

During this round of talks, the South and the North affirmed that the points agreed to after the announcement of the historic June 15 South-North Joint Declaration had been sincerely implemented. Reaffirming an active and consistent implementation of the Joint Declaration, the two sides agreed as follows:

1. The South and the North shall implement all the agreements already made in various forms of talks and continue to discuss a wide range of issues in depth and sincerely promote those projects that can be put into practice in the future.

2. The South and the North shall cooperate with each other to encourage the Red Cross societies of both sides to immediately take the measures for a prompt settlement of issues related to separated families, including address checks, exchange of

letters and establishment of a permanent meeting center along with other points agreed to in the second round of the talks, starting at the end of this year.

3. The South and the North shall praise the successful completion of the first round of the working-level contact to provide institutional mechanisms for economic cooperation and cooperate with each other to settle the issues involved in dispute settlement and clearance accounts along with an investment guaranty and avoidance of double taxation.

4. The South and the North shall establish a Committee for the Promotion of Inter-Korean Economic Cooperation to discuss and implement various issues to expand exchange and cooperation in the economic area.

5. Based on a common understanding that it is important to expand exchange and cooperation in various areas, including academic, cultural and athletic, the South proposed a regular soccer match be held alternately in Seoul and Pyongyang and exchange of visits by college professors, students and cultural leaders, while the North promised to give a positive review on the projects for exchange and cooperation, including the ones proposed above. The two sides shall discuss and decide on these matters during the fourth round of the inter-Korean ministerial talks.

6. The South and the North shall hold the fourth round of the inter-Korean ministerial talks from November 28 to December 1, 2000 for four days and three nights. The venue for the talks shall be decided later.

September 30, 2000
Cheju Island

(4) Joint Press Statement of the Fourth Inter-Korean Ministerial Talks

The fourth round of inter-Korean ministerial talks was held in Pyongyang from December 12-16. During the talks, both sides assessed the projects undertaken during the last six months to implement the historic inter-Korean Joint Declaration as a

success. Having agreed to active implementation of the Joint Declaration in the year 2001, they have agreed on the following points:

1. To promote a balanced development and co-prosperity of the Korean national economy, the South and the North shall establish and operate an Inter-Korean Economic Cooperation Promotion Committee. The joint committee shall consist of a vice-ministerial level head of delegation and 5-7 members from each side. The first meeting of the committee shall be held in Pyongyang around December 26, 2000. The two sides shall discuss and resolve such practical issues in pending economic cooperation as the supply of electricity, connection of railways and highway, construction of the Kaesong industrial complex and promotion of the Imjin River flood prevention projects.

2. The South and the North agreed to cooperate in the fishing industry. The North offered a part of its fishing ground on the East Sea to the South. The two sides agreed that the people representing their fishery authorities should meet in the Mt. Kumgang area as soon as possible to discuss the matter.

3. The South and the North agreed to advise their respective Taekwondo organizations to meet with each other to discuss the exchange of exhibition teams between the two Koreas.

4. The South and the North shall promote address check and exchange of letters between the members of separated families. The address check shall be limited to one hundred people from each side both in January and in February. The exchange of letters shall be limited to about three hundred people from each side in March.

5. The South and the North shall exchange the third group of one hundred separated families at the end of February 2001.

6. The North shall send its Mt. Halla tourist delegation in March and economic mission during the first half of 2001.

7. The South and the North shall have each of four agreements signed by the heads of delegation, related to investment protection, avoidance of double taxation, account settlement and business dispute-arbitration, go through the necessary procedure for its effectuation and notify each other of the results.

8. The South and the North shall hold the fifth round of inter-Korean ministerial talks in March 2001, but the venue for the meeting shall be decided later through mutual consultation.

December 16, 2000
Pyongyang

◆ **Joint Press Statement of the Inter-Korean Defense Ministers' Talks**

Talks between the Minister of Defense of the Republic of Korea and the Minister of the People's Armed Forces of the Democratic People's Republic of Korea were held on Cheju Island in the South on September 25~26 to provide a military assurance for the implementation of the June 15 South-North Joint Declaration adopted during the historic inter-Korean summit.

A delegation of five headed by Minister of Defense Cho Seong-tae of the Republic of Korea represented the South while a delegation of five headed by the Minister of the People's Armed Forces Kim Il-chol of the Democratic People's Republic of Korea represented the North in the talks.

In the talks, the two sides held the same view that since the adoption of the Joint Declaration various projects are being promoted in earnest to implement it and that proper military measures are needed to hasten the process. Based on this, the two sides agreed as follows:

1. Both sides shall do their utmost to implement the Joint Declaration made by the heads of the South and the North and actively cooperate with each other to remove military obstacles in assuring travel, exchange and cooperation between civilians.
2. Both sides held the same view that to reduce military tension on the Korean Peninsula and remove the threat of war by establishing a durable and stable peace is a matter of vital importance and agreed that they shall work together towards this end.

3. Both sides shall allow the entry of personnel, vehicles and materials into their respective sections of the Demilitarized Zone with respect to the construction of a railway and a road that connects the South and the North, which is a pending issue between the South and the North, and guarantee their safety. The working-level officials from both sides shall meet in early October to discuss the details related to this.
4. The two sides will handle the problem of opening the Military Demarcation Line and the Demilitarized Zone in the areas around the railway and the road that connect the South and the North on the basis of the armistice treaty.
5. Both sides agreed to hold the second round of the talks at a location in the North in mid-November.

September 26, 2000

Cheju Island

◆ Joint Press Statement on Visit by Special Envoy Kim Yong-sun

The Central Committee of the Workers' Party of the Democratic People's Republic of Korea Kim Yong-sun visited Seoul from September 11~14. The South and the North made a series of contacts during his stay in Seoul and exchanged opinions on a wide range of issues currently being addressed between them. The South and the North once again reaffirmed the intention of the two heads of state to implement the June 15 South-North Joint Declaration thoroughly. Assuring that they would further expand reconciliation and cooperation between themselves, the South and the North agreed as follows:

1. National Defense Commission Chairman Kim Jong-il shall visit Seoul in the near future while Kim Young-nam, the Chairman of the Presidium of the Supreme People's Assembly shall visit Seoul prior to Chairman Kim's visit.
2. Both sides shall welcome the discussion over holding the talks between the South's Minister of Defense and the North's Minister of People's Armed Forces currently under way.

3. To resolve the issues related to separated families, both sides agreed to start the process of address checks in September and complete it as soon as possible. The two sides shall first work on a way to allow those who have confirmed addresses to exchange letters. In addition, both sides agreed to hold a round of Red Cross talks in Mt. Kungang on September 20 to discuss, along with the above issues, the issues related to exchanging two additional groups of separated families within this year as well as to establishing and managing a permanent meeting center.

4. To facilitate inter-Korean economic cooperation, a working-level meeting to provide an institutional mechanism for investment guaranty and avoidance of double taxation shall be held in Seoul on September 25. Both sides agreed to settle the issue as soon as possible.

5. The South and the North shall have a ground-breaking ceremony to connect the Kyongui Railway and a road as soon as possible.

6. The North shall send to the South an economic mission composed of about 15 people in the month of October.

7. The South and the North shall start a joint survey for a flood prevention project in the Imjin River area and develop detailed plans for the project before the end of this year.

September 14, 2000
Seoul

◆ ***Inter-Korean Economic Cooperation***

(1) Joint Press Statement of the First Inter-Korean Economic Cooperation Working-level Meeting

To expend and advance economic cooperation and to provide an institutional mechanism for the balanced growth of the Korean national economy, the South and

the North held a working-level meeting on economic cooperation in Seoul on September 25~26, 2000.

According to an agreement made during the inter-Korean ministerial talks to implement the June 15 South-North Joint Declaration, both sides agreed through this meeting to settle the issues related to an institutional mechanism for investment guaranty and avoidance of double taxation as soon as possible.

The two sides had a sober discussion over the written agreement on investment guaranty and avoidance of double taxation and agreed to iron out the differences displayed in a draft for the agreement during the second round of the meetings.

Both sides agreed that they need written agreements on the procedure for settling business disputes and clearing accounts and need to discuss this through the working-level contacts as agreed in the inter-Korean ministerial talks.

The sides agreed to hold the second round of talks in Pyongyang on October 18.

September 26, 2000
Seoul

(2) Agreement on Clearing Settlement between the South and the North

The South and the North hereby confirm that the economic exchange and cooperation being pursued according to the historical "South-North Joint Declaration" announced on June 15, 2000 are internal transaction among the Korean people and not transactions between two separate nations, and in order to establish a clearing settlement system ("Clearing Settlement") for economic transactions, agree as follows:

Article 1 Scope of the Clearing Settlement

The Clearing Settlement shall apply to the payment of traded goods as determined

by mutual agreement between the South and the North and to the payment of services related to such traded goods thereof.

Article 2 Traded Goods and Quantity of Goods

1. The South and the North shall determine by mutual agreement the goods to be traded through the Clearing Settlement method and their quantity prior to the start of transactions of each year. The South and the North, if necessary, can modify by mutual agreement the specified quantity of the goods.

2. The goods traded under the Clearing Settlement method shall be limited to those goods that originate in the South or the North.

Article 3 Designation of the Clearing Settlement Bank and Opening of the Clearing Account

The South and the North shall each designate a clearing settlement bank (the “Clearing Settlement Bank”) and shall open a clearing account (the “Clearing Account”) therein under the name of the other party’s Clearing Settlement Bank.

Article 4 Credit Line

The South and the North, by mutual agreement, shall establish and operate a credit line for the Clearing Account.

Article 5 Settlement Currency

The currency of the Clearing Settlement shall be United States Dollars. The South and the North may mutually agree, if necessary, upon any other currency as the currency of the Clearing Settlement.

Article 6 Settlement Period

The period of the Clearing Settlement shall be from January 1 to December 31 of each year. The balances due in the respective Clearing Account shall be settled by March 31 of the immediately following year.

Article 7 Settlement Procedure and Method

The Clearing Settlement Banks designated by the South and the North, respectively, shall by mutual agreement determine the settlement procedures and methods for implementing this Agreement

Article 8 General Settlement

The settlement of prices and capital transfers that are not processed through the Clearing Settlement method shall be performed pursuant to the general settlement method conforming to international practices and through the banks designated respectively by each of the parties hereto.

Article 9 Settlement of Problems Concerning Interpretation and Application

The South and the North shall resolve problems arising in connection with the interpretation and application of this Agreement through mutual consultation at the “Inter-Korean Ministerial Talks” or through such organization as designated thereby.

Article 10 Effectiveness, Amendment and Supplementation

1. The Agreement shall become effective on the day the written copies of the Agreement, which are signed by both the South and the North and which have also fulfilled the necessary formalities for effectuation, are exchanged.
2. The provisions of the Agreement may amended and supplemented by mutual agreement of the parties hereto. The amended and supplemented provisions shall become effective through the same procedures as provided in paragraph 1.
3. Within six months from the date that this Agreement has been signed, the South and the North shall determine by mutual agreement the goods and quantities of the goods to be traded under the Clearing Settlement method and the credit line limit of the Clearing Account, and shall designate each party's respective Clearing Settlement Bank and notify it to the other party.

This Agreement has been executed in duplicate on the date of December 16, 2000, and each original copy shall have the same effect as the other.

Representing the South

Representing the North

Park Jae-kyu
Republic of Korea
Minister of Unification

Jon Kum-jin
Democratic People's Republic of Korea
Senior Cabinet Councilor

Chief Delegate of the South for
The Inter-Korean Ministerial Talks

Chief Delegate of the North for
The Inter-Korean Ministerial Talks

(3) Agreement on Investment Protection between the South and the North

The South and the North hereby confirm that the economic exchange and cooperation being pursued according to the "South-North Joint Declaration" announced on June 15, 2000 are internal transactions among the Korean people and not transactions between two separate nations, and in order to protect the investment assets of the investors from each party and to provide favorable conditions for investment, agree as follows:

Article 1 Definitions

1. "Investment assets" mean every type of asset invested by investors of the South and the North located in the area of the other party in accordance with the laws and regulations of the other party and includes the following:

- a) movable and immovable property and other related property rights;
- b) monetary properties including reinvested returns and loans, and claims having economic value;
- c) intellectual property rights, including rights with respect to copyrights, patents, trademarks, design rights and technical advancements, and other similar rights;
- d) rights to a company or a public institution such as shares, stocks, debentures

- and government or public bonds;
- e) business concessions having economic value conferred by law or under contract including permission to explore, extract or develop natural resources; and,
- f) all other assets invested by an investor.

Any change in the form of assets that are invested or reinvested are recognized as investment assets provided that they do not contradict the laws and regulations of the party that accepted the investment.

2. "Investor" means any natural or juridical persons of a party who invest in the area of the other party and includes the following:

- a) juridical persons such as corporations, associations and organizations established and pursuing economic activities in accordance with the laws and regulations of a party; and,
- b) natural persons with a domicile located in a party.

3. "Proceeds" means the funds derived from investments such as profit, interest, income from sale of property, dividends, royalties from intellectual property rights and technology licensing and commissions.

4. "Economic activities" means activities including the management of investment property and proceeds and liquidation of a company.

5. "Area" means an area under the jurisdiction of the South and the North.

6. "Freely convertible currency" means a currency that is widely used to make payments for international transactions and widely exchanged in principal international exchange markets.

Article 2 Permission and Protection

1. The South and the North shall create favorable conditions for investors of each other to make investments in their areas and shall grant permission to such investments in accordance with their laws and regulations.

In such case, sympathetic consideration shall be given to issues arising out of the entry, sojourn and movement of persons for the purpose of realization of investment and business activities.

2. The South and the North shall protect the investment assets of investors of each other in their area in accordance with their laws and regulations.

3. Upon the approval of an investment according to the relevant laws and regulations, the South and the North shall guarantee the free exercise of management activities of investors of each other that occurs based on an approved contract and articles of association.

Article 3 Treatment

1. The South and the North shall in their areas accord to investors, investment assets, proceeds and business activities of each other treatment that is same or more favorable than that accorded to investors of other countries.

2. The South and the North are not obligated to accord to investors from each party any treatment, preference or privilege accorded to investors of other countries by virtue of any customs union, economic union and common market, regional and quasi-regional agreements, and double taxation treaties.

Article 4 Expropriation and Compensation for Losses

1. The South and the North shall not nationalize, expropriate, or restrict the property rights of, or implement any measure having the same effect, (hereinafter referred to as “expropriation”) the investment assets of investors from each party located in the area of the other party. Notwithstanding, such measures can be carried out for public purpose upon the investment assets from each party investors provided that they occur under legal procedures that do not discriminate against domestic investors or investors from other countries. In such case, prompt, adequate and effective compensation shall be provided.

2. The South and the North shall without delay pay such compensation including interest at the general commercial rate starting from the date of expropriation until the date of payment.

The amount of compensation shall equal the international market value of the investment immediately before the decision on the expropriation became public knowledge.

3. The South and the North shall not accord treatment no less favorable than that accorded to its own investors or to investors of other countries with regard to restitution or compensation when the investments of investors from each party suffer losses due to an armed conflict or other abnormal situations.

Article 5 Transfers

1. The South and the North shall guarantee that the following transfers of investment-related payments of the investors from either party are to be made freely and without delay into and out of the respective areas in freely convertible currency:

- a) initial capital investment and additional capital for maintaining and expanding the investing company;
- b) income resulting from investments including profits, interest and dividends;
- c) loan repayment and its interest;
- d) income from the conveyance or liquidation of investment assets;
- e) wages and other legal incomes related to investment received by the personnel of a party employed by a company of the other party;
- f) compensation pursuant to Article 4 and Article 7, Paragraph 1 of this Agreement;
- g) payment to a party or its designated agency pursuant to Article 6 of this Agreement; and,
- h) other investment-related payments.

2. The exchange rate to be adopted for the transfer shall be the exchange rate on the date of transfer applicable in the foreign exchange market of the party in which the investment was made.

3. Transfers shall follow the procedures established by the competent authority of the party where the investment was made. In such case, the rights described in Paragraph 1 and 2 of this Article shall not be violated.

Article 6 Subrogation

If one party or its designated agency makes a payment to its own investors under a financial guarantee given in respect to investments on noncommercial risks, the other party shall recognize that the former party or its designated agency is entitled to take over and exercise the rights including the claims for compensation for damages of its investors, and bears, within the range of the rights, the investment-related obligations including tax payments.

Article 7 Settlement of Disputes

1. Disputes between one party and investors of the other party arising from a violation of the rights vested in this Agreement shall be resolved through mutual consultation of the involved parties.

If this dispute has not been settled through mutual consultation, the investor shall bring the case to the South-North Commercial Arbitration Committee established by mutual agreement of the South and the North.

The competent authorities of the parties agree that investors shall settle the disputes through arbitration.

2. Disputes between the competent authorities of the parties arising in connection with the interpretation and application of this Agreement shall be resolved through mutual consultation at the “North-South Ministerial Level Talks” or through such organization as designated thereby.

Article 8 Relationship with Other Laws, Agreements and Contracts

Laws of a party with more favorable investment provisions than accorded by this Agreement or international agreements where both parties are members or contracts between a party and an investor shall, limited to those provisions specifying a more favorable treatment, prevail over this Agreement.

Article 9 Providing Information

1. The South and the North shall mutually provide each other with newly enacted, modified and supplemented laws regarding investments.

2. The South and the North shall provide without delay upon request by a party investment-related information.

Article 10 Scope of Application

This Agreement shall apply to all investments located in the areas of the parties by their investors, whether made before or after its entry into force.

However, this Agreement shall not apply to any disputes rising before its entry into force.

Article 11 Amendment and Supplementation

The South and the North may, if necessary, amend or supplement the provisions of the Agreement based on mutual consultation. The amended or supplemented provisions shall become effective through the same procedures as provided in Article 12, Paragraph 1.

Article 12 Entry into Force and Termination

1. The Agreement shall come into force on the day the written copies of the Agreement, which are signed by both the South and the North and which have also fulfilled the necessary formalities for effectuation, are exchanged.

2. The Agreement shall remain in force unless one of the parties notifies its intention to terminate the Agreement in writing to other party. The notice of termination shall become effective after six (6) months from the date of such notification.

3. Assets invested while the Agreement is in force shall be protected and treated in accordance with the provisions of Article 1 through Article 8 for ten(10) years from the date of termination.

This Agreement has been executed in duplicate on the date of December 16, 2000, and each original copy shall have the same effect as the other.

Representing the South

Representing the North

Park Jae-kyu
Republic of Korea
Minister of Unification

Jon Kum-jin
Democratic People's Republic of Korea
Senior Cabinet Councilor

Chief Delegate of the South for
The Inter-Korean Ministerial Talks

Chief Delegate of the North for
The Inter-Korean Ministerial Talks

(4) Agreement on Procedures for Resolution of Commercial Disputes between the South and the North

The South and the North hereby confirm that the economic exchange and cooperation being pursued according to the historical "South-North Joint Declaration" announced on June 15, 2000 are internal transaction among the Korean people and not transactions between two separate nations, and in order to resolve commercial disputes arising in the course of economic exchanges and cooperation in a fair and expeditious manner, agree as follows:

Article 1 Principles for Settlement of Dispute

Commercial disputes arising in the course of economic exchanges and cooperation between the South and the North shall be resolved by mutual consultation between the parties concerned. As a general rule, disputes that cannot be resolved by mutual consultation shall be resolved through arbitration.

Article 2 Organization of the Arbitration Committee

The South and the North shall establish a South-North Commercial Arbitration Committee (hereinafter referred to as the "Arbitration Committee") consisting of one (1) chairperson and four (4) committee members to resolve commercial disputes arising in the course of economic exchanges and cooperation.

Article 3 Functions of the Arbitration Committee

The Arbitration Committee shall perform the following functions:

1. Arbitration or conciliation of commercial disputes arising in the course of economic exchanges and cooperation between the parties concerned of the North and the South or between the party concerned of one side and the competent authority of the other side, and matters related thereto;
2. Arbitration or conciliation of disputes, stipulated under Article 7, Paragraph 1 of the Agreement on Investment Protection between South and the North, applied by the parties concerned and matters related thereto;
3. Enactment, amendment, and supplementation of the arbitration rules and the regulations relating thereto;
4. Appointment of arbitrators under Article 5, Paragraph 1;
5. Appointment of an arbitrator or arbitrators under Article 10, Paragraph 3; and,
6. Any other functions conferred upon the Arbitration Committee by mutual agreement of the South and the North.

Article 4 Decision-making by the Arbitration Committee

Decisions of the Arbitration Committee shall be made by mutual agreement between the chairperson and the committee members appointed by the South and the North.

Article 5 Preparation and Exchanges of Register of Arbitrators

1. The South and the North, through the Arbitration Committee, shall each appoint thirty (30) arbitrators, prepare a Register of Arbitrators, and exchanges the Registers.
2. In the event that there is any change in arbitrators, the chairperson of the relevant side of the Arbitration Committee shall notify such to the other chairperson.
3. The chairpersons or any of the members of the Arbitration Committee, if neces-

sary, may be appointed to act as an arbitrator as provided under paragraph 1.

Article 6 Qualifications of Arbitrators

Arbitrators shall be persons who are well versed in relevant laws and international trade and investment matters.

Article 7 Guaranty of Arbitrator' s Activities

The South and the North shall ensure that arbitrators designated by each party shall perform their duties in a fair and impartial manner.

Article 8 Disputes under the Jurisdiction of the Arbitration Committee

The Arbitration Committee shall have competence over the following disputes:

1. Commercial disputes arising in the course of economic exchanges and cooperation between the South and the North that have been mutually agreed by the parties concerned in writing to be settled by submission to the Arbitration Committee. Neither party may unilaterally retract an agreement to arbitrate; and,
2. Disputes stipulated under Article 7, Paragraph 1 of the Agreement on Investment Protection between the South and the North.

Article 9 Request for Arbitration

1. A party who wishes to request arbitration shall submit an application for arbitration to their respective chairpersons of the Arbitration Committee. The date on which the party concerned with the dispute submits the application for arbitration shall be regarded as the date of the receipt of the request for arbitration. The chairpersons of the Arbitration Committee of both parties shall designate their respective institutions or entities that shall proceed with the matters related to the arbitration.
2. The chairperson of the Arbitration Committee who received the application for arbitration shall notify such to the chairperson of the other side within ten (10) days.
3. Where the application for arbitration is submitted with their party concerned as a respondent, the chairperson of the relevant party of the Arbitration Committee shall

notify such to the party concerned within ten (10) days from the date of the receipt of a notice that the application for arbitration was submitted.

Article 10 Structure of Arbitral Tribunal

1. The Arbitral Tribunal shall consist of three (3) arbitrators appointed by mutual agreement between the parties concerned.

2. Where the parties concerned fail to reach an agreement with regard to the appointment of arbitrators within the agreed time limit, each party shall appoint one (1) arbitrator from its Register of Arbitrators. The two appointed arbitrators shall then, based on mutual consultation, select one (1) additional arbitrator from the Register of Arbitrators to act as the chief arbitrator.

3. In case arbitrators are not appointed within fifty (50) days from the date of the receipt of the application for arbitration, the chairperson of one side of the Arbitration Committee shall select an arbitrator from the Register of Arbitrators by mutual consultation upon a request from the party concerned with the dispute. In case the chief arbitrator is not appointed, however, the chairpersons of both sides of the Arbitration Committee shall appoint the chief arbitrator from the Register of Arbitrators after mutual consultation. In the latter case, the chief arbitrator may also be selected by lot. The appointment of arbitrators shall be completed within thirty (30) days from the date of the receipt of the request.

4. In case the chief arbitrator is not appointed in accordance with Paragraph 3, the chairperson of the Arbitration Committee may invite the International Center for the Settlement of Investment Disputes (ICSID) to appoint the chief arbitrator.

Article 11 Location of Arbitration

The location of arbitration shall be determined by mutual consultation between the parties concerned. In case the place is not determined within ten (10) days from the date of establishment of the Arbitral Tribunal, the Arbitral Tribunal shall determine the place of arbitration.

Article 12 Governing Law for the Arbitral Award

The Arbitral Tribunal shall render the arbitral award in accordance with laws mutual-

ly agreed upon between the parties concerned. In the absence of any such agreement, the Arbitral Tribunal shall apply the relevant laws and regulations of the South or the North, general principles of international law, and the customary practice of international trade in rendering an arbitral award.

Article 13 Form and Contents of the Arbitral Award

The arbitral award shall be decided by a majority of the arbitrators at the Arbitral Tribunal.

The award shall include the facts and evidence confirmed at the hearing, a written order relating to the settlement of the case, governing laws, and the date of the award. The arbitrators shall sign and seal the award.

Article 14 Time Limit for Arbitration

The arbitral award shall be rendered within six (6) months from the date of the receipt of the application for arbitration. If necessary, the Arbitral Tribunal may extend the time limit up to three (3) months by mutual consultation with the parties concerned.

Article 15 Non-disclosure of the Arbitral Award

The Arbitral Tribunal shall not disclose the arbitral award to any third party without the consent of the parties concerned.

Article 16 Fulfillment, Recognition, and Enforcement of the Arbitral Award

1. The party concerned shall perform its obligations provided for in the arbitral award.
2. In case the party concerned fails to perform its obligations under the arbitral award or unfaithfully performs the foregoing, the other party may file an application of the execution thereof with a relevant court which has jurisdiction over the matters.
3. Unless there are special circumstances to consider, the South and the North shall recognize the arbitral award as binding and ensure that such an arbitral award is enforced in the same manner as the final and conclusive judgment of their respective

relevant court. The Arbitration Committee shall determine whether such special circumstances exist.

Article 17 Conciliation

1. In case there is a request for conciliation filed by both parties after the receipt of the application for arbitration, the Arbitration Committee shall suspend the arbitral proceedings and commence the conciliation proceeding.

2. The parties concerned shall appoint one (1) or three (3) conciliators by mutual agreement. The conciliators shall determine the procedure and method of the conciliation.

3. The result of the conciliation as agreed by the parties concerned shall proceed in accordance with the formalities of the arbitral award, and shall have the same effect as an arbitral award.

4. In case the disputes are not resolved through conciliation within thirty (30) days from the date of the appointment of the conciliator(s), the conciliation proceeding shall be terminated and the arbitral proceedings shall resume. The parties concerned may extend the conciliation period by mutual agreement.

Article 18 Consultation, Amendment, and Supplementation

1. The South and the North shall resolve problems arising in connection with the interpretation and application of this Agreement through mutual consultation at the “Inter-Korean Ministerial Talks” or through such organization as designated thereby.

2. The South and the North may, if necessary, amend or supplement the provisions of the Agreement based on mutual consultation. The amended or supplemented provisions shall become effective through the same procedures as provided in Article 19, Paragraph 1.

Article 19 Effectiveness and Termination

1. The Agreement shall come into force on the day the written copies of the Agreement, which are signed by both the South and the North and which have also

fulfilled the necessary formalities for effectuation, are exchanged.

2. The Agreement shall remain in effect unless one of the parties notifies its intention to terminate the Agreement in writing to the other party. The notice of termination shall become effective after six (6) months from the date of such notification.

3. Applications for arbitration received during the effective term of the Agreement shall be processed in accordance with Article 1 to Article 17 even after the Agreement becomes invalid.

4. The South and the North shall, by mutual consultation, determine the matters regarding the organization and operation of the Arbitration Committee within six (6) months from the date the Agreement is signed.

This Agreement has been executed in duplicate on the date of December 16, 2000, and each original copy shall have the same effect as the other.

Representing the South

Representing the North

Park Jae-kyu
Republic of Korea
Minister of Unification

Jon Kum-jin
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Chief Delegate of the South for
The Inter-Korean Ministerial Talks

Chief Delegate of the North for
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(5) Agreement on Prevention of Double Taxation of Income between the South and the North

The South and the North hereby confirm that the economic exchange and cooperation being pursued according to the historic "South-North Joint Declaration Talks announced on June 15, 2000 are internal transactions among the Korean people and not transactions between two separate nations, and in order to prevent the double taxation of income, agree as follows:

Article 1 General Definitions

For purposes of this Agreement:

1. the term "individual" means a natural person who is liable to taxation;
2. the term "company" means an enterprise, corporation or any organization that is treated as a legal person for taxation purposes;
3. the term "enterprise" means any entity the status of a legal person or any business organization carried on by an individual;
4. the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partially carried on;
5. the term "fixed base" means a fixed place of business through which an individual independently furnishes personal services;
6. the term "transportation" means any transportation by a vehicle, train, ship or aircraft operated between the South and the North, except when the vehicle, train, ship or aircraft is operated solely within a party; and,
7. the term "competent authority" means the Minister of Finance and Economy or the Minister's authorized representative in the case of the South, and the ????? in the case of the North.
8. As regards the application of the Agreement by a party, any term not defined therein shall have the meaning that it has at that time under the taxation law of that

party.

Article 2 Applicable Entities

This Agreement shall apply to an individual or a company who is a resident of one or both of the parties.

Article 3 Taxes Covered

1. The taxes to which this Agreement shall apply are the following:

a) in case of the South, the income tax, the corporation tax and inhabitant tax; and,

b) in case of the North, the enterprise income tax, the individual income tax and the local tax on income.

2. The Agreement shall also apply to any identical or substantially similar taxes that are imposed after the date of signature of the Agreement in addition to, or in place of, the existing taxes. Both parties shall notify each other of changes that have been made to the taxes covered under this Agreement.

Article 4 Resident Determination

1. The term “resident of a party” means any individual or company who, under the laws of that party, is liable to taxation therein by reason of their domicile, residence, place of management, place of registration or place of head or main office. But this term does not include any individual or company who is liable to taxation in a party with respect to income generated from sources solely in that party.

2. Individuals that are residents of both parties shall be considered as residents of one party under the following conditions:

a) Individuals shall be deemed a resident of a party in which they have a home where they permanently reside; if that individual has homes that they permanently reside in both parties, that individual shall be deemed to be a resident of a party with which that person has closer economic ties;

b) If an individual does not have a home where they permanent reside in either party and if it cannot be determined where that individual has closer economic ties, then that person shall be deemed to be a resident of a party in which that individual usually stays.

3. Where a company is a resident of both parties, then it shall be deemed to be a resident only of the party in which its place of effective management is situated.

4. Where there are questions as to the residency determination of an individual and a company, the competent authorities of the parties shall settle the question by mutual consultation.

Article 5 Permanent Establishment Determination

1. The term “permanent establishment” includes a place of management, a branch, an office, a factory, a workshop, a selling place, a farm, a coal mine, a mine, a quarry, an oil or gas well or any other place of extraction of natural resources. A building site or construction or installation or assembly project or a place in which design or supervisory activity therewith is exercised constitutes a permanent establishment if it lasts more than six months.

2. The term “permanent establishment” shall be deemed not to include locations used for the purposes of purchase, storage, display, delivery or processing of goods and merchandise owned by a company or any other activity of a preparatory or auxiliary character such as advertising or collecting information.

3. Where an agent located in a party acting on behalf of an enterprise from the other party usually exercises the authority to conclude contracts in the name of that enterprise, that enterprise shall be deemed to have a permanent establishment in the party where the agent is located. Where an agent engages in the activities provided in paragraph 2, however, it shall not be deemed to be a permanent establishment.

4. An enterprise of a party shall not be deemed to have a permanent establishment in the other party merely because it carries on business in that other party through a broker or commission agent. Where the activities of such a broker or commission agent, however, are exclusively devoted on behalf of that enterprise, that enterprise shall be deemed to have a permanent establishment in that other party.

5. No enterprise shall be considered a permanent establishment of another enterprise solely because it is an enterprise of a party that controls or is controlled by an enterprise from the other party.

Article 6 Income from Immovable Property

1. Income derived by a resident of a party from immovable property, including income derived from agriculture or forestry, situated in the other party may be taxed in that other party.

2. The term “immovable property” shall include in any case property accessory to immovable property, the right to use land, mountains or forests, usufruct of immovable property, rights to extract natural resources, livestock and equipment used in agriculture and forestry. Ships and aircraft shall not be regarded as immovable property. Unless the context otherwise requires, the term “immovable property” shall have the meaning that it has under the law of the party in which the property in question is located.

3. The provisions of paragraph 1 shall apply to income derived from the direct use, leasing, or use in any other form of immovable property.

4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

Article 7 Enterprise Profits

1. If an enterprise of a party carries on business through a permanent establishment situated in the other party, the profits of the enterprise may be taxed in the other party. In this case, only the profits that are attributable to that permanent establishment in the other party may be taxed.

2. Where an enterprise of a party carries on business in the other party through a permanent establishment situated therein, there shall in each party be attributed to that permanent establishment the profits that it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing independently with the enterprise of which it is a

permanent establishment.

3. In determining the profits of a permanent establishment, there shall be allowed as deductions expenses that are incurred for the operation of the permanent establishment, including executive and general administrative expenses so incurred.

4. In determining the profits of a permanent establishment, there shall not be allowed as deductions royalties, commissions, remuneration or any other similar payment paid as a consideration of intellectual ownership and consultation service furnished by the enterprise of which it is a permanent establishment.

5. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise of which it is a permanent establishment unless its purchase is for the purpose of profit-making.

6. The profits to be attributed to a permanent establishment shall be determined by the same method every year unless sufficient reason to change it exists.

7. Where other Articles of this Agreement provide provisions regarding enterprise profits, those Articles shall apply.

Article 8 Transportation Income

1. Profits derived by an enterprise of a party from operating a means of transportation such as a vehicle, train, ship or aircraft operated between the South and the North by an enterprise of a party may be taxed in that party.

2. Profits derived by an enterprise of a party from operating a means of transportation such as a vehicle, train, ship or aircraft operated between the South and the North, in the other party may also be taxed in that other party pursuant to the taxation law therein. However, 50 percent of the tax so charged shall be exempt in that other party thereof.

3. Income derived from using or leasing a means of transportation including a container also shall be included transportation income.

4. The provisions of paragraphs 1 and 2 shall also apply to profits derived from the participation in the joint management, joint investment or a international management structure.

Article 9 Related Enterprise Profits

1. Under the following conditions where profits that are made or imposed between two enterprises that in their commercial or financial relations differ from those that would be made between independent enterprises, then any profits that would, but for those conditions, have accrued to one of the enterprise, may be included in the profits of that enterprise and taxed accordingly:

a) where an enterprise of a party participates directly or indirectly in the investment or management of an enterprise of the other party; or,

b) where enterprises of both parties jointly participate directly or indirectly in the investment or management of other enterprise in a party or the other party.

2. Where a party includes in the profits of an enterprise of that party-and taxes accordingly-profits on which an enterprise of the other party has been charged to tax in that other party and the profits so included are profits that would have accrued to the enterprise of the first-mentioned party if the conditions made between the two enterprises had been those that would have been made between independent enterprises, then that other party shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Agreement and the competent authorities of the parties shall, if necessary, mutually consult each other.

Article 10 Dividends

1. Dividends paid by a company that is a resident of a party to a resident of the other party may be taxed in that other party.

2. Such dividends may also be taxed according to the laws of that party of which the company paying the dividends is a resident. If the beneficial owner of the dividends is a resident of the other party, the tax so charged shall not exceed 10 percent of the

gross amount of the dividends. This paragraph shall not apply to dividends remitted before the taxes on the profits were paid.

3. The term “dividends” as used in this Article means income derived from shares or rights to participate in profits not being debt-claims, as well as income from other rights that is subjected to the same taxation treatment as income from shares by the laws of the party of which the company making the distribution is a resident and income distributed to an individual or a company that participates in a joint enterprise including a jointly managed company or joint venture.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a party, carries on business in the other party of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other party independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. Where a company that is a resident of a party derives profits or dividends from the other party, that other party may not impose any tax on the undistributed profits or dividends if dividends are not paid to a resident of that other party or if the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base located in that other party, even if the dividends or profits are derived in such other party.

Article 11 Interest Income

1. Interest arising in a party and paid to a resident of the other party may be taxed in that other party.

2. Such interest may also be taxed in the party in which it arises and according to the laws of that party, but if the beneficial owner of the interest is a resident of the other party, the tax so charged shall not exceed 10 per cent of the gross amount of the interest.

3. The term “interest” as used in this Article means income from debt-claims such as national bonds, public bonds, bonds or debentures, including premiums and incen-

tive funds attached to such bonds or debentures.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a party, carries on business in the other party in which the interest arises, through a permanent establishment situated therein, or performs in that other party independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. Interest shall be deemed to arise in a party when the payer is a resident of that party. Where the person paying the interest, whether a resident of a party or not, has in a party a permanent establishment or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the party in which the permanent establishment or fixed base is situated.

6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other individual or company, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provision of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each party, due regard being had to the other provisions of this Agreement.

7. Interest arising in a party and paid to the central or local government or the central bank of the other party shall be exempt from taxation in the first-mentioned party.

Article 12 Royalties

1. Royalties arising in a party and paid to a resident of the other party may be taxed in that other party.

2. Such royalties may also be taxed in the party in which they arise and according to the laws of that party, but if the recipient is the beneficial owner of the royalties, the tax so charged shall not exceed 10 per cent of the gross amount of such royalties.

3. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of scientific, literary or artistic work including cinematograph films and tapes for radio and television broadcasting, any patent, trade mark, design, invention, plan, secret formula or process, or the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

4. This Article shall not apply if the beneficial owner of the royalties, being a resident of a party, carries on business in the other party in which the royalties arises, through a permanent establishment situated therein, or performs in that other party independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. Royalties shall be deemed to arise in a party when the payer is a resident of that party. Where the person paying the royalties, whether a resident of a party or not, has in a party a permanent establishment or a fixed base in connection with which the liability to pay the royalties was incurred, and the royalties are borne by such permanent establishment or fixed base, then the royalties shall be deemed to arise in the party in which the permanent establishment or fixed base is situated.

6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other individual or company, the amount of the royalties paid exceeds the amount that would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provision of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each party, due regard being had to the other provisions of this Agreement.

Article 13 Capital Gains

1. Gains derived by a resident of a party from the sale of immovable property situated in the other party may be taxed in that other party.

2. Gains derived by a resident of a party from the sale of shares or rights including invested capital of a company, the assets of which consist principally of immovable

property situated in the other party, may be taxed in that other party.

3. Gains from the sale of part of the business property of a permanent establishment or fixed base that an enterprise of a party has in the other party including such gains from the sale of such a permanent establishment or fixed base may be taxed in that other party.

4. Gains from the sale of a vehicle, train, ship or aircraft operated between the South and the North by a resident of a party and of property pertaining to the operation of such a vehicle, train, ship or aircraft shall be taxable only in that party.

5. Gains from the sale of any property other than that referred to in paragraphs 1, 2, 3, and 4 shall be taxable only in the party of which the seller is a resident.

Article 14 Independent Personal Services

1. Income from independent personal services or other similar activities derived by a resident of a party who has a fixed base in the other party or is present in that other party for a period or periods aggregating 183 days in any twelve month period may be taxed in that other party.

2. The term “independent personal services” includes especially independent scientific, educational, cultural, artistic activities as well as the independent activities of physicians, attorneys, technicians, architects and accountants.

Article 15 Dependent Personal Services

1. Salaries and other similar remuneration derived by a resident of a party in connection with employment occurring in the other party may be taxed in that other party.

2. Remuneration derived by a resident of a party in connection with employment occurring in the other party shall be taxable only in the first-mentioned party if:

a) the recipient is present in the other party for a period or periods not exceeding in the aggregate 183 days in any twelve month period;

b) the remuneration is paid by, or on behalf of, an employer who is not a resident

of the other party; and,

c) the remuneration is not borne by a permanent establishment or a fixed base that the employer has in the other party.

3. Notwithstanding the provisions of paragraphs 1 and 2, remuneration derived in connection with employment occurring aboard a vehicle, train, ship or aircraft operated between the South and the North by an enterprise of a party shall be taxable only in that party.

4. Salaries, wages and other similar remuneration derived by a resident of a party in connection with employment occurring in the other party for the Government of the first-mentioned party shall be taxable only in the first-mentioned party.

Article 16 Directors' Compensation

Directors' compensation and other similar payments derived by a resident of a party in their capacity as a member of the board of directors of a company that is a resident of the other party may be taxed in that other party.

Article 17 Income of Artists and Sportspersons

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a party as an artist or a sportsperson, from their personal activities as such exercised in the other party, may be taxed in that other party.

2. Where income in respect of personal activities exercised by an artist or a sportsperson in their capacity as such accrues not to the entertainer or sportsperson themselves but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the party in which the activities of the artist or sportsperson are exercised.

3. Where the activities of an artist or sportsperson are exercised under the mutual agreement of or approval from both parties, income in respect of such activities shall be exempt from taxation in the party in which these activities are exercised.

Article 18 Pensions

Pensions and other similar remuneration paid to a resident of a party in consideration of past employment shall be taxable only in that party.

Article 19 Support for Students and Trainees

Support or scholarship that a student or trainee who is a resident of one party receives while residing in another party for the purpose of living expenses, education or training as well as any payment arising from sources outside that party shall be exempt from taxation in that party.

Article 20 Income of Professors and Researchers

1. Remuneration received as consideration of scientific research or teaching services by an individual who was a resident of one party and is residing in the other party at the invitation of a research institution, a university or any recognized educational institution shall be exempt from taxation in that party for two years from the date of their arrival.

2. Paragraph 1 shall not apply if such scientific research or teaching services are undertaken for private interests rather than public interests.

Article 21 Additional Income

1. Items of income of a resident of a party, wherever arising, not covered in the foregoing Articles of this Agreement shall be taxable only in that party.

2. The provisions of paragraph 1 shall not apply to income if the beneficial owner of such income, being a resident of a party, carries on business in the other party through a permanent establishment situated therein, or performs in that other party independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

Article 22 Elimination of Double Taxation

1. Where a resident of a party derives income that was or may be taxed in the other party, the first-mentioned party shall exempt such income from taxation. However, an amount equal to the tax paid or payable in respect of interest, dividends and royalties in the other party shall be allowed as a credit against the tax payable in the first-mentioned party.

2. Where reduction or exemption of the tax against income derived by a resident of a party from the other party is allowed pursuant to the law or other measures of that other party, the resident shall be recognized as having paid the tax concerned by the first-mentioned party.

Article 23 Non-Discrimination

1. A party shall not subject a resident of the other party to any taxation that is more burdensome than the taxation to which a resident of the first-mentioned party in the same circumstances are or may be subjected.

2. The taxation on a permanent establishment in a party that is owned by an enterprise of the other party shall not be less favorably levied in the first-mentioned party than taxation levied on enterprises of that party carrying on the same activities. This provision shall not be construed as obligating a party to grant to residents of the other party reliefs, reductions and exemptions for taxation purposes that it grants to its own residents.

3. Except where the provisions of paragraph 1 of Article 9, paragraph 6 of Article 11, or paragraph 6 of Article 12 apply, interest, royalties and other disbursements paid by an enterprise of a party to a resident of the other party shall, for the purpose of determining these taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned party.

4. Enterprises of a party, the capital of which is wholly or partially owned or controlled, directly or indirectly, by one or more residents of the other party, shall not be subjected in the first-mentioned party to any taxation that is more burdensome than the taxation to which other similar enterprises of the first-mentioned party are or may be subjected.

5. This provisions of this Article shall apply only to taxes provided in Article 3.

Article 24 Mutual Agreement Procedure

1. Where an individual or company considers that the actions of one or both of the parties result or will result in taxation not in accordance with the provisions of this Agreement, that person may present their case to the competent authority of the party of which that person is a resident. The case must be presented within three years from the first notification of the action concerned.

2. The competent authority shall, if it is not itself able to arrive at a satisfactory solution, resolve the case by mutual agreement with the competent authority of the other party.

3. Any problems arising as to the interpretation and application of this Agreement and the prevention of double taxation shall be resolved through mutual consultation by the competent authorities of the parties, the Ministerial Conference between the South and the North or other designated organizations.

Article 25 Exchange of Information

1. The competent authorities of the parties shall exchange such information as is necessary for carrying out the provisions of this Agreement and other relevant tax information.

2. Any information received by a party shall be used only for the purposes of tax assessment or collection and settlement of disputes pursuant to the provisions of this Agreement.

3. A party shall not request any information at variance with legal or administrative measures or contrary to public order from the other party.

Article 26 Amendment and Supplement

If necessary, both parties may amend or supplement the provisions of the Agreement based on mutual agreement. The amended or supplemented provisions shall become effective through the same procedures as provided in Article 27.

Article 27 Entry into Force

1. The Agreement shall come into force on the day the written copies of the Agreement, which are signed by both the South and the North and which have also fulfilled the necessary formalities for effectuation, are exchanged.

2. This Agreement shall apply as follows:

a) in respect of taxes withheld at source, for income amount payable on or after the first day of January in the first calendar year following that in which this Agreement enters into force; and,

b) in respect of other taxes, for the taxable year beginning on or after the first day of January in the first calendar year following that in which this Agreement enters into force.

Article 28 Effective Term

1. This Agreement shall remain in force unless a party initiates its termination. The party that wants to terminate this Agreement may give notice of termination to the other party at least six months before any calendar year beginning after the expiration of a period of five years from the date of its entry into force.

2. If this Agreement is terminated, the following items shall cease to have effect:

a) in respect of taxes withheld at source, for income amount payable on or after the first day of January in the first calendar year following that in which termination of this Agreement is notified; and,

b) in respect of other taxes, for the taxable year beginning on or after the first day of January in the first calendar year following that in which termination of this Agreement is notified.

This Agreement has been executed in duplicate on the date of December 16, 2000, and each original copy shall have the same effect as the other.

Representing the South

Park Jae-kyu
Republic of Korea
Minister of Unification

Chief Delegate of the South for
The Inter-Korean Ministerial Talks

Representing the North

Jon Kum-jin
Democratic People's Republic of Korea
Senior Cabinet Councilor

Chief Delegate of the North for
The Inter-Korean Ministerial Talks

◆ **Inter-Korean Red Cross Talks**

(1) The Agreement to Exchange Visits by Separated Families, Establish and Operate a Reunion Center and Repatriate Unconverted Long-term Prisoners

The South and North Korean Red Cross met on June 27, 2000 in Mt. Kumgang Hotel, to negotiate the details of the agreement reached in the Joint Declaration to resolve humanitarian issues. The talks were a success, and the two sides agreed to exchange visits by separated families, set up and operate a reunion center and repatriate unconverted long-term prisoners.

1. Exchange of Visits by Separated Family Members

- (1) The exchange visits of the separated families will simultaneously take place from August 15~18, 2000.
- (2) The group will comprise of one leader, 100 separated family members, 30 support staff, and 20 members of the press. The two sides can designate the leader of their choice.
- (3) The exchange visits will take place in Pyongyang and Seoul.
- (4) The two sides will exchange the list of 200 separated families 30 days prior to the visit, and will notify each other 20 days before the visit the confirmed members.
- (5) The two sides will notify seven days prior to the visit the finalized list of separated family members, support staff and press corps.
- (6) The two sides, following in the example of the 1985 visit, will allow the families to travel either by land or air.

2. Establish and Operate a Reunion Center

- (1) The two sides will set up and operate a reunion center.
- (2) The details concerning the operation of a reunion center will be discussed at another round of inter-Korean Red Cross talks after the planned September repatriation of the unconverted long-term prisoners.

3. Repatriating Unconverted Long-term Prisoners

- (1) The South will return all unconverted long-term prisoners who wish to return to the North by early September.
- (2) The South will notify the list and profile of the former prisoners, 15 days prior to their repatriation.
- (3) The North will return a confirmation letter 10 days prior to their repatriation.
- (4) They will travel to the North, either by air or land, and the procedural matters will follow the 1993 precedent.

4. To implement the South-North Joint Declaration

The agreement will go into effect at the date signed and exchanged by the two parties.

June 30, 2000

Park Ki-ryun
Chief Delegate
National Red Cross Delegation
Republic of Korea

Choe Sung-chol
Chief Delegate
Red Cross Delegation
DPRK

(2) The Agreement from the Second Inter-Korean Red Cross Talks

The representatives from the Red Cross societies of the South and the North met at the Mt. Kumgang Hotel on September 20~23 to discuss the detailed procedures for implementing the projects to resolve the issue of separated families and agreed as follows:

1. Additional Exchange of Visits by Separated Families

- a. The second groups of visitors shall be exchanged simultaneously from November 2~4 and the third groups, from December 5~7, each for three days and two nights.
- b. The size and the procedure for the exchange shall follow the precedent set in the exchange made on August 15.

2. Address Check

- a. Both sides shall exchange the lists of applicants for address checks, one hundred names in September and another one hundred in October, and the size of the exchanged lists shall be expanded thereafter.
- b. Both sides shall immediately start checking the addresses of the people listed on the delivered list and notify the other party as soon as the results are confirmed.
- c. The way the list and the notification of results is delivered shall follow the precedent set in the exchange on August 15, except that the list shall include the current address of the applicant and the notification of result shall include the subject's current address or the date of death, if applicable.

3. Exchange of Letters

- a. Upon the confirmation of the applicants' addresses, both sides shall allow exchange of letters between them.
- b. Both sides shall allow, as a model case, exchange of letters among the three hundred who will have confirmed their addresses by the month of November and gradu-

ally expand the size of exchanges. The details for this shall be discussed and confirmed during the third round of the Red Cross talks.

4. Establishment and Management of a Permanent Meeting Center

Both sides shall hold the third round of Red Cross talks to discuss and confirm the detailed procedures for establishing and managing a permanent meeting center.

5. The Third Round of the Red Cross Talks

The third round of the Red Cross Talks shall be held in Mt. Kumgang on December 13~15.

6. Effectuation of the Agreement

This agreement shall take effect from the day it is signed and exchanged by both sides.

September 23, 2000

Park Ki-ryun
Chief Delegate
National Red Cross Delegation
Republic of Korea

Choe Sung-chol
Chief Delegate
Red Cross Delegation
DPRK

► **The July 4 South-North Joint Communiqué**

SOUTH-NORTH JOINT COMMUNIQUE

Recently, talks were held in Pyongyang and Seoul to discuss the problems of improving South-North relations and of unifying the divided country.

Lee Hu-rak, Director of the Central Intelligence Agency in Seoul, visited Pyongyang from May 2 - 5, 1972, and held talks with Kim Young-joo of the Organization and Guidance Department of Pyongyang; Vice Premier Park Sung-chul, acting on behalf of Director Kim Young-joo visited Seoul from May 29 - June 1, 1972, and held further talks with Director Lee Hu-rak.

With the common desire of achieving the peaceful unification of the nation as early as possible, the two sides engaged in a frank and openhearted exchange of views during these talks, and made great progress towards promoting mutual understanding.

In an effort to remove the misunderstandings and mistrust, and mitigate the heightened tensions that have arisen between the South and the North as a consequence of their long period of division and moreover, to expedite unification, the two sides reached full agreement on the following points.

1. The two sides agreed on the following principles as a basis of achieving unification:

First, unification shall be achieved independently, without depending on foreign powers and without foreign interference.

Second, unification shall be achieved through peaceful means, without resorting to the use of force against each other.

Third, a great national unity as one people shall be sought first, transcending differences in ideas, ideologies, and systems.

2. In order to ease tensions and foster an atmosphere of mutual trust between the South and the North, the two sides have agreed not to slander or defame each other, not to undertake military provocations whether on a large or small scale, and to take positive measures to prevent inadvertent military incidents.
3. In order to restore severed national ties, promote mutual understanding and to expedite independent peaceful unification, the two sides have agreed to carry out numerous exchanges in various fields.
4. The two sides have agreed to actively cooperate in seeking the early success of the South-North Red Cross talks, which are currently in progress with the fervent support of the entire people of Korea.
5. In order to prevent the outbreak of unexpected military incidents, and to deal directly, promptly, and accurately with problems arising between the South and the North, the two sides have agreed to install a direct telephone line between Seoul and Pyongyang.
6. In order to implement the above items, to solve various problems existing between the South and the North, and to settle the unification problem on the basis of the agreed principles for unification, the two sides have agreed to establish and operate a South-North Coordinating Committee co-chaired by Director Lee Hu-rak and Director Kim Young-joo.
7. Firmly convinced that the above items of agreement correspond with the common aspirations of the entire Korean people, all of whom are anxious for an early unification, the two sides hereby solemnly pledge before the entire Korean people to faithfully carry out these agreed items.

July 4, 1972

Upholding the instructions of their respective superiors

Lee Hu-rak

Kim Young-joo

► **Agreement on Reconciliation, Non-aggression, and Exchanges and Cooperation Between South and North Korea (The Basic Agreement)**

South and North Korea,

In keeping with the longing of the entire Korean race for the peaceful unification of our divided fatherland;

Reaffirming the three basic principles of unification set forth in the South-North Joint Communique of July 4, 1972;

Determined to end the state of political and military confrontation and achieve national reconciliation;

Also determined to avoid armed aggression and hostilities, and to ensure the lessening of tension and the establishment of peace;

Expressing the desire to realize multi-faceted exchanges and cooperation to promote interests and prosperity common to the Korean people.;

Recognizing that their relationship, not being a relationship as between states, is a special one constituted temporarily in the process of unification;

Pledging themselves to exert joint efforts to achieve peaceful unification;

Hereby agreed as follows;

CHAPTER 1: SOUTH-NORTH RECONCILIATION

1. South and North Korea shall recognize and respect the system of each other.
2. South and North Korea shall not interfere in the internal affairs of each other.
3. South and North Korea shall not slander or defame each other.

4. South and North Korea shall refrain from any acts of sabotage or insurrection against each other.

5. South and North Korea shall together endeavor to transform the present state of armistice into a firm state of peace between the two sides and shall abide by the present Military Armistice Agreement until such a state of peace is realized.

6. South and North Korea shall cease to compete with or confront each other, and instead shall cooperate and endeavor to promote the racial dignity and interests of Korea in the international arena.

7. South and North Korea shall establish and operate a South-North Liaison Office at Panmunjom within three months of the entry into force of this Agreement to ensure close liaison and consultations between the two sides.

8. South and North Korea shall establish a South-North Political Committee within the framework of the South-North High-Level Negotiations within one month of the entry into force of this Agreement to consider concrete measures to ensure the implementation and observance of the agreement on South-North reconciliation.

CHAPTER 2: AGREEMENT OF NON-AGGRESSION BETWEEN SOUTH AND NORTH KOREA

9. South and North Korea shall not use force against each other and shall not undertake armed aggression against each other.

10. South and North Korea shall resolve peacefully, through dialogue and negotiation, any differences of views and disputes arising between them.

11. The South-North demarcation line and the areas for non-aggression shall be identical with the Military Demarcation Line provided in the Military Armistice Agreement of July 27, 1953, and the areas that each side has exercised jurisdiction over until the present time.

12. In order to implement and guarantee non-aggression, the South and the North shall establish a South-North Joint Military Commission within three months of the entry into force of this Agreement. In the said Commission, the two sides shall dis-

cuss problems and carry out steps to build up military confidence and realize arms reduction, in particular, the mutual notification and control of large-scale movements of military units and major military exercises, the peaceful utilization of the Demilitarized Zone, exchanges of military personnel and information, phased reductions in armaments including the elimination of weapons of mass destruction and attack capabilities, and verifications thereof.

13. South and North Korea shall install and operate a telephone line between the military authorities of each side to prevent the outbreak and escalation of accidental armed clashes.

14. South and North Korea shall establish a South-North Military Sub-Committee within the framework of the South-North High-Level Negotiations within one month of the entry into force of this Agreement to discuss concrete measures for the implementation and observance of the agreement on non-aggression and to remove the state of military confrontation.

CHAPTER 3: EXCHANGES AND COOPERATION BETWEEN SOUTH AND NORTH KOREA

15. In order to promote the integrated and balanced development of the national economy and the welfare of the entire people, the South and the North shall engage in economic exchanges and cooperation, including the joint development of resources, the trade of goods as intra-Korean commerce and joint ventures.

16. South and North Korea shall carry out exchanges and promote cooperation in various fields such as science and technology, education, literature and the arts, health, sports, the environment, journalism and media including newspapers, radio, television broadcasts, and other publications.

17. South and North Korea shall implement freedom of intra-Korean travel and contact among the members of the Korean people.

18. South and North Korea shall permit free correspondence, movement between the two sides, meetings, and visits between dispersed family members and other relatives, promote their voluntary reunion, and take measures to resolve other humanitarian issues.

19. South and North Korea shall reconnect the railway and the previously severed

roads, and shall open sea and air routes.

20. South and North Korea shall establish and link facilities for exchanges by post and telecommunications, and shall guarantee the confidentiality of intra-Korean mail and telecommunications.

21. South and North Korea shall cooperate in the international arena in the economic, cultural and other fields, and shall advance abroad together.

22. In order to implement the agreement on exchanges and cooperation in the economic, cultural, and other fields, South and North Korea shall establish joint commissions for each sector, including a Joint South-North Economic Exchanges and Cooperation Commission, within three months of the entry into force of this Agreement.

23. A Sub-committee on South-North Exchanges and Cooperation shall be established within the framework of the South-North High-Level Negotiations within one month of the entry into force of this Agreement, to discuss concrete measures for the implementation and observance of the agreement on South-North exchanges and cooperation.

CHAPTER 4: AMENDMENTS AND EFFECTUATION

25. This Agreement may be amended or supplemented by agreement between the two sides.

26. This Agreement shall enter into force from the date the South and the North exchange the appropriate instruments following the completion of the respective procedures necessary for its implementation.

Signed on December 13, 1991*

Chung Won-shik
Chief Delegate of the South delegation
to the South-North High-Level Talks
Prime Minister of the Republic of Korea

Yon Hyong-muk
Head of the North delegation
to the South-North High-Level Talks
Premier of the Administration Council of the
Democratic People's Republic of Korea

* This Agreement entered into force on February 19, 1992.



2. Chronology of Inter-Korean Relations: 1998~2000

1998

- o Jan. 7 The acting president of the North Korean Red Cross sends a letter to the president of South Korean Red Cross urging the repatriation of unconverted long-term prisoners.
- o Jan. 17 North Korea criticizes KBS for airing a show entitled Until Azaleas Blossom.
- o Jan. 20-24 KEDO and North Korea hold a high-level expert meeting at the Hyangsan Hotel.
- o Jan. 22 The United States and South Korea hold a policy consultation meeting between assistant minister-level officials.

- o Feb. 5 KEDO conducts a study of the impact of LWR construction on the marine environment in the Sinpo district.
- o Feb. 5 The United States announces 200,000 ton of food aid to North Korea for 1998.
- o Feb. 5-6 KEDO holds an executive committee meeting on cost sharing in New York.
- o Feb. 12 The United Nations announces a \$400-million worth of humanitarian aid to North Korea.
- o Feb. 15 North Korean Social Security Agency announces the establishment of an information center for separated families.
- o Feb. 17 The two Koreas open a direct inter-Korean air traffic control communication line using the satellite ASIASAT II.
- o Feb. 18 North Korea holds a joint meeting between political parties and social organizations.
- o Feb. 19 The acting president of the North Korean Red Cross proposes a contact between South and North Korean liaison officers regarding letters sent to the the South Korean political parties and social organizations.
- o Feb. 19 The South Korean Red Cross president agrees to accept the North Korean letters.
- o Feb. 25 In his inauguration address, President Kim Dae-jung proposes an exchange of special envoys to implement the South-North Basic Agreement of 1992.
- o Mar. 1 President Kim Dae-jung urges the exchange of special envoys, address checks for separate families and family reunions.
- o Mar. 9 The South Korean government announces a 50,000 ton corn-

equivalent donation of food aid to North Korea through the WFP.

- o Mar. 10 The South Korean Red Cross president sends a letter to the North proposing the fifth round of contact between representatives of South and North Korean Red Cross with regard to food aid.
- o Mar. 11 The acting president of North Korean Red Cross sends a letter to the South making a revised proposal for the fifth round of the Red Cross contact.
- o Mar. 13 The South Korean Red Cross president sends a letter to the North notifying his acceptance of the North Korean proposal.
- o Mar. 14 The second preparatory meeting for four-party talks is held in Geneva.
- o Mar. 16-21 The second round of four-party talks is held in Geneva.
- o Mar. 18 The South Korean government announces measures to promote aid to North Korea by the private sector, which allowed fundraising events and sponsorship by media and businesses as well as the provision of aid in the form of joint ventures.
- o Mar. 19-20 KEDO holds an executive committee meeting on cost sharing in New York.
- o Mar. 25-27 The fifth round of inter-Korean Red Cross talks is held in Beijing to discuss procedures for delivering relief aid to the North. The South and North Korean Red Cross reach an agreement on the procedures for the delivery of the third package of relief aid.
- o Apr. 4 The acting president of the North Korean Red Cross sends a letter to the South proposing talks between the representatives of the South and North Korean authorities regarding the North's request for fertilizer aid.
- o Apr. 6 The South Korean Red Cross president sends a letter to the North

accepting the North Korean proposal for talks, but proposing a change in the venue for the meeting.

- o Apr. 7 The acting president of North Korean Red Cross sends a letter to the South insisting on Beijing as the venue for the talks.
- o Apr. 8 The South Korean Red Cross president sends a letter to the North notifying his agreement on the venue as well as the list of South Korean delegates to the talks.
- o Apr. 10 The acting president of North Korean Red Cross sends a letter to the South notifying the list of North Korean delegates to the talks.
- o Apr. 11-17 Talks between the representatives of South and North Korean authorities are held in Beijing.
- o Apr. 23 An air route through the Taegu-Pyongyang flight information region is opened.

KEDO holds an executive committee meeting on cost sharing in New York.

- o Apr. 30 The South Korean government announces the measures to promote inter-Korean economic cooperation, including the expansion of the frequent visiting system for large groups and business organizations, curtailment of the list of goods that require export permission, and easing of restrictions on the export of production facilities to the North and on the type and size of investment in the North.
- o May 2-12 The Little Angels art troupe performs in Pyongyang.
- o May 5-9 KEDO and North Korea hold the fifth round of high-level expert talk in Mt. Myohyang.
- o May 8 KEDO conducts a study of the impact of LWR construction on the marine environment in the Sinpo district.
- o May 8 The European Union dispatches an agricultural study mission to North Korea.

- o Jun. 1-2 KEDO holds an executive committee meeting on cost sharing in New York
 - o Jun. 15 North Korea proposes contacts between liaison officers for the delivery of letters regarding the August 15 Grand Festival.
- South Korea receives the North Korean letters regarding the August 15 Grand Festival.
- o Jun. 16 Honorary Hyundai Chairman Chung Ju-yong visits the North with a herd of 500 cows via Panmunjom.
 - o Jun. 22 Unification Minister Kang In-duk proposes a working-level contact regarding the celebration of August 15 Liberation Day.
 - o Jun. 22 The Joint Chiefs of Staff announces that a North Korean submarine was grounded on the East Coast.
 - o Jun. 23 The two Koreas have general officers' talks in Panmunjom.
 - o Jun. 28-29 KEDO holds an executive committee meeting on cost sharing in Brussels.
 - o Jun. 30 The two Koreas have general officers' talks in Panmunjom.
 - o Jul. 9 The construction of the Freedom House in the truce village of Panmunjom is completed.
 - o Jul. 12 The corpses of North Korean armed commandoes are discovered in Mukho.
 - o Jul. 15 The National Security Council (NSC) issues a resolution urging the North to admit, apologize and promise not to repeat the infiltration by a submarine and armed commandoes.
 - o Jul. 27-28 KEDO holds an executive committee meeting on cost sharing in New York and initials the agreement.

- o Jul. 29 The Ministry of Unification announces its reaffirmation of the validity of the South-North Basic Agreement of 1992.

- o Aug. 15 In his Liberation Day address, President Kim Dae-jung confirms the three principles of his North Korea policy, encourages support for every type of inter-Korean economic cooperation, urges activation of joint committees in each area, proposes the establishment of a standing ministerial or vice ministerial body for inter-Korean dialogue and conveys his willingness to dispatch a presidential envoy to Pyongyang

- o Aug. 18 The North Korean Refugees Supporting Committee is formed.

- o Aug. 20 Through an open letter consisting of questions, the North Korean Committee for the Peaceful Reunification of the Fatherland (CPRF) indirectly refuses President Kim's proposals made in his August 15 address.

- o Aug. 21-Sept. 5 The United States and North Korea hold high-level talks in New York.

- o Aug. 31 Responding to North Korea's launching of a missile, Japan withholds consent for the resolution on LWR cost sharing.

- o Sept. 1 The government amends procedures for visiting North Korea, allowing the elder members of separated families to visit the North simply by reporting visits to the government.

- o Sept. 3 The Korean Council for Reconciliation and Cooperation (KCRC) is formed.

- o Sept. 5 The first session of the 10th North Korean Supreme People's Assembly opens.

- o Sept. 7 The government issues permission for a cooperation project to Hyundai Merchant Marine, Hyundai Construction and Kungang Development.

- o Sept. 10 The United States and North Korea reach agreement on the implementation of the Agreed Framework. The United States agrees to resume delivery of heavy fuel oil by the second half of September and complete the delivery by the end of the year while North Korea agrees to resume sealing of the spent fuel rods in Yongbyon.

- o Sept. 10 A direct air route between Japan and North Korea through the Taegu-Pyongyang flight information region is opened.

- o Sept. 18 The government allows the provision of humanitarian aid to the North by individual private organizations through the South Korean Red Cross.

- o Sept. 20 North Korea claims that the South Korean government has intentionally poisoned cows that had been donated by Chung Ju-yong and had died following their delivery to North Korea.

- o Sept. 23 The second session of the 8th Unification Advisors Conference is held in Olympic Stadium I.

- o Sept. 25 The Separated Families Information Integration Center opens.

- o Sept. 30 Chang Mu-hwan, a South Korean POW from the Korean War, returns home.

- o Oct. 16 North Korea sends to Hyundai a written account of the death of cows donated by Chung Ju-yong issued in the name of a Chief Secretary of the Asia-Pacific Peace Committee.

- o Oct. 21-24 The third round of four-party talks is held in Geneva.

- o Oct. 27 The second herd of 501 cows donated by Honorary Hyundai Chairman Chung Ju-yong is delivered to the North.

- o Oct. 31~Nov. 7 A Yun I-sang memorial concert is held in Pyongyang.

- o Nov. 9 KEDO hold an executive meeting in New York and adopts a resolution on cost sharing.

- o Nov. 17 A communication network of six lines is opened to support Mt. Kumgang tourism.
- o Nov. 18 The first Mt. Kumgang cruiser sets sail.
- o Dec. 1 The Unification, Foreign Affairs and Trade Committee of the 198th National Assembly adopts a resolution urging the North to allow address checks and reunions of separated families and to immediately accept on-the-spot inspection of suspicious underground facilities.
- o Dec. 13 On the 7th anniversary of the adoption of the South-North Basic Agreement of 1992, the Unification Ministry spokesman urges the North to implement the agreement.
- o Dec. 14 South Korea sends the National Assembly resolution urging the address checks and reunions of separated families to the North.

1999

- o Jan. 1 In his New Year's address, President Kim Dae-jung stresses that, while maintaining a strong posture against North Korea's provocation by cooperating closely with the friendly countries, he will promote active engagement as long as the North shows a positive attitude.
- o Jan. 4 President Kim presides over an NSC meeting, which decides on three national objectives and basic directions in pursuing national unification: expansion of peace and stability on the Korean Peninsula, continued promotion of inter-Korean reconciliation and cooperation, and consolidation of international support for and cooperation with the Sunshine Policy.
- o Jan. 15 The government approves Hyundai's plans for developing the Mt. Kumgang area.

The United States and South Korea hold an annual security consultation meeting (SCM) and release a joint statement. While urging the North once again to allow an access to the suspected underground facilities, the two countries confirm the resolution of Korean issues by the two Koreas themselves and the importance of successful progress of the four-party talks.

- o Jan. 16-24 The United States and North Korea hold the third round of talks regarding Kumchang-ri underground facilities in Geneva.
- o Jan. 19-22 The fourth round of four-party talk is held in Geneva. The subcommittees on establishing a peace regime and on tension reduction also meet.
- o Jan. 30-Feb. 6 Dr. Kim Soon-kwon from the International Corn Foundation visits North Korea and reaches an agreement with the North on cultivating improved varieties of corn in over 1,000 villages.
- o Feb. 3 North Korea proposes a joint meeting between political parties and social organizations as well as high-level political talks. As preconditions, Pyongyang demands the denunciation of cooperation with foreign forces and disruption of joint military exercises, abolition of the National Security Law, and guaranties of freedom for activities undertaken by patriotic organizations and individuals.
- o Feb. 9 The United States, Japan and South Korea hold a Trilateral Coordination and Oversight Group (TCOG) meeting in Seoul.
- o Feb. 10 The South Korean government announces the diversification of channels for delivering humanitarian aid to the North.
- o Feb. 11 The fourth round of general officers' talks is held in Panmunjom.
- o Feb. 22-Mar. 11 A 23-member working-level Hyundai mission on the West Coast Industrial Complex visits the North.
- o Feb. 27 The United States and North Korea meet in New York for the fourth round of talks over the suspected underground facilities in Kumchang-ri.

- o Feb. 28 The Mt. Kungang rest area and performing center, first private structures built jointly by South and North Korea since the division of the country, are completed.
- o Mar. 9-11 Honorary Hyundai Chairman Chung Ju-young visits the North via Panmunjom.
- o Mar. 9 The fifth round of general officers' talks is held in Panmunjom.
- o Mar. 11 The South Korean Red Cross announces a plan to raise funds for fertilizer aid to North Korea from March 15-June 15.
- o Mar. 16 The United States and North Korea reach agreement in the fourth round of talks over suspected underground nuclear facilities in Kumchnag-ri held in New York. North Korea agrees to allow an American inspection mission to visit the facilities first in May 1999 and to make an additional visit at a date to be determined. The United States promises food aid for humanitarian purposes. The two countries agree to take measures to improve their relations.
- o Mar. 17 Through the liaison office in Panmunjom, South Korea delivers to the North a National Assembly resolution and the Speaker's letter urging prompt implementation of the South-North Basic Agreement of 1992.
- o Mar. 25 The South Korean Minister of Foreign Affairs and Trade addresses human right issues in North Korea during the 55th UN Human Rights Committee meeting.
- o Mar. 29-30 The United States and North Korea hold the fourth round of missile talks in Pyongyang.
- o Mar. 30 The South Korean Red Cross announces its plan to provide 5,000 tons of fertilizer aid to North Korea.
- o Mar. 31 South and North Korean cargo ships collide with each other off the coast of Sri Lanka.

- o Apr. 10 An inter-Korean meeting of forest experts is held in Mt. Kumgang to discuss the joint control of pine tree gall midges.
- o Apr. 23 South and North Korea initiate secret contacts in Beijing.
- o Apr. 24-27 The fifth round of four-party talks is held in Geneva.
- o Apr. 26 President Kim Dae-jung states his support for six-party talks including South and North Korea, the United States, Japan, China and Russia.
- o Apr. 28-May 4 A Korean Confederation of Trade Unions (KCTU) delegation visits North Korea to discuss an inter-Korean soccer match between South and North Korean workers.
- o May 5 During a satellite interview with CNN, President Kim proposes the need to address five problems as part of the task of dismantling the Cold War structure on the Korean Peninsula: improving bilateral relations between North Korea and the United States and Japan, expanding reconciliation and cooperation between South and North Korea, creating a favorable environment for North Korea to open up, preventing the proliferation of weapons of mass destruction and converting the existing armistice regime into a peace regime.
- o May 14-15 US Special Envoy Charles Kartman visits North Korea to discuss the on-the-spot inspections of the Kumchang-ri facilities.
- o May 18-24 A US mission to inspect the Kumchang-ri facilities, headed by Joel Wit of the State Department, visits North Korea.
- o May 25-28 US North Korea Policy Coordinator William Perry visits North Korea and meets with First Vice Foreign Minister Kang Sok-ju.
- o May 28 White House Spokesman James Rubin announces that the inspection at Kumchang-ri facilities shows no evidence that North Korea has violated the 1994 Agreed Framework .
- o May 31 South Korean Ministry of Unification announces a simplification of the application procedures for separated families to meet with North

Korean relatives.

- o Jun. 3 Through secret contacts in Beijing, South and North Korea reach an agreement on vice ministerial talks.
- o Jun. 3-7 Chairman of the Presidium of the Supreme People's Assembly (DPRK) Kim Young-nam makes an official visit to China. He meets with President Jiang Zemin and visits Shanghai and other local cities.
- o Jun. 8-15 Six North Korean patrol boats violate the Southern Limit Line in the West Sea.
- o Jun. 10 The government decides to use the Inter-Korean Cooperation Fund to pay the additional cost of 200,000 tons of fertilizer beyond the amount raised the private donations.
- o Jun. 15 South and North Korean navies exchange fire in the West Sea.

The sixth round of general officers' talks is held in Panmunjom.
- o Jun. 16 A spokesman for North Korean Committee for the Peaceful Reunification of the Fatherland (CPRF) announces restrictions on visits of South Korean citizens to the North.
- o Jun. 20 North Korea detains a Mt. Kumgang tourist for six days. Mt. Kumgang tourism is disrupted from June 22 to August 5.
- o Jun. 22-26 The first round of inter-Korean vice ministerial talks is held in Beijing.
- o Jun. 23-24 The United States and North Korea hold high-level talks in Beijing led by US Ambassador-at-large Charles Kartman and DPRK Vice Foreign Minister Kim Gye-kwan.
- o Jun. 25 The South Korean government announces that the safety of tourists must be guaranteed before tourism to Mt. Kumgang is resumed.

- o Jun. 28 Hyundai and North Korea's Asia-Pacific Peace Committee meet in Beijing to discuss measures to protect the safety of Mt. Kungang tourists.

- o Jul. 1-3 The second round of inter-Korean vice ministerial talks is held in Beijing.

- o Jul. 2 The 8th round of general officers' talks is held in Panmunjom.

The South Korean government signs a \$3.2 billion loan contract with KEDO.

- o Jul. 4 The KCRC proposes a joint meeting of South and North Korean political parties and social organizations.

- o Jul. 8 The Hanawon, a North Korean refugee supporting facility, opens.

- o Jul. 9 108 Hyundai workers visit the North to work on the construction of Jangjon Harbor.

- o Jul. 21 The 9th round of general officers' talks is held in Panmunjom.

- o Jul. 25-29 A South and North Korean Young Men and Students' seminar on national unification is held in Beijing.

- o Aug. 1 The Ministry of Unification announces the resumption of Mt. Kungang tourism on August 5.

- o Aug. 3-9 The United States and North Korea hold a high-level talk in Geneva to discuss North Korea's missile launching led by US Ambassador-at-large Charles Kartman and DPRK Vice Foreign Minister Kim Gye-kwan.

- o Aug. 5-9 The sixth round of four-party talks is held in Geneva.

- o Aug. 9-14 The KCTU soccer team visits the North to participate in an inter-Korean match against a North Korean labor union team.

- o Aug. 11 In a letter by the South Korean Red Cross president, the South Korean government proposes to the North a working-level meeting to promote joint flood prevention in the Injin River valley.
- o Aug. 12 In a statement made on the 28th anniversary of the proposal for Red Cross talks, the South Korean Red Cross president urges faithful implementation of the June 3 agreement on family reunions.
- o Aug. 15 In a Liberation Day speech, President Kim stresses that both security and reconciliation must be promoted together to bring a durable peace to the Korean Peninsula. He also says that the South Korean government hopes to open inter-Korean exchange at the government level.

Participants in the 1999 Human Band for National Reconciliation and Peaceful Unification form a 53km-long human chain between Seoul and the Unification Bridge in Paju.

North Korea holds the 1999 Unification Grand Festival and the 10th Pan-National Congress.

- o Aug. 16 The LWR Planning Board announces that site preparations by KEDO are extended by four months until December 15.
- o Aug. 17 The 10th round of general officers' talks is held in Panmunjom.
- o Aug. 18 North Korean Foreign Ministry spokesman announces its willingness to have missile talks with the United States.
- o Aug. 20 In an interview at United Nations headquarters, WFP Secretary General Catherine Bertini says that, despite improvements, the food situation in North Korea is still far from the normalcy.
- o Aug. 23 South Korea and China hold defense ministers' talks and agree on a regular exchange of military missions.

South Korea and Japan hold foreign ministers' talks and reaffirm

bilateral cooperation against North Korean missiles.

- o Aug. 31 The North Korean Red Cross sends a letter to the South demanding the repatriation of unconverted long-term prisoners.
- o Aug. 31-Sept.7 Ten South Korean senior painters visit the North to tour North Korean mountains and rivers.
- o Sept. 1 The 11th round of general officers' talks is held in Panmunjom.
- o Sept. 2 The General Staff of the North Korean People's Army declares the nullification of the Northern Limit Line (NLL) in the West Sea and unilaterally insists on the concept of a West Sea Military Demarcation Line.

South Korea and Russia hold defense ministers' talks and agree that North Korean missiles are a threat to stability in Northeast Asia.

- o Sept. 3 The National Security Council (NSC) Standing Committee and Joint Chiefs of Staff reaffirm the government's adherence to the NLL.
- o Sept. 7-12 The United States and North Korea hold high-level talks in Berlin and agree that Pyongyang will refrain from missile launching while Washington will ease economic sanctions against the North.
- o Sept. 14 North Korean Foreign Minister Paek Nam-sun visits New York to attend the 54th UN General Assembly.
- o Sept. 15 US North Korea Policy Coordinator William Perry reports to Congress on his policy recommendations.
- o Sept. 17 US President Bill Clinton announces the easing of economic sanction against North Korea.
- o Sept. 18 The NSC Standing Committee announces South Korea's support for the US policy to ease sanctions.

- o Sept. 20 The National Assembly ratifies the Comprehensive Test Ban Treaty (CTBT).
- o Sept. 20 In Wien, the International Atomic Energy Agency (IAEA) adopts a resolution urging North Korea to implement the safety agreement.
- o Sept. 22-24 US North Korea Policy Coordinator William Perry visits South Korea and Japan.
- o Sept. 22 South and North Korea hold an inter-Korean meeting of forestry experts in Beijing to discuss reforestation in North Korea.
- o Sept. 24 Japanese Prime Minister Keizo Obuchi expresses his support for the Perry report.

The North Korean Foreign Ministry spokesman declares a moratorium on missile launching.

- o Sept. 25 North Korean Foreign Minister Paek Nam-sun says he will make a statement during his speech at the General Assembly that North Korea will refrain from missile launching while missile talks with the United States are ongoing.
- o Sept. 27 In an interview with the press, North Korean Foreign Minister Paek Nam-sun says that an inter-Korean summit will be possible if Seoul agrees on the three principles in pursuing national unification and Pyongyang's proposal for talks.
- o Sept. 27-Oct. 1 Hyundai basketball team visits North Korea to participate in an inter-Korean goodwill match for national unification.
- o Sept. 27-Oct. 2 North Korea and KEDO hold high-level talks in Mt. Myohyang.
- o Sept. 28-Oct. 2 Honorary Hyundai Chairman Chung Ju-young visits North Korea to discuss with Chairman Kim Jong-il matters related to the development of an industrial complex on the west coast.

- o Sept. 29 The Hyundai Group begins the construction of Pyongyang Indoor Sports Complex.
- o Oct. 1 In Wien, the IAEA adopts by unanimous vote a resolution urging North Korea to implement the safety agreement.
- o Oct. 3 During his National Foundation Day speech, Prime Minister Kim Jong-pil urges the North to faithfully implement the Basic Agreement of 1992 and to participate in inter-Korean reconciliation and cooperation.
- o Oct. 4 Assistant Minister Chang Jae-ryong replaces Ambassador Park Kun-woo as head of the South Korean delegation to the four-party talks.
- o Oct. 5-9 Chinese Foreign Minister Tang Jiaxuan visits North Korea to celebrate the 50th anniversary of the establishment of the DPRK-PRC relationship.
- o Oct. 8 The United States and North Korea agree on direct delivery of the remains of the American soldiers in Pyongyang, rather than via the United Nations Command in Panmunjom.
- o Oct. 14-17 The Korean Society for Tree Protection visits North Korea to study the effectiveness of pesticide on pine needle gall midges in the Mt. Kungang area.
- o Oct. 19 In a speech before the National Assembly, President Kim Dae-jung reveals a plan to create an inter-Korean economic community.
- o Oct. 20-26 US State Department and Agency of International Development Agency (AID) staff visit North Korea to address transparency in the distribution of food aid.
- o Oct. 21 The Ministry of Unification revises the Guideline for the Use of the Inter-Korean Cooperation Fund to make it possible for the government to provide financial assistance from the Fund to small-and-medium businesses and private organizations involved in providing humanitarian aid to the North.

Japan signs the LWR cost sharing agreement.

- o Oct. 22 The Ministry of Unification permits the public to watch North Korean satellite TV. The general public may watch North Korean programs at the North Korean Information Center of the Institute for Unification Education.
- o Oct. 23 Mt. Kumgang tourism is made available on an experimental basis to foreigners staying in South Korea.
- o Oct. 25 The United States receives the remains of four American soldiers directly in Pyongyang.
- o Oct. 26-27 South and North Korean and overseas Korean scholars hold the 5th Conference on Unification in Beijing.
- o Oct. 29 The Korea Tobacco & Ginseng Corporation and North Korea's Kwangmyongsong General Company announce an agreement on joint production of cigarettes.
- o Nov. 1-20 A 16-member survey team visits three possible sites for the West Sea industrial complex, including Shinuiju, Haeju and Nampo.
- o Nov. 2 The Japanese government unfreezes the operation of chartered flights between Japan and North Korea.
- o Nov. 3-4 North Korea holds a pioneers' rally for the second Chollima Great March.
- o Nov. 6 The United States completes the delivery of 500,000 tons of heavy fuel oil to North Korea.
- o Nov. 6-13 National Assemblyman Kim Kyong-jae visits North Korea to discuss the possibility of holding a unification concert.
- o Nov. 9-16 Korea University President Kim Jung-bae visits North Korea to discuss the possibility of holding an academic conference on Dangun,

the legendary founder of the Korean nation in Pyongyang on the National Foundation Day in 2000.

- o Nov. 15-19 The United States and North Korea hold high-level talks in Berlin led by US ambassador-at-large Charles Kartman and DPRK Vice Minister Kim Gye-kwan.
- o Nov. 15-19 Chung Mong-joon, president of Korean Football Association and vice president of FIFA, visits North Korea and reaches an agreement in principle on the formation of a single Korean team to compete in the World Cup and other international soccer championships. Pyongyang expresses reluctance about hosting World Cup matches in North Korea.
- o Nov. 24 The South Korean Red Cross president sends a letter to his North Korean counterpart, proposing to resolve humanitarian issues through an impartial dialogue between the two Koreas.
- o Dec. 1-3 Former Japanese Prime Minister Tomiichi Murayama and a group of Diet members visit North Korea to meet with North Korean Workers party Secretary Kim Young-sun and deliver a letter from Prime Minister Keizo Obuchi.
- o Dec. 5 US President Bill Clinton's younger brother, Roger Clinton, and South Korean popular singers participate in the 2000 Peace and Friendship Concert held in Pyongyang.
- o Dec. 14 Japan lifts sanctions which had been imposed against North Korea following Pyongyang's 1998 missile launch.
- o Dec. 15 KEDO signs a turnkey contract with KEPCO. According to the contract, KEPCO will build two Korean standard type light-water reactors, each with a capacity of 1 million kW in Sinpo in North Korea.
- o Dec. 15-17 The United States and North Korea hold talks in Berlin on the excavation of the remains of American soldiers.

- o Dec. 16 Through the South-North Liaison office in Panmunjom, the KCRC sends to the North a letter proposing a joint meeting of South and North Korean political parties and social organizations.
- o Dec. 19-20 Japan and North Korea hold Red Cross talks in Beijing to discuss matters related to food aid and alleged abduction of Japanese citizens by North Korean agents.
- o Dec. 20 South Korean artists participate in the National Unification Music Concert held in Pyongyang.
- o Dec. 21-22 Japan and North Korea hold preliminary talks on normalization in Beijing.
- o Dec. 22-25 62 members of a North Korean basketball team led by Asia-Pacific Peace Committee visit Seoul to play in an inter-Korean match, which is broadcast in North Korea by the DPRK Central TV.

2000

- o Jan. 3 In his New Year's speech, President Kim proposes to create an inter-Korean economic community.
- o Jan. 5 The NSC decides on three objectives in Seoul's North Korea policy in the year 2000: maintenance of a strong security posture, promotion of the establishment of an inter-Korean economic community and expansion of diplomatic efforts to terminate the Cold War on the Korean Peninsula.
- o Jan. 12 The Korea Tobacco & Ginseng Corporation announces that Hanmaum (One Mind), a new brand of cigarettes jointly produced by South and North Korea, will be marketed simultaneously in Pyongyang and Seoul from March 1.
- o Feb. 1 The United States, Japan and South Korea hold a TCOG meeting in

- Seoul to coordinate their North Korea policies.
- o Feb. 17 The South Korean government establishes the Guidelines for Employment and Protection of North Korean Refugees.
 - o Feb. 22-25 KEDO and North Korea hold high-level expert talks at Mt. Myohyang located in North Pyongan Province.
 - o Mar. 9 President Kim Dae-jung delivers the Berlin Declaration and expresses his desire to assist North Korea's economic recovery, terminate the Cold War and establish peace on the Korean Peninsula, resolve the issues of separated families, resume inter-Korean dialogue and exchange special envoys.
 - o Mar. 9 Dadaepo Harbor in Busan becomes the new home for one of the Mt. Kumgang cruisers, The Pungak.
 - o Mar. 17-Apr.8 A series of contacts between South and North Korean special envoys occur in Shanghai and Beijing. South Korean Minister of Culture and Tourism Park Jie-won and his North Korean counterpart, Vice Chairman Song Ho-kyong of Asia-Pacific Peace Committee reach an agreement on an inter-Korean summit.
 - o Mar. 23 As a follow-up measure to unilateral drawing of the West Sea Military Demarcation Line, the North Korean Navy Command announces a six-point list of restrictions on travel to five West Sea islands.
 - o Apr. 10 The South and North Korean government simultaneously announce their intention to hold an inter-Korean summit.
 - o Apr. 22 The first round of preparatory meetings for the inter-Korean summit is held in Panmunjom.
 - o Apr. 27 The second round of preparatory meeting for the inter-Korean summit is held in Panmunjom.

- o May 3 The third round of preparatory meetings for the inter-Korean summit is held in Panmunjom.
- o May 7 At a general meeting of the Asia Development Bank, Economy and Finance Minister Lee Hun-jae asks members' support for North Korea's membership.
- o May 8 The fourth round of preparatory meetings for the inter-Korean summit is held in Panmunjom. The two Koreas continue their discussion through an exchange of documents during May 9-17.
- o May 13 The first working-level meeting on communications and media issues is held in Panmunjom in preparation for the inter-Korean summit.
- o May 16 A working-level meeting on protocol and escort issues is held in Panmunjom in preparation for the inter-Korean summit .
- o May 17 The second working-level meeting in the communication and media issues is held in Panmunjom in preparation for the inter-Korean summit.
- o May 18 The two Koreas hold the fifth round of preparatory meetings for the inter-Korean summit in Panmunjom and reach an agreement on practical procedures for the implementation of the inter-Korean agreement signed on April 8, 2000.
- o May 24-30 North Korea's Pyongyang Student and Youth Art Troupe performs in Seoul.
- o May 29-31 Chairman Kim Jong-il visits China.
- o May 29-Jun. 10 North Korea's Pyongyang Circus Troupe performs in Seoul.
- o May 31 A 30-member advance team for the inter-Korean summit enters the North.
- o Jun. 13-15 South and North Korea hold the inter-Korean summit in Pyongyang and adopt a Joint Declaration on June 15.

- o Jun. 27-30 Inter-Korean Red Cross talks are held in Mt. Kumgang.
- o Jul. 26 The first inter-Korean foreign ministers' meeting is held in Bangkok.
- o Jul. 29-31 The first round of inter-Korean ministerial talks between South Korean Unification Minister Park Jae-kyu and his North Korean counterpart Jon Kum-jin are held in Seoul.
- o Aug. 5-12 The heads of South Korean media and press visit the North and meet with Chairman Kim Jong-il. The two Koreas announce an agreement on expanding exchanges between South and North Korean media and press.
- o Aug. 8 Hyundai Asan Chairman Chung Mong-hun takes 500 cows on a visit to the North.
- o Aug. 14 Inter-Korean liaison offices resume operations.
- o Aug. 15-18 The first round of cross visits by separated families takes place in Seoul and Pyongyang.
- o Aug. 18-24 The North Korean National Symphony Orchestra visits Seoul and makes a joint performance with South Korean National Symphony Orchestra.
- o Aug. 22 Hyundai and North Korea sign an agreement on the development of the Kaesong Industrial Complex.
- o Aug. 29-Sept. 1 The second round of ministerial talks is held in Pyongyang.
- o Sept. 2 The South Korean government repatriates 63 unconverted long-term prisoners to the North.
- o Sept. 4 North Korea's SPA Presidium Chairman Kim Young-nam cancels his trip to New York to attend the United Nations Millennium Summit.

- o Sept. 6-8 President Kim Dae-jung attends the UN Millennium Summit.
- o Sept. 6 South Korea and China hold a summit meeting in New York.
- o Sept.8 South Korea and Russia hold a summit meeting in New York.
- o Sept. 11-14 North Korean special envoy Kim Yong-sun visits the South.
- o Sept. 15 The South and North Korean delegation to the Sydney Olympic Games march together in the opening ceremony.
- o Sept. 18 A groundbreaking ceremony for Seoul-Shinuiju railway is held at Imjingak.
- o Sept. 20-23 The second round of inter-Korean Red Cross talks is held in Mt. Kungang.
- o Sept. 22-27 A group of 50 pro-North Korean residents in Japan visit their hometowns in the South.
- o Sept. 22-28 A group of 109 South Korean tourists visit Mt. Paektu.
- o Sept. 25-26 The first round of inter-Korean ministers' talks is held in Cheju Island.

The first working-level economic meeting is held in Seoul.
- o Sept. 27-30 The third round of inter-Korean ministerial talks is held in Cheju Island.
- o Sept. 28 The South Korean government announces a plan to provide a food loan to North Korea.
- o Oct. 4 The Korea Export and Import Bank signs a loan contract with North Korea's External Trade Bank.
- o Oct. 9-12 North Korean special envoy Jo Myong-rok visits Washington, D.C. The United States and North Korea announce a joint communique

on October 10.

- o Oct. 9-14 A South Korean delegation visits the North to observe the celebration of the 55th anniversary of the North Korean Workers' Party.
- o Oct.15 Hyundai Asan signs a 30-year contract to lease North Korea's Kungangsan Hotel.
- o Oct. 18 South Korea and China hold a summit in Seoul.
- o Oct. 20 The ASEM leaders adopt a declaration on Korean peace during the summit meeting held in Seoul.
- o Oct. 23-25 US Secretary of State Madeleine Albright visits North Korea. She meets with Chairman Kim Jong-il twice and discusses various issues, including those related to North Korean missiles.
- o Nov. 2 NS21 sends a copy of South Korean movie The Joint Security Area (JSA) to the North.
- o Nov. 7 The Korea Sharing Movement donates 10,000 units of handcars to North Korea as part of the organization's efforts to support the modernization of North Korean economy.
- o Nov. 8-11 The second working-level economic meeting is held in Pyongyang and the two Koreas initial four economic agreements, including one on investment protection.
- o Nov. 11-19 A group of eleven movie makers, directors and actors visits the North.
- o Nov. 16 North Korea and the United Nations Command hold a general officers' talk in Panmunjom and reach an agreement on transferring the administrative rights over a part of the Demilitarized Zone to the South Korean authorities.
- o Nov. 17-22 The second group of 119 pro-North Korean residents in Japan visits their hometowns in the South.

- o Nov. 21 Hyundai and North Korea open a direct private telephone line between Seoul and Pyongyang.
- o Nov. 28 The first round of working-level military talks to discuss the connection of the Seoul-Shinuiju railway and Munsan-Kaeson highway is held in Panmunjom.
- o Nov. 30-Dec. 2 The second exchange of family reunions takes place in Seoul and Pyongyang.
- o Dec. 5 The second round of working-level military talks is held in Panmunjom.
- o Dec. 7 The Seoul Family Court approves the registration of North Korean residents in a South Korean family registry.
- o Dec. 8 President Kim Dae-jung receives the Nobel Peace Prize.
- o Dec. 11-14 KCTU holds a debate on unification between South and North Korean laborers in Mt. Kumgang.
- o Dec. 12-16 The fourth round of ministerial talks is held in Pyongyang.
- o Dec. 21 The third round of working-level military talks is held in Panmunjom.
- o Dec. 22 KEPCO and Hyundai Construction announce the closing of the LWR turn-key contract with North Korea.
- o Dec. 27-30 The first meeting of the Inter-Korean Economic Cooperation Promotion Committee is held in Pyongyang.



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